SANGOMA TECHNOLOGIES CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FISCAL YEAR ENDED JUNE 30, 2020

INDEX

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MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR FISCAL 2020 ENDED JUNE 30, 2020

October 20, 2020

INTRODUCTION

The Management Discussion and Analysis ("MD&A") provides a detailed analysis of the financial condition and results of operations of Sangoma Technologies Corporation (hereinafter referred to as "Sangoma" or the "Company"). The MD&A compares the financial results for the fiscal fourth quarter and full year 2020 with those of the same periods in the previous year. This MD&A should be read in conjunction with Sangoma's audited annual consolidated financial statements and related notes for twelve months ended June 30, 2020 ("Financial Statements") which are available at www.sedar.com. All amounts are in Canadian Dollars unless otherwise noted.

BASIS OF PRESENTATION

The Company reports in accordance with International Financial Reporting Standards ("IFRS").

NON-IFRS MEASURES

This MD&A contains references to certain non-IFRS financial measures such as Operating Income, EBITDA and Adjusted Cash Flow. Non-IFRS financial measures are used by management to evaluate the performance of the Company and do not have any meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other reporting issuers. Non-IFRS financial measures used herein have been applied on a consistent basis. "Operating Income (Loss)" means gross profit less expenses before financing costs and one-time charges. "EBITDA" means earnings before interest, income taxes, depreciation (including for right-of-use assets), amortization and one-time charges. EBITDA is a measure used by many investors to compare issuers. "Adjusted Cash Flow" means cash flow from operations as defined by IFRS less the capitalized development that Sangoma amortized during the period, plus interest expense and any one-time impacts at the time of an acquisition. We believe that Operating Income, EBITDA and Adjusted Cash Flow are useful supplemental information as they provide an indication of the results generated by the Company's main business activities before taking into consideration how they are financed, taxed, depreciated or amortized. Investors are cautioned that non-IFRS measures, such as those presented herein, should not be construed as an alternative to net income or cash flow determined in accordance with IFRS.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements, including statements regarding the future success of the Company's business, development strategies and future opportunities.

Forward-looking statements include, but are not limited to, statements concerning estimates of expected expenditures, expected future product development, expected future production, anticipated 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. Except as required by law, Sangoma undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change.

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. 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 risks and uncertainties associated with the COVID-19 pandemic, changes in exchange rates between the Canadian dollar and other currencies, changes in technology, changes in the business climate including as a result of the COVID-19 pandemic, changes in the regulatory environment, the imposition of tariffs, the decline in the importance of the PSTN (see glossary below), impairment of goodwill and new competitive pressures. The forward-looking statements contained in the management's discussion and analysis are expressly qualified by this cautionary statement.

DESCRIPTION OF THE BUSINESS

General (also refer to the Glossary of Terms at the end of this document)

Sangoma's portfolio of products deliver complete, Unified Communications (UC) Solutions. As the communications landscape continues to grow in complexity, with more devices, networks, clouds, and systems needing to interoperate, Sangoma's portfolio of products enables service providers, carriers, enterprises, small and medium-sized businesses (SMBs), and original equipment manufacturers (OEMs) alike to leverage their existing infrastructure for maximum financial return, while still delivering the most advanced applications and services from the latest technologies available.

Sangoma's product portfolio includes a complete line of UC and PBX platforms, IP-Phones and UC Communicators, Cloud-based Services and Network Interconnection Products. Further, Sangoma has the world's two most widely used open source communications software projects: Asterisk and FreePBX.

Sangoma's latest innovations and expanded product portfolio include technology and appliances such as IP-PBXs based on FreePBX/PBXact/Switchvox, a range of IP-Phones and integration tools to enable automated configuration and management, a Unified Communication Server and Client with Zulu UC, Session Border controllers (SBCs) to provide VoIP Security, Network bridging and fail-safe VoIP gateways, UCaaS cloud-based service, SIP trunking service with SIPStation, fax-over-IP service with FaxStation and signalling gateways for enterprise, SMB, carrier, and OEM applications. Sangoma continues to invest and lead the market in VoIP-to-PSTN interface boards.

Unified communications and PBX platforms

A Private Branch Exchange (PBX) is an enterprise communication system. An IP-PBX is a VoIP-based PBX that uses Internet Protocol. Unified Communications (UC) is a software based application that extends a PBX by integrating the voice capabilities of such systems with the various other tasks one performs while at work, such as enabling calls from all types of phones (traditional desktop phones, softphone client software on your computer, or app's on your mobile device), or elegantly moving between voice/text/video/etc, or incorporating video meetings, or interfacing to other business systems such as a CRM to 'pull-up' information about an incoming caller, etc.

Sangoma offers feature rich FreePBX (the most widely used software PBX in the world), PBXact, and SwitchVox. FreePBX is available free of charge as an open source software download, or is available pre-installed on a telecom appliance, which can be enhanced a la carte with the purchase of individual add-on commercial modules (such as call center builder, high-availability, phone configuration management, enhanced reporting, etc.). Sangoma's PBXact UC systems come pre-packaged with add-on functionality, tighter release and revision control, and service contracts. Switchvox is the flagship on-premise UC product and it is the basis for our DCS UCaaS service as well.

Usage of FreePBX, PBXact and Switchvox by customers also pulls through complementary products such as IP-phones, PSTN interface cards, VoIP gateways, or SBCs.

IP-phones and UC communicators

Sangoma has two lines of IP deskphones. The S-series IP-Phones are customized to seamlessly integrate with Sangoma's UC systems to provide zero touch installation, simplified system management and instant access to a wide range of features. The range of D-series premium phones seamlessly integrate with Switchvox and DCS.

Sangoma has also launched Zulu UC, our desktop and smartphone software applications. The desktop application installs on a standard computer or laptop, while the smartphone app runs on mobile devices (iOS or Android). Both deliver unified communications features (presence, contacts, chat, calling, screen sharing, audio and video conferencing, etc.) from a single application.

Cloud-based services

PBXact Cloud

PBXact Cloud service is a cloud-based PBX service specifically designed to meet the needs of SMBs and small enterprise. PBXact Cloud uses Sangoma S-series phones and delivers simple online signup, unlimited US/Canada calling, number portability and other integrated features.

DCS

Digium Cloud Service (DCS) is a robust UCaaS (Unified Communications as a Service) offering. DCS is available in the continental 48 states and integrates elegantly with the D-series phones.

