

## Initiate coverage with buy-rating

Administer is one of the leading providers of financial management by revenue and HR & payroll services by number of pay slips in Finland seeking rapid growth and clear profitability improvements supported by M&A activity.

### Seeking rapid and profitable M&A supported growth

Administer is one of the leading providers of financial management and HR & payroll services in Finland. Founded in 1985, the company has grown rapidly in recent years through acquisitions and today employs around 600 employees. Administer is in its strategy seeking to continue growth inorganically as well as boosting organic sales growth through investments into its sales organization and looking to clearly improve its profitability through growth, synergies from acquired companies and through enhancing the efficiency of own operations. The company targets revenue of EUR 84m and an EBITDA-margin of at least 24% in 2024.

### Set to return to rapid growth in 2022

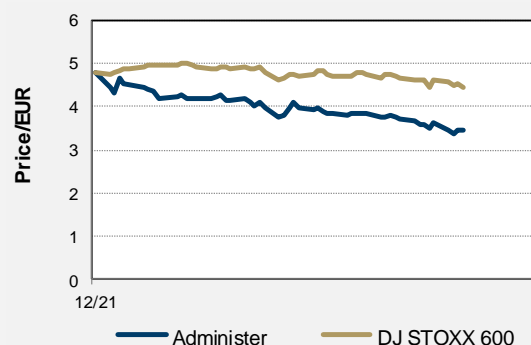
Administer's recent financial performance has been affected by the pandemic, a loss of several larger customers in its subsidiary Adner and growth investments and reported figures have so far during 2021 declined y/y. A clear pick-up in growth is seen in 2022, aided by the acquisition of financial administration SaaS solutions provider EmCe, with profitability also set to recover with a reduction in the impact of previously noted challenges. The company's growth and profitability potential is in our view considerable but the potential realization is still a long way away.

### Initiate coverage with buy-rating and TP of EUR 4.7

We initiate coverage of Administer with a target price of EUR 4.7 and BUY-rating. In deriving our target price for Administer we rely mainly on peer multiples and further compile a scenario analysis to illustrate the impact the company's financial targets, should they materialize, could have on the value. Our target price values Administer at 1.2x 2022e EV/sales and 16.6x 2022e EV/EBITA, near the lower end of peer multiples, which we currently consider fair as Administer's financial performance is still quite clearly sub-par.

## Rating

+ BUY



Share price, EUR (Last trading day's closing price) 3.44

Target price, EUR 4.7

Latest change in recommendation 04-Mar-22

Latest report on company 04-Mar-22

Research paid by issuer: YES

No. of shares outstanding, '000's 14,194

No. of shares fully diluted, '000's 14,194

Market cap, EURm 49

Free float, % -

Exchange rate -

Reuters code ADMIN.HE

Bloomberg code ADMIN FH

Average daily volume, EURm -

Next interim report 31-Mar-21

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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
2019	45.3	0.9	1.9%	0.4	0.04	0.0	0.2	8.7	0.0	0.00
2020	43.7	2.9	6.6%	2.2	0.20	0.0	0.1	1.9	0.0	0.00
2021E	42.0	0.2	0.4%	-10.5	-0.06	-54.5	1.1	258.0	-21.6	0.00
2022E	52.1	1.7	3.2%	3.5	0.10	33.7	0.8	25.6	7.2	0.06
2023E	67.4	7.7	11.4%	7.9	0.40	8.7	0.5	4.7	16.3	0.17
Market cap, EURm	49		Gearing 2021E, %			-8.1	CAGR EPS 2020-23, %		24.8	
Net debt 2021E, EURm	-2		Price/book 2021E			1.8	CAGR sales 2020-23, %		15.6	
Enterprise value, EURm	47		Dividend yield 2021E, %			0.0	ROE 2021E, %		-4.9	
Total assets 2021E, EURm	42		Tax rate 2021E, %			-146.3	ROCE 2021E, %		0.7	
Goodwill 2021E, EURm	23		Equity ratio 2021E, %			64.4	PEG, P/E 21/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 is one of the leading providers of financial management and HR & payroll services in Finland <sup>1</sup> . Founded in 1985, the company has grown rapidly in recent years through acquisitions and today employs around 600 employees. In-house developed technology has played an important role and the company is looking to further leverage its know-how to develop the industry. The company completed its IPO in December 2021.
Acquisition reliant pick-up in growth during 2010's	The 2010's has seen Administer picking up the pace in growth through acquisitions. Most notably Administer acquired Finnish HR & payroll services provider Silta, which greatly expanded Administer's offering. More recently Administer acquired EmCe to strengthen its software offering. Several smaller domestic firms have also been acquired to strengthen the existing business. Administer's revenue reached EUR 10m in 2014 and has grown to over EUR 50m in 2020 (pro forma), mainly driven by the acquisitions.
Financial performance during 2020-2021 has seen challenges	The current and prior year, in terms of financial performance, presented some challenges. Although the financial administration services in which the company is active in in general are very defensive in nature, the transaction-based volumes still saw declines due to the pandemic. Revenue has also been impacted by the loss of several of Administer's subsidiary Adner's larger customers due to changes in used technology. Profitability has apart from the revenue impact been affected by the company's investments into future growth.
Seeking to continue growth organically and inorganically and improve profitability through operational efficiency	Administer is in its strategy seeking to continue growth inorganically as well as boosting organic sales growth through investments into its sales organization. Organic growth in recent years has according to our estimates been decent, but the defensive and steadily growing market offers opportunities to pick up the pace. Administer is also looking to clearly improve its profitability through growth, synergies from acquired companies and through enhancing the efficiency of own operations.
2022 targets: revenue at least EUR 51m and an EBITDA-margin of at least 8%	Administer expects the full-year figures for 2021 to be weaker than for the previous year. In 2022 Administer expects revenue of at least EUR 51m and achieving an EBITDA-margin of at least 8%. Furthermore, Administer expects to make 5-10 acquisitions during the year. Administer has set financials targets for 2024, targeting revenue of EUR 84m and an EBITDA-margin of at least 24%.
Expect return to growth in 2022, with profitability improvements to follow	We expect to see revenue returning back to growth in 2022, with our estimate at 24% y/y, driven largely by the acquisition of financial administration SaaS solutions provider EmCe Solutions Partner (EmCe). Further acquisitions, with the accounting services market likely of key interest, should according to our estimates keep growth well in the double-digits during 2023-2024, with organic growth and upselling potential from M&A activity providing further support for growth. Profitability is expected to start scaling from growth, M&A synergies and improved operational efficiency.
Initiating coverage with a target price of EUR 4.7 and BUY-rating	We initiate coverage of Administer with a target price of EUR 4.7 and BUY-rating. In deriving our target price for Administer we rely mainly on peer multiples and further compile a scenario analysis to illustrate the impact the company's financial targets, should they materialize, could have on the value. Our target price values Administer at 1.2x 2022e EV/sales and 16.6x 2022e EV/EBITA, near the lower end of peer multiples, which we currently consider fair as Administer's financial performance is still quite clearly sub-par.

<sup>1</sup> One of the leading financial management companies, measured by Revenue, and payroll service providers, measured by the number of paylips, in Finland.

Company in brief

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

Administer is one of the leading providers of financial management and HR & payroll services in Finland. Founded in 1985, the company has grown rapidly in recent years through acquisitions and today employs around 600 employees. In-house developed technology has played an important role and the company is looking to further leverage its know-how to develop the industry.

	2016	2017	2018	2019	2020
<b>Revenue</b>	<b>16.3</b>	<b>20.2</b>	<b>37.0</b>	<b>45.3</b>	<b>43.7</b>
Growth-%		24.2%	82.7%	22.5%	-3.5%
<b>EBIT</b>	<b>0.5</b>	<b>0.8</b>	<b>0.5</b>	<b>0.9</b>	<b>2.9</b>
EBIT-margin	2.8%	3.9%	1.3%	1.9%	6.6%
<b>Employees</b>			514	645	594

Source: Administer, Evli Research

In-house technology plays a key role

Administer was an early adopter of technology during the start of the millennium. The in-house solutions developed then were new to the industry, and the early success saw business start to pick-up rapidly. In-house technology continues to play a key role for Administer and the company is still a forerunner in the industry, but the larger competitors are making moves of their own and Administer still has work to do.

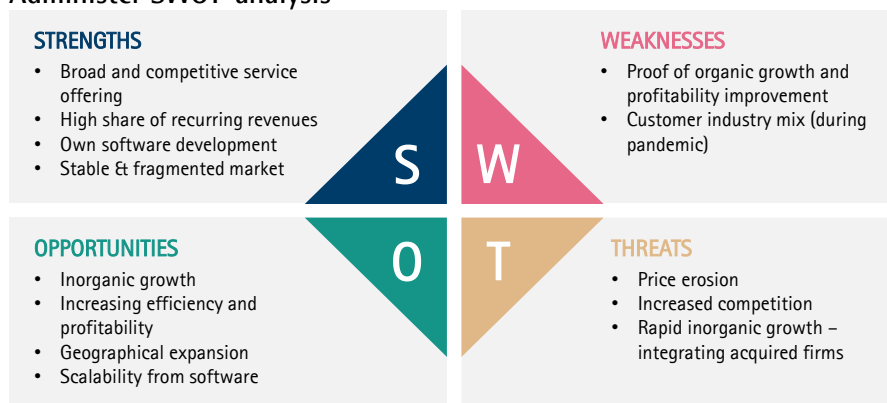
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Administer SWOT-analysis



Source: Evli Research

## Company overview

Introduced its own financial management software in 2000

Administer was originally founded in 1985 as a one-man bookkeeping company in Helsinki. In 1994, the company's current CEO Peter Aho took over the family business. In 2000 Administer introduced its own financial management software eFina that acts a central role in the company's business to date. eFina has been constructed to facilitate paperless office and electronic financial management, aiming to make financial management more effortless and efficient. The company has experienced strong historical growth. Customers are served through local offices at over 21 locations in Finland. Internationally the company has offices in Stockholm, Sweden and Tallinn, Estonia.

Figure 1: Administer's offices



Source: Administer

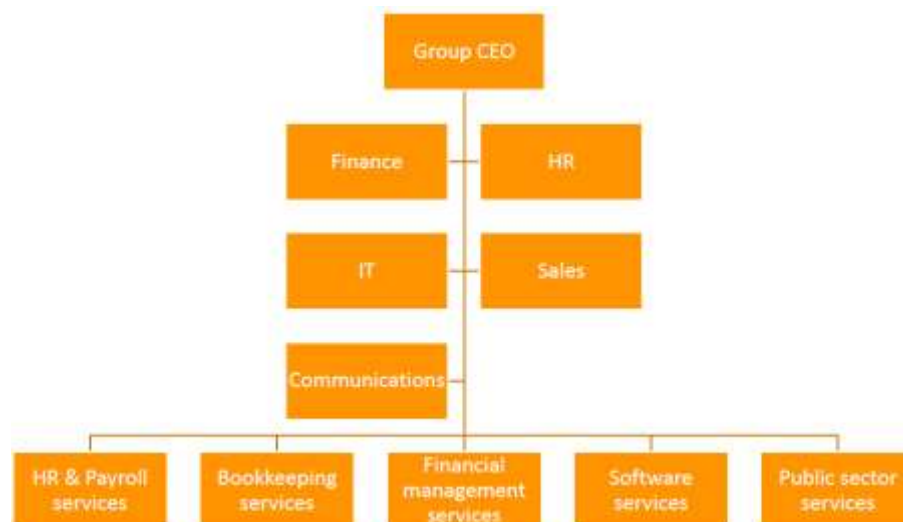
Recent acquisitions have played a key role in shaping Administer

As part of its growth, Administer has conducted multiple acquisitions since 2001. Between the years 2014–2016, the company acquired multiple small local service providers to strengthen its position in the financial management industry. In 2016, Administer expanded operations internationally and opened its first office in Stockholm, Sweden. The company's current group structure begun taking shape in 2017, when Administer acquired Enfo Partner Oy (now Adner Oy) and Silta Oy in 2018. In addition, Administer acquired a stake in Kuntalaskenta Oy in 2018. The most recent larger strategic acquisition was conducted in August 2021, when Administer acquired EmCe Solution Partner Oy, with the aim to strengthen the group's software capabilities with EmCe software.

Separated sales function to focus more efficiently on sales

Administer's organization is set up to have the different business units supported by group functions. Although otherwise nothing out of the extraordinary, we highlight this as a difference to the traditional accounting companies, where an accountant would act as a salesperson, account manager, and takes responsibility for the bookkeeping tasks. Administer has focused sales into one organization of some 25 people focused primarily on the group's new sales.

Figure 2: Administer's organization



Source: Administer

Strengths lie in own software, offering and client mix

Administer sees itself as among the leading players in the Finnish financial management industry, measured by revenue. The historically fragmented market is consolidating as the leading technology-driven players are benefiting at smaller traditional bookkeeping companies' cost and are subsequently able to acquire local service providers at low valuations. The company is also well-positioned with its in-house software development, comprehensive offering portfolio, and wide range of clients. As its main strengths, the company lists the following:

- Administer's offering consists of providing business critical outsourcing services to business clients, subsequently acting an essential part in the clients' operations. In-depth cooperation with clients gives grounds for long-lasting relationships and enables growth by upselling new products and services to existing customers.
- Administer is one of the leading financial management companies, measured by Revenue, and payroll service providers, measured by the number of payrolls, in Finland. Financial management and payroll service industries are undergoing a distinctive technology transformation, and technology capabilities have become essential competitive differentiators between service providers. Largest actors in the market benefit from the transformation with best resources to develop their own technology and software. Administer is in our view well positioned in the transformation with its advanced technology and software orientation.
- Administer offers clients a comprehensive range of business process outsourcing services all from one group. Focused on financial management and payroll services, Administer is able to offer various supporting services in order to meet client demands and pursue growth opportunities in related service areas.
- Administer invests heavily into its digital service model based on its own software and is constantly developing its own software to maintain competitiveness in a rapidly changing market. For example, Administer has developed artificial intelligence as part of the provision of its services and recently also for utilization in the processing of purchase invoices and accounting. The investments into the digitization of services and automation frees up employee resources from lower value-added repetitive tasks to more value-adding consulting tasks. Through this,

Administer maintains and improves customer satisfaction while improving the efficiency of its internal processes.

