



# Converge Technology Solutions Corp.

Leading North American Hybrid IT Solutions Provider

Winter 2020



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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 platform of Software Enabled Hybrid IT Solution Providers (ITSP) selling infrastructure, software, and managed services solutions to corporate and government customers
- Founded in 2016
- Focused on “roll-up” of IT Solution Providers
- Twelve acquisitions to date:
  - Corus360, Northern Micro, Key Information Systems, Becker-Carroll, BlueChipTek, Essex Technology Group, Lighthouse Computer Services, SIS, Nordisk, Datatrend, VSS, and PCD Solutions
- 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

# Hybrid IT Roll-Up Strategy Overview



## Technical Expertise and Experience Across Numerous Vendor Platforms

### Hardware Partners



### Cloud Partners



### Software Partners



## Broad Managed Services Solution Set



Hybrid Cloud



Cyber Security



Cognitive Services



DevOps



Digital Transformation

## Complete Cloud Transformation Services

Plan and Design



Build and Migrate



Run and Operate



Optimize



30+  
Office Locations

200+  
Salespeople

300+  
Technical Resources

with

400+  
Certifications

2,000+  
Customers

8  
Key Vendor Relationships

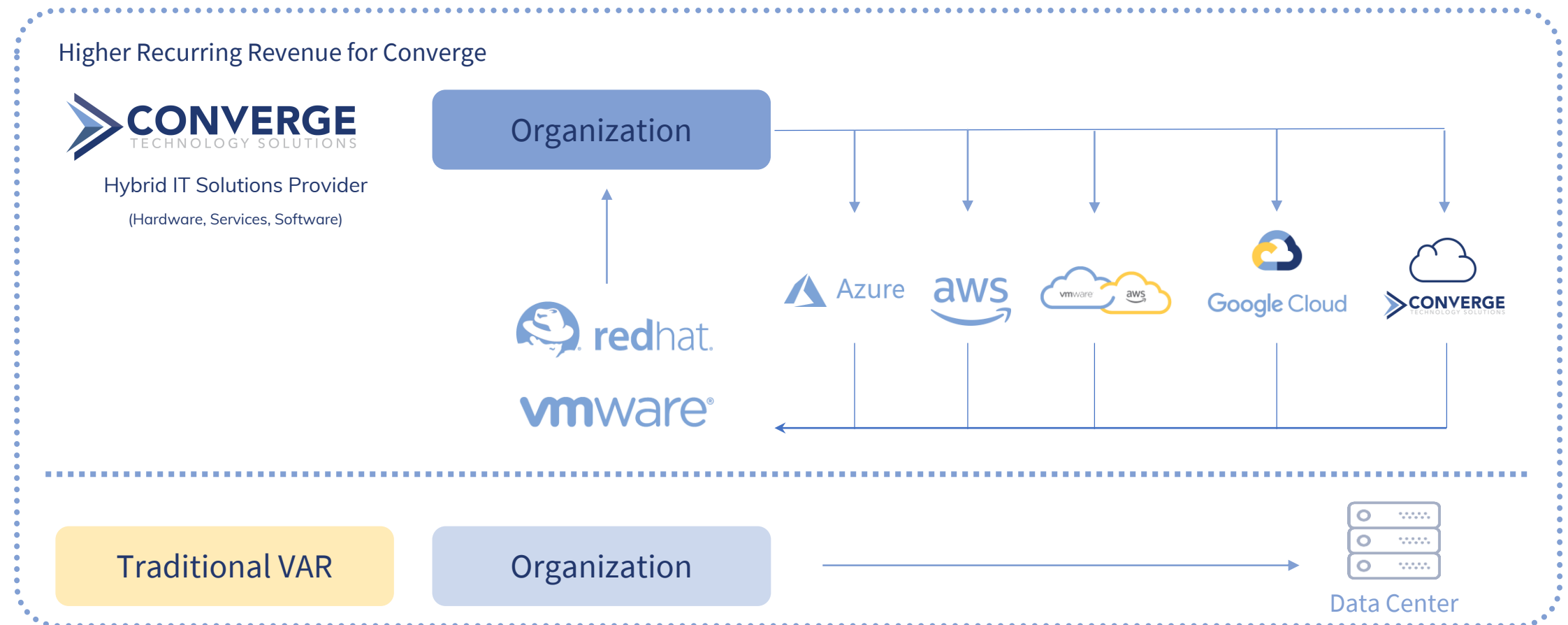
250+  
Total Vendor Relationships

## Portfolio Roll-Up



# 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



## Cloud

Public Cloud  
Private Cloud  
Hybrid Cloud



## 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  
(approx. 20%+ / year)<sup>1</sup>

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

1. Gartner.com

# Differentiating Converge as a Hybrid IT Provider



1. 2019E.

# Acquisitions & Key Milestones to Date

Twelve 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

### Sept 2017

Closed debenture  
financing of  
~\$4.0M

### End of CY2017

C\$293M in  
annualized  
revenue

## Q1 2018

### Feb 2018

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

### Q1 2018

Strengthened  
Management &  
Executive Team

## Q2 & Q3 2018

### Aug 2018

Entered into  
acquisition agreement  
with Norwick Capital

### Sep 2018

Raised C\$5.5M in a  
private placement  
round

## Q4 2018

### Oct 2018

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

### Nov 2018

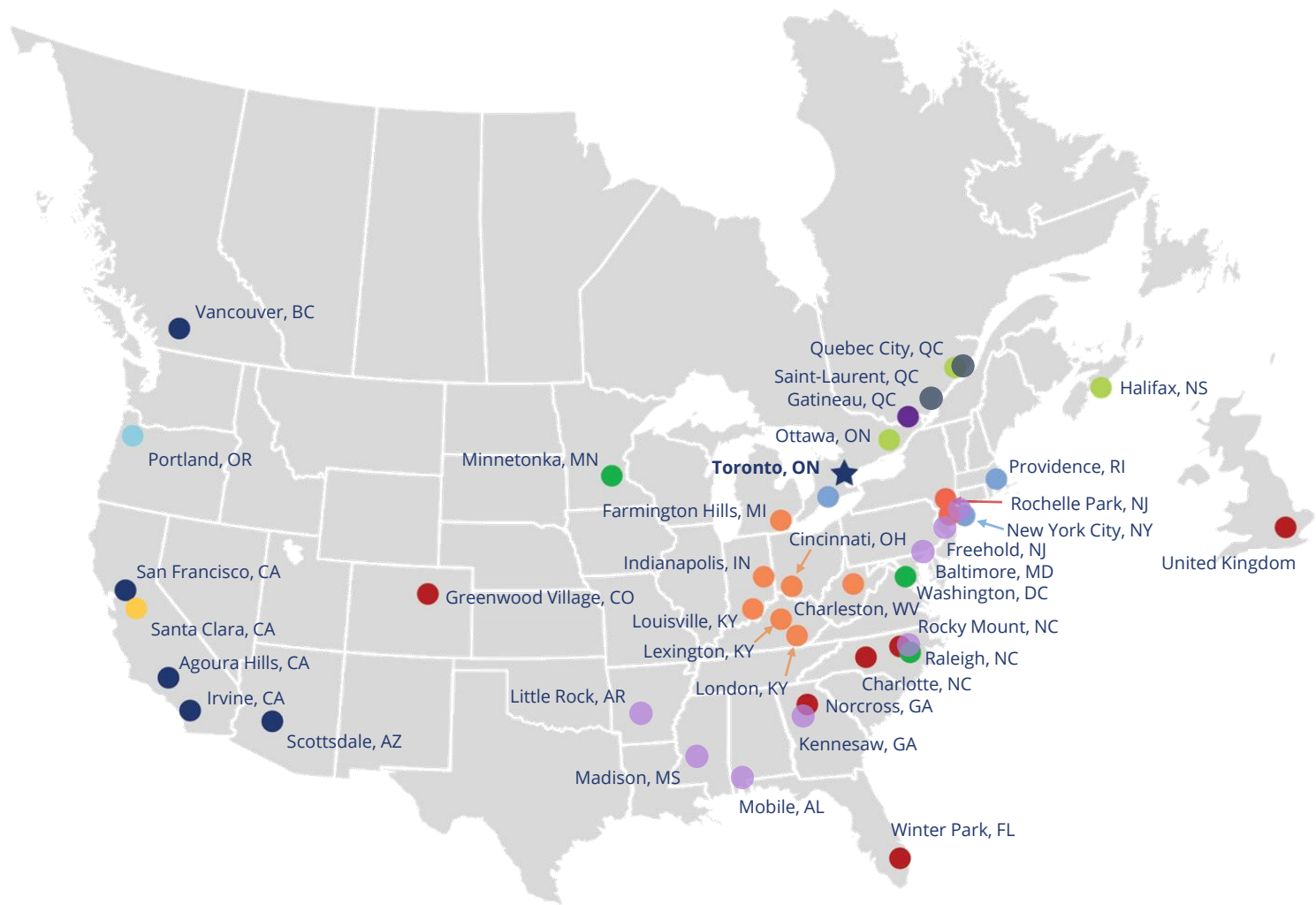
Began trading on  
the TSX Venture  
Exchange as  
TSXV: CTS

