

## Administer Plc: Net sales increased significantly, cost inflation weakened profitability

31.8.2023 08:30:00 EEST | Administer Oyj | Company Announcement

Administer Plc – Half-year Financial Review release 31 August 2023 at 8:30 EEST

This release is a summary of Administer’s Half-year Financial Review January-June 2023. The complete report is attached to this release as a pdf-file. It is also available at [www.administergroup.com/en/investors](http://www.administergroup.com/en/investors).

*Figures in parenthesis refer to the comparison period in the previous year, unless otherwise stated.*

### January-June 2023

#### Key figures

- Net sales EUR 39.2 million (23.9), showing an increase of 64.1%. The increase was caused particularly by the acquisition of Econia. Organic growth was nearly 10%, and it stemmed mainly from payroll management, staffing and software.
- EBITDA EUR 1.6 million (1.0), or 4.0% (4.2%) of the net sales. The increase was mainly caused by the corporate acquisitions carried out during 2022; cost inflation burdened relative profitability.
- Operating profit (loss) EUR -1.3 million (-0.5), or -3.3% (-2.1%) of the net sales. The operating profit was weighed down by amortisation of goodwill from the acquisitions, amounting to EUR -2,0 million (-1,0) in total.

#### Key events

- Kimmo Herranen started as the new CEO of Administer Group on 1 May 2023.
- Econia, part of Administer Group, continued to execute its growth strategy by carrying out a corporate acquisition that supports the growth of its international and Compliance services. With the acquisition of its own service platform, Econia can provide significantly better and more comprehensive services for preventing grey economy and ensuring regulatory compliance.
- Administer’s accounting firm business carried out three accounting firm acquisitions.
- Silta, part of Administer Group, entered into a significant agreement with an energy industry company relating to outsourced payroll and working time management services.
- The company started preparations for a profitability programme focusing on improving long-term result and profitability.

#### KEY FIGURES

EUR million, unless stated otherwise	1-6/ 2023	1-6/ 2022	Change, %	1-12/ 2022
Net sales	39.2	23.9	+64.1%	52.8
EBITDA	1.6	1.0	+53.1%	3.8
% of net sales	4.0%	4.2%		7.1%
Operating profit (EBITA) adjusted with amortisation of goodwill	0.7	0.6	+26.9%	2.7
% of net sales	1.8%	2.3%		5.1%
Operating profit (loss)	-1.3	-0.5		0.1
Profit before appropriations and tax	-1.6	-0.5		-0.3
Result adjusted with amortisation of goodwill	0.2	0.5		1.8
% of net sales	0.4%	2.0%		3.5%
Earnings per share (EPS)	-0.13	-0.05		-0.05

Return on equity (ROE), %	-6.3%	-9.4%		-2.0%
Equity ratio, %	46.8%	68.0%		48.7%
Debt-to-equity ratio, %	51.5%	14.8%		51.1%
Personnel on average	1,026	576	+78.1%	657
Personnel at the end of the review period	1,087	596	+82.4%	1,029

## CEO's review

The first half of 2023 was rather divided for us. Our net sales increased by 64 per cent to EUR 39.2 million mainly due to the acquisition of Econia carried out at the end of last year. In addition, we grew organically in payroll services, staffing and software. On the other hand, our profitability was on an unsatisfactory level due to the accelerated cost inflation, with several business areas falling short of their profitability targets. All in all, our markets remained relatively stable during the review period, although inflation and the general economic situation increased uncertainty.

For me personally, the period was a highly interesting one as I started as the CEO of Administer Group in May. I am very excited about this new task, having served as Silta Oy's CEO before taking on this position. Administer is a leading company in its industry with a comprehensive, high-quality service offering in payroll and financial management as well as HR services and consulting.

In the payroll service business, we are the market leader in Finland, and our subsidiary Silta continued its good organic growth during the review period, gaining yet another significant customer in the energy industry. Going forward, we also seek growth in payroll services in the public sector wellbeing services counties through our high-quality service offering.

Our EBITDA increased to EUR 1.6 million and was 4.0 per cent of the net sales. Our profitability was weighed down by salary inflation and other increased expenses, which we were unable to fully transfer into customer prices. Consequently, we lowered our outlook regarding EBITDA margin for 2023 in August. We will continue our activities to improve profitability and increase operational efficiency in the second half-year. The one-time payment paid in connection with the labour market settlement of our industry was recorded in the first-half result in its entirety.

