



**Sangoma Technologies Corporation**

**ANNUAL INFORMATION FORM**

**For the fiscal year ended June 30, 2020**

**October 20, 2020**

## TABLE OF CONTENTS

ABOUT THIS ANNUAL INFORMATION FORM.....	1
FORWARD LOOKING STATEMENTS .....	1
GLOSSARY OF TECHNICAL TERMS .....	2
CORPORATE STRUCTURE .....	4
GENERAL DEVELOPMENT OF THE BUSINESS.....	5
DESCRIPTION OF THE BUSINESS.....	10
DESCRIPTION OF CAPITAL STRUCTURE .....	18
DIVIDENDS AND DISTRIBUTIONS.....	19
MARKET FOR SECURITIES .....	20
DIRECTORS AND OFFICERS.....	21
RISK FACTORS .....	23
INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS .....	38
LEGAL PROCEEDINGS AND REGULATORY ACTIONS.....	39
TRANSFER AGENT AND REGISTRAR.....	39
MATERIAL CONTRACTS .....	39
INTERESTS OF EXPERTS.....	40
ADDITIONAL INFORMATION.....	40

## ABOUT THIS ANNUAL INFORMATION FORM

The information in this Annual Information Form is presented as of June 30, 2020, unless otherwise indicated.

Unless otherwise indicated, or the context otherwise requires, references in this Annual Information Form to “**Sangoma**”, “**the Company**”, “**we**”, “**us**” or “**our**” refer to Sangoma Technologies Corporation and its subsidiaries together and all references to “**\$**” or “**dollars**” are to Canadian dollars.

## FORWARD LOOKING STATEMENTS

This Annual Information Form contains “forward-looking information” within the meaning of applicable securities laws, including statements regarding the future success of our business, development strategies and future opportunities. Forward-looking information is generally identifiable by use of the words “believes”, “may”, “plans”, “will”, “anticipates”, “intends”, “could”, “should”, “estimates”, “expects”, “forecasts”, “projects” and similar expressions, and the negative of such expressions.

Forward-looking information in this Annual Information Form includes, but is 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.

Although we believe that our 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 and adversely from those projected in forward-looking statements. 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. Except as required by law, we undertake no obligation to revise or update forward-looking statements for any reason, including if circumstances or management’s estimates or opinions should change.

Readers are cautioned that these forward-looking statements are only predictions and are inherently subject to business, economic and competitive risks, uncertainties, and assumptions, both general and specific, that are difficult to predict, including those identified below and in the section “Risk Factors” herein. These known and unknown risk factors could cause the actual results, performance or achievements to be materially and adversely different from any future results, performance or achievements expressed or implied by the forward-looking information contained in this Annual Information Form. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained herein include, but are not limited to, changes in exchange rate between the Canadian dollar and other currencies (in particular the United States’ (“US”) dollar), changes in technology, changes in the business climate, risks related to the COVID-19 (coronavirus) outbreak, changes in the regulatory environment, the imposition of tariffs, the decline in the importance of the PSTN (as hereinafter defined), impairment of goodwill and new competitive pressures.

A more complete discussion of the risks and uncertainties facing the Company is disclosed under the heading “Risk Factors” in this Annual Information Form, as well as in any continuous disclosure filings of the Company with Canadian securities regulatory authorities available at [www.sedar.com](http://www.sedar.com).

All forward-looking information in this Annual Information Form is qualified in its entirety by this cautionary statement and we disclaim any obligation to revise or update such forward-looking information to reflect future results, events, or developments, except as required by law.

## GLOSSARY OF TECHNICAL 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: An Application Program Interface (“**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 and G.723. Most audio codecs are lousy, 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 Basic Rate Interface (“**BRI**”) which is essentially an all-digital replacement for ordinary analog lines and Primary Rate Interface (“**PRI**”) 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 IP suite and delivers data packets from the source host to the destination host solely based on the IP address.

IP-PBX: IP-PBX is a VoIP-based PBX that uses IP to deliver calls from the PSTN or VOIP network to phones in a single or multiple locations.

ISP: Internet Service Provider (“**ISP**”).

ITSP: Internet Telephony Service Provider (“**ITSP**”) 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: NetBorder 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: A Private Branch Exchange (“**PBX**”) is an enterprise communication system that is typically On-premise to deliver calls from the PSTN or VoIP network to phones in a single or multiple locations.

PSTN: A Public Switched Telephone Network (“**PSTN**”) 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 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 (“**UC**”) 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.

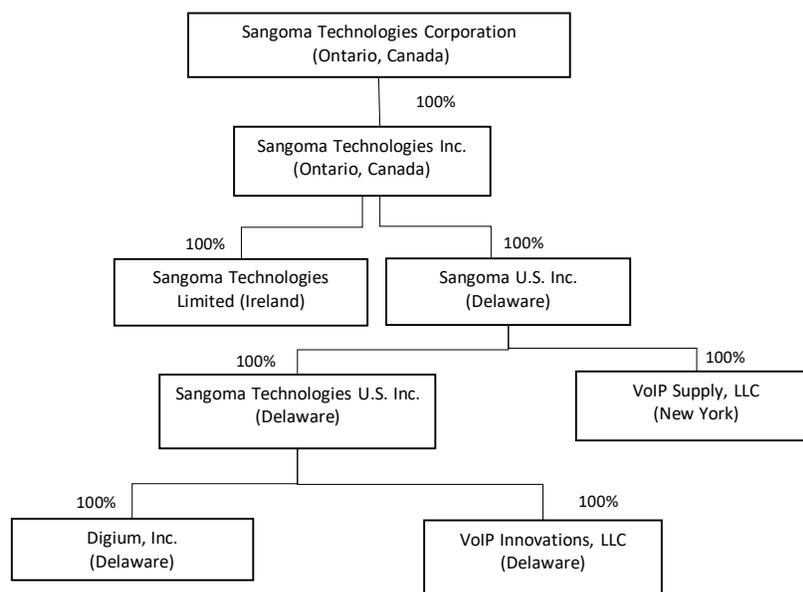
**VoIP:** Voice over IP (“**VoIP**”) is the transfer of voice traffic over the IP. IP is used universally for all networking including local area networks and private networks, not just the Internet. As such, VoIP is not necessarily voice over the Internet, but voice over general data networks.

## CORPORATE STRUCTURE

The full corporate name of the Company is “Sangoma Technologies Corporation.” The Company was formed on July 1, 2001 by way of a vertical short-form amalgamation among Sangoma.com Inc. and 1056574 Ontario Limited and 883750 Ontario Limited, each, a wholly-owned subsidiary of Sangoma.com Inc., pursuant to the *Business Corporations Act* (Ontario) (the “**Amalgamation**”). Pursuant to the Amalgamation, all of the shares in the capital of Sangoma.com Inc. converted into shares of the capital of the amalgamated corporation, then named “Sangoma.com Inc.” Subsequently, on October 18, 2001, the Company changed its name to “Sangoma Technologies Corporation”.

The registered and head office of Sangoma is located at 100 Renfrew Drive, Suite 100, Markham, Ontario L3R 9R6. The Company’s website address is: [www.sangoma.com](http://www.sangoma.com). The information on Sangoma’s website is not incorporated by reference in this Annual Information Form.

The following chart outlines Sangoma’s corporate structure and identifies the jurisdictions of each of our material subsidiaries as at October 20, 2020.



## GENERAL DEVELOPMENT OF THE BUSINESS

### Overview

Sangoma is a publicly-listed corporation offering a complete range of value-based Unified Communications (“UC”) and UC as a Service (“UCaaS”) solutions for small to medium-sized businesses (“SMBs”), enterprises, original equipment manufacturers (“OEMs”), carriers and services providers. Sangoma’s globally scalable offerings include both On-premise and Cloud UC solutions, SIP trunking as a Service (“TaaS”), both direct to end-users and wholesale as a result of the VI Acquisition (see “*General Development of the Business - Recent Developments – Fiscal 2020 Developments*”) and industry leading VoIP solutions (such as internet protocol phones (“IP Phones”), as well as desktop and mobile UC clients), which together provide seamless connectivity between traditional infrastructure and new technologies.

As the enterprise communications landscape continues to grow in complexity, with more devices, networks, Clouds, and systems needing to interoperate, our solutions and services enable our customers, ranging from service providers, carriers, OEMs, and enterprises (from small to large) to leverage their existing infrastructure for maximum financial return, while still delivering the most advanced applications and services from the latest available technologies.

Sangoma’s solutions and services enable customers to upgrade and enhance their communications environments at their own pace, whether in the Cloud or On-premise. This allows our customers to continue to utilize their existing communications infrastructure, if they wish, and gives them the flexibility to choose from our solutions, based on current technology, that best address their individual business needs. We complement our communications solutions with support and professional services for our customers that range from planning and design through to implementation.

We are the primary developer and sponsor of Asterisk®, the world’s most widely used open source software for developing communication applications, and FreePBX®, the world’s most widely used open source PBX software, which together creates an average of over 200,000 new downloads of our open source software per month.

Our open source software is provided free of charge, which we then leverage to offer revenue-generating products and services that are complementary and add greater value to the Asterisk® or FreePBX® software that users have downloaded. The types of revenue-generating products and services that we offer include optional software add-ons modules, IP phones, SIP trunking, Cloud-based fax, training, technical support, maintenance, PSTN cards, VoIP gateways, SBCs, and commercial licenses of the open source software they have downloaded.

In addition to our open source ecosystem, we also offer commercial UC solutions such as Switchvox (available in the Cloud and On-premise), PBXact, IP Phones, UC client solutions (desktop and mobile), SIP trunking, Fax over IP service, training, technical support and maintenance as well as telephony cards, gateways and session border controllers associated with network connectivity. We have sold over two (2) million licenses for our UC commercial solutions (Switchvox and PBXact) that creates an impressive install base for our UC ecosystem.

### Recent Developments

#### *COVID-19 Outbreak*

On April 30, 2020, the Company provided a business update through a press release to share the impact of the COVID-19 pandemic and to outline the steps that had been taken by the Company to mitigate the

business impact of COVID-19. Nevertheless, there continues to be uncertainty regarding the full impact of lockdowns, duration, magnitude and pace of recovery across the Company's operations and markets, due to the evolving nature of the COVID-19 pandemic, and the global economic crisis (including varied governmental responses which may affect Sangoma's operations, business and prospects). Despite these uncertainties, the Company believes it is very well equipped to weather the storm and has taken several proactive steps in an attempt to better manage the associated challenges.

First, the Company continues to operate in as close to a 'business as normal' manner, as is possible under these conditions, because it is deemed an "essential service" under applicable government rulings as of the date of this Annual Information Form. The Company is thus currently exempt from the forced closures that so many other businesses have been subject to. Communications are always critical to business, and even more so with so many of the Company's customers as well as employees working remotely.

Second, the Company successfully navigated the substantial impact from COVID-19 on global supply chains during January and February 2020. Significant work by the Company's operations teams ensured that the Company was able to successfully manage this disruption without any material impact on sales opportunities.

Third, the Company seamlessly transitioned to a work-from-home structure in over 20 countries and more than 20 states in the U.S., in order to serve Sangoma's customers who count upon it every day for mission critical communications. This included maintaining product development, as demonstrated by the recent release of the Company's new line of headsets and cloud-based video meeting service called 'Sangoma-Meet', both of which are essential parts of a remote worker's toolset. Sangoma has been offering Sangoma-Meet free of charge thus far during the COVID-19 pandemic.

Fourth, Sangoma has maintained all principal and interest payments on its existing loans, continues to comfortably meet all debt covenants, and as of the time of this Annual Information Form has over \$90 million in cash reserves to take advantage of opportunities that may arise, as well as being fully prepared for any further uncertainties during the COVID-19 pandemic including being able to rely on draws on its Credit Agreement (as defined herein).

Sangoma also took prudent expense mitigation steps to appropriately control discretionary spending, as well as introducing new products and customer-focused initiatives to win new clients in need of enhanced communications during this crisis and to secure the Company's existing customer base.

While the Company's customers have been impacted by COVID-19 and the impact of that going forward is not entirely certain, some of the Sangoma's revenue streams have already partially returned to pre-COVID-19 levels, whereas it will take more time to assess the long term impact for other revenue streams. See "*Risk Factors – COVID-19 (coronavirus) Risks*".

The Company is not relying on any government financing programs for liquidity support but it has applied for the Canada Emergency Wage Program and will apply for other government programs in other jurisdictions if it meets the application requirements in such jurisdictions.

