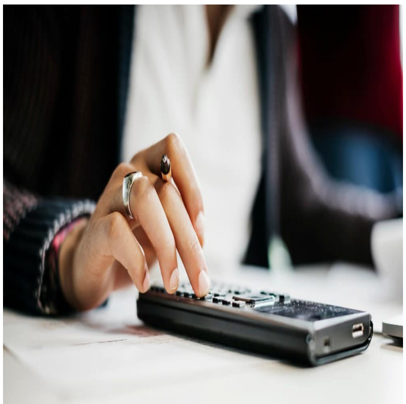

Sangoma Technologies: 1 of the Cheapest Stocks Canadian Investors Can Buy

## Description

When the markets are selling off consistently as a result of worsening economic conditions and rising uncertainty, investors often have the opportunity to find some truly high-quality stocks trading at major bargains. One of which is **Sangoma Technologies** (TSX:STC).

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In this environment, many investors are focused on shoring up their portfolios with defensive stocks or massive blue chips. Furthermore, many that look for a discount naturally focus on bigger, more well-known companies.

That allows microcaps like Sangoma Technologies to fly under the radar and trade at dirt-cheap prices.

Sangoma is a leading global Communications as a Service (CaaS) provider. The company offers a diverse portfolio of solutions, services, and support and has one of the broadest offerings of services in its industry.

These services include video meetings, communication platforms, security, network access and even fax services, just to name a few.

# Communications is an industry with significant growth potential as technology continues to improve

Communications is an excellent business to be in for several reasons. First, Sangoma offers B2B (business to business) services, so its sales and operations should be more immune to a recession.

That doesn't mean Sangoma wouldn't be affected. Most companies will. However, because it offers services that are certainly essential to some companies, it can expect sales to be less volatile than businesses that operate in more discretionary industries.

Furthermore, it could actually potentially benefit from a recession if, for example, some companies decide to spend less on corporate travel and instead use Sangoma's communication services for video meetings or other collaborations.

Another reason why Sangoma Technologies is a top stock to buy is that the communications industry has tonnes of potential to grow, as technology continues to improve, and 5G use cases continue to be created.

Sangoma offers such a broad range of services due to its impressive growth over the last serval years. The company has made 11 acquisitions in the last 12 years, showing its ability to grow both organically and by acquisition, while consistently reporting positive earnings before interest, taxes, depreciation, and amortization (EBITDA).

So, with the stock being undervalued by the market in this environment, there's no doubt that Sangoma is one of the top stocks to consider adding to your portfolio today.

## Sangoma Technologies has impressive financials, and the stock trades ultra-cheap

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What's impressive about Sangoma is that for such a small company that's growing so quickly and consistently, it constantly reports positive EBITDA.

And as Sangoma continues to grow and integrates its acquisitions, its margins should continue to improve, leading to more profitability for investors.

Furthermore, another attractive aspect of Sangoma's business is that recurring sales now account for 70% of its business and continue to grow. This is an excellent strategy and helps Sangoma to earn more reliable revenue.

Over the last 12 months, that revenue has grown by more than 50% year over year. And in fiscal 2023, analysts expect sales to grow by over 20% to $274 million, with EBITDA expected to hit almost $50 million.

So, with Sangoma Technologies currently trading with an enterprise value (EV) of roughly $275 million, it has a forward EV-to-revenue multiple of just one. In addition, its forward EV-to-EBITDA ratio is just 4.2. That's well below its three-year average of 9.4.

Therefore, as Sangoma continues to grow and improve its long-term potential while at the same time seeing its share price fall off, there's no question it's one of the best Canadian stocks to buy today.

All three analysts that cover the stock give it a buy rating. Furthermore, the lowest of the three target prices is $12 — more than double where Sangoma trades today. In addition, its average target price of $16.17 a share is a more than 160% premium from today's trading price.

So, if you've got cash to invest and are looking for high-potential stocks that you can buy at a steep discount, Sangoma Technologies is certainly one of the best to consider.

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