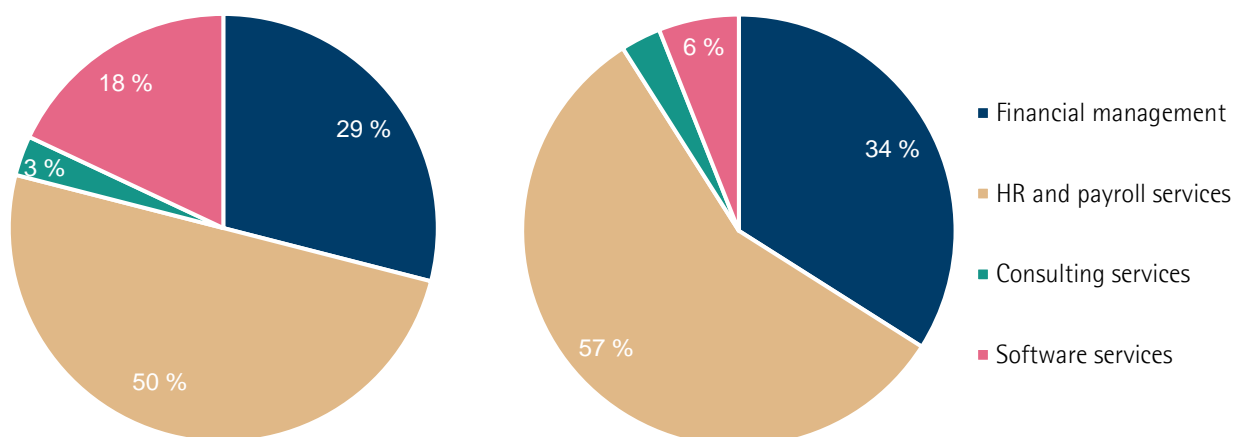
- The company's broad client base from a wide range of different fields gives basis to pursue growth opportunities in several segments. The group's client base is formed from small one-man companies all the way up to the largest blue-chip companies as well as public sector municipalities. The diverse client pool also reduces the impact from changes in economic cycles.
- The company is able to serve its clients locally. Via its nationwide network of branches, Administer reaches its clients locally with physical presence, which in the financial management industry has been an important aspect as certain customers appreciate local services. 21 locations in Finland in addition to offices in Stockholm and Tallinn gives better means for serving customers according to local customs and enhance Administer's brand-awareness.

### Service areas

Financial management and Payroll services near 80% of revenue (Pro forma 1-9/2021)

Administer's services can mainly be classified into financial administration services. The two largest service areas measured by revenue are Financial management and HR and payroll services, which combined generated around 80% of the company's revenue (Pro forma 1-9/2021). EmCe is included in the reported figures only during 8-9/2021.

Figure 3: Illustrative gross revenue split, pro forma (left) and non-pro forma (right) (1.1.2021-30.9.2021)



Source: Administer, Evli Research. Consulting services excludes software consulting listed under software services

### Financial management services

Mainly more standardized services to SME clients

Financial management services cover accounting and reporting services as well as electronic financial management that provides clients with financial data anywhere and anytime on the cloud via a web-browser or a mobile application. Financial management services are offered to clients small and large, but the bulk of companies consist of SME businesses that use a service package based on Administer's cloud software eFina. Larger clients are served with more customized and support-related service combination. Artificial intelligence acts a key role in Administer's financial management services as basic bookkeeping tasks may be increasingly automated, hence releasing professionals to conduct other higher value-added tasks. Efficiency through AI is Administer's number one competitive advantage, and its combination of technology and service ensures seamless adaptability according to client feedback and fluid demand characteristics. To summarize, the service offering includes for instance:

- Outsourcing services: Bookkeeping, sales invoicing, invoice payment, financial reporting and other mandatory reports to public authorities and other supporting services mainly to SME's.
- Electronic financial management: Based on in-house software eFina the financial administration processes can be run without the use of paper, also enabling real-time follow-up reports on desktop and mobile devices.
- Large corporations and municipalities: Administer offers certain financial management services to the larger corporations and municipalities through its subsidiaries Adner and Kuntalaskenta.

**Payroll services**

Leading payroll services provider after Silta acquisition

Payroll services cover payroll administration outsourcing that provides clients with benefits from automated and efficient payroll management. Administer is Finland's largest payroll service provider measured by the number of payrolls and focuses on the nation's largest business clients, although payroll services are provided for all client segments. Like the financial management operations, Administer's payroll services utilize modern technology and artificial intelligence in order to automate tasks. Administer's payroll services grew significantly with the acquisition of Silta in 2018. The service offering includes for instance the following services:

- Salary calculation and payment
- Calculation of indirect salary expenses and provisions
- Management of union fees
- Payroll reporting to necessary authorities

**HR services**

Administer also offers HR services, which mainly relate to consulting on a strategic level and providing services to assist on more day-to-day operative HR matters. The services are more consulting oriented and do not include for instance staffing. The service offering includes for instance the following services:

- Advisory services relating to companies' HR-processes
- Recruitment and suitability assessment services
- On-going HR-specialist services
- Advisory services relating to regulatory filings

**Software sales and software consulting**

Software sold externally via recently acquired EmCe

In addition to utilizing proprietary eFina software for own operational benefit and as part of the service package to SME customers, software is also sold externally via the newly acquired EmCe. Software sales by EmCe are complemented by software consulting services in order to provide clients a seamless transition and integration package. EmCe's software is sold to accounting firms and their end-clients but may now also be used for synergies in Administer's operations as the software gives new opportunities to further develop and automate Administer's payroll operations.



Figure 4: Administer's software solutions



Source: Administer

## Brands

Apart from the Administer brand, the company operates through five other brands that have become a part of Administer through acquisitions or been established as joint ventures. These are Adner, Silta, Kuntalaskenta, EmCe and Polku.



Adner provides financial management services for larger customers. Established in 2009, the company came to be part of Administer through a transaction with Enfo in 2017 (Source: Adner company website). The financial performance has lately been affected by a loss of a few larger customers. According to management the software used by the company was nearing the end of its life-cycle and Adner has now switched to another third-party provider.



EmCe is a provider of financial administration SaaS solutions acquired by Administer in 2021 but continuing operations under its own brand. Founded in 1980, the company today has around 60 employees. (Source: EmCe company website) EmCe in our view complements Administer's software offering really well and according to management also provides solid potential for enhancing Administer's operational efficiency within for instance payroll services, where EmCe's software could enable higher automation levels.



Kuntalaskenta is a company providing financial management services for municipalities. The company was founded in 2004 and today employs some 15 employees. Kuntalaskenta is a part of Administer Group and jointly owned with the town of Pieksämäki. (Source: Kuntalaskenta company website)



Polku is a venture project that aims to help new entrepreneurs make business creation easier. The service aims to reduce the administrative burden of entrepreneurs and is targeted especially towards new and light entrepreneurs with low transactional volumes (Source: Administer company website). The light entrepreneurs are in our view a historically underserved customer segment due to lower monetization potential but industry players have woken up to the potential in establishing a relationship with customers in early stages of their growth.



Silta is a leading provider of HR & payroll services in Finland measured by the number of payslips. Silta was acquired by Administer in 2018 but continues to operate under the Silta brand. Silta's offering in our view complements Administer's rather well in that the same customers, at least within the SME scope, usually outsource both accounting services and payroll services. This enables Administer to offer a larger set of services and potentially capture more business per new customer compared with only offering for instance accounting services.

**Customers**

Approx. 4 500 clients ranging from small entrepreneurs to large enterprises

Administer Group has approximately 4 500 clients that are provided with services billed on a monthly basis. In addition, Administer provides project-based and short-term service packages as well as software sales on a one-off basis. Administer’s client base consists of sole entrepreneurs, SME businesses, large companies, public sector municipalities & cities, educational institutions, accounting firms, as well as different types of associations and organizations. Financial management clients are mainly SME-sector companies in Finland and Sweden whereas HR & payroll clients are mainly large Finnish companies. Software clients consist various types of companies, accounting firms, and associations.

Financial sector, energy sector and travel companies most significant measured by revenue

Administer’s clients operate on a wide range of fields, with the most significant industries by revenue being the financial sector, energy sector, and travel companies. The comprehensive range of clients from a wide spectrum of industries mitigates client-specific market risk. In addition, the structural SME-heavy base of Finnish companies ensures continuing strong demand for outsourcing of basic financial management tasks that suits Administer’s automated and efficient service model. Administer has also been able to access the public sector’s municipality clients previously hesitant to outsource financial management via Kuntalaskenta Oy.

Figure 5: overview of client spectrum



Source: Administer

10 largest customers approx. 20% of revenue in 2020

In 2020, the company’s ten largest clients represented approximately 20 percent of total revenues, with the largest one representing approximately three percent. Average annual revenue per client for financial management services was 7 900 euros and 83 000 euros for HR & payroll services. In 2020, the group gained approximately 200 new financial management clients and 10 new HR & payroll clients in the large client segment.

Long-lasting relationships enables sale of additional services

As Administer’s offering consists of outsourcing business-critical operations, it becomes essential and central in clients’ business operations. Hence, client relationships are typically long lasting, which enables upselling of different types of additional services at different phases of the client business’ journey.

## Strategy and financial targets

Administer has laid out a strategy according to which it aims to be the number one player in its industry through service quality and an innovative attitude as well as through a broad offering of services and technical solutions. In addition to organic growth, the company seeks to expand through acquisitions domestically and to some extent also internationally. Administer lists the following as main focus points in its strategy:

- **Own sales operations.** Administer's own sales of services and solutions are the most important enabler of growth. Professional and active sales lay the foundation for revenue growth, supported further by acquisitions. Administer also intends to focus more on the public sector in the future.
- **Maintain and enhance employee & customer satisfaction.** Administer invests heavily in the skills and satisfaction of its employee. The aim is to create an attractive and interesting opportunities in a difficult labor market. Employee satisfaction creates the basis for a good customer experience and customer satisfaction.
- **Expedite growth via acquisitions domestically as well as growth in select markets abroad.** Administer intends to grow inorganically in the future and acquisitions will be an important part of Administer's growth strategy. Potential acquisition targets consist mainly of smaller accounting firms but also select strategic targets to increase Administer's revenue, expand the service offering and local presence as well as improving profitability. Administer also plans on growing the revenue of its international operations, with the expansion of operations in Sweden being a near-term target.
- **Improve profitability through efficiency and customer and employee satisfaction.** Administer seeks to improve its profitability through continuous streamlining of its service operations, precise production control, commitment of personnel and customers as well as additional services that create value for customers. Management sees that IT solutions can further automate routine work in the future. With the help of the consulting services, added value is generated for the customer translating into higher margin revenue for the Administer.
- **Certain service area specific targets.** Within financial management aims to expand its financial management services in Finland and to a smaller extent in Sweden, in the latter through its international partner network and the international industry association Integra International, for which Administer is a representative in Finland and Sweden. Within the public sector, Administer seeks to achieve a market share of over 10 per cent. In HR and payroll services Administer intends to increase Silta's new customer acquisition and develop its range of services as well as mapping Silta's opportunities to create new service entities using its own IT systems. Within software services the goal is to deepen the level of automation in various sub-processes of financial administration, facilitated by EmCe's integration into the Group, which has provided EmCe with a better understanding of financial management processes and the accounting firm business.

**Growth sought organically...**

Separated, recently expanded sales organization to drive inorganic growth

The group's organic growth efforts are led by a sales organization employing 25 sales professionals as well as five marketing professionals. The sales organization has been divided to different client segments according to SME-businesses, large companies, and public sector clients. The sales of financial management services are conducted locally in 10 different cities, where each salesperson contacts and meets potential clients in their own areas and conducts the sales process from beginning to end using other specialists in the organization if needed. A network of local partners is also utilized in contacting potential clients. Every salesperson has their own special area of expertise, but all sell Administer's comprehensive combination of technology and services. The sales organization is continuously trained and educated in order to provide salespeople the tools to better understand client demands and implement insightful sales tactics.

Local presence important although tasks can be performed off-site

Administer's wide network of local branches across Finland acts a key role in the group's sales efforts. Sales of financial management services are still conducted locally as clients trust local service providers and want physical presence for sensitive and confidential services. To our understanding the services themselves can nowadays be operated location-independently anywhere to increase efficiency while sales and customer services typically requires a more local presence. Local branches may only house sales professionals or e.g. the main bookkeeper as a point-of-contact.

**... and through acquisitions**

On-going consolidation in bookkeeping industry provides ample inorganic growth opportunities

Part of Administer's strategy is to continue growth by acquisitions. It has been estimated that some 90 % of the Finnish small enterprises have outsourced their bookkeeping (Talouhallintoliitto). Around 95 % of the Finnish companies are small firms employing fewer than 10 employees (Statistics Finland) and the demand created by new companies does not alone support growth. With the higher saturation level, high customer retention rates and over 4,000 bookkeeping companies the traditional way of acquiring larger amounts of new customers has been through acquisitions. With the currently on-going digitalization of the industry, several smaller acquisitions in the industry would in our view be a likely path for Administer in the coming years.

