



# Acquisition of NetFortris

March 29, 2022

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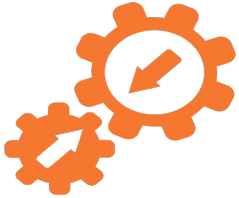
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# Key Highlights

*Sangoma has Closed the Acquisition of NetFortris – an “at scale” MSP and UCaaS Provider*



## One-Stop-Shop

Further extends Sangoma's portfolio by adding the highly complementary MSP product line, at a time when customers increasingly want all their communications services from a single vendor. Enables us to meet that need and grows our 'share of wallet'/ARPU from a client



## Increases Scale

Continues to add much desired UCaaS scale, in a consolidating industry, with over 60,000 seats



## Recurring Revenue

Just over US\$50MM in expected annualized revenue, with an impressive MRR ratio of >90% of sales!



## Compelling Valuation

Attractive transaction terms with a valuation at ~1.3x revenue in 'up front', fixed consideration. Minimized the issuance of new shares, given today's market conditions and stock price

**Continues to Accelerate Sangoma into the Upper Echelon of Cloud Communications Providers with Another Disciplined Acquisition**



## **Section 1: Overview of NetFortris**

# NetFortris Business Overview

## Business Overview

- NetFortris is a nationwide service provider that delivers secure, reliable UCaaS and Managed Services (MSP)
- 'Channel-first' go-to-market strategy, like Sangoma
- About 6,000 customers, from SMB right up to Enterprise
- ~250 employees, centered primarily around four main offices in Plano TX, Seattle, LA, and Manila
- Ownership: majority controlled by a PE group (Spire Capital) as well as other institutions and individuals
- There is growing awareness/acceptance of the idea that customers will prefer to get more and more of their communications needs from one vendor
  - Not only all the 'aaS' applications (UCaaS, CCaaS, TaaS, VMaaS, CPaaS...), but also the types of services they historically got from an MSP (e.g., SD-Wan, Security, Connectivity...)
  - NetFortris provides not only customers, but channel partners as well, with a one-stop-shop, reducing the complexity of sourcing solutions from multiple vendors
  - Much more on this in the Strategic Rationale section

