

Administer Plc: Profitability improvement accelerated significantly - EBITDA increased by 131%

15.8.2024 08:30:00 EEST | Administer Oyj | Company Announcement

Administer Plc – Half-year Financial Review release 15 August 2024 at 8:30 EEST

This release is a summary of Administer’s Half-year Financial Review January-June 2024. The complete report is attached to this release as a pdf-file. It is also available at www.administergroup.com/en/investors.

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

January-June 2024

Key figures

- Net sales were EUR 38.4 million (39.2), showing a decrease of 2.2%. Due to staffing, the Group’s net sales are more affected by fluctuations in economic cycles than before.
- EBITDA was EUR 3.6 million (1.6), or 9.4% (4.0%) of the net sales. The company’s profitability programme is clearly reflected in the improved EBITDA.
- Operating profit was EUR 0.6 million (-1.3), or 1.6% (-3.3%) of the net sales. The operating profit was weighed down by amortisation of goodwill from the acquisitions, amounting to EUR -2.0 million (-2.0) in total.

April-June 2024

Key figures

- Net sales were EUR 19.3 million (19.6), showing a decrease of 1.3%.
- EBITDA was EUR 1.9 million (0.4), or 9.6% (2.3%) of the net sales.
- Operating profit was EUR 0.4 million (-1.0), or 1.9% (-5.1%) of the net sales. The operating profit was weighed down by amortisation of goodwill from the acquisitions, amounting to EUR -1.0 million (-1.0) in total.

Key events

- In March 2024, the company published its revised strategy. The strategy is based on profitable growth and efficient use of business synergies, both in the customer interface and in internal processes.
- The improvement in profitability compared to the corresponding period in the previous year demonstrates that the company has succeeded in making a significant turn-around in its profitability development.
- In connection with the repayment of an old, subordinated loan related to Adner, the company signed an agreement that had a one-time positive impact of EUR 0.5 million on the financial income and result of the financial period in the second quarter.
- The company has completed small acquisitions in its accounting firm business and housing management services.

KEY FIGURES

EUR million unless otherwise stated	1-6/ 2024	1-6/ 2023	Change, %	4-6/ 2024	4-6/ 2023	Change, %	1-12/ 2023
Net sales	38.4	39.2	-2.2%	19.3	19.6	-1.3%	75.9
EBITDA	3.6	1.6	131.3%	1.9	0.4	320.5%	2.8
% of net sales	9.4%	4.0%		9.6%	2.3%		3.8%
Operating profit (EBITA) adjusted with amortisation of goodwill	2.6	0.7	276.6%	1.4	-0.0		1.0
% of net sales	6.9%	1.8%		7.1%	-0.1%		1.3%
Operating profit/loss	0.6	-1.3		0.4	-1.0		-3.0
Profit/loss before appropriations and tax	0.6	-1.6		0.6	-1.6		-3.9

Result adjusted with amortisation of goodwill	2.5	0.2		1.5	-0.3		0.1
% of net sales	6.6%	0.4%		7.9%	-1.4%		0.1%
Result for the financial period	0.5	-1.8		0.5	-1.3		-3.9
Earnings per share (EPS)	0.04	-0.13		0.04	-0.09		-0.27
Return on equity (ROE), %	-5.6%	-6.3%		-5.6%	-6.3%		-14.1%
Equity ratio, %	46.4%	46.8%		46.4%	46.8%		44.0%
Debt-to-equity ratio, %	47.0%	51.5%	-8.7%	47.0%	51.5%	-8.7%	53.6%
Personnel on average	1,070	1,026	4.3%	1,088	1,127	-3.5%	1,110

CEO's review

I am extremely pleased with the EBITDA development during the first half of the year. The improvement in profitability compared to the corresponding period in the previous year demonstrates that we have succeeded in making a significant turn-around in our profitability development. Our revised strategy is proving that it works in practice. This is well demonstrated by, for example, the internal synergies in enhancing processes, as well as by the Group's shared customers like Metsäkeskus Forest Centre. The relative improvement in EBITDA is also affected by the cyclical fluctuations in the accounting firm business.

The first half-year period of the year 2024 developed almost as planned. The one deviation from the plan mainly concerned net sales: our net sales decreased by 2.2% to EUR 38.4 million. Due to staffing, the Group's net sales are more affected by fluctuations in economic cycles than before. Our profitability programme is clearly reflected in the improved EBITDA, which amounted to EUR 3.6 million, or 9.4% of net sales.

Administer and the City of Pieksämäki have signed an agreement on Kuntalaskenta becoming a subsidiary of Administer Plc, which previously had a minority ownership in the company. The transaction will be completed during the third quarter. With this change, we can integrate Kuntalaskenta into Administer Group's management system and establish Kuntalaskenta as a responsible and reliable partner in financial management outsourcing in the public sector. This change supports our long-term strategy of being a relevant player as a partner for the public sector, where we see significant growth opportunities in the coming years.

The acquisition of Kuntalaskenta, now a subsidiary of the Group, will change our reporting in that Kuntalaskenta will be consolidated in the Group's figures as of 1 September 2024. This will have a positive effect on our net sales and correspondingly a decreasing effect on the Group's EBITDA, however, the impact is minor.