Trunking as a Service (TaaS)

Trunking as a Service is a term that Sangoma uses to describe its cloud-based SIP Trunking services. SIP trunks deliver Internet-based telephony services to businesses using their existing internet connection, eliminating the need for separate traditional PSTN or digital telecom connections. The main drivers are cost efficiencies (over fixed lines such as ISDN or analog lines from incumbent telcos) and end-to-end UC features/transparency. Cost efficiencies are realized because SIP trunking uses already-available broadband connections at customer premises. Sangoma offers both retail and wholesale SIP Trunking which allows the Company's customers to choose the service that best meets their needs. Either service offers DIDs and number porting.

Retail SIP trunking is targeted at end-user type customers, typically, small to mid-sized businesses and enterprises would utilize this type of service. Sangoma's retail TaaS offers predictable monthly expenses with pricing based per 'trunk' or channel. SIPStation, Sangoma's retail SIP trunking service, is seamlessly integrated into its various UC platforms, making it easy to get up and running. It also includes an integrated fax service option, enabling a business to send and receive faxes from a web interface or from a local fax machine.

Sangoma's wholesale SIP trunking offer is now available following the recent acquisition of VoIP Innovations. Typically, customers of wholesale TaaS would include MSP's, contact centers, UCaaS operators, larger businesses, or service providers who resell SIP trunks. Pricing for wholesale SIP trunking is usage-based but with a larger monthly minimum commitment. This includes origination, termination, SMS/MMS, e911, and fraud mitigation.

Fax over IP (FoIP)

Faxing remains an important communications tool. Yet VoIP networks are sometimes unable to send faxes reliably because fax standards are based on very specific timing that can be interrupted in VoIP systems, especially where there is substantial latency. Sangoma's FoIP (Fax over Internet Protocol) service is a hosted service to remedy this problem. It features a telecom appliance with up to four analog connections for fax machines and operates in concert with Sangoma's fax server data center to encrypt and package the fax communication to make it fail safe. This is particularly useful for small businesses that rely on fax communications but also for industries with challenging network conditions such as mining, oil rigs, ship-to-shore over satellite.

Network interconnection products

Session Border Controllers (SBCs)

Anytime two VoIP networks interconnect, issues of security and interoperability arise. SBCs can manage these issues, including provider-to-provider connections, provider-to-enterprise connections, and enterprise-to-enterprise connections. Sangoma's SBCs are available as hardware appliances, as software-only solutions running on a virtual machine in hosted environments, or as a hybrid of both. The hybrid solution is unique to Sangoma and provides all the flexibility expected from virtual machine capability coupled with the scalability that is found in hardware-based solutions.

VoIP gateways

VoIP gateways are needed any time voice traffic moves from a VoIP network to a traditional PSTN telephone network. As the traffic traverses these networks there are issues that need to be resolved regarding both the media (the sound of the caller's voice) and the signaling (the method used to control the media traveling over that connection).

Enterprise Gateways are used by businesses that want to connect their traditional (non-IP based) phone systems (PBX or key system) to a VoIP provider. These types of connections are referred to as SIP trunks, and Sangoma's gateways enable users to take advantage of the cost savings and flexibility of SIP trunks, without having to upgrade their entire phone system.

These same gateways can also be used to connect a newer IP-PBX to the PSTN. In addition to providing a backup to the service provided by their VoIP Provider, companies can use VoIP gateways for multi-site transitions from older phone systems to new IP-PBX phone systems.

VoIP Gateways are also needed to connect traditional telephones to an IP-PBX. For large companies, the cost of new IP phones can be higher than replacing the core system, so they keep the older phones and connect them to the new IP-PBX. This allows them to phase in the new phones over time without disrupting normal business operations. There may also be specialized telephones (elevator phones, door entry phones, ruggedized phones for use in hard industrial or outdoor conditions) for which there are no IP replacements. These phones can also be connected to the IP-PBX with a gateway.

Sangoma offers multiple lines of Enterprise gateways.

Carrier gateways are used in a service provider or carrier network, where these larger gateways perform these same tasks. In addition, there are signaling protocols (such as SS7) that are only used when carrier networks communicate with other carrier networks, that are not included in the enterprise product line.

Sangoma also offers multiple lines of Carrier gateways.

PSTN interface boards

Sangoma also has a complete line of PSTN boards that can interface a VoIP system with nearly every kind of telephony network on earth, including ISDN PRI and BRI, and analog FXO / FXS. Sangoma continues to invest in this area and has maintained a leadership position, including with data cards that support non-voice applications.

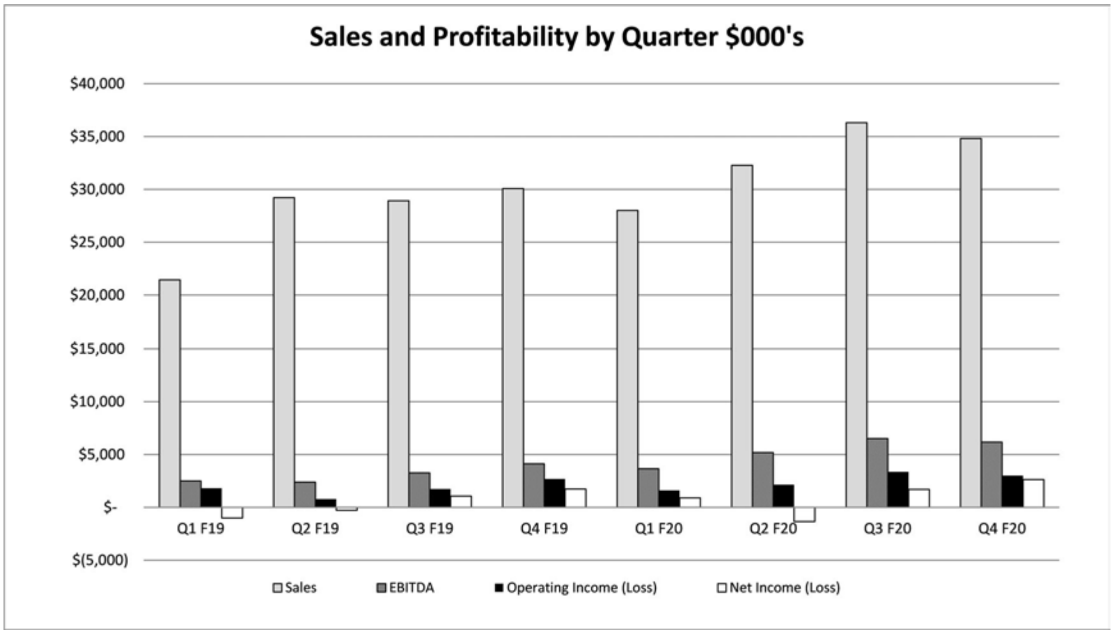
The above boards are primarily used in PC-Based VoIP telecommunications systems that connect to the PSTN and perform a very similar task to VoIP gateways, but are installed inside the server rather than being stand-alone devices. By providing customers with the option of using a PSTN interface board or a VoIP gateway, Sangoma maximizes flexibility for our customers.

