

ManpowerGroup Inc.
Form 10-Q
May 03, 2013

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended:

March 31, 2013

or

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from: _____ to _____

Commission file number: 1-10686

MANPOWERGROUP INC.
(Exact name of registrant as specified in its charter)

Wisconsin 39-1672779
(State or other jurisdiction of incorporation)(IRS Employer Identification No.)

100 Manpower Place
Milwaukee, Wisconsin 53212
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (414) 961-1000

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding at May 1, 2013
Common Stock, \$.01 par value	77,130,718

ManpowerGroup Inc.

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PART I - FINANCIAL INFORMATION

Item 1 – Financial Statements (unaudited)

ManpowerGroup Inc.

Consolidated Balance Sheets (Unaudited)
(in millions)

ASSETS

	March 31, 2013	December 31, 2012
CURRENT ASSETS:		
Cash and cash equivalents	\$ 583.4	\$ 648.1
Accounts receivable, less allowance for doubtful accounts of \$111.6 and \$118.0, respectively	4,042.0	4,179.0
Prepaid expenses and other assets	180.4	172.9
Future income tax benefits	80.0	60.6
Total current assets	4,885.8	5,060.6
OTHER ASSETS:		
Goodwill	1,031.0	1,041.3
Intangible assets, less accumulated amortization of \$221.0 and \$213.2, respectively	321.8	330.6
Other assets	386.9	395.3
Total other assets	1,739.7	1,767.2
PROPERTY AND EQUIPMENT:		
Land, buildings, leasehold improvements and equipment	690.9	704.1
Less: accumulated depreciation and amortization	513.1	519.3
Net property and equipment	177.8	184.8
Total assets	\$ 6,803.3	\$ 7,012.6

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ManpowerGroup Inc.

Consolidated Balance Sheets (Unaudited)
(in millions, except share and per share data)

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31, 2013	December 31, 2012
CURRENT LIABILITIES:		
Accounts payable	\$ 1,470.0	\$ 1,466.5
Employee compensation payable	174.2	210.7
Accrued liabilities	493.9	533.8
Accrued payroll taxes and insurance	597.3	685.7
Value added taxes payable	437.5	472.5
Short-term borrowings and current maturities of long-term debt	302.2	308.0
Total current liabilities	3,475.1	3,677.2
OTHER LIABILITIES:		
Long-term debt	448.9	462.1
Other long-term liabilities	378.2	372.5
Total other liabilities	827.1	834.6
SHAREHOLDERS' EQUITY:		
Preferred stock, \$.01 par value, authorized 25,000,000 shares, none issued	-	-
Common stock, \$.01 par value, authorized 125,000,000 shares, issued 109,965,533 and 109,543,492 shares, respectively	1.1	1.1
Capital in excess of par value	2,890.1	2,873.2
Retained earnings	1,125.4	1,101.5
Accumulated other comprehensive (loss) income	(6.9)	34.4
Treasury stock at cost, 32,901,506 and 32,896,063 shares, respectively	(1,508.6)	(1,509.4)
Total shareholders' equity	2,501.1	2,500.8
Total liabilities and shareholders' equity	\$ 6,803.3	\$ 7,012.6

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ManpowerGroup Inc.

Consolidated Statements of Operations (Unaudited)
(in millions, except per share data)

	3 Months Ended March 31,	
	2013	2012
Revenues from services	\$ 4,768.9	\$ 5,096.4
Cost of services	3,978.8	4,249.0
Gross profit	790.1	847.4
Selling and administrative expenses	735.7	753.6
Operating profit	54.4	93.8
Interest and other expenses	11.5	11.8
Earnings before income taxes	42.9	82.0
Provision for income taxes	19.0	41.8
Net earnings	\$ 23.9	\$ 40.2
Net earnings per share – basic	\$ 0.31	\$ 0.50
Net earnings per share – diluted	\$ 0.31	\$ 0.50
Weighted average shares – basic	77.1	80.2
Weighted average shares – diluted	78.2	80.9

ManpowerGroup Inc.

Consolidated Statements of Comprehensive (Loss) Income (Unaudited)
(in millions)

	3 Months Ended March 31,	
	2013	2012
Net earnings	\$ 23.9	\$ 40.2
Other comprehensive (loss) income:		
Foreign currency translation adjustments	(31.0)	39.3
Translation adjustments on net investment hedge, less income taxes of \$7.4 and \$(7.1), respectively	12.1	(11.7)
Translation adjustments of long-term intercompany loans	(23.6)	9.3
Unrealized gain on investments, less income taxes of \$0.4 and \$0.8, respectively	1.2	2.2
Amortization of net loss included in pension plan net periodic benefit cost, less income taxes of \$0.0 and \$0.1, respectively	-	0.4
Total other comprehensive (loss) income	(41.3)	39.5
Comprehensive (loss) income	\$ (17.4)	\$ 79.7

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ManpowerGroup Inc.