Table 1: Acquisitions during 2018-&gt;

Target	Year	Revenue (EUR)	Market	Comments
Kuntalaskenta Oy	2018	~1.0m	Finland	Acquired 49.9%, continues as own brand
Silta Group Oy	2018	~20m	Finland/Estonia	Silta continues as an own brand
Administer Oy Turku / Administer Oy Jyväskylä / Tilitoimisto Polojärvi Oy	2019	-	Finland	Acquisition of remaining shares from minorities to clarify the Group's structure
EmCe Solution Partner Oy	2021	~7m	Finland	EmCe continues as an own brand
Tilikamut Oy	2021	<1m	Finland	-
Konjunkturi Oy	2022	-	Finland	-

Source: Evli Research, Asiakastieto

Expanded abroad through acquisitions but no significant growth ambitions yet

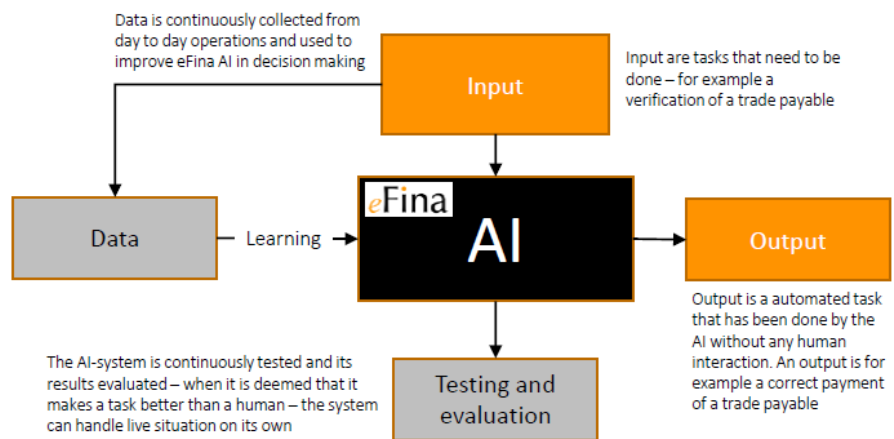
Internationally Administer has so far only expanded to Sweden and Estonia as a result of acquisitions. Sweden's markets are technologically developed and similar to Finland's, hence a natural expansion target for Administer. Continental Europe's financial management markets are at an earlier stage in the technology transformation, posing expansion potential for service providers such as Administer that are already positioned in place for the change.

**Improving operational efficiency**

AI solutions developed to assist in managing basic tasks

Administer has developed AI solutions to process basic accounting tasks such as verification of trade payables. Large amounts of data gathered and owned by Administer enable the fast development of AI, with already over half of trade payables getting verified by the AI system. The more data the system processes, the smarter and accurate it gets. Currently only in place for the financial management business, automation software capabilities may now after the acquisition of EmCe be scaled to include the payroll business as well.

Figure 6: description of the automation process



Source: Administer

Implemented resource planning system has boosted average work-rates

Administer implemented its own resource planning system in 2019 in an initiative to increase employee efficiency. The system includes planned individual work schedules and measurement tools for work-rate tracking that enable optimized allocation of resources and accurate bonus programs, for example. The implementation of the resource planning system has proven successful as the average work-rate of Administer’s employees has increased from 32% in spring of 2019 to a level of 51%. The company aims to keep increasing the overall work rate – new business can be introduced to employees with low work-rate without additional personnel cost, which together with the SaaS platform eFina enables highly scalable growth with very limited cost increases.

**Financial targets**

Administer’s financial targets (to be achieved by 2024) and dividend policy are presented below. The growth targets rely on a pick-up in inorganic and organic growth, as discussed earlier, while more in-depth plans on achieving the profitability targets are presented in the following sections.

Metric	Revenue	EBITDA-%	Payout of earnings*
Target	EUR 84m	24%	>30%
PF 2020	EUR 51.4m	9.9%	-

Source: Administer, Evli Research. \*excluding goodwill amortization

Profitability improvements sought from acquisition synergies...

Much of Administer’s plans to achieve the targeted 24% EBITDA-margin rely on synergies from acquired companies and relatively speaking higher improved billing rates and operational efficiency. One of the currently more tangible targets is the expected synergies from the acquisition of EmCe. To our understanding both Administer and EmCe have rather sizeable offices in the more expensive Helsinki Metropolitan area and in our view potential savings from combining offices could have a visible impact on profitability. As EmCe and Silta have previously operated as independent companies with their own marketing and communications departments we believe that further synergies could be achieved by combining these. The companies have so far also mostly been acting independently in many matters and we see that further savings could be achieved from pooling certain purchases within for instance office equipment.

... and through improving own operational efficiency

Another part of the profitability improvement strategy is the own operational efficiency. Administer has already taken steps to improve the average work-rate of its own employees, managing to increase the average work-rate of its employees from 32% in 2019 to 51% in 2021 after the implementation of a resource planning system in 2019. To our understanding the still rather low average work-rate is partly due to insufficient amounts of work but also to a larger extent due to different efficiency levels among employees. As such, the organization can support additional work essentially straight away, but actions to improve the average employee efficiency through for instance reward/bonus systems should also materialize in savings during coming years.

Targets seem ambitious on recent financial performance

On previous years’ financial performance, the financial targets may appear rather ambitious. On PF 2020 figures the growth target would imply a PF 2020-2024 CAGR of approx. 13%, while the EBITDA-margin should over double from 10% to 24%. When considering the 2022 targets of revenue of at least EUR 51m and an EBITDA-margin of at least 8% the implied growth and profitability improvement rates become all the much larger.

Administer's profitability currently clearly behind peers

In our view the targets should be well achievable separately but become more challenging when viewed in unison. The current market environment, in particular within accounting services, is very favourable for rapid inorganic growth. The potential benefits in terms of profitability are also sizeable from the smaller firms that use third-party accounting software. The profitability target is also in no way too challenging when looking at the main financial administration peers relying on own software.

Viewing the targeted rapid growth and profitability improvements with some caution

In our view the main concern with the financial targets is the management of growth in relation to profitability and vice versa. Acquisition-oriented growth strategies will come with some risks in managing the integration of acquired companies and the time-frame for bringing for instance an acquired smaller accounting firm to "correct" profitability levels will usually be within two to three years. The faster the growth the larger the risks become. Although we have highlighted bookkeeping in particular due to the favourable M&A market, the inorganic growth could well stem from for instance the IT-sector to complement the current offering and potentially expand to new areas, which could clearly improve the scalability potential. Our previously noted concerns would however still remain the same.

#### Short-term financial targets

2021 seen to be burdened by lower customer activity and growth investments, M&A pick-up in 2022 expected

Administer has also given short-term financial targets for 2021 and 2022. The full-year figures for 2021 are expected to be weaker than for the previous year, which can be seen in 1-9/2021 figures as revenue declined to EUR 30.0m from EUR 32.5m in the comparison period. During the same time period the EBITDA-margin also decreased to 4.5% from 8.8%. The 2021 figures have been impacted by the pandemic, as certain customers' transaction activity has decreased, and the change in technology of Adner, which resulted in a loss of customers. Profitability in 2021 is further impacted by growth investments. These investments relate to technology development, strengthening of the sales organization and group administration and integration costs in connection to acquisition. For instance, the sales organization has been expanded to approx. 30 employees including marketing. In 2022 Administer expects revenue of at least EUR 51m and achieving an EBITDA-margin of at least 8%. Furthermore, Administer expects to make 5-10 acquisitions during the year.



### Market overview and competitive landscape

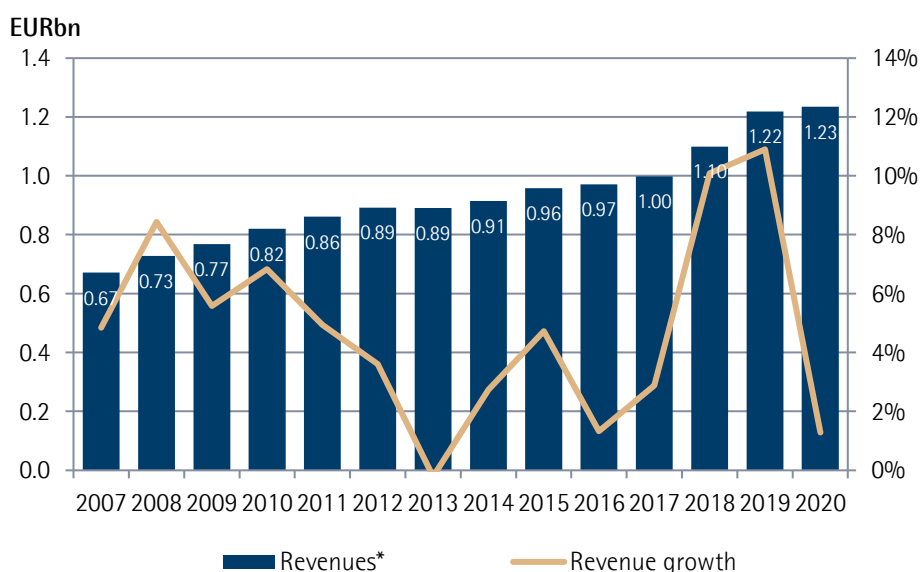
Roughly EUR 1.2bn market, growth on average 4% p.a. in past 10 years

Defensive market due to bookkeeping obligation

The accounting services industry in Finland can be described as fragmented but stable. The market size was approximately EUR 1.2bn in 2020, based on the total revenues of the accounting companies in Finland. During the past 10 years the market has grown some 4% on average p.a.<sup>2</sup> In 2020, the growth was at 4.5%.

Essentially all business entities are subject to the accounting obligation by law. This substantially reduces the effect of cyclicity caused by economic trends. The bookkeeping market has also seen growth more or less every year since 2001. In addition, the number of companies required to do bookkeeping has fluctuated only a little.

Figure 7: Market size and number of companies in the bookkeeping market in Finland



Source: Statistics Finland, Evli Research

\*The data before 2013 is not fully comparable to the data after 2012 due to changes in the statistics.

Fragmented market with over 4,000 bookkeeping companies

Digitalization and automation provide economies of scale

The bookkeeping market is very fragmented. In 2020, the number of bookkeeping companies amounted to 4,050 and on average each accounting firm employed slightly over three people<sup>3</sup>. Whereas total revenue of the bookkeeping market has grown steadily, the number of firms has remained more or less unchanged. The six largest bookkeeping companies had an estimated combined market share of just above 25 % in 2020<sup>4</sup>.

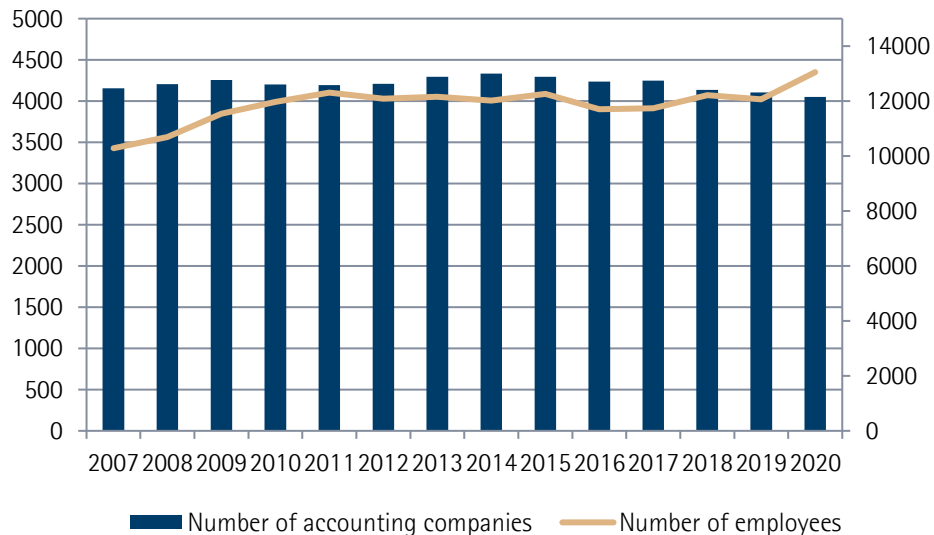
A historical driver behind the market fragmentation has been the lack of digitalization and automation, limiting possibilities for economies of scale due to high personnel dependency. However, digitalization is changing these industry characteristics and economies of scale play a significant role as certain processes can be automated to a larger extent and software oriented operating models offer scalability. The number of accounting companies has in the past years started to see some declines. Companies are starting to see the challenges of relying on external software providers, as the relative costs for smaller businesses can be rather sizeable in relation. These companies are now facing the question of whether to continue the business and absorb the costs or develop own software and processes/partner with a company that has the infrastructure in place.

<sup>2</sup> Statistics Finland, Structural business and financial statement statistics

<sup>3</sup> Statistics Finland, Structural business and financial statement statistics

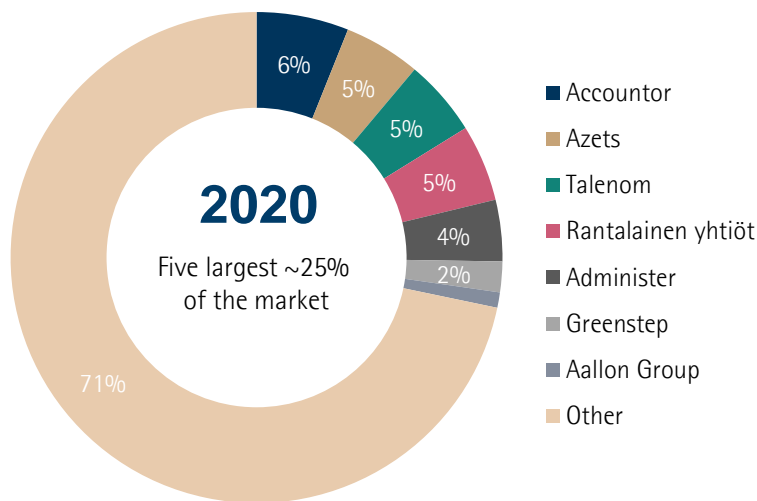
<sup>4</sup> Management estimate (Administer)

Figure 8: Number of accounting companies and employees in Finland



Source: Statistics Finland, Evli Research

Figure 9: Market shares in the accounting services market in Finland\*



Source: Management estimate (Administer). \* Excl. external software sales

**Segmented market**

Level of outsourcing of bookkeeping services higher in smaller firms

The level of outsourcing of bookkeeping services in small companies is high but declines with firm size. In the largest enterprises bookkeeping tasks are mostly performed in-house. The large companies prefer internal accounting functions because they have the resources to handle their own accounting and the analysis of the data can be used more efficiently. The largest enterprises are more likely to outsource only certain separate functions, for instance payroll processes.

