EVLI

ADMINISTER

Commercial Services & Supplies/Finland, September 12, 2024
Company report

Turnaround story starting to bear fruit

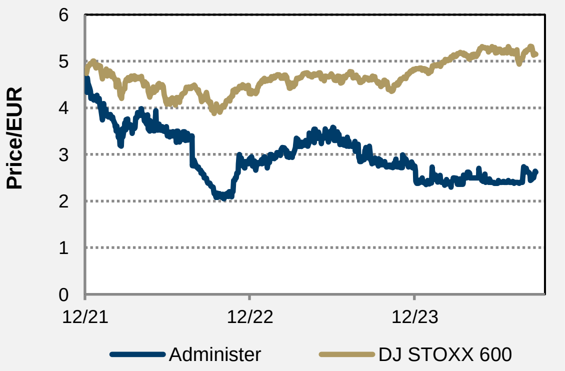
Administer's recent profitability strides signal a promising turn, with the potential for the new strategy to fully unfold should market conditions stabilize and demand increase.

Specialist in personnel and financial management services
Administer Group is a multi-talent in payroll and financial management services, software solutions, consulting, personnel and international services. The company is the largest salary outsourcing partner in Finland and the leading expert in the fight against the grey economy. Administer serves more than 5,000 customers, from SMEs to large companies, as well as public sector actors. Administer Group is anchored by its four key brands: payroll management service company Silta Oy, accounting firm Administer, business service and employment expert Econia Oy and software company EmCe Solution Partner Oy. This diversified portfolio enables Administer Group to deliver comprehensive services across multiple domains.

Shifting strategic focus towards improving profitability
Following a turbulent start as a listed company after the IPO in December 2021, Administer has demonstrated improved profitability in the first two quarters of its 2024-2026 strategic period, driven by a cost savings program initiated in 2023. The company aims to reach EUR 100 million in revenue and an EBITDA-margin of 15% by the end of the strategic period. While the EBITDA-margin guidance of 6-9% (H1'24: 9.5%) for 2024 appears attainable, achieving the targeted 15% by 2026 poses a challenge. To further improve profitability, a shift towards higher-margin services or a substantially improved demand situation is in our view needed.

BUY with a target price of EUR 3.0
Excluding goodwill amortization, Administer is trading at a 2024E target EV/EBIT multiple of 10.5x and a P/E ratio of 11.4x, representing a discount compared to its peers. Our DCF valuation backs the undemanding valuation. The long-term potential is furthermore significant, should financial targets be achieved. We retain our TP at 3.0 and BUY-rating.

Rating ✚ BUY



Share price, EUR (Last trading day's closing price)	2.62
Target price, EUR	3.0
Latest change in	03-Dec-21
Latest report on company	16-Aug-24
Research paid by issuer:	YES
No. of shares outstanding,	14,375
No. of shares fully diluted,	14,375
Market cap, EURm	38
Free float, %	-
Exchange rate	0.000
Reuters code	ADMIN.HE
Bloomberg code	ADMIN FH
Average daily volume, EURm	0.0
Next interim report	06-Nov-24
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✚ BUY ☐ HOLD ▬ SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2022	52.8	0.1	0.2%	-20.1	-0.05	-52.9	1.0	473.3	-52.7	0.05
2023	75.9	-3.0	-3.9%	0.9	-0.27	-8.9	0.6	-15.6	2.5	0.00
2024E	76.2	0.5	0.7%	3.4	-0.04	-68.4	0.6	86.4	9.1	0.06
2025E	78.9	1.5	1.9%	4.1	0.01	368.5	0.5	28.5	10.9	0.09
2026E	84.0	2.7	3.2%	5.2	0.08	31.7	0.5	14.2	13.8	0.11

Market cap, EURm	38	Gearing 2024E, %	29.9	CAGR EPS 2023-26, %	0.0
Net debt 2024E, EURm	8	Price/book 2024E	1.4	CAGR sales 2023-26, %	3.5
Enterprise value, EURm	46	Dividend yield 2024E, %	2.5	ROE 2024E, %	-2.0
Total assets 2024E, EURm	59	Tax rate 2024E, %	9.6	ROCE 2024E, %	0.9
Goodwill 2024E, EURm	35	Equity ratio 2024E, %	46.0	PEG, P/E 24/CAGR	0.0

All the important disclosures can be found on the last pages of this report.

Investment summary

One of the leading Finnish providers of financial management and HR & payroll services

Administer has established itself as a key player in the Finnish financial administration service industry with a comprehensive offering that include various financial management services, HR & Payroll services, advisory, personnel leasing, as well as software solutions. The company prides itself as a leading expert in the fight against grey economy. The development of in-house built technology has been central to Administer's success, allowing it to innovate and earn a place at the table in the competitive market. Looking to the future, the company aims to capitalize on its technological expertise to drive further advancements in the industry.

Strategical acquisitions to broaden service offerings and gain market share

In the span of a decade, Administer has undergone a remarkable transformation, with its revenue soaring from EUR 10m in 2014 to more than EUR 75m in 2023, a growth primarily fueled by a series of strategic acquisitions. Most notably, Administer acquired Finnish HR & payroll services provider Silta in 2018, which not only expanded Administer's offering but also established it as the leading payroll service provider in Finland measured by the number of payslips processed. To further enhance its technological capabilities, Administer acquired EmCe in 2021, thereby strengthening its offering within software solutions. In 2022 the company acquired Econia, which broadened the company's service offering in personnel leasing, compliance and advisory. Several smaller domestic firms have also been acquired to strengthen the existing bookkeeping business.

Seeking to shift focus to improving margins through a profitability program

Administer has sustained a solid growth trajectory in recent years, driven by acquisitions, yet the company has had difficulties in achieving its profitability targets since its IPO in December 2021. To address this, the company launched a profitability program in August 2023, which aimed to enhance its bottom line with EUR 7 million by the end of 2024. As part of this program's implementation, Administer engaged in change negotiations to streamline its operations. These measures, though challenging, are part of Administer's strategic efforts to optimize its workforce and enhance overall efficiency. Signs of improvement resulting from the program have become evident, as the company has achieved solid profitability in the first half of 2024.

2024 guidance: revenue EUR 76-81m and EBITDA-margin 6-9%

For the current year, Administer expects sales growth to be flat or slightly positive compared to 2023. The company is targeting an improvement in profitability, with an expected increase in the EBITDA-margin to 6-9%. In H1'24, net sales declined slightly y/y, while the EBITDA-margin improved above the target to 9.4%. During the strategic period 2024-2026, enhancing profitability is the primary focus. While prioritizing profitability, Administer remains open to selectively discovering acquisition opportunities in Finland and the Baltic Sea region, with bookkeeping companies being the primary targets. By the end of the strategic period in 2026, the company aims to reach a revenue of EUR 100m, along with an EBITDA-margin of 15%.

Profitability improvements are achievable with the new strategic focus

Administer's shift in focus towards operational efficiency and thus increased profitability is a strategic move we view favorably, and the company appears well-positioned to meet its profitability targets for 2024. However, the specifics of how the company plans to further double its EBITDA-margin by 2026 remains unclear, which presents a potentially ambitious undertaking. Given that Administer's historical growth largely has been driven by acquisitions – with limited evidence of substantial organic expansion – we believe that achieving the revenue target of EUR 100m by 2026 likely requires a considerable boost from further acquisitions.

Company overview

Core business in financial management and HR & payroll services, as well as software solutions and consulting services supporting these functions

Administer is a versatile Finnish financial administration services provider, offering a wide range of services including payroll and financial management, software solutions, consulting, as well as personnel and international services. Administer was originally founded in 1985 as a one-man bookkeeping company in Helsinki. In 1994, the company's former CEO and current financial management services business area director Peter Aho took over the family business. The company has grown rapidly in the last decade through acquisitions and expanded its range of services. Since December 2021, Administer has been listed on Nasdaq First North Finland and now employs over 1000 employees across 38 locations. Under the leadership of CEO Kimmo Herranen, Administer maintains its headquarters in Helsinki, Finland.

Table 1: Recent financial highlights

	2019	2020	2021	2022	2023
Revenue (EURm)	**45.3**	**43.7**	**41.9**	**52.8**	**75.9**
Growth-%		-3.5%	-4.0%	25.9%	43.8%
EBITDA (EURm)	**3.0**	**4.4**	**2.3**	**3.8**	**2.8**
EBITDA-margin	6.5%	10.2%	5.4%	7.1%	3.8%
Employees	645	597	569	657	1087

Source: Administer, Evli Research

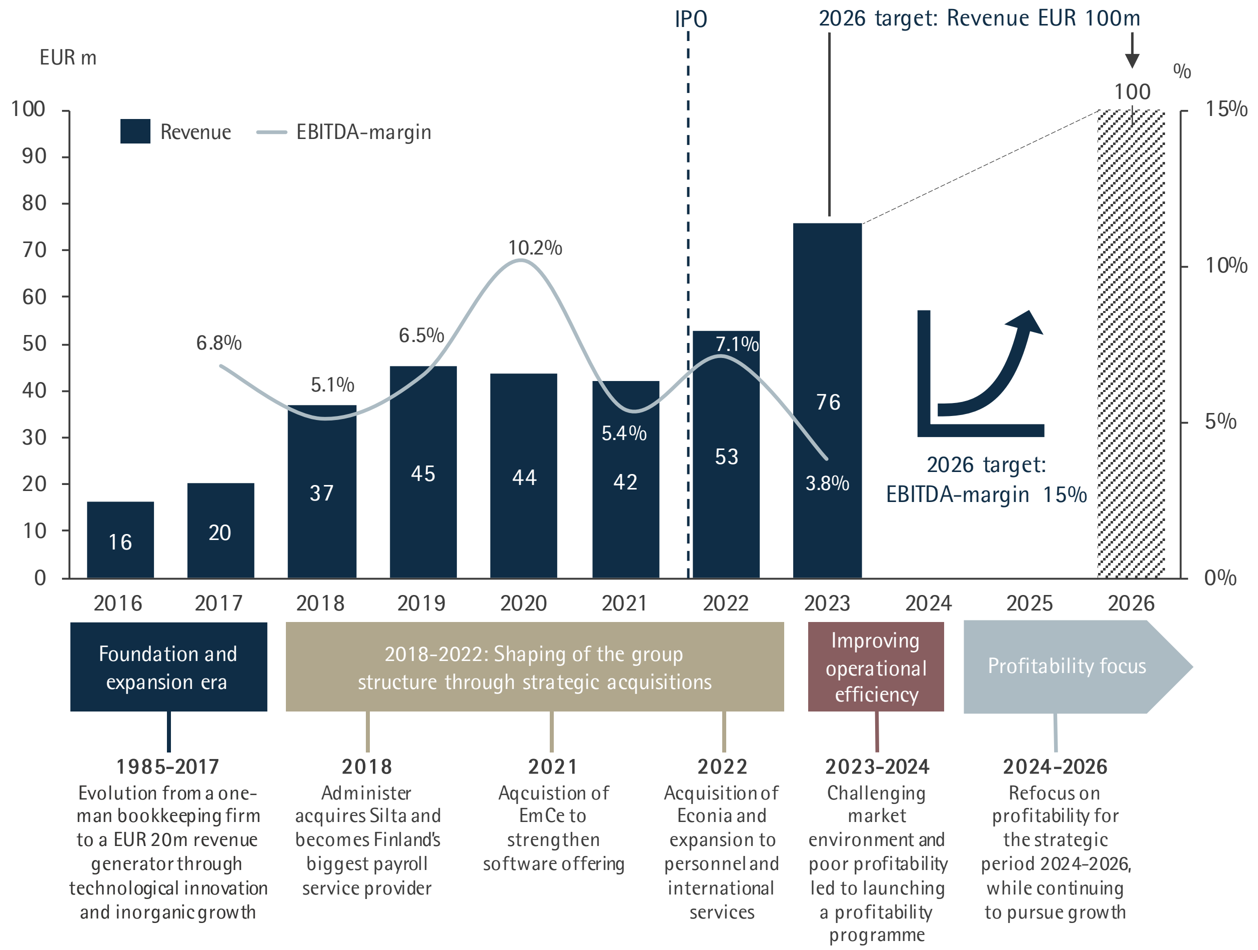
Both in-house built technology services and SaaS solutions

Since the turn of the millennium, Administer has been at the forefront of technological innovation within the Finnish financial management services industry – a sector traditionally perceived as stiff and innovation-lacking. In the year 2000, Administer made a significant leap forward with the introduction of its own financial management platform, eFina, which has continued to play a significant role in the company's operations. eFina modernized the market by offering a comprehensive suite of electronic financial administration services accessible in real time. The platform was designed with the vision of simplifying and streamlining financial management, allowing for greater efficiency and reduced effort for users. eFina continues to provide a complete, integrated system for managing all aspects of financial administration. Administer utilizes artificial intelligence to advance the system's capabilities, aiming to boost the number of tasks managed by automation. More recently, Administer has expanded its technological offerings to SaaS solutions through its subsidiary EmCe, acquired in 2021.

M&A as a driving factor for growth and expansion of services

In addition to EmCe, Administer has gone through other acquisitions to broaden its service offering. The company's current group structure begun taking shape in 2017, when Administer acquired Enfo Partner Oy (now Adner Oy). Continuing this momentum, 2018 saw the integration of Silta Oy into the Administer family, along with the company taking a significant stake in Kuntalaskenta Oy. These strategic decisions not only expanded Administer's offerings but also reinforced its expertise in various sub-sectors of financial administration. The largest acquisition to date was conducted in November 2022, as the company acquired Econia Oy to strengthen its network and position in western Finland, while adding compliance and advisory services for both domestic and international companies to its product offering, along with enhancing its market position in personnel leasing.

Figure 1: Administer's history



Source: Administer, Evli Research

Service areas

Diversified service offering

In the wake of its strategic acquisitions, Administer has broadened its service offering to address the industry's evolving demands. The company's portfolio extends beyond traditional financial administration services, including financial management and HR and payroll services, and has branched into innovative offerings such as personnel leasing, consulting, and diverse software solutions. This broad range of services not only positions Administer favorably against most peers but also enables the company to capitalize on synergies from software and development across its service areas and enhances its upselling possibilities.

Possibilities to leverage the broad expertise into higher margin business

The company's assortment of services is progressively evolving to incorporate supplementary services that complement its core offerings in the form of consulting. There's a growing market for such advisory services among SMEs, who are increasingly seeking external proficiency to support and develop their business operations. This trend should suit Administer well, given its extensive knowledge across various financial management sectors. Consulting services command higher fees relative to standard bookkeeping and payroll processing tasks, presenting an ample opportunity for Administer to expand its presence in this domain.

Figure 2: Overview of service offering: financial management, HR management and software solutions

Source: Administer, Evli Research

Financial management services

In-house developed eFina technology in the center of the financial management services

Administer offers comprehensive digital financial management services, including accounting, invoicing, reporting and collection services. These services are supported by eFina, Administer's in-house developed software, which ensures real-time financial oversight accessible both on the web and on mobile platforms. eFina enables users to generate reports, conduct financial analyses, scan receipts, and submit documents with ease.

