



# Converge Technology Solutions Corp.

Leading North American Hybrid IT Solutions Provider

Winter 2019



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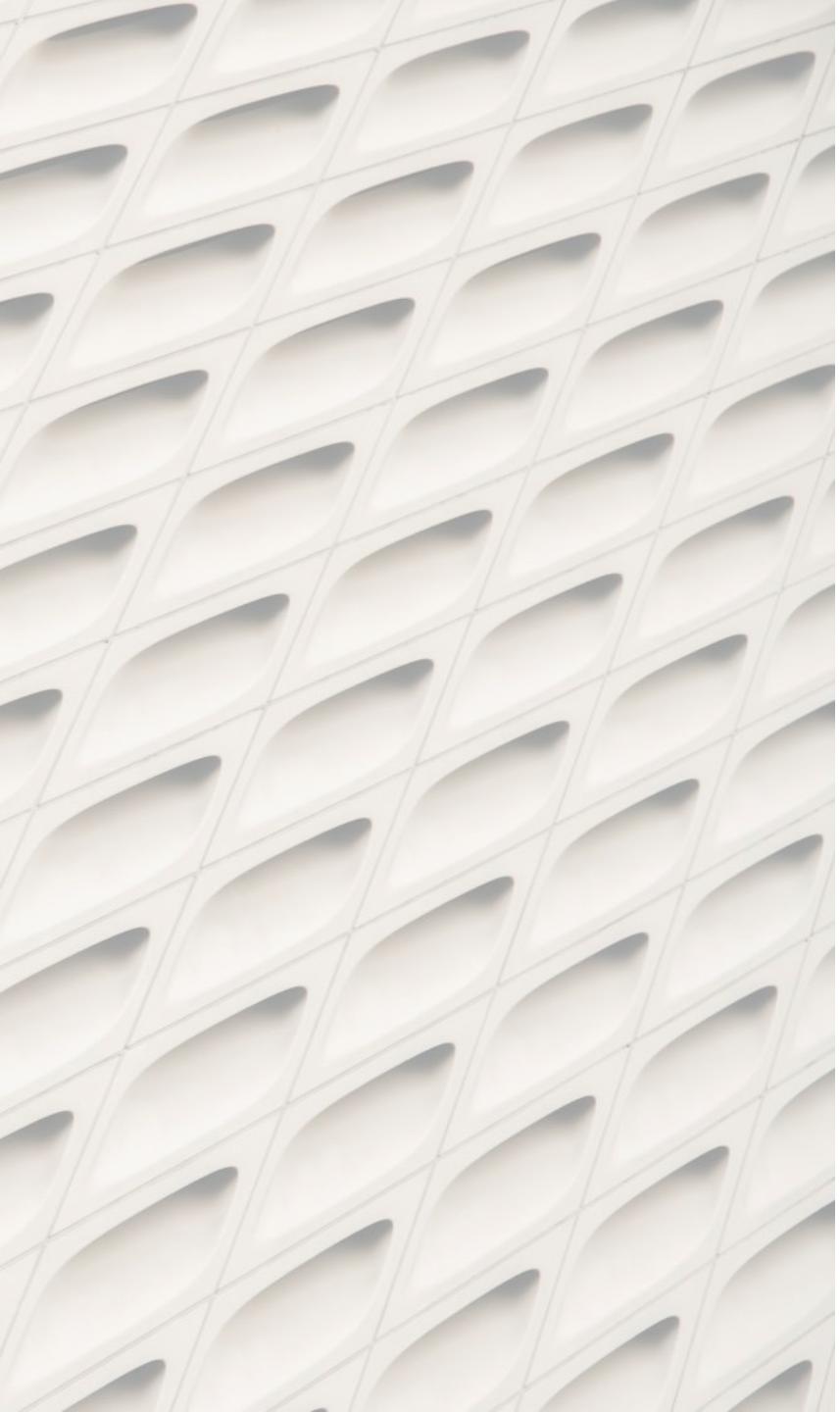
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All figures in this document are in C\$ unless otherwise stated.



# Company Overview

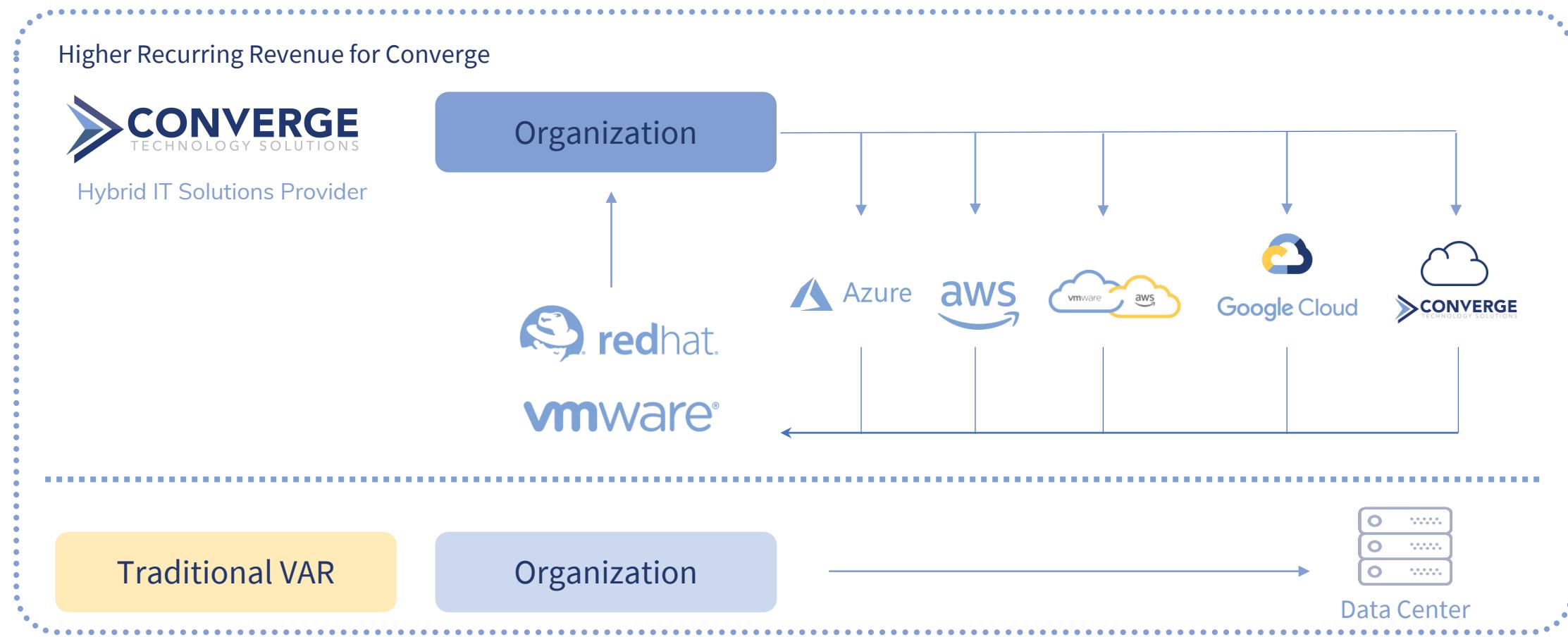
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## About Us

