Converge Technology Solutions Corp.

Management Discussion and Analysis

For the Three and Six Months ended June 30, 2019 and 2018

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(expressed in thousands of Canadian dollars)

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General Information

The following management discussion and analysis ("MD&A") of the financial condition, changes in financial condition and results of operations of Converge Technology Solutions Corp. (formerly Norwick Capital Corp.) (the "Company" or "Converge") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and six months ended June 30, 2019. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes thereto for the three and six months ended June 30, 2019, as well as the Company's audited annual MD&A and consolidated financial statements and accompanying notes thereto for the year ended December 31, 2018.

The condensed interim consolidated financial statements have been prepared in accordance with accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in effect for the Company's reporting period ended June 30, 2019. The condensed interim consolidated financial statements can be found at **www.sedar.com** and **www.convergetp.com**.

This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This MD&A is dated as at August 21, 2019 and was approved by the Board of Directors on that date. Results are reported in thousands of Canadian dollars unless otherwise stated.

The Company was incorporated under the provisions of the *Business Corporations Act* (British Columbia) on January 4, 2018 under the name "Norwick Capital Corp." The Company's head office is located at 161 Bay Street Suite 2325, Toronto, ON M5J 2S1.

On November 7, 2018, the Company completed its Qualifying Transaction (as defined in Policy 2.4 of the TSX Venture Exchange Inc. (the "TSXV")) pursuant to the terms of an acquisition agreement dated August 28, 2018 between the Company, Converge Technology Partners Inc. ("CTS") and Norwick Acquisition Corp. Pursuant to the acquisition agreement, the Company acquired all of the issued and outstanding Class A common shares of CTS and CTS amalgamated with Norwick Acquisition Corp. (the "Transaction") and became a wholly owned subsidiary of the Company. Upon completion of the Transaction, the Company's stock symbol was changed from "NWK.P" to "CTS" and the Company's name was changed from Norwick Capital Corp. to Converge Technology Solutions Corp. The acquisition of CTS by the Company is considered a reverse takeover within the meaning of National Instrument 51-102 – *Continuous Disclosure Obligations*.

Upon completion of the Transaction, the former shareholders of CTS owned approximately 98.25% of the issued and outstanding shares of the Company.

In accordance with IFRS 3, *Business Combinations,* the substance of the transaction is a reverse acquisition of a non-operating company. The transaction does not constitute a business combination as the Company prior to the Transaction did not meet the definition of a business under the standard. As a result, the Transaction is accounted for as a capital transaction with CTS being identified as the accounting acquirer and the equity consideration being measured at fair value. The resulting statement of financial position is presented as a continuance of CTS and comparative figures presented in the financial statements after the Transaction are those of CTS and references to the "Company" or "Converge" are references to the consolidated entity subsequent to the date of the completion of the Transaction and to CTS prior to that date.

About Forward-Looking Information

Certain information and statements within the MD&A and documents incorporated by reference may constitute "forward-looking information" (as defined in applicable Canadian securities legislation) which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiaries, or the industry in which the Company operates, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, the words "estimate", "believe", "anticipate", "intend", "expect", "plan", "may", "should", "will", the negative thereof or other variations thereon or comparable terminology are intended to identify forward-looking statements. Such forward-looking statements reflect the current expectations of the management of the Company with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results, performance or expansion and growth achievements to differ materially from those expressed or implied by those forward looking statements, such as significant changes in market conditions, the inability of the Company to close sales and the inability of the Company to attract sufficient financing and including the risk factors summarized above under the heading "Risks and Uncertainties". New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in such forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained in this MD&A speak only as of the date hereof. The Company does not undertake or assume any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

Non-IFRS Financial Measures

This MD&A refers to certain performance indicators including EBITDA and Adjusted EBITDA that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management believes that these measures are useful to most shareholders, creditors and other stakeholders in analyzing the Company's results. These non-IFRS financial measures should not be considered as an alternative to the consolidated income (loss) or any other measure of performance under IFRS. See section "Non-IFRS Financial Measures".

Overview of the Business

Converge is a North American platform of regionally focused IT solution providers ("ITSP") in the United States of America ("US") and Canada connecting best of breed services and solutions to clients. Converge provides high quality hardware, software, and managed services solutions to corporate and government institutions.

Companies increasingly rely on the expertise and experience of an IT solutions provider to design their IT infrastructure and to procure and integrate the appropriate hardware and software for an integrated IT solution. This trend is largely driven by limited in-house capacity, higher costs and challenges related to internal development, deployment and maintenance of complex and rapidly changing IT infrastructure. Furthermore, clients are increasingly looking to consolidate their vendors and minimize the number of providers they interact with for their IT needs. Companies are looking for providers who offer a broad portfolio of end-to-end capabilities including next generation technologies and new delivery models. Converge offers an extensive range of products, services and solutions to meet these needs.