Acquisitions has led to solutions designed for various client categories

Typical clients for financial management services consist of small and medium-sized enterprises (SMEs). Moreover, Administer has developed specialized service bundles designed to meet the needs of businesses at various points in their development, including customized options for light entrepreneurs and starter kits for newly founded companies through its subsidiary Polku. As part of its strategic expansion, Administer has further broadened its services to cater to local municipalities and larger corporations via Kuntalaskenta and Adner. Kuntalaskenta was further integrated into the parent company in September 2024, with Adner's integration expected during the second half of 2024.

Technology investments have not been reflected in the bottom line yet

The company is committed to leveraging artificial intelligence to the fullest extent in order to refine and advance its financial management operations. Despite positioning technology as a key differentiator since its initial public offering, the company has not yet demonstrated this advantage in form of profitability. However, the company still emphasizes that AI and technological innovation are at the heart of its development strategy, consistently driving enhancements in the automation of financial management tasks.

Payroll services

Modern solutions for various customer segments

Administer offers payroll services through its parent company, along with subsidiary Silta and Kuntalaskenta. Whereas the parent company emphasizes their regular SME clients, Silta focuses on payroll services for larger clients, while Kuntalaskenta's services are tailored for municipalities. The services are designed to increase automation and efficiency in payroll management, coupled with easy accessibility to payslips and other salary information through digital solutions. The outsourced payroll services include salary calculation and payment, delivering digital payslips to employees, as well as tasks such as payroll reporting to authorities and management of union fees.

Leading payroll services provider after Silta acquisition

The acquisition of Silta in 2018 gave Administer Group the position as market leader in payroll services in Finland measured by the number of processed payslips. Silta further strengthened its position in 2023 by acquiring a new significant account in the energy sector. With a multi-year contract exceeding 2 million euros, Silta provides the customer with a comprehensive outsourced payroll service. In addition to this, the subsidiary extended its partnership agreement with CGI, focusing on further product development in HR and payroll services.

HR services

HR services include a wide assortment of expertise offering

The company's HR functions are primarily managed by Silta, delivering a range of human resources management expertise to assist clients and their staff. HR consulting is offered either as an ongoing service or on a project basis. The company provides a suite of services including assessments of the existing operational state, coaching for executives and teams, recruiting and personal assessments, support during organizational changes, and drafting of legal documents. The consulting-oriented aspect of the business tends to command higher fees and profit margins, and we suspect that the HR services segment is more profitable than the average service offering.

Software solutions

eFina is the flagship software used both internally and as a service offering for clients

Administer leverages the eFina software for own operational benefit and as part of the service package to SME customers. eFina integrates all key aspects of financial management through one real-time system. eFina also contains an advanced reporting system and a mobile version to ensure accessibility and convenience. The software is continuously upgraded through both new features and enhancing current ones.

Software offered externally via EmCe

Software is also offered externally via subsidiary EmCe. EmCe offers solutions for companies that want to self-manage their financial administration in form of bookkeeping-, payroll- and invoicing programs for clients and end-users. In addition to this, EmCe offers ERP solutions through Microsoft Dynamics 365 Business Central and takes care of integrating and tailoring it in line with the customers' needs. Furthermore, EmCe delivers E-commerce services, alongside inventory and delivery management through partners, ensuring these services are seamlessly integrated with the clients' existing ERP systems.

Consulting and legal services

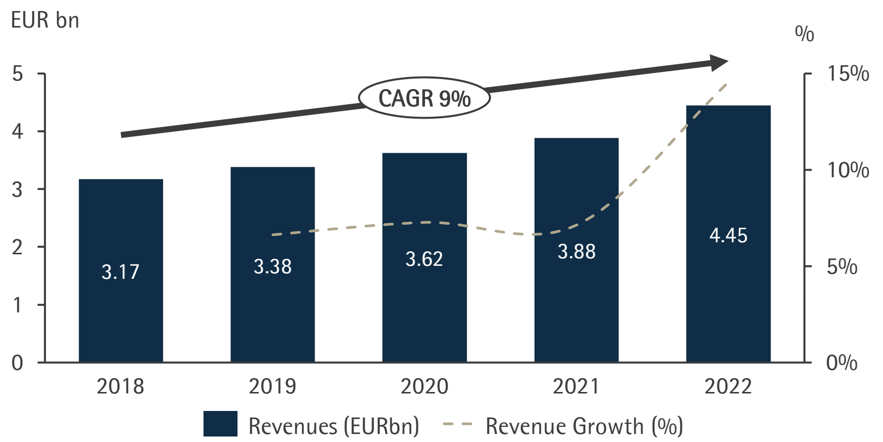
In addition to core business support services, also CFO and legal services are offered

In addition to core business support services in financial management, HR & payroll and software, the company also offers specialized CFO services and legal services. The CFO services are tailored to support clients' financial management and decision making. The offerings are structured into various service bundles, each designed to address specific operational and financial management needs with in-depth analysis and strategic insights. Administer provides flexible support options, catering to different financial expertise roles such as CFO, controller or project manager, available on a full-time or part-time basis. The legal services offered are designed to be extensive, and solutions are offered by Administer's own experts across various segments such as business law, employment law and beyond these corporate legal areas, they also cover family law.

Opportunity to further expand into higher margin consulting services

The management consulting services industry has experienced substantial growth in recent years, expanding by nearly 9% on average yearly from 2018 to 2022, and it holds significant potential for SME's financial administration and CFO consulting services sector. Moreover, as reported by the Association of Finnish Accounting Firms, the Centre for Economic Development, Transport and the Environment has discontinued its analysis, consulting, and training services aimed at small businesses as of the beginning of 2024. This withdrawal creates an increased opportunity for private sector service providers to step in and offer customized consulting services. Given that client relationships in financial management services are typically long-term, there exists a prime opportunity for upselling additional consulting services for service providers that are already well-acquainted with their clients' businesses.

Figure 3: Market size and growth for management consulting services



Source: Statistics Finland, Evli Research

Personnel and international services

One of the leading service providers in personnel leasing in Finland

Administer has significantly expanded its personnel leasing services in recent years, mainly fueled by the incorporation of Econia into the group in November 2022. Econia ranks among the 20 largest personnel leasing companies in Finland according to Employment Industry Finland. Alongside Administer Group's other personnel leasing services, it constitutes a significant share of the group's business. This has established Administer as one of the leading service providers in the sector across Finland.

Personnel leasing traditionally strongest in second and third quarter

The personnel leasing services experience significant fluctuations and seasonality, with its performance closely tied to the broader economic cycle. This is because the need for labor is generally in sync with the prevailing economic conditions. Specifically, Administer Group's focus within this segment is on the primary sector, which traditionally sees a surge in activity during the second and third quarters of the year. As a result, higher revenues are anticipated for this segment during these periods.

Strong market presence in PEO services in Finland through expansion

The acquisition of Econia has also largely contributed to Administer's expansion into international services, as Econia is one of the main providers of financial management services to international companies in Finland. Beyond standard international financial management offerings, the acquisition brought in added expertise in Professional Employment Organization (PEO) services, strengthening the company's presence in the Finnish market. These services are designed to streamline cross-border HR processes by appointing the PEO provider as the official employer of the international workforce. This arrangement allows client companies to concentrate on their core operations, while the PEO provider manages all associated responsibilities, including the drafting of employment contracts, administration of statutory insurances and occupational healthcare, payroll processing, tax management, and ensuring adherence to local labor laws and regulations. According to our understanding, PEO services typically offer higher fees and margins compared to standard personnel leasing.

Brands

M&A influenced brand structure

Over the past decade, Administer Group has undergone several key strategic acquisitions, which have shaped its current business structure. The group now comprises a portfolio of brands, each offering specialized services within the financial administration industry, catering to distinct focus areas. In Q1'24, the company's revenue was for the first time reported through its four primary brands: The parent company Administer, payroll and HR services specialist Silta, diverse financial management and HR-services provider Econia and financial management software provider EmCe.

Administer is the group's parent company, offering digital financial management services primarily through bookkeeping for SME's. The company was founded in 1985 and has been at the forefront of digitalizing bookkeeping services in Finland. Its pioneering efforts are largely attributed to its proprietary financial management software eFina. We estimate that the revenue provided by the parent company is some 25% of the group's total revenue. In H1 2024, the parent posted revenue of EUR 9.5m.

Silta is the leading provider of payroll and HR services in Finland. It was acquired to the group in 2018 and has supported in broadening Administer's service offerings through tailored solutions in payroll & HR services for larger clients. Silta's clients include leading companies across various industries in Finland, such as Nokia, Neste, DNA, and Cargotec. According to our estimates, the brand stands for approximately one-third of the group's total revenue. In H1'24, the subsidiary posted revenue of EUR 13.2m, up from 12.7m in H1'23.

Econia specializes in solutions within the personnel leasing, compliance and PEO services sectors. Integrating Econia into the group not only diversified the service portfolio but also strategically aligned with the growing market demand for transparent and compliant workforce solutions. In 2023, Econia acquired Enersense Solution for EUR 1m. The most notable synergy from the acquisition was the service platform E-Sense (now Sedatus), which streamlines the compliance offering. In the fiscal year 2022, the company reported a top line of EUR 24.4 million, accompanied by an EBIT-margin of 7.1%. We estimate Econia to be responsible for some 30% of the top line on a yearly basis. During the challenging market conditions and demand situation for personnel leasing in H1'24, Econia's contribution to the top line was EUR 11.4m, a decline of 9.7% from H1'23.

EmCe operates as a software provider specializing in financial management and HR & payroll solutions, targeting bookkeeping firms, unions, and companies. Its proprietary software is sold to bookkeeping firms and organizations to streamline their financial management tasks. EmCe also deploys ERP solutions and services based on Microsoft Dynamics 365 Business Central for larger companies willing to keep their financial administration in-house. The revenue composition between these two has EmCe:s proprietary software sales accounting for approximately 60% and ERP solutions deployment contributing some 40%. The integration of EmCe enhances Administer's software offerings and provides a competitive edge in the market, given EmCe's proven profitability and operational efficiency with EUR 7.6 million in revenue and an EBIT-margin of some 8% in 2022, as reported by Kauppalehti. The net sales for H1'24 was EUR 4.0m, and we estimate that the subsidiary will produce some EUR 8-9m in net sales in 2024, contributing slightly above 10% to the group's total revenue.

Customers

Serving a diverse clientele of all sizes

Administer's expansive service suite, provided through four distinct main brands, enables the company to meet the varied needs of diverse client types. The financial management segment is particularly adept at serving SMEs with its standardized digital financial management solutions. In contrast Silta is tailored to meet the demand of mainly large enterprises with its specialized offering, while Econia offers solutions to cater to the needs of companies across the client spectrum, from small entrepreneurs to listed companies. EmCe offers solutions mostly for bookkeeping firms and their end-clients, as well as larger entities. The client portfolio is further broadened to include municipalities and cities, bringing the total to over 5,000 clients. To our understanding, smaller clients may offer better profit margins, but the majority of Administer's revenue is generated from business with larger clients. SMEs typically utilize service bundles within financial administration, whereas larger companies require more personalized services, leading to offerings such as financial management and HR & payroll being offered as distinct, separate segments.

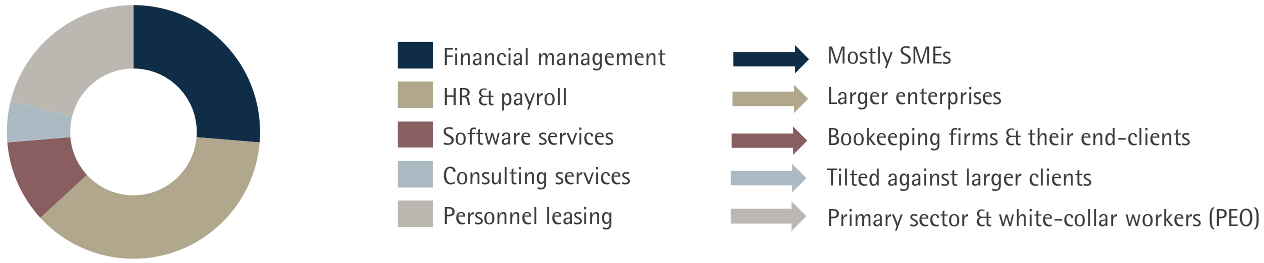
Administer optimal customer profile consists of larger small businesses, well-positioned to utilize the company's full suite of financial management services

Administer's optimal customer profile consists of smaller companies that are large enough to have the requisite resources and demonstrate a clear need for several of the services provided. The smallest companies may not possess the needed resources, and their service requirements are often limited to a narrow scope. On the other hand, larger companies often have established financial departments with the capability to manage their requirements internally. However, Administer's offerings include outsourced financial management services, personnel services and other additional services tailored for those larger clients' needs. Despite this, the ideal clients for Administer remain those small- and medium-sized, yet resourceful businesses that are at the intersection of needing and valuing the comprehensive financial administration solutions that Administer delivers.

Maintaining strong customer relationships with dedicated account managers and personalized service

Financial management services have traditionally been seen as a business with long-lasting customer relationships, due to its personal, people-oriented and confidential nature. Currently, the industry stands at a crossroads as larger entities expand their market share through acquisitions. This dynamic poses a risk: the dilution of the personalized service, that could lead to higher customer turnover. Administer tries to avoid this risk by strictly focusing on personnel satisfaction, which directly correlates with customer satisfaction. To maintain close client relationships, Administer implements specific measures such as assigning dedicated bookkeepers and payroll clerks to clients. This approach ensures that, despite its expansion, the company preserves the intimate client connections that are vital to the industry. By nurturing these relationships, the company is also well-positioned to offer additional services at various stages of the client's business journey, thereby enhancing the potential for upselling.

Figure 4: Client distribution across service sectors (illustrative Evli estimate of revenue share)



Source: Evli Research

Strategy and financial targets

Goal is to be the leading actor in the industry

Administer has laid out a strategic roadmap with the goal of becoming the leading actor in its industry. This objective is driven by a commitment to high-quality services, a culture of innovation, inorganic growth and a diverse portfolio of services and technological solutions. The strategy emphasizes sustainable, profit-oriented growth while capitalizing on operational synergies at both the customer interface and within internal processes.

The strategy centers on profitable growth, operational efficiency, continuous development, and both employee and customer satisfaction

In recent years, the company has demonstrated considerable growth, with a notable expansion of its service offerings. It presents a mixture of services and technologies that complement each other, establishing a solid foundation for building profitable operations. Moving forward, Administer also continues to support its organic growth through strategic acquisitions. Building upon its strategic roadmap, Administer focuses on four key areas to elevate its position in the sector:

- **Profitable growth in selected markets in the Baltic sea region.** Administer's updated strategy for the period 2024-2026 prioritizes profitability, although the company still seeks growth from selected markets in the Baltic sea region. A program aimed at boosting profitability was implemented in H2'23 and proved successful, as evidenced by a significant 131% y/y increase in the EBITDA-margin to 9.4% during the first half of 2024. This profitability improvement can be attributed to reduced operating expenses. The company maintains a long-term commitment to enhancing its financial outcomes and overall profitability, but no clear vision of how to further increase and reach the targeted EBITDA-margin of 15% in 2026 is presented, as the company communicated that the profitability programme is finished.
- **Operational process enhancement.** The company aims to continue streamlining its operational processes by actively seeking synergies across business operations. Among other things, consolidating its premises has resulted in significant reductions in office space, reflecting a drive for greater operational efficiency.
- **Development of expertise and leadership.** The company aims to continuously improve its expertise and leadership through active training. Administer offers career-long opportunities for its employees within the company with continuous improvement possibilities to evolve in the current role and expand to other paths in the concern, which encourages the acquisition of diverse skill sets across its service portfolio.
- **Employee & customer satisfaction.** Administer invests heavily in the skills and satisfaction of its employees as they go hand in hand with customer experience and satisfaction. Administer aims to deeply understand client's requirements to tailor its technology and service offerings effectively. This builds long-lasting customer relationships.