- Converge Technology Solutions is building a leading North American Software Enabled Hybrid IT Solutions Provider (ITSP) selling infrastructure, software, and managed services solutions to corporate and government customers
- Founded in 2016
- Focused on “roll-up” of IT Solution Providers
- Eleven acquisitions to date:
  - Corus360, Northern Micro, Key Information Systems, Becker-Carroll, BlueChipTek, Essex Technology Group, Lighthouse Computer Services, SIS, Nordisk, Datatrend, and VSS
- Management team, board, and founders have extensive acquisition and management experience in both private and public markets
- Trading began on Nov 13, 2018 on the TSX Venture Exchange as TSXV:CTS

# Transformation into a Hybrid IT Provider

Converge acquires traditional VARs and transforms them into multi-cloud providers with sizable software and service capabilities



# Hybrid IT – Solution Practices

Converge's Solution Set Addresses Market Trends and Complexities



## Hybrid Cloud

- Public Cloud
- Private Cloud
- DevOps



## Cyber Security

- Mobile Device Mgmt
- Identity and Access Mgmt
- SIEM



## Digital Infrastructure

- Compute
- Collaboration
- Networking
- Storage



## Cognitive

- Analytics
- Artificial Intelligence



## Digital Transformation

- Blockchain
- User Experience



## Talent Solutions

- Staffing
- Recruiting

## Market Trends

Cloud Services Continues to Grow (20%+ / year)

Lack of Internal IT Expertise Within Organizations

Fragmented Vendor Networks are Inefficient and Confusing

Clients Need Consultative Approach to IT Solutions



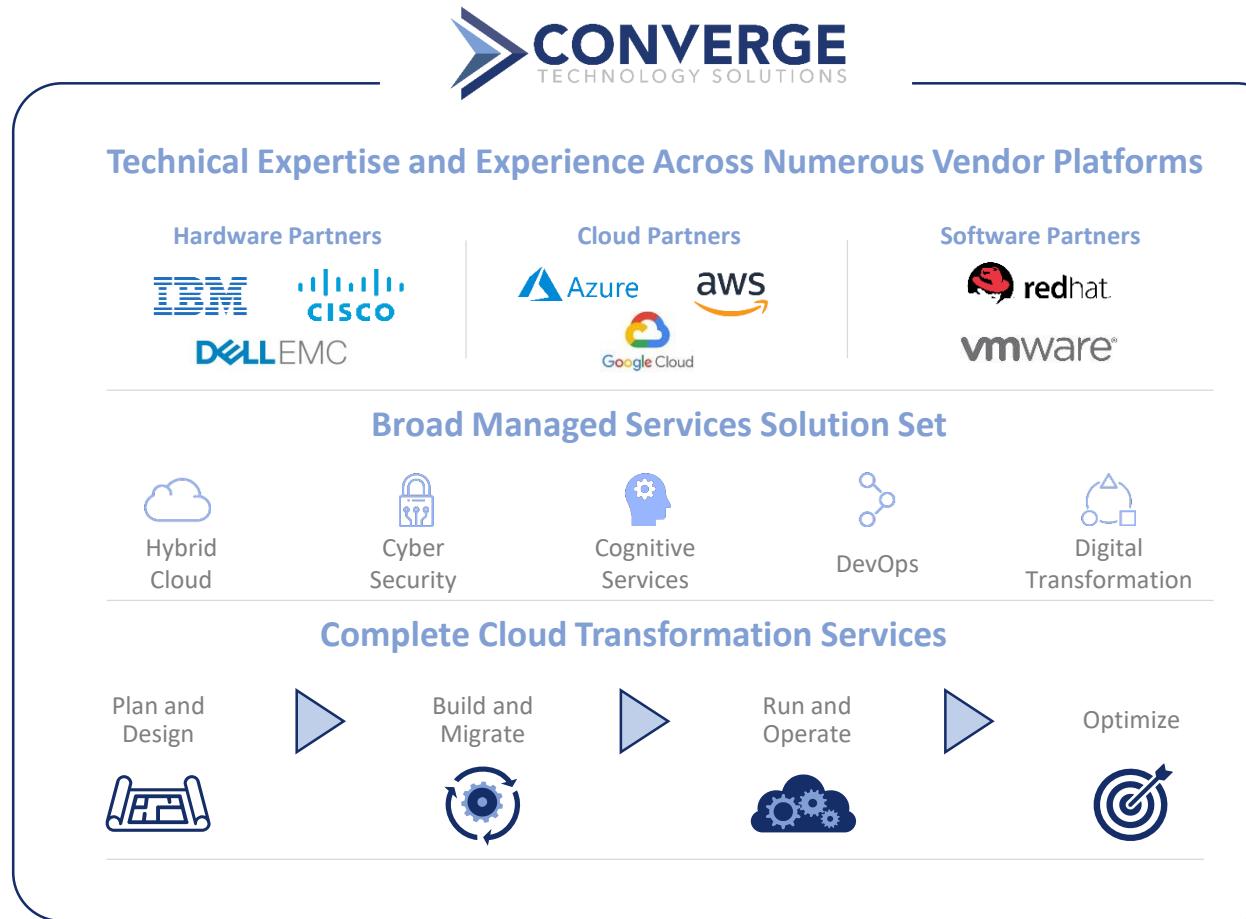
Dedicated to Solving Client's Cloud Challenges