#### *July 2020 Prospectus Offering*

On July 30, 2020, Sangoma completed an offering by way of a prospectus supplement to the Company's short form base shelf prospectus dated June 29, 2020, of 35,006,000 common shares in the capital of the Company ("**Common Shares**") at a price of \$2.30 per share for aggregate gross proceeds of \$80,513,800 (the "**2020 Offering**") The 2020 Offering was completed through a syndicate of underwriters (the "**2020**

**Offering Underwriters**”), led by Cormark Securities Inc. The 2020 Offering Underwriters were paid a cash commission of 6.0% of the gross proceeds of the 2020 Offering in consideration for the services rendered by them.

*Revolver and swingline credit facilities*

During August 2020, Sangoma U.S. Inc. paid back the outstanding amounts of US\$1,300,000 (C\$1,723,020) on the swingline facility and US\$5,300,000 (C\$6,993,350) on the revolver facility available to it under the Credit Agreement, such that both of these facilities remain fully available to the Company.

*USF Special Indemnity – VoIP Innovations, LLC*

On October 7, 2020, US\$449,256 was released to the Company from the funds held in escrow in connection with the VI Acquisition. This amount represented the amount owing by VoIP Innovations, LLC (“VI”) under the Universal Service Fund as at the closing of the VI Acquisition and was released in accordance with the terms of the VI Acquisition Agreement (as defined herein) and the escrow agreement entered into in connection with the transaction.

**Three Year History**

The following describes how Sangoma’s business has developed over the last three completed fiscal years, as well as any changes to our business expected to occur during the current fiscal year.

*Fiscal 2020 Developments*

On April 13, 2020, the Company reallocated the \$8,000,000 revolver facility available to it under a syndicated loan agreement it entered into on October 17, 2019 (the “**Credit Agreement**”) to Sangoma U.S. Inc. and on April 17, 2020, Sangoma U.S. Inc. drew down \$7,439,610 (US\$5,300,000) from this facility.

On April 3, 2020, Sangoma U.S. Inc. drew down \$1,838,460 (US\$1,300,000) on the swingline credit facility available under the Credit Agreement.

During August 2020, the Company paid back the outstanding amounts on the revolver and the swingline facilities. See “*General Development of the Business– Recent Developments – Revolver and swingline credit facilities*”.

On January 21, 2020, the Company converted the amount outstanding on such date on the term facility under the Credit Agreement of \$43,558,844 (US\$33,350,000) from the initial US Base Rate (as defined in the Credit Agreement) loan to a one-month LIBOR (as defined in the Credit Agreement) loan plus the applicable credit spread. Separately, the Company locked in the interest rate for half of the original loan amount under the Credit Agreement of \$45,699,360 (US\$34,800,000) by entering into a 5-year interest rate credit swap with the two banks that are parties to the Credit Agreement for \$11,368,290 (US\$8,700,000) each. The swaps, together with protection against the 0% LIBOR floor, have effectively converted one half of the variable LIBOR rate to a fixed loan of approximately 4.2% for five of the six-year remaining term of the loan. The repayment schedule for the loan has not been impacted by either of these changes.

On February 29, 2020 the Company acquired .e4, LLC in order to strengthen its sales capabilities in its FreePBX® ecosystem. Given the relative size of this transaction, no financial details were publicly disclosed.

On December 19, 2019, at the Company's annual and special meeting of shareholders, the Second Amended Stock Option Plan (as defined herein) was amended to reserve and set aside for issuance a maximum number of shares of the Company equal to 10% of the outstanding shares of the Company on the date of grant of any Stock Option (as defined herein) as more fully described in the Company's Management Information Circular dated November 15, 2019 available under Sangoma's SEDAR profile at [www.sedar.com](http://www.sedar.com).

On October 18, 2019, Sangoma Technologies U.S. Inc., a wholly owned subsidiary of Sangoma Technologies Inc., acquired (the "**VI Acquisition**") from certain vendors (collectively, the "**VI Vendors**") all the membership interest of VI, a US based company pursuant to a purchase agreement (the "**VI Acquisition Agreement**") with an initial consideration of US\$36,000,000 consisting of US\$30,000,000 in cash (subject to certain post-closing adjustments), the issuance of 5,500,417 Common Shares valued at US\$6,000,000 based on the ten (10) day volume weighted average price of the Common Shares and the exchange rate as of October 16, 2019 and additional consideration of up to US\$6,000,000 if certain performance milestones are met (the "**Contingent Consideration**"). The Company expects the potential Contingent Consideration payment to be nil.

Please refer to Note 18(b) of the audited consolidated financial statements of the Company for the years ended June 30, 2020 and 2019, together with the notes thereto and the auditors' report thereon (the "**2020 Annual Financial Statements**"), which are available under Sangoma's SEDAR profile at [www.sedar.com](http://www.sedar.com), which describe adjustments to the purchase price resulting in a total discounted consideration for the VI Acquisition of \$46,028,032 (US\$35,050,283), consisting of \$39,171,420 (US\$29,828,982) in cash paid on closing and the issuance of 5,500,417 Common Shares valued at \$6,553,938 (US\$4,990,815) based on a share price of \$1.40 (US\$1.066) per Common Share on closing and a discount of 14.9% to reflect the 12-month lock up. Note 18(b) of the 2020 Annual Financial Statements is incorporated by reference herein. Please refer to "*General Development of the Business - Recent Developments – USF Special Indemnity – VoIP Innovations, LLC*" for recent developments with respect to the VI Acquisition.

The cash portion of the upfront consideration paid by Sangoma in connection with the VI Acquisition was funded through a combination of cash on hand and, to minimize dilution, by the Company entering into the Credit Agreement which provided Sangoma with a credit facility which also allowed it to replace Sangoma's existing debt at that time. Approximately \$46 million (US\$35 million) was drawn on this facility of which approximately \$23 million (US\$17.4 million) was used to repay the four loans that were then outstanding in full and approximately \$23 million (US\$17.6 million) was used to fund the VI Acquisition. This new facility also provides for up to \$8 million in a term loan in order to pay out any of the up to \$7.9 million (US\$6 million) in Contingent Consideration that may be payable under the VI Acquisition Agreement. The Contingent Consideration is expected to be zero and hence this facility will lapse in October 2020. This loan outstanding under the Credit Agreement will be repaid over six years from when the agreement was entered into.

On July 16, 2019, Sangoma completed a short-form bought deal prospectus offering of 14,846,500 Common Shares at a price of \$1.55 per Common Share for aggregate gross proceeds of \$23,012,075 (the "**2019 Bought Deal**"). The 2019 Bought Deal was completed through a syndicate of underwriters (the "**Bought Deal Underwriters**") co-led by Acumen Capital Finance Partners Limited and Cormark Securities Inc., and including INFOR Financial Inc., PI Financial Corp. and Beacon Securities Limited. The Bought Deal Underwriters were paid a cash commission of 6.0% of the gross proceeds of the 2019 Bought Deal in consideration for the services rendered by them.

### *Fiscal 2019 Developments*

On September 5, 2018, Sangoma, through its indirect, wholly-owned subsidiary, Sangoma Technologies U.S. Inc., acquired all of the issued and outstanding shares in the capital of Digium, Inc. (“**Digium**”) pursuant to an amalgamation between Digium and a wholly-owned subsidiary of Sangoma Technologies U.S. Inc., wherein Digium, Inc. was the surviving corporation in accordance with an agreement and plan of merger dated August 23, 2018, as amended (the “**Agreement and Plan of Merger**”). The aggregate consideration for the transaction (the “**Digium Acquisition**”) is described in Note 18(a) the 2020 Annual Financial Statements. In addition to funds and Common Shares placed into the net working capital escrow (which already were released as described in Note 18(a) to the 2020 Annual Financial Statements), 1,989,499 Common Shares and US\$133,123.18 of cash were placed into an indemnification escrow fund to be released 16 months from the closing date of the Digium Acquisition in accordance with the Agreement and Plan of Merger if there were no claims for indemnification. On April 1, 2019, Sangoma and the shareholders’ representative agreed to release 38,672 Common Shares and US\$1,395.29 to Sangoma in connection with certain employer tax payable by Digium, all of which Common Shares were subsequently cancelled. In January 2020, an additional 21,673 Common Shares were returned to the Company (and subsequently cancelled) in connection with certain employee tax payments made by Digium, and the remaining Common Shares from the indemnification escrow fund were released to the former shareholders of Digium.

The Digium Acquisition broadened our suite of UC solutions to include Switchvox to accelerate our Cloud revenue, enabled us to leverage Digium’s well developed channel in the US, strengthened our engineering capabilities and overall employment talent and enabled us to acquire Asterisk® which combined with FreePBX® creates an average of over 200,000 new downloads of our open source software per month. We intend to leverage our open source ecosystem to offer revenue-generating products and services beyond those products open source users have downloaded.

Contemporaneously with the closing of the Digium Acquisition, Sangoma drew down \$21,096,000 of additional new debt from its lenders to pay a portion of the cash consideration required for the Digium Acquisition. See Note 9 to the 2020 Annual Financial Statements.

### *Fiscal 2018 Developments*

On March 15, 2018, Sangoma completed a private place of 13,138,000 Common Shares at a price of \$1.00 per share for total net proceeds of \$12,140,963 (the “**Private Placement**”). The Private Placement was co-led by Acumen Capital Finance Partners Limited, INFOR Financial Inc. and PI Financial Corp., with a syndicate of underwriters including Beacon Securities Limited and Cormark Securities Inc. (collectively, the “**Private Placement Underwriters**”) As part of the Private Placement, the Company issued 394,140 Common Share purchase warrants (“**Broker Warrants**”) to the Private Placement Underwriters, each Broker Warrant entitling the holder thereof to acquire one Common Share at an exercise price of \$1.00 per Common Share for a period of 18 months following the closing date of the Private Placement.

On January 9, 2018, Sangoma, through its wholly-owned subsidiary, Sangoma Technologies Inc., acquired the principal assets of the Converged Communications Division (“**CCD**”) from Dialogic Corporation for total consideration of \$5,676,148 (the “**CCD Acquisition**”). See Note 18 (b) to the audited consolidated financial statements of the Company for the years ended June 30, 2019 and 2018, together with the notes thereto and the auditor’s report thereon (the “**2019 Annual Financial Statements**”). CCD was acquired to: expand our suite of solutions for network connectivity (which is important for interoperations among enterprises, call centers, mobile operators and service providers); add key customers; expand our channels

internationally; and add accretive revenue to improve our financial performance. See *“Description of the Business – Product and Solution Offerings – Network Connectivity”*.

On July 1, 2017, Sangoma, through its indirect, wholly-owned subsidiary, Sangoma U.S. Inc., acquired all the membership interests of VoIP Supply, LLC (“**VoIP Supply**”) for total consideration of \$4,687,543 (US\$3,612,193) comprised of \$3,374,379 (US\$2,600,276) in cash and 993,627 Common Shares with an aggregate value of \$824,710 (US\$635,517) and contingent consideration in the amount of \$488,454 (US\$376,400) paid on the first anniversary of the closing after specified targets were achieved (the “**VoIP Supply Acquisition**”). See Note 18(a) to the 2019 Annual Financial Statements. VoIP Supply is one of North America’s leading channels for VoIP solutions with greater than 125,000 customers. We acquired VoIP Supply for their strong on-line presence, ecommerce/inside sales model, contacts with key resellers and systems integrators, and to expand our operations.

In the fiscal year ended June 30, 2018 (“**Fiscal 2018**”), we also released our first UC client software solution called Zulu. See *“Description of the Business – IP Phones and UC Clients”*.

## **DESCRIPTION OF THE BUSINESS**

We are a trusted leader in value-based UC and UCaaS, offering a complete solution for our customers. The value-based communications segment includes small businesses to large enterprises who are looking for all the advantages of UC at a fair price. Our UC solutions meet the needs of this segment with advanced features, such as presence/chat, conferencing, mobility, fax, and more, built into the base platform. We also offer a broad suite of communications products including IP-phones, software UC/phone clients (for desktop and mobile), and the necessary network connectivity products such as gateways, telephony cards, and session border controllers. We sell our solutions to SMBs, enterprises, OEMs, and service providers.

As the enterprise communications landscape continues to grow in complexity, with more devices, networks, Cloud solutions, and systems needing to interoperate, our solutions and services enable our customers, ranging from service providers, carriers, OEMs, and enterprises (from small to large) to leverage their existing infrastructure for maximum financial return, while still delivering the most advanced applications and services based on the latest technologies available.