Financial targets

Profitability programme completed to support the financial targets

In response to the early challenges faced post-IPO, Administer initiated a significant leadership shift in the second quarter of 2023. This change brought a wave of fresh perspectives to the management team and gave rise to a profitability enhancement program centered on operational refinement. The approach has led to operational consolidation of office spaces and aligning staffing with the company's long-term strategic objectives. Synergies from recent acquisitions have further streamlined support functions such as marketing, sales, and development, further enhancing operational efficiency. Based on this profitability improvement, Administer has laid out its financial targets for the strategic period 2024-2026, presented below.

Figure 5: Financial targets to be reached at the end of the strategic period 2024-2026

Metric	Revenue	EBITDA-%	Payout of earnings*
Target	EUR 100m	15%	>30%
2023	EUR 75.9m	3.8%	-

Source: Administer, Evli Research. *earnings adjusted for goodwill amortization

H2'24 figures suggest the profitability initiative is bearing fruit

The 9.4% EBITDA-margin achieved in the first half of 2024 shows the cost saving measures launched in 2023 are taking effect. However, a clear strategy to nearly double this margin to 15% by 2026 has not been laid out by the company. Given that operational expenses have been reduced already, the task of further boosting operational efficiency to increase margins presents a significant challenge.

Growth needed both organically and inorganically

Looking ahead, Administer's path to EUR 100 million in revenue by 2026 involves a CAGR of some 13% for 2025 and 2026, assuming the projected guidance midpoint in 2024 will be reached. The intense market competition suggests that organic growth could be in the low single figures, indicating that it should be complemented by inorganic growth. In this scenario, EUR 14-17 million would have to be sourced from strategic acquisitions, aligning with the company's overall strategy.

Contradictory environment for both bottom line and top line growth

Administer's financial goals to be achieved by 2026 are certainly bold, yet attainable. The challenge, as we see it, is to synchronize the company's revenue growth with an increase in profitability. According to our view, there is greater potential for organic growth in personnel leasing and for inorganic growth through financial management, along with HR & payroll services – sectors partly associated with lower margins. Conversely, while software and consulting services offer higher margins, their growth potential seems somewhat constrained. The market for software services is saturated with competition, a reality underscored by EmCe's limited growth in recent years and the broader market's slow pace. However, consulting services and the sale of other additional services represent a promising field. Recognizing the significant potential here, we believe the company could benefit from allocating more focus and resources to this area, which could substantially increase its profit margins.

Short-term financial targets

H1 results above EBITDA-margin guidance of 6-9% for 2024

Administer has set short-term financial objectives for 2024, targeting an EBITDA-margin between 6% and 9%. The company's performance in the first and second quarters, with margins of 9.1% and 9.6% respectively, aligns with these projections and indicates that Administer is on track to meet its profitability goals. This is particularly crucial as the company did not meet its financial covenants in 2023. Although Administer received waivers from its financiers, such incidents could tarnish the company's financial reputation if they recur. Consequently, we anticipate that Administer will take all necessary measures to avoid a repetition of the previous year's covenant breach.

Figure 6: Administer's financial targets for 2024

Metric	Revenue	EBITDA-%	Payout of earnings*
Target	EUR 76-81m	6-9%	>30%
2023	EUR 75.9m	3.8%	-

Source: Administer, Evli Research. *earnings adjusted for goodwill amortization

Recovery in organic growth is expected following a 2.2% revenue decline in the first half

Administer anticipates its full-year revenue for 2024 to range between EUR 76 million and EUR 81 million, reflecting a stable to marginally improved performance compared to the previous year. The first half experienced a 2.2% revenue decline, primarily due to the expected slowdown in the personnel leasing sector and challenging market conditions. Despite this early setback, the company's leadership remains optimistic, expecting a resurgence in growth throughout the latter half of the year aided by Econia's weaker comparison period in H2'23. According to our view, this year's growth will be predominantly organic, and we expect the company to accelerate their growth with acquisitions in 2025 and 2026.

Figure 7: Administer's strategy picture for 2024-2026

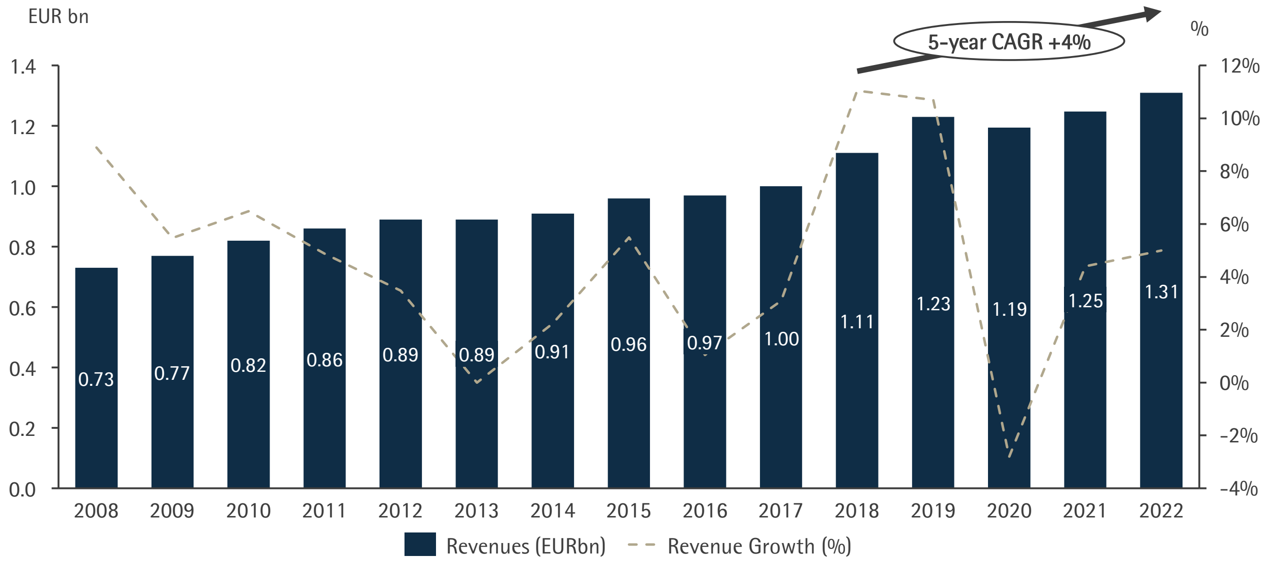
Source: Administer

Market

Finnish bookkeeping market size is roughly EUR 1.3 billion

According to Statistics Finland, the total value of the Finnish accounting services market in 2022 amounted to EUR 1.31 billion. Since 2018, the total market has experienced an annual growth rate of just over 4%, outpacing the growth of Finland's GDP during both this period and over a longer-term horizon. In fact, the market size has nearly doubled over the past 15 years. Although the pandemic resulted in some slowdown in 2020, the accounting industry is known as defensive due to all business entities being subject to accounting obligation by law.

Figure 8: Accounting services market size in Finland 2008-2022



Source: Statistics Finland, Evli Research

Mostly SME's

Bookkeeping service providers primarily target SMEs, often operating with limited resources. Outsourcing bookkeeping enables these smaller companies to dedicate more time to their core operations, enhancing their overall efficiency. In contrast, larger firms are more probable to handle their bookkeeping internally.

Ongoing consolidation of a fragmented market

The landscape of the accounting services industry is currently undergoing a notable shift from a rather fragmented state towards a more consolidated market, where economies of scale, automation and technological development act as key drivers. The fragmented industry is at the moment represented by more than 6,000[1] companies, and the consolidation of the market offers ample inorganic growth possibilities for larger players such as Administer. The defensive and growing industry is acknowledged as competitive and the consolidation is a race of 10 or so participants, who have the competence to continue scaling and expansion, and it is likely that the business will be centered around a few large players in the future. Currently, the average company employs just two individuals, reflecting their small size. Larger players in the market have been expanding by acquiring these smaller firms.

[1] The reporting methodology has changed in 2024, now also covering companies previously excluded due to their size and short operational lifespan. Consequently, the number of companies included in the analysis has surged by some 50%. Although the updated data has expanded the pool of companies, the fundamental growth trajectory of the market is steady and the impact on industry revenue and employment figures appears to be minimal, since the majority of the new companies included in the statistics are smaller entities.

Market drivers

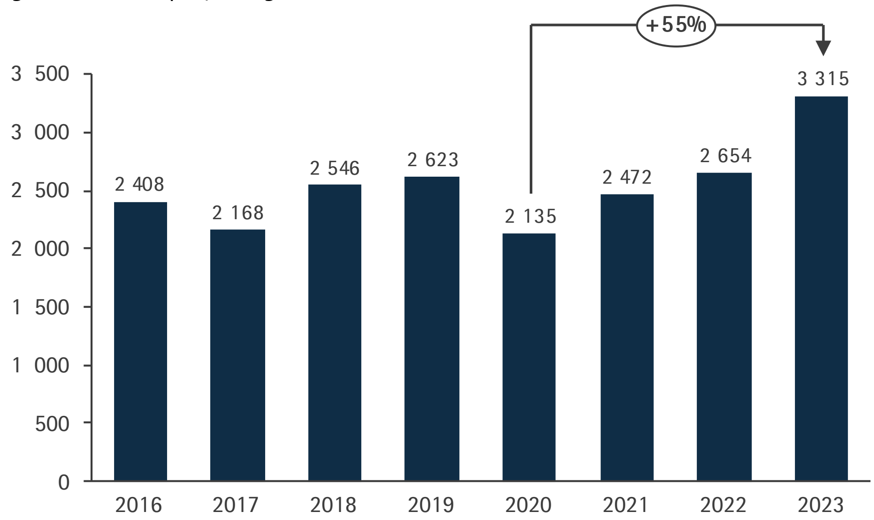
Digitalization drives consolidation, with advancements like AI enhancing efficiency and scalability

One of the main drivers that have and will continue to shape the consolidation in the industry is digitalization. Companies at the forefront of technology have been able to gain market share by streamlining processes, simplifying bookkeeping, and realizing the benefits of economies of scale. Among the various technological advancements, the utilization of artificial intelligence stands out as a central force for future development. AI-driven automation can significantly reduce operational costs and increase efficiency, allowing businesses to scale up operations without an equal increase in expenses. Most relevant companies in the sector are already leveraging AI to some extent, recognizing its crucial role in staying competitive.

Defensive industry but not totally hedged against the wider economy

The bookkeeping sector is known for its defensive nature compared to the rather cyclical nature of Nasdaq Helsinki. This stability is underpinned by the fact that bookkeeping is a legal necessity for all companies, ensuring steady demand even amidst fluctuating economic conditions. As a result, the industry is often viewed as one of the more resilient against economic headwinds. Nevertheless, it is not entirely immune to macroeconomic trends. For instance, the recent recession in Finland has squeezed certain industries, leading to a rise in bankruptcies. Since 2020, the number of bankruptcy filings has increased by 55%. A further increase in bankruptcies could potentially erode the customer base for bookkeeping services, but looking ahead to the remainder of 2024, there are indicators suggesting a more positive economic outlook.

Figure 9: Bankruptcy filings in Finland 2016-2023



Source: Statistics Finland, Evli Research

HR & payroll services market

Both bundling of services and separate specialized solutions

Administer enhances its offering by also bundling HR & payroll and bookkeeping services, a practice that is common among service providers. This dual-service approach benefits clients by consolidating critical financial functions with a single provider. Furthermore, the inclusion of Silta into the Administer Group solidifies its standing in the HR & Payroll segment, offering specialized payroll services tailored to the needs of larger enterprises that opt to manage bookkeeping functions in-house. This diversified service portfolio provides Administer with a distinctive edge in the marketplace, as it offers a depth of payroll services that, to our knowledge, surpasses the capabilities of its main competitors.

HR-services market is expected to expand

HR-services are emerging as a value-added offering in the increasingly service-oriented society. They play a pivotal role by providing data to support decisions in HR-related matters. In Finland, the HR-services industry is expected to be integrated to become a crucial part of business operations. Technological advancements are set to also shape this evolution, with data analytics and organizational planning at the forefront of transforming HR into a more strategic and data-driven field.

Software solutions market

Competition is tough also in software solutions

Similar to other financial management services, the growing market for software services designed to support financial management in Finland is also rather fragmented as there are a lot of alternatives compared to peer Nordic countries, which have their offering centered around only a few players (Taloushallintoliitto). Alongside the software offerings, a critical component of the sector's value proposition is the quality of support services, which are integral to customer satisfaction and product effectiveness. The last quarter of the year tends to be the best for the segment, as companies are using their remaining excess budget for IT development and updates.

Substantial margins due to scalability

Software solutions tend to offer substantial margins due to their scalability. After development is completed, the primary expenses shift to maintenance and ongoing improvements, with little to no other costs. In the Finnish market, this sector includes both pure software-focused firms as well as diversified entities like Administer, offering software services alongside a broader suite of financial management solutions.

Distinct advantage for players with early software development

Large market players, having invested early in in-house capabilities, enjoy a distinct advantage, as their extensive resources support continuous innovation. Smaller players, with fewer resources, often rely on third-party software developed by these larger providers, which further drives market consolidation.

Personnel leasing market

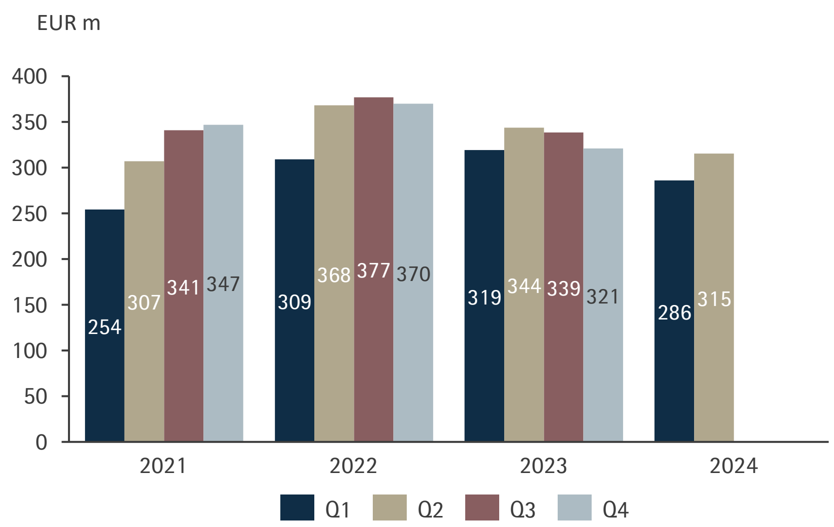
Growth has slowed due to the economic state in Finland, but it is expected to accelerate in line with the economy

According to Employment Industry Finland, the personnel leasing market size in Finland reached EUR 1.32 billion in 2023. The market experienced consistent growth, with quarterly improvements observed from Q1'22 through Q1'23, driven by increased flexibility in workforce requirements among Finnish companies, particularly in project-based and seasonal sectors such as construction, manufacturing, and services. Additionally, the economic recovery following the COVID-19 pandemic led to an upsurge in temporary employment needs as businesses scaled up operations to meet renewed consumer demand. Since Q2'23, the demand has, however, shifted downwards due to the overall market environment. Despite the recent downward trend in demand, we see growth potential aligned with the revival of the overall economy.