Deep Technical and Domain Expertise

One-Stop-Shop Simplifies Experience for Clients

Deep Knowledge of Clients' Systems and Infrastructure Allows Solutions-Focused Approach

# Hybrid IT Roll-Up Strategy



# Differentiating Converge as a Hybrid IT Provider



1. 2019E.

# Acquisitions & Key Milestones to Date

Eleven acquisitions completed since October 2017.



(Acquired  
Oct 2017)

(Acquired  
Nov 2017)

(Acquired  
Feb 2018)

(Acquired  
Apr 2018)

(Acquired  
May 2018)

(Transaction  
Nov 2018)

(Acquired  
Dec 2018)

**Q4 2017**

**Q2 2018**

**Q3 2018**

**Q4 2018**

**Sept 2017**

**End of CY2017**

Closed debenture financing of ~\$4.0M

C\$293M in annualized revenue

**Feb 2018**

Completed 'pre-public' private financing of \$4.3M

**Q1 2018**

Strengthened Management & Executive Team

**Aug 2018**

Entered into acquisition agreement with Norwick Capital

**Sep 2018**

Raised C\$5.5M in a private placement round

**Oct 2018**

Received C\$5.25M convertible debenture investment from a strategic investor

**Nov 2018**

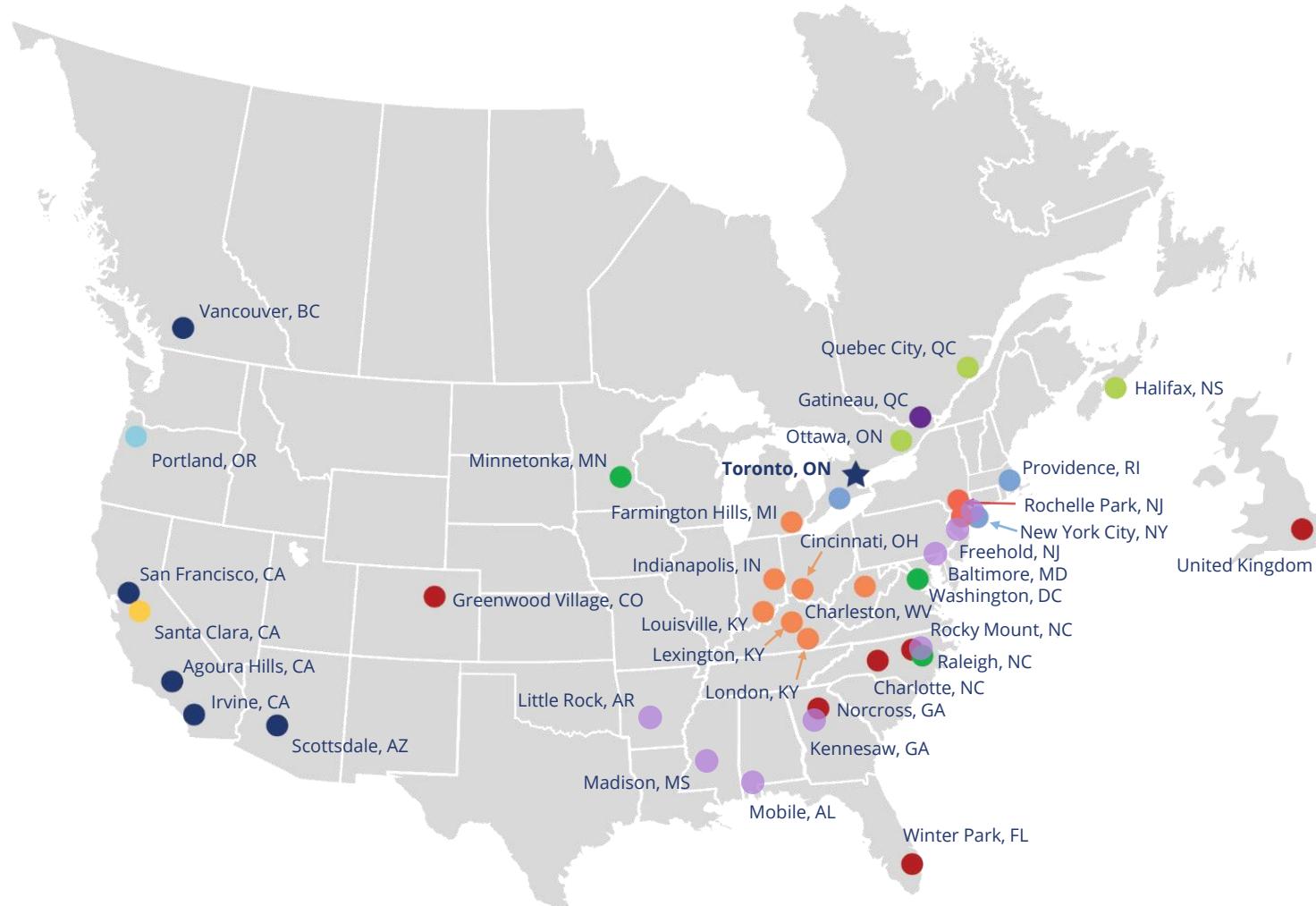
Began trading on the TSX Venture Exchange as TSXV: CTS

# Acquisitions & Key Milestones to Date

Eleven acquisitions completed since October 2017.

