

YOUR BUSINESS

THE CHALLENGE ARMADA DATA CORP.

Solid numbers ... and a lack of investors

Today, Your Business launches a new weekly feature called *The Challenge*. Every week, we will find the expert advice to help a small or medium sized company overcome any issue it is facing in its business.

BRYAN BORZYKOWSKI

It's hard to miss the frustration in Paul Timoteo's voice when he talks about his company's stock price.

The chief executive officer of Toronto-based Armada Data Corp. can't figure out why investors aren't talking around his business and sending its shares higher on the TSX Venture Exchange.

"We've done all the things that investors say we want you to do," says Mr. Timoteo, whose 25-employee company collects and then sells car-pricing data to consumers and insurance companies.

The company's stock has been hovering around 20 cents a share for about a year — a far cry from the \$1.25 it fetched when it went public in 2000. It did a quick sink, hitting an all-time low of five cents in 2008, and since then has never topped the 60-cent mark it hit in October, 2009.

Most micro-cap TSXV companies don't offer growth in revenue, profit and dividends like Armada does, Mr. Timoteo says.

Over the five fiscal years ended May 31, 2010, the company's revenue grew 122 per cent, and profits rose in all but one of those years.

In the last fiscal year, revenue reached \$2.9-million — up 37 per cent from the year before while net income rose 328 per cent to 104 per cent from the previous year.

And two years ago, Armada implemented a 25-per-cent annual dividend, which Mr. Timoteo says it plans to increase this year.

Mr. Timoteo has met several times with bankers and investors to promote his company, but says "people still don't pay attention." He has looked for companies in a similar financial position to set if



Paul Timoteo: "We've done all the things that investors say we want you to do." JENNIFER ROBERTS FOR THE GLOBE AND MAIL

Armada is undervalued.

Mr. Timoteo says a stock screen for micro-cap companies that generate at least \$2-million in annual revenue, have net profit of at least \$200,000, have grown income by 100 per cent over the last five fiscal years and pay a dividend of at least 2 per cent, shows only one other business: Asian Television Network International.

It's trading at 6.45 times shareholder equity, while Armada is trading at 1.75 times. Mr. Timoteo thinks his company should be trading in a comparable range. If Armada was priced at six times shareholder equity, its share price would be 67 cents.

Mr. Timoteo points out that Asian Television Network's stock price has doubled over the last eight months.

"So it looks like there are some sharp-minded investors out there just like me after all," he says. "Hopefully, a few will find us."

The experts

How can Armada attract investors and see its stock price rise?

David Mason
President of the *Equicor* Group, a Toronto-based investor relations firm.

People need to tell a story. When I look at Armada's site, I see a news section that isn't up to date — its last piece of news is May 12, 2010. That's a red flag.

On their investor relations landing page they have three links: stock price, investor fact sheet and financial documents, but that's it. Use that landing page to hammer home key messages, such as why should I be investing in the company? What's the growth potential?

Armada should meet with re-

tail brokers — a lot of them are almost like fund managers; they're able to deploy smaller portfolios into a number of different portfolios. Their risk tolerance is higher. They'll be willing to buy a company that's early in its development.

Go out quarterly, after the financials are released. Talk to investors and brokers about numbers and reiterate the long-term strategy. Tell them where you want to be three years from now and what you need to do over the next 12 months.

Doug Steiner
Principal at *BeCONSULT Inc.*, a Toronto-based business strategy consulting firm

There are two red flags. The first is their auditor. Most public companies need a good, recognizable auditing firm, but they have a single sole proprietor as their auditor. Investors will want to

know why this one guy is looking over their books.

The spouses [of Armada's two officers — one being Mr. Timoteo] are paid market value salaries. A portion of Armada's IT expenses are also paid to a company where a family member of one of the owners has a controlling position. I don't want a business that's run like a private company. These owners are also major shareholders in a company called Lease Busters. It looks like this could be a part-time job.

Put more information on the website about why investors should be interested in the company. Investors want to know about growth. Is this guy looking for gold? Does he have a chance of making \$100-million? There's no information on the website.

Pierre Fitzgibbon

President of Quebec City-based *Atrium Innovations*, a TSX-listed company that makes and sells nutritional health products

The reality is that small-cap Canadian companies get lost among natural resources and financial services businesses, so businesses of this size really need to tell a story extremely well to attract investors.

But portfolio managers don't just want to believe in a business, they want to believe in the industry. They want to see that there's growth potential and that the company is a key performer within an industry.

Appoint an investor relations firm to help crystallize a message. We also put on investor road shows as much as we can in big cities so we can see investors and tell our story. It's a constant amount of work, but you have to do it to attract investors.

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