We have agreed on the repayment of an old, subordinated loan related to Adner, resulting in a one-time positive impact of EUR 0.5 million on the financial income and the result of the financial period in the second quarter. Adner Oy will be merged with the parent company during the latter part of the year, and the financial management outsourcing services offered by Adner to mid-sized companies will continue under the Administer brand.

Announced in March 2024, the Group's revised strategy is based on profitable growth and efficient use of business synergies, both in the customer interface and in internal processes. The strategy clarifies our operations as a group, providing a framework for both growth and operational development. We have four strong primary brands: Silta Oy, Econia Oy, accounting firm Administer, and EmCe Solution Partner Oy. The versatile offering of these companies creates a unique whole, where different services support one another. We are implementing our strategy in all business operations.

The Group's financial development in April-June 2024

In April-June, the Group's net sales were EUR 19.3 million (19.6), showing a decrease of 1.3%. The decline in net sales was mainly due to the reduction in Econia's net sales. In the second quarter, the decrease in net sales levelled off slightly compared to January-March.

In April-June, EBITDA was EUR 1.9 million (0.4), or 9.6% (2.3%) of the net sales. The profitability programme is clearly reflected in the improved EBITDA, and the profitability improvement accelerated in the second quarter.

Business area review

During the review period, the net sales of Silta, which offers payroll and HR services, has continued its positive development. In January-June, the net sales increased by 4.1% and were EUR 13.2 million. In April-June, the net sales increased by 4.6% to EUR 6.7 million. The launch of expert rental services has started off as planned, and the objective is to

continue expanding this business. The strategic business projects, such as expanding tailored productizations for different customer groups, are progressing.

The net sales of Econia, which offers HR services and staffing, international services, as well as domestic financial management services, declined by 9.7% to EUR 11.4 million in January–June. In April–June, the net sales declined by 4.5% and were EUR 6.0 million. The cyclical fluctuations in staffing impact the development of net sales. In Compliance services, a significant first step was taken together with a large Finnish energy industry player. Our proprietary Sedatus service platform had an important role in launching this initiative. In the financial management business, we have continued to gain new customers at a steady pace.

The net sales of Administer’s accounting firm business grew by 2.6%, amounting to EUR 9.5 million in January–June. In April–June, the net sales declined by 0.3% and were EUR 4.6 million. The accounting firm business has been particularly successful in public competitive tendering related to the outsourcing of the financial management of larger organisations. Expanding the automation of AI-based functions in the eFina system has continued, making the business considerably more effective. The most important strategic initiative is the continuous development of customer satisfaction, and the Group has invested in this initiative in particular during the review period.

In January–June, the net sales of EmCe, which provides software services, decreased by 1.8% to EUR 4.0 million. In April–June, the net sales declined by 1.9% and were EUR 1.9 million. The Business Central ERP business, in particular, has gained new customers. We continued the development of the degree of automation and usability of our own software during the review period. The strategic goal of increasing synergies is reflected especially in the utilisation of EmCe software in the Group’s shared customer relationships.

In the current economic climate, organic growth poses a challenge in all our business operations. We seek to find solutions to this by crystallising our own strengths and utilising the Group’s synergies more efficiently than before. In line with our strategy, we plan to grow profitably in Finland and selected markets in the Baltic Sea region, both organically and inorganically. The turn-around in profitability also provides us with better prerequisites for growth through acquisitions.

We can be satisfied with our performance during the first half of the year, and for this, I would like to give special thanks to our excellent staff and all our customers. At the same time, I recognise that we can still significantly improve on our current performance level.

Kimmo Herranen
CEO

Outlook

Administer seeks to continue growth investments as well as organic and inorganic growth in 2024. Administer estimates that its net sales will be EUR 76–81 million and its EBITDA margin will be 6–9% in 2024.

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 still uncertainties relating to the development of the Finnish economy, as economic growth turned negative in the latter half of 2022. 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 inflation may also increase interest rates and thereby impact the price of external funding of Administer.

The company may not succeed in acquiring funding with affordable terms or at all, and its financing expenses may increase. Also, breaching the covenants included in the credit agreements of the company and its Group companies may complicate the availability of funding for the company, increase the company's financing expenses, or lead to premature maturity of the Group's loans.

More information

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Webinar

CEO Kimmo Herranen and CFO Kalle Lehtonen will present the result in a webinar on 15 August 2024 at 11:00 a.m. EEST. Questions can be sent during the event via the chat function.

You can join the webinar at <https://administer.videosync.fi/q2-2024>.

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

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About Administer Oyj

Administer Group is a multi-talent in payroll and financial management services, software services, consulting, personnel and international services. We are the largest salary outsourcing partner in Finland and the leading expert in the fight against the grey economy. Our services are used by more than 5,000 customers, from SMEs to large companies, as well as municipalities and other public sector actors. Founded in 1985, the company is listed on the First North list of Nasdaq Helsinki.

Administer Group consists of payroll management service company Silta Oy, accounting company Administer, business service and employment expert Econia Oy and software company EmCe Solution Partner Oy. In addition, the Group includes other subsidiaries and associated companies.

www.administergroup.com

Attachments

- [Download announcement as PDF.pdf](#)
- [Administer Group Half-year financial review 2024.pdf](#)