Market is known for its seasonality with increased activity during Q2 and Q3

The personnel leasing market is known for its seasonality. The demand for workforce tends to increase during the summer months. On average, Q2 and Q3 tend to generate 15-20% more revenue compared to the first quarter. Among other things, this originates from the primary sector's need for seasonal workers, and increased construction projects, which typically ramp up in the warmer months. Furthermore, many Finnish companies use the summer period to cover for permanent staff vacations, thereby increasing the reliance on temporary workers.

Figure 10: Quarterly revenue for the Finnish personnel leasing sector 2021-2024'Q2



Source: Employment Industry Finland, Evli Research

Competitive landscape

Main competitors include Rantalainen Yhtiöt, Talenom, Accountor, Azets and Aallon Group

As previously stated, the accounting services market in Finland is both crowded and fragmented, presenting a competitive environment for Administer. Several companies can partly be seen as competitors, yet only a handful have the capacity to compete for market share and offer services that align closely with Administer. Notable competitors, such as Talenom and Accountor, share Administer's dedication for digitalized accounting, along with HR and payroll services at the core of their business models. Other companies that can be seen as Administer's main competitors include Rantalainen Yhtiöt, Azets and Aallon Group.

Competitors are also active on the M&A field, seeking to expand their reach and offering and benefit form economies of scale

Most of the main competitors offer a wide array of services, while a few also utilize proprietary in-house software. With the market trending towards consolidation, many of these companies are strategically pursuing inorganic growth through strategic acquisitions, both within Finland and abroad. This approach is aimed at achieving economies of scale and solidifying their market presence. Administer is well-positioned to navigate this evolving landscape by leveraging its advanced automation technologies, unique service offering and commitment to personalized client service, ensuring continued competitiveness and growth in a consolidating market.

Table 2: Largest Finnish accounting services providers' key figures FY 2023*

	ADMINISTER	RANTALAINEN	TALENOM	accountor	AZETS	Aallon
Revenue (EURm)	75.9	~150	121.7	285.0	77.4	32.9
EBIT-margin	3,1 %**	-	6.5%	8,7 %	11.8%	7.6%
Employees	1087	~1700	1560	2310	740	386
Own software	Yes	No	Yes	Yes	No	No
Countries active in	3	2	4	6	9	1
Revenue per Employee (in thousands)	70	88	78	123	105	85

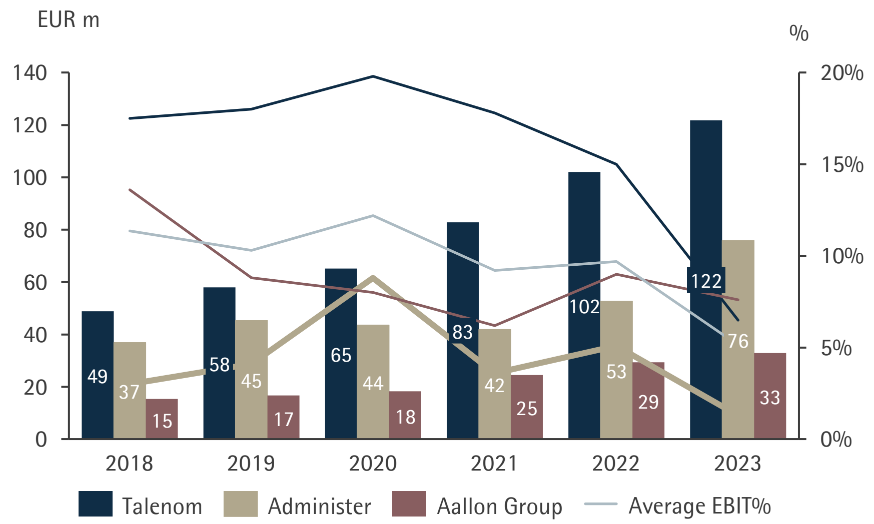
Source: Asiakastieto, Company annual reports, Kauppalehti, Evli Research. *Azets Insight Fiscal Year 1.7.2022-30.6.2023. **Administer EBIT-margin excluding amortization of goodwill.

Financial performance compared to main competitors

Behind peers in profitability

In recent years, Administer's profitability has trailed behind that of its primary listed competitors, Aallon Group and Talenom. Talenom has reported a strong average EBIT-margin of 15.8% over the past six years, with Aallon Group also performing well at 8.9%. In comparison, Administer's EBIT-margin has averaged at 4.3% when adjusted for amortization. Although Administer has experienced significant growth during this period, it has largely been driven by acquisitions rather than organic expansion. In contrast, Talenom has sustained a higher growth rate through a mix of organic initiatives and strategic acquisitions, managing to maintain strong profitability in the process. Despite this, Administer's substantial investment in technology places it in a good position to improve operational efficiency. When combined with its recent efforts to reduce costs, these factors could help Administer close the profitability gap with its rivals and secure a more competitive stance in the market. The potential turnaround is hinted at in H1'24 results with an adjusted EBIT-margin of 6.9%, indicating benefits from the cost savings programme.

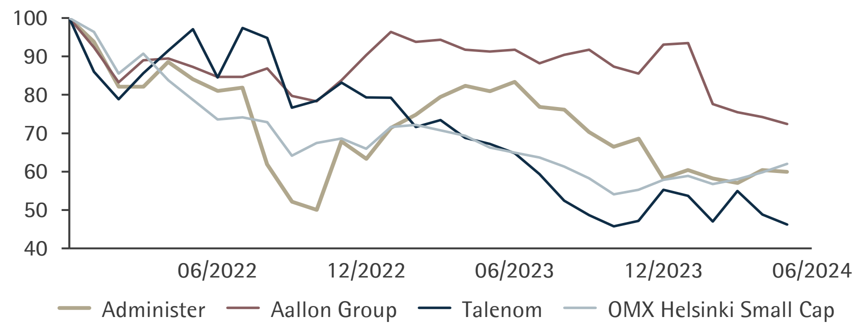
Figure 11: Revenue (EURm) and EBIT-margin[2] comparison to listed peers 2018-2023



Source: Company annual reports, Evli Research.

Downward trend in stock price performance for Administer and main competitors since Administer's listing

Figure 12: Indexed stock price performance comparison post-Administer IPO 12/2021



Source: Bloomberg, Evli Research

[2] Due to differences in accounting standards, Administer's EBIT-margins are reported excluding goodwill amortization. Aallon Group's figures include amortization of goodwill for the period from 2018 to 2021, as they were reported under FAS. From 2022 onwards, Aallon Group has transitioned to reporting under IFRS.

Competition in other services sectors

Administer stands out for its broad range of services, including software services, extensive HR & payroll services and a unique position in personnel leasing, which positions it favorably in a competitive landscape

Administer enhances its market position not only through financial management services but also with a diverse service portfolio. Like its main peers, Administer provides HR & payroll services coupled with bookkeeping for SMEs. However, its subsidiary Silta grants it a unique advantage by offering specialized services tailored for larger enterprises. Another differentiator for Administer is its increased focus on personnel leasing, positioning it ahead of its main competition. In a strategic push to expand its market share in the personnel leasing market, Administer is concentrating on scaling up its PEO services and growing its international personnel leasing operations. Personnel leasing is the only service sector where, to our knowledge, none of the main competitors have significant offerings. While software development is not unique to Administer within the peer group, it is a service that complements the company's portfolio in an industry that also features specialized software providers.

Figure 13: Competitive environment by service sector

	Financial management services	HR & payroll services	Software solutions	Personnel leasing
Administer's market position	One of the leading providers of financial management services, mainly offered to SMEs	Leading provider of HR & payroll services measured by payslips processed	Various software solutions through in-house developed eFina and subsidiary EmCe	Growing focus on personnel leasing since the acquisition of Econia
Main competitors	accountor, TALENOM, Aallon, RANTALAINEN, AZETS, greenstep, MONETRA, PROVINCIA	accountor, TALENOM, Aallon, RANTALAINEN, AZETS, greenstep, zalaris, sdworx	accountor, TALENOM, zalaris, VISMA, lemonsoft, Heeros, admicom, Fortnox	barona, eezy, StaffPoint, Adecco, BOLT, AW Academic Work, Go On, ManpowerGroup

Source: Evli Research

Mergers and acquisitions

Strategic acquisitions have formed the group structure

Administer's growth strategy has been significantly driven by a series of strategic acquisitions since 2017, which have played a pivotal role in the company's expansion. These acquisitions have not only broadened its service portfolio but also amplified its geographical standing and market share in the core bookkeeping segment. Among the most impactful acquisitions are Silta in 2018, EmCe in 2021, and Econia in 2022. Together, these companies have become foundational to the group structure. The parent company has also integrated over a dozen bookkeeping firms during 2019-2024'Q2 to extend its market reach and strengthen its presence across new regions.

Acquisitions to drive expansion to different target clients

In addition to these significant mergers of the main brands, Administer has made targeted, smaller strategic acquisitions to further solidify its market position. The acquisition of Enfo Partner (rebranded as Adner) in 2017 exemplifies the company's strategy to cater to the needs of larger clients. Additionally, securing a 49.9% stake in Kuntalaskenta in 2018 strengthened the company's portfolio within the public sector. In September 2024 Administer finalized the acquisition of an additional 40.1% stake in Kuntalaskenta, thereby increasing its control over the company amidst Kuntalaskenta's recent operational challenges.

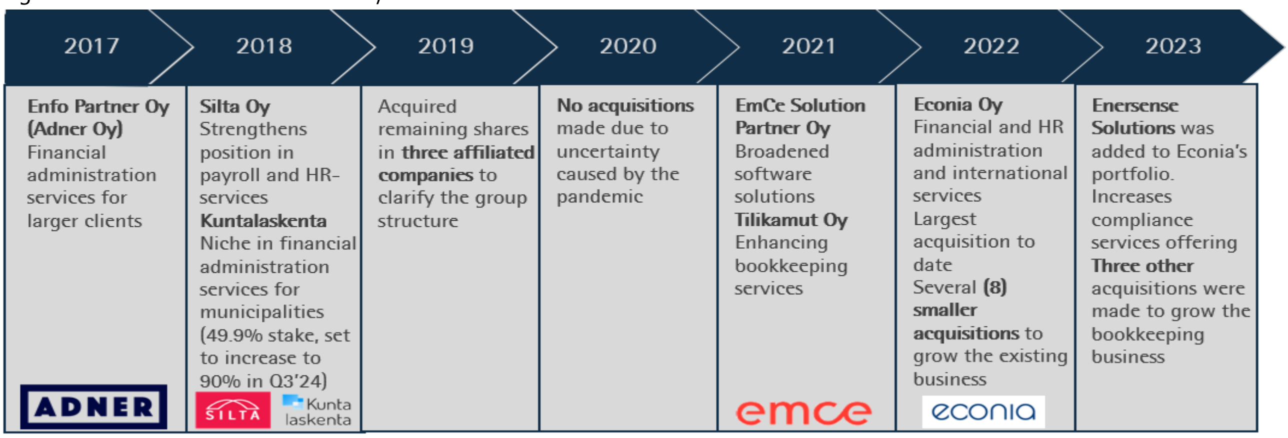
The acquisition of Adner has not delivered on its promise, leading to a negative impact on the company's bottom line

In our view Administer has mostly succeeded with its acquisitions, which have been well-aligned with the company's strategic growth ambitions, and most of the acquired brands have been well integrated into the company. Nevertheless, the purchase of Adner has not met its intended targets, primarily attributed to the loss of key clients following a significant technological shift. Since its integration in 2017, Adner has constantly reported negative EBIT-margins and a downward trend in revenue, dropping from EUR 5.9 million in 2018 to only EUR 1.2 million in 2022. The subsidiary's financial performance is now consolidated under the Administer brand and will be fully merged into the parent company in the latter part of 2024.

The inorganic growth strategy has shaped the company, now poised to shift focus to profitability as brands have been integrated

Administer's acquisition strategy since 2017 has been a key driver of its growth, effectively expanding its service offerings and market position. The integrations of significant players like Silta, EmCe, and Econia have notably enhanced the company's structure and reach. Most key acquisitions have been successfully integrated and contributed to Administer's market expansion. Overall, the company's growth strategy has led to Administer having one of the most diverse service offerings among its peers and thus the company is now well-positioned for the next step – shift to profitability.

Figure 14: Administer's M&A history 2017-2023



Source: Administer, Evli Research

Financial performance

Strong growth record prior to IPO

Prior to its 2021 initial public offering, Administer demonstrated strong growth, with a CAGR of approximately 28% from 2016 to 2020. This impressive expansion was significantly driven by strategic acquisitions, notably the purchase of Silta in 2018 – a move that nearly doubled Administer's revenue from the preceding year. The acquisition strategy capitalized on favorable market conditions.

Decent growth trajectory since listing, but profitability lacking

In the period leading up to and following its 2021 IPO, Administer demonstrated a commitment to growth, even as it faced significant challenges. The pandemic's impact was felt in 2021, which led to a decline in both revenue and profitability. Administer returned to revenue growth in 2022 and 2023, registering a CAGR of some 20% over the period 2020-2023 despite the setback in 2021, largely thanks to strategic moves such as the acquisition of Econia. Yet, a slowing Finnish economy, compounded by the effects of geopolitical tensions contributed to broader economic instability. In the face of these challenges, Administer's profitability did not meet expectations, trailing behind its main peers and falling short of its own targets, signaling the necessity for now executed strategic adjustments.

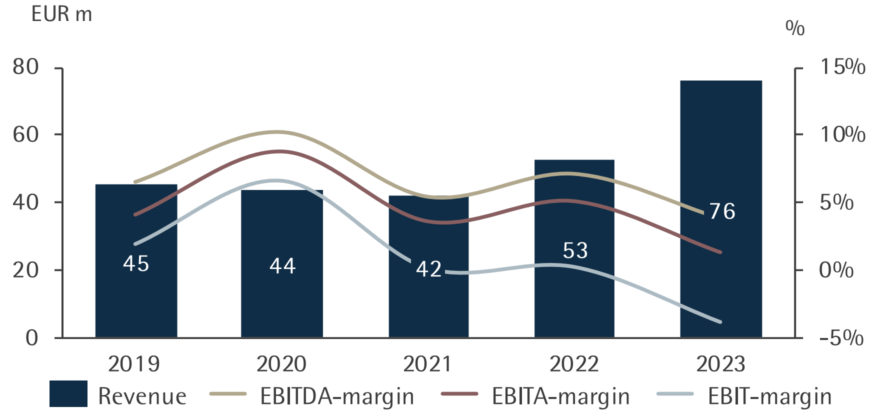
Actions taken in 2023 to increase operational efficiency and enhance margins

The year 2023 brought forth a set of challenges in the wake of a weakened economic environment coupled with wage inflation and other increased expenses. In response, Administer launched a comprehensive profitability program after the issuance of a profit warning, aimed at improving operational efficiency and enhancing profit margins. The cost-saving measures included staff reductions and consolidation of office spaces. Later in 2023, another profit warning was announced, attributed to sales in the personnel leasing business falling short of expectations influenced by prevailing market conditions.

