

Administer Plc: Growth continued strong, main focus in increasing profitability

6.3.2024 08:30:00 EET | Administer Oyj | Company Announcement

Administer Plc: Financial statements release 6 March 2024 8.30 EET

This release is a summary of Administer's Financial statements release 2023. The complete report is attached to this release as a pdf-file. It is also available at www.administergroup.com/en/investors.

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

July–December 2023

Key figures

- Net sales EUR 36.6 million (28.9), showing an increase of 27.0%. The increase was caused particularly by the corporate acquisitions made and the growth achieved by Silta.
- EBITDA EUR 1.3 million (2.7), or 3.5% (9.5%) of the net sales.
- Comparable EBITDA was EUR 1.7 million (2.7), or 4.6% (9.5%) of the net sales.
- Operating profit EUR -1.7 million (0.6), or -4.6% (2.2%) of the net sales. The operating profit was weighed down by amortisation of goodwill from the acquisitions, amounting to EUR -2.0 million (-1.5) in total.

January–December 2023

Key figures

- Net sales EUR 75.9 million (52.8), showing an increase of 43.8%. The increase was caused particularly by the corporate acquisitions made and the growth achieved by Silta.
- EBITDA EUR 2.9 million (3.8), or 3.8% (7.1%) of the net sales.
- Comparable EBITDA was EUR 3.3 million (3.8), or 4.3% (7.1%) of the net sales.
- Operating profit EUR -3.0 million (0.1), or -3.9% (0.2%) of the net sales. The operating profit was weighed down by amortisation of goodwill from the acquisitions, amounting to EUR -4.0 million (-2.5) in total.

Key events in 2023

- 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 a profitability programme focusing on improving long-term result and profitability.

KEY FIGURES

EUR million unless otherwise stated	7–12/ 2023	7–12/ 2022	Change, %	1–12/ 2023	1–12/ 2022	Change, %
Net sales	36.6	28.9	+27.0%	75.9	52.8	43.8%
EBITDA	1.3	2.7	-53.0%	2.9	3.8	-24.3%
% of net sales	3.5%	9.5%		3.8%	7.1%	

Operating profit (EBITA) adjusted with amortisation of goodwill	0.3	2.1	-85.7%	1.0	2.7	-62.4%
% of net sales	0.8%	7.3%		1.3%	5.1%	
Operating profit/loss	-1.7	0.6	-370.0%	-3.0	0.1	-2 240.6%
Profit/loss before appropriations and tax	-2.4	0.3		-3.9	-0.3	
Result adjusted with amortisation of goodwill	-0.1	1.4		0.0	1.8	
% of net sales	-0.2%	4.7%		0.1%	3.5%	
Earnings per share (EPS)	-0.14	-0.01		-0.27	-0.05	
Return on equity (ROE), %	-13.0%	-1.7%		-13.0%	-2.2%	
Equity ratio, %	44.0%	48.7%		44.0%	48.7%	
Debt-to-equity ratio, %	53.6%	51.1%		53.6%	51.1%	
Personnel on average	1,098	738	+48.8%	1,110	657	+69.0%

CEO's review

Administer's year 2023 was eventful but twofold. Early in the year, we focused on growth and began to integrate Econia into the Group. We also carried out three acquisitions, which strengthened our accounting firm business. In May, we went through a CEO change as I took the helm of the Group. Econia continued to execute its growth strategy by carrying out a corporate acquisition that supports the growth of its international and Compliance services. Towards the end of the year, we switched our focus from growth to improving profitability and started preparing our strategy for 2024–2026.

In the second half-year, our net sales grew 27.0 per cent and were EUR 36.6 million. Compared to the first half-year, the growth in net sales slowed down, but we can be satisfied with our growth rate in the current market environment. Our net sales for the entire year grew strongly by 43.8 per cent and increased to EUR 75.9 million, especially due to the acquisition of Econia. We also achieved organic growth in some of our operations. However, I need to admit that we fell a bit short of our targets. The general economic downturn reflected negatively on our operations, and the effects were most significant in staffing services. Competition continued to be tough in all our major fields of business.

In the second half-year, our comparable EBITDA was EUR 1.7 million, and the reported EBITDA was EUR 1.3 million. Reported EBITDA was weighed down by non-recurring instalments caused by the profitability programme and certain business operation write-downs. For the entire year, our comparable EBITDA was EUR 3.3 million, and our reported EBITDA was EUR 2.9 million. Our profitability was reduced by lower-than expected net sales, as well as by cost and salary inflation.

The progress of our financial performance was unsatisfactory, which is why we began the determined implementation of a profitability programme that aims to achieve an annual profitability improvement of approximately EUR 7 million. We estimate that the target will be reached in its entirety during 2024. Relative to our Group size, the programme is significant, even ambitious, and it is progressing as planned. As a part of this process, we had to implement unfortunate but necessary personnel reductions.

In the payroll service business, we are the market leader in Finland. Our subsidiary, Silta, continued its good organic growth, gaining significant new customers in the energy and finance sectors, among others. Going forward, we also seek growth in payroll services in the public sector wellbeing services counties through our high-quality service offering. We also had growth in software services in both the private and public sectors.

We advanced our corporate responsibility and related reporting by conducting a double materiality assessment and determining the material sustainability themes for the Group. We will continue this work in 2024 by determining the metrics and targets for the chosen themes.

We advanced the focus areas of our completed strategy period in many ways. To achieve better personnel, we invested on managerial work and continued regular measurements of personnel satisfaction, which formed a basis for remedial actions to ensure a better corporate culture and working environment. We have also built training and growth paths for our personnel. Personnel satisfaction developed in line with the target and staff turnover decreased. We will continue to work on these themes in 2024.

We regularly monitor customer satisfaction to attain the best possible customer experience. We invested in harmonising customer programmes and continued to revamp our products and services. One example of this is the new multi-year

partnership between Silta and CGI, which focuses on offering HR and payroll administration services and product development. Eonia strengthened its grey economy services by acquiring its own service platform and new specialists via a corporate acquisition. In software services, EmCe launched a whistleblowing platform, and in consultation services, we focused on developing our legal services. Regarding our tools, we always offer customers the most suitable solutions and utilise the best technology available.

We have found the right areas for both focus and development, and our development work is well underway, as we have more actively identified synergies and competitive edges between different business operations. Our main focus will now 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. I have a firm belief that with our profitability programme and the new strategy published today, we are able to improve our competitiveness and achieve the set targets.

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 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 the inflation may also increase interest levels 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 financial 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 financial expenses, or lead to premature maturity of the Group loans.

Proposal for distribution of profits

The distributable retained funds of Administer's parent company were EUR 35.5 million on 31 December 2023. The Board of Directors proposes to the General Meeting to be held on 10 April 2024 that no dividend be paid for the financial year 1 January–31 December 2023.

More information

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Webinar

CEO Kimmo Herranen and CFO Kalle Lehtonen will present the result in a webinar on 6 March 2024 at 11.00 a.m. EET. Questions can be sent during the event via the chat function.

You can join the webinar at <https://administer.videosync.fi/q4-2023>

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 firm Administer, business service and employment expert Econia Oy and software company EmCe Solution Partner Oy. In addition, the Group includes, for example, Adner Oy and Kuntalaskenta Oy.

www.administergroup.com

Attachments

- [Download announcement as PDF.pdf](#)
- [Administer Financial Statements Release 2023_EN.pdf](#)