# Acquisitions & Key Milestones to Date

Twelve acquisitions completed since October 2017



# North American Footprint



Approx.<sup>1</sup>

**770** employees in US

**115** employees in Canada

**300+** engineers & technicians

**210+** direct sales professionals

**42** offices

★ Converge Headquarters

● KeyInfo

● Northern Micro

● BlueChipTek

● Corus360

● Nordisk Systems

● VSS

● Essex tec

● SIS

● Becker-Carroll

● Lighthouse

● Datatrend Technologies

● PCD Solutions

1. Approx. counts as of February 2020.

# Phased Approach To Growth

<b>Phase 1</b> <b>Broad Geographical Coverage</b> 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>	<i>(in C\$)</i>  <b>~\$545M</b>  <i>Pro Forma Run-Rate Revenue</i>	<i>Actual Results</i>  <b>~\$23M</b>  <i>Pro Forma Run-Rate Adj. EBITDA</i>	<b>~\$75M</b>  <i>Annualized Recurring Revenue</i>
<b>Phase 2</b> <b>Enabling Hybrid IT &amp; Cross-Sell</b> 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>	<i>Targeted Pro Forma Results</i>  <b>~\$50M</b>  <i>Pro Forma Run-Rate Adj. EBITDA</i>	<b>~\$100M</b>  <i>Annualized Recurring Revenue</i>
<b>Phase 3</b> <b>Cost Synergy Realization</b> 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>	<i>Targeted Pro Forma Results</i>  <b>\$100 – 200M</b>  <i>Pro Forma Run-Rate Adj. EBITDA</i>	<b>\$240M+</b>  <i>Annualized Recurring Revenue</i>

Phase 2 = current phase

# Vendors and Partners

## Technology Vendors

## Distribution Partners

# 2019 Customer & Partner Events

Converge hosts events across geographies to grow its brand recognition and showcase its capabilities to clients & vendors

## Software Enablement

### Roadshows

- Raleigh, Atlanta, and Tampa
- Denver, Costa Mesa, Portland, and San Francisco
- Indianapolis and Minnesota

## Ansible Workshops

- Boston – 28 clients
- Atlanta – 45 clients
- Indianapolis – 35 clients

## Cisco Workshops

- New York City
- Portland
- Boston

## Security Workshops

- Indianapolis
- Costa Mesa
- Portland
- San Francisco



# Addressing Market Opportunities

## Highly Fragmented Market with Few Scaled Providers <sup>1</sup>

*Converge's unique consolidation strategy provides customers with the resources and technical capabilities of a scaled platform, while maintaining the brand, reputation, and dedicated resources of a regional provider*



**~80K**

IT Solutions providers covering a wide range of capabilities, geographies, and end markets



**~50%**

Market share held by smaller regional and local providers



**< 5%**

Market share of the largest market participant

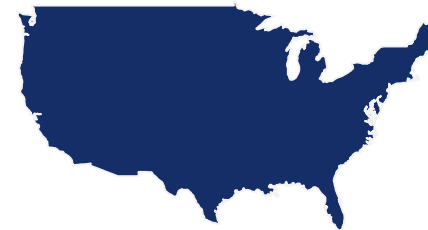
1. CMA Market Report.