**High customer retention**

Generally long contracts and high customer retention rates

The customer retention is quite high in the industry. A typical customer may well stay with the same accounting firm for over a decade. A typical reason for staying with the same accounting firm is familiarity with the accountant and tacit knowledge, which is especially the case in firms with named accountants.

Switching accounting firms is effortful

Switching accounting firms takes time for both the customer and the new accountant because the old accounting data may have to be re-entered into a new accounting system and the new accountant has to familiarize himself or herself with the business of the new client. This is especially resource-consuming if the accounting has not been transferred to a digital format. Transferring data in digital format simplifies the process for the accountant and the client.

**Digitalization is changing the industry**

Digitalization is increasing efficiency in bookkeeping

Digitalization and automation are shaping the industry; automation increases process efficiency and basic bookkeeping tasks require fewer resources. Digitalization also increases efficiency when the accounting material can be handled fully in digital format. The number of employees has remained at stable levels during the 2010's, expect for an increase in 2020, despite the increasing total revenues of the industry<sup>5</sup>. There is still room for further digitalization – the share of fully or nearly fully digital accounting is still low. General expectations for the number of accountants needed per customer in the future is a stable or declining trend, but companies are more and more looking to convert the freed up resources to more value-adding consulting.

Larger firms are driving digitalization, software benefits available also for smaller firms

The large accounting companies are driving the digitalization through developing digital services and automating their processes. The smaller accounting companies will likely struggle to keep up with the change due to lack of resources, expertise and lower customer volumes. Still, the high personal service level and near connections to the direct accountant as well as companies developing software that can also be used by the smaller firms, could aid the smaller companies in retaining their market positions, delaying consolidation of the market.

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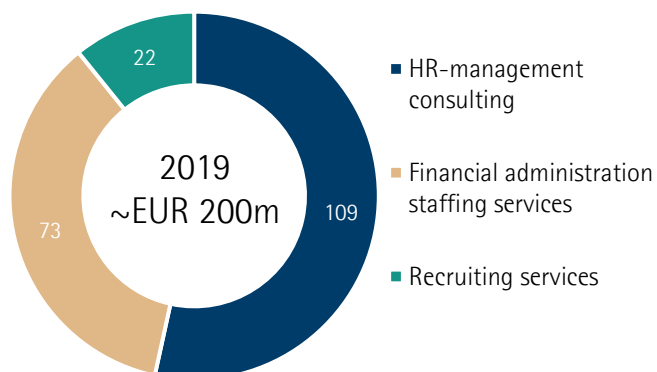
<sup>5</sup> Statistics Finland, Structural business and financial statement statistics

**HR-services market in Finland**

Target HR-services market  
approx. EUR 200m in 2019

Administer's target market in HR services, including recruiting services, HR-management consulting and financial administration staffing services, is estimated to have been EUR 200m in 2019<sup>6</sup>.

Figure 10: Size of Administer's main HR services market in Finland



Source: Administer, Evli Research

According to management, the main market drivers in the HR-services markets are the general growth of business process outsourcing services and the operational efficiency of third-party outsourcing providers, in large due to the availability of data and the use of analytic tools. Within the subsegments, growth in recruiting services is driven by process efficiency through data-analytics and automation. HR-management demand is driven by the increased complexity of workplaces and the need for consulting to manage the changes in organizations. Within financial administration staffing and increase in CFO and financial professional's temporary staffing services are driven by a shift towards more efficient outsourcing combined with project-oriented working models.

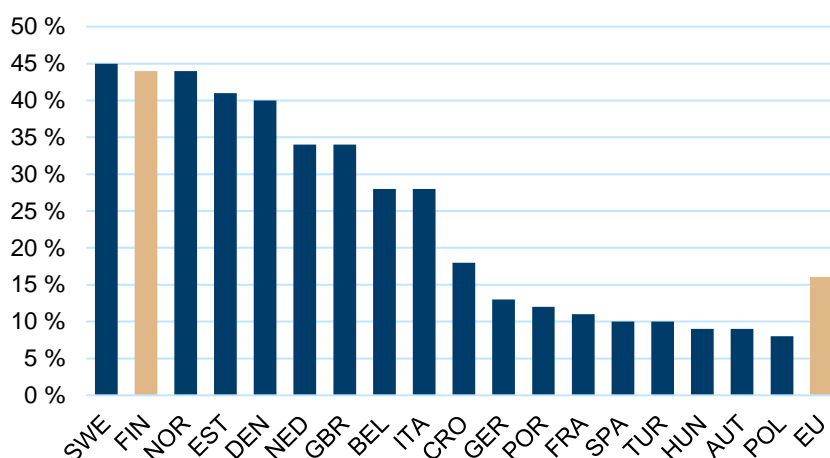
<sup>6</sup> Statistics Finland, Structural business and financial statement statistics

International financial management markets

Nordic countries forerunners in digitalization of the industry

Growth potential for Administer exists also in the Nordic countries and Europe. The market characteristics of the other Nordic countries share similarities to the Finnish market, as these have also been pioneers in disrupting the financial management industry through the use of technology. The largest European countries are lagging behind in terms of technology adoption but are following the change rapidly. The pace of change on the EU-level is fast as the share of companies purchasing cloud accounting software moved from 9% to 16% in two years between 2018-2020 according to Eurostat.

Figure 11: Accounting operated on cloud services in Europe

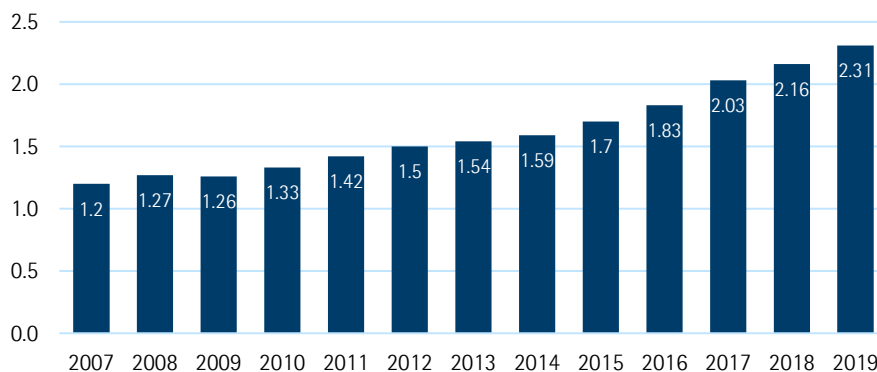


Source: Eurostat; Cloud computing services (via Administer), Evli Research

Nordic countries forerunners in digitalization of the industry

The in our view most interesting foreign market is Sweden due to the proximity, similarities, size and the fact that Administer already has an office established in Stockholm. The Swedish market, like the Finnish, is very fragmented. The number of companies within accounting amount to over 20,000. Around 90% of these employ less than five people (Statistics Sweden). The size of the accounting services market is also roughly double the Finnish market.

Figure 16: Size of the Swedish accounting services market



Source: Statistics Sweden, Evli Research

**Competitors and competitive landscape**







Bookkeeping companies focusing on SMEs

The accounting services market in Finland can be divided into the micro, small and mid-sized customer enterprises, and large customer enterprises. The bookkeeping companies are focused on the market of small and mid-sized companies whereas the larger customer enterprises are served by more diversified sets of service providers due to the different needs. With its large offering, Administer fits into all categories.

Main competitors are other large bookkeeping companies

The main competitors for Administer are the largest accounting services companies in Finland. The larger companies are the ones operating with in-house software, although not all do, and are large enough to benefit from the economies of scale and to keep up with digitalization. The largest companies are driving the market consolidation through acquisitions, software development, and a wider service offering compared to the small bookkeeping companies.

Table 2: Largest Finnish accounting services providers' key figures (2020\*)

						
Revenue (EURm)	43.7	221.2m	65.2	62.8	~60m	18.3
EBIT-margin	6.6%	6.2%	19.8%	14.6%	-	8.0%
Employees	586	2205	912	627	~800	268
Own software	Yes	Yes	Yes	Yes	No	No
Offices outside Finland	Yes	Yes	Yes	Yes	Yes	No

Source: Asiakastieto, Company annual reports, Kauppalehti, Asiakastieto, Evli Research. Figures based on fiscal year 1.1.2020-31.12.2020. \* Azets Insight fiscal year 1.7.2019-30.6.2020.

**Positioning of the small bookkeeping companies**

Majority of competitors' small, local companies

The majority of accounting services companies are very small and therefore do not have the capacity to offer a wide range of services and benefit from economies of scale. The small number of accountants in these companies restricts the capacity and limits the target customer segments mainly to small enterprises. The small bookkeeping companies are also local players without a nationwide office network. The small bookkeeping companies are generally not positioned to grow aggressively because the accountants handle everything from the daily operations to customer representation and the expertise is usually limited specifically to bookkeeping.

Larger bookkeeping companies generally avoid non-fixed fees

In addition, the small companies can compete with price; very small micro enterprises have so small volumes that the hourly fee structure of the small bookkeepers is more appealing than the more fixed fees of the large bookkeeping companies. However, several of the larger accounting services firms including Administer have sought to increase their service offering also to the smallest customer segments.

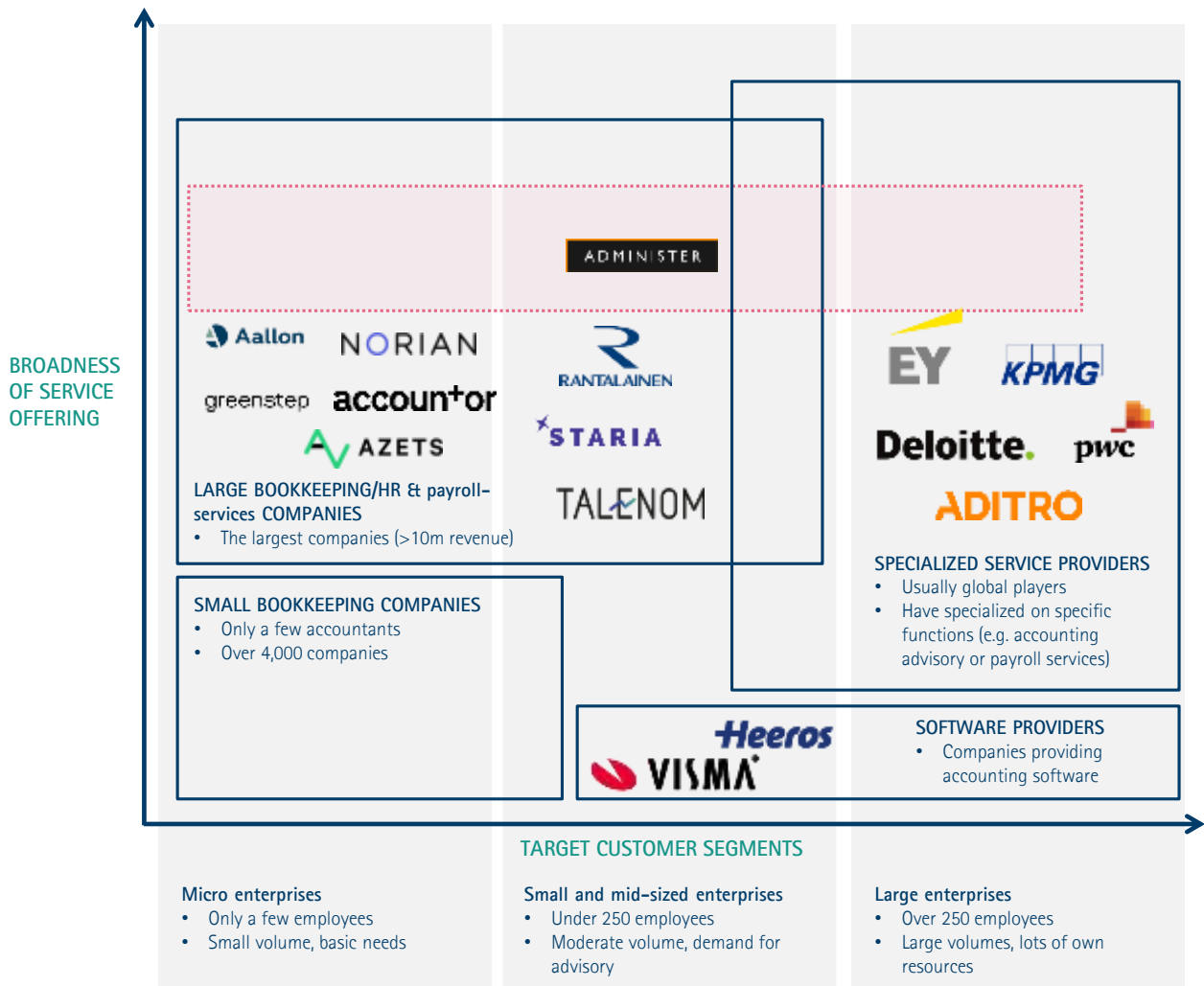
**Positioning of the large accounting services companies**

The main larger accounting services companies in Finland include Accountor, Azets (former subsidiary of Visma), Administer and Rantalainen Yhtiöt. A more recent "new" entrant to the larger firms is Aallon Group, formed through the unification of six smaller bookkeeping companies in 2018. The company listed on the First North Finland - exchange in 2019. The largest companies are actively expanding through acquisitions or organic growth and therefore driving the industry consolidation. The large companies utilize digitalization to gain economies of scale and provide new services for their clients. Competitors also include Greenstep, Norian and Staria, with partly more emphasis on the HR-services side of operations.