Open Source Software

Sangoma provides the two most widely used open source communications software projects in the world. Asterisk is the communications engine that enables software developers to create UC applications easily and has been downloaded over 25 million times. FreePBX is the most popular PBX software in the world, supporting millions of installs around the globe.

OVERALL PERFORMANCE

Financial



[1] Operating income (loss) and EBITDA are metrics used by the Company to monitor its performance and the definitions may be found in the section non-IFRS measures above.

Sangoma's annual revenue was a record $131.4 million, 20% higher than in fiscal 2019, with fourth quarter sales up by 16% year-over-year as well. EBITDA exceeded guidance and was also a record at $21.6 million in fiscal 2020, up 75% from last year.

Gross profit was $84.9 million in fiscal 2020, producing gross margin at 65% of revenue for the year, about 4 percentage points better than in 2019.

Operating expenses were $74.8 million in 2020, up 25% from fiscal 2019, reflecting the additional expense consistent with the revenue growth.

EBITDA exceeded 16% of revenue this year and at $21.6 million for fiscal 2020, was up from $12.3 million in the prior year, and above the top end of guidance.

Net income for the year ended June 30, 2020 was $3.9 million, more than double that of fiscal 2019.

Sangoma continues to maintain a strong balance sheet and finished the fiscal year with a cash balance of $27.2 million, which was further supplemented by the $75.6 million equity raise, net of costs, completed in July subsequent to year-end. Working capital closed at $4.9 million as of June 30, and Adjusted Cash Flow from operations at $15.0 million for the year was comfortably above the $13.5 million generated in fiscal 2019.

Operational

Sangoma Technologies is a trusted leader in delivering cloud-based "Communications as a Service" (or CaaS) solutions for businesses of all sizes. This segment includes companies from small/medium businesses (SMB's) right up to large enterprises who are looking for all the advantages of cloud-based communications at a fair price. In addition to those cloud-based Services, Sangoma also has a broad suite of Products to compliment its services.

Enterprises, SMBs and carriers in more than 100 countries rely on Sangoma's technology as part of their mission-critical infrastructures. Through a worldwide network of distribution partners, Sangoma delivers high-quality services and products, some of which carry the industry's first lifetime warranty.

Innovation

Sangoma continues to invest in Research and Development ("R&D") to develop new products and to improve existing offerings with spending on R&D increasing each year. Sangoma believes that product innovation is essential to a technology company's future. New additions to the product portfolio over the last few years include:

- T3 Mux Appliance
- Version 4 of NetBorder SS7 Media Gateway
- Vega 50, 400 and 5000 series Gateways
- NetBorder Express Microsoft Lync Certification
- NetBorder SS7 VoIP Gateway Appliance
- W400 GSM Board
- Vega 100 and 200 Gateways
- NetBorder Transcoding Gateway
- NetBorder Lync Express Appliance
- Vega 400 Session Border Controller
- A116 16-Span Digital Telephony Interface Board
- B500 BRI Board
- STM1 Mux Appliance
- Call Progress Analysis for Asterisk Systems
- NetBorder SS7 Gateway Release 5.0
- Full line of Session Border Controllers
- T116 16-Span Tapping Board
- NetBorder VOIP Gateway
- Lync Express 2.0
- SBC 2.0
- Video Multipoint Control Unit (MCU)
- FreePBX
- SIP trunks for FreePBX users through SIPStation
- FoIP service
- Sangoma's commercial IP-PBX range called PBXact
- IP-phones with instant connect to FreePBX and PBXact
- PBXact UCC Cloud PBX Service

- Softphone client software
- Digium lines of cards and gateways
- Switchvox
- D-series phones
- Digium Cloud Services
- VoIP Innovations wholesale SIP Trunking
- APIDaze Communications Platform as a Service
- Sangoma Headsets
- Sangoma Meet, cloud-based video meeting service

Sales and marketing

R&D is important, but without Sales and Marketing, customers can be too unaware of the advancements that Sangoma has made in innovation. So Sangoma continues to increase its investment in both Sales and in Marketing, to promote awareness of the Company, to communicate the critical shift from single products to full solutions to cloud, and to drive customer acquisition.

Sales

Sangoma uses a dual sales path ‘go to market’ approach: direct sales to large customers and indirect distribution to other small and medium businesses (SMBs).

- **Large Customers** typically include ‘service providers’, OEM’s and larger enterprise type businesses. This is the customer segment that we tend to sell to Directly.

  Service Providers is a broad category of customers that included telcos, ISPs, ITSPs, wireless/mobile operators, MSPs, UCaaS operators, etc. These types of organizations are potential customers for Sangoma.

  OEM partners are companies that “design in” Sangoma products as a component of their solutions. OEM customers tend to be committed participants in their given markets, and have longer-term focus. It is important to reach these potential customers in the early days of any project to secure ‘design wins’ and to have sales and marketing programs that will ensure close collaboration during product and sales development cycles.

  Enterprise customers are the classic ‘larger’ companies who buy products or services for their own use. This type of customer has similar ‘use cases’ to a SMB type customer, but is large enough that they prefer to do business directly with Sangoma, and the Company wants a direct relationship with them as well, and they are buying enough for Sangoma to cost effectively service them directly.

