



SANGOMA TECHNOLOGIES

Launches first VoIP-only product line; Maintain Speculative BUY and \$2.20 target

EVENT

Yesterday Sangoma announced (with technology partner, Octasic) its first VoIP-only hardware product line, an accelerator card targeted at PC-based telephony systems.

BOTTOM LINE

Sangoma's hardware products have traditionally focused on PSTN-access. The accelerator card is the first hardware product dedicated to processing voice-over-IP (VoIP). This product announcement is positive as it will diversify Sangoma's reliance on PSTN-centric products in the future. **We maintain our Speculative BUY recommendation and \$2.20 target.**

FOCUS POINTS

- The accelerator card (based on Octasic's Vocalto DSP platform) includes hardware-based echo cancellation and VoIP compression and will reduce the load on the host CPU. This enables greater call capacity and enhanced features on PC-based telephony systems.
- We do not expect material near-term VoIP-only product revenue but this announcement demonstrates the company's desire to reduce its reliance on PSTN-access products.
- Sangoma also announced an API for SS7 applications. This allows SS7 carrier-grade applications to be run on Sangoma's hardware.
- We initiated coverage of Sangoma, a leader in the burgeoning open source software telephony market, earlier this month. Our target is based on 15x 2009 EPS and a discounted free cash flow model using a WACC of 14.0% and a terminal growth rate of 3.0%.

Company profile: Sangoma is a leading supplier of communication products that connect computer devices to data and telephone networks.

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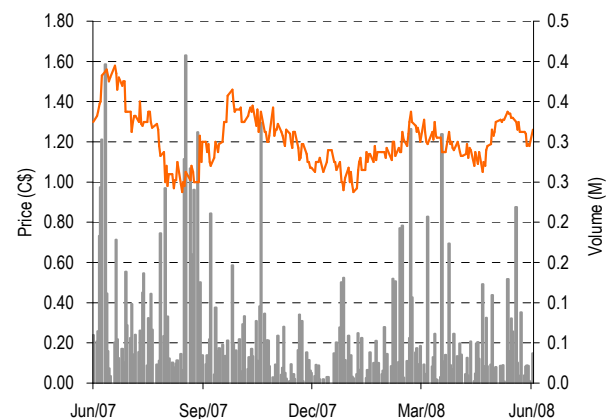
Recommendation: SPECULATIVE BUY

Symbol/Exchange:	STC/TSXV
Sector:	Hardware
<i>All dollar values in C\$ unless otherwise noted.</i>	
Current price:	\$1.26
One-year target:	\$2.20
Target return:	75%

Financial summary

Shares O/S (M)	28.4	52-Week Range	C\$0.95 - C\$1.58	
Market Cap (C\$M)	35.7	Avg. Weekly Volume	277,803	
Market Float (C\$M)	19.6	Net Cash (C\$M)	5.2	
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C\$ millions (Jun-30)	F2007A	F2008E	F2009E	F2010E
Sales	8.2	12.8	16.9	19.8
EBITDA	3.6	6.0	7.8	9.4
EBITDA margin (%)	43%	47%	46%	47%
Adjusted EPS (Diluted)	0.07	0.11	0.15	0.19
Net earnings margin (%)	22%	25%	26%	27%
Cash flow	2.3	3.4	4.1	5.9
Free cash flow	2.1	3.1	3.8	5.5
Price/Revenue	4.3x	2.8x	2.1x	1.8x
EV/EBITDA	8.6x	5.1x	3.9x	3.3x
Price/Adjusted EPS	18.3x	11.3x	8.1x	6.8x

Source: Versant Partners, Sangoma Technologies



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The analysts responsible for this report *have* visited the material operations of Sangoma Technologies Inc. No payment or reimbursement was received for the related travel costs.

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BUY: The stock is attractively priced relative to the company’s fundamentals and we expect it to appreciate significantly from the current price over the next 12 months.

Speculative BUY: The stock is attractively priced relative to the company’s fundamentals but carries an above-average level of risk.

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SELL: The stock is overpriced relative to the company’s fundamentals, and we expect it to decline from the current price over the next 12 months.

TENDER: We believe the offer price by the acquirer is fair and thus recommend investors tender their shares to the offer.

UNDER REVIEW: We are temporarily placing our recommendation under review until further information is disclosed.