Our strategy is built on the principle of putting customers first and providing an exceptional value for our customers and channel partners. We accomplish this by providing a complete end-to-end solution that will enable our enterprise customers to communicate, collaborate and participate in the digital transformation that is reshaping business and competition globally. We have fundamentally reoriented ourselves from a single product company based upon the PSTN to become a diverse, global UC company with established positions in many new exciting categories, including next-generation Cloud technology.

We have been a major player in the open source telephony (“**OST**”) business for many years, providing us a competitively differentiated position in the industry. In 2015, we acquired FreePBX® with our acquisition of the assets of Schmooze.Com Inc. and, in 2018, we acquired Asterisk® with our Digium Acquisition. Together, they create an average of over 200,000 new downloads of our open source software per month.

We have invested heavily in research and development (“**R&D**”) to take advantage of the worldwide shift from PSTN-based communication systems to IP-based communications solutions, including IP-PBX’s, UC, Cloud and, most recently, mobile-based solutions. We believe our R&D has positioned us to capitalize on this industry shift and our experience has provided us with the knowledge to anticipate market trends and to meet the needs of our customers and channel partners.

With a global geographic footprint, our business is structured in two geographic regions: (1) North America (which includes the US and Canada) (collectively, “**North America**”) and (2) international regions (consisting of Caribbean, Latin America, Europe, the Middle East, Africa, Asia and certain countries in the Pacific region including Australia and New Zealand) (collectively, “**International**”).

We operate in one industry segment, being the development, manufacturing, distribution and support of voice and data connectivity components for software-based communication applications. Revenues for group of similar products and services can be summarized for the years ended June 30, 2020 and 2019 as follows:

	<b>Fiscal 2020</b>	<b>Fiscal 2019</b>
Products	\$66.5 million	\$73.7 million
Services	<u>\$64.9 million</u>	<u>\$35.9 million</u>
Total	\$131.4 million	\$109.6 million

### **Solutions**

Our solutions include VoIP UC/PBX systems, Cloud-based Services, IP Phones/UC Clients, and network connectivity products, as further described below. Our products and services are used in leading UC, PBX, IVR, contact center, carrier networks, and data communication applications worldwide.

Our portfolio of products enables service providers, carriers, enterprises, SMBs, and OEMs alike to leverage their existing infrastructure for maximum financial return, while still delivering the most advanced applications and services based on the latest technologies available.

Our latest innovations and expanded product portfolio now include the full UC system called Switchvox (acquired pursuant to the Digium Acquisition – see “*General Development of the Business – Fiscal 2019 Developments*”).

#### *Unified Communications and PBX Platforms*

A PBX is an enterprise communication system typically found On-premise. An IP PBX is a VoIP-based PBX that uses IP. A UC System builds upon the elements of a PBX to integrate different enterprise communication methods together so that users can switch between phone calls, chat, SMS, and fax. It also gives users the power to access their UC system on their mobile device, enabling continuous business communications outside the office as though users were still on their local office phone system and desktop. Finally, UC significantly enhances team collaboration and productivity, including by enabling video, screen sharing and ‘presence’ (telling colleagues if you’re available). UC is widely considered the future of telecom and is seeing unprecedented adoption rates because it consolidates IT infrastructure, boosts employee efficiency, and is cost-effective.

We offer two (2) fully integrated UC/PBX platforms: PBXact and Switchvox. Each of these PBXs is available in four variants: (i) a Cloud version running from our datacenter and offered as a monthly service that a customer would subscribe to; (ii) a software version for installation in a customer’s own computer; (iii) a software version intended to be installed on a customers’ own virtual machine to be used in their own Cloud; and (iv) a traditional deployment model for On-premise use where our software is installed in our telecom appliance server. Some of these versions can be enhanced a la carte with the purchase of optional add-on software modules (such as call center builder, high-availability, phone configuration management,

enhanced reporting, etc.) that provide additional features. Usage of Switchvox and PBXact by customers also pulls through complementary products and services such as IP phones, PSTN interface cards, VoIP gateways, SBCs, and maintenance contracts.

### *Cloud-Based Services*

UCaaS/Hosted PBX – PBXact Cloud and Switchvox Cloud are Cloud-based PBX/UC services specifically designed to meet the needs of SMBs and small enterprises. PBXact Cloud uses Sangoma and Digium IP phones and delivers simple, online signup, free US/Canada/UK calling, number portability, and VoIP security. Switchvox Cloud is a robust UCaaS offering available in the continental 48 states and integrates elegantly with Digium phones.

### *SIP Trunking as a Service (TaaS)*

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. SIP trunking is fast becoming the technology of choice to interconnect an IP PBX system to a telephone company. The main drivers are cost efficiencies (over fixed lines such as ISDN or analog lines from incumbent telecommunications operators) 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 our customers to choose the service that best meets their needs. Either service offers DIDs and number porting.

#### Retail SIP Trunking

Retail SIP trunking offers predictable monthly expenses with pricing based per trunk. SIPStation, our retail SIP trunking service, is seamlessly integrated into our 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. Typically, small to mid-sized businesses and enterprises would utilize this type of service.

#### Wholesale SIP Trunking

Our wholesale SIP trunking offer is now available following our recent VI Acquisition (See “*General Development of the Business - Recent Developments – Fiscal 2020 Developments*”). 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. Typically, very large businesses or service providers who resell SIP trunks would utilize this type of service.

### *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. Our FoIP service, FaxStation, is a hosted service which remedies this problem. It features a telecom appliance with up to four analog connections for fax machines and operates in concert with our 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, and ship-to-shore over satellite.

### *IP Phones and UC Clients*

Our range of IP desk phones includes multiple models from entry level up to executive, in two broad lines: our S-series and our D-series phones. They are designed to seamlessly integrate with Switchvox, PBXact and FreePBX. We also offer “zero touch” provisioning, simplified system management, and instant access to a wide range of applications built right into the phone itself.

We also offer softphone and UC client software, to deliver telephony and UC capability without the use of a desk phone by using this software application on a mobile phone or desktop computer. This capability is available with FreePBX, PBXact, and Switchvox. Zulu UC, our newest offering, delivers UC features (presence, contacts, chat, calling, screen sharing, audio and video conferencing, etc.) from a single application. It uses the world’s leading mobile operating systems, including Android and iOS, and thus is compatible with many of the most widely used devices including those from Apple and Samsung.

### *Network Connectivity*

SBCs – Anytime two VoIP networks interconnect, issues of security and interoperability can 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 us, enabling us to provide all the flexibility expected from virtual machine capability coupled with the scalability that is found in hardware-based solutions. Our SBCs have broad interoperability certifications.

Customer Premise 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).

Our Vega, Digium G-Series, and DMG Enterprise Gateways Series are used by businesses that want to connect their traditional phone systems (PBX or key system) to SIP trunks, and our 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 can also be used 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 and 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 Vega gateway.

Our gateways have broad interoperability certifications.

Carrier and Core VoIP Gateways – In a service provider or carrier network, much larger gateways perform these same tasks but on a larger scale than customer premised gateways. In addition, there are signaling protocols that are only used when carrier networks communicate with other carrier networks that are not

included in the enterprise product line. Our NetBorder SS7 VoIP gateway and IMG gateway family are carrier-specific products that enable a VoIP carrier to connect their network to the SS7 network for up to 2016 channels. Our IMG 2020 also has the ability to pool 6 units for over 12,000 ports and comes with a management system to configure, monitor, and update systems from a central location. Our SS7 gateway has broad interoperability certifications.

PSTN Interface and Media Processing Boards – Our complete line of boards connect and interface to the PSTN. Even though IP networks are growing, the PSTN still exists and still works, and new communication solutions will need to connect to the PSTN, so it is a viable market-based solution. Our A and B series of boards, combined with our JCT, DNI, CG, and Diva series of boards acquired from Dialogic and our Digium PSTN interface cards acquired from Digium means that we enable our customers to connect directly to a PSTN network and interface a VoIP system with most telephony networks, including ISDN PRI and BRI and analog FXO / FXS.

These boards are primarily used by communications solution developers in PC-based PSTN/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, we maximize the flexibility of the solution based on installation requirements – particularly when space and power are at a premium. They may also be used in harsh conditions that require ruggedized servers.

Because certain of our Media and Network Interface product line comes with high-end DSP media processing on-board and with extensive APIs for developers and integrators, they are also used to design advanced telecom applications such as IoT and modem banks, speech recognition systems, IVRs, contact centers, and mobile value-added network solutions.

## **Business Strategy**

We believe that we are uniquely positioned to offer customers globally a complete portfolio of UC solutions and communications products. We expect to leverage our position to deliver growing revenue and strong financial performance.

In pursuit of these objectives, we have adopted the following core strategies:

### *Invest in Research & Development, Marketing and Sales*

We continue to internally develop our solutions and invest in new technologies that will enable us to enhance the value we deliver to our customers. Our development efforts will continue to focus on the increasing importance of IP communications, UC, Cloud, mobile, and web-enabled solutions that offer end-users increased flexibility in addressing their requirements.

We continue to commit significant resources to the development of our solutions so that they will be scalable, interoperable and robust. Additionally, to ensure rapid time-to-market and to reduce development costs, we consider the use of third-party solutions, where appropriate. We evaluate on an ongoing basis whether to internally develop or to acquire new solutions.

Over the last few years, the Company has steadily increased its investment in, and focus on, sales and marketing. We have a professional sales teams across all key geographic regions to identify and engage local channel partners, and to address opportunities with larger customers such as OEMs and service providers. We continue to use a dual-faceted go to market strategy: direct sales to large customers (typically

OEMs and carriers) and a direct channel strategy (distributors and resellers) to others. In other cases, we utilize an indirect distribution model to reach the full breadth of customers in markets where such channel partners have established relationships and our presence is more limited. For enterprises and SMBs, we have built a network of distributors and resellers; where distributors typically sell to resellers and these resellers then sell, install, and support end users.

We have also assembled corporate marketing programs to promote our brand and products more aggressively and to convey the message about our full solution offering. We are now using various marketing techniques typical of technology firms to generate greater awareness of our new solutions. This includes participation in tradeshow, speaking at selected industry events, attending specialized seminars run by our channel partners, investing in electronic marketing strategies (e.g. web presence, social media and blogging, online advertising, search engine campaigns), conducting lead generation campaigns, and creating thought leadership pieces.

#### *Increase Shareholder Value by Growth*

Our growth strategy continues to leverage both organic growth in our strategic product portfolios and acquisitions. We intend to continue to focus on this dual-faceted strategy to increase shareholder value, diversify our solutions and expand our market share. We seek organic growth by developing and launching new products and services and by seeking new customers for existing products around the globe.

Our strategy is to seek acquisitions that are a good fit for the overall direction of the Company; increase our size and scale; complement our product portfolio, customer base, channel strategy and geographical customer base; and increase our recurring revenue. While we seek financially accretive acquisitions, we also look at opportunities that may become accretive after our initial restructuring, if these opportunities offer a long-term value proposition and complement our solutions both within and outside our current operations. See “*General Development of the Business – Development History (including Acquisitions)*”.

#### *Leverage our OST Ecosystems*

We are the primary developer and sponsor of Asterisk<sup>®</sup>, the world’s most widely used open source software for developing communications applications, and FreePBX<sup>®</sup>, the world’s most widely used open source PBX software, with an average of over 200,000 new downloads of our open source software per month. In addition, we have sold over two (2) million licenses for our UC commercial solutions (Switchvox and PBXact) that creates an impressive install base for our UC ecosystem.

Our open source software is provided free of charge so that we can then offer complementary revenue-generating products and services. The types of products and services that we offer include optional software add-on modules, IP phones, SIP trunking, Cloud-based fax, training, technical support, maintenance, PSTN cards, VoIP gateways, session border controllers, and commercial licenses of the open source software.

#### *Expand our Share of Revenue from Recurring Sources*

We believe that gradually increasing the share of revenue derived from recurring sources such as our various Cloud solutions, maintenance/support, subscriptions and other recurring revenue opportunities will increase the predictability of our revenue stream and our long-term value, thereby enabling us to better meet our strategic objectives. Our acquisitions of CCD, Digium and VI have contributed to increasing our recurring revenue.

### *Maintain Financial Health*

We believe that we should continue to seek growth, while balancing that objective with our objectives to generate positive cash flow and maintain a healthy balance sheet, providing flexibility in executing our strategy.