Consolidated Statements of Cash Flows (Unaudited)
(in millions)

	3 Months Ended March 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 23.9	\$ 40.2
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation and amortization	24.2	24.3
Deferred income taxes	2.7	(0.8)
Provision for doubtful accounts	5.9	5.0
Share-based compensation	6.5	6.9
Excess tax benefit on exercise of share-based awards	(0.3)	—
Changes in operating assets and liabilities, excluding the impact of acquisitions:		
Accounts receivable	20.2	34.4
Other assets	(17.1)	(16.7)
Other liabilities	(128.3)	(114.0)
Cash used in operating activities	(62.3)	(20.7)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(12.8)	(19.7)
Acquisitions of businesses, net of cash acquired	—	(1.5)
Proceeds from the sale of property and equipment	0.6	0.1
Cash used in investing activities	(12.2)	(21.1)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in short-term borrowings	2.2	9.5
Proceeds from long-term debt	—	0.1
Repayments of long-term debt	(0.3)	(8.4)
Proceeds from share-based awards	10.2	3.5
Other share-based award transactions	1.0	(4.5)
Cash provided by financing activities	13.1	0.2
Effect of exchange rate changes on cash	(3.3)	14.6
Change in cash and cash equivalents	(64.7)	(27.0)
Cash and cash equivalents, beginning of year	648.1	580.5
Cash and cash equivalents, end of period	\$ 583.4	\$ 553.5
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ 2.6	\$ 2.8
Income taxes (refunded) paid, net	\$ (13.3)	\$ 17.2

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ManpowerGroup Inc.

Notes to Consolidated Financial Statements (Unaudited)
For the Three Months Ended March 31, 2013 and 2012
(in millions, except share and per share data)

(1) Basis of Presentation and Accounting Policies

Basis of Presentation

Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission, although we believe that the disclosures are adequate to make the information presented not misleading. These Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements included in our 2012 Annual Report to Shareholders.

The information furnished reflects all adjustments that, in the opinion of management, were necessary for a fair statement of the results of operations for the periods presented. Such adjustments were of a normal recurring nature.

Subsequent Events

We have evaluated events and transactions occurring after the balance sheet date through our filing date and noted no events that are subject to recognition or disclosure.

(2) Recently Issued Accounting Standards

In December 2011, the FASB issued new accounting guidance on balance sheet offsetting. The new guidance requires an entity to disclose both gross information and net information about instruments and transactions eligible for offset in the statement of financial position. It also requires disclosures on instruments and transactions subject to an agreement similar to a master netting agreement. We adopted this guidance effective January 1, 2013. There was no impact of this adoption on our Consolidated Financial Statements.

In July 2012, the FASB issued new accounting guidance on testing indefinite-lived intangible assets other than goodwill for impairment. The new guidance allows entities the option to first assess qualitative factors to determine whether it is necessary to perform the quantitative impairment test. An entity electing to perform a qualitative assessment is no longer required to calculate the fair value of an indefinite-lived intangible asset unless the entity determines, based on a qualitative assessment, that it is "more likely than not" that the asset is impaired. We adopted this guidance effective January 1, 2013. We perform annual impairment tests in the third quarter of each year. The application of the guidance to our annual impairment tests is not expected to have a significant impact on our Consolidated Financial Statements.

In February 2013, the FASB issued new accounting guidance on comprehensive income. The new guidance requires an entity to provide information about the changes in accumulated other comprehensive income by component. An entity is also required to present significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. We adopted this guidance effective January 1, 2013. There was no material impact of this adoption on our Consolidated Financial Statements.

In March 2013, the FASB issued new accounting guidance on cumulative translation adjustment. The new guidance requires that currency translation adjustments should be released into net income only if the sale of a foreign subsidiary results in the complete liquidation of the entity. For an equity method investment that is a foreign entity, a pro rata portion of the currency translation adjustments should be released into net income upon a partial sale of such an equity method investment. The new guidance also clarifies that the sale of an investment in a foreign entity includes both (1) events that result in the loss of a controlling financial interest in the foreign entity and (2) events that result in an acquirer's obtaining control of an acquiree in which it held an equity interest immediately before the acquisition date, otherwise known as a "step acquisition." Accordingly, the cumulative translation adjustment should be released into net income upon the occurrence of those events. The guidance is effective for us in 2014. We are currently assessing the impact of the adoption of this guidance on our Consolidated Financial Statements.

(3) Share-Based Compensation Plans

During the three months ended March 31, 2013 and 2012, we recognized share-based compensation expense of approximately \$6.5 and \$6.9, respectively, related to stock options, deferred stock, restricted stock and performance share units. Consideration received from share-based awards was \$10.2 and \$3.5 for the three months ended March 31, 2013 and 2012, respectively. We recognize share-based compensation expense in selling and administrative expenses on a straight-line basis over the service period of each award.

Our annual grant of share-based compensation generally takes place during the first quarter of each fiscal year. The number of shares underlying grants to all employees and the weighted-average fair value per share for shares granted during the first quarter of 2013 and 2012 are presented in the table below:

	3 Months Ended March 31,			
	2013		2012	
	Shares Granted (thousands)	Wtd.-Avg. Per Share Fair Value	Shares Granted (thousands)	Wtd.-Avg. Per Share Fair Value
Stock Options	221	\$ 17.99	302	\$ 15.88
Deferred Stock Units	15	42.44		