Profitability programme showing results

The impact of the profitability program was evident in the first quarter of 2024, with Administer displaying signs of enhanced profitability suggesting the initial fruits of its restructuring program. Despite a year-over-year revenue decrease of 3.1% in the first quarter, mainly attributed to the cyclical nature of the personnel leasing business and overarching market conditions, the company posted an EBITDA-margin of 9.1%, above its full year expectations. This story continued in the second quarter, with the company reporting a net sales decline of 1.3% alongside an improved EBITDA-margin of 9.6%. Going forward, the interest will lie in monitoring whether these profitability levels can be maintained and if net sales will rebound for the remainder of the fiscal year.

Figure 15: Administer's revenue (EURm) and profitability development 2019-2023



Source: Administer, Evli Research

Balance sheet

Goodwill represents the largest portion of the company's assets

As of the end of 2023, Administer's total assets stood at EUR 62.5 million, with EUR 39.3 million or 63% attributable to goodwill from past acquisitions. This reflects a 6.7% decrease in goodwill from EUR 42.1 million at the end of 2022, a result of both amortization of goodwill and a slowdown in M&A activity. As Administer's financial statements are reported in accordance with the Finnish Accounting Standards (FAS) as opposed to International Financial Reporting Standards (IFRS), goodwill is amortized on a straight-line basis. Goodwill is generally amortized over a 10-year period, with the exception of goodwill from the Silta acquisition, which is spread over 20 years. Other intangible assets, primarily consisting of EUR 4.4 million in capitalized development expenses are depreciated over 5 to 10 years. Additional intangible assets are valued at some EUR 1.2 million. Tangible assets account for just under EUR 1 million, underscoring Administer's cohesion with the industry of maintaining an asset-light balance sheet.

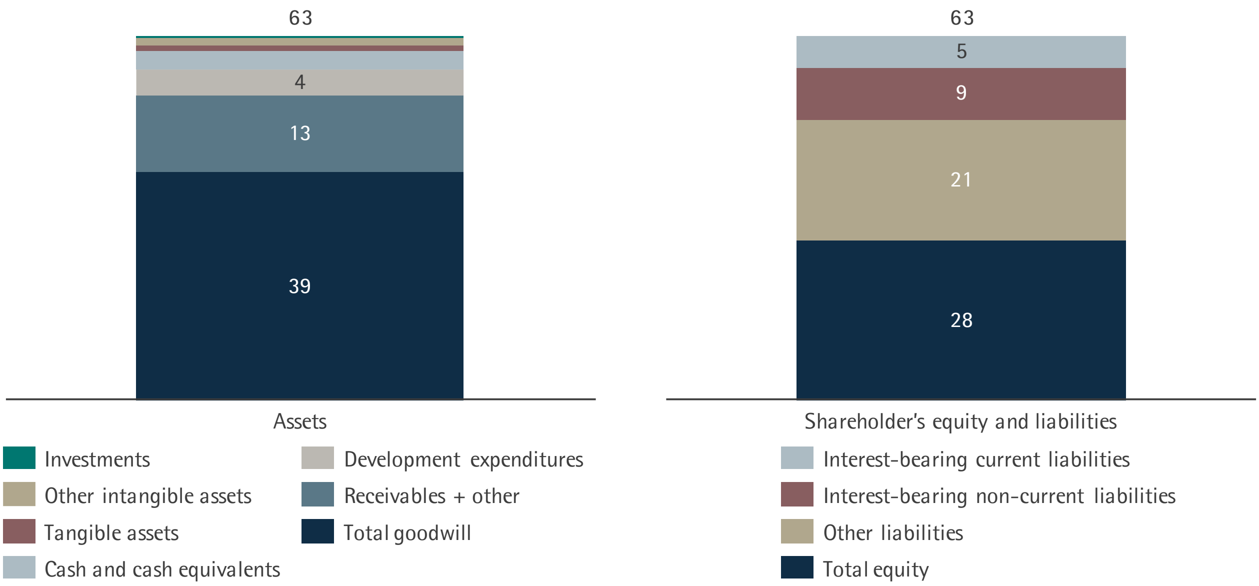
Rise in current liabilities, with pending repayments for the year 2023 amounting to EUR 5.3 million, which are scheduled to be paid in both cash and stock

Current assets totaled EUR 16.3 million, largely composed of short-term receivables at EUR 13 million and cash and cash equivalents at EUR 3.3 million. Interest bearing non-current liabilities decreased to EUR 9.5 million, down from 14.7 million in 2022. Conversely, there was a spike in current liabilities, which increased to EUR 25.5 million from EUR 19.1 million the previous year, containing EUR 5.3m in interest-bearing liabilities from financial institutions (EUR 3.7m in 2022). This rise in current liabilities, particularly the loans from financial institutions may be a point of concern to stakeholders. However, the company expresses confidence in its ability to meet these obligations, noting that some liabilities will be paid in stock as a part of the additional purchase price from acquisitions rather than cash payments.

Significant decrease in current ratio calls for focus on cash flow management

Administer equity ratio in 2023 is reported at 44%, with a debt-to-equity ratio of 53.6%. The company's current ratio stands at 0.64 (0.92 in 2022), which is lower than listed competitors'. Despite this, the ratio is not viewed as problematic due to the small necessity for inventory and other current assets within the service industry. The shift towards a higher current liability burden does, however, place emphasis on the company's cash flow management and operational efficiency moving forward.

Figure 16: Administer's balance sheet composition as per 31.12.2023, EUR m



Source: Administer, Evli Research

Investments and cash flow

Minimal capital expenditure needs…

Administer operates within a labour-intensive sector, which typically does not necessitate substantial investments in tangible assets. In line with the industry characteristics, Administer's net cash flow from investing activities has been relatively modest, ranging from EUR 1 to 5 million annually over the six-year period from 2018 to 2023, with two notable deviations.

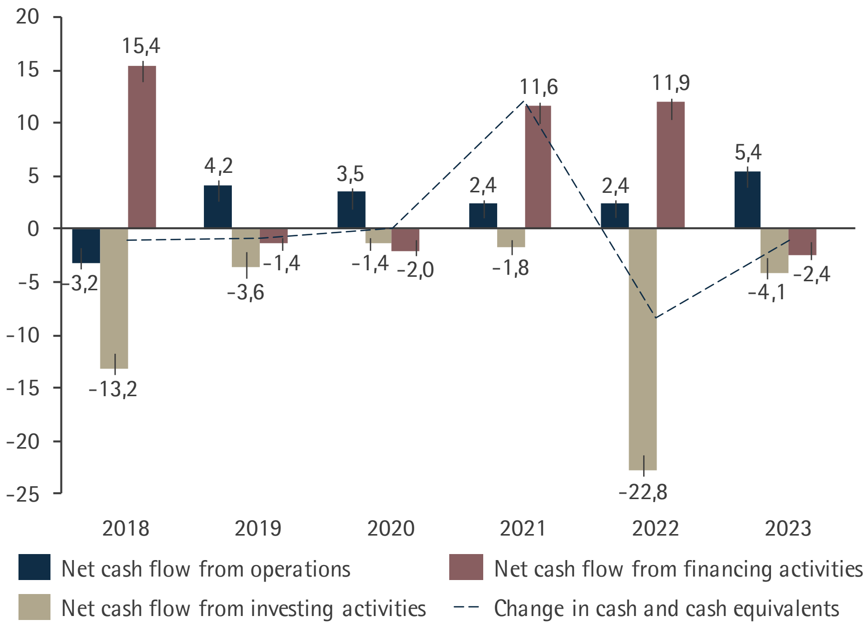
…beyond acquisitions

In 2018 and 2022, the company's investing activities surged due to the acquisitions of Silta and Econia, respectively. These strategic acquisitions represent significant investments in the company's evolution and are indicative of Administer's inorganic growth strategy. The increased investment activities in those years were matched by corresponding peaks in financing activities as the company funded its acquisitions with long-term loans from domestic financiers.

Positive operating cash flow for five consecutive years

Administer has maintained a positive cash flow from operations since 2019, demonstrating its ability to generate sufficient cash from its core operations, which underscores the company's operational efficiency.

Figure 17: Breakdown of Administer's cash flow statement 2018-2023, EURm



Source: Administer, Evli Research

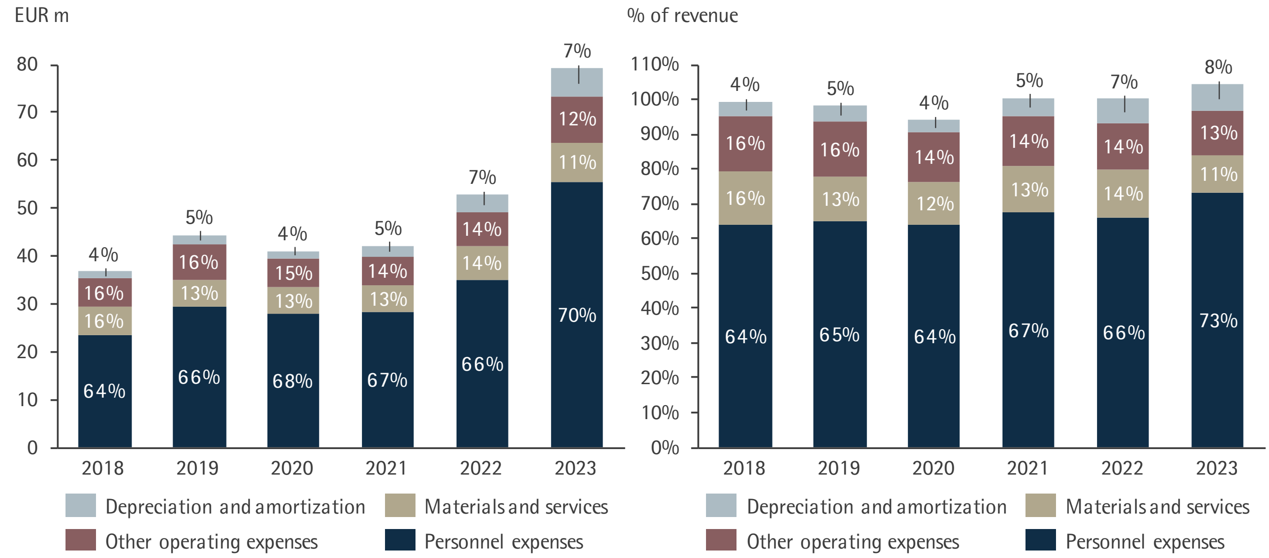
Cost structure

Cost structure is significantly influenced by personnel expenses

As a service-centric entity, Administer's cost structure is dominated by personnel expenses, as there is limited need for physical assets and materials. Below is a breakdown of Administer's cost structure.

- Administer's financials show a cost structure predominantly driven by **personnel expenses**, which is typical for service-oriented businesses. Labour costs have consistently represented around 64-70% of total costs from 2018 to 2023, showing an upward trend. The notable increase in relative personnel costs in 2023 can largely be attributed to the integration of personnel leasing operations following the acquisition of Econia, a segment that typically incurs higher personnel costs compared to traditional financial management and payroll services.
- **Other operating expenses**, consisting mainly of office expenses and sales and marketing, have remained within a range of EUR 5 to 10 million annually. These expenses' relative share to revenue has decreased from an average of 15% during the period from 2018 to 2022 to 11% in 2023. This reduction aligns with the cost savings programme, and we believe it could continue to contribute to a further decline in this ratio in 2024.
- **Costs for materials and services** have been effectively managed, with revenues increasing at a faster pace than these costs, demonstrated by a decrease from 16% of revenue in 2018 to 11% in 2023.
- **Depreciation and amortization** expenses, constituting some 4% to 7% of total costs, are primarily associated with the amortization of past acquisitions. Relative D&A expenses are increasing in line with the company's acquisition activity.

Figure 18: Cost structure development as a share of total costs and expense segments as a share of revenue (2018-2023)



Source: Administer, Evli Research

Estimates

A challenging market environment has shaped the beginning of Administer's journey on the stock exchange

Administer's initial journey as a listed company has been marked by turbulence and the company has had difficulties in reaching its ambitious growth and profitability targets. The company's IPO happened around the time when the Finnish stock market reached its highest levels in over a decade. Quickly after that the high inflation environment coupled with the geopolitical tensions from Russia's invasion of Ukraine led to economic disruptions and Finland went through its first recession since the financial crisis 2007-2009.

Potential for a turnaround with the company's brand focus and emerging H1 profitability signs

Despite these hurdles, there is light at the end of the tunnel with early fruits from Administer's profitability programme initiated in 2023, as the first and second quarter results for 2024 showed improved profitability. The company has also successfully integrated the brands from its major acquisitions, now shaping the company around these four main brands. Looking ahead we see potential for a sustained turnaround in Administer's case, with some support from overall market conditions.

Guidance

We estimate revenue to be slightly below the guidance midpoint at EUR 76.2m and the EBITDA-margin to be on the higher side of the guidance range at 8.5%

For fiscal year 2024, Administer has set financial guidance as follows:

- Expected revenue within the range EUR 76-81 million
- Expected EBITDA-margin within the range 6-9%

The guidance midpoint stands at EUR 78.5 million (+3.5% y/y) for revenue and 7.5% (+167% y/y) for EBITDA-margin. We estimate 2024 revenue to land at the lower end of the range, at EUR 76.2 million, due to declining revenue in the first half of the year and ongoing market uncertainty. However, regarding profitability, we are more optimistic and estimate EBITDA-margin at the higher end of the guidance at 8.5%, supported by H1 results showing good performance in tough market conditions.