## NetFortris

**>US\$50MM**  
Expected Annualized  
Revenue

**>90%**  
MRR

**~64%**  
Gross Profit Margin

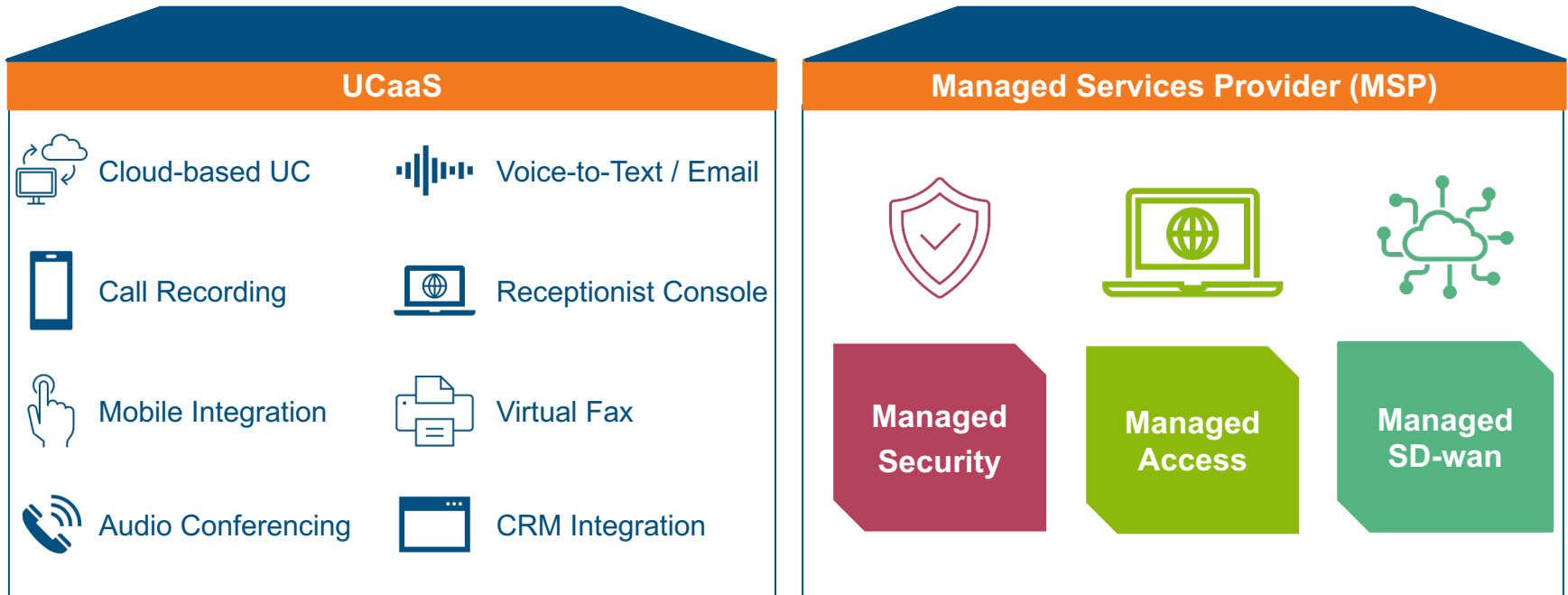
**60,000+**  
Seats

**~14%**  
Top 25 UCaaS Customers  
as % of Seat Total  
*Low Concentration*

**~6.5 Years**  
Avg. Customer Life  
*Sticky Customers*

# NetFortris Product Portfolio

## *Two Integrated, Highly Complementary Product Lines*



Both categories have multi-billion-dollar TAMs, are growing quickly, and are very underpenetrated



# NetFortris Customers & Go-To-Market

## Customers

Number	<i>A roster of over 6,000 clients in North America</i>
Revenue Concentration	<i>Diversified by customer no customer &gt;4% of revenue</i>
Size	<i>All sizes from SMB right up to Enterprise including clients with hundreds and thousands of sites/locations</i>
Customer Satisfaction	<i>Highly satisfied clients with an average CSAT of ~90%</i>

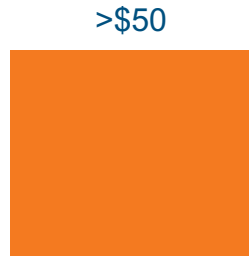
## Channel Go-To-Market Strategy

Sales Model	<i>Channel focused sales</i>
Types of Channel Partners	<i>Master agents, IT distributors, VARs, integrators and resellers</i>
Number of Partners	<i>Relationships with 700+ partners</i>
Products Sold	<i>Partner network covers both the UCaaS and the MSP products</i>

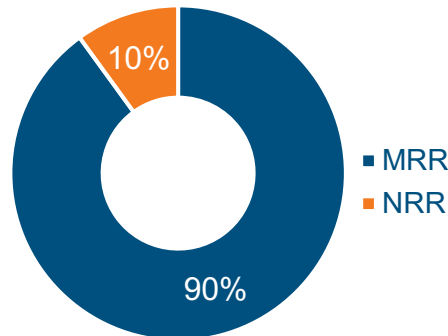
# NetFortris Standalone Financials

- Compelling financial profile and attractive valuation given that profile
- At-scale company with material revenue (~US\$50MM <sup>(1)</sup>). Adds meaningfully to Sangoma's top-line
- High recurring revenue: 90%+ of NetFortris' revenue is MRR!
- Multi-faceted revenue model driven by both UCaaS and MSP businesses
- Growing, but modestly (in the low single digits, a growth rate that Sangoma expects to accelerate)
- Gross margins of approximately 64%

**Revenue (US\$MM) <sup>(1)</sup>**



**Revenue Breakdown <sup>(1,2)</sup>**



**Gross Profit & Margin (US\$MM) <sup>(1)</sup>**



*Gross Profit Margin: ~64%*

**Notes:**

1. Expected annualized revenue and gross profit


2. MRR defined as Monthly Recurring Revenue and NRR defined as Non-Recurring Revenue; breakdown is approximate





## **Section 2: Strategic Rationale**

# Transaction Rationale

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- 1 MSP Business Introduces a New, In-Demand, One-Stop-Shop Solution for Our Customers**
    - Enables Sangoma to extend current offering of the industry's widest set of 'aaS' products by adding MSP services
  - 2 Strong Recurring Revenue at NetFortris with >90% of Total Sales in MRR**
    - Will continue to grow Sangoma's "Services" revenue, from ~70% today, up to about 75% pro-forma
  - 3 Increases Sangoma's Scale, Maintaining Presence in the Top Tier of Industry Players**
    - Critical to maintain scale relative to peers, as industry consolidates; adds >US\$50MM <sup>(1)</sup> of revenue
  - 4 Acquiring NetFortris at a Compelling Valuation; Up-Front Price of ~1.3x Revenue**
    - Excellent valuation for 'at-scale' UCaaS company + offers attractive strategic adjacency of MSP
  - 5 Attractive, Diversified, Sticky Customer Base of Over 6,000 Clients + Familiar Channel Model**
    - Minimal concentration; avg. customer life of ~6.5 years
  - 6 Opens New Potential M&A Opportunities in the MSP Category**
    - New possible M&A targets in this new category of MSPs, to complement UCaaS targets
  - 7 Meaningful OPEX Synergies Identified**
    - Expected annual cost savings to be realized starting in the first six months
  - 8 Strong Management and Operating Talent**
    - Deep skills and experience are very valuable during these times of intense competition for talent