## Large Market Opportunity <sup>1</sup>



**\$3.7T**

**Global Market**



**\$1.2T**

**U.S. Market**

### Converge Focus

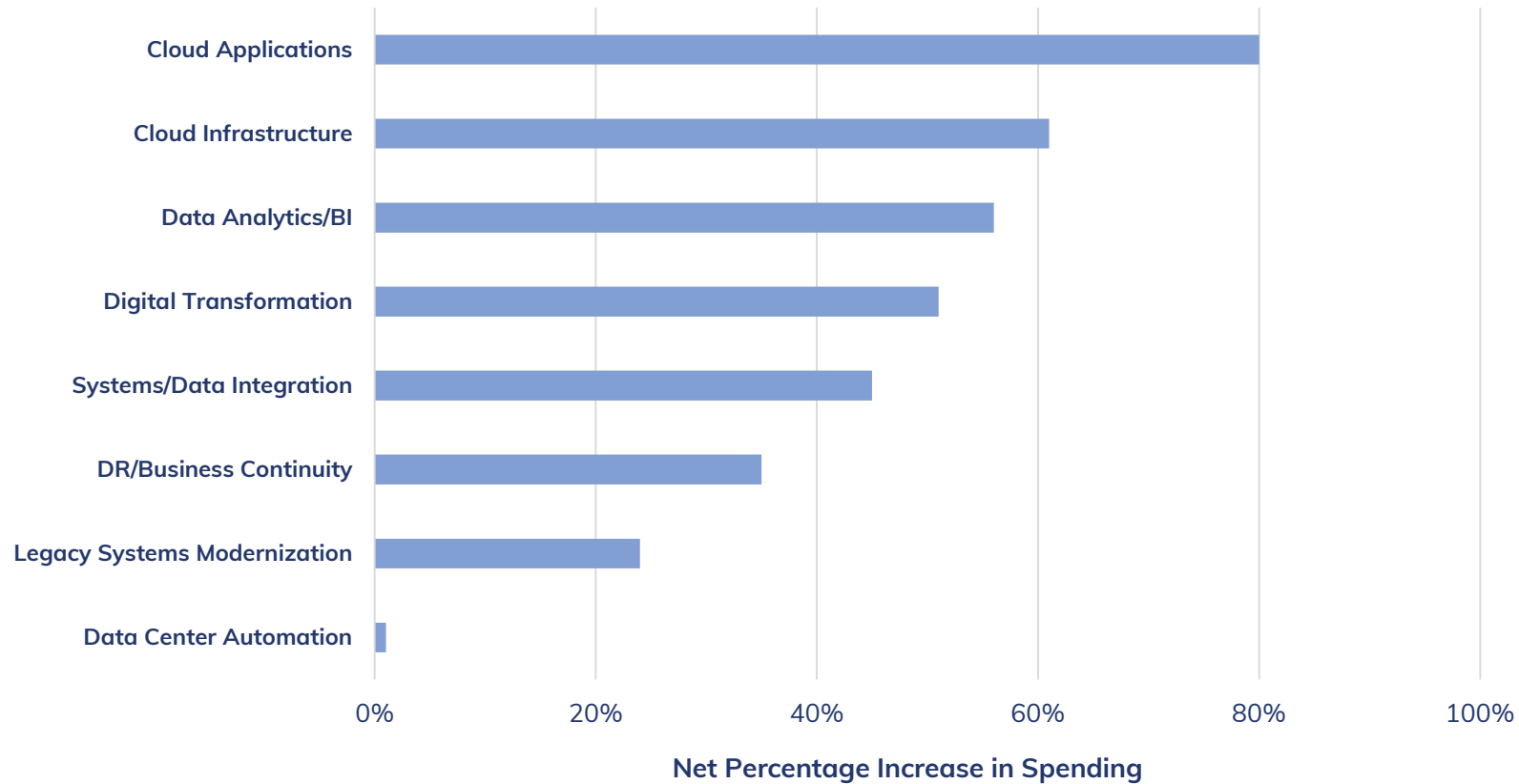
**\$400B  
SMB**

**\$650B  
Mid Market +  
Enterprise**