Table 3: Key figures and estimates summary

Administer	H2/22	2022	Q1/'23	Q2/'23	H2/'23	2023	Q1/'24	Q2/'24	Q3/'24E	Q4/'24E	2024E	2025E	2026E
Net sales	**28.9**	**52.8**	**19.6**	**19.6**	**36.6**	**75.8**	**19.0**	**19.3**	**18.0**	**19.9**	**76.2**	**78.9**	**84.0**
sales growth %	*30.8%*	*25.9%*			*27.0%*	*43.7%*	*-3.1%*	*-1.3%*	*-*	*-*	*0.5%*	*3.5%*	*6.5%*
EBITDA	**2.7**	**3.8**	**1.1**	**0.4**	**1.3**	**2.8**	**1.7**	**1.9**	**1.4**	**1.5**	**6.5**	**7.3**	**8.5**
EBITDA-margin	*9.5%*	*7.1%*	*5.7%*	*2.3%*	*3.5%*	*3.7%*	*9.1%*	*9.6%*	*7.6%*	*7.6%*	*8.5%*	*9.3%*	*10.2%*
Depreciation	-0.6	-1.1	-0.4	-0.4	-1.0	-1.8	-0.4	-0.5	-0.5	-0.5	-1.8	-1.8	-1.8
EBITA	**2.1**	**2.7**	**0.7**	**0.0**	**0.3**	**1.0**	**1.3**	**1.4**	**0.9**	**1.1**	**4.6**	**5.5**	**6.7**
EBITA-margin	*7.3%*	*5.1%*	*3.6%*	*-0.1%*	*0.8%*	*1.3%*	*6.6%*	*7.1%*	*5.1%*	*5.4%*	*6.1%*	*7.0%*	*8.0%*
Goodwill amortization	-1.5	-2.5	-1.0	-1.0	-2.0	-4.0	-1.1	-1.0	-1.0	-1.0	-4.1	-4.0	-4.0
EBIT	**0.6**	**0.1**	**-0.3**	**-1.0**	**-1.7**	**-3.0**	**0.2**	**0.4**	**-0.1**	**0.1**	**0.5**	**1.5**	**2.7**
EBIT-margin	*2.2%*	*0.2%*	*-1.5%*	*-5.1%*	*-4.6%*	*-4.0%*	*1.3%*	*1.9%*	*-0.5%*	*0.4%*	*0.7%*	*1.9%*	*3.2%*

Source: Administer, Evli Research estimates

Short-term

Revenue growth relies mainly on the personnel leasing sector's recovery

Our estimates indicate a modest year-over-year revenue increase for Administer. In the first half of 2024, the company reported growth of some 1.5% across its brand portfolio excluding Econia, which underperformed due to weakened demand within personnel leasing. However, we expect Econia to rebound in the third quarter, capitalizing on a weaker comparison period. Despite a 9.7% decline in Econia's H1 revenue, we estimate that a stronger second half will bring its fiscal year 2024 revenue close to break-even. We expect other brands in Administer's portfolio to maintain a consistent pattern of mainly organic growth of around 1% during the second half of the year.

Reaching profitability targets for 2024 is highly important

Administer is well-positioned to reach its profitability goals in 2024, thanks to recent cost-saving measures that appear to have been effective. Consequently, we anticipate the company will achieve its targeted EBITDA-margin (6-9%) for the fiscal year 2024. This turnaround is crucial for Administer, as the company needs to reestablish trust with investors and financiers after a prolonged period of not meeting expectations.

Increased stake in Kuntalaskenta to 90% recently

In July 2024, Administer announced its intention to acquire an additional 40.1% stake in its affiliate, Kuntalaskenta, from Pieksamäen kaupunki. The transaction was completed in September 2024, increasing Administer's ownership to 90%. The acquisition was priced at EUR 0.12 million, with a valuation of 0.13x P/S based on 2023 sales figures. As a result of the transaction, Kuntalaskenta is now fully consolidated as a subsidiary. The remaining 10% of equity is scheduled to be redeemed in three years at a predetermined valuation

Taking control of the challenging situation

Kuntalaskenta has recently faced significant challenges, struggling with delays in delivering clients' year-end financial statements, which has attracted negative media attention and resulted in withholding of payments due to contract breaches. We view the transaction favorably, as it allows Administer to allocate more resources to Kuntalaskenta – a favourable addition to Administer's portfolio in terms of business area – and take control of the situation. Kuntalaskenta recorded net sales of EUR 2.25m in 2023 and management expects the transaction to have only a minor impact on the income statement in 2024.

Further acquisitions expected to be postponed to 2025 and 2026

In addition to this, Administer has indicated openness to strategically sound acquisitions in the Baltic Sea region during its current strategy period ending in 2026. However, we believe that the company will prioritize bolstering its profitability during the ongoing fiscal year. To our knowledge, the company has completed two smaller acquisitions (estimated revenue below EUR 0.5m each) in 2024. While not ruling out the potential for further acquisitions this year, we believe that most of the acquisitions will be executed in 2025 and 2026.

Long-Term

M&A activity is a necessity to reach target revenue for 2026

For the strategic period ending in 2026, Administer has set financial targets as follows:

- Revenue to reach EUR 100m
- EBITDA-margin at 15%

Administer aims to achieve a revenue of EUR 100 million by the conclusion of its strategic period in 2026. If the company hits the midpoint of its revenue forecast for 2024, this will necessitate an annual growth rate of approximately 13% for the years 2025 and 2026. Given the competitive landscape of the market, an organic growth rate of around 3-6% appears achievable assuming somewhat improved market conditions. To meet the EUR 100 million revenue target, Administer would thus need to generate an additional EUR 13-17 million in revenue through acquisitions. Considering the market's ongoing consolidation and Administer's track record with acquisitions, this target appears within reach. However, there is a risk associated with this approach as not all acquisitions may yield the expected benefits. Therefore, we expect that the company will likely focus on targeted, smaller-scale acquisitions within its established areas of bookkeeping and HR & payroll services, with potentially one somewhat larger acquisition.

Target EBITDA-margin for 2026 of 15% is well above our estimate of 10.2%

While our estimates indicate a steady improvement in Administer's profitability, with expectations of EBITDA-margin reaching 10.2% by 2026, this falls clearly short of the company's 15% margin goal. With the current market outlook, nearly doubling the EBITDA-margin from our estimated 8.5% in 2024 would likely require a strategic shift towards higher-margin services, such as consulting and software sales, along with optimal use of resources. Therefore, it seems somewhat contradictory from a margin point of view that the company has recently increased its focus on personnel leasing, a service that typically offers lower margins. However, within the personnel leasing segment, PEO services hold potential as a higher-margin solution. By leveraging PEO services, Administer could enhance profitability and help bridge the gap. Further margin improvement and operational efficiency could be achieved by prioritizing the development and implementation of advanced automation technologies. These technologies can streamline operations across the service offering, reduce costs, and contribute to achieving higher margins.

No clear vision of how to improve profitability to target level of 15%

Acknowledging Administer's service mix and technological investments, we have yet to observe a strategic realignment or similar distinct measures that would justify the substantial margin improvement being pursued. Without clear plans or actions to further improve margins, it remains uncertain how Administer intends to reach its 15% EBITDA-margin target by 2026.

Improved market conditions could give Administer a competitive edge through its renewed strategy and extensive service offering

The recent market climate has been marked by volatility and unpredictability, due to macroeconomic disruptions such as the COVID-19 pandemic and geopolitical tensions. Should the ECB effectively combat inflation and subsequently reduce interest rates, we could witness a resurgence of the market to a more stable state. In such improved conditions, with rising demand, Administer's expanded and diversified service portfolio would be tested at full scale for the first time. Currently valued below its competitors, Administer thus has the potential to outperform expectations, provided that the new strategy proves effective in more favourable market conditions.

Valuation

Target price of EUR 3.0 and BUY-rating

We retain our target price for Administer at EUR 3.0 and keep our BUY-rating. We see upside from the current price level, as the company has shown early signs of a turnaround in profitability. The company is currently valued at EV/Sales 0.6x and EV/EBIT 10.5x (excl. goodwill amortization), which is well below the peer group average and median. Our DCF valuation derives a price of EUR 5.90, further supporting our BUY-rating. The current valuation offers substantial potential should Administer achieve its long-term financial targets.

Peer Group

Peer group constructed of primary listed peers and an extended peer group

In evaluating Administer's competitive landscape, our peer group analysis faces the challenge of identifying companies with comparable business models and market presence. Given the unique positioning of Administer within the financial management services sector, a direct comparison with a sufficient number of closely comparable peers is not feasible. Consequently, we have adopted a flexible approach to construct our peer group, where we have two primary listed competitors operating within financial management and having similar services offerings, namely Talenom and Aallon Group. Moreover, we have an extended peer group, with companies operating in a similar business environment and having related service offerings.

Primary listed competitors

Two main competitors are Finnish financial management services providers Talenom and Aallon Group

Talenom: Characterized by its aggressive growth strategy, Talenom has combined organic growth with strategic acquisitions. In the early stages of its market entry, the company also posted impressive profit margins and the stock price boomed. Since the COVID outbreak, also Talenom has had a difficult path mostly due to expansion abroad, and the company's stock price has halved since Administer's listing. The cornerstone of Talenom's success has in our view been its technological expertise.

Aallon Group: Emerging from a merger of six bookkeeping firms in 2019, Aallon Group offers financial administration services in Finland. Aligned with industry trends, the Group has also pursued growth through strategic acquisitions. Although its profitability trails that of Talenom, Aallon Group has outperformed Administer over the long term.

Extended peer group

Extended peer group include listed companies in Finland and the Nordics operating within the same industry and similar geographic market area

In the absence of more directly comparable peers, we have expanded our peer group to include other listed entities with similar characteristics to Administer.

Lemonsoft: A Finnish software house specializing in financial management, thus providing a comparative framework against Administer's software solutions.

Admicom: A financial management software provider catering to construction sector operators in Finland.

Zalaris: A Norwegian enterprise delivering HR & Payroll services and software.

Eezy: A Finnish operator within the personnel services sector that has recently branched towards consulting. Eezy is one of the market leaders in Finland within personnel leasing, where Administer is looking to gain market share.

The peer group offers an indicative range for Administer's valuation multiples

The selection of these peers, both primary and extended, is driven by the need to build an understanding of Administer's competitive positioning. By examining companies with similar offerings, revenue streams, geographical presence, market strategies, and growth trajectories, we aim to provide an analysis of how Administer is valued compared to peers. While we acknowledge that these companies are not a perfect match to Administer, we believe they generally provide a good, indicative range of how comparable assets are valued on average.

EBITA and adjusted P/E for enhanced comparability

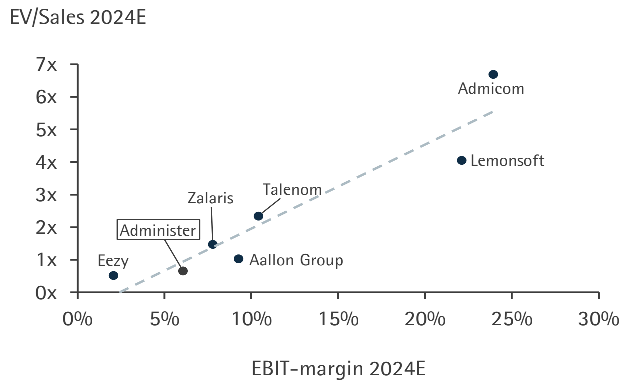
To improve comparability among companies, we have adjusted EBIT and P/E figures to account for differences in accounting standards. While most of the peer group uses IFRS, Administer and Admicom follow FAS. Due to differing treatments of goodwill amortization under FAS and impairment tests under IFRS, EBIT and P/E figures are not directly comparable. To address this, we have added back amortization expenses for the FAS companies, presenting their EBITA figures and P/E adjusted for amortization. Although complete comparability is challenging, this adjustment provides a more accurate basis for comparison, particularly in the financial management services industry, which often involves significant inorganic activity influencing goodwill amortization.

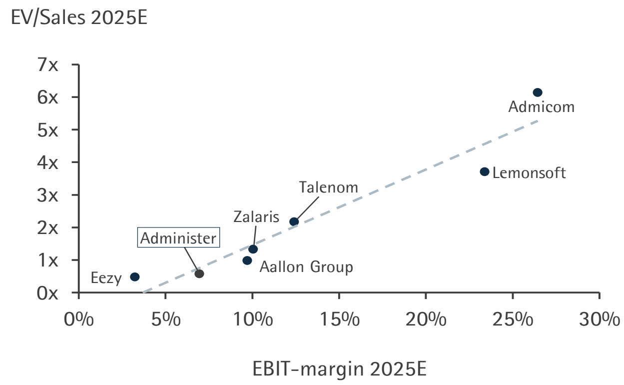
Valuation at the lower end of the peer range, justified by lower margin expectations

Based on our estimates, Administer is currently valued below its peers on key valuation multiples, including EV/EBITDA, EV/EBIT, P/E and EV/Sales, with discounts ranging from 17% to 70% for 2024-2026E. This lower valuation is justified by Administer's lower estimated EBIT-margins compared to peers. Notably, Admicom and Lemonsoft exhibit higher valuations due to their focus on software businesses with higher profit margins. Among the primary listed competitors, Talenom stands out with a premium valuation driven by its higher expected margins. Conversely, Aallon Group offers a more relevant comparison, given its closer alignment with Administer's financial profile historically. Both companies exhibit similar growth trajectories and profitability expectations for the near future. Nonetheless, Administer's valuation remains slightly below Aallon Group's across most multiples.

Even though we believe that Administer's discounted valuation is to some extent justified, the lower valuation relative to peers suggests significant upside potential in case of a full-scale turnaround. However, we remain cautious given the need for the company to first demonstrate sustainable profitability and navigate prevailing market risks.

Figure 20: Administer vs. peer group: Valuation multiples comparison





Source: Bloomberg, Evli Research

Table 4: Overview of estimates and valuation multiples of selected peers

	MCAP	EV/EBITDA			EV/EBIT			P/E			EV/Sales		
	EURm	24	25	26	24	25	26	24	25	26	24	25	26
Talenom	209	8.0x	7.2x	6.3x	21.5x	16.7x	13.7x	28.6x	20.5x	15.4x	2.2x	2.1x	1.9x
Aallon Group	33	6.6x	6.5x	6.1x	10.7x	9.8x	8.8x	12.7x	12.2x	11.1x	1.0x	1.0x	0.9x
Zalaris	130	9.1x	7.5x	6.8x	17.2x	13.4x	12.0x	20.3x	15.7x	12.4x	1.5x	1.3x	1.2x
Lemonsoft	113	14.6x	12.9x	11.9x	17.7x	15.3x	14.0x	22.0x	18.9x	17.0x	3.9x	3.6x	3.4x
Admicom	238	18.6x	16.2x	13.6x	26.9x	22.4x	17.8x	18.8x	16.8x	14.6x	6.4x	5.9x	5.3x
Eezy	32	8.7x	6.9x	5.7x	25.1x	14.9x	10.7x	13.5x	8.0x	5.0x	0.5x	0.5x	0.4x
Peer Group Average	127	**10.9x**	**9.5x**	**8.4x**	**19.9x**	**15.4x**	**12.8x**	**19.3x**	**15.3x**	**12.6x**	**2.6x**	**2.4x**	**2.2x**
Peer Group Median	122	**8.9x**	**7.3x**	**6.5x**	**19.6x**	**15.1x**	**12.8x**	**19.6x**	**16.2x**	**13.5x**	**1.8x**	**1.7x**	**1.6x**
Administer (Evli est.)	**38**	**7.4x**	**6.1x**	**4.7x**	**10.5x**	**8.1x**	**6.0x**	**11.4x**	**9.6x**	**7.6x**	**0.6x**	**0.6x**	**0.5x**
Administer prem./disc. to peer median		*-17 %*	*-17 %*	*-27 %*	*-47 %*	*-46 %*	*-53 %*	*-42 %*	*-41 %*	*-44 %*	*-66 %*	*-67 %*	*-69 %*

Source Bllomberg, Evli Research

	Sales	Sales			Sales growth			EBIT-%			Div. yield		
	23	24	25	26	24	25	26	24	25	26	24	25	26
Talenom	122	130	140	152	7 %	8 %	8 %	10 %	12 %	14 %	4.4%	4.6%	4.8%
Aallon Group	33	35	36	37	5 %	4 %	3 %	9 %	10 %	11 %	2.7%	2.8%	2.9%
Zalaris	99	111	123	132	12 %	11 %	8 %	8 %	10 %	10 %	1.0%	1.5%	1.9%
Lemonsoft	26	30	32	34	12 %	9 %	6 %	22 %	23 %	24 %	2.4%	2.5%	2.8%
Admicom	34	36	39	44	5 %	9 %	12 %	27 %	29 %	33 %	1.6%	1.8%	2.2%
Eezy	219	184	197	217	-16 %	7 %	10 %	2 %	3 %	4 %	0.0%	1.6%	7.0%
Peer Group Average	89	**87**	**95**	**103**	**4 %**	**8 %**	**8 %**	**13 %**	**15 %**	**16 %**	**2.0 %**	**2.4 %**	**3.6 %**
Peer Group Median	67	**73**	**81**	**88**	**6 %**	**8 %**	**8 %**	**10 %**	**11 %**	**12 %**	**2.0 %**	**2.1 %**	**2.9 %**
Administer (Evli est.)	**76**	**76**	**79**	**84**	**0 %**	**3 %**	**6 %**	**6 %**	**7 %**	**8 %**	**2.4 %**	**3.1 %**	**4.0 %**

Source Bloomberg, Evli Research

Scenario analysis

Illustrative scenario analysis based on long-term financial targets

We have conducted an illustrative scenario analysis to assess how reaching its 2026 revenue and EBITDA-margin targets could impact Administer's valuation compared to its primary listed peers, Talenom and Aallon Group. We have assumed organic growth of 3.5% in 2025 and 6.5% in 2026, along with EUR 8 million in acquisitions for both years. We further assumed that these acquisitions would be financed through debt with an interest rate of 7.0%. To account for the EBITDA-margin improvement, we factored in potential cost scaling, stemming from personnel expenses (including the impact of recent change negotiations), materials and services, and other expenses, aligned with balance sheet development over the years.