 A CONVERGE COMPANY	 A CONVERGE COMPANY	 A CONVERGE COMPANY	 A CONVERGE COMPANY	 A CONVERGE COMPANY
(Acquired Jan 2019)	(Acquired July 2019)	(Acquired Oct 2019)	(Acquired Oct 2019)	(Acquired Nov 2019)
Q1 2019	Q2 2019	Q3 2019	Q4 2019	
Feb 2019	May 2019	July 2019	Aug 2019	Oct 2019
Began trading on the Frankfurt Stock Exchange as OZB	Began trading on the OTCQX as CTSDF	Expanded geographical coverage	Converge announced as Red Hat Premier & Apex Partner	Converge transitioned Essextec from a strategic partner to a fully owned subsidiary of Converge
				Converge announced organizational changes in preparation for Phase III
				Strengthened portfolio of Hybrid IT solutions and capabilities

# National Footprint



Approx.

**770** employees in US  
**80** employees in Canada

**280+** engineers & technicians  
**200+** direct sales professionals  
**40** offices

- ★ Converge Headquarters
- KeyInfo
- Essextec
- Northern Micro
- SIS
- BlueChipTek
- Becker-Carroll
- Corus360
- Lighthouse
- Nordisk Systems
- Datatrend Technologies
- VSS

Note: Approx. counts as of November 2019.

# Phased Approach To Growth

		(in C\$)	Actual Results	
<b>Phase 1</b>	Broad Geographical Coverage 2018	<ul style="list-style-type: none"> <li>○ Built national footprint across the U.S. and Canada through nine acquisitions since 2017</li> <li>○ Developed national managed services and other recurring revenue offerings</li> </ul>	<b>~\$545M</b> <i>Pro Forma Run-Rate Revenue</i>	<b>~\$23M</b> <i>Pro Forma Run-Rate Adj. EBITDA</i> <b>~\$75M</b> <i>Annualized Recurring Revenue</i>
<b>Phase 2</b>	Enabling Hybrid IT & Cross-Sell 2019 / 2020	<ul style="list-style-type: none"> <li>○ Continue M&amp;A strategy to expand coverage into the 30+ largest U.S. cities</li> <li>○ Strengthen national managed services and other recurring revenue offerings across acquired businesses</li> </ul>	<b>~\$1.0B</b> <i>Pro Forma Run-Rate Revenue</i>	<b>~\$50M</b> <i>Pro Forma Run-Rate Adj. EBITDA</i> <b>~\$100M</b> <i>Annualized Recurring Revenue</i>
<b>Phase 3</b>	Cost Synergy Realization 2020 / 2021	<ul style="list-style-type: none"> <li>○ Further enhance scale with larger acquisitions across North America</li> <li>○ Continued cross-sell opportunities within existing customer base</li> <li>○ Fully integrate back office ERP and focus on additional cost take-out opportunities</li> </ul>	<b>\$2.0B+</b> <i>Pro Forma Run-Rate Revenue</i>	<b>\$100 – 200M</b> <i>Pro Forma Run-Rate Adj. EBITDA</i> <b>\$240M+</b> <i>Annualized Recurring Revenue</i>

[-----] = current phase

# Vendors and Partners

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## Technology Vendors

## Distribution Partners

# Growth in Cloud Computing

Vendor	Cloud Platform	Growth <sup>(1)</sup>	Application
 Microsoft	 Azure	76%	Email, Office, and Building and Deploying Applications
 Google <sup>(2)</sup>	 Google Cloud	38%	Containers and Cloud Storage
 amazon	 aws	46%	Virtual Machines, Databases, Deploy Servers, and DNS Management

