

ARMADA

**Flash
Note**

BUY

**Upside: +23.6 %
Target Price: \$27.2**

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Stock data

Ticker	ARMD	M.Cap, \$ mn	261
Shares Ords	12,000,000	Free Float, %	49%
Shares Prefs	-	Free Float, \$ mn	128
Bid Ords, \$	21.6	Offer Ords, \$	22

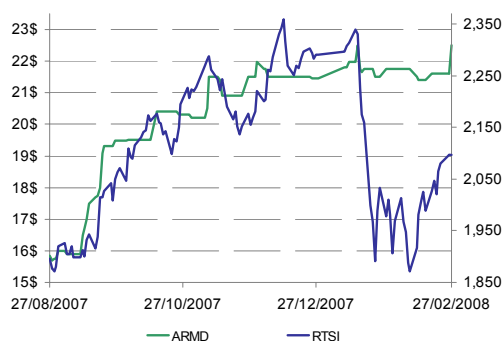
Market performance

		1 month	6 months
Absolute	Ords	4.76%	43.32%
Relative to RTSI	Ords	1.65%	32.73%
Price range, \$			
High	Ords	21.75	21.75
Low	Ords	20	15.2

Financials, 2008F

Revenue, \$ mn	167.4	P/S	1.56
EBITDA, \$ mn	30.1	EV/EBITDA	8.5
Net Income, \$ mn	19	P/E	13.4

Armada – Relative performance



Source: RTS

Strong results – solid prospects

• Yesterday Armada published its key 2007 financial figures. The company's total revenues grew by 62% to \$130.5 mn from \$80.7 mn in 2006. In 2007, its EBITDA increased to \$19.3 mn from \$11.2 mn in 2006 (+72%). At the same time, the company's EBITDA margin jumped to 14.8% from 13.9% and net profit also increased to \$12.1 mn from \$7.9 mn. On the whole, Armada's results substantially exceeded our expectations.

	Sovlink estimates, 2007E, \$ mn	2007, \$ mn	2006, \$ mn	Growth, %
Software Development	50.1	55.3	36.6	51%
IT Services	15.4	14.8	3.7	300%
Hardware Solutions	44.6	60.4	40.4	50%
TOTAL	110.1	130.5	80.7	62%

• Armada was able to significantly improve its performance as a result of its acquisition strategy, which was implemented based on the capital raised via its IPO last summer. The new acquisitions boosted the proportion of the IT Services business in Armada's revenues and also boosted the company's EBITDA margin to 14.8% in 2007 compared to 13.9% in 2006. Hardware solutions accounted for 47% of total revenues, whilst software development generated 42%, and IT Services contributed the remaining 11%.

• Comparing Sovlink estimates and the company's figures for 2007, we note revenues of \$55.3 mn announced by the company for software development against our estimate of \$50.1 mn and considerably higher hardware sales of \$60.4 mn against our estimate of \$44.6 mn. At the same time, our forecast of \$15.4 mn for the company's IT services revenues closely matches the \$14.8 mn published by the company.

• In 2007, none of the company's clients generated more than 10% of its total revenues – which highlights Armada's extremely well-diversified customer base. The recently acquired companies have enabled Armada to attract new clients, including TNK-BP, Toyota, the Finance Ministry of Russia, Moscow City Telephone Network and Nestle. By the end of 2007, the company's total client base consisted of over 1,100 organisations.

• Based on the results announced by the company, we see Armada as an attractive high growth technology stock. At the moment, the company trades at 13.4x 2008F and 11x 2009F earnings, which appears quite cheap in comparison to its emerging market peers, which are priced at an average of 18.4x 2008F earnings. Therefore, we reiterate our **BUY** recommendation on the company, with a target price of \$27.2, which gives potential upside of 23% from the current price.

STOCK RATING POLICY

STRONG BUY:	Upside over 25%; confidence level – high / upside over 100%; confidence level - low
BUY:	Upside between 15 and 25%; confidence level – high / upside between 25% and 100%; confidence level – low
HOLD:	Upside of less than 15%; confidence level – high / upside of less than 25%; confidence level – low
SELL:	Target price at or below current price levels

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