## Notes:

1. Expected annualized revenue

# Strategic, Complementary MSP Business Provides Unique Capability

## NetFortris UCaaS

Accelerates Customer Acquisition and Adds More CaaS Seats



## NetFortris MSP

Augments our Widest Set of Cloud Comm's Services with New MSP Services



**NetFortris MSP**  
A SANGOMA COMPANY



CaaS Seat Growth 3 Ways:

- Organic Growth
- M&A **NetFortris**  
A SANGOMA COMPANY
- Our Prem to Our Cloud

MSP business presents Sangoma with a very compelling extension to our CaaS offerings

There is growing awareness/acceptance of the idea that customers will prefer to get more and more of their communications services from one vendor. Not just UCaaS/CCaaS/VMaaS/Collab/etc., but also the services that they historically got from an MSP (e.g., SD-WAN/security/access/etc.)

An unbiased view from Frost & Sullivan:

*"Our research continues to show that customers want one vendor to go to for their cloud communications and collaboration requirements, and many organizations also prefer to purchase additional services – e.g., cybersecurity, broadband, etc. – from their UCaaS providers. With the addition of NetFortris, Sangoma's approach will resonate extremely well with customers of all sizes."*

This new concept fits nicely into our existing competitive differentiation and is a perfectly natural extension to our positioning of the "Widest Set of Communications SaaS"

However, few UCaaS companies are 'on' this yet (none of our direct competitors are). And we believe it will be a lucrative model for us, one that is appreciated by our customers and our channel partners

# Integration & Synergies

## Integration

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- Several functions to be integrated almost immediately: Finance, HR, Legal, Engineering, etc.
- Some functions (such as Sales) will remain separated for a year, to avoid disrupting momentum and their GTM (includes not only sales team but channel as well). Also supports the earn-out structure
  - During this period, we will use “NetFortris, a Sangoma Company”, as we have with other acquisitions during the transition phase
- Certain functions are still TBD and need some time to explore together
- Will gradually bring our networks together, but this takes some time
- NetFortris’ Philippines office is high performing and cost-effective. Retain and add even more focus

## Synergies

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- Ability to cross-sell Sangoma’s wide portfolio of ‘aaS’ products (e.g. CCaaS, VMaaS, ACaaS, etc.) into NetFortris’ base of UCaaS customers who have not had access to such products from NetFortris in the past
- Ability to cross-sell NetFortris’ portfolio of MSP services to Sangoma’s installed base of customers and to the portion of our channel that is already selling MSP services (and may prefer to source them from us)
- We estimate cost savings from efficiencies and duplication to be about US\$4 million annually. Majority of those synergies will be available within about 6 months. Network savings/etc. a bit longer
- Savings come from the wide variety of sources, typical of our prior acquisitions, and include things like consolidating traffic, amalgamating data centers, duplicate marketing programs, audit/insurance/etc.



## **Section 3: Transaction Terms**

# Transaction Structure

Upfront, Fixed Consideration	<ul style="list-style-type: none"><li>▪ <b>US\$68.0MM</b></li><li>▪ Cash consideration: US\$48.8MM</li><li>▪ Stock consideration: US\$19.2MM</li></ul>
Contingent Consideration	<ul style="list-style-type: none"><li>▪ <b>Earn-out: US\$12.0MM</b></li><li>▪ Paid in cash if earned</li><li>▪ Based on “net” bookings (to account for churn) for 12-month period post-close</li></ul>
Total Consideration	<ul style="list-style-type: none"><li>▪ <b>Total Consideration if all Earn-out is earned: US\$80.0MM</b></li></ul>
Transaction Multiple	<ul style="list-style-type: none"><li>▪ EV/Revenue, based on Upfront or Fixed Consideration: ~1.3x</li></ul>

- Cash consideration funded via additional debt from existing lenders (syndicate highly supportive) and cash on hand
- NetFortris to be issued approximately 1.5 million shares as part of the consideration (based on 15-day VWAP) <sup>(1)</sup>