With significant increases in the amount of information and the abundance of data in today's market environment, companies are increasingly demanding a more agile, responsive technology infrastructure system that helps meet their strategic business objectives. These needs are increasingly under pressure with the desire to create virtual environments that can further leverage this growing dataset, including cloud computing. Cloud computing heavily leverages resource pools in a variety of different technologies – storage and networking, virtualization and the data center. Converge believes that these technologies are not only central aspects of a company's IT strategy, but also central to a company's broader business strategy.

(expressed in thousands of Canadian dollars)

As a buyer of ITSPs, Converge tends to seek out sellers that have digital transformation, cloud, compliance, security, vertical market and regional expertise. With a focus on these areas, Converge believes it is well positioned to become a solutions leader within these segments.

The following table presents further details on the acquired subsidiaries of Converge:

Company	Location	Ownership percentage
Northern Micro Inc. ("Northern Micro")	Ottawa, ON	100%
Corus Group, LLC ("Corus360")	Atlanta, GA	100%
BlueChip Tek, Inc. ("BCT")	Santa Clara, CA	100%
Key Information Systems, Inc. ("KeyInfo")	Agoura Hills, CA	100%
10084182 Canada Inc. o/a Becker-Carroll ("Becker-Carroll")	Ottawa, ON	100%
Lighthouse Computer Services, Inc., Creative Computing LLC, Lighthouse Middleware, LLC, Acumetrics Business Intelligence Inc. ("Lighthouse")	Providence, RI	100%
SIS Holding Company, LLC, Software Information Systems, LLC ("SIS")	Lexington, KY	100%

Strategy

Identify and Acquire. Converge's strategy is to identify and acquire ITSPs that offer a multi-vendor technology solution for clients. Selecting the right companies for acquisition is essential to creating market momentum and is pivotal in delivering lasting value for the company's stakeholders. Converge selects ITSPs with proven business, technical, enterprise client and industry experience that are known and recognized for the business value they create for its clients and partners.

Invest and Transform. Building on the capabilities, relationships and value of acquired companies, Converge invests in resources, education, tools and relationships to deepen domain level expertise in specific technology practice areas and industry sectors. Converge has acquired and built public and private cloud capabilities that transform ITSPs into Hybrid IT providers.

Consolidate Certain Back-Office Functions. Starting with back office and support functions, Converge creates significant financial and operating efficiencies and service level gains by leveraging its best-of-breed systems, purchasing power, staff and processes across acquired companies.

Volume Rebates. Converge provides value to clients and the market by identifying and expanding business, industry and technical solutions competencies across acquired businesses, including leveraging vendor certifications and hardware volumes across groups to receive increased pricing incentives and rebates.

With its first acquisitions in 2017, Corus360 and Northern Micro, Converge was able to establish an acquisition platform that closely aligned with its stated strategy. During the first quarter of 2018, Converge acquired Becker-Carroll, a company specialized in delivering powerful blockchain solutions. During the second quarter of 2018, Converge expanded its offerings with the acquisition of Key Information Systems, Inc. ("KeyInfo"), an infrastructure company that simplifies complex technology challenges, and BlueChip Tek Inc. ("BCT"), an information technology professional services organization specialized in data center infrastructure integration, cloud optimization, and data center infrastructure solutioning. In the fourth quarter of 2018, Converge acquired Lighthouse Computer Services, Inc., Creative Computing, LLC, Lighthouse Middleware, LLC, and Acumetrics Business Intelligence Inc. (collectively "Lighthouse"), a highly skilled company experienced in analytics, hybrid cloud, infrastructure, and cybersecurity. During the first quarter of 2019, Converge acquired SIS Holding Company, LLC and Software Information Systems, LLC (collectively "SIS"), a strategic company focused on managed cloud delivery, compute efficiency, network optimization, and IT spend optimization.

Business and Financial Highlights

Financial results for the three and six months ended June 30, 2019:

- Revenues for the three months ended June 30, 2019 was $149,273, an increase of 44.5%, or $45,996, compared to $103,277 for the three months ended June 30, 2018. Gross profit of $34,224 increased $11,895 or 53.3% for the three months ended June 30, 2019 from $22,329 for the comparable period in 2018 and gross profit margin increased to 22.9% from 21.6%. Adjusted EBITDA of $5,534 increased $203 or 3.8% from $5,331 for the comparable period in 2018. The increases are primarily due to acquisitions and the success of the cross-selling strategy resulting in increased software and managed services sales.
- Revenues for the six months ended June 30, 2019 was $314,035, an increase of 40.8%, or $90,974, compared to $223,061 for the six months ended June 30, 2018. Gross profit of $71,417 increased $32,003 or 81.2% for the six months ended June 30, 2019 from $39,414 for the comparable period in 2018 and gross profit margin increased to 22.7% from 17.7%. Adjusted EBITDA of $13,987 increased $3,384 or 31.9% from $10,603 for the comparable period in 2018. The increases are primarily due to acquisitions and the success of the cross-selling strategy resulting in increased software and managed services sales.
- In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Company has adopted IFRS 16 effective January 1, 2019 and applied the requirements of the standard retrospectively without restatement of comparative periods. The implementation of IFRS 16 resulted in the Company recognizing a right-of-use asset and lease liability of $7,209 for office and building leases on January 1, 2019. In addition to the office and building leases that were transitioned as at January 1, 2019, office and equipment leases acquired as part of the acquisition of Software Information Systems, LLC ("SIS") were recognized under IFRS 16 during the three months ended March 31, 2019. These acquired leases resulted in the recognition of a right-of-use asset and corresponding lease liability of $7,563. As at June 30, 2019, an additional $1,032 of equipment and office leases have been recognized as right-of-use assets and corresponding lease liabilities.

Financing

- On January 18, 2019, Converge NE Commercial Finance, LLC, a wholly owned subsidiary of the Company, entered into a revolving credit agreement with a Canadian lender. The ABL can be drawn to a certain percentage of the eligible trade receivables to a maximum of $12,500. Interest is payable monthly at a rate of the higher of 9.25% or the published TD Bank prime rate plus 5.3% - 8.3% based on the advance rate of the trade receivables.
- On January 18, 2019, Converge Canada Finance Corp., a wholly owned subsidiary of the Company, increased the maximum drawing limit of its revolving credit agreement with a Canadian lender to $52,500 from $40,000. Interest is payable monthly at a rate of the higher of 9.25% or the published TD Bank prime rate plus 5.3% - 8.3% based on the advance rate of the trade receivables.

- On March 1, 2019, the Company entered into a three-year credit agreement with a third party, which is secured by certain Company customer contracts. Under the agreement, blended payments of principal and interest of $124 USD are payable monthly. The lender advanced cash of $5,457 ($4,000 USD) with an interest rate of 7% per annum.

- On June 11, 2019, the Company entered into a two-year credit agreement with a third party, which is secured by certain Company customer contracts. Under the agreement, blended payments of principal and interest of $453 USD are payable monthly. The lender advanced cash of $13,287 ($10,000 USD) with an interest rate of 8% per annum.

Acquisition

- On January 18, 2019, the Company acquired all of the Class A issued and outstanding membership interests, which represents 100% control of Software Information Systems, LLC ("SIS") located in Kentucky, USA. As at June 30, 2019, there were 8,000,000 Class B membership interests issued and outstanding, which have no voting rights, no dividends, or equity participation. SIS is a 36-year-old technology solutions and services company, collaborating with customers on innovative data center strategy, technology solutions in the cloud or on-premise to help customers drive impactful business results. Consideration for the purchase consisted of (i) $11,500 USD in cash; plus (ii) the issuance of a right to exchange 8,000,000 Class B membership interests for an aggregate of 8,000,000 common shares of the Company. No exchange will be permitted until at least six months from the acquisition date, at which point 1,500,000 common shares will become eligible for issuance pursuant to the agreement. An additional 1,500,000 common shares will become eligible for exchange on each six-month anniversary of the completion of the transaction thereafter, such that all 8,000,000 common shares will only be available for exchange following the three-year anniversary of the acquisition.

Outlook for fiscal 2019

The consumption of information technology continues to be strong across the globe. The demand for IT infrastructure equipment, services and the adoption of cloud are fueling the Company's growth across the US and Canada. The uncertainty caused by aging infrastructure, monolithic applications, and the increasing complexity of emerging technology and digital transformation are creating more of a demand for the Company's solutions and services. The Company's position as a leading North American hybrid IT solution provider provides the Company with the ability to better serve customers' technology requirements. As a result of the Company's acquisitions and investments, the Company's solution portfolio consists of a broader set of technology offerings and services including cognitive applications, cloud services, and blockchain solutions. Management believes the Company's growth trajectory will be consistent with the overall market expectations in 2019. Management also believes the Company is well positioned to capitalize on the expansion of the hybrid IT market and demand for cloud services as a result of its partnerships with cloud market leaders Microsoft, Amazon Web Services, and Google, all of which are experiencing double digit growth. Furthermore, as a result of the Lighthouse acquisition, the Company is now one of twelve Red Hat partners that are recognized in their top Application Partner Program. The Company believes this represents a significant services business opportunity and that it will drive both growth and the need for industry expertise for Red Hat's hybrid-cloud, container and related technologies which is essential for success with the adoption of a digital transformation strategy. According to IDC, public cloud services spend should experience a compound annual growth rate of approximately 21.9% from 2015 to 2021.*

The Company will continue to focus on its three phased expansion plan of organic growth and selective, accretive acquisitions. As part of such plan, the Company will focus on strengthening its geographic footprint throughout the Central US along with identifying larger, strategic targets that enhance and accelerate the Company's growth avenues, including gaining capabilities, cross-selling to existing clients and entering new markets and verticals.