### **Customer Base**

We currently have over 20,000 customers, which include distributors, resellers, enterprises, OEM manufactures, service providers and end users (ranging from small businesses to larger enterprises) as well as an average of over 200,000 new downloads of our open source software per month. In addition, we have sold over two (2) million licenses for our UC commercial solutions (Switchvox and PBXact) that creates an impressive install base for our UC ecosystem. No single customer accounted for more than 10% of our revenue for the fiscal year ended June 30, 2020 (“**Fiscal 2020**”) and only one customer accounted for more than 5% of our revenue in Fiscal 2020.

We sell into over 150 countries around the globe, broken down geographically into the two (2) primary regions of North America and International.

We typically sell to large customers (including OEMs and carriers) using a direct sales model and to SMBs through a global network of distributors and resellers/integrators, as further described below.

### **Sales and Marketing**

We market our services and solutions to both partners and end users. We employ a variety of means for generating leads, including but not limited to search engine marketing and optimization, online display advertising, content gating, attending tradeshow and conference events, conducting road shows across the globe, partnering with third parties, hosting webinars, and targeting specific geographic areas for local marketing. With the recent addition of Digium, we utilize a sophisticated system for acquiring and nurturing leads that allows us to track our efforts and fine tune our strategies for moving prospects through the buying cycle. See “*General Development of the Business – Fiscal 2019 Developments*”.

Our products and services are sold both through our extensive channel network, made up of over 5,000 resellers, distributors, and master agents in over 150 countries and to our direct channel of OEMs and ISVs, who use our products to as a component in a larger solution offered by the OEM or ISV. We provide our partners with a host of sales and marketing resources to help them effectively sell, implement, and support Sangoma solutions. Additionally, we employ salespeople in each geographic region to provide added support and product knowledge to our partners and customers. As we expand our global network, we focus on recruiting partners who expand our coverage area to bring Sangoma solutions to new locations around the globe.

In addition, VoIP Supply offers a new and unique marketing and sales channel that we leverage, including an efficient ecommerce transaction business, backed by a professional inside sales organization, and tailored marketing programs to attract and drive traffic to the website. See “*General Development of the Business – Fiscal 2018 Developments*”.

## **Research and Development**

We regularly seek to introduce new products, features, applications and services to address the requirements of our customers by designing, testing and integrating those new products. We also develop add-on solutions which enhance the features and functionality of our existing solutions.

Our history of success in building out various new solutions to transition the business from a single-product company to one with a broad UC portfolio has provided us with the foundation for continued innovation. Our R&D personnel are skilled with deep domain expertise in the diverse areas of enterprise communications, Cloud, IP networking, UC, and mobile UC solutions. We work to continuously improve our R&D efforts through operational measurement, adoption of best practices, effective partnerships and investment in our people, including attracting and hiring personnel in various places around the world to provide us with the skills we require at cost-effective rates.

## **Competition**

We compete in the enterprise communication market providing solutions and services for transporting data, voice and video traffic across intranets, extranets, mobile networks and the Internet. These markets are characterized by rapid change, converging technologies and a migration to networking and communications solutions that offer relative advantages. These market factors represent both an opportunity and a competitive threat to us. We compete with numerous vendors in each product category. The overall number of our competitors providing niche product solutions may increase. Also, the identity and composition of competitors may change as we increase our activity in our new product markets. As we continue to expand globally, we may see new competition in different geographic regions.

Competitors for our Cloud enterprise communication solutions include hosted and Cloud services providers, such as Avaya Inc., Cisco Systems, Inc. (which acquired Broadsoft, Inc.) 8X8, Inc., Mitel Networks Corp., RingCentral, Inc., Microsoft Teams, Jive/LogMeIn, Nextiva, Dialpad and Vonage Holdings Corp. as well as other hosted PBX providers. Competitors for our TaaS offering include Bandwidth.com, Telnyx, Flowroute, ThinQ, Connexient, V1 Voip and Peerless.

Competitors for our On-premise enterprise communication solutions include traditional IP communications vendors and software vendors that are adding communications and collaboration solutions to their offerings. We compete against many traditional IP communications vendors, including Avaya Inc., Cisco Systems, Inc., Mitel Networks Corp., 3CX and Panasonic Corporation as well as other On-premise providers. We also compete with software vendors who, in recent years, have expanded their offerings to address portions of this UC market. This group of competitors includes Microsoft Corporation (via Skype), Google LLC, and Slack.

Competitors for our IP-Phone solutions include Poly Inc. (formerly Polycom, Inc.), VTech Holdings Limited and Yealink Inc. as well as other IP phone manufacturers.

Competitors for our network connectivity solutions include AudioCodes Ltd., Oracle (via their acquisition of Acme Packet) and Ribbon Communications Inc. as well as other providers.

Some of these companies compete across many of our product lines, while others are primarily focused in a specific product area. New ventures to create products that do or could compete with our products are regularly formed.

In addition, some of our competitors may have greater resources, including technical and engineering resources, than we do. As we expand into new markets, we will face competition not only from our existing competitors but also from other competitors, including existing companies with strong technological, marketing and sales positions in those markets. We also sometimes face competition from resellers and distributors of our products, including some that may make use of our open source solutions. Companies with which we have strategic alliances in some areas may be competitors in other areas, and in our view this trend may increase. In addition, because the market for our products is subject to rapid technological change as the market evolves, we may face competition in the future from companies that do not currently compete in our markets, including companies that currently compete in other sectors of the information technology, communications and software industries.

### **Human Resources**

As of June 30, 2020, we had approximately 330 employees and consultants worldwide, with a significant number of research and development personnel holding computer science or engineering degrees. We believe that one of our major resources is our highly skilled work force that is in high demand. We consider our relationship with our employees to be positive.

Competition for technical personnel in our industry is intense. We believe that our future success depends in part on our continued ability to hire, integrate, and retain qualified personnel both technical and in customer facing roles. To date, we believe that we have been successful in recruiting qualified employees, but there is no assurance that we will continue to be successful in the future.

### **Facilities**

Our head office is located at 100 Renfrew Drive, Suite 100, Markham, Ontario, Canada, L3R 9R6. As of June 30, 2020, we had staff in over 18 countries globally, including offices in Markham, Canada; Huntsville, Alabama; San Diego, California; Atlanta, Georgia; Traverse City, Michigan; Pittsburgh, Pennsylvania; Buffalo, New York; Neenah, Wisconsin; Parsippany, New Jersey; Wokingham, United Kingdom; Dublin, Ireland; Hong Kong; Bangalore, India; New Delhi, India, Bogota, Columbia and Guayaquil, Ecuador as well as those staff who work-from-home from various locations around the world.

### **Foreign Operations**

Approximately 82% of our revenue in Fiscal 2020 was generated from our North American operations (with 3% generated from Canada) and 18% of our revenue from International operations. Substantially all of the revenue generated in Fiscal 2020 was denominated in US dollars. Please refer to Note 17 entitled “Segment Disclosures” of the 2020 Annual Financial Statements.

If all the currencies in which the Company transacts were to fluctuate by 1% from existing rates, results from operating activities would be increased or decreased by approximately \$106,359 in the Consolidated Statements of Income and Comprehensive Income for Fiscal 2020.

## **DESCRIPTION OF CAPITAL STRUCTURE**

### **Share Capital**

Our authorized share capital currently consists of an unlimited number of Common Shares without par value. As at June 30, 2020, the Company had the following securities issued and outstanding: (i) 76,087,735 Common Shares; and (ii) Stock Options (as hereinafter defined) to acquire an aggregate of up to 4,498,203

Common Shares. Subsequent to June 30, 2020, Sangoma issued 35,006,000 Common Shares at a price of \$2.30 per share for aggregate gross proceeds of \$80,513,800 in connection with the July 2020 Prospectus Offering. See “General Description of the Business - Recent Developments – July 2020 Prospectus Offering”)

### **Common Shares**

Each Common Share entitles the holder thereof to: (i) receive notice of, attend and vote at all meetings of the shareholders of the Company, and each Common Share confers the right to one vote at all such meetings; (ii) receive and participate equally and rateably in any dividends declared on the Common Shares, if and when declared by the board of directors of Sangoma (the “**Board**”), in their sole discretion; and (iii) receive and participate equally and rateably in any distribution of the assets of the Company in the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs.

### **Stock Options**

Sangoma established a stock option plan (the “**Initial Stock Option Plan**”), which plan provides that the Board may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company, or any subsidiary of the Company, options to purchase Common Shares (the “**Stock Options**”).

On December 20, 2018, at an annual and special meeting of shareholders of the Company, shareholders of the Company approved an amendment to the Initial Stock Option Plan (the “**First Amended Stock Option Plan**”) increasing the number of Common Shares that may be set aside for issuance under the First Amended Stock Option Plan from 6,199,160 to 8,200,000.

On December 19, 2019, at an annual and special meeting of shareholders of the Company, the shareholders of the Company approved an amendment to the First Amended Stock Option Plan (the “**Second Amended Stock Option Plan**”) pursuant to which the Company is permitted to reserve and set aside for issuance a maximum number of Common Shares under the Second Amended Stock Option Plan (and under all other management options and employee stock option plans) equal to 10% of the outstanding Common Shares on the date of grant of any Stock Option.

On June 3, 2020, the Company granted a total of 2,381,000 Stock Options to certain of its officers and employees, each Stock Option entitling the holder thereof to acquire one Common Share at an exercise price of \$2.20 and expiring in five years from the date of grant and vesting over a period from one year to five years from the date of grant, subject to the policies of the TSX Venture Exchange (“**TSXV**”).

As at June 30, 2020, Stock Options to purchase an aggregate of up to 7,608,774 Common Shares were available for issuance under the Second Amended Stock Option Plan, of which Stock Options to purchase an aggregate of 4,498,203 Common Shares were issued and outstanding on such date.

For additional details regarding our share capital as well as our issued and outstanding Common Shares, Common Share purchase warrants, and Stock Options, please see Notes 11 and 19 to the 2020 Annual Financial Statements.

## **DIVIDENDS AND DISTRIBUTIONS**

Subject to the solvency restrictions in the *Business Corporations Act* (Ontario) and applicable TSXV rules, there are no other restrictions in the Company’s articles or elsewhere that would prevent the Company from

paying dividends. The Company has not declared or paid any dividends in the last ten (10) years and has no present intention to declare or pay any dividends in the foreseeable future. Any decision to declare or pay dividends will be made by the Board based upon the Company's earnings, financial requirements and other conditions existing at such future time.

## MARKET FOR SECURITIES

### Trading Price and Volume

The Common Shares trade over the facilities of the TSXV under the symbol "STC". The following table sets forth the range of high and low prices per Common Share and total monthly volumes of shares traded on the TSXV during the twelve months ended June 30, 2020.

<u>Month</u>	<u>Price per Common Share</u>		<u>Total Volume</u>
	<u>High</u>	<u>Low</u>	
June 2020	2.39	2.10	3,834,100
May 2020	2.40	1.70	2,217,000
April 2020	1.87	1.33	2,498,700
March 2020	2.19	1.08	5,959,100
February 2020	2.65	2.09	5,650,700
January 2020	2.75	2.15	2,695,000
December 2019	2.67	2.20	4,489,900
November 2019	2.37	1.96	10,455,800
October 2019	2.04	1.39	3,332,900
September 2019	1.55	1.37	799,800
August 2019	1.59	1.45	618,000
July 2019	1.64	1.47	1,229,500

Source: Finance.yahoo.com.

### Prior Sales

Other than as set forth below, we did not issue any securities in the twelve months ended June 30, 2020 that were not listed on the TSXV.

<u>Date of Issuance</u>	<u>Number of Securities Issued</u>	<u>Securities Issued</u>	<u>Price Per Common Share / Exercise Price</u>
June 3, 2020	2,381,000	Stock Options <sup>(1)</sup>	\$2.20

Note:

- (1) Issued to certain officers and employees of the Company, pursuant to the Company's stock option plan.

## DIRECTORS AND OFFICERS

### Directors and Officers

The information below relating to the directors and officers of the Company is based on information received by the Company from such directors and officers as well as reports filed on the System for Electronic Disclosure by Insiders (“SEDI”) at [www.sedi.ca](http://www.sedi.ca). The following table sets out, for each of our directors and executive officers, the person’s name, province or state, and country of residence, position with our company, principal occupation for the last five years and the number of Common Shares beneficially owned, or over which control or direction is exercised, directly or indirectly, as at the date of this Annual Information Form.