- **SMB Customers**: In other cases, the customer is commonly referred to as a Small-Medium Business. Here, it is not usually cost-effective to travel to meet with such customers in a typical sales cycle. Sangoma then utilizes an indirect distribution model to reach the full breadth of customers, based upon a two-tier Channel model:

  The ‘upper tier’ of the indirect model is typically made up of Distributors or Master Agents. where such partners have established relationships. The ‘second tier’ of the indirect model is normally made up of Resellers and Agents. Distributors typically sell to resellers, and Master Agents typically sell to Agents. The Resellers and Agents then sell, install, and support end users. The upper tier of the channel tend to be larger organizations and cover broader geographic regions, whereas the second tier tend to be smaller organizations (though not always) and are usually more ‘local’ in nature.

Sangoma has parts of its sales team that focus on Direct customers and parts which focus on the Channel. In the channel, partners require frequent attention to keep Sangoma ‘on their mind’ in a crowded product marketplace. So a portion of the Company’s sales team services the distributors and master agents as the upper tier of the channel while a different part of the team focuses on the resellers/agents. Finally, Sangoma has professional sales teams across all key geographic regions as well.

Marketing

Sangoma also continues to increase its efforts in marketing. The Company has assembled corporate marketing programs with two key objectives in mind:

- to promote the Sangoma brand and positioning more aggressively, to convey the message about the Company’s full solutions and its transition to a Cloud-First company.
- Lead generation as one of the front-end steps in customer acquisition

Sangoma is now using various marketing techniques typical of technology firms to accomplish those two objectives. This includes participation in tradeshows, speaking at selected industry events, attending specialized seminars run by Sangoma’s distribution channel and other partners, investing in electronic marketing strategies (e.g. web presence, social media and blogging, online advertising, search engine campaigns, etc.), conducting lead generation campaigns via email/social media/etc, webinars, creating thought leadership pieces, PR, etc.

In addition to the overall corporate messaging, in support of the above two objectives, Sangoma has developed a comprehensive set of channel promotion programs, aimed at the Company’s indirect partners described above, both distributors/master agents as well as resellers/agents. The Company seeks to attract new channel partners and to grow the business with existing partners. Sangoma has implemented several incentive programs to reward its channel partners for performance and behaviours that Sangoma believes will grow revenues.

RESULTS OF OPERATIONS

SUMMARY OF RESULTS FOR THE FOURTH QUARTER OF FISCAL 2020

Sales

Sales for the quarter ended June 30, 2020 were $34.82 million, up 16% from the $30.07 million in the fourth quarter ended June 30, 2019. The increase in sales was due to the acquisition of VoIP Innovations, the continued growth and compounding of the Company's services business where the recurring revenue is generated, partly offset by some softening in demand for one-time product sales primarily driven by COVID-19. Overall services revenue as a percentage of total revenue continues to increase and exceeded 50% in the fourth quarter for the second consecutive quarter.

Cost of sales and gross profit

The cost of sales for the quarter ended June 30, 2020 was $12.18 million compared to $11.41 million for the quarter ended June 30, 2019. Gross profit for the fourth fiscal quarter of 2020 was $22.64 million, 21% higher than the $18.66 million realized in the fourth quarter of fiscal 2019. Gross margin for the fourth quarter was 65% of revenue, 3% higher than in the same quarter a year ago mostly due to the impact of the VoIP Innovations acquisition and the steady increase in the percentage of revenue from services.

Operational expense

As permitted under IFRS, costs are allocated by function except for the impact of foreign exchange, which can result in material swings between time periods.

Selling and marketing

Sales and marketing expense was $3.64 million for the fourth quarter, compared to $4.48 million for the same quarter of fiscal 2019 year as a result of the cost containment measures undertaken during the COVID-19 impacted fourth quarter including travel and marketing expenses and slightly lower commissions.

Research and development

A portion of the Company's development costs are capitalized each period and amortized on a straight-line basis over three years (see the notes to the consolidated financial statements and related notes for the fiscal year ended June 30, 2020 available at www.sedar.com). The engineering expenses incurred, and the development costs amortized during the fourth quarter were $6.10 million, 9% higher than the $5.61 million in the same quarter last year (reflecting slightly higher investment to drive growth and the addition of the VI business).

General and administration

General and administration expenses were $9.90 million for the quarter ended June 30, 2020 compared to $5.75 million over the same period ended June 30, 2019. The increased spend is mostly from the amortization of intangibles as a result of the VoIP Innovations acquisition.

Foreign exchange

For the quarter ended June 30, 2020, there was a foreign exchange gain of $0.01 million compared to a $0.12 million loss in the fourth quarter of fiscal 2019.

Total operational expense

Operating expense for the fourth quarter of fiscal 2020 was $19.63 million versus $15.96 million over the same period last year and was primarily accounted for by the acquisition of VoIP Innovations, increased investment to drive growth, both partly offset by COVID-related cost controls later in fiscal 2020.

Operating income (before interest, tax, business integration and acquisition related expenses)

Operating income for the quarter ended June 30, 2020 was $3.01 million, 11% higher than the $2.70 million in the same period last year.

Interest

Net interest for the quarter ended June 30, 2020 was $0.69 million, higher than the $0.39 million in the same period last year, primarily the result of the additional debt taken on to finance the VoIP Innovations acquisition.

Net Income (loss)

Net income for the quarter ended June 30, 2020 was $2.63 million ($0.035 income per share fully diluted) compared to a net income of $1.74 million ($0.032 income per share fully diluted) for the equivalent quarter ended June 30, 2019.

EBITDA (earnings before interest, taxes, depreciation, amortization, one-time business integration and acquisition related expenses)