Accountor and Talenom in our view more similar to Administer

Accountor is the largest bookkeeping company in Finland and together with Talenom in our view form the most comparable competitors based on the business model. Both Accountor and Talenom have focused on developing their own software, while for instance Rantalainen to our understanding has focused on developing software for integrating other service providers' accounting software. Azets was formerly part of Visma but was separated to become an own accounting services focused entity. Visma now focuses on developing enterprise software and solutions including accounting software. Aallon group intends to grow aggressively through acquisitions but to our understanding is not developing its own software.

Figure 12: Competitive landscape of Administer's market in Finland



Source: Evli Research



### Financial performance

2016-2020 sales CAGR 28%

Administer has grown rather rapidly in recent years, with a 2016-2020 CAGR of around 28% and around 33% on 2020 pro forma figures. Growth has been heavily aided by acquisitions. The most notable acquisition is that of payroll service company Silta in 2018, which saw Administer's revenue nearly double y/y. Administer has not reported growth figures for its different service areas, but as of the aforementioned acquisition Payroll services have grown to the largest in terms of revenue with Financial management closely behind.

2020-2021 saw challenges due to the pandemic

The current and prior fiscal year, in terms of financial performance, presented some challenges, as for other industry peers. Although the financial administration services in which the company is active in in general are very defensive in nature, the transaction-based volumes still saw some declines due to the pandemic. The impact has been more visible for services companies, where certain customers were forced to halt operations at least temporarily. Revenue has also been impacted by the loss of several of Adner's larger customers due to the used technology nearing the end of its life-cycle and Adner has since changed to another third-party service provider.

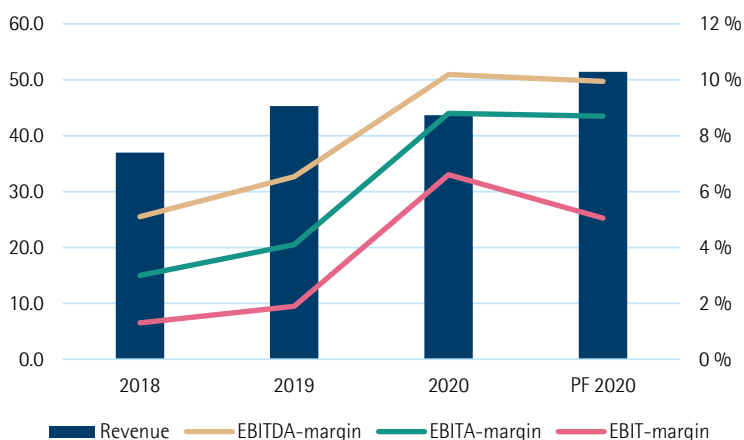
2020: revenue declined some 4% to EUR 43.7m and EBIT-margin improved to 6.6%

In 2020 Administer's revenue declined some 4% to EUR 43.7m due to the previously mentioned challenges caused by the pandemic. Ultimately the impact was according to our estimates rather small given the noted challenges of Adner but appears to have been slightly above the industry average, as at least the Finnish accounting services market remained at previous year levels measured by market size, and certain public Finnish peers appear to have seen some organic growth although also at a slower pace. On pro forma figures, including the acquisition of EmCe, revenue grew some 13% to EUR 51.4m. Despite the challenges the EBIT-margin improved to 6.6% compared to 1.9% in the previous year. The pro forma EBIT-margin amounted to 4.8%.

1-9/2021: revenue declined some 8% to EUR 30.0m and EBIT-margin declined to -0.4%

During the first nine months of 2021, Administer continued to see challenges due to the pandemic and the loss of customers experienced by Adner. Furthermore, the company has invested into future growth, for instance through expansion of its sales organization, which also affected figures. On non-pro forma figures revenue declined some 8% y/y to EUR 30.0m while the EBIT-margin fell to -0.4%. On pro forma figures revenue grew some 6% while the EBIT-margin fell to -1.0%.

Figure 13: Administer's revenue (EURm) and profitability development



Source: Administer, Evli Research

**Balance sheet**

Significant goodwill from acquisitions

A significant share of the assets on Administer's balance sheet consist of goodwill from acquisitions that have been made during prior years. Total goodwill per 30.9.2021 amounted to EUR 23.4m, corresponding to 121% of total shareholders' equity. Total goodwill increased considerably in 2018 with the acquisition of Silta, from EUR 2.1m in the prior year to EUR 13.3m. Other intangible assets amounted to EUR 3.1m, of which roughly half were capitalized development costs and the other half other intangibles. Cash and cash equivalents amounted to EUR 1.3m.

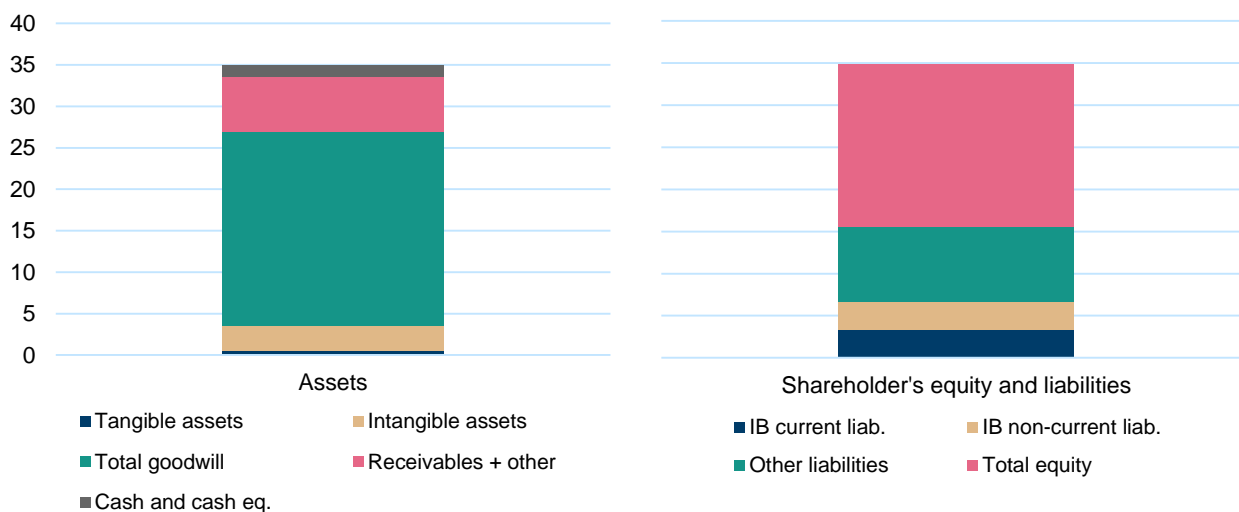
Goodwill amortized yearly under Finnish Accounting Standards

As Administer's financial statements are prepared and reported in accordance with the Finnish Accounting Standards (FAS) as opposed to IFRS-reporting, goodwill is amortized on a straight-line basis. Group goodwill is amortized over a period of 10 years while the goodwill arising from the Silta acquisition is amortized over a period of 20 years. The impact of the amortizations on 2020 pro forma figures was approx. EUR 1.8m. Administer presents its EBITA figure as an alternative performance measure, which represents group EBIT + goodwill amortization.

Light balance sheet in term of debt, net debt EUR 5.3m (30.9.2021)

Administer's long-term interest-bearing debt as of the 30.9.2021 amounted to EUR 3.2m. Of this, EUR 2.4m consisted of bank loans. Total interest-bearing liabilities amounted to EUR 6.6m and net debt to EUR 5.3m. Administer's equity ratio and debt-to-equity ratio amounted to 55.2% and 33.9% respectively.

Figure 14: Administer's balance sheet composition as per 30.9.2021 (EURm)



Source: Administer, Evli Research

Large investment needs but profitability supports balance sheet situation

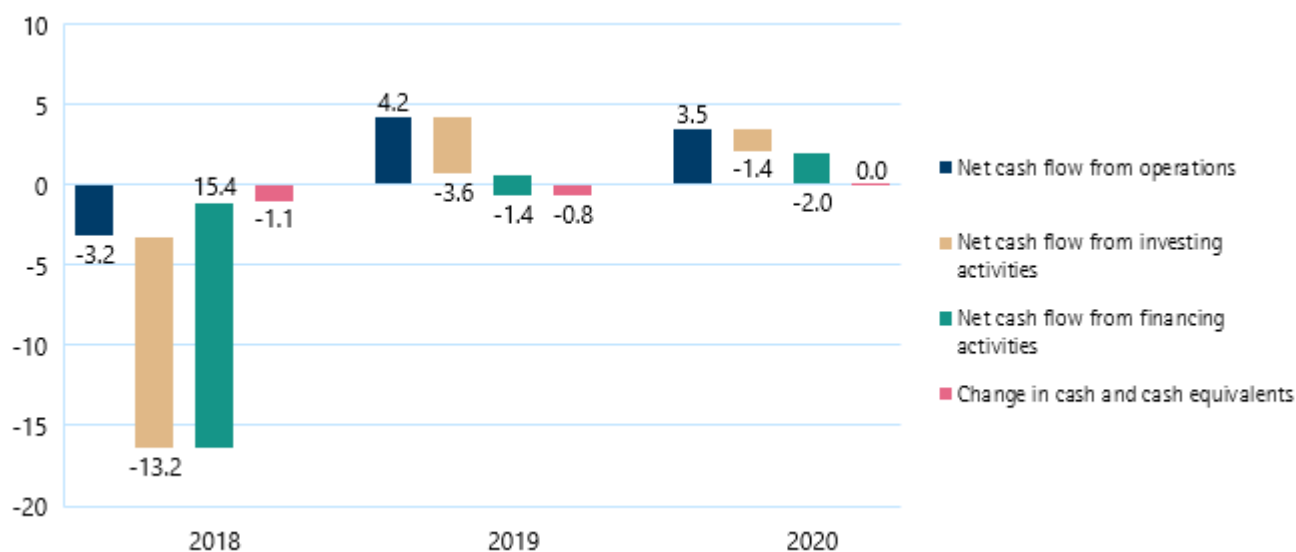
As a mostly labor-intensive company Administer accordingly operates on a relatively light balance sheet. Debt levels are very modest, and the balance sheet could well support further debt, although the impact of interest expenses on the most current P&L figures is rather notable. We do not see that the company would need to increase its debt in the near future, as acquisition payments in the industry have generally been skewed towards payment in company shares.

**Investments and cash flow**

Limited investment needs  
apart from acquisitions

Given the labour-intensive business model of Administer's operations the investment need is rather limited, and the cash-flows should be rather straight forward. Figure 11 breaks down the development of the company's cash flow statement. Operating cash flow has in the past three years been positive except for in 2018, when the cash flow before net working capital changes was positive, but NWC changes clearly negative due to changes in short-term receivables.

Figure 15: Breakdown of Administer's cash flow statement, 2018-2020 (EURm)



Source: Administer, Evli Research

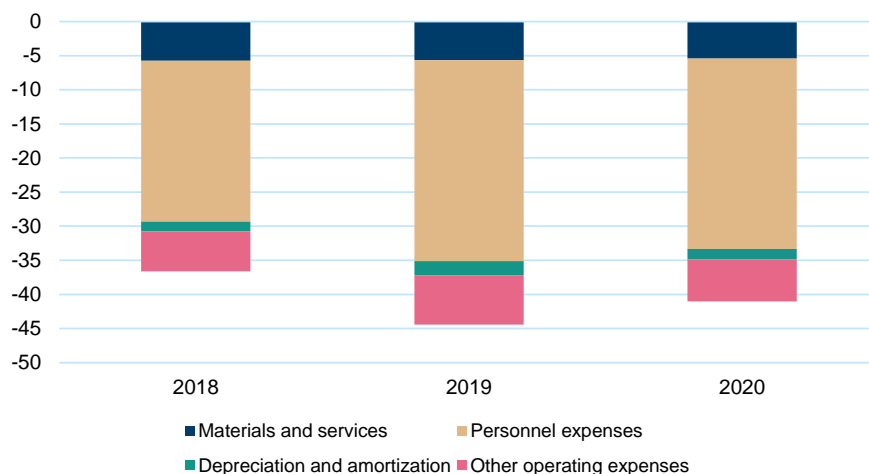
The impact of the acquisition of Silta can be seen quite clearly in 2018, but acquisitions had a clearly lesser impact on the following years. We estimate that capital expenditure excluding acquisitions has been at around EUR 1m p.a., which has mainly been due to capitalized development costs and other investments into intangible assets. The financing activities during 2019-2020 have based on balance sheet changes mainly been related to repayments of long-term debt, approx. EUR 2m p.a. Administer has not paid any dividends during the past years.

**Cost structure**

Costs mainly personnel related

Administer’s services are labour-intensive, which appears as a high proportion of personnel costs in the income statement. Expenses have increased in recent years as the company has grown but the relative shares of each cost category has remained relatively even. Personnel expenses have amounted to approx. 65-70% of the total costs during the past four years, EUR 27.9m in 2020. The improvement in EBITDA during 2018-2020 appears to have been driven to some extent by a gradual decline in relative share of other operating expenses, consisting mainly of expenses such as office expenses and sales and marketing, as the share of operating expenses to revenue has declined from near 16% in 2016 to around 14% in 2020. The year 2020 was however in some aspects an exceptional year, as certain expenses included in the category, for instance relating to travel and events, were reduced due to the pandemic although to our understanding not very significantly. The operational efficiency viewed as non-fixed costs (personnel expenses and materials and services) to revenue has been decreasing slightly in the past two years as the materials and services expenses have remained relatively flat while the revenue has increased.

