

Insperty Inc. breaks records in 2022, shows strong Q4 earnings

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Kingwood-based human resources service provider Insperty Inc. (NYSE: NSP) broke records in 2022, the company said during its fourth-quarter and full-year 2022 earnings report.

Insperty reported full-year adjusted earnings before interest, taxes, depreciation and amortization of \$325.29 million, an increase of 17.6% from \$254.94 million in 2021 and a new record. The company also had a record number of average paid worksite employees, with 295,005 in 2022, a 17.7% increase from 250,745 in 2021.

Additionally, Insperty outperformed earnings expectations for the fourth quarter. Net income increased 293.5% between Q4 2021 and Q4 2022, resulting in diluted earnings per share of 99 cents. The company reported adjusted net income of \$46.36 million, a 254% increase from Q4 2021, which resulted in adjusted earnings of \$1.21 per share. Analysts had expected 99 cents per share, according to Yahoo Finance.

Insperty also saw increases in fourth-quarter revenue but missed expectations. The company made \$1.48 billion in revenue in Q4, an increase of 15.4% from \$1.29 billion in Q4 2021 and a 3.51% increase from \$1.43 billion in the previous quarter. Analysts had expected \$1.51 billion in revenue.

For 2022, the company reported revenue of \$5.93 billion, an increase of 19.4% from 2021. Net income increased 44.5% from 2021 to \$179.35 million, or \$3.18 per share. Adjusted net income reached \$215.94 million, a 40.2% increase from \$154.02 million in 2021, resulting in adjusted earnings per share of \$5.59.

Insperty Chairman and CEO Paul Sarvadi said 2022 was the first year in the company's internal five-year growth plan. Insperty increased sales efficiency by 9%, workforce acceleration sales by 40% and marketing assisted sales by 13%, and the company has 9% more business performance advisers than last year. The company's client retention rate also increased from 82% to 85%.

The five-year plan is intended to create higher returns for shareholders, Savardi said. When a similar plan concluded in 2019, the company saw a 434% increase in the return to shareholders and a more than fivefold increase in share prices over five years. This latest five-year plan could result in similar or even larger numbers, Savardi said.

Following its earnings report, Insperity also offered its 2023 guidance. The company expects adjusted EBITDA growth of between 0% and 16%, which would be between \$353 million and \$409 million of adjusted EBITDA for the full year. For 2023 net income, the company expects to bring in between \$163 million and \$204 million, resulting in diluted earnings per share between \$4.20 and \$5.26. Insperity is projecting a range of \$5.24 to \$6.30 for adjusted earnings per share, which is between a 6% decrease and a 13% increase.

A survey that Insperity conducted with its clients showed that sentiment is strong heading into 2023, Savardi said. Despite economic uncertainty, 54% of the company's clients expect to add employees, while just 4% expect to reduce staff this year, per the survey. Additionally, more than 70% of the company's clients expect 2023 to be somewhat or significantly better than 2022.

However, the optimism doesn't come without its challenges, Savardi added. The top human resources concerns identified in the survey include building a strong culture, attracting talent and managing health care costs. A slowdown in client hiring in the fourth quarter has also lowered the starting point for paid worksite employee growth for Insperity, Savardi said.

Insperity is No. 33 on the Houston Business Journal's 2022 Largest Houston-Area Public Companies List, based on its 2021 revenue.