As at the date of this Annual Information Form, our directors and executive officers as a group beneficially owned, or controlled or directed, directly or indirectly, an aggregate of 5,734,767 Common Shares representing approximately 5.2% of the issued and outstanding Common Shares as at October 20, 2020

Name and Place of Residence	Position with Sangoma and Date First Appointed to the Board (if applicable)	Principal Occupation and Positions During the Last Five Years	Number and Percentage of Common Shares Beneficially Owned or Controlled <sup>(1)</sup>
David Mandelstam <sup>(2)</sup> Ontario, Canada	Chairman of the Board, Director (March 2001)	Retired <sup>(3)</sup>	3,575,271 <sup>(4)</sup> 3.22%
Yves Laliberté <sup>(2)(5)</sup> Ontario, Canada	Director (August 2007)	President Business Development of Komutel Communications	67,838 <sup>(6)</sup> 0.06%
William Wignall <sup>(7)</sup> Ontario, Canada	Director, President and Chief Executive Officer (September 2010)	President and Chief Executive Officer of the Company	1,754,339 <sup>(8)</sup> 1.58%
Al Guarino <sup>(5)(7)</sup> Ontario, Canada	Director (May 2014)	Chief Executive Officer of Physiomed Health	76,000 <sup>(9)</sup> 0.07%
Allan Brett <sup>(2)(5)</sup> Ontario, Canada	Director (January 2017)	Chief Financial Officer of The Descartes Systems Group Inc.	54,688 <sup>(10)</sup> 0.05%
David Moore Ontario, Canada	Chief Financial Officer (November 2010)	Chief Financial Officer of the Company	174,022 <sup>(11)]</sup> 0.16%

Name and Place of Residence	Position with Sangoma and Date First Appointed to the Board (if applicable)	Principal Occupation and Positions During the Last Five Years	Number and Percentage of Common Shares Beneficially Owned or Controlled <sup>(1)</sup>
John Tobia Ontario, Canada	Executive Vice President, Corporate Development (July 2019)	Executive Vice President - Corporate Development of the Company since July 2019; VP-M&A & General Counsel of the Company since February 2018; Corporate Development Consultant from April 2017 to January 2018; Chief Administrative and Legal Officer of Enghouse Systems Limited from May 2016 to March 2017; Assistant VP – Asia Legal at Fairfax Financial Holdings Limited from July 2015 to April 2016; Corporate Development Consultant at Hamblin Watsa Investment Counsel Limited from January 2015 to June 2015; prior to that, VP & General Counsel of Aastra Technologies Limited from 2000 until 2014.	32,609 <sup>(12)</sup> 0.03%

## Notes:

- (1) Percentages are based on 111,096,767 Common Shares issued and outstanding as at October 20, 2020. Information as to the number of Common Shares beneficially owned, or over which control or direction is exercised, directly or indirectly, not being within the direct knowledge of our Company, has been furnished by the respective directors and executive officers individually or obtained from SEDI and may include Common Shares owned or controlled by spouses and/or children of such individuals and/or companies controlled by such individuals or their spouses and/or children.
- (2) Member of the Compensation and Nominating Committee.
- (3) Mr. Mandelstam served as President and Chief Executive Officer of the Company until his resignation from such roles in October 2010.
- (4) 1,402,500 Common Shares are held by Vanessa Mandelstam, the spouse of David Mandelstam and 325,000 Common Shares are held by Entropy Control Ltd., a corporation controlled by David and Vanessa Mandelstam. Mr. Mandelstam also holds Stock Options to acquire up to 35,200 Common Shares.
- (5) Member of the Audit Committee.
- (6) Mr. Laliberté also holds Stock Options to acquire up to 35,156 Common Shares.
- (7) Member of the Corporate Governance Committee.
- (8) Mr. Wignall also holds Stock Options to acquire up to 535,985 Common Shares.
- (9) Mr. Guarino also holds Stock Options to acquire up to 50,000 Common Shares.
- (10) Mr. Brett also holds Stock Options to acquire up to 70,312 Common Shares.
- (11) Mr. Moore also holds Stock Options to acquire up to 287,817 Common Shares.
- (12) Mr. Tobia also holds Stock Options to acquire up to 515,000 Common Shares.

**Cease Trade Orders**

To the best of the knowledge of the Company, no director or executive officer of the Company is, as at the date of this Annual Information Form, or was within ten years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including Sangoma) that: (a) was the subject of an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an order that was

issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer, and which resulted from an event that occurred while that person was acting in the capacity as a director, chief executive officer or chief financial officer. For the purposes of this paragraph, “order” means a cease trade order, an order similar to a cease trade order or an order that denied the relevant corporation access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days.

### **Bankruptcy and Insolvency**

To the best of the knowledge of the Company, no director or executive officer of the Company: (a) is, as at the date of this Annual Information Form, or within 10 years before the date of this Annual Information Form, has been a director, executive officer of a corporation (including Sangoma) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

### **Penalties or Sanctions**

To the best of the Company’s knowledge, no director or executive officer of the Company or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Conflicts of Interest**

Some of our existing directors or officers are also directors and officers of other companies and have other business interests which may prove to be of interest to us, which may be competitive to the interests of the Company or which may be current or future strategic partners. It is possible, therefore, that a conflict may arise between their duties as directors or officers of our company and their duties as directors or officers of such other companies. We require that such individuals disclose all such conflicts in accordance with the requirements of the *Business Corporations Act* (Ontario) and that they govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law. In addition to director fees that are paid to him by the Company, the Chairman of the Company, David Mandelstam, is contracted to provide assistance with the Company’s Scientific Research and Experimental Development Tax Incentive credit filings for which he is paid \$10,000 per annum.

## **RISK FACTORS**

We operate in an ever-changing business and competitive economic environment in the UC market that exposes us to a number of risks and uncertainties, including those risk factors set forth below. The following section describes some, but not all, of the risks and uncertainties that may adversely impact our business, financial condition or results of operations. Additional risks and uncertainties not described below or not presently known to us may also impact our business.

If any of these risks occur, they may have a material adverse effect on our business, financial condition or results of operations and the trading price of our Common Shares. Readers are cautioned to understand that the sole purpose of discussing these risks and uncertainties is to alert the reader to factors that could cause actual results to differ materially from past results or from those described in forward-looking statements and not to describe facts, trends and circumstances that could have a favorable impact on our results or financial position.

### ***COVID-19 (coronavirus) Risks***

Our ability to receive products manufactured by our suppliers and supply products and our sales revenue, results of operations, cashflow and liquidity may be adversely impacted by the ongoing COVID-19 outbreak.

As a result of the global outbreak of COVID-19 and its declaration by the World Health Organization to be a “pandemic”, certain actions have been, and will continue to be, taken by governments and businesses in the United States, Canada, the United Kingdom, China and around the world to control the outbreak, including restrictions on public activities, travel and commercial operations. We have been managing certain supply delays, which primarily occurred in January and February of 2020, but which did not materially impact any sales opportunities as we were able to successfully manage this disruption. In addition, as the COVID-19 outbreak progressed in February and March of 2020, we gradually began to reduce our business travel (such as eliminating travel to large gatherings, conferences, tradeshow and non-essential travel) and then finally eliminated all business travel and instituted new policies such as no visitors to our offices, handwashing with soap, social distancing, work-from-home for our employees (unless such employee was required to be physically present in a facility in order to perform their duties). By the time the World Health Organization had declared COVID-19 to be a “pandemic” in March 2020, we were able to continue our operations and provide solutions and services to our customers under our voluntary “work-from-home policy”. However, there was a material adverse impact on the economy in general as a result of government mandated “stay-at-home” policies and closing of all businesses except for “essential businesses” in Canada, the United States, Europe and other jurisdictions in which we transact business. Although we were exempt from these “stay-at-home” orders as we were providing an “essential service”, we did experience a reduction in demand from our customers commencing in March and continuing to the date hereof (even though we were able to and did continue to adequately supply products and services to our customers based on their demand). We did experience some postponement of new product purchases by some customers as well as some slowing of demand by certain customers for some of our services during this time period. While some of our revenue streams have already partially returned to pre-COVID-19 levels on the date of this Annual Information Form, other revenue streams have not and it will take more time to assess the long term impact on our business, financial condition, liquidity and operating results. As the COVID-19 pandemic further evolves and the global response to it continues, our operations may be materially adversely affected by additional supply delays, shortages of labour and components, partial or complete closure of our facility (including to protect the health and safety of our employees), and/or reduction in the demand for certain of our products and services due to a reduction of general business activity, all which may continue for extended periods of time. Any inability to receive and deliver products to customers and/or the reduction in demand by customers could result in a range of potential adverse consequences, including loss of business and reputational damage. The COVID-19 pandemic may also impact the financial viability of our suppliers (which could cause them to exit certain business lines, or change the terms on which they are willing to provide products) and customers (which could cause them to reduce their demand for products and services, change the terms on which they are willing to purchase such products and services, delay payment terms or close their operations and thus represent a permanent reduction in demand). While we continue to be proactive and mitigate the adverse effects, impacts of the COVID-19 pandemic may significantly reduce our cashflow, liquidity and its ability to maintain

compliance with covenants in our Credit Agreement. In addition, the COVID-19 pandemic has already adversely affected the global economy in general, resulting in an economic downturn that has adversely affected demand for our products and services. In the event that the Canadian, US, European and other governments continue with “mandated stay-at-home orders” or reopen the general economy but elect to reimpose in part or whole their previous “stay-at-home” orders, the COVID-19 pandemic and the global response to it, may adversely affect the global economy in general, resulting in a further economic downturn that may materially adversely affect our business, financial condition, liquidity, operating results and prospects. Given the ongoing and dynamic nature of the COVID-19 pandemic it is very difficult to predict the severity and duration of the impact on our business, operations and prospects. The extent of such impact will depend on future developments, which are highly uncertain, including new information which may emerge concerning the spread and severity of the COVID-19 pandemic and actions taken to address its impact, among others. The repercussions of this health crisis may have a material adverse effect on our business, financial condition, liquidity and operating results.

***We may have difficulties identifying, successfully completing or integrating acquisitions, or maintaining or growing our acquired businesses.***

We remain committed to our growth strategy of organically growing our strategic portions of our business while pursuing selective acquisitions and, at the same, remaining consistently profitable. In Fiscal 2020, we completed the VI Acquisition in October 2019 and the acquisition of .e4, LLC in February 2020. In the fiscal year ended June 30, 2019 (“**Fiscal 2019**”), we completed the Digium Acquisition in September 2018. In Fiscal 2018, we completed the VoIP Supply Acquisition in July 2017 and the CCD Acquisition in January 2018. While we have the experience required to execute this strategy, we do not have control over the market conditions prevailing or likely to prevail in the future, which may impact the ability to execute this strategy. There can be no assurances that we will be able to identify suitable acquisition candidates available for sale at reasonable valuations, consummate any acquisition or successfully integrate any acquired business into our operations.

Moreover, although we are adequately financed at this stage of our growth strategy, there can be no assurance that we will be able to access further financial resources for other suitable acquisition opportunities that may become available to us. We have and will likely continue to have competition for acquisition opportunities from other parties including those that have greater financial resources or are willing to pay higher valuation multiples.

Acquisitions involve significant risks and uncertainties, including:

- unanticipated costs and liabilities;
- difficulties in marketing and integrating new products, software, businesses, operations and technology infrastructure in an efficient, effective and secure manner, including the integration of businesses where a portion or all of the business is in an adjacent industry;
- the inability to achieve synergy and cost reduction targets assumed at the time of acquisition;
- difficulties in maintaining customer and key supplier relations, including changing contract manufacturers as a result of lower volumes of business;
- the potential loss of key employees of the acquired businesses, including as a result of cultural differences between the acquired company and our own;
- the diversion of the attention of our senior management from the operation of our daily business;
- the potential adverse effect on our net debt and liquidity position as a result of all or a portion of an acquisition purchase price being paid in cash;
- the potential significant increase of our interest expense, leverage and debt service

- requirements if we incur additional debt to pay for an acquisition;
- the potential issuance of securities that would dilute our shareholders' percentage ownership;
- the potential to incur restructuring and other related expenses, including significant transaction costs that may be incurred regardless of whether a potential strategic acquisition or investment is completed;
- the inability to maintain uniform standards, controls, policies and procedures, including the inability to establish and maintain adequate internal controls over financial reporting;
- difficulties in entering markets in which we have no or limited direct prior experience and where competitors in such markets have stronger market positions;
- potential impairment charges on higher levels of goodwill and intangible assets as a result of impairment testing performed on a regular basis;
- higher amortization expenses related to acquired definite-lived intangible assets; and
- becoming subject to intellectual property or other litigation.