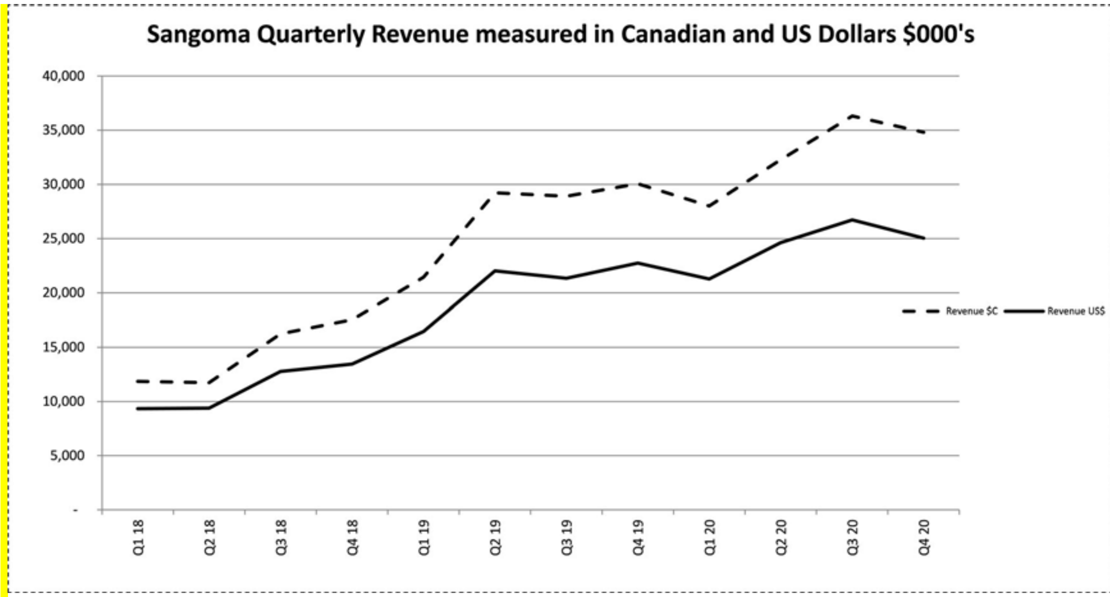
For the fourth quarter of fiscal 2020, EBITDA at $6.18 million was 50% higher than the same quarter last year resulting from the inclusion of VoIP Innovations, the operational efficiencies introduced during fiscal 2019, the adoption of IFRS 16 at the beginning of this fiscal year, higher revenue, and the gradually increasing fraction of recurring revenue as the services business continues to compound.

	Three months ended	
$C Thousands	**June 30, 2020**	**June 30, 2019**
Net income	2,631	1,740
Tax	(298)	479
Interest income	(4)	(1)
Interest expense	695	389
Share-based compensation	76	263
Depreciation of property, plant and equipment	210	117
Depreciation of right-of-use assets	988	-
Amortization of intangibles	1,903	1,044
Integration expense	-	(72)
Acquisition expense	(17)	165
EBITDA	6,184	4,124
Percent of revenue	17.8%	13.7%

The above table shows the reconciliation of net income to EBITDA which is a metric used by the

Company to monitor its performance and the definition may be found in the section non-IFRS measures above.

QUARTERLY RESULTS TRENDS



When measured in source currency (predominantly US$), sales in the quarter ended June 30, 2020 were 10% higher than in the fourth quarter of fiscal 2019 and were 6% lower than in the immediately preceding third quarter. The sales were lower in the quarter ended June 30, 2020 compared to the preceding quarter due to the impact of COVID-19, particularly on Product revenue. Sangoma's quarterly revenue has now exceeded the same period in the prior year for each of the last twenty-two quarters.

SALES AND NET INCOME BY QUARTER

C$ thousands	First quarter 2018-2019	Second quarter 2018-2019	Third quarter 2018-2019	Fourth quarter 2018-2019	First quarter 2019-2020	Second quarter 2019-2020	Third quarter 2019-2020	Fourth quarter 2019-2020
Sales	**$ 21,439**	**$ 29,220**	**$ 28,915**	**$ 30,073**	**$ 28,005**	**$ 32,286**	**$ 36,310**	**$ 34,817**
Gross margin	**$ 12,445**	**$ 17,826**	**$ 17,898**	**$ 18,659**	**$ 17,483**	**$ 21,322**	**$ 23,467**	**$ 22,637**
Operating expense	**$ 10,636**	**$ 17,032**	**$ 16,155**	**$ 15,962**	**$ 15,877**	**$ 19,170**	**$ 20,095**	**$ 19,631**
Operating income (loss)	**$ 1,809**	**$ 794**	**$ 1,743**	**$ 2,697**	**$ 1,606**	**$ 2,152**	**$ 3,372**	**$ 3,006**
Net income (loss)	**$ (997)**	**$ (275)**	**$ 1,070**	**$ 1,740**	**$ 906**	**$ (1,331)**	**$ 1,699**	**$ 2,631**
Net earnings (loss) per share								
Non-diluted basis	$ (0.021)	$ (0.005)	$ 0.021	$ 0.034	$ 0.014	$ (0.018)	$ 0.023	$ 0.035
Fully diluted basis	$ (0.021)	$ (0.005)	$ 0.019	$ 0.032	$ 0.013	$ (0.018)	$ 0.022	$ 0.035
EBITDA	**$ 2,512**	**$ 2,398**	**$ 3,264**	**$ 4,124**	**$ 3,666**	**$ 5,192**	**$ 6,513**	**$ 6,184**

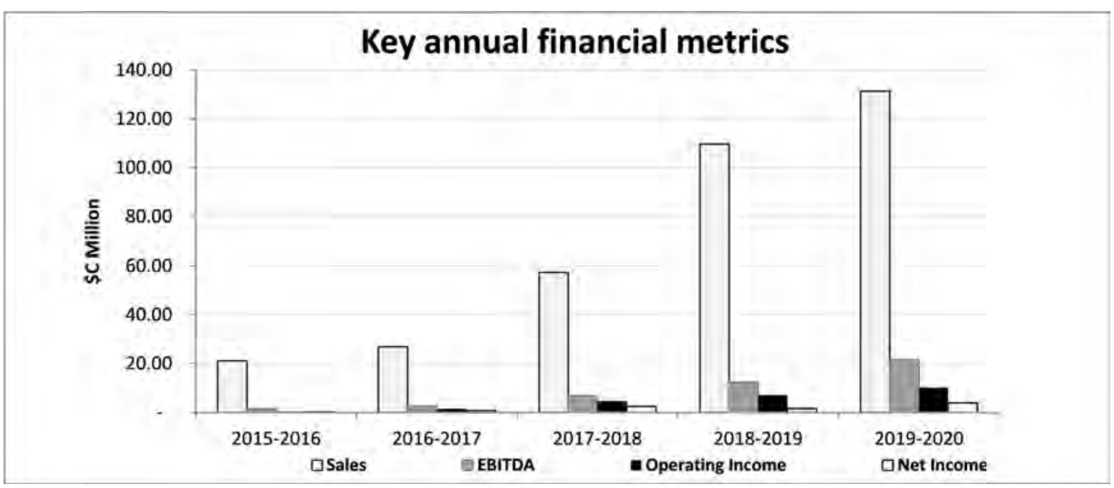
[1] Operating income (loss) and EBITDA are metrics used by the Company to monitor its performance and the definition may be found in the section non-IFRS measures above.

