

July 15, 2008

**RESEARCH NOTE:**

**SANGOMA TECHNOLOGIES CORPORATION - (TSXV : STC)**

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- *Yesterday, Sangoma announced the closing of its previously announced acquisition of Paraxip Technologies .*
- *The only financial detail disclosed at the time of the acquisition was that it is expected to be accretive to Sangoma. For our forecast, we made conservative estimates as to the impact of Paraxip and anticipate it to add approximately \$2.5 million to \$3 million in annual sales and be mildly accretive to Sangoma for at least the first year.*
- *We continue to see this acquisition as strategically positive, as it allows Sangoma to address new markets in which the Company had managed only limited success on its own.*
- *We continue to maintain our STRONG BUY recommendation and 12-month target price of \$3.40.*

**SANGOMA TECHNOLOGIES CORPORATION**

Equity Research | Technology

Ticker

Recommendation

12-month Target

**TSXV:STC**  
\$1.10

**STRONG BUY**  
(unchanged)

**\$3.40**  
(unchanged)

Please see important disclosures at the end of this document

**Sangoma Closes Paraxip Acquisition**

July 15, 2008

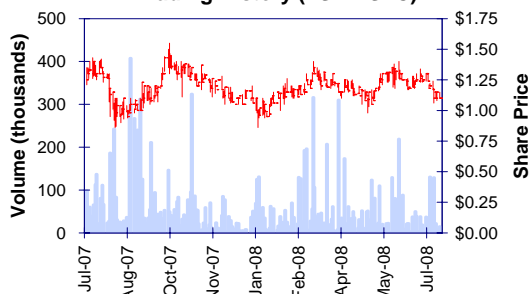
**Market Data**

52-week High-Low	\$1.55-\$0.86
Shares Outstanding	
– Basic	28.2 million
– Fully diluted	28.9 million
Market Capitalization	\$35.9 million
Cash	\$3.8 million
Enterprise Value	\$32.1 million
Total Debt	Nil
Fiscal Year End	June 30
Major shareholders	Insiders: 23%

**Financial Data**

(000, except EPS)	FY06A	FY07E	FY08E	FY09E
Revenue	\$4,776	\$8,223	\$12,803	\$19,847
Net Income	\$1,008	\$1,988	\$3,403	\$5,595
EPS (FD)	\$0.04	\$0.07	\$0.12	\$0.18
P/S	7.5x	4.4x	2.8x	1.8x
P/E	33.6x	17.9x	10.5x	6.9x

**Trading History (TSXV:STC)**



**Company Description**

**Sangoma Technologies Corporation** provides connectivity hardware and software products for PBX and LAN/WAN infrastructure. The Company's products, in combination with open source software products, can enable industry standard PCs and servers to perform routing and PBX functions. Sangoma's products are distributed globally through its network of regional distribution partners and integrators that service local businesses.

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**Event**

Yesterday (July 14), after market close, Sangoma Technologies announced that it closed its acquisition of Paraxip Technologies.

**Highlights**

Yesterday, Sangoma announced the closing of its previously announced acquisition of Paraxip Technologies (see our July 8, 2008 morning comment). The total purchase price was \$4.8 million, which includes \$1.9 million in cash and 2.3 million Sangoma shares. One-third of the shares will be issued at closing with the remaining two-thirds to be issued in equal amounts at 12 months and 24 months.

The only financial detail disclosed at the time of the acquisition was that it is expected to be accretive to Sangoma. For our forecast, we made conservative estimates as to the impact of Paraxip and anticipate it to add approximately \$2.5 million to \$3 million in annual sales and be mildly accretive to Sangoma for at least the first year. As a result, we are increasing our F2009 revenue forecast to \$19.9 million from \$17.6 million and holding our EPS estimate at \$0.18. The first quarter that the acquisition will impact the Company's results is Q1-09 (ending September 30, 2008).

We continue to see this acquisition as strategically positive, as it allows Sangoma to address new markets in which the Company had managed only limited success on its own. These new markets include contact centre transitions to VOIP and Microsoft Unified Communications Server installations, which Paraxip is currently working on its certification. Our EPS forecast for our valuation period remains largely unchanged and therefore our target price remains at \$3.40.

**Investment Conclusion**

**We continue to maintain our STRONG BUY recommendation and 12-month target price of \$3.40** based on a P/E multiple of 15x our forecast EPS of \$0.23 for the 12-months ending March 31, 2010.

## IMPORTANT DISCLOSURES

July 15, 2008

Company	Ticker	Ex	Rating	Price Target	Last Price	Market Cap (millions)	Shares o/s (millions)	Previous Volume	52 Week		Applicable Disclosures
									High	Low	
Sangoma Technologies Corporation	STC	V	StrB	\$3.40	\$1.10	\$31	28.4	14,700	\$1.55	\$0.86	8

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### Investment Opinion Definition

- STRONG BUY:** NSI expects the share price to appreciate 30% or more over the next 12 months.  
**BUY:** NSI expects the share price to appreciate 10% to 30% over the next 12 months.  
**HOLD:** NSI expects the share price to appreciate 10% or less over the next 12 months.  
**SELL:** NSI expects the share price to have a negative rate of return over the next 12 months.  
**SPECULATIVE BUY:** NSI expects the share price to appreciate substantially over the next 12 months, but with a high level of inherent risk.

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