***Our growth strategy may require a significant amount of cash and we may require additional sources of funds if our sources of liquidity are unavailable or insufficient to fund our operations.***

We may not generate sufficient cash from operations to execute our strategic growth plans or take advantage of acquisition opportunities. In order to finance our business, we may need to utilize additional borrowings other than those available under our current credit facilities. Our ability to continually access our facilities is conditional upon our compliance with covenants contained in the terms governing these facilities. We may not be in compliance with such covenants in the future. We may need to secure additional sources of funding if our cash and borrowings under our revolving credit facility are unavailable or insufficient to finance our operations. Such funding may not be available on terms satisfactory to us, or at all. In addition, any proceeds from the issuance of debt may be required to be used, in whole or in part, to make mandatory payments under our credit agreements. If we were to incur higher levels of debt, we would require a larger portion of our operating cash flow to be used to pay principal and interest on our indebtedness. The increased use of cash to pay indebtedness could leave us with insufficient funds to finance our operating activities, such as R&D expenses and capital expenditures. In addition, any new debt instruments may contain covenants or other restrictions that affect our business operations. If we were to raise additional funds by selling equity securities, the relative ownership of our existing investors could be diluted or the new investors could obtain terms more favorable than previous investors.

***We have a significant amount of debt. This debt contains customary default clauses, a breach of which may result in acceleration of the repayment of some or all of this debt.***

The Company is party to a Credit Agreement pursuant to which US\$37,050,000 (C\$50,491,740) was outstanding as at June 30, 2020. The Credit Agreement includes a revolver facility and a swingline credit facility. As at June 30, 2020, the balances for revolving credit facility and swingline credit facility were US\$5,300,000 (C\$7,222,840) and US\$1,300,000 (C\$1,771,640) respectively.

During August 2020, the Company paid back the outstanding amounts on the revolver and the swingline facilities. See “*General Development of the Business—Recent Developments- Revolver and swingline credit facilities*”.

The Credit Agreement has customary default clauses. In the event Sangoma was to default on the Credit Agreement and was unable to cure or obtain a waiver of default, the repayment of its debt owing under these Credit Agreement may be accelerated. If acceleration were to occur, Sangoma would be required to secure alternative sources of equity or debt financing to be able to repay the debt. Alternative financing may not be available on terms satisfactory to the Company, or at all. New debt financing may require the

cooperation and agreement of the Company's existing lenders. If acceptable alternative financing were unavailable, Sangoma would have to consider alternatives to fund the repayment of the debt, including the sale of part or all of the business, which sale may occur at a distressed price.

***The agreements governing our indebtedness contain restrictions and limitations that could significantly impact our ability to operate our business.***

The agreements governing our indebtedness contain covenants that place limitations on the dollar amounts paid or other actions relating to:

- payments in respect of, or redemptions or acquisitions of, debt or equity issued by us or our subsidiaries, including the payment of dividends on our Common Shares;
- incurring additional indebtedness;
- incurring guarantee obligations;
- engaging in sales or other dispositions of assets;
- creating liens on assets;
- entering into sale and leaseback transactions;
- making investments, loans or advances;
- entering into hedging transactions;
- engaging in mergers, consolidations or sales of all or substantially all of our assets; and
- engaging in certain transactions with affiliates.

In addition, we are required to maintain a maximum consolidated total net leverage ratio and minimum interest coverage ratio as set forth in the agreements governing such indebtedness. Our ability to comply with these covenants in future periods will depend on our ongoing financial and operating performance, which in turn will be subject to economic conditions and to financial, market and competitive factors, many of which are beyond our control. The ability to comply with these covenants in future periods will also depend on our ability to successfully implement our overall business strategy and realize contemplated acquisition synergies.

***We expect gross margin percentage to vary over time, and our level of product gross margin may not be sustainable.***

Our gross margin percentage has historically fluctuated, primarily as the result of acquisitions, changes in product mix, changes in production costs, entering new geographic markets and price competition. Our current gross margin percentage may not be sustainable and our gross margin percentage may decrease. A decrease in gross margin percentage can be the result of numerous factors, including:

- acquisitions with a lower gross margin percentage than us;
- changes in customer, geographic, or product mix, including mix of configurations within each product group;
- introduction of new solutions, including those with price-performance advantages;
- our ability to reduce production costs;
- entry into new markets or growth in lower margin markets, including markets with different pricing and cost structures;
- additional sales discounts;
- changes in the financial health of contract manufacturers or suppliers or increases in related material, component, labor or other manufacturing and inventory related costs;
- the timing of revenue recognition and revenue deferrals;
- a decrease in revenues, while certain distribution costs remain fixed;

- lower than expected benefits from value engineering;
- increased price competition;
- changes in distribution channels;
- increased warranty costs; and
- overall execution of our strategy and operating plans.

If any of these factors, or other factors unknown to us at this time, occur then our gross margin percentage could be adversely affected, which could lead to an adverse effect, which could be material on our business, financial condition and results of operations.

***If we fail to attract and retain key personnel, it could adversely affect our ability to develop and effectively manage our business.***

Our success depends on the continued efforts and abilities of our key technical, customer-facing and management personnel. The loss of the services of any of these persons could have a material adverse effect on our business, results of operations and financial condition. We do not carry key man insurance.

Success is also highly dependent on our continuing ability to identify, hire, train, motivate and retain highly qualified management, finance, technical, sales and marketing personnel. Any such new hire may require a significant transition period prior to making a meaningful contribution to our business. Competition for qualified employees is particularly intense in the technology industry, and we have in the past experienced difficulty recruiting qualified employees. Our failure to attract and to retain the necessary qualified personnel could seriously harm our operating results and financial condition.

***Our success is dependent on our ability to manage growth from managerial, financial, and human resources perspectives.***

The growth of our operations places a strain on managerial, financial and human resources. Our ability to manage future growth will depend in large part upon a number of factors, including the ability to: build and train sales and marketing staff to create an expanding presence in the evolving marketplace for our products; attract and retain qualified technical personnel in order to continue to develop reliable and scalable products and services that respond to evolving customer needs; develop customer support capacity as sales increase, so that we can provide customer support without diverting resources from product development efforts; and expand our internal management and financial controls significantly, so that we can maintain control over our operations and provide support to other functional areas within our business as the number of personnel and size of our operations increase. Our inability to achieve any of these objectives could have a material adverse affect on our business, operating results, financial condition and prospects.

***We may not remain competitive. Increased competition could seriously harm our business.***

We experience intense competition from other competitors in the UC market. Competitors may announce new products, services or enhancements including Cloud-based offerings that better meet the needs of customers or changing industry standards. In addition, because the market for our products is subject to rapid technological change as the market evolves, we may face competition in the future from companies that do not currently compete in our markets, including companies that currently compete in other sectors of the information technology, communications and software industries, who may provide new products, services or enhancements that better meet the needs of customers or changing industry standards. Increased competition may cause price reductions, reduced gross margins and loss of market share, any of which could have a material adverse effect on our business, results of operations and financial condition. Many of our competitors and potential competitors have significantly greater technical, marketing, service or

financial resources. Other competitive factors include price, performance, product features, market timing, brand recognition, product quality, product availability, breadth of product line, design expertise, customer service and post contract support. A very important selection factor from a customer perspective is a large installed customer base that has widely and productively implemented our solutions, which not only increases the potential for repeat business, but also provides reference accounts to promote our products and solutions with new customers. While management believes that we have a significant installed customer base, many of our competitors have a larger installed base of users, longer operating histories or greater name recognition. In addition, if one or more of our competitors were to merge or partner with other competitors, the change in the competitive landscape could adversely affect our ability to compete effectively.

***Industry consolidation may lead to increased competition and may harm our operating results.***

There has been a trend toward industry consolidation in the UC market for several years. We expect this trend to continue as companies attempt to strengthen or hold their market positions in an evolving industry and as companies are acquired or are unable to continue all or a portion of their operations. Companies that are our strategic alliance partners in some areas of our business may acquire or form alliances with our competitors, thereby reducing their business with us. We believe that industry consolidation may result in stronger competitors that are better able to compete as sole-source vendors for customers. This could materially adversely affect our business, operating results and financial condition.

***Our success depends on our ability to continue to innovate and create new products and enhancements to our existing products.***

To keep pace with technological developments, satisfy increasingly sophisticated customer requirements and achieve market acceptance, we must enhance and improve existing products and continue to introduce new products and services. If we are unable to successfully develop new products, integrate acquired products or enhance and improve existing products or if we fail to position and/or price our products to meet market demand, our business and operating results will be adversely affected. Accelerated product introductions and short product life cycles require high levels of expenditures for R&D that could adversely affect our results of operations. Further, the introduction of new products could require long development and testing periods and may not be introduced in a timely manner or may not achieve the broad market acceptance necessary to generate significant revenue.

No assurance can be provided that our solutions will remain compatible with evolving UC platforms and operating requirements. In addition, competitive or technological developments and new regulatory requirements may require us to make substantial, unanticipated investments in new products and technologies. If we are required to expend substantial resources to respond to specific technological or product changes, our operating results could be adversely affected. Our continuing ability to address these risks will depend, to a large extent, on our ability to retain a technically competent R&D staff and to adapt to rapid technological advances in the industry.

***We are dependent on certain technologies used in our products that are licensed on a non-exclusive basis from third parties.***

We license certain technologies used in our products from third parties, generally on a non-exclusive basis. The termination of any of these licenses, or the failure of the licensors to adequately maintain or update their products, could delay our ability to offer our solutions while we seek to implement alternative technology offered by other sources and may require significant unplanned investments. In addition, alternative technology may not be available on commercially reasonable terms. In the future, it may be

necessary or desirable to obtain other third-party technology licenses relating to one or more of our solutions or relating to current or future technologies. There is a risk that we will not be able to obtain licensing rights to the needed technology on commercially reasonable terms, if at all.

***Our success and ability to compete depends upon our ability to secure and protect patents, trademarks, and other proprietary rights.***

A number of competitors and other third parties have been issued patents and may have filed patent applications or obtain additional patents and proprietary rights for technologies similar to those used in our solutions. Some of these patents may grant very broad protection to the owners of the patents. We cannot determine with certainty whether any existing third-party patents or the issuance of any third-party patents would require us to alter our technology, obtain licenses or cease certain activities. We may become subject to claims by third parties alleging our technology infringes their property rights due to the growth of software products in our target markets, the overlap in functionality of these products and the prevalence of software products. We provide our customers with a qualified indemnity against the infringement of third-party intellectual property rights. From time to time, various owners of patents and copyrighted works send us or our customers' letters alleging that our products infringe or might infringe upon the owner's intellectual property rights. We generally attempt to resolve any such matter by informing the owner of our position concerning non-infringement or invalidity. Even though we attempt to resolve these matters without litigation, it is always possible that the owner of a patent or copyrighted work will bring an action against us.

We rely on a combination of copyright and trade secret laws and contractual provisions to establish and protect our rights in our software and proprietary technology. We generally enter into non-disclosure agreements with employees and customers and historically have restricted access to our software products' source code. We regard our source code as proprietary information, and attempt to protect the source code versions of our products as trade secrets and as unpublished copyrighted works. In a few cases, we have provided copies of source code for certain products to third-party escrow agents to be released on certain predefined terms. Despite our precautions, it may be possible for unauthorized parties to copy or otherwise reverse engineer portions of our products or otherwise obtain and use information that we regard as proprietary.

Existing copyright and trade secret laws offer only limited protection, and the laws of certain countries in which our products may be used in the future may not protect our products and intellectual property rights to the same extent as the laws of Canada and the US. Certain provisions of the license and strategic alliance agreements that may be entered into in the future by us, including provisions protecting against unauthorized use, transfer and disclosure, may be unenforceable under the laws of certain jurisdictions, and we are required to negotiate limits on these provisions from time to time.

Litigation may be necessary to determine the scope, enforceability and validity of third-party proprietary rights or to establish our proprietary rights. Some competitors have substantially greater resources and may be able to sustain the costs of complex intellectual property litigation to a greater degree and for a longer period of time than we could. Regardless of their merit, any such claims could: be time consuming; be expensive to defend; divert management's attention and focus away from the business; cause product shipment delays or stoppages; subject us to significant liabilities; and require us to enter into costly royalty or licensing agreements or to modify or stop using the infringing technology, any of which may adversely affect our revenue, financial condition and results of operations. There can be no assurance that the steps taken by us to protect our proprietary rights will be adequate to deter misappropriation of our technology or independent development by others of technologies that are substantially equivalent or superior to our technology.