(expressed in thousands of Canadian dollars)

The Company will continue to focus on the execution of its cross-selling strategy in all markets and will invest in enhancing relationships with its diverse partner ecosystem. The Company will also invest in resources to support the go-to-market efforts where new capabilities are introduced as a result of the Company's acquisitions.

*Source: IDC U.S. Small and Medium-Sized Business Forecast, 2018-2022, Doc #US42181318 May 2018

Summary of Consolidated Financial Results

The following table provides consolidated financial results for the Company as indicated below:

	For the three months ended June 30, 2019	For the three months ended June 30, 2018	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Revenues	**$ 149,273**	$ 103,277	**$ 314,035**	$ 223,061
Cost of sales	**115,049**	80,948	**242,618**	183,647
Gross profit	**34,224**	22,329	**71,417**	39,414
Selling, general and administrative expenses	**29,704**	17,652	**59,336**	29,387
Income before the following:	**4,520**	4,677	**12,081**	10,027
Depreciation and amortization	**2,575**	1,132	**5,183**	1,944
Finance expense, net	**3,221**	2,142	**6,602**	3,390
Change in fair value of contingent consideration	**-**	4,430	**-**	7,443
Transaction costs – acquisitions, including retention bonuses	**438**	2,506	**3,616**	2,840
Other expense (income)	**244**	81	**478**	3
Net loss before taxes	**$ (1,958)**	$ (5,614)	**$ (3,798)**	$ (5,593)
Income tax expense	**400**	182	**1,455**	1,672
Net loss	**(2,358)**	(5,796)	**(5,253)**	(7,265)
Exchange gain (loss) on translation of foreign operations	**233**	(95)	**200**	(142)
Comprehensive loss	**$ (2,125)**	$ (5,891)	**$ (5,053)**	$ (7,407)
EBITDA(i)	$ **5,072**	$ (1,605)	**$ 10,127**	$ 654
Adjusted EBITDA(i)	$ **5,510**	$ 5,331	$ **13,963**	$ 10,603

(i) EBITDA and Adjusted EBITDA are non-IFRS financial measures and do not have any standardized meaning under IFRS. See the "Non-IFRS Financial Measures" section of this MD&A for more details, including reconciliations to the most comparable IFRS financial statements.

Overall Company Performance and Key Changes in Financial Results

Revenue

Revenue for the three and six months ended June 30, 2019 of $149,273 and $314,035 respectively, as compared to $103,277 and $223,061 for the three and six months ended June 30, 2018 was derived from the Company's US subsidiaries, including Corus360, KeyInfo, BCT, Lighthouse and SIS which collectively accounted for $125,787 and $232,765 in revenue, combined with Canadian subsidiaries Northern Micro and Becker-Carroll, which accounted for $23,486 and $81,270 in revenue for the three and six months ended June 30, 2019. The increase in revenue of $45,996 and $90,974 for the three and six months ended June 30, 2019 compared to the three and six months ended June 30, 2018 is primarily due to the new acquisitions of Lighthouse and SIS, which accounted for $35,053 and $65,813 of revenue for the three and six months ended June 30, 2019. The two entities were not acquired as at June 30, 2018. Northern Micro revenue for the three and six months ended June 30, 2019 was negatively impacted year over year due to the disruption of the timing of the budget process at the Canadian federal government. This reduction was offset by the increase in revenues year over year contributed from the Company's US subsidiaries, in particular Corus360 increased revenue by $15,569 and $27,743 for the three and six months ended June 30, 2019. The increase is mainly driven by product sales growth with existing customers and an increase in the Transform360 practice with a health provider.

(expressed in thousands of Canadian dollars)

Gross Profit and Gross Profit Margin

For the three and six months ended June 30, 2019, gross profit was $34,224 and $71,417, respectively, with a gross profit margin of 22.9% and 22.7%, respectively. For the three and six months ended June 30, 2018, gross profit was $22,329 and $223,061, respectively with a gross profit margin of 21.6% and 17.7%, respectively. The increase in gross profit margin is due to the change in mix of product and service revenue lines acquired in 2019 compared to 2018. The acquisition of Lighthouse and SIS had combined gross profit of $9,884 and $20,444 for the three and six months ended June 30, 2019, which were nil for the same period in 2018. The remaining increase in gross margin is attributed to sale of higher margin product and a significant increase in vendor rebates year over year for the three and six months ended June 30, 2019 reflective of the Company level certifications with key vendor partners.