## Notes:

1. Market data as of 03/25/2022; share consideration calculated using USD to CAD exchange rate (1.2502)



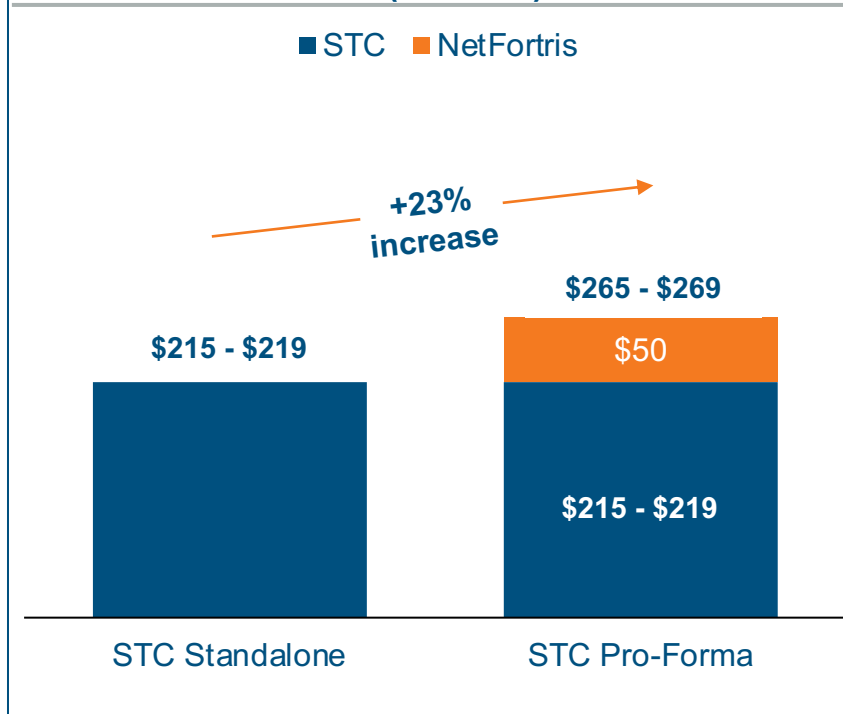


## **Section 4: Pro-Forma for Combined Company**



# Pro-Forma Financials

## Annualized Revenue (US\$MM) <sup>(1,2)</sup>



## Commentary

- The acquisition of NetFortris will add ~US\$50MM <sup>(1,2)</sup> in revenue, a material contribution to Sangoma
- Guidance for FY2022 will be updated to factor in NetFortris, with the release of our Q3 results (as per normal cadence)
- Recurring revenue strength from NetFortris, at over 90% of total sales being MRR, will help take Sangoma's revenue from ~70% Services up to ~75% Services
- Do not anticipate significant impact on Sangoma Gross Margin percentage, on a combined basis

### Notes:

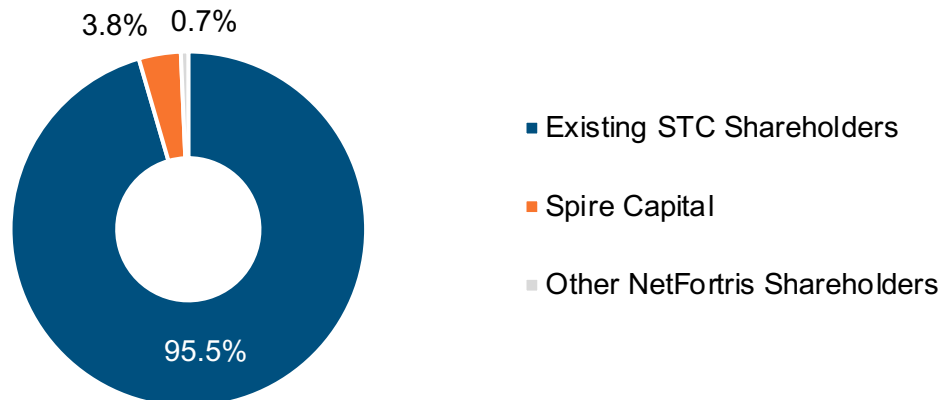
1. Sangoma based on F22 guidance
2. NetFortris based on expected annualized revenue

# Pro-Forma Capitalization

## Pro-Forma Capitalization

Interest-bearing Debt	Approximately US\$110 million now, post Closing <sup>(1)</sup>
Net Debt/Adj. EBITDA	2.3x combined LTM Adj. EBITDA
Shares O/S	33.3 million <sup>(2)</sup>

## Pro-Forma Shareholders <sup>(2)</sup>



### Notes:

1. Based upon Upfront or Fixed consideration (no earnout included)

2. Reflects all 'installments' of deferred Star2Star stock consideration; Market data as of 03/25/2022; share consideration calculated using USD to CAD exchange rate (1.2502)