***We may be subject to new competitors because there are few technological barriers to entry in an open source software market.***

One of the characteristics of open source software is that anyone may modify and redistribute the existing open source software and use it to compete with us, including forking an existing version of our open source software such as Asterisk® and/or FreePBX®. Such competition can develop without the degree of overhead and lead time required by traditional proprietary software companies. It is possible for competitors with greater resources than ours to develop their own open source solutions or acquire a smaller business that has developed open source offerings that compete with our offerings, potentially reducing the demand for, and putting price pressure on, our offerings. In addition, some competitors make their open source software available for free download and use on an ad hoc basis or may position their open source software as a loss leader. We cannot guarantee that we will be able to compete successfully against current and future competitors or that competitive pressure and/or the availability of open source software will not result in price reductions, reduced operating margins and loss of market share. Additionally, any failure by us to provide high-quality technical support, or the perception that we do not provide high-quality technical support, could harm our reputation and negatively impact our ability to sell subscriptions for our open source offerings to existing and prospective customers. If we are unable to differentiate our open source offerings from those of our competitors or compete effectively with other open source offerings, our business, financial condition, operation results and cash flows could be adversely affected.

***We could be prevented from selling or developing our software if the GNU General Public License and similar licenses under which our technologies are developed and licensed are not enforceable or are modified so as to become incompatible with other open source licenses.***

A number of our offerings, including Asterisk® and FreePBX®, have been developed and licensed under the GNU General Public License and similar open source licenses. These licenses state that any program licensed under them may be liberally copied, modified and distributed. It is possible that a court would hold these licenses to be unenforceable or that someone could assert a claim for proprietary rights in a program developed and distributed under them. Additionally, if any of the open source components of our offerings may not be liberally copied, modified or distributed, then our ability to distribute or develop all or a portion of our offerings could be adversely impacted.

***Efforts to assert intellectual property ownership rights in our technologies could impact our standing in the open source community, which could limit our technology innovation capabilities and adversely affect our business.***

When we undertake actions to protect and maintain ownership and control over our intellectual property, including patents, copyrights and trademark rights, our standing in the open source community could be adversely affected as the community supports the ability to write and share code freely. This in turn could limit our ability to continue to rely on this community, upon which we are dependent, as a resource to help develop and improve our technologies and further our research and development efforts, which could adversely affect our business.

***Our membership in the Open Invention Network (“OIN”) community limits our ability to enforce our patent rights in certain circumstances.***

As part of our commitment to the open source community, our wholly owned subsidiary Digium, Inc., participates in the Open Invention Network community and licenses patents applicable to the Linux System in certain circumstances. As part of Digium’s participation, we agree, subject to certain limitations, to grant to other OIN licensees and their subsidiaries a license under Digium’s patents to make, have made, use,

import, or distribute any Linux System and release each such licensee from claims of infringement on those patents. This license may be suspended in the event a community member files a claim against us based on products that perform substantially the same function as the Linux System, and are distributed by us or our subsidiaries. This limitation on our ability to assert our patent rights against others could harm our business and ability to compete.

***We may be subject to product liability claims from customers if the occurrence of errors or failures is significant given the business-critical nature of some of our solutions.***

As a result of their complexity, our products and software solutions may contain undetected errors or failures when entering the market. Despite conducting testing and quality assurance, defects and errors may be found in new solutions after commencement of commercial shipments or the offering of a service using these solutions. In these circumstances, we may be unable to successfully correct the errors in a timely manner or at all. The occurrence of errors and failures in our software solutions could result in negative publicity and a loss of, or delay in, market acceptance of our software solutions. Such publicity could reduce revenue from new licenses and lead to increased customer attrition. Alleviating these errors and failures could require us to expend significant capital and other resources. The consequences of these errors and failures could have a material adverse effect on our business, results of operations, and financial condition. Because many of our customers use our software solutions for business-critical applications, any errors, defects, or other performance problems could result in financial or other damage to our customers. Our customers or other third parties could seek to recover damages from us in the event of actual or alleged failures of our software solutions.

Although we maintain product liability insurance in certain limited circumstances and our license agreements with customers typically contain provisions designed to limit our exposure to potential product liability claims, it is possible that this insurance and these limitations of liability provisions may not effectively protect us against these claims and the liability and associated costs. While we have not experienced any material product liability claims to date, the sale and support of our products may entail the risk of those claims, which are likely to be substantial in light of the use of our products in critical applications. Accordingly, any such claim could have a material adverse effect upon our business, results of operations, and financial condition. In addition, defending this kind of claim, regardless of its merits, or otherwise satisfying affected customers, could entail substantial expense and require the devotion of significant time and attention by key management personnel.

***From time to time, we may be subject to litigation or dispute resolution that could result in significant costs to us and damage our reputation.***

In addition to being subject to litigation in the ordinary course of business, we may become subject to class actions, securities litigation or other actions, including anti-trust and anti-competitive actions. Any litigation may be time consuming, expensive and distracting from the conduct of our day-to-day business. The adverse resolution of any specific lawsuit could have a material adverse effect on our financial condition and liquidity. In addition, the resolution of those matters may require us to issue additional Common Shares, which could potentially result in dilution. Expenses incurred in connection with these matters (which include fees of lawyers and other professional advisors and potential obligations to indemnify officers and directors who may be parties to such actions) could adversely affect our cash position.

***Our success is dependent on certain strategic relationships with third parties to execute on our operations and strategy and to uphold our reputation.***

We currently have strategic relationships with distributors, resellers, OEMs, system integrators and enterprise application providers. We depend on these relationships to: distribute our solutions; generate sales leads; build brand and market awareness; and implement and support our solutions. We believe that our success depends, in part, on our ability to develop and maintain strategic relationships with resellers, OEMs, system integrators, and enterprise application providers. We generally do not have long-term or exclusive agreements with these strategic partners. If we lose a strategic partner in a key market, or if a current or future strategic partner fails to adequately provide customer service to our customers, our reputation will suffer and sales of our product and services could be substantially diminished.

***Because we depend upon a small number of outside contract manufacturers and warehousing relationships, our operations could be delayed or interrupted if we encounter problems with these contractors.***

We do not have any internal manufacturing capabilities, and we rely upon a limited number of contract manufacturers and warehousing relationships (including sole-source relationships). Our ability to ship products to our customers could be delayed or interrupted as a result of a variety of factors relating to our contract manufacturers, including:

- failure to effectively manage our contract manufacturer relationships and warehousing relationships, including when switching from one contract manufacturer to another as we are currently undertaking in connection with consolidating our supply chain;
- our contract manufacturers and/or warehousing relationships experiencing delays, disruptions or quality control problems in their manufacturing and/or logistical operations, especially given the recent spread of the COVID-19 virus, which may impact our supply of products. The Company has manufacturing partners in multiple countries around the globe and parts for these factories come from a wide variety of sources. The temporary closure of any of these facilities or delays in transporting product between locations could impact our ability to fulfill customer orders;
- lead-times for required materials and components varying significantly and being dependent on factors such as the specific supplier, contract terms and the demand for each component at a given time;
- under-estimating our requirements, resulting in our contract manufacturers having inadequate materials and components required to produce our products, or overestimating our requirements, resulting in charges assessed by the contract manufacturers or liabilities for excess inventory, each of which could negatively affect our gross margins; and
- the possible absence of adequate capacity and reduced control over component availability, quality assurances, delivery schedules, manufacturing yields and costs.

We are also exposed to risks relating to the financial viability of our contract manufacturers as a result of business and industry risks that affect those manufacturers. In order to finance their businesses during economic downturns or otherwise, our contract manufacturers may need to secure additional sources of equity or debt financing. Such funding may not be available on terms satisfactory to them, or at all, which could result in a material disruption to our production requirements.

If any of our contract manufacturers are unable or unwilling to continue manufacturing our products in required volumes and quality levels, we will have to identify, qualify, select and implement acceptable

alternative manufacturers, which would likely be time consuming and costly. In particular, certain contract manufacturers are sole manufacturing sources for certain of our products. A failure of our contract manufacturers to satisfy our manufacturing needs on a timely basis, as a result of the factors described above or otherwise, could result in a material disruption to our business until another manufacturer is identified and able to produce the same products, which could take a substantial amount of time, during which our results of operations, financial condition and reputation among our customers and within our industry could be materially and adversely affected. In addition, alternate sources may not be available to us or may not be in a position to satisfy our production requirements on a timely basis or at commercially reasonable prices and quality. Therefore, any significant interruption in manufacturing could result in us being unable to deliver the affected products to meet our customer orders.

***We depend on sole source and limited source suppliers for key components. If these components are not available on a timely basis, or at all, we may not be able to meet scheduled product deliveries to our customers.***

We depend on sole source and limited source suppliers for key components of our products. In addition, our contract manufacturers often acquire these components through purchase orders and may have no long-term commitments regarding supply or pricing from their suppliers. Lead times for various components may lengthen, which may make certain components scarce. As component demand increases and lead-times become longer, our suppliers may increase component costs. We also depend on anticipated product orders to determine our materials requirements. Lead times for limited source materials and components can be as long as six months, vary significantly and depend on factors such as the specific supplier, contract terms and demand for a component at a given time. From time to time, shortages in allocations of components have resulted in delays in filling orders. Shortages and delays in obtaining components in the future could impede our ability to meet customer orders. Any of these sole source or limited source suppliers could stop producing the components, cease operations entirely, or be acquired by, or enter into exclusive arrangements with, our competitors. As a result, these sole source and limited source suppliers may stop selling their components to our contract manufacturers at commercially reasonable prices, or at all. Any such interruption, delay or inability to obtain these components from alternate sources at acceptable prices and within a reasonable amount of time would adversely affect our ability to meet scheduled product deliveries to our customers and reduce margins realized by us.

***System or network failures or information security breaches in connection with our solutions and services could reduce our sales, impair our reputation, increase costs or result in liability claims, and seriously harm our business.***

We provide hosting services as part of our Cloud solutions. These hosting services, which generally take place through third-party data centers, depend upon the uninterrupted operation of data centers and the ability to protect computer equipment and information stored in these data centers against damage that may be caused by natural disaster, pandemics, fire, power loss, telecommunications or internet failure, unauthorized intrusion, computer viruses and other similar damaging events. If any of the data centers we use were to become inoperable for an extended period, we might be unable to provide our customers with contracted services. Although we take what we believe to be reasonable precautions against such occurrences, and we maintain business interruption insurance in certain limited circumstances, no assurance can be given that damaging events such as these will not result in a prolonged interruption of our services, which could result in customer dissatisfaction, loss of revenue and damage to our business.

As a provider of hosted services, we receive confidential information. There can be no assurance that this information will not be subject to computer break-ins, theft, and other improper activity that could jeopardize the security of information for which we are responsible. Any such lapse in security could expose

us to litigation, loss of customers, or otherwise harm our business. In addition, any person who is able to circumvent our security measures could misappropriate proprietary or confidential customer information or cause interruptions in our operations.

***We rely on carriers and network service providers to provide network capacity and connectivity, the absence or disruption of which may adversely affect our cloud segment.***

We purchase network capacity wholesale from carriers, which we resell to our customers in various retail offerings. If any of these carriers or network service providers experience disruptions to their operations, even if only for a limited time, cease operations, or otherwise terminate the services that we depend on, the delay in switching our technology to another carrier or network service provider, if available, and qualifying them could have a material adverse effect on our business, financial condition or operating results. The rates we pay to our carriers and network service providers may also increase, which may reduce our profitability and increase the retail price of our service.

Any impairment of the performance of our solutions or problems in providing our network services to our customers, even if for a limited time, could have an adverse effect on our business, financial condition and operating results.

***The significance of our international operations increases our exposure to international business risks that could cause our operating results to suffer.***

We intend to maintain our international operations, which may include entry into additional international markets. The possible expansion of our international operations will require management attention and financial resources to establish additional foreign operations, hire additional personnel, and recruit additional international resellers. Incremental revenue may not be adequate to cover the expenses of international expansion. Our possible expansion into new international markets may take longer than anticipated and could directly impact how quickly we increase product sales into these markets. International markets may take additional time and resources to penetrate successfully. Any disruption in the ability of our personnel to travel could impact our ability to expand international operations and to service our international customers, which could, in turn, have a material adverse effect on our business, results of operations and financial condition. Other risks that we may encounter in conducting international business activities generally could include the following: economic and political instability; unexpected changes in foreign regulatory requirements and laws; tariffs and other trade barriers; timing, cost, and potential difficulty of adapting our product to the local language standards; longer sales cycles and accounts receivable cash collections cycles; potentially adverse tax consequences; fluctuations in foreign currencies; and restrictions on the repatriation of funds.