1. Year-over-year revenue growth figures for 4Q18. Source: Cleveland Research.

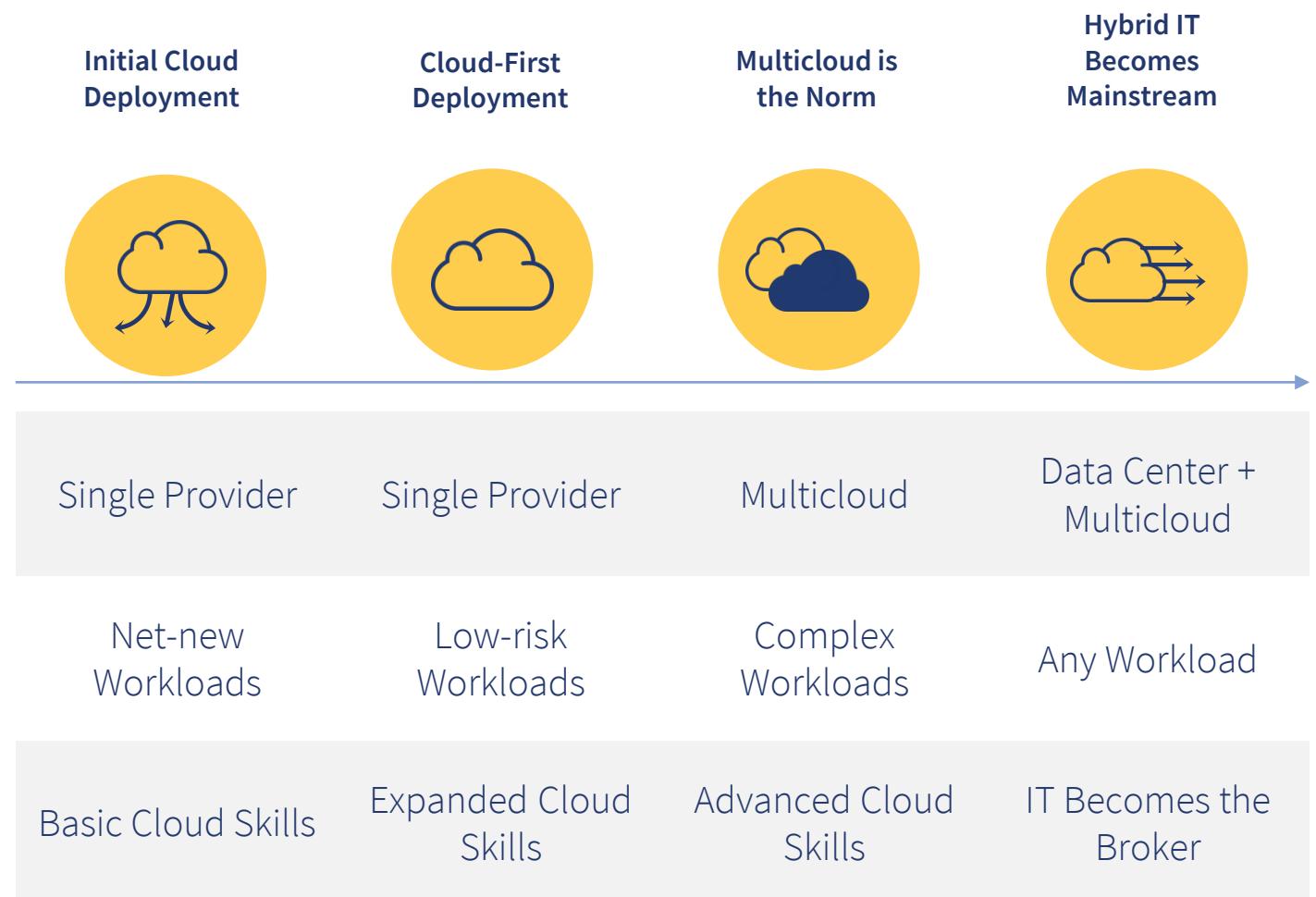
2. Google Other Revenues

# Hybrid IT – Organizations' Cloud Journey

- Organizations will continue to advance cloud-first strategies to reduce TCO and improve service levels
- Traditional cloud market segments will blur
- Multicloud will become the de facto standard
- Architects will make Hybrid IT a reality

*"Many organizations have now passed the definitional stage of cloud computing and are testing cloud architectures inside and outside the enterprise and over time, the **cloud will simply become one of the ways that we 'do' computing**, and workloads will move around in hybrid internal/external IT environments"*

*– Chris Howard, Managing VP at Gartner.*

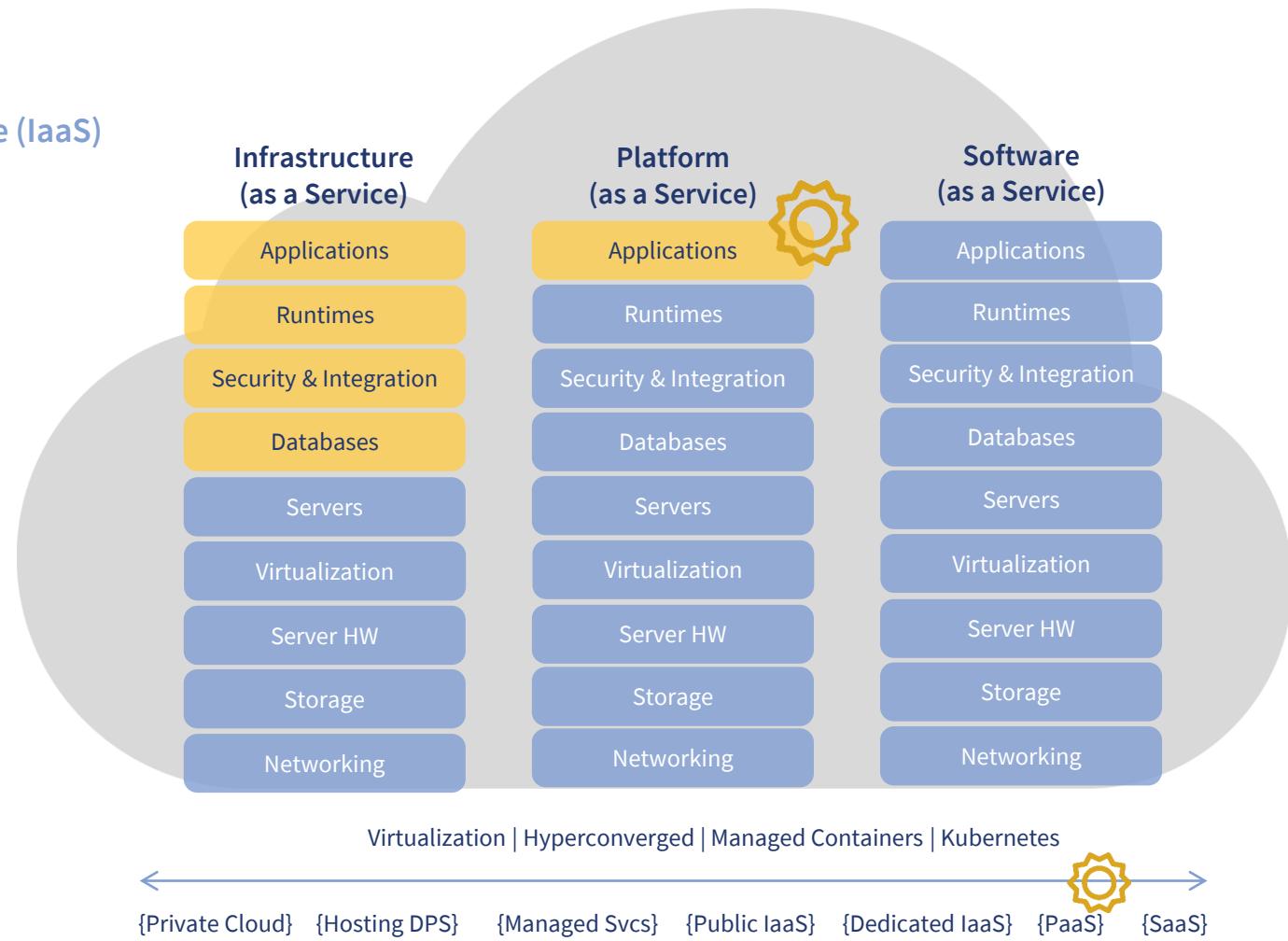


# Full Service Across Cloud Spectrum

## Converge Cloud extends beyond Infrastructure as a Service (IaaS)

Cloud PaaS are new “3rd party middleware software” that are CSP-specific. To build or migrate to cloud, new cloud-native applications development methods and expertise are required.