SELECTED ANNUAL INFORMATION

The table and chart below show selected historical information from the Company's Financial Statements.

	Fiscal year ended June 30: 2020	2019
	($ millions, except per share amounts)	
Operating Results		
Sales	131.42	109.65
Gross profit	84.91	66.83
Operating expense	74.77	59.78
Operating income (loss)[1]	10.14	7.04
Income (loss) before provision for income tax	5.08	2.88
Net income (Loss)	3.90	1.54
Net earnings per share:		
- non diluted basis	0.055	0.030
- fully diluted basis	0.054	0.028
EBITDA	21.56	12.30
Financial Position		
Cash and equivalents	27.25	11.72
Total assets	175.73	96.41
Operating facility and loan	50.49	22.73
Shareholders' equity	74.78	41.83
Cash dividends declared per share	$0.00	$0.00

[1] Operating Income (Loss) and EBITDA are metrics used by the Company to monitor its performance and the definition may be found in the section non-IFRS measures above.



SUMMARY OF RESULTS FOR YEAR TO DATE FISCAL 2020

Sales
Sales for the year ended June 30, 2020 were $131.42 million, 20% higher than the $109.65 million in fiscal year ended June 30, 2019. The increase in sales was due to the ongoing growth and compounding of its services business, the acquisition of VoIP Innovations early in the second fiscal quarter of this year, the timing of the Digium acquisition in the first quarter of 2019 (and so only contributing to part of fiscal 2019), and partly offset by some modest softness in Product sales during the COVID-crisis. Sales from services grew 81% year over year and accounted for just under 50% of revenue, up from 33% in 2019, reflecting the company's key focus on cloud and recurring revenue streams.

Cost of sales and gross profit
The cost of sales for the year ended June 30, 2020 was $46.51 million compared to $42.82 million for the fiscal year ended June 30, 2019. Gross profit for the fiscal year ended June 30, 2020 was $84.91 million, 27% higher than the $66.83 million realized in fiscal year ended June 30, 2019. Gross margin for the year ended June 30, 2020 was 65% of revenue, up 4% from the 61% last year, reflecting slightly higher margins in the newly acquired businesses and a larger fraction of revenue coming from higher margin services year over year.

Operational expense
As permitted under IFRS, costs are allocated by function except for the impact of foreign exchange which can result in material swings between time periods. In general, key drivers of increased cost year-over-year include the timing of the Digium acquisition (and thus its contribution in only part of fiscal 2019) and the acquisition of VoIP Innovations during the second quarter of fiscal 2020.

Selling and marketing
Selling and marketing expenses were $20.56 million for the year ended June 30, 2020 compared to $16.91 million for the year ended June 30, 2019. The increase is driven by the additional sales and marketing expense to drive growth, the additional spending in the newly acquired businesses, all partly offset by expense control later in the year due to COVID-19.

Research and development
A portion of the development costs are capitalized each period and amortized on a straight-line basis over three years (see the notes to the consolidated financial statements and related notes for the year ended June 30, 2020 at www.sedar.com). The engineering expenses incurred and the development costs amortized during the fiscal year ended June 30, 2020 were $23.91 million, compared to $20.75 million during the fiscal year ended June 30, 2019. The increase arises from the timing of the Digium transaction, the addition of VoIP Innovations in the second quarter of fiscal year 2020, and additional spending to drive growth.

General and administration
General and administration expenses were $30.25 million for the fiscal year ended June 30, 2020 versus $21.85 million over the same period ended June 30, 2019. The increased spend is a result of the addition of acquired businesses' headcount-related costs, higher intangible amortization, all partly offset by expense control later in the year due to COVID-19.

Foreign exchange

For the year ended June 30, 2020, there was a foreign exchange loss of $0.05 million compared to $0.27 million loss last year.

Total operational expense

Operating expense for the fiscal year ended June 30, 2020 was $74.77 million compared to $59.78 million for the fiscal year ended June 30, 2019 reflecting the additional costs of the most recent acquisitions, higher operational expense investment to drive growth, all partly offset by expense control later in the year due to COVID-19.

Operating income (before interest, tax, one-time business integration and acquisition related expenses)

Operating income for the year ended June 30, 2020 was $10.14 million substantially higher than the operating income of $7.04 million in the fiscal year ended June 30, 2019.

Interest

Net interest for the fiscal year ended June 30, 2020 was $2.48 million, versus $1.37 million in the prior year, mostly as a result of the debt taken on to finance the VoIP Innovations acquisition.

Business integration and acquisition related costs

During the fiscal year ended 2020, Sangoma recorded $2.58 million of costs directly associated with the closing of the acquisition of VoIP Innovations LLC on October 18, 2019. During fiscal year ended 2019, the Company incurred $2.27 million for the acquisition of Digium, and an additional $0.53 million for post closing integration costs.

Net income (loss)

Net income for the year ended June 30, 2020 was $3.90 million ($0.054 income per share fully diluted) compared to net income of $1.54 million ($0.028 income per share fully diluted) for the equivalent period ended June 30, 2019.

EBITDA (earnings before interest, taxes, depreciation, amortization, one-time business integration and acquisition related expenses)

For the fiscal year ended June 30, 2020, EBITDA at $21.56 million was 75% higher than the $12.30 million in the prior fiscal year resulting from the inclusion of VoIP Innovations, the operational efficiencies introduced during fiscal 2019, the adoption of IFRS 16 at the beginning of this fiscal year, higher revenue, and the gradually increasing fraction of revenue from Services.

	Twelve months ended	
$C Thousands	June 30, 2020	June 30, 2019
Net income	3,905	1,538
Tax	1,172	1,340
Interest income	(53)	(14)
Interest expense	2,531	1,385
Share-based compensation	402	408
Depreciation of property, plant and equipment	701	432
Depreciation of right-of-use assets	3,367	-
Amortization of intangibles	6,948	4,414
Integration expense	-	529
Acquisition expense	2,582	2,266
EBITDA	21,555	12,298
Percent of revenue	16.4%	11.2%

The above table shows the reconciliation of net income to EBITDA which is a metric used by the Company to monitor its performance and the definition may be found in the section non-IFRS measures above.