Net Loss

For the three and six months ended June 30, 2019, the Company's net loss of $2,358 and $5,253 was driven by a gross profit of $34,244 and $71,417 offset by $29,704 and $59,336 in selling, general and administrative expenses, $400 and $1,455 in income tax expense, and $3,221 and $6,602 in net finance expense. For the three and six months ended June 30, 2018, the Company's net loss of $5,796 and $7,265 was driven by a gross profit of $22,329 and $39,414 offset by $17,652 and $29,387 in selling, general, and administrative expenses, $4,430 and $7,443 in change in fair value of contingent consideration, $2,142 and $3,390 in net finance expense, and $182 and $1,672 in income tax expense.

Selling, general, and administrative expenses

Selling, general, and administrative expenses comprised of the following expenses for the periods indicated below:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Employee compensation and benefits	**24,862**	14,058	**49,777**	22,899
Rent and office	**3,027**	2,371	**5,856**	4,133
Professional fees	**1,211**	1,158	**2,379**	2,124
Marketing events and showcase expenses	**515**	18	**1,207**	129
Other expense	**89**	47	**117**	102
	29,704	17,652	**59,336**	29,387

Finance expense

Finance expense is comprised primarily of interest expense on the Company's revolving credit facilities, debenture, and convertible debenture. The increase in finance expense for the three and six months ended June 30, 2019 of $1,079 and $3,212 is due to the acquisitions of Lighthouse and SIS which resulted in a higher credit facility balance of $79,563 as at June 30, 2019 compared to the credit facility balance as at June 30, 2018 of $48,826. The Company has also entered into two loans with a third party for $4,000 USD and $10,000 USD on March 1, 2019 and June 11, 2019 at an interest rate of 7% and 8% per annum, respectively.

(expressed in thousands of Canadian dollars)

Fair value change in contingent consideration

There was no change in fair value of contingent consideration for the three and six months ended June 30, 2019. The change in fair value of contingent consideration for the three and six months ended June 30, 2018 of $4,430 and $7,443 was due to revised estimates of earn-out payments to sellers of Northern Micro and the increase in contingent consideration with respect to the purchase of KeyInfo on April 3, 2018.

Non-IFRS Financial Measures

The Company uses non-IFRS financial measures that do not have any standardized meaning prescribed by IFRS. "EBITDA" and "Adjusted EBITDA" are measures of the Company's operating profitability. Management believes that EBITDA and Adjusted EBITDA provide useful information to investors because they exclude transactions not related to the core operating business activities, allowing meaningful analysis of the performance of core operations.

EBITDA is an indicator of the financial results generated by the Company's business activities excluding:

- the impact of finance expenses;
- income taxes with respect to various jurisdictions; and
- depreciation of property and equipment and amortization of intangible assets.

Adjusted EBITDA is a further refinement of EBITDA to remove the effect of:

- acquisition, merging and restructuring related costs;
- write-off of goodwill or other impairments to any financial and non-financial assets;
- fair value adjustments on contingent consideration; and
- gains and losses resulting from the translation of non-Canadian dollar balances.

As such, Adjusted EBITDA provides more meaningful continuity with respect to the comparison of operating results over time. EBITDA and Adjusted EBITDA are derived from the interim condensed consolidated statements of loss and comprehensive loss and consolidated statements of cash flows.

EBITDA and Adjusted EBITDA are calculated as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	**2019**	2018
Net loss as reported	**$ (2,358)**	$ (5,796)	**$ (5,253)**	$ (7,265)
Add:				
Finance expense	**3,221**	2,142	**6,602**	3,390
Income tax expense	**400**	182	**1,455**	1,672
Depreciation and amortization	**2,575**	1,132	**5,183**	1,944
Depreciation included in cost of sales	**1,234**	735	**2,140**	913
EBITDA	**5,072**	(1,605)	**10,127**	654
Add:				
Change in fair value of contingent consideration	**-**	4,430	**-**	7,443
Transaction costs – acquisitions, including retention bonuses	**438**	2,506	**3,616**	2,506
Other expenses	**-**	-	**220**	-
Adjusted EBITDA	**$ 5,510**	$ 5,331	**$ 13,963**	$ 10,603

(expressed in thousands of Canadian dollars)