Figure 16: Development of Administer's cost base 2018-2020 (EURm)



Source: Administer, Evli Research

## Estimates

Growth investments visible in 2021 figures

Administer has during the current and previous fiscal year seen challenges in organic growth due to the impact of the pandemic, as transaction-based volumes saw declines in customer groups that were more heavily affected by the pandemic, which appear to have represented a notable part of the customers based on revenue. Despite that, profitability improved to rather decent levels in 2020, with an EBITDA-margin of around 10% (non-pro forma). Profitability has, however, declined so far during 2021 due to growth investments, with the EBITDA-margin falling to 4.5% during 1-9/2021.

## 2021 – Impact of the pandemic and growth investments seen in figures

2021 figures expected to be weaker than in 2020

Administer's business exhibits some quarterly fluctuation based on the different service areas. Within bookkeeping services the first half of the year is typically stronger, as the closing of the books after the end of the fiscal year and tax declarations cause additional billable work. The fourth quarter is in general a stronger quarter for external software sales, as customers may seek to use up any unused budget for IT-investments. The third quarter is to some degree affected by the summer vacations, although the business is largely recurring with limited project-based business, and as such we do not expect the impact to be that significant. In light of the acquisition of EmCe, whose business comprises of software sales, we expect improvement compared to previous quarters and with the added revenue from the acquisition (EmCe incorporated 1.8.2021) expect y/y growth in revenue during the last quarter. Our FY 2021 estimates for revenue and EBITDA-margin are EUR 42.0m (-3.8% y/y) and 5.3% (2020: 10.2%) respectively. The company has not given numeric guidance for 2021 but expects weaker financial figures than in the previous year.

Table 3: Key figures and estimates summary

Administer	2018	2019	Q1-Q3/'20	Q4/'20*	2020	Q1-Q3/'21	Q4/'21E	2021E	2022E	2023E	2024E
Net sales	37.0	45.3	32.5	11.2	43.7	30.0	12.0	42.0	52.1	67.4	81.6
sales growth %	82.7%	22.5%			-3.5%	-7.8%	7.9%	-3.8%	24.0%	29.4%	21.1%
Other operating income	0.1	0.0	0.1	0.0	0.1	0.1	0.0	0.1	0.1	0.1	0.1
Materials and services	-5.7	-5.7	-4.1	-1.3	-5.4	-3.8	-1.7	-5.5	-6.5	-7.4	-8.2
Personnel expenses	-23.6	-29.5	-21.0	-6.9	-27.9	-20.7	-7.8	-28.5	-34.5	-41.8	-48.1
Other expenses	-5.9	-7.2	-4.6	-1.5	-6.1	-4.3	-1.7	-6.0	-6.5	-7.4	-7.8
Minorities	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	1.9	3.0	2.9	1.6	4.4	1.4	0.9	2.2	4.7	10.9	17.6
EBITDA-margin	5.1%	6.5%	8.8%	14.3%	10.2%	4.5%	7.2%	5.3%	9.0%	16.1%	21.6%
Depreciation	-0.8	-1.1	-0.4	-0.2	-0.6	-0.6	-0.2	-0.8	-1.0	-1.0	-1.0
EBITA	1.1	1.9	2.4	1.4	3.9	0.8	0.7	1.5	3.7	9.9	16.6
EBITA-margin	3.0%	4.1%	7.5%	12.6%	8.8%	2.6%	5.5%	3.5%	7.1%	14.7%	20.4%
Goodwill amortization	-0.5	-0.9	-0.7	-0.2	-1.0	-0.9	-0.4	-1.3	-2.0	-2.2	-2.4
EBIT	0.5	0.9	1.7	1.2	2.9	-0.1	0.3	0.2	1.7	7.7	14.2
EBIT-margin	1.3%	1.9%	5.3%	10.5%	6.6%	-0.4%	2.6%	0.4%	3.2%	11.4%	17.5%

Source: Administer, Evli Research estimates. \*Not reported, derived from Q1-Q3/2020 and 2020 figures

**2022 – Conditions for clear pick-up in growth in place**

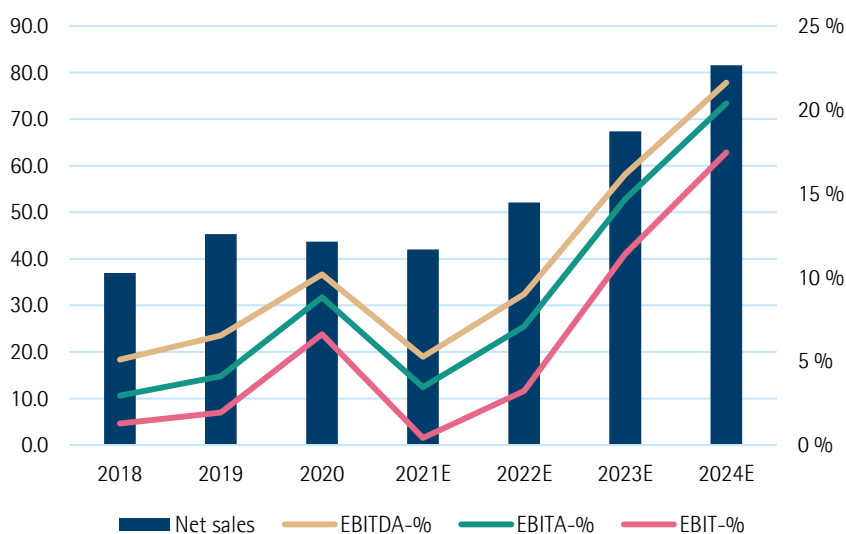
Growth pick-up in 2022, EmCe key contributor

In 2022, Administer expects revenue to amount to at least EUR 51m and an EBITDA-margin of at least 8%. Also, the company expects to make 5-10 acquisitions during the year. We have estimated a 2022 revenue of EUR 52.1m and an EBITDA-margin of 9.0%. Compared with our 2021 estimates this would imply a growth rate of 24.0%. A key contributing factor to the growth is the acquisition of EmCe, which alone should stand for nearly half of the growth. 2021 was also a weaker year due to the impact of the pandemic on transaction-based volumes. Although uncertainty relating to the pandemic is still prevalent, in our view, based on the current situation, it would be justified to assume that the situation should ease going forward. Administer has also bolstered its sales ranks, which with the additional offering of EmCe should translate into accelerated organic growth.

5-10 acquisitions sought in 2022

Administer has targeted to make 5-10 acquisition in 2022. Firstly, we note that this is a considerably larger amount than the 0-2 acquisitions seen per year in previous years. The targeted amount is in our view, however, neither surprising nor unachievable. One reason behind the company's aim to go public is to improve the liquidity of the company's share to further facilitate acquisitions. At least within acquisitions of smaller bookkeeping firms, the preferred payment type has typically been the acquirors shares due to the treatment of realization of capital gains in taxation. As opposed to payments in cash, the selling party does not need to realize taxable income until he or she may decide to sell the shares received as payment.

Figure 17: Graphical overview of estimated financial development



Source: Administer (historical figures), Evli Research estimates

Smaller bookkeeping companies in our view likely M&A targets

In our view the targeted acquisitions will predominantly be smaller bookkeeping companies, at least measured by amount. With the recent larger acquisition of EmCe, we see a low likelihood of a larger acquisition (acquired company's revenue >10% of Administer's). To estimate a potential impact of the targeted acquisitions, for estimation purposes we assume that eight companies will be acquired in 2022, with average revenue of around 600,000 euros per company. This would correspond to several small bookkeeping companies and a few larger. The larger share of the acquisitions would likely be seen during the second half of the year. This could give an inorganic impact of some EUR 1.5-2.5m in 2022.

2022 targets appear well achievable

In light of the previously discussed matters, the revenue target for 2022 in our view appears to be slightly on the cautionary side. Should Administer achieve at least mid-

single digit organic growth, corresponding to the historical growth of the bookkeeping services market in Finland, and see good recovery from the impacts of the pandemic on transaction-based volumes along with the inorganic growth from EmCe, compared with our 2021 estimates Administer would be looking to clear the targeted EUR 51m revenue without the impact of additional inorganic growth. The profitability target also does not appear too challenging considering the approx. 10% EBITDA-margin achieved in 2020. Our 2022 estimate of 9.0% also remains below those levels, as the growth investments will likely still weigh on profitability and the targeted cost side synergies will materialize gradually during the coming years. We note that the pandemic still presents some uncertainty.

### 2023-2024 – Continuing growth and realizing profitability potential

Continued acquisition driven growth during 2023-2024

We expect to see continued growth during 2023-2024. The key driver for growth will in our view be acquisitions. We also expect Administer to have the prerequisites to grow faster than the market with its in our view comprehensive service offering and competitive advantages brought by the own software. The acquisitions should also fuel organic growth through upselling opportunities. We estimate growth of around 25% p.a. on average during 2023-2024. Achieving high relative growth figures will likely become harder as the organization grows and as such, we expect relative growth to slow down in 2024 compared with 2023. Although the estimated figures could seem high in comparison to previous year performance, we emphasize the in our view relative ease of growing inorganically especially in the accounting services market. Acquiring and integrating small accounting firms is not overly complex or difficult, with acquisitions being driven by customer and employee acquisition, although it could take a few years to bring up the growth and profitability of the acquired business to the intended levels. The number of reasonable acquisition objects should also be rather considerable given the number of companies in the market and the on-going digitalization of the industry.

Significant profitability improvement seen

The years 2023-2024 should also be the period when profitability improvements start to show. We estimate the EBITDA-margin to reach 21.6% in 2024, slightly below the company's target of 24%. Given the challenges seen due to pandemic and the impact of Adner's customer losses, which we estimate to have been rather considerable, we consider the around 10% EBITDA-margin level seen in 2020 to be sort of a minimum run-rate level for more normalized operations. The in our view more tangible factor for profitability improvement should be the higher utilization rate of current staff, which considering the approx. 50% average work-rate could contribute several percentage points. The less tangible part of the profitability improvements is the potential from M&A synergies. We hypothesize that at least EmCe and possibly Silta, as larger companies, operate to some extent with their own support functions (i.e. admin, IT, marketing), which could offer potential for synergies. EmCe also operates in the Helsinki Metropolitan area and potential synergies from premises could be notable. Furthermore, profitability improvements should also arise from further process automation and synergies from likely future acquisitions. Our 2024 EBITDA-% estimate remains slightly below the company's target, as although it in our view could well be reachable, we lack visibility into the potential improvements from M&A synergies and remain somewhat on the cautionary side.

## Valuation

Initiating coverage with a target price of EUR 4.7 and BUY-rating

We initiate coverage of Administer with a target price of EUR 4.7 and BUY-rating. In deriving our target price for Administer we rely mainly on peer multiples and further compile a scenario analysis to illustrate the impact the company's financial targets, should they materialize, could have on the value. Our peer group consists of Finnish accounting services companies Talenom and Aallon Group, Finnish financial management software providers Admicom and Heeros, Finnish digital business and consumer services information provider Enento Group and from the Nordic HR and payroll services provider Zalaris and accounting software provider Fortnox. Our target price values Administer at 1.2x 2022e EV/sales and 16.6x 2022e EV/EBITA, near the lower end of peer multiples, which we currently consider fair as Administer's financial performance is still quite clearly sub-par. The upside potential from the company's strategy, should it materialize as planned, is still quite distant although substantial. The steps taken would according to our estimates start to bear clearly fruition in 2023.

## Peer group

Significant differences between most directly comparable peers

Directly comparable peers in Finland or the Nordics are few. In Finland, the only public accounting firms are Talenom and Aallon Group, that both are rather different in terms of operations and financial figures and as such also valuation metrics. Talenom is a forerunner in the digitalization of the industry, having posted double-digit growth figures and EBIT-margins near 20% in recent years. Aallon Group is a newer entrant to the market, having been established through the merger of several smaller firms. To our understanding Aallon Group's own software development has been limited and relied on third-party providers. The financials have also not been near the levels of Talenom. Talenom's performance has been reflected in its valuation, with 2022e P/E of around 30x. For reference, the Finnish public companies average LTM P/E has traditionally been seen to be near 20x. We note that valuation levels have come down due to recent market uncertainty.

To broaden the peer group we have opted to include other firms in the Nordics that are less directly comparable but offer a benchmark in terms of the recurring nature of the business and valuation level of high profitability growth firms. In the peer group, from Finnish public companies, we include accounting and financial management software providers Admicom and Heeros, and digital business and consumer services information provider Enento Group. Additionally, from the other Nordic countries, we have included HR and payroll services provider Zalaris and accounting software provider Fortnox.