**\$150B  
Other**

# Addressing Market Demand

Converge's solutions & practices address IT spending priorities



## Top 3 Tech Initiative Spending Priorities

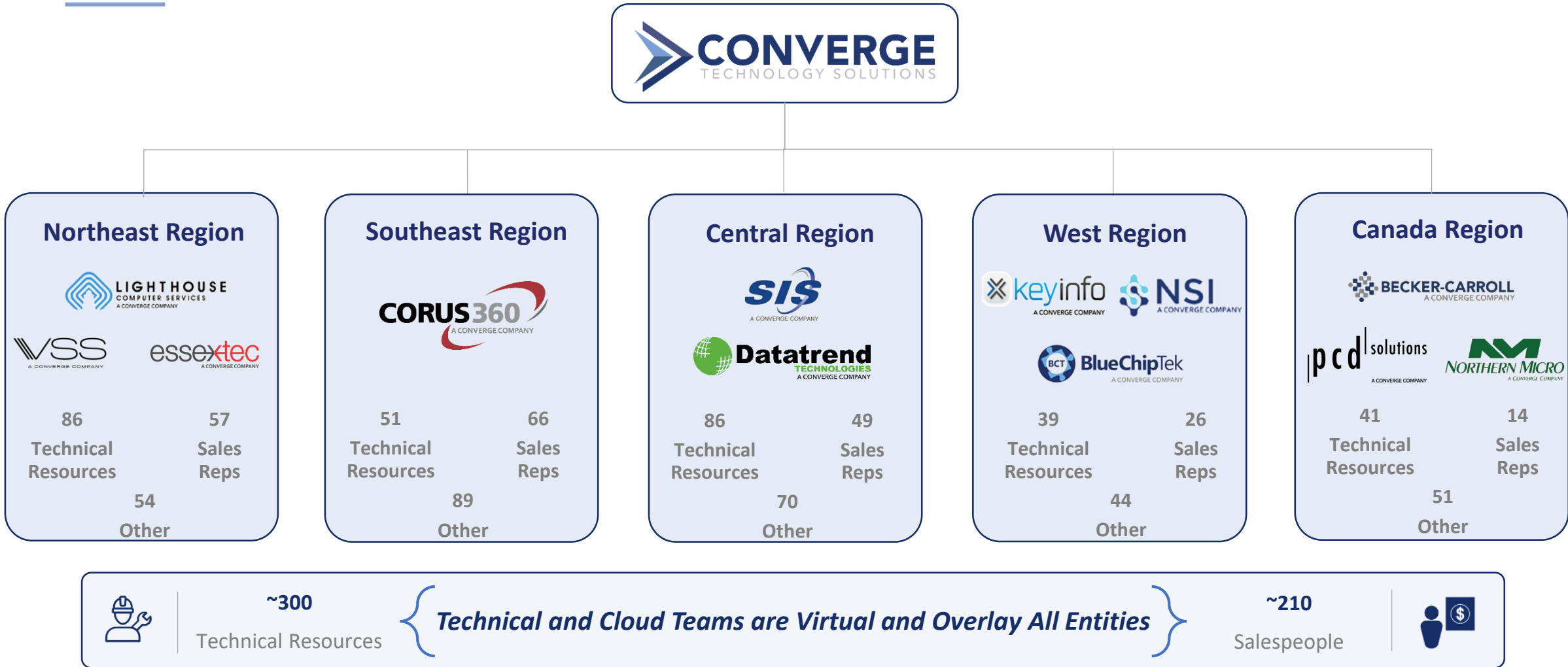
Digital Transformation – 54%

