



## NEWS RELEASE

### SANGOMA REPORTS Q4 AND ANNUAL RESULTS FOR FISCAL 2013 AND PRELIMINARY REVENUES FOR Q1 2014

**MARKHAM, ONTARIO, October 25, 2013** – Sangoma Technologies Corporation (TSX VENTURE:STC), a leading provider of hardware and software components that enable or enhance IP Communications Systems for both voice and data, today announced highlights of its fourth quarter financial results, audited consolidated financial statements for the full year of fiscal 2013, ended June 30, 2013 and preliminary revenues for the first quarter of fiscal 2014 ended September 30, 2013.

As previously announced sales for the fourth quarter were a record \$4.0 million, an increase of 8% over the same quarter last year and 25% over the immediately preceding third quarter of fiscal 2013.

“I am most pleased that we closed the year with a very positive revenue quarter, indicating that the strategy of introducing new products to the portfolio continues to gain traction, with over 40% of revenue coming from products introduced in the last two years”, said Bill Wignall, President and CEO of Sangoma. “Our company has wanted to break through the \$4 million quarterly revenue threshold for some time, and it’s excellent to see Sangoma finally achieve that milestone. Further, it was encouraging to see that level of revenue drive operating income up to about \$0.42 million for the fourth quarter. The major challenges identified at Sangoma over two years ago were to rebuild Sangoma’s organization, product line and target customers. It remains early in this process and the gradual decline in PSTN-based products presents a real strain to all companies who sell into that category, something we have seen clearly in fiscal 2013. This decline in the Company’s legacy product sales, along with recent prices for Sangoma shares, has unfortunately required us to take a non-cash impairment charge of \$4.6 million in the fourth quarter. As indicated after our third quarter, we saw an opportunity to tighten both expense and cash management, with much of the major product ‘catch-up’ now complete. Accordingly, we undertook a modest restructuring in June to reduce our spending and have closed the year with over \$4 million in cash. Looking back on 2013 overall, I’m encouraged by the uptake of new products introduced in the last 12-24 months and I would like to thank our customers for their faith in Sangoma, and our employees as well as investors for their support during this transition period in Sangoma’s history.

	Q4 FY2013	Q4 FY2012	Change	FY2013	FY2012	Change
Sales	\$4.00 m	\$3.71 m	8%	\$12.95 m	\$13.76 m	(6%)
Gross profit	\$2.46 m	\$2.36 m	4%	\$8.48 m	\$9.47 m	(10%)
Operating Expense	\$2.04 m	\$2.40 m	(15%)	\$8.54 m	\$8.41 m	2%
Operating Income (Loss) before undernoted <sup>1</sup>	\$0.42 m	-\$0.04 m		-\$0.06 m	\$1.05 m	
Net income (loss)	-\$3.95 m	-\$0.31 m		-\$4.33 m	\$0.41 m	
Net earnings per share (fully diluted)	(\$0.136)	(\$0.010)		(\$0.148)	\$0.014	
EBITDA <sup>1</sup>	\$0.55 m	\$0.09 m		\$0.43 m	\$1.58 m	

<sup>1</sup> Operating Income (Loss) before undernoted and EBITDA are metrics used by the Company to monitor its performance and the definitions may be found in the accompanying Financial Statements and MD&A posted at [www.sedar.com](http://www.sedar.com).

Annual sales for the full year of fiscal 2013 were \$13.0 million, a decrease of 6% compared to full year fiscal 2012.

Gross profit was \$2.46 million for the quarter and \$8.48 million for the year, or 62% and 66% of revenue, respectively. Gross margin as a percent of revenue in fiscal 2013 has been slightly lower than in prior years as Sangoma's expanded product portfolio has a lower average margin than that of its traditional board-based business.

Operating expense for the fourth quarter was \$2.04 million and for the year was \$8.54 million before one-time impacts. Annual operating expenses were flat compared to the prior fiscal year, coming in about 2% lower before the impact of foreign exchange movements. The company undertook a modest restructuring in June to better align expenses to revenue, a change that is expected to reduce cash spending by about \$0.8 million per year.

Operating income before undernoted in the fourth quarter was \$0.42 million, up from a loss in the same period last year, and for the fiscal year was a \$0.06 million loss compared to income of \$1.05 million for fiscal year 2012. The decline in operating income for the year was driven by the lower revenue and margin.

In the fourth quarter ended June 30, 2013 we recorded a provision of \$0.20 million to cover the costs associated with redundancy payments and other one-time charges that would be paid out in fiscal 2014. In addition, under IFRS the Company conducts a quarterly impairment assessment. The June 30, 2013 assessment identified a need to take a non-cash charge of \$4.6 million against goodwill and intangible assets.

Net loss for the year ended June 30, 2013 was \$4.33 million (-\$0.148 per share fully diluted), compared to a net income of \$0.41 million (\$0.014 per share fully diluted) for the year ended June 30, 2012.

Sangoma finished the year with a cash balance of \$4.01 million and had working capital of \$10.71 million on June 30, 2013, as compared to \$5.02 million and \$11.38 million on June 30, 2012, respectively.

The timing of the annual results release this year has given us the opportunity to announce preliminary revenues of \$2.7 million for the first quarter of fiscal 2014 ended September 30, 2013. The first quarter showed continued weakness in PSTN-based products and this has already been factored in to the impairment assessment.

President and CEO, Bill Wignall, and CFO, David Moore will host a conference call on Monday, October 28, 2013 at 2:00 pm Eastern Standard Time to discuss the quarterly results. The dial-in number for the call is 1-800-319-4610 (International 1-604-638-5340). Investors are requested to dial in 5 to 10 minutes before the scheduled start time and ask to join the Sangoma call.

### **About Sangoma Technologies Corporation**

Sangoma is a leading provider of hardware and software components that enable or enhance IP Communications Systems for both telecom and datacom applications. Sangoma's data boards, voice boards, gateways and connectivity software are used in leading PBX, IVR, contact center and data-communication applications worldwide. The product line includes both hardware and software components that offer a comprehensive toolset for deploying cost-effective, powerful, and flexible communication solutions.

Founded in 1984, Sangoma Technologies Corporation is publicly traded on the TSX Venture Exchange (TSX VENTURE: STC). Additional information on Sangoma can be found at: [www.sangoma.com](http://www.sangoma.com).

### **Cautionary Statement Regarding Forward Looking Statements**

This press release contains forward-looking statements, including statements regarding the future success of our business, development strategies and future opportunities.

Forward-looking statements include, but are not limited to, statements concerning estimates of expected expenditures, statements relating to expected future production and cash flows, and other statements which are not historical facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions indicate forward-looking statements.

Although Sangoma believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. Forward-looking statements are based on the opinions and estimates of management at the date that the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in forward-looking statements. Sangoma undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by law.

Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other events contemplated by the forward-looking statements will not occur. Although Sangoma believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct as these expectations are inherently subject to business, economic and competitive uncertainties and contingencies. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in the management's discussion and analysis include, but are not limited to changes in exchange rate between the Canadian Dollar and other currencies, changes in technology, changes in the business climate, changes in the regulatory environment, the decline in the importance of the PSTN and new competitive pressures. The forward-looking statements contained in this press release are expressly qualified by this cautionary statement.

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*Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

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