Peer median 2022E EV/EBIT  
21.8x

When looking at peer multiples we note that the variation is rather large, with Fortnox a clear outlier with its exceptionally high multiples given the estimated (Bloomberg consensus) rapid and highly profitable growth. On 2022E EV/EBIT, on the lower part of the spectrum we find Aallon Group and Zalaris, trading at below 20x EV/EBIT. Compared with the other companies these also have among the lowest growth and profitability expectations. In the middle, at 20-30x EV/EBIT we find Enento Group, Heeros. Talenom and Admicom. Of these, growth and earnings improvement expectations are much higher for Heeros, but the similarity in valuation multiples could be due to the clearly smaller size and lower profitability. Among the current highest multiples, at around 30x 2022E EV/EBIT we have Talenom and Admicom, both heavily reliant upon own technology and exhibiting high growth and profitability expectations,

Accounting differences impact on multiples comparability

We have elected to emphasize EV/EBIT as one primary valuation multiple. Due to accounting standard differences comparability between essentially all multiples is affected. Key differences between IFRS and the Finnish Accounting Standards used by Administer, is the treatment of rights of use assets and goodwill amortization. The former impacts EBITDA comparability, as IFRS EBITDA should be inherently higher due to

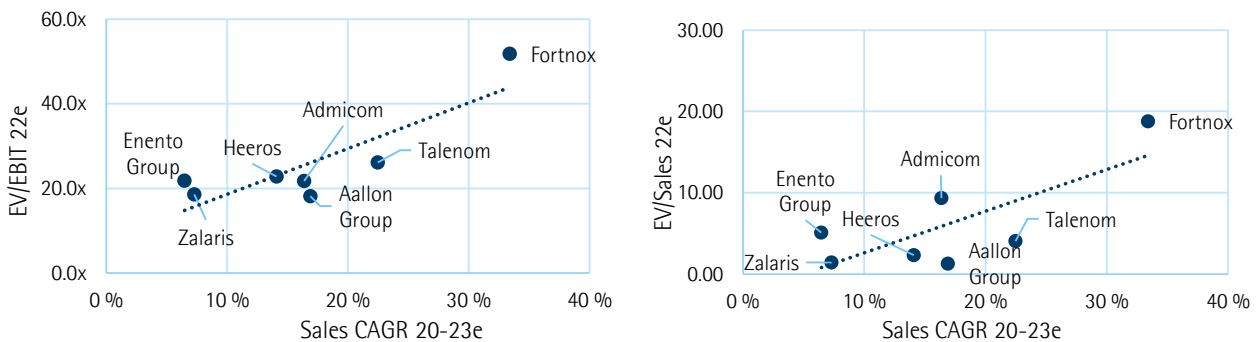


rights of use assets being capitalized on the balance sheets and payments being treated as depreciation while under FAS these are expensed. The amortization of goodwill under FAS lowers the EBIT in comparison to IFRS peers, which we remedy by comparing Administer's EBITA to peer EBIT. With a similar adjustment, along with an adjustment for tax impacts, the P/E ratio should also become more comparable. We note that the adjustments do not provide full comparability, but in our view offers a fairer comparison. We also note that for instance Aallon Group to our understanding also reports under FAS, which we have not made adjustments for. Should Aallon Group's goodwill amortization's in this case be significant, the comparable EV/EBITA figures would be lower.

EV/sales commonly used metric in accounting services transactions

Another valuation metric that we consider to be well applicable in the case of Administer is EV/Sales. Firstly, the metric is not affected by comparability issues caused by different accounting standards. Secondly, EV/Sales is a commonly used metric in valuation of acquisition objects in the accounting services market, as acquisitions of smaller companies are typically driven by the acquisition of customers and ultimately the revenue brought by these customers. The acquired revenue is then scaled to higher EBITDA through acquisition synergies, of which one notable factor could typically be the implementation of own software.

Figure 18: Peer EV/EBIT 22e (left) and EV/Sales 22e (right) comparison to 20-23e sales CAGR



Source: Bloomberg, Evli Research

Discount to peer median still justified

We see that Administer's valuation should still be near the lower end of the peer 2022E EV/EBIT range (excl. Fortnox) of around 18-26x. Admittedly, when looking at the more recent financial performance and comparing with peers, this would appear rather generous. However, should the company's financial targets be achieved, Administer's growth and profitability would near those of the peers with among the highest valuations. Administer is in our view also a relatively large, established company with leading positions in the financial management and HR and payroll services markets in Finland along with a heritage of technology and software development, which we see will be a key denominator for successful firms in the industry in the coming years.

Looking at the EV/Sales multiples we can also see quite a large variation between the selected peers. On the lower end we have Aallon Group and Zalaris at 1.3-1.4x 2022E EV/Sales. The companies estimated to post near or above 20% EBIT-margins in 2022 trade at multiples of over 5.0x 2022E EV/sales.

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

	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		21	22	23	21	22	23	21	22	23
Talenom	388	15.4x	12.9x	11.0x	28.9x	26.1x	20.1x	35.4x	30.2x	23.7x
Aallon Group	38	12.7x	10.1x	9.1x	23.8x	18.1x	14.5x	38.7x	15.2x	14.6x
Enento Group	743	15.0x	13.9x	12.8x	25.1x	21.8x	19.4x	28.6x	24.8x	21.5x
Admicom	303	24.0x	20.3x	17.7x	27.5x	21.7x	18.5x	37.2x	28.5x	24.2x
Heeros	26	24.6x	11.4x	9.4x	37.8x	22.8x	17.1x	30.7x	27.7x	20.0x
Zalaris	105	12.3x	7.8x	6.8x	25.2x	18.6x	14.2x	81.9x	20.7x	15.2x
Fortnox	2209	59.5x	42.1x	30.3x	75.5x	51.8x	35.5x	95.9x	67.7x	46.2x
Peer Group Average	545	<b>18.3x</b>	<b>13.7x</b>	<b>12.0x</b>	<b>28.6x</b>	<b>22.1x</b>	<b>17.9x</b>	<b>34.1x</b>	<b>25.3x</b>	<b>20.8x</b>
Peer Group Median	303	<b>15.4x</b>	<b>12.9x</b>	<b>11.0x</b>	<b>27.5x</b>	<b>21.8x</b>	<b>18.5x</b>	<b>35.4x</b>	<b>27.7x</b>	<b>21.5x</b>

Source Bloomberg, Evli Research

	Sales 20	Sales			Sales gr.			EV/Sales		
		21	22	23	21	22	23	21	22	23
Talenom	65	83	105	120	27.1%	26.4%	14.3%	5.2x	4.1x	3.6x
Aallon Group	18	25	28	29	33.8%	13.7%	5.0%	1.5x	1.3x	1.2x
Enento Group	151	164	173	183	8.1%	5.6%	5.8%	5.4x	5.1x	4.8x
Admicom	22	25	30	35	13.4%	22.3%	13.6%	11.5x	9.4x	8.2x
Heeros	9	9	12	13	5.1%	27.2%	11.1%	3.0x	2.3x	2.1x
Zalaris	74	76	84	91	3.1%	10.7%	8.2%	1.6x	1.4x	1.3x
Fortnox	66	92	120	157	38.8%	30.4%	31.2%	25.5x	18.8x	14.3x
Peer Group Average	<b>53</b>	<b>61</b>	<b>69</b>	<b>76</b>	<b>17.5%</b>	<b>19.0%</b>	<b>10.0%</b>	<b>5.3x</b>	<b>4.4x</b>	<b>4.0x</b>
Peer Group Median	<b>22</b>	<b>25</b>	<b>30</b>	<b>35</b>	<b>13.4%</b>	<b>22.3%</b>	<b>11.1%</b>	<b>5.2x</b>	<b>4.1x</b>	<b>3.6x</b>

Source Bloomberg, Evli Research

	EBIT-%			Div. yield		
	21	22	23	21	22	23
Talenom	17.8 %	15.6 %	17.7 %	1.9 %	2.1 %	2.4 %
Aallon Group	6.2 %	7.2 %	8.5 %	2.4 %	2.2 %	2.8 %
Enento Group	21.6 %	23.5 %	25.0 %	3.2 %	3.4 %	3.6 %
Admicom	41.7 %	43.1 %	44.6 %	1.7 %	2.3 %	2.7 %
Heeros	7.9 %	10.3 %	12.3 %			
Zalaris	6.4 %	7.8 %	9.4 %			
Fortnox	33.8 %	36.3 %	40.4 %	0.2 %	0.3 %	0.4 %
Peer Group Average	<b>19.3 %</b>	<b>19.9 %</b>	<b>21.6 %</b>	<b>2.3 %</b>	<b>2.5 %</b>	<b>2.9 %</b>
Peer Group Median	<b>17.8 %</b>	<b>15.6 %</b>	<b>17.7 %</b>	<b>2.2 %</b>	<b>2.3 %</b>	<b>2.7 %</b>

Source Bloomberg, Evli Research

### Scenario analysis

Scenario analysis to illustrate valuation upside potential of financial targets

Administer has clearly set its sight on growth and targets a profitability level clearly higher than what has been seen in recent years. The targeted financial figures, should they materialize, could significantly affect the perceived value of the company. To illustrate, we have compiled a scenario analysis using our estimates as a base case along with an optimistic and pessimistic scenario.

Our pessimistic scenario represents a situation where Administer would have challenges improving its organic growth. Revenue would still grow double-digit due to recovery from the recent challenges along with modest inorganic growth. With a weaker growth the company would have a harder time gaining profitability improvements from operational efficiency and potentially not capture synergy benefits to a wanted degree. The EBITDA-margin would gradually recover back to over 10% but the company would be clearly off its targets.

Our optimistic scenario represents a situation Administer would grow faster than we have estimated in our base case, described in the previous estimates chapter. Inorganic growth would still be a key contributor to growth but the inorganic growth would pick up more than anticipated to levels clearly above market growth. The company would gain the synergies from acquisitions and achieve the operational efficiency improvements but the faster growth would further fuel profitability.

Table 5: Scenario analysis figures

			2020	2021E	2022E	2023E
Optimistic EV 158-180m	Above "expected" organic growth, acquisitions main growth driver Growth and efficiency driving profitability improvement 13.0x/14.8x 2023E optimistic EBITA (peer median -30-20%)	Sales EURm	44	42	53	71
		Sales growth, %	-4 %	-4 %	26 %	34 %
		EBITA EURm	4	1	5	12
		EBITA-%	8,8 %	3,5 %	9,1 %	17,2 %
		EBITDA EURm	4	2	6	13
		EBITDA-%	10,2 %	5,3 %	11,5 %	18,9 %
		Base EV 109-128m	Above market organic growth, acquisitions main growth driver Profitability ramp-up from M&A synergies and sales growth 11.0x/13.0x 2023E base EBITA (peer median -40-30%)	Sales EURm	44	42
Sales growth, %	-4 %			-4 %	24 %	29 %
EBITA EURm	4			1	4	10
EBITA-%	8,8 %			3,5 %	7,1 %	14,7 %
EBITDA EURm	4			2	5	11
EBITDA-%	10,2 %			5,3 %	9,0 %	16,1 %
Pessimistic EV 51-61m	Organic growth challenges, growth driven by acquisitions Failure to benefit from synergies, "run-rate" margins 9.2x/11.0x 2023E pessimistic EBITA (peer median -50-40%)			Sales EURm	44	42
		Sales growth, %	-4 %	-4 %	19 %	12 %
		EBITA EURm	4	1	3	6
		EBITA-%	8,8 %	3,5 %	6,0 %	9,8 %
		EBITDA EURm	4	2	4	6
		EBITDA-%	10,2 %	5,3 %	7,6 %	10,8 %

Source: Evli research

As a benchmark for the valuation multiples we have used a group consisting of the available public Finnish accounting company peers Talenom and Aallon group, financial management software providers Admicom and Heeros, digital business and consumer services information provider Enento Group and from the other Nordic countries, we have included HR and payroll services provider Zalaris and accounting software provider Fortnox. Ideally, a larger group of accounting services companies would be preferable but in our view the selected group represents a similar type of business in terms of offered services and recurring nature of the business combined with the technological aspects.

In deriving a potential equity value based on the scenarios we have applied a -50 to -40%, -40 to -30% and -30 to -20% discount ranges to the peer median 2023E EV/EBIT (EBITA used as proxy for EBIT for Administer due to accounting standard differences) for the pessimistic, base and optimistic scenarios respectively. We consider discounts to the peer median as justified due to the still early phases of the materialization of Administer's long-term potential. We further assume no major changes in net debt from last reported levels (30.9.2021: EUR 5.3m) under the assumption that IPO proceeds and generated funds are used to fuel growth or distributed to owners and debt is currently low and some smaller level could likely be maintained.

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	3.44 PV of Free Cash Flow	78 Long-term growth, %	1.5 Risk-free interest rate, %	2.50
DCF share value	23.86 PV of Horizon value	249 WACC, %	5.8 Market risk premium, %	4.8
Share price potential, %	593.7 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.5
Maximum value	27.2 Marketable securities	8 Minimum WACC, %	5.3 Equity beta coefficient	1.00
Minimum value	21.3 Debt - dividend	-6 Maximum WACC, %	6.3 Target debt ratio, %	40
Horizon value, %	76.0 Value of stock	321 Nr of shares, Mn	14.2 Effective tax rate, %	26

DCF valuation, EURm	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Horizon
Net sales	44	42	52	67	82	90	99	104	109	114	116	118
<i>Sales growth, %</i>	-3.5	-3.8	24.0	29.4	21.1	10.0	10.0	5.0	5.0	5.0	1.5	1.5
Operating income (EBIT)	3	0	2	8	14	14	16	17	17	18	19	19
<i>Operating income margin, %</i>	6.6	0.4	3.2	11.4	17.5	16.0	16.0	16.0	16.0	16.0	16.0	16.0
+ Depreciation+amort.	2	2	3	3	3	4	4	5	5	5	5	5
EBITDA	4	2	5	11	18	18	20	21	22	23	24	
- Paid taxes	-1	0	0	-2	-3	-3	-4	-4	-4	-4	-4	
- Change in NWC	0	0	0	1	1	0	0	0	0	0	0	
<i>NWC / Sales, %</i>	-4.8	-4.8	-4.8	-4.8	-4.8	-4.8	-4.8	-4.8	-4.8	-4.8	-4.8	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-1	-12	-1	-2	-2	-2	-2	-2	-2	-2	-2	
<i>opCAPEX / Sales, %</i>	3.1	27.6	2.7	2.4	2.3	2.1	2.1	1.9	1.9	1.9	1.8	
- Acquisitions	0	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	3	-10	4	8	13	13	15	16	16	17	17	410
= Discounted FCFF		-10	4	7	11	11	11	11	11	11	11	249
= DFCF min WACC		-10	4	7	11	11	12	12	11	11	11	293
= DFCF max WACC		-10	4	7	11	11	11	11	11	11	10	214