Cybersecurity – 49%

Cloud First/Cloud Migration – 40%

Source: IDC Report

# Converge Enables Cross-Selling Opportunities



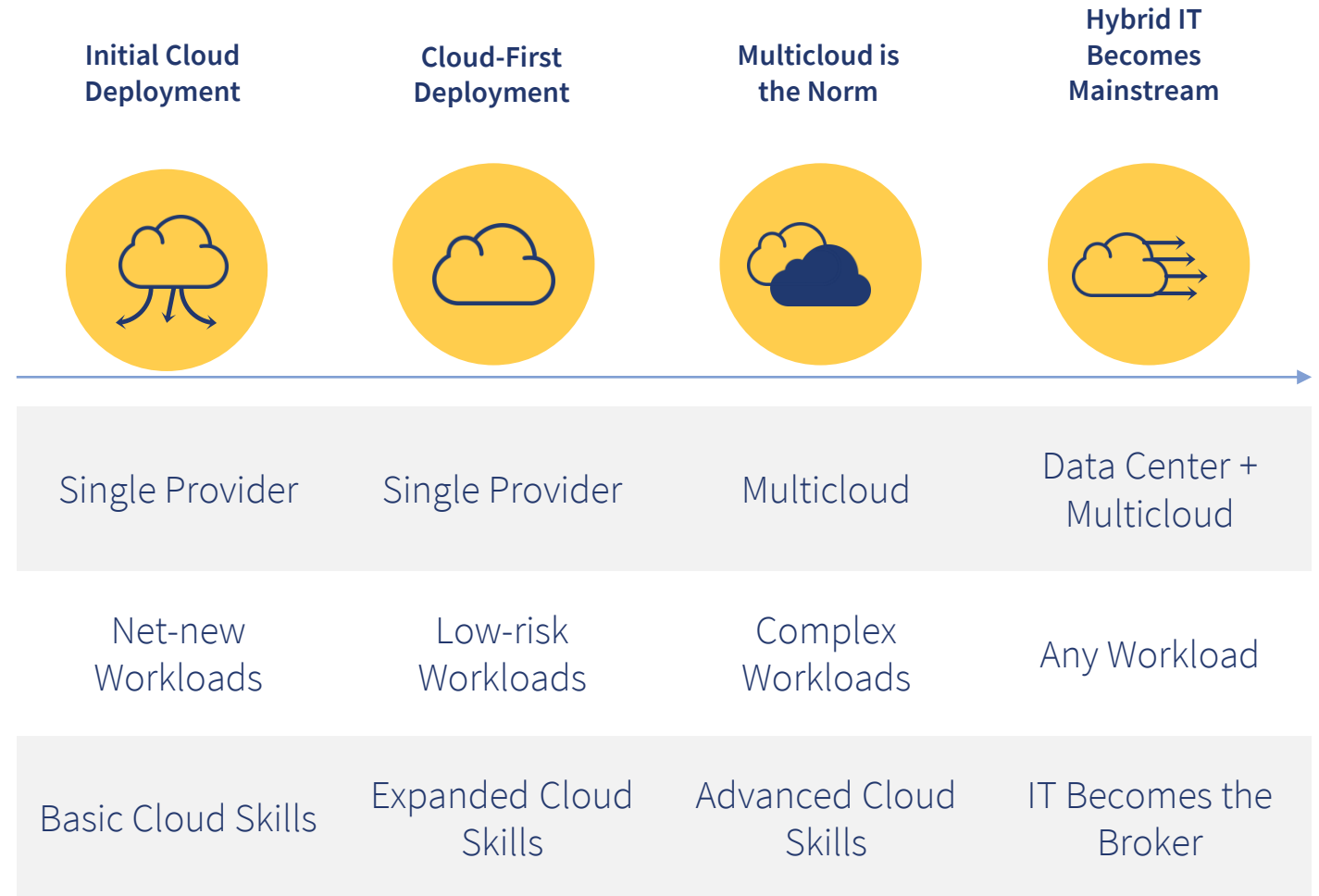
Note: Approx. personnel counts as of February 2020.