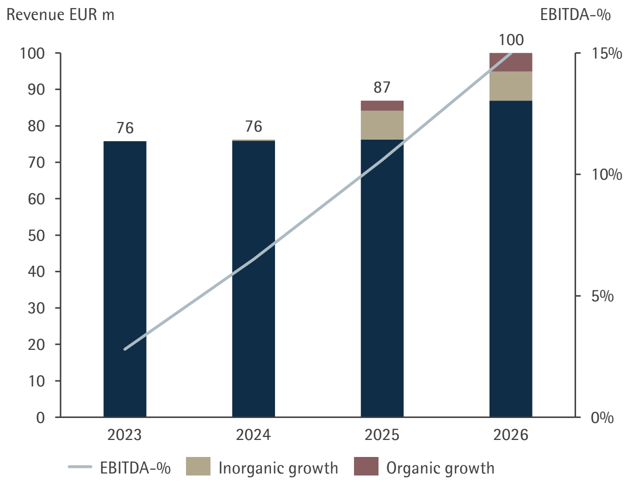
Market improvement, acquisitions and increased efficiency as underlying assumptions

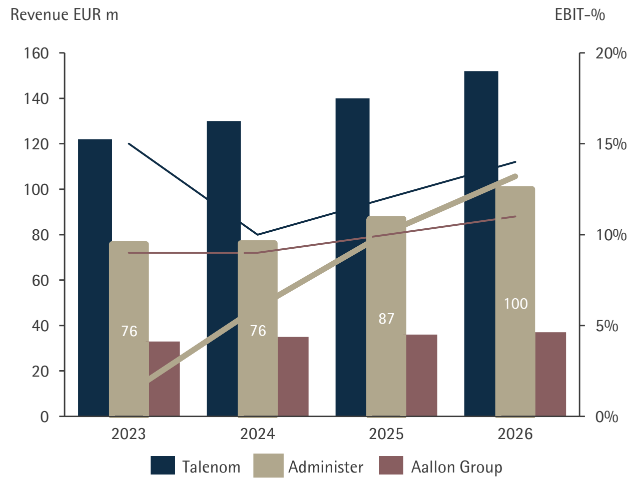
Additionally, this scenario assumes improved market conditions, optimized resource utilization, and enhanced operational efficiency. We also considered strategically sound acquisitions at approximately 1x sales, consistent with industry standards, focusing on already profitable companies. Better market conditions would likely boost demand and make it easier to pursue acquisitions. At the same time, more efficient use of resources, such as increased invoicing levels and work-rates, combined with improved operational efficiency—like automating processes, would be key to achieving targeted margins.

The scenario does not reflect our current estimates

While this illustrative scenario offers insight into Administer's potential in the long term, it is important to stress that it is based solely on the company's long-term targets. This scenario does not reflect our current valuation view of the company.

Figure 19: Scenario analysis: Administer revenue and EBITDA-% development & peer comparison (revenue & EBIT-%*)





Source: Bloomberg, Evli Research. *Administer EBITA-%

Scenario indicates a valuation closer to Talenom to be justified reflecting the upside potential

Based on the scenario analysis, Administer is expected to narrow the profitability gap with its primary listed peers. Currently, its valuation and financials are more aligned with Aallon Group. However, should Administer achieve its long-term financial targets, we consider a valuation level closer to Talenom's range to be appropriate. In this scenario, an EV/EBIT (excl. goodwill amortization) multiple in the range of 14-12x for 2025-2026E would be justified, which is significantly higher than the multiples reflected by the current price. Based on scenario estimates for 2026, this would imply a share price slightly above EUR 10.0.

Table 4: Scenario analysis: Key figure summary[3]

	Sales				EBIT-%				EBITDA-%			
	23	24E	25E	26E	23	24E	25E	26E	23	24E	25E	26E
Talenom	122	130	140	152	7 %	10 %	12 %	14 %	26 %	28 %	29 %	31 %
Aallon Group	33	35	36	37	8 %	9 %	10 %	11 %	15 %	15 %	15 %	15 %
Talenom and Aallon Group Average	**78**	**83**	**88**	**95**	**7 %**	**10 %**	**11 %**	**12 %**	**21 %**	**22 %**	**22 %**	**23 %**
Adminster	**76**	**76**	**87**	**100**	**1 %**	**6 %**	**10 %**	**13 %**	**4 %**	**8 %**	**12 %**	**15 %**
Administer prem./disc. to Talenom and Aallon Group												

Source: Bloomberg, Evli Research

	EV/EBIT				EV/EBITDA				P/E			
	23	24E	25E	26E	23	24E	25E	26E	23	24E	25E	26E
Talenom	30.2x	21.5x	16.7x	13.7x	9.0x	8.0x	7.2x	6.3x	36.7x	28.6x	20.5x	15.4x
Aallon Group	11.3x	10.7x	9.8x	8.8x	7.0x	6.6x	6.5x	6.1x	14.3x	12.7x	12.2x	11.1x
Talenom and Aallon Group Average	**20.8x**	**16.1x**	**13.3x**	**11.2x**	**8.0x**	**8.1x**	**5.1x**	**3.6x**	**25.5x**	**20.6x**	**16.3x**	**13.2x**
Adminster	**46.0x**	**10.2x**	**5.6x**	**3.7x**	**16.2x**	**7.2x**	**4.6x**	**3.3x**	**585.3x**	**10.7x**	**6.0x**	**4.0x**
Administer prem./disc. to Talenom and Aallon Group	*122 %*	*-37 %*	*-58 %*	*-67 %*	*102 %*	*-11 %*	*-10 %*	*-9 %*	*2199 %*	*-48 %*	*-63 %*	*-70 %*

Source: Bloomberg, Evli Research

Scenario estimates	2023	2024E	2025E	2026E
Stock price	2.41	2.60	2.60	2.60
Number of shares	14.3	14.3	14.3	14.3
M-cap	34.5	37.3	37.3	37.3
Net debt	11.5	8.9	11.4	11.8
Minority interest	0.0	0.2	0.2	0.2
Enterprise value	46.1	46.4	49.0	49.4
EV/Sales	**0.6x**	**0.6x**	**0.6x**	**0.5x**
EV/EBITDA	**16.2x**	**7.2x**	**4.6x**	**3.3x**
EV/EBIT adj.	**46.0x**	**10.2x**	**5.6x**	**3.7x**
P/E adj.	**585.3x**	**10.7x**	**6.0x**	**4.0x**

Source: Evli Research

[3] Administer EBIT and P/E excluding goodwill amortization

Investment risks

Administer faces several critical investment risks that could impact its financial performance and market position. Below is a detailed look at the key risks:

Market development risks

Short-term market outlook remains uncertain and could affect Administer's result negatively

Even though Administer operates in a defensive environment, the operations thrive on the activity of the Finnish economy and is thus dependent to market fluctuations and broader economic conditions. A significant recent development in this context is ECB's decision to decrease interest rates for the first time in five years this past June, reducing the policy rate by 25 basis points. However, market conditions remain uncertain and a shift in monetary policy or a slower recovery could negatively affect demand and operational costs through sluggish economic activity, higher borrowing rates and wage inflation, leading to squeezed profit margins.

Covenant breach and financing position

No room for another covenant breach

Administer has recently dealt with a financial covenant breach after failing to meet its EBITDA/net debt ratio in 2023, raising concerns about the company's ability to meet future financial obligations. Although the breach has been discussed with financiers, and Administer has secured waivers from all parties, measures have been taken to prevent reoccurrence. Cost saving initiatives to enhance operational efficiency have led to profitability improvements. Maintaining profitability is crucial to avoid further breaches, as another breach could negatively impact the company's financing position and potentially lead to higher borrowing costs or reduced access to capital.

Acquisition-related risks

Risks associated with aggressive acquisition-driven growth

Administer's growth strategy includes pursuing inorganic growth through acquisitions. It is essential that these acquisitions align with the company's core service mix and strategy to avoid empire building, which could lead to integration challenges. Following the acquisition of Adner, the company experienced customer erosion, which negatively impacted the company's bottom line. Another failed acquisition could damage the company's financial health and undermine trust in its management and Board of Directors.

Competition

Risks from intense competition and industry consolidation; gaining market share crucial for future growth

Administer operates in a highly competitive environment, where firms compete fiercely on pricing, innovation, service quality, and technology. This intense competition could negatively impact the company if it fails to match or outpace competitors in these key areas. The industry is also undergoing significant consolidation and Administer must secure its share of the market to sustain growth. Failure to do so could result in a weakened market position, limiting the company's ability to scale and compete effectively.

Technological advancements

Technological developments needed to maintain market position amidst fierce competition in digital transformation

In today's rapidly evolving digital landscape, leveraging technology is no longer just a competitive edge – it's a fundamental requirement. As the financial management services industry undergoes digital transformation, Administer needs to establish itself as a leader in technology adoption and innovation. However, the company has yet to deliver tangible results that demonstrate its ability to stay ahead of technological advancements. The emergence of new technologies from competitors poses a significant risk, potentially eroding Administer's market position if it cannot keep pace with these developments.

Reputational risks

Service quality must be impeccable to prevent reputational issues and protect customer relationships

The company has recently encountered reputational issues, particularly related to Kuntalaskenta. Mismanagement, including delays in year-end financial statements for clients, has raised concerns about its ability to handle financial tasks effectively. Such reputational damage could erode investor confidence, reduce demand, and drive clients to competitors.

VALUATION RESULTS		BASE CASE DETAILS		VALUATION ASSUMPTIONS		ASSUMPTIONS FOR WACC	
Current share price	2.62	PV of Free Cash Flow	41	Long-term growth, %	1.5	Risk-free interest rate, %	2.50
DCF share value	5.90	PV of Horizon value	55	WACC, %	8.0	Market risk premium, %	5.8
Share price potential, %	125.1	Unconsolidated equity	0	Spread, %	0.5	Debt risk premium, %	2.5
Maximum value	6.5	Marketable securities	3	Minimum WACC, %	7.5	Equity beta coefficient	1.00
Minimum value	5.4	Debt - dividend	-15	Maximum WACC, %	8.5	Target debt ratio, %	30
Horizon value, %	57.3	Value of stock	85	Nr of shares, Mn	14.4	Effective tax rate, %	20

DCF valuation, EURm	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	Horizon
Net sales	76	76	79	84	88	93	97	102	107	113	114	116
Sales growth, %	*43.8*	*0.5*	*3.5*	*6.5*	*5.0*	*5.0*	*5.0*	*5.0*	*5.0*	*5.0*	*1.5*	*1.5*
Operating income (EBIT)	-3	1	1	3	6	7	8	8	9	9	9	9
Operating income margin, %	*-3.9*	*0.7*	*1.9*	*3.2*	*7.0*	*8.0*	*8.0*	*8.0*	*8.0*	*8.0*	*8.0*	*8.0*
+ Depreciation+amort.	6	6	6	6	4	2	2	2	2	2	3	
EBITDA	3	6	7	9	10	9	10	10	11	12	12	
- Paid taxes	0	0	-1	-1	-2	-1	-2	-2	-2	-2	-2	
- Change in NWC	3	0	0	0	0	0	0	0	0	1	0	
NWC / Sales, %	*-9.5*	*-9.5*	*-9.5*	*-9.5*	*-9.5*	*-9.5*	*-9.5*	*-9.5*	*-9.5*	*-9.5*	*-9.5*	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-4	-2	-2	-2	-2	-2	-3	-3	-3	-3	-3	
opCAPEX / Sales, %	*4.9*	*2.5*	*2.6*	*2.7*	*2.7*	*2.7*	*2.7*	*2.7*	*2.6*	*2.6*	*2.5*	
- Acquisitions	-1	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= FCFF	2	4	4	5	7	6	6	7	7	7	7	113
= Discounted FCFF		4	4	5	5	4	4	4	4	4	4	55