***Changes in the value of the Canadian dollar, as compared to the currencies of other countries where we transact business, could harm our operating results and financial condition.***

We actively pursue a strategy of growth by acquisition, which exposes us to revenue denominated in numerous foreign currencies. Our organizational structure has changed to include a larger presence in the US and International markets.

Approximately 82% of our revenue in Fiscal 2020 was generated from our North American operations (3% from Canada) and 18% of our revenue from International operations. Substantially all of the revenue generated in Fiscal 2020 was denominated in US dollars. Please refer to Note 17 entitled “Segment Disclosures” of the 2020 Annual Financial Statements.

In Fiscal 2020, compared to the prior fiscal year, the Canadian dollar weakened against the US dollar. As our reporting currency is the Canadian dollar, this positively impacted revenue by an estimated \$1.9 million in the year. The average foreign exchange rate from US dollars to Canadian dollars was \$1.3427 in Fiscal 2020 versus \$1.3237 in fiscal year ended June 30, 2019, representing a 1.4% increase. The change in exchange rate between years would also have increased the cost of sales and most expense lines as much of the Company's transactions are in US dollars. The Company does not track all costs in their local currency.

Further changes in foreign exchange rates between the Canadian dollar and the US dollar could have a material effect, either favourable or adverse, on both our revenue and expenses going forward.

***We may have exposure to greater than anticipated tax liabilities or expenses.***

We conduct our business operations in various foreign jurisdictions and through legal entities or branch offices primarily in Canada, the US, Ireland, United Kingdom, Hong Kong and India. Accordingly, we are subject to income taxes as well as non-income based taxes in Canada, as well as these and other foreign jurisdictions and our tax structure is subject to review by numerous taxation authorities. The tax laws of these jurisdictions have detailed and varied tax rules, which are subject to change.

Significant judgment is required in determining our worldwide provision for income taxes, deferred tax assets and other tax liabilities. Although we strive to ensure that our tax estimates and filing positions are reasonable, no assurance can be provided that the final determination of any tax audits or litigation will not be different from what is reflected in our historical income tax provisions and accruals, and any such differences may materially affect our operating results for the affected period or periods. We also have exposure to additional non-income tax liabilities such as payroll, sales, use, value-added, non-resident withholding, repatriation, net worth, property, harmonized and goods and services taxes in Canada, the US, Ireland, the United Kingdom, Hong Kong, India and other foreign jurisdictions.

International taxation authorities, including the Canada Revenue Agency, the US Internal Revenue Service, the Irish Tax Authorities, the United Kingdom's HM Revenue and Customs and the India Revenue Agency, could challenge the validity of our tax filings or introduce new tax legislation. If any of these taxation authorities are successful in challenging our tax filings or introduce new tax legislation, our income tax expense may be adversely affected and it could also be subject to interest and penalty charges. Any such increase in our income tax expense and related interest and penalties could have a significant impact on future net earnings and future cash flows.

***Transfer pricing rules may adversely affect our income tax expense.***

We conduct business operations in various jurisdictions and through legal entities in Canada, the US, throughout Europe and elsewhere. We and certain of our subsidiaries provide solutions and services to, and undertake certain significant transactions with, other subsidiaries in different jurisdictions. The tax laws of many of these jurisdictions have detailed transfer pricing rules which require that all transactions with non-resident related parties be priced using arm's length pricing principles. Contemporaneous documentation must exist to support this pricing. The taxation authorities in the jurisdictions where we carry on business could challenge our transfer pricing policies. International transfer pricing is an area of taxation that depends heavily on the underlying facts and circumstances and generally involves a significant degree of judgment. If any of these taxation authorities are successful in challenging our transfer pricing policies, our income tax expense may be adversely affected and we could also be subjected to interest and penalty charges. Any increase in our income tax expense and related interest and penalties could have a significant impact on our future earnings and future cash flows.

***Changes in privacy and contact center laws and regulations may adversely impact our ability to compete and operate in our current markets and cause our operating results to suffer.***

Our customers can use our solutions and services to collect, use, process and store information regarding their customers and individuals. Federal, provincial, and foreign government bodies and agencies may adopt or change laws and regulations regarding the collection, use, processing, storage and disclosure of such information obtained from consumers and individuals. In the European Union, some of our operations are subject to the European Union's General Data Protection Regulation ("GDPR") which took effect May 25, 2018. The GDPR introduces a number of new obligations for subject companies including, for example, expanded disclosures about how personal data is to be used, new mechanisms for obtaining consent from data subjects, new controls for data subjects with respect to their personal data, limitations on retention of personal data and mandatory data breach notifications. Additionally, the GDPR places companies under new obligations relating to data transfers and the security of the personal data they possess. Given the breadth of the GDPR, there can be no assurance that the measures we have taken for the purposes of compliance will be successful in prevention breach of the GDPR. In addition to government regulatory activity, privacy advocacy groups and the technology industry and other industries may consider various new, additional or different self-regulatory standards that may place additional burdens directly on our customers and target customers, and indirectly on us. Our solutions and services are expected to be capable of use by our customers in compliance with such laws and regulations. The functional and operational requirements and costs of compliance with such laws and regulations may adversely impact our business, and failure to enable our products to comply with such laws and regulations could lead to significant fines and penalties imposed by regulators, as well as claims by our customers or third parties. Additionally, all of these domestic and international legislative and regulatory initiatives could adversely affect our customers' ability or desire to collect, use, process and store certain information, which could reduce demand for our solutions and services.

***Our results of operating activities may vary significantly from quarter to quarter and therefore may be difficult to predict or may fail to meet investment community expectations.***

Our revenue is difficult to forecast and may fluctuate significantly from quarter to quarter. In addition, our operating results may not follow any past trends. The factors affecting revenue and results, many of which are outside of our control, include: foreign exchange fluctuations; competitive conditions; market acceptance of our solutions and services; the ability to hire, train and retain sufficient sales and professional services staff; the ability to complete our service obligations related to product sales in a timely manner; varying size, timing and contractual terms of orders for products, which may delay the recognition of revenue; the ability to maintain existing relationships and to create new relationships to assist with sales and marketing efforts; the discretionary nature of customers' purchase and budget cycles and changes in their budgets for, and timing of, software and related purchases; the length and variability of the sales cycles for our products; strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy; general weakening of the economy resulting in a decrease in the overall demand for enterprise communication solutions and services or otherwise affecting customers' capital investment levels in enterprise communications; changes in our pricing policies and the pricing policies of our competitors; timing of product development and new product initiatives; and changes in the mix of revenue attributable to substantially lower-margin product revenue as opposed to higher-margin product and Cloud solutions and/or services revenue.

While we have consistently managed our businesses by scaling our costs to prevailing revenue levels to ensure that we operate profitably and generate positive cash flows to, in part, fund our acquisition strategy, no assurance can be provided that we will be able to sustain this profitability on a quarterly or annual basis.

We, on at least an annual basis, review the value of acquired intangibles and goodwill to determine whether any impairment exists. We also periodically review opportunities to organize operations more efficiently, and may record restructuring charges in connection with any such reorganization. Our acquisition strategy provides management with a regular opportunity with each new acquisition to revisit and re-organize our operations to leverage the strength and synergies introduced by new organizations. Any write-down of intangible assets or goodwill or restructuring charges in the future could affect our results of operations materially and adversely and as a result our share price may decline.

***Our share price in the past has been volatile, and may continue to be volatile or may decline regardless of our operating performance, and investors may not be able to resell shares at or above the price at which they purchased the shares.***

Our Common Shares are publicly traded on the TSXV. At times, the share price has been volatile. The market price of our Common Shares may fluctuate significantly in response to numerous factors, many of which are beyond our control and which may be accentuated due to the relatively low average daily trading volume in our Common Shares. The factors include:

- fluctuations in the overall stock market;
- our quarterly operating results;
- the exercise of options and subsequent sales of shares by option holders, including those held by our senior management and other employees;
- departures of key personnel;
- future announcements concerning our, or our competitors', business;
- the failure of securities analysts to cover the Company and/or changes in financial forecasts and recommendations by securities analysts;
- fluctuations in foreign exchange rates;
- actual or anticipated developments in our competitors' businesses or the competitive landscape generally;
- litigation involving us, our industry, or both;
- general market, economic and political conditions;
- regulatory developments; and
- natural disasters, terrorist attacks and acts of war.

In addition, at various times, the stock markets, including the TSXV, have experienced extreme price and volume fluctuations that have affected the market prices of equity securities of many technology companies. Stock prices of many technology companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have initiated securities class action litigation following declines in stock prices of technology companies. Any future litigation may subject us to substantial costs, divert resources and the attention of management from our business, which could harm our business and operating results.

There can be no assurance that an active trading market for the Common Shares will be sustained in the future on the TSXV or any other regulated public market. If an active public market is not sustained, the liquidity of an investment in the Common Shares may be limited and our share price may decline.

#### **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except as otherwise disclosed in this Annual Information Form and within the Company's financial statements, no director or executive officer of Sangoma and, to the knowledge of the directors and executive officers of Sangoma, none of their respective associates or affiliates, nor any person who beneficially owns

or exercises control or direction, directly or indirectly, over more than 10% of the Company's outstanding Common Shares, nor their respective associates or affiliates, has had any material interest, direct or indirect, in any transaction within our three most recently completed financial years or in any proposed transaction which has materially affected or is reasonably expected to materially affect Sangoma or any of its subsidiaries on a consolidated basis.

### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

Sangoma is not aware of any legal proceedings material to the Company to which it is a party, or that any of the Company's property is or was the subject of, during Fiscal 2020; nor is Sangoma aware of any such legal proceedings being contemplated.

To the best of the Company's knowledge, Sangoma is not currently a party to any regulatory investigation or proceeding or subject to any potential penalty or sanction, individually or in the aggregate, relating to securities legislation, which is likely to have a material adverse effect on the business, operations or financial condition of the Company as a whole. Further, Sangoma has not entered into any settlement agreements before a court or regulatory authority relating to securities legislation during Fiscal 2020.

### **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for our Common Shares is Computershare Investor Services Inc. at its principal office in Toronto, Ontario.

### **MATERIAL CONTRACTS**

Except as follows, Sangoma did not enter into any material contracts during the twelve months ended June 30, 2020 or before the twelve months ended June 30, 2020 that are still in effect, other than in the ordinary course of business:

- Underwriting agreement among the 2020 Offering Underwriters and the Company dated July 24, 2020 in connection with the 2020 Offering.
- Unit Purchase Agreement among the Company, Sangoma Technologies U.S. Inc., Goldeneye Holdings Inc., VoIP Innovations, LLC, the Seller Principals and the Seller Representative dated as of October 18, 2019 in connection with the VI Acquisition.
- Credit Agreement among Sangoma Technologies Inc. and Sangoma U.S. Inc. and the Toronto-Dominion Bank and certain of its subsidiaries and the Bank of Montreal and certain of its subsidiaries dated as of October 17, 2019 in connection with the partial financing of the VI Acquisition.
- Agreement and Plan of Merger among Sangoma Technologies U.S. Inc., Sangoma MergerCo, Inc., Digium, Inc. and Digium, Inc.'s signing shareholders dated August 23, 2018 in connection with the Digium Acquisition.
- Asset Purchase Agreement among Sangoma, certain of Sangoma's subsidiaries, Dialogic Corporation and certain of Dialogic Corporation's subsidiaries dated January 8, 2018 in connection with the CCD Acquisition.

- Membership Interest Purchase Agreement between the Company, Sangoma U.S. Inc., Benjamin Sayers and the Members of VoIP Supply dated June 20, 2017 in connection with the VoIP Supply Acquisition.

### **INTERESTS OF EXPERTS**

MNP LLP, the external auditors of the Company, reported on the 2020 Annual Financial Statements. MNP LLP has advised the Company that they are independent of the Company within the meaning of the Rules of Professional Conduct of Chartered Professional Accountants of Ontario (registered name of The Institute of Chartered Accountants of Ontario). None of the directors, officers or employees of MNP LLP, are currently expected to be elected, appointed or employed as a director, officer or employee of the Company or of any of associate or affiliate of the Company.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company may be found under Sangoma's SEDAR profile at [www.sedar.com](http://www.sedar.com).

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under our equity compensation plans, if applicable, is contained in our management information circular dated November 15, 2019 prepared and filed in connection with our annual meeting of shareholders held on December 19, 2019. Additional financial information is provided in our financial statements and management's discussion and analysis for the year ended June 30, 2020.