# 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, Chief of Research at Gartner.*



# Advanced Cloud Offerings and Partnerships

## Differentiated Approach

*Converge is a leading-edge, scaled next-gen managed services provider*



Public, private and hybrid solutions



Modernize / re-factor client applications



Move workloads off premises



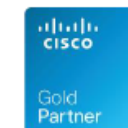
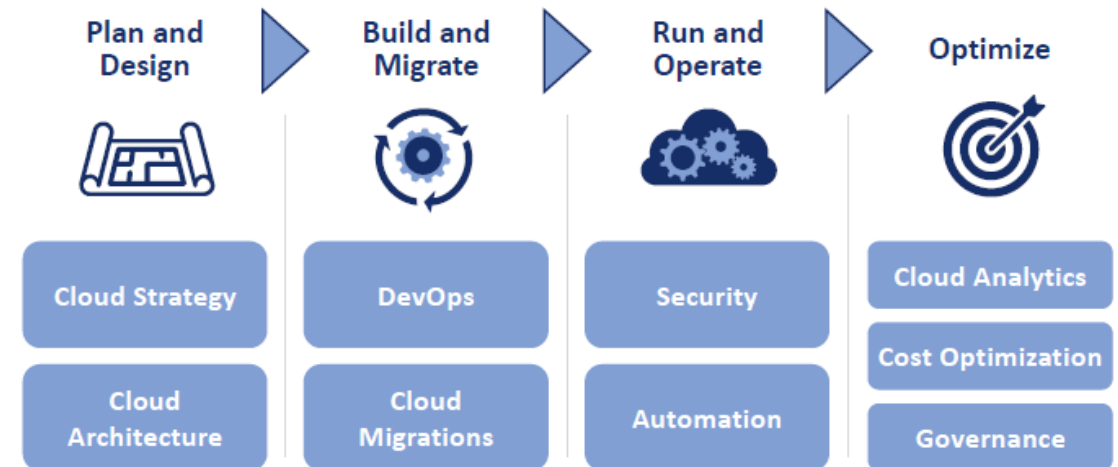
Protect and secure client information across platforms



Focus on availability, security, performance and cost optimization

## End-to-End Cloud Solutions

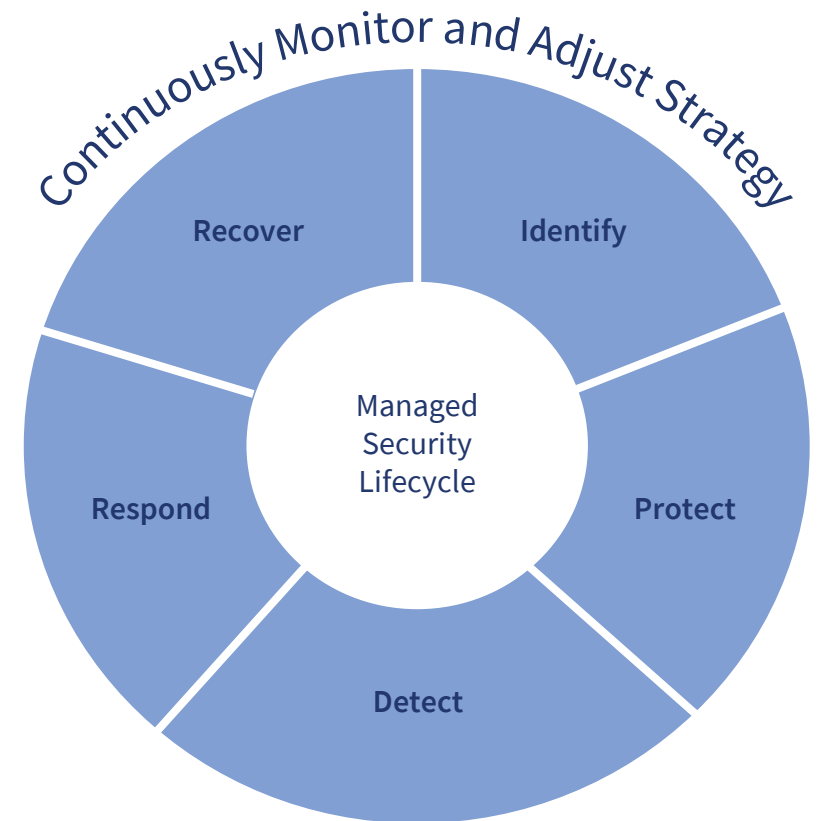
*Converge can design, build, migrate, manage and operate across a wide variety of public, private and hybrid cloud products with around the clock support*