= DFCF min WACC		4	4	5	5	4	4	4	4	4	4	62
= DFCF max WACC		4	4	4	5	4	4	4	4	4	3	49

INTERIM FIGURES

EVLI ESTIMATES, EURm	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3E	2024Q4E	2024E	2025E	2026E
Net sales	0.0	39.2	0.0	36.6	75.9	19.0	19.3	18.0	19.9	76.2	78.9	84.0
EBITDA	0.0	1.6	0.0	1.3	2.8	1.7	1.8	1.4	1.5	6.4	7.3	8.5
EBITDA margin (%)	*0.0*	*4.0*	*0.0*	*3.5*	*3.8*	*9.1*	*9.4*	*7.6*	*7.6*	*8.4*	*9.3*	*10.2*
EBIT	0.0	-1.3	0.0	-1.7	-3.0	0.2	0.4	-0.1	0.1	0.5	1.5	2.7
EBIT margin (%)	*0.0*	*-3.3*	*0.0*	*-4.6*	*-3.9*	*1.1*	*1.8*	*-0.5*	*0.4*	*0.7*	*1.9*	*3.2*
Net financial items	0.0	-0.3	0.0	-0.7	-1.0	-0.3	0.1	-0.2	-0.2	-0.7	-0.4	-0.2
Pre-tax profit	0.0	-1.6	0.0	-2.3	-3.9	-0.1	0.5	-0.3	-0.2	-0.1	1.1	2.5
Tax	0.0	-0.2	0.0	0.3	0.1	-0.1	0.0	-0.1	-0.2	-0.4	-1.0	-1.3
Tax rate (%)	*0.0*	*49.5*	*0.0*	*74.3*	*-488.2*	*9.1*	*-0.3*	*20.0*	*20.0*	*9.6*	*20.0*	*20.0*
Net profit	0.0	-1.8	0.0	-2.1	-3.9	-0.2	0.5	-0.5	-0.3	-0.6	0.1	1.2
EPS	0.00	-0.13	0.00	-0.14	-0.27	-0.01	0.03	-0.03	-0.02	-0.04	0.01	0.08
EPS adjusted (diluted no. of shares)	0.00	-0.13	0.00	-0.14	-0.27	-0.01	0.03	-0.03	-0.02	-0.04	0.01	0.08
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.06	0.09	0.11
SALES, EURm												
Administer	0.0	39.2	0.0	36.6	75.9	19.0	19.3	18.0	19.9	76.2	78.9	84.0
Total	0.0	39.2	0.0	36.6	75.9	19.0	19.3	18.0	19.9	76.2	78.9	84.0
SALES GROWTH, Y/Y %												
Administer	*0.0*	*64.2*	*0.0*	*27.0*	*43.8*		*-50.7*		*-45.7*	*0.5*	*3.5*	*6.5*
Total	*0.0*	*64.2*	*0.0*	*27.0*	*43.8*	*1,899,900.0*	*-50.7*	*1,799,900.0*	*-45.7*	*0.5*	*3.5*	*6.5*
EBIT, EURm												
Administer	0.0	-1.3	0.0	-1.7	-3.0	0.2	0.4	-0.1	0.1	0.5	1.5	2.7
Total	0.0	-1.3	0.0	-1.7	-3.0	0.2	0.4	-0.1	0.1	0.5	1.5	2.7
EBIT margin, %												
Administer	*0.0*	*-3.3*	*0.0*	*-4.6*	*-3.9*	*1.1*	*1.8*	*-0.5*	*0.4*	*0.7*	*1.9*	*3.2*
Total	*0.0*	*-3.3*	*0.0*	*-4.6*	*-3.9*	*1.1*	*1.8*	*-0.5*	*0.4*	*0.7*	*1.9*	*3.2*

INCOME STATEMENT, EURm	2019	2020	2021	2022	2023	2024E	2025E	2026E
Sales	45.3	43.7	41.9	52.8	75.9	76.2	78.9	84.0
Sales growth (%)	*22.5*	*-3.5*	*-4.0*	*25.9*	*43.8*	*0.5*	*3.5*	*6.5*
EBITDA	3.0	4.4	2.3	3.7	2.8	6.4	7.3	8.5
EBITDA margin (%)	*6.5*	*10.2*	*5.4*	*7.1*	*3.8*	*8.4*	*9.3*	*10.2*
Depreciation	-1.1	-0.6	-0.7	-1.1	-1.8	-1.9	-1.8	-1.8
EBITA	1.9	3.8	1.5	2.7	1.0	4.6	5.5	6.7
Goodwill amortization / writedown	-1.0	-1.0	-1.5	-2.5	-4.0	-4.0	-4.0	-4.0
EBIT	0.9	2.9	0.1	0.1	-3.0	0.5	1.5	2.7
EBIT margin (%)	*1.9*	*6.6*	*0.1*	*0.2*	*-3.9*	*0.7*	*1.9*	*3.2*
Reported EBIT	0.9	2.9	0.1	0.1	-3.0	0.5	1.5	2.7
EBIT margin (reported) (%)	*1.9*	*6.6*	*0.1*	*0.2*	*-3.9*	*0.7*	*1.9*	*3.2*
Net financials	-0.3	-0.3	-1.8	-0.4	-1.0	-0.7	-0.4	-0.2
Pre-tax profit	0.6	2.6	-1.7	-0.3	-3.9	-0.1	1.1	2.5
Taxes	-0.1	-0.6	0.0	-0.4	0.1	-0.4	-1.0	-1.3
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	0.4	2.0	-1.8	-0.7	-3.9	-0.6	0.1	1.2
Cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET, EURm								
Assets								
Fixed assets	3	3	4	6	7	7	7	8
Goodwill	15	14	23	42	39	35	31	27
Right of use assets	0	0	0	0	0	0	0	0
Inventory	0	0	0	0	0	0	0	0
Receivables	8	7	7	13	13	13	14	14
Liquid funds	1	1	13	5	3	3	3	4
Total assets	26	25	47	66	63	59	55	53
Liabilities								
Shareholder’s equity	7	9	32	32	28	27	26	26
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	0	0	0	0	0
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	8	6	4	18	15	11	8	5
Non-interest bearing current liabilities	10	9	11	15	20	20	21	22
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	26	25	47	66	63	59	55	53
CASH FLOW, EURm								
+ EBITDA	3	4	2	4	3	6	7	9
- Net financial items	0	0	-2	0	-1	-1	0	0
- Taxes	0	-1	0	0	0	0	-1	-1
- Increase in Net Working Capital	1	0	2	-1	3	0	0	0
+/- Other	0	0	0	0	0	0	0	0
= Cash flow from operations	4	4	2	2	5	5	6	7
- Capex	-4	-1	-2	-3	-4	-2	-2	-2
- Acquisitions	0	0	0	-20	-1	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	0	2	0	-20	1	3	4	5
+/- New issues/buybacks	0	0	25	1	0	0	0	0
- Paid dividend	0	0	0	0	-1	0	-1	-1
+/- Other	-1	-2	-13	11	-1	-3	-3	-4
Change in cash	-1	0	12	-9	-1	0	0	0

KEY FIGURES	2020	2021	2022	2023	2024E	2025E	2026E
M-cap	0	60	38	35	38	38	38
Net debt (excl. convertibles)	6	-9	14	11	8	5	1
Enterprise value	6	51	52	46	46	43	39
Sales	44	42	53	76	76	79	84
EBITDA	4	2	4	3	6	7	9
EBIT	3	0	0	-3	1	1	3
Pre-tax	3	-2	0	-4	0	1	2
Earnings	2	-2	-1	-4	-1	0	1
Equity book value (excl. minorities)	9	32	32	28	27	26	26
Valuation multiples							
EV/sales	0.1	1.2	1.0	0.6	0.6	0.5	0.5
EV/EBITDA	1.2	22.6	13.9	16.2	7.2	5.8	4.5
EV/EBITA	1.4	33.8	19.6	46.0	10.1	7.8	5.8
EV/EBIT	1.9	959.9	473.3	-15.6	86.4	28.5	14.2
EV/OCF	1.6	25.9	22.1	8.5	8.6	6.9	5.2
EV/FCFF	2.2	24.2	-2.6	26.5	11.2	9.7	7.2
P/FCFE	0.0	150.7	-1.9	39.6	10.9	9.2	7.2
P/E	0.0	-33.2	-52.9	-8.9	-68.4	368.5	31.7
P/B	0.0	1.8	1.2	1.3	1.4	1.4	1.4
Target EV/EBITDA	*0.0*	*0.0*	*0.0*	*0.0*	*8.0*	*6.6*	*5.2*
Target EV/EBIT	*0.0*	*0.0*	*0.0*	*0.0*	*96.3*	*32.1*	*16.2*
Target EV/FCF	*0.0*	*0.0*	*0.0*	*0.0*	*14.9*	*11.7*	*8.4*
Target P/B	*0.0*	*0.0*	*0.0*	*0.0*	*1.6*	*1.7*	*1.7*
Target P/E	*0.0*	*0.0*	*0.0*	*0.0*	*-78.3*	*421.9*	*36.3*
Per share measures							
Number of shares	9,620	14,194	14,329	14,329	14,375	14,375	14,375
Number of shares (diluted)	9,620	14,194	14,329	14,329	14,375	14,375	14,375
EPS	0.20	-0.13	-0.05	-0.27	-0.04	0.01	0.08
Operating cash flow per share	0.37	0.14	0.16	0.38	0.37	0.43	0.52
Free cash flow per share	0.23	0.03	-1.40	0.06	0.24	0.29	0.36
Book value per share	0.99	2.28	2.24	1.92	1.87	1.82	1.81
Dividend per share	0.00	0.00	0.05	0.00	0.06	0.09	0.11
Dividend payout ratio, %	0.0	0.0	-99.4	-0.1	-169.0	1,204.0	130.9
Dividend yield, %	0.0	0.0	1.9	0.0	2.5	3.3	4.1
FCF yield, %	0.0	0.7	-52.7	2.5	9.1	10.9	13.8
Efficiency measures							
ROE	23.1	-8.6	-2.2	-13.1	-2.0	0.4	4.6
ROCE	18.2	0.2	0.3	-6.4	0.9	4.1	8.4
Financial ratios							
Inventories as % of sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receivables as % of sales	15.3	15.9	24.9	17.2	17.2	17.2	17.2
Non-interest bearing liabilities as % of sales	20.0	25.1	29.2	26.7	26.7	26.7	26.7
NWC/sales, %	-4.8	-9.2	-4.2	-9.5	-9.5	-9.5	-9.5
Operative CAPEX/sales, %	3.1	3.7	4.8	4.9	2.5	2.6	2.7
CAPEX/sales (incl. acquisitions), %	3.1	3.7	-33.0	3.7	2.5	2.6	2.7
FCFF/EBITDA	0.6	0.9	-5.3	0.6	0.6	0.6	0.6
Net debt/EBITDA, book-weighted	1.2	-3.9	3.7	4.0	1.3	0.7	0.1
Debt/equity, market-weighted	0.0	0.1	0.5	0.4	0.3	0.2	0.1
Equity ratio, book-weighted	38.4	68.5	48.7	44.0	46.0	47.1	49.2
Gearing, %	58.3	-27.2	43.3	41.7	29.9	18.7	3.5

COMPANY DESCRIPTION: Administer Group is a multi-talent in payroll and financial management services, software services, consulting, personnel and international services. The company is the largest salary outsourcing partner in Finland and the leading expert in the fight against the grey economy. Administer's 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, as well as other subsidiaries and associated companies.

INVESTMENT CASE: Administer seeks to achieve revenue of EUR 100m and an EBITDA-margin of 15% by 2026. The company has grown impressively in recent years driven by acquisitions, while organic growth has been modest. Near-term macroeconomic conditions have, however, proven to be a challenge, affecting both the company's growth and profitability. Cost savings measures taken in 2023 will slightly aid profitability, but larger improvement relies upon synergies from acquisitions as well as internal operational efficiency, further to be improved by pick-up in growth.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Aho Peter	6,830,980	17.897	47.5%
Ilmarinen Mutual Pension Insurance Company	1,250,000	3.275	8.7%
Sijoitus Oy MC Invest Ab	1,205,508	3.158	8.4%
Oy Fincorp Ab	455,802	1.194	3.2%
Varma Mutual Pension Insurance Company	337,093	0.883	2.3%
Elo Mutual Pension Insurance Company	306,817	0.804	2.1%
Salmivala Maria-Elina	283,221	0.742	2.0%
Rantalainen-Yhtiöt Oy	266,623	0.699	1.9%
Herranen Kimmo	234,292	0.614	1.6%
Oy Talcom Ab	191,500	0.502	1.3%
Ten largest	11,361,836	29.768	79%
Residual	3,012,969	7.894	21%
Total	14,374,805	37.662	100%

EARNINGS CALENDAR	
November 06, 2024	Q3 report

OTHER EVENTS

COMPANY MISCELLANEOUS	
CEO: Kimmo Herranen	Konepajankuja 3, FIN-00510 Helsinki
CFO: Kalle Lehtonen	Tel:
IR:	

DEFINITIONS

P/E $\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS $\frac{\text{Profit before extraord. items and taxes– income taxes + minority interest}}{\text{Number of shares}}$
P/BV Price per share Shareholders' equity + taxed provisions per share	DPS Dividend for the financial period per share
Market cap Price per share * Number of shares	OCF (Operating cash flow) EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments
EV (Enterprise value) Market cap + net debt + minority interest at market value – share of associated companies at market value	FCF (Free cash flow) Operating cash flow – operative CAPEX – acquisitions + divestments
EV/Sales $\frac{\text{Enterprise value}}{\text{Sales}}$	FCF yield, % $\frac{\text{Free cash flow}}{\text{Market cap}}$
EV/EBITDA $\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	Operative CAPEX/sales $\frac{\text{Capital expenditure – divestments – acquisitions}}{\text{Sales}}$
EV/EBIT $\frac{\text{Enterprise value}}{\text{Operating profit}}$	Net working capital Current assets – current liabilities
Net debt Interest bearing debt – financial assets	Capital employed/Share $\frac{\text{Total assets – non-interest bearing debt}}{\text{Number of shares}}$
Total assets Balance sheet total	Gearing $\frac{\text{Net debt}}{\text{Equity}}$
Div yield, % $\frac{\text{Dividend per share}}{\text{Price per share}}$	Debt/Equity, % $\frac{\text{Interest bearing debt}}{\text{Shareholders' equity + minority interest + taxed provisions}}$
Payout ratio, % $\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes – income taxes + minority interest}}$	Equity ratio, % $\frac{\text{Shareholders' equity + minority interest + taxed provisions}}{\text{Total assets – interest-free loans}}$
ROCE, % $\frac{\text{Profit before extraordinary items + interest expenses+ other financial costs}}{\text{Balance sheet total – non-interest bearing debt (average)}}$	CAGR, % Cumulative annual growth rate = Average growth per year

ROE, % $$\frac{\text{Profit before extraordinary items and taxes – income taxes}}{\text{Shareholder's equity + minority interest + taxed provisions (average)}}$$	

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Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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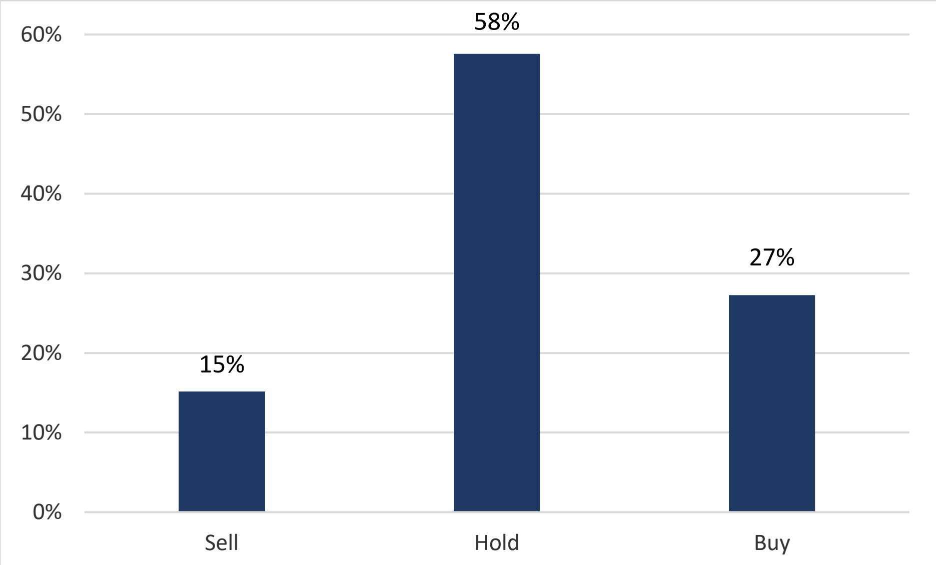

The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Salokivi, Pitkäjärvi

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