To best manage new cloud “infrastructure”, Consulting Services, along with new Cloud-IT organization and practices are vital.

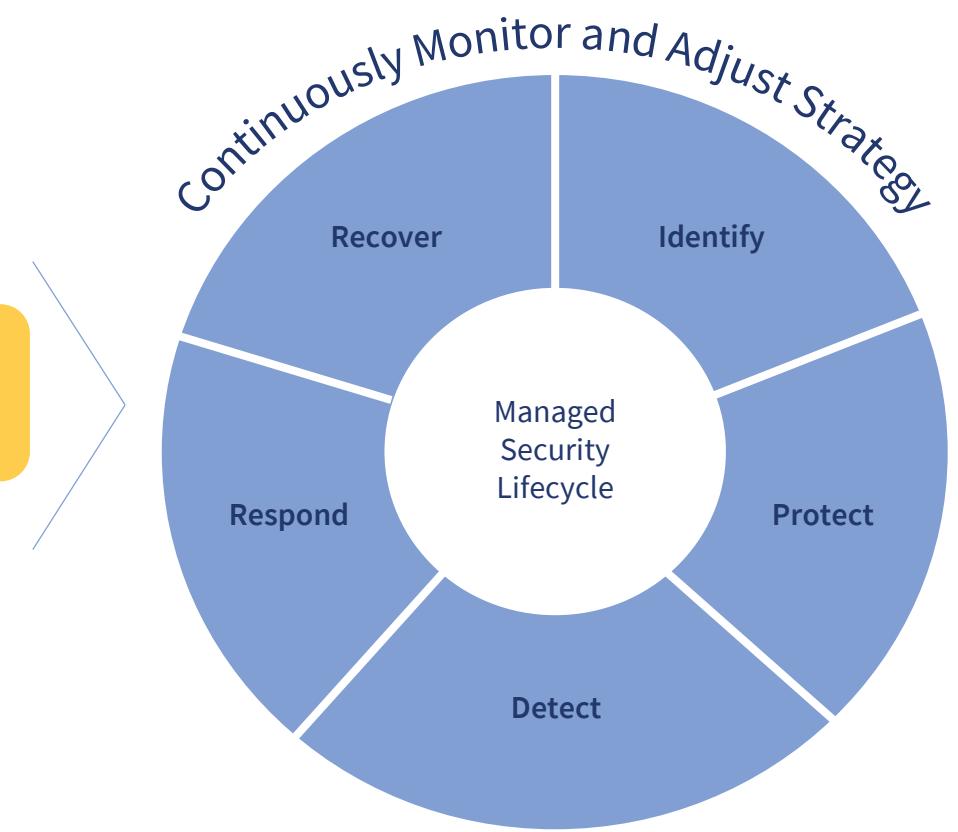
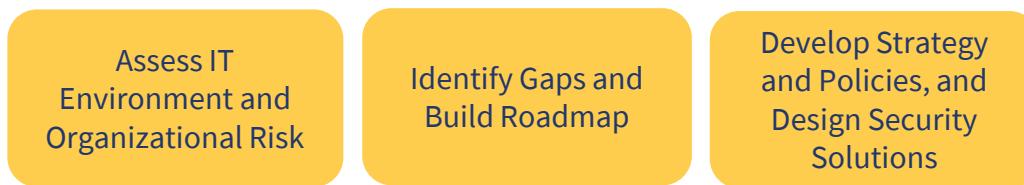


# Converge Services Across Cybersecurity Continuum

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Appropriate Cybersecurity measures are vital as cloud trends continue to revolutionize