Quarterly Financial Results

	Three months ended (*unaudited*)								
	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Revenues	**149,273**	164,762	136,088	100,044	103,277	119,785	52,788	-	-
Gross Profit*	**34,224**	37,192	30,322	20,232	22,329	17,086	10,652	-	-
Gross Profit Margin	**23%**	23%	22%	20%	22%	14%	20%	0%	0%
Adjusted EBITDA	**5,510**	8,453	5,759	(189)	5,331	5,607	(299)	(15)	(2)
Net loss	**(2,358)**	(2,895)	(4,197)	(6,776)	(5,796)	(1,468)	(3,901)	(15)	(2)
Loss per share:									
Basic	**(0.03)**	(0.04)	(0.07)	(0.11)	(0.10)	(0.03)	(0.21)	-	-
Diluted	**(0.03)**	(0.04)	(0.07)	(0.11)	(0.10)	(0.03)	(0.21)	-	-
Total assets	**303,932**	326,354	256,298	176,436	166,418	161,173	108,850	3,590	17
Total current liabilities	**259,785**	287,363	236,710	162,978	158,070	148,147	100,654	8	2

The Company's quarterly financial results above show selected financial information from the results of operations and financial position for the periods indicated. In general, the business tends to fluctuate quarter over quarter based on a variety of factors. The spending of key customers is seasonal and heavily dependent on budgeted capital to be used before the end of their respective fiscal periods. The financial results shown above may not be indicative of the Company's financial performance in a future comparative period.

* Certain costs have been reclassified from selling, general and administrative to cost of sales for each of the three months ended September 30, June 30 and March 31, 2018 having an insignificant impact on gross margin.

(expressed in thousands of Canadian dollars)

Overview of Financial Position

The following table provides the financial position of the Company as indicated below:

As at		June 30, 2019		December 31, 2018
Assets				
Current assets	$	**175,619**	$	162,851
Long-term assets		**128,313**		93,447
Total assets	$	**303,932**	$	256,298
Current liabilities		**259,785**		236,710
Long-term liabilities		**48,068**		24,092
Total liabilities	$	**307,853**	$	260,802
Shareholders' equity				
Common Shares		**18,542**		17,826
Warrants		**305**		493
Contributed surplus		**307**		319
Exchange rights		**5,120**		-
Foreign exchange translation reserve		**(515)**		(715)
Deficit		**(27,680)**		(22,427)
Total shareholders' deficiency	$	**(3,921)**	$	(4,504)
Total liabilities and shareholders' equity	$	**303,932**	$	256,298

Current Assets

Current assets are mainly comprised of trade and other receivables of $129,483 (December 31, 2018 - $129,979), inventories of $16,429 (December 31, 2018 - $12,392), and cash of $12,808 (December 31, 2018 - $10,482). Trade and other receivables was comparable to December 31, 2018 with a slight decrease of $496. As the second quarter is historically a slower season of sales for the Company, the decrease in trade receivables was partially offset by the acquisition of SIS in 2019. Inventory increase of $4,037 is due to the regular seasonality of the Company's operations as well as timing of receiving products in warehouse from vendors at quarter end.

Long-term assets

Long-term assets are mainly comprised of goodwill of $49,071 (December 31, 2018 - $32,614) and intangible assets of $52,502 (December 31, 2018 - $46,033). Goodwill increased for the three and six months ended June 30, 2019 due to the acquisition of Lighthouse and SIS, reflecting the benefits attributable to synergies, revenue growth, future market development, and the estimated fair value of an assembled workforce. As at June 30, 2019, intangible assets consisted of $37,769 (December 31, 2018 - $34,004) in customer relationships, $13,609 (December 31, 2018 - $11,677) in trade name and trademarks, $296 in computer software (December 31, 2018 – $352), and $828 in managed service contracts (December 31, 2018 – nil). Property and equipment have also increased in 2019 as a result of the implementation of accounting standards under IFRS 16. As at June 30, 2019, an additional $13,804 of leased property and equipment have been recognized (December 31, 2018 – nil) as right-of-use assets included in property and equipment with a corresponding lease liability.

Current Liabilities

Current liabilities are mainly comprised of $151,218 (December 31, 2018 - $136,208) in trade and other payables from the Company's operations, $87,552 (December 31, 2018 - $75,993) in borrowings and $13,201 (December 31, 2018 - $19,487) in other financial liabilities.

On January 18, 2019, Converge NE Commercial Finance, LLC entered into an additional asset based loan with a Canadian lender. On January 18, 2019, Converge Canada Finance Corp. increased the maximum drawing limit on its revolving credit agreement with a Canadian lender to $52,500 from $40,000. As at June 30, 2019, the total borrowings outstanding under the revolving credit agreements with the Canadian lender was $79,957 (December 31, 2018 - $73,448). On March 1, 2019, the Company entered into a three-year credit agreement with a third party. The lender advanced cash of $5,457 ($4,000 USD) with an interest rate of 7% per annum. As at June 30, 2019, the outstanding balance on the loan was $4,889 (December 31, 2018 - nil). On June 11, 2019, the Company entered into a two-year credit agreement with a third party. The lender advanced cash of $13,287 ($10,000 USD) with an interest rate of 7% per annum. As at June 30, 2019, the outstanding balance on the loan was $13,086 (December 31, 2018 - nil).