# Converge Services Across Cybersecurity Continuum

Appropriate Cybersecurity measures are vital as cloud trends continue to revolutionize

## Cybersecurity Foundation

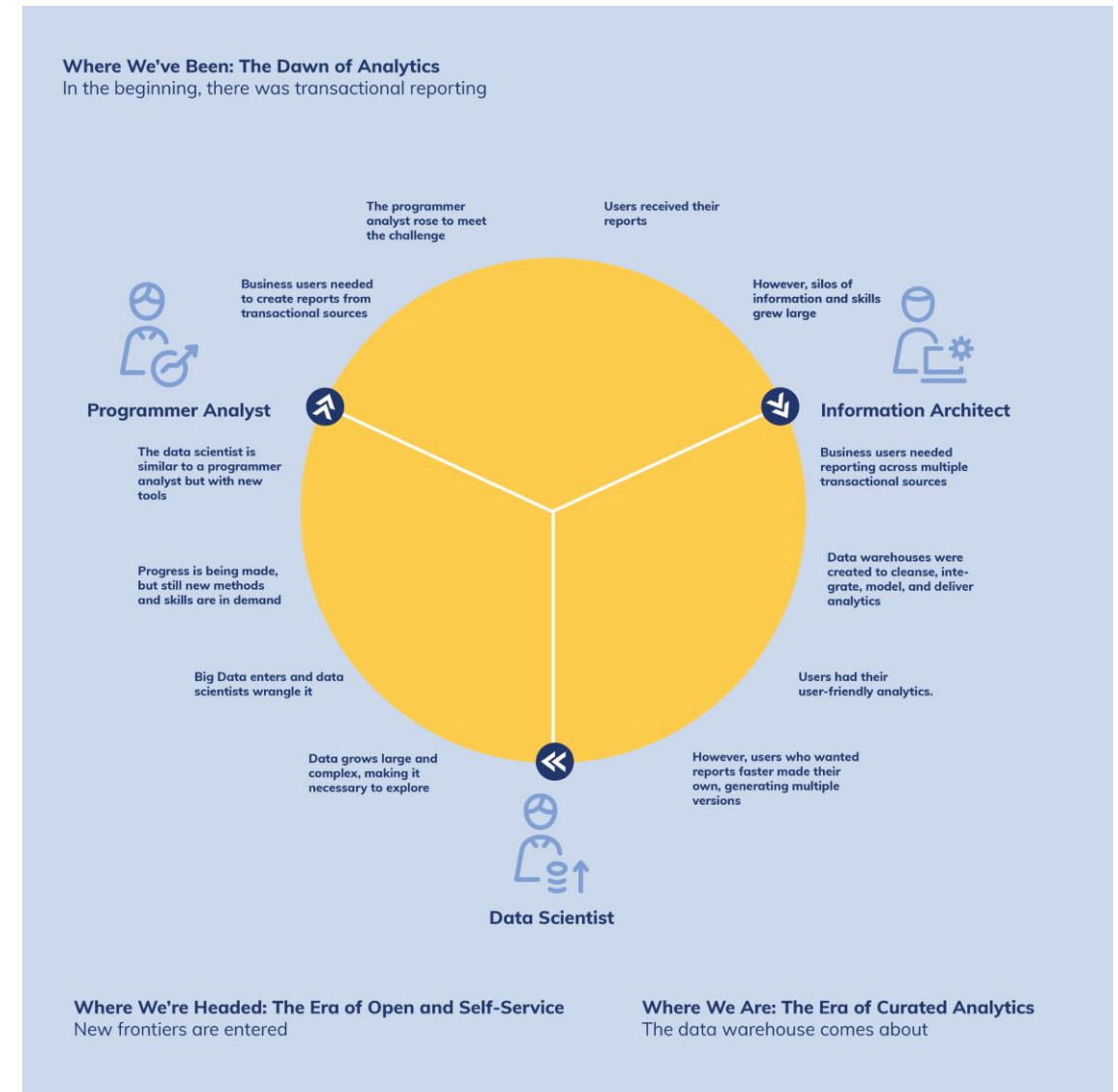


# Converge Data Analytics

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