## Cybersecurity Foundation

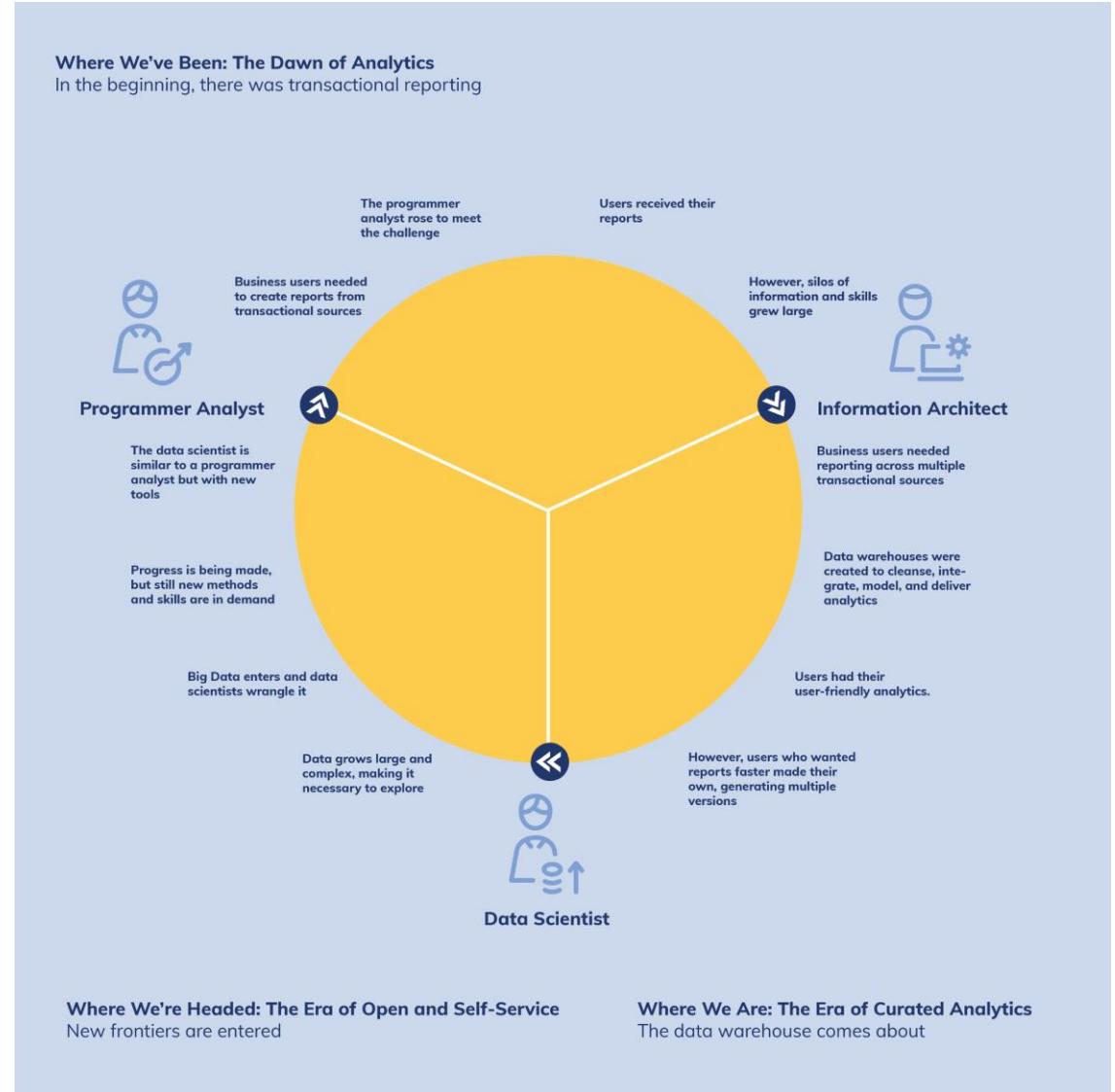


# Converge Data Analytics

Converge has highly knowledgeable teams with 25+ years experience in Data Analytics

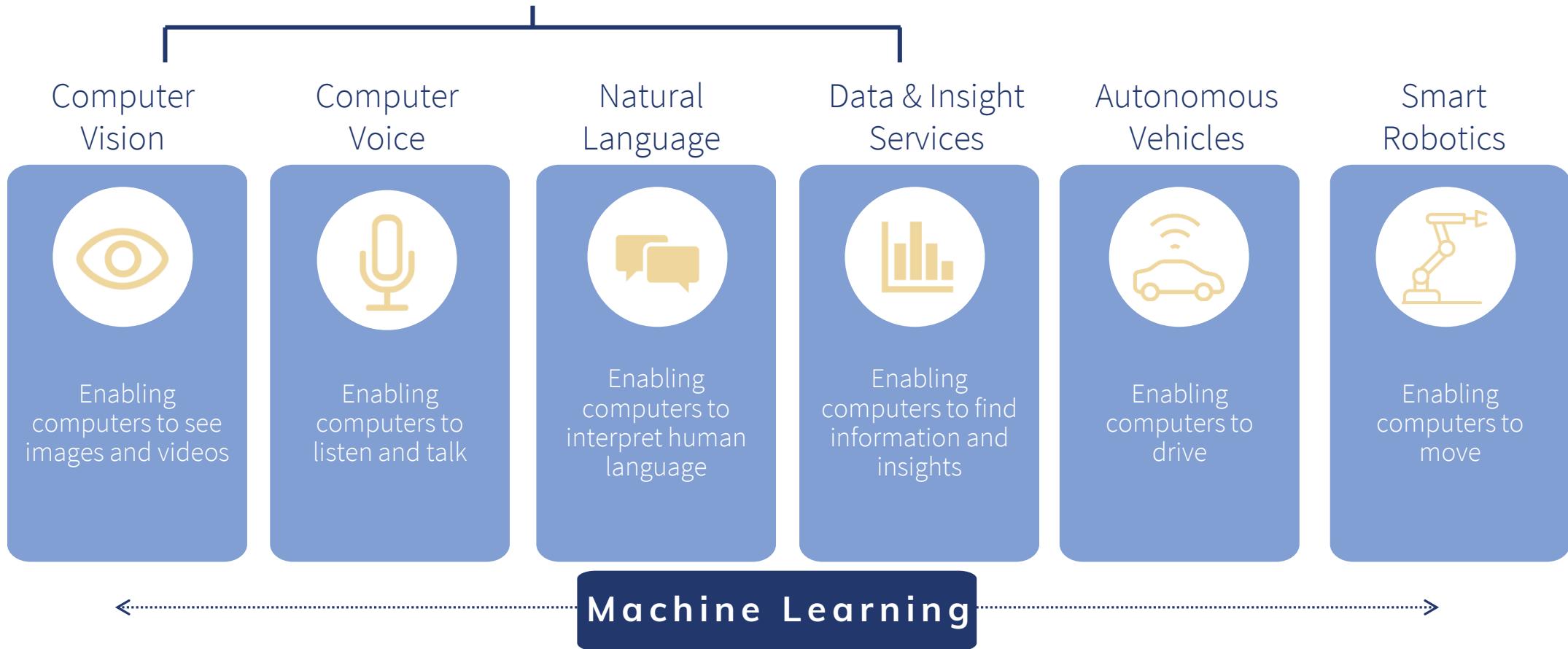
Sales, Service, Support, Managed Services, Managed Projects, and Staff augmentation for:

- Business Intelligence
- Predictive Analytics
- Data Integration
- Data Governance
- Data Warehousing
- Information Management
- Master Data Management
- Location Intelligence



# Cognitive Computing & AI Services

Converge focuses on Cognitive Computing, the subset of AI that attempts to mimic cognitive abilities like speaking listening, and reasoning





Converge focuses on acquisitions and organic growth through cross-selling, not cross-cutting.