Other current financial liabilities as at June 30, 2019 consist of the following: notes payable of $458 (December 31, 2018 – $3,676), deferred consideration of $597 (December 31, 2018 - nil), employee retention bonus of $77 (December 31, 2018 - $6,573), fair value of contingent consideration of $7,423 (December 31, 2018 – $8,510), and short-term finance lease payable of $4,646 (December 31, 2018 - $728). The employee retention bonus outstanding as at December 31, 2018 was fully repaid on March 1, 2019. Short-term finance lease payable has increased from December 31, 2018 due to the adoption of IFRS 16 on January 1, 2019 where right-of-use assets and lease liabilities of $15,804 were recognized on the condensed interim consolidated statements of financial position.

Long-term liabilities

Long-term liabilities are mainly comprised of $20,585 (December 31, 2018 - $7,864) in other financial liabilities, $15,925 in borrowings (December 31, 2018 – $4,382), and a convertible debenture with a fair value of $5,040 (December 31, 2018 - $4,966) issued in 2018. Other non-current financial liabilities are comprised of notes payable of $4,021 (December 31, 2018 - $3,000), fair value of contingent consideration of $6,557 (December 31, 2018 - $4,203), and long-term finance lease payable of $10,007 (December 31, 2018 - $661). Contingent consideration decreased in the period ended June 30, 2019 due to a $2,500 repayment of the Northern Micro earnout offset by a $2,492 increase in the Lighthouse earnout liability recognized on acquisition. Long-term finance lease payable has increased from December 31, 2018 due to the adoption of IFRS 16 on January 1, 2019 where right-of-use assets and lease liabilities of $7,209 were recognized on the condensed interim consolidated statements of financial position. In addition to the office lease that was transitioned as at January 1, 2019, office and equipment leases acquired as part of the acquisition of SIS was recognized under IFRS 16 during the six months ended June 30, 2019. These leases resulted in the recognition of a right-of-use asset and corresponding lease liability of $7,563. As at June 30, 2019, an additional $1,032 of equipment and office leases have been recognized as right-of-use assets and corresponding lease liabilities.

Liquidity and Capital Resources

The Company's capital management objectives are to maintain financial flexibility in order to pursue its strategy of organic and acquisition growth and to provide returns to its shareholders. The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay financial liabilities, issue shares, repurchase shares, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances. The Company is not subject to any externally imposed capital requirements.

As at June 30, 2019, total cash on hand was $12,808 (December 31, 2018 - $10,482). As at June 30, 2019, amounts borrowed under existing credit facilities were $103,477 (December 31, 2018 – $80,375).

(expressed in thousands of Canadian dollars)

Cash Flow Analysis

The following table provides a summary of the Company's cash flows for the periods indicated below:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	**2019**	2018
Cash from operating activities	**$ 16,918**	$18,855	**$16,603**	$15,637
Cash used in investing activities	**(2,894)**	(22,243)	**(18,424)**	(23,176)
Cash from/(used) in financing activities	**(10,750)**	7,064	**3,445**	7,205
Net increase in cash and cash equivalents	**3,274**	3,676	**1,624**	(334)
Cash and cash equivalents at the beginning of the period	**9,046**	3,835	**10,482**	7,786
Effect of foreign exchange fluctuations on cash held	**488**	(442)	**702**	(383)
Cash and cash equivalents at the end of the period	**$ 12,808**	$7,069	**$12,808**	$7,069

Cash provided by operating activities decreased by **$**1,937 and increased by $966 for the three and six months period ended June 30, 2019, respectively compared to the three and six months period ended June 30, 2018. The decrease is primarily due to a $9,230 change in other financial liabilities for the three months ended June 30, 2018 driven by the increase to the Northern Micro earnout liability and the acquisition of KeyInfo and BCT. The decrease in trade and other payables of $9,969 for the three months ended June 30, 2019 in comparison to the prior year comparative decrease of $26,238 is due to the higher sales in Q1 2018 from Northern Micro resulting in higher repayment of payables in Q2 2018. The six months ended June 30, 2019 increase in cash from operating activities is primarily due to the acquisitions of Lighthouse and SIS. Due to the seasonal fluctuation at the three months ended June 30, 2019, cash from operating activities increased primarily due to increased sales to meet high volume customer demand at the end of the quarter.

Cash used in investing activities for the three and six months period ended June 30, 2019 was mainly due to the acquisition of SIS for $14,483. The remaining change is due to the Lighthouse initial purchase consideration non-cash revaluation increase of $4,281 in 2019.

Cash used in financing activities decreased by $17,814 for the three months ended June 30, 2019 due to higher repayment of borrowings of $217,162 compared to the proceeds received of $213,576. Cash from financing activities for the six months ended June 30, 2019 increased as the net proceeds from borrowings of $27,606 was used to repay contingent consideration of $10,143 and interest on the borrowings of $5,933. The rest of the proceeds were used for other financing activities, such as finance lease payments and payment of income tax installments.