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1E	2021Q2E	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales	0.0	0.0	0.0	43.7	43.7	0.0	0.0	0.0	42.0	42.0	52.1	67.4
EBITDA	0.0	0.0	0.0	4.4	4.4	0.0	0.0	0.0	2.2	2.2	4.7	10.9
<i>EBITDA margin (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>10.2</i>	<i>10.2</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>5.3</i>	<i>5.3</i>	<i>9.0</i>	<i>16.1</i>
EBIT	0.0	0.0	0.0	2.9	2.9	0.0	0.0	0.0	0.2	0.2	1.7	7.7
<i>EBIT margin (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>6.6</i>	<i>6.6</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.4</i>	<i>0.4</i>	<i>3.2</i>	<i>11.4</i>
Net financial items	0.0	0.0	0.0	-0.3	-0.3	0.0	0.0	0.0	-1.3	-1.3	-0.3	-0.1
Pre-tax profit	0.0	0.0	0.0	2.6	2.6	0.0	0.0	0.0	-1.1	-1.1	1.4	7.6
Tax	0.0	0.0	0.0	-0.6	-0.6	0.0	0.0	0.0	0.2	0.2	0.1	-2.0
<i>Tax rate (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>17.6</i>	<i>17.6</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-146.3</i>	<i>-146.3</i>	<i>-1.8</i>	<i>20.0</i>
Net profit	0.0	0.0	0.0	2.0	2.0	0.0	0.0	0.0	-0.9	-0.9	1.4	5.6
EPS	0.00	0.00	0.00	0.20	0.20	0.00	0.00	0.00	-0.06	-0.06	0.10	0.40
EPS adjusted (diluted no. of shares)	0.00	0.00	0.00	0.20	0.20	0.00	0.00	0.00	-0.06	-0.06	0.10	0.40
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.06	0.17
<b>SALES, EURm</b>												
Administer	0.0	0.0	0.0	43.7	43.7	0.0	0.0	0.0	42.0	42.0	52.1	67.4
Total	0.0	0.0	0.0	43.7	43.7	0.0	0.0	0.0	42.0	42.0	52.1	67.4
<b>SALES GROWTH, Y/Y %</b>												
Administer	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-3.5</i>	<i>-3.5</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-3.8</i>	<i>-3.8</i>	<i>24.0</i>	<i>29.4</i>
Total	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-3.6</i>	<i>-3.5</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-3.8</i>	<i>-3.8</i>	<i>24.0</i>	<i>29.4</i>
<b>EBIT, EURm</b>												
Administer	0.0	0.0	0.0	2.9	2.9	0.0	0.0	0.0	0.2	0.2	1.7	7.7
Total	0.0	0.0	0.0	2.9	2.9	0.0	0.0	0.0	0.2	0.2	1.7	7.7
<b>EBIT margin, %</b>												
Administer	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>6.6</i>	<i>6.6</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.4</i>	<i>0.4</i>	<i>3.2</i>	<i>11.4</i>
Total	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>6.6</i>	<i>6.6</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.4</i>	<i>0.4</i>	<i>3.2</i>	<i>11.4</i>

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	0.0	20.2	37.0	45.3	43.7	42.0	52.1	67.4
<i>Sales growth (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>82.7</i>	<i>22.5</i>	<i>-3.5</i>	<i>-3.8</i>	<i>24.0</i>	<i>29.4</i>
EBITDA	0.0	1.4	1.9	3.0	4.4	2.2	4.7	10.9
<i>EBITDA margin (%)</i>	<i>0.0</i>	<i>6.8</i>	<i>5.1</i>	<i>6.5</i>	<i>10.2</i>	<i>5.3</i>	<i>9.0</i>	<i>16.1</i>
Depreciation	0.0	-0.3	-1.1	-1.1	-0.6	-0.8	-1.0	-1.0
EBITA	0.0	1.0	0.8	1.9	3.8	1.5	3.7	9.9
Goodwill amortization / writedown	0.0	-0.2	-0.3	-1.0	-1.0	-1.3	-2.0	-2.2
EBIT	0.0	0.8	0.5	0.9	2.9	0.2	1.7	7.7
<i>EBIT margin (%)</i>	<i>0.0</i>	<i>3.9</i>	<i>1.3</i>	<i>1.9</i>	<i>6.6</i>	<i>0.4</i>	<i>3.2</i>	<i>11.4</i>
Reported EBIT	0.0	0.8	0.5	0.9	2.9	0.2	1.7	7.7
<i>EBIT margin (reported) (%)</i>	<i>0.0</i>	<i>3.9</i>	<i>1.3</i>	<i>1.9</i>	<i>6.6</i>	<i>0.4</i>	<i>3.2</i>	<i>11.4</i>
Net financials	0.0	0.0	-0.2	-0.3	-0.3	-1.3	-0.3	-0.1
Pre-tax profit	0.0	0.8	0.2	0.6	2.6	-1.1	1.4	7.6
Taxes	0.0	-0.2	-0.2	-0.1	-0.6	0.2	0.1	-2.0
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	0.0	0.5	0.0	0.4	2.0	-0.9	1.4	5.6
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
<b>BALANCE SHEET, EURm</b>								
<b>Assets</b>								
Fixed assets	0	2	3	3	3	4	4	5
Goodwill	0	2	13	15	14	23	21	19
Right of use assets	0	0	0	0	0	0	0	0
Inventory	0	0	0	0	0	0	0	0
Receivables	0	3	8	8	7	6	8	10
Liquid funds	0	3	1	1	1	8	9	16
Total assets	0	10	25	26	25	42	42	50
<b>Liabilities</b>								
Shareholder's equity	0	2	7	7	9	27	28	33
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	0	2	10	8	6	6	3	3
Non-interest bearing current liabilities	0	5	9	10	9	8	10	13
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	0	10	25	26	25	42	42	50
<b>CASH FLOW, EURm</b>								
+ EBITDA	0	1	2	3	4	2	5	11
- Net financial items	0	0	0	0	0	-1	0	0
- Taxes	0	0	0	0	-1	0	0	-2
- Increase in Net Working Capital	0	2	-2	1	0	0	0	1
+/- Other	0	0	0	0	0	0	0	0
= Cash flow from operations	0	3	0	4	4	1	5	10
- Capex	0	-5	-13	-4	-1	-12	-1	-2
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	0	-1	-13	0	2	-11	4	8
+/- New issues/buybacks	0	1	5	0	0	18	0	0
- Paid dividend	0	0	0	0	0	0	0	-1
+/- Other	0	3	7	-1	-2	0	-3	0
Change in cash	0	3	-1	-1	0	8	0	7

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	0	0	0	0	49	49	49
Net debt (excl. convertibles)	0	8	8	6	-2	-6	-13
Enterprise value	0	8	8	6	47	43	36
Sales	20	37	45	44	42	52	67
EBITDA	1	2	3	4	2	5	11
EBIT	1	0	1	3	0	2	8
Pre-tax	1	0	1	3	-1	1	8
Earnings	1	0	0	2	-1	1	6
Equity book value (excl. minorities)	2	7	7	9	27	28	33
<b>Valuation multiples</b>							
EV/sales	0.0	0.2	0.2	0.1	1.1	0.8	0.5
EV/EBITDA	-0.3	4.4	2.6	1.2	21.1	9.2	3.3
EV/EBITA	-0.4	10.5	4.1	1.4	32.1	11.7	3.6
EV/EBIT	-0.6	17.5	8.7	1.9	258.0	25.6	4.7
EV/OCF	-0.1	-84.9	1.9	1.6	44.0	8.8	3.8
EV/FCFF	0.5	-0.6	11.2	2.2	-4.9	11.3	4.5
P/FCFE	0.0	0.0	0.0	0.0	-4.6	13.9	6.1
P/E	0.0	0.0	0.0	0.0	-54.5	33.7	8.7
P/B	0.0	0.0	0.0	0.0	1.8	1.7	1.5
Target EV/EBITDA	0.0	0.0	0.0	0.0	29.1	13.0	5.0
Target EV/EBIT	0.0	0.0	0.0	0.0	356.7	36.2	7.0
Target EV/FCF	0.0	0.0	0.0	0.0	-6.1	17.4	6.8
Target P/B	0.0	0.0	0.0	0.0	2.5	2.4	2.0
Target P/E	0.0	0.0	0.0	0.0	-74.5	46.1	11.9
<b>Per share measures</b>							
Number of shares	0	9,480	9,620	9,620	14,194	14,194	14,194
Number of shares (diluted)	0	9,480	9,620	9,620	14,194	14,194	14,194
EPS	0.00	0.00	0.04	0.20	-0.06	0.10	0.40
Operating cash flow per share	0.00	-0.01	0.42	0.37	0.07	0.35	0.67
Free cash flow per share	0.00	-1.40	0.05	0.23	-0.74	0.25	0.56
Book value per share	0.00	0.71	0.78	0.99	1.89	1.99	2.33
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.06	0.17
Dividend payout ratio, %	0.0	0.0	0.0	0.0	0.0	56.2	41.7
Dividend yield, %	0.0	0.0	0.0	0.0	0.0	1.7	4.8
FCF yield, %	0.0	0.0	0.0	0.0	-21.6	7.2	16.3
<b>Efficiency measures</b>							
ROE	0.0	-0.1	6.1	23.1	-4.9	5.3	18.3
ROCE	38.8	4.6	5.4	18.2	0.7	5.2	22.8
<b>Financial ratios</b>							
Inventories as % of sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receivables as % of sales	15.1	21.6	17.0	15.3	15.3	15.3	15.3
Non-interest bearing liabilities as % of sales	25.2	23.0	21.5	20.0	20.0	20.0	20.0
NWC/sales, %	-10.1	-1.5	-4.5	-4.8	-4.8	-4.8	-4.8
Operative CAPEX/sales, %	22.7	35.7	7.8	3.1	27.6	2.7	2.4
CAPEX/sales (incl. acquisitions), %	22.7	35.7	7.8	3.1	27.6	2.7	2.4
FCFF/EBITDA	-0.7	-7.1	0.2	0.6	-4.3	0.8	0.7
Net debt/EBITDA, book-weighted	-0.3	4.4	2.6	1.2	-1.0	-1.2	-1.2
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Equity ratio, book-weighted	20.3	26.9	29.2	38.4	64.4	67.5	66.5
Gearing, %	-23.0	121.9	101.8	58.3	-8.1	-20.0	-38.7



**COMPANY DESCRIPTION:** Administer is one of the leading providers of financial management and HR & payroll services in Finland. Founded in 1985, the company has grown rapidly in recent years through acquisitions and today employs around 600 employees. In-house developed technology has played an important role and the company is looking to further leverage its know-how to develop the industry. The company completed its IPO in December 2021.

**INVESTMENT CASE:** Administer has set out rather ambitious targets, seeking to achieve revenue of EUR 84m and an EBITDA-margin of 24% in 2024. The company has yet to show the required growth and profitability figures to achieve the targets, but consolidation in the fragmented and non-cyclical industry provides ample opportunities for growth. Profitability 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	6 880 980	23,877	48.48 %
Ilmarinen Mutual Pension Insurance Company	1 250 000	4,338	8.81 %
Sijoitus Oy MC Invest Ab	1 205 508	4,183	8.49 %
Varma Mutual Pension Insurance Company	337 093	1,17	2.37 %
Elo Mutual Pension Insurance Company	308 642	1,071	2.17 %
Oy Fincorp Ab	265 110	0,92	1.87 %
Herranen Kimmo	231 700	0,804	1.63 %
Husu Päivi Marianna	172 500	0,599	1.22 %
Emceläiset Oy	162 840	0,565	1.15 %
Rausanne Oy	125 611	0,436	0.88 %
Ten largest	10 939 984	37 963 000	77%
Residual	3 254 126	11 290 600	23%
Total	14 194 110	49 253 600	100%

EARNINGS CALENDAR	
March 31, 2022	Q4 report
August 31, 2022	Q2 report
OTHER EVENTS	
May 18, 2022	AGM

COMPANY MISCELLANEOUS	
CEO: Peter Aho	Itämerenkatu 5, 00180 Helsinki
CFO: Johan Idman	Tel:
IR:	

## Definitions

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	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	$\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$
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	$\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$
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, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

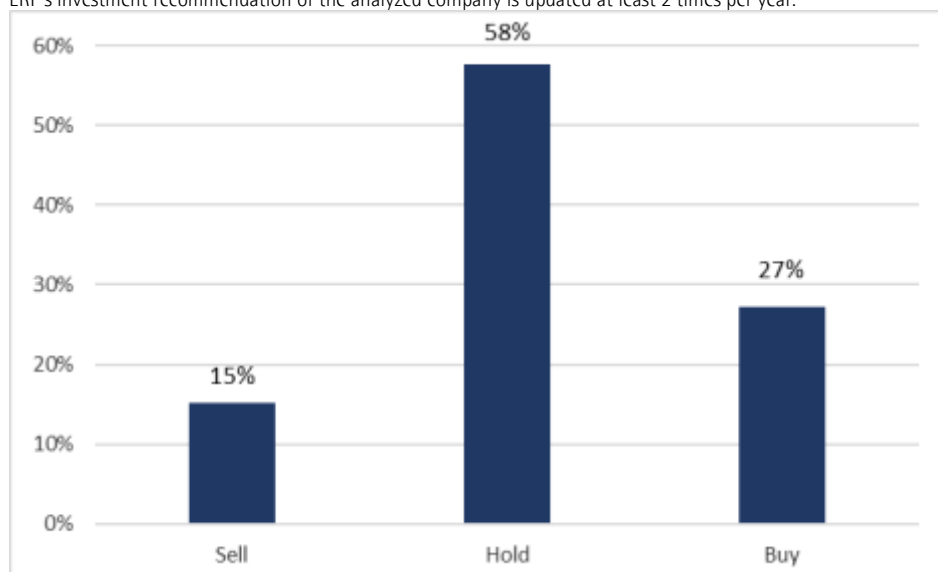
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< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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