# Integration and Operational Model

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## Focused on Synergies and Efficiencies

### Revenue Synergies

#### Increase Sales

- Run campaigns with Tier-1 vendors repeating industry specific sales across geographies
- Cross-sell best of breed solutions to other Converge customers
- Leverage relationships to increase enterprise sales
- Consolidate recurring revenue offerings across acquisitions and service a broader range of customers
- Introduce blockchain solutions into our large North American customer footprint

#### Expand EBITDA margins by 0.5% – 1.0%

- Top Vendor certification leads to better pricing, rebates and market development funds
- Back office efficiencies and automation are optimized through scale and systems

### Working Capital Efficiency

#### Improve working capital by extending terms with vendors

- Extending average payable terms by 10-15 days generates approximately \$2.7M-\$4.1M of liquidity for every \$100M of product spend

# Converge Enables Cross-Selling Opportunities



## Northeast Region



essextec  
A CONVERGE COMPANY

86  
Technical  
Resources  
54  
Other

57  
Sales  
Reps

## Southeast Region



51  
Technical  
Resources  
89  
Other

66  
Sales  
Reps

## Central Region



86  
Technical  
Resources  
70  
Other

49  
Sales  
Reps



## West Region



BCT BlueChipTek  
A CONVERGE COMPANY

39  
Technical  
Resources  
44  
Other

26  
Sales  
Reps

## Canada Region



28  
Technical  
Resources  
39  
Other

9  
Sales  
Reps



~290  
Technical Resources

{ *Technical and Cloud Teams are Virtual and Overlay All Entities* }

~207  
Salespeople



Note: Approx. personnel counts as of November 2019.

# Financial Summary | Quarterly Financials

## Income Statement

(C\$ thousands)	3 months ended		9 months ended		
	31-Mar-19	30-Jun-19	30-Sep-19	30-Sep-18	30-Sep-19
Revenues	170,601	157,985	144,504	323,105	473,091
Cost of Sales	133,394	121,847	109,615	263,458	364,861
<b>Gross Profit</b>	<b>37,207</b>	<b>36,138</b>	<b>34,889</b>	<b>59,647</b>	<b>108,230</b>
Selling, general, and admin expenses	29,800	31,635	31,342	50,506	92,777
<b>Adjusted EBITDA*</b>	<b>8,453</b>	<b>5,510</b>	<b>5,827</b>	<b>10,749</b>	<b>19,790</b>

\*Income (loss) before finance expenses, income taxes, depreciation and amortization,  
change in contingent consideration, transaction costs, initial public offering costs

## Balance Sheet

	As at	
	30-Sep-19	31-Dec-18
(C\$ thousands)		
Cash	21,215	14,722
Trade & other receivables	121,048	129,979
Inventories	14,369	12,392
Other current assets	12,623	5,758
<b>Total Current Assets</b>	<b>169,255</b>	<b>162,851</b>
Long-term assets	134,533	93,447
<b>Total Assets</b>	<b>303,788</b>	<b>256,298</b>
Trade & other payables	139,261	136,208
Borrowings	113,367	80,375
Other financial liabilities	42,678	27,351
Debentures	3,506	3,151
Convertible Debenture	5,076	4,966
Other liabilities	9,861	8,751
<b>Total Liabilities</b>	<b>313,749</b>	<b>260,802</b>
<b>Shareholder's Equity</b>	<b>(9,961)</b>	<b>(4,504)</b>

# Converge Leadership Team



**Shaun Maine | CEO**

- Former COO of Pivot
- Ran Prosys Info Systems (\$700M+ ITSP) & performed diligence/integration for Pivot acquisitions
- Early Java Pioneer with extensive experience in software industry



**Don Cuthbertson | CTO**

- Former Chief Data Officer of Pivot, and Former CEO of IntelligentWorks – a custom software development company based in Ottawa
- President of Canadian Region
- Leads Blockchain initiatives



**Cory Reid | COO**

- Former Chief Information Officer of Pivot
- 25+ years of experience in both the software and infrastructure sides of the technology sector, as well as sales and warehouse operations
- Leads integration initiatives from acquisitions to operations



**Tommy Whatley | EVP Services | Vendor Alliance**

- Former VP for Professional Services of Pivot
- 25+ years of experience in technology services delivery and technical presales alignment, as well as leading vendor alliance programs and strategy
- Specializes in services alignment and growth with merger and acquisitions



**Gordon McMillan | Board Chair**

- Co-Founder of Converge TP
- Co-Founder of Pivot, Triax Capital, Skylon Capital
- Director of Flow Capital Corp., and Quisitive Technology Solutions Inc.
- Financial Industry entrepreneur and investor



**Mary Anne Palangio | CFO**

- Former CFO of LOGiQ Asset Management Inc. and SVP & CIO, Group Functions at Manulife
- Oversees Strategic Financial Planning and Analysis, Financial Reporting, and Internal Controls Management
- Board Director of the Canadian Securities Exchange



**Greg Berard | President**

- President of Lighthouse Computer Services & Eastern Region
- Extensive experience in IT Management across hardware, services and software
- Oversees business development, client services, strategic partnerships, and go to market strategy



**Cindy Kennedy | West Region President**

- President of Key Information Systems
- Over 20 years of IT solutions experience
- Oversees the cross-selling of new products & services into Converge acquisitions

**Shaun Maine**  
**Chief Executive Officer**

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**Mary Anne Palangio**  
**Chief Financial Officer**

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**Executive Vice President**

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