Related Party Transactions

The Company entered into an operating lease arrangement with an executive employee of the Company for a period of five years ending on October 31, 2022. The Company is obligated to make payments of $262 on an annual basis under the lease arrangement. For the three and six months ended June 30, 2019, the Company recognized lease expense of $13 and $25 (for the three and six months ended June 30, 2018 - $66 and $131) under this arrangement on transition under IFRS 16.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly including the Company's directors and officers.

Total compensation expense for the Company's key management personnel was $503 and $1,184 (for the three months ended June 30, 2018 - $58 and $117) for the three and six months ended June 30, 2019.

(expressed in thousands of Canadian dollars)

Outstanding Share Capital

The table below provides a summary of the outstanding share capital of the Company as at June 30, 2019.

Capital	Authorized	Outstanding as at June 30, 2019	Outstanding as at December 31, 2018
Common shares	Unlimited	76,224,284	75,683,159
Warrants	Not applicable	7,574,115	7,908,365
Convertible Debenture	Not applicable	5,250,000	5,250,000
Exchange rights	Not applicable	8,000,000	-

Subsequent events

Acquisition of Nordisk Systems, Inc.

On July 1, 2019, the Company acquired all of the issued and outstanding shares of Nordisk Systems, Inc. (“Nordisk”) located in Oregon, USA. The transaction will be accounted for as a business combination. Nordisk is a 36-year-old technology solutions and services company, focused on infrastructure, cloud, security, analytics, business continuity, and managed services solutions. Consideration for the purchase consisted of (i) $2,500 USD in cash; plus (ii) $2,000 USD deferred consideration due September 30, 2019; plus (iii) $2,000 USD promissory notes payable; plus (iv) up to an aggregate of $3,000 USD in earn-out payments for the three years following the acquisition if certain EBITDA targets are met.

Contingencies

On July 2, 2019, SIS was served with a statement of claim by a vendor alleging breach of contract and breach of good faith and fair dealing. The amount claimed is $2,400 USD plus costs and the Company believes the claim is without merit.

Critical Accounting Policies and Estimates

Please see the Company’s audited consolidated financial statements for the year ended December 31, 2018 for a discussion of the accounting policies and estimates that are critical to the understanding of the Company’s business operations and the results of its operations.

The following new accounting standards were applied or adopted during the period ended June 30, 2019:

[i] IFRS 16 – Leases (“IFRS 16”)

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company has adopted IFRS 16 effective January 1, 2019 and applied the requirements of the standard retrospectively without restatement of comparative periods. The implementation of IFRS 16 resulted in the Company recognizing a right-of-use asset and lease liability of $7,209 for office building leases on January 1, 2019. In addition to the office lease that was transitioned as at January 1, 2019, office and equipment leases acquired as part of the acquisition of Software Information Systems, LLC (“SIS”) was recognized under IFRS 16 during the six months ended June 30, 2019. These leases resulted in the recognition of a right-of-use asset and corresponding lease liability of $7,563. As at June 30, 2019, an additional $1,032 of equipment and office leases have been recognized as right-of-use assets and corresponding lease liabilities.

The Company applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered or modified before, on, or after January 1, 2019. In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has resulted in the assessment of contracts to determine whether a lease exists at inception of a contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payment as an operating expense on a straight-line basis over the term of the lease. The right of use asset is initially measured at cost and includes the amount of the initial lease liability and all direct costs incurred by the Company and the lease incentives previously recognized as a liability with respect to operating leases have been derecognized with the amount factored into the measurement of the right-of-use assets.

The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date, discounted by using the incremental borrowing rate for the lease. The change in policy resulted in a decrease in operating expenses and an increase in amortization and interest expense.

[ii] IFRIC 23 – Uncertainty over Income Tax Treatment ("IFRIC 23")

In June 2017, the IASB issued IFRIC 23, which clarifies the accounting for uncertainties in income taxes. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which the Company first applies them, without adjusting comparative information. Full retrospective application is permitted, if the Company can do so without using hindsight. The adoption of this interpretation did not have an impact on the consolidated financial statements.

Risks and Uncertainties

The Company's business is subject to a number of risk factors which are described in its Filing Statement dated as of November 1, 2018 available at **www.sedar.com** under the Company's profile. The risks presented should not be considered to be exhaustive and may not be all of the risks that Converge may face. It is believed that these are the factors that could cause actual results to be different from expected and historical results. If any of the noted risks occur, it may negatively affect the financial results of the Company and adversely affect the market price of Converge.

Further Information

Additional information relating to the Company is available on the Company's website at www.convergetp.com.