During the review period, we completed the rationalisation project concerning our office premises and made the integration of units that have joined the Group through acquisitions more efficient. We estimate that these measures will have a positive impact on our result from the second half of the year onwards. However, these actions alone are not enough to sufficiently improve our profitability, and we have therefore begun to prepare a profitability programme focusing on improving long-term result and profitability.

A new CEO, Pasi Kiihkinen, was appointed for our subsidiary Adner, which suffered customer losses last year. At the same time, the strategy of Adner, which provides financial management outsourcing services, was updated to reflect that the company utilises Microsoft Dynamics 365 Business Central software offered by subsidiary EmCe Enterprise Solutions Oy in its services. Furthermore, the financial administration of Administer Group was strengthened and Kalle Lehtonen started in August 2023 as the Group's new CFO.

We continued to implement our growth strategy by carrying out an acquisition relating to international and Compliance services and three accounting firm acquisitions. Going forward, our main focus will be on improving profitability and maintaining growth. We will continue to seek growth through acquisitions and organic growth in Finland and the Baltic Sea region. As for other key themes in our strategy, personnel and customer satisfaction have developed favourably and personnel turnover has decreased.

We have grown from a small company into a versatile expert in payroll and financial management, HR, software and consulting, and we want to be the best in our industry in the Baltic Sea region. I am convinced that with our skilled personnel and by supporting the business of our partners, we can reach our goals.

Kimmo Herranen  
CEO

## Outlook

On 8 August 2023, Administer lowered its outlook concerning EBITDA margin for 2023. The company estimates that net sales will materialise as previously forecast.

### **New outlook (published on 8 August 2023)**

Administer seeks to continue growth investments as well as organic and inorganic growth in 2023. Administer estimates that its net sales will be EUR 76-81 million (52.8 in 2022) and its EBITDA margin will be 4-8% (7.1 in 2022) in 2023.

## Previous outlook (published on 30 March 2023)

Administer seeks to continue growth investments as well as organic and inorganic growth in 2023. Administer estimates that its net sales will be EUR 76–81 million (52.8 in 2022) and its EBITDA margin will be 7–9% (7.1 in 2022) in 2023.

## Risks and near-term uncertainties

Interruptions or disturbances in Administer's IT, network or communication systems may lead to unforeseen costs and malfunctions and be detrimental to the business operations of the company or its customers. Data security breaches targeted at IT systems and data links or other data security breaches may be detrimental to Administer or its customers and negatively impact Administer's business.

Administer's field of business is competitive and the competition is fragmented, which may have a negative impact on the company's operations, if Administer is unable to respond to competitor pricing or service quality or fails to develop new products or services.

Corporate acquisitions are an important part of the company's growth strategy. Administer may fail in integrating corporate acquisitions or finding new acquisition targets or an acquisition may fail.

Administer's brand and reputation are important competitive advantages, and reputation damage might have negative impacts on Administer's business and market position.

There are uncertainties relating to Finland's economic development this year. Administer has no business operations in Russia or Ukraine, but the reduced financial activity may also have negative impacts on Administer's net sales and result through customer companies.

The acceleration of inflation in Finland may also be reflected in wages and, together with personnel turnover, increase Administer's expenses and weaken profitability if the company is not able to transfer the increased expenses into the prices of the services it produces. The acceleration of the inflation may also increase interest levels and thereby impact the price of external funding of Administer.

## More information

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## Webinar

CEO Kimmo Herranen and CFO Kalle Lehtonen will present the result in a webinar on 31 August 2023 at 11.00 a.m. EEST. Questions can be sent during the event via the chat function. The event will be held in Finnish.

You can join the webinar at <https://administer.videosync.fi/h1-2023-results>

A recording will be available after the event at <https://administergroup.com/sijoittajat/>.

## Contacts

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## About Administer Oyj

**Administer Group**, founded in 1985, is a Finnish company that offers financial and payroll management services, consulting and software services, staffing and recruitment services as well as compliance and advisory services. Our customers include organisations of all sizes, from small and mid-sized companies to large enterprises and municipalities. Our goal is to reform the financial management service market by developing new technologies and solutions. Measured in revenue, we are one of the largest providers of financial management services and HR and payroll services in Finland. In 2022, our revenue was EUR 53 million and we employed over 700 financial management professionals.

## Attachments

- [Download announcement as PDF.pdf](#)
- [Administer 1-6 2023 EN.pdf](#)