LIQUIDITY

As of June 30, 2020, Sangoma had current assets of $54.59 million, current liabilities of $49.71 million, and closed the fiscal year end of 2020 with $27.25 million of cash.

Sangoma generated $15.01 million of Adjusted Cash Flow from operations during the fiscal year ended June 30, 2020 compared to $13.48 million in the fiscal year ended June 30, 2019.

$ Thousands	F2020	F2019
Operating activities cash per financial statements	11,912	11,459
Less capitalization of development costs	(1,965)	(2,143)
Interest earned	(53)	(14)
Interest expense	2,531	1,385
Business acquisition costs	2,582	2,266
Acquisition integration costs	-	529
Adjusted cash flow from operations	15,007	13,482

During the last four months of the fiscal year ended June 30, 2020, there was a significant weakening in the Canadian Dollar versus the US dollar (in which most of the company's transactions are denominated). The change from $1.31 at the end of the fiscal year ended June 30, 2019 to $1.36 at the end of fiscal year 2020 has impacted the consolidated statements of financial position and resulted in an unrealized foreign exchange gain.

Despite the COVID-19 situation and higher revenues, accounts receivable of $11.23 million on June 30, 2020 were slightly lower than as at June 30, 2019 ($11.25 million).

Inventories were $12.64 million on June 30, 2020, $1.53 million higher than as at June 30, 2019. Sangoma re-configured its supply chain to eliminate one of the contract manufacturers during the first half of the year requiring a temporary build in finished goods and the purchase of the parts inventory from the prior supplier to facilitate the transition. As was shared previously, Sangoma worked some of this down over the subsequent couple of quarters and inventory is expected to remain at about this level going forward.

Net cash flows used in investing activities were $41.88 million during the fiscal year ended June 30, 2020 compared to $34.35 million during fiscal year ended June 30, 2019. The change is primarily due to $39.29 million used in acquisitions during fiscal year ended June 30, 2020 compared to $31.35 million used in acquisition during fiscal year ended June 30, 2019.

There are no existing or anticipated defaults or arrears on lease payments or interest payments and Sangoma is in full compliance with all debt covenants. Management of the Company believes that the current working capital and expected funds generated from operations will be sufficient to meet the operating and planned capital expenditures of the Company for the foreseeable future.

CAPITAL RESOURCES

There are no material commitments for capital expenditures at this time.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of Sangoma.

RELATED PARTY TRANSACTIONS

Except as disclosed in the notes to the consolidated financial statements, the Company is not party to any material transactions with related parties.

PROPOSED TRANSACTIONS

None.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The fair values of the cash and cash equivalents, trade receivables, contract assets, accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term nature of these financial instruments and fair values of operating facility and loans approximate their carrying values due to variable interest loans or loans at market rates.

OUTSTANDING SHARE DATA

As of October 20, 2020, there were 111,096,767 issued and outstanding common shares of Sangoma and as of the same date there were outstanding options to acquire 4,427,654 common shares.

SIGNIFICANT EVENTS

In December 2019, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the national, provincial and municipal governments around the world regarding travel, business operations and isolation and quarantine orders.

At the commencement of the COVID-19 outbreak Sangoma was designated as an essential business in many of the jurisdictions in which it operates and continued to receive factory shipments and make deliveries to customers around the world throughout fiscal year 2020.

Despite the challenging period globally, Sangoma delivered another strong year at the upper end of revenue guidance. Sangoma experienced continued momentum in the business during these difficult times, driven by sequential growth in service revenues (with some modest softening in product sales as anticipated during the peak period of the COVID-19 impact), and EBITDA continuing to expand as well.

As indicated previously, there continues to be uncertainty regarding the full impact, duration and pace of recovery from the COVID-19 pandemic on Sangoma's operations and markets, due to the evolving nature of the virus and the global economic slowdown (including varied governmental responses which may affect Sangoma's business and prospects). Despite these uncertainties, Sangoma believes it is very well equipped to weather the storm, and has taken several proactive steps in an attempt to better manage the challenges of the COVID-19 pandemic. These include:

- Continuing to operate in as close to a 'business as normal' manner, as is possible under these conditions, because Sangoma is an "Essential Service" under most all government rulings. Sangoma is thus exempt from the forced closures that so many other businesses are subject to. Sangoma continues to provide its products and services to so many customers who count upon them, during these challenging times;

- Significant work by Sangoma's operations teams to ensure that the company is able to maintain supply of all products and services, uninterrupted, to Sangoma's valued customers throughout the COVID-19 pandemic;

- Reopening offices around the world as local rules allow while remaining able to operate with employees at home quite effectively;

- Ensuring the company is well positioned, financially, during this crisis. Sangoma has taken prudent, proactive cost control measures as appropriate. Sangoma maintained all principal and interest payments on existing loans, and raised equity during July 2020 as noted in *Post Reporting events*, such that the company is well positioned to continue with its acquisition strategy despite the COVID-19 pandemic. Following completion of the equity raise, Sangoma initiated and completed the repayment of the $8.72 million on the swingline and revolver facilities such that the full amounts are available again should the Company wish to utilize them. Please refer to *Post Reporting events* for more details.

POST REPORTING EVENTS

On July 30, 2020, the Company closed its equity offering with 35,006,000 common shares being issued at a price of $2.30 per common share including 4,566,000 common shares sold pursuant to the exercise in full of the over-allotment option grant to the Underwriter for aggregate gross proceeds of $80.51 million and net proceeds of $75.56 million. The Company intends to use the net proceeds of the Offering to fund any future acquisitions, for debt repayment, and for general corporate purposes.

During August 2020, Sangoma paid back the outstanding amounts of $1.72 million ($1.30 million USD) on the swingline facility and $6.99 million ($5.30 million USD) on the revolver facility. Both of these facilities remain fully available to the Company.

On October 7, 2020, $0.45 million USD was released to the Company from the funds held in escrow in connection with the VoIP Innovations acquisition. This amount represented the amount owing by VoIP Innovations under the Universal Service Fund as at the closing of the VoIP Innovations acquisition and was released in accordance with the terms of the VoIP Innovations acquisition agreement and the escrow agreement entered into in connection with the transaction.

GUIDANCE

On October 20, 2020 Sangoma provided guidance for Fiscal 2021 of between $143 and $147 million for revenue and between $24 and $26 million for EBITDA.

ADDITIONAL INFORMATION

Additional information relating to the Company is filed on SEDAR at www.sedar.com.

GLOSSARY OF TERMS

Analog

Analog telephony is the telephone system that dates back to the original experiments by Alexander Graham Bell. The voice signal is picked up by a microphone and transmitted to the central office. Voice signals from the central office consist of voltages that drive a headset to produce sound. Analog means that the voice pressure signals are represented by voltages levels on the line.

API

Application Program Interface: An API is a purpose-built interface that allows fourth party software to interact with a particular application. A typical API is the user interface for Windows that allow programmers to write programs for Windows that use all its built-in utilities. APIs do not depend on revealing source code, in general. They are usually well documented and include sample programs that make development easy.

Codec

In the telephony context a codec is a mechanism of digitally encoding voice. On the PSTN a voice channel takes up 64kbps in a codec standard called G.711. Cell phones use a codec called GSM that compress the voice further so that a GSM call consumes about 24kbps. Other compressed codecs are used in VoIP to conserve bandwidth. These include standards such as G.729, G.723. Most audio codecs are lossy, in that some of the voice quality is degraded by the compression. On the other hand, as bandwidth becomes cheaper, VoIP allows one to use other codecs that in fact use more bandwidth than the PSTN, the so-called broadband codecs that have DVD-like voice quality.

Digital telephony

In the modern PSTN only the “last mile” line to the customer is still analog, all other internal parts of the network are digital. Digital in this case means that at the central office the analog signal from the subscriber’s telephone is sampled digitally, converting the line voltages to a series of numbers that can be easily transmitted error free over long distances. See T1, E1 below.

Gateway

In the telephony context this is typically a separate unit with its own case and power supply that provides VoIP-to-PSTN services for a VoIP network. Almost all gateway devices use SIP interfaces to the VoIP system over Ethernet and have analog or digital telephony interfaces that connect to the PSTN. VoIP gateways are available from many manufacturers including Audiocodes, Cisco, Grandstream, Patton Electronics and many others.

ISDN

Integrated Services Digital Network (“ISDN”) is a set of communications standards for simultaneous digital transmission of voice, video, data, and other network services over the traditional circuits of the public switched telephone network. Of the many variations of ISDN, Sangoma supports BRI (Basic Rate Interface) which is essentially an all-digital replacement for ordinary analog lines and PRI (Primary Rate Interface) which is used over T1 and E1 lines. BRI is very popular outside of North America. PRI is used worldwide.

IP

The Internet Protocol (“IP”) is the primary protocol in the internet layer of the Internet protocol suite, and delivers data packets from the source host to the destination host solely based on the IP address.

ISP

Internet Service Provider

ITSP

Internet Telephony Service Provider who offer telecommunications service including voice over internet type connections.

IVR

Interactive Voice Response: IVR systems use the phone to navigate a menu, for example those used by banks to allow access to customer’s account information. IVR systems have typically been driven by dial tones as the buttons on your phone are pressed, but increasingly they are using voice recognition for navigation.

Open Source
Open Source software is distributed free subject to certain conditions. Open Source licenses usually stipulate that source code must always be distributed or made available, and any improvements in the code have to be donated back to the community. It is possible to have dual licensing: Open Source to the community and also a closed, commercial license of the same or similar software.

NetBorder
This is the trade name of a Sangoma SIP to PSTN gateway product. It includes several other functions in addition to the PSTN gateway function. The mass marketed version is known as NetBorder Express or NBE.

PBX
Private branch exchange. A PBX is a premised basis device to deliver calls from the PSTN or VOIP network to phones in a single or multiple locations.

PSTN
Public Switched Telephone Network: This is the standard telephone network that has been in operation for many decades. A telephone or FAX or PBX or other telephony device is generally connected to an analog line at a wall plug, which is connected by “last mile” cabling to the central office. The analog signal from the device is converted to a digital signal at the Telco central office and is multiplexed, 24 simultaneous voice channels per line (in North America) onto a T1 for onward transmission. At the other end of the line the digital channel is reconverted to analog for transmission over the “last mile” to the receiving phone or other device.

SBC
A Session Border Controller (“SBC”) is a device deployed in Voice over Internet Protocol (“VoIP”) networks to exert control over the signaling and usually also the media streams involved in setting up, conducting, and tearing down telephone calls or other interactive media communications. SBCs are deployed as demarcation points between enterprises and service providers and between service provider networks.

Signalling
Call setup and tear down is remarkably complicated, involving such things as responding to the different tones as well as generating them, caller identification and handling the different features like hook-flash and voicemail properly. There are different signalling mechanisms for different types of circuits. Analog circuits use tones such as out-of-order, busy, ringing as well as the dialling tones. T1 lines often use a data protocol called ISDN PRI, where packets of control data are exchanged on a separate data channel. ISDN PRI is a simplification of the general signalling protocol used internally by the telecommunications networks known as SS7. In all cases signalling has to be exactly compatible with what the Telco expects, so interoperability and standards are important.

SIP
Session Initiation Protocol: SIP is the emerging standard signalling protocol for VoIP, though it has much broader applications. SIP is responsible for setting up and teardown of two party and multiparty calls, as well as a host of management features. To a great and increasing extent, VoIP calls are SIP based. The term SIP Trunk is used to describe the provision of a SIP line to an end customer.

T1, E1
A T1 line is a circuit that carries 24 digital telephone calls simultaneously. At higher densities, 28 T1s are aggregated into a T3 line carrying 672 calls. Larger offices can also connect to the central office via T1 directly, so as to have only one circuit for up to 24 calls. T1 is standard in North America and Japan while E1 is the standard in the rest of the world. E1 carries 30 channels of digitized voice per line.

TDM
Time Division Multiplexing (“TDM”) is used in circuit switched networks to increase the number of calls carried simultaneously on any one circuit and formed the basis for the digital telephony networks.

Unified Communications
Unified communications is a concept in which voice, email, messaging, video and any other type of communication are all considered forms of data that can be combined, manipulated and used in intelligent applications in a seamless way.

VoIP

Voice over IP: The transfer of voice traffic over the Internet Protocol. IP is used universally for all networking including local area networks and private networks, not just the Internet. So VoIP is not necessarily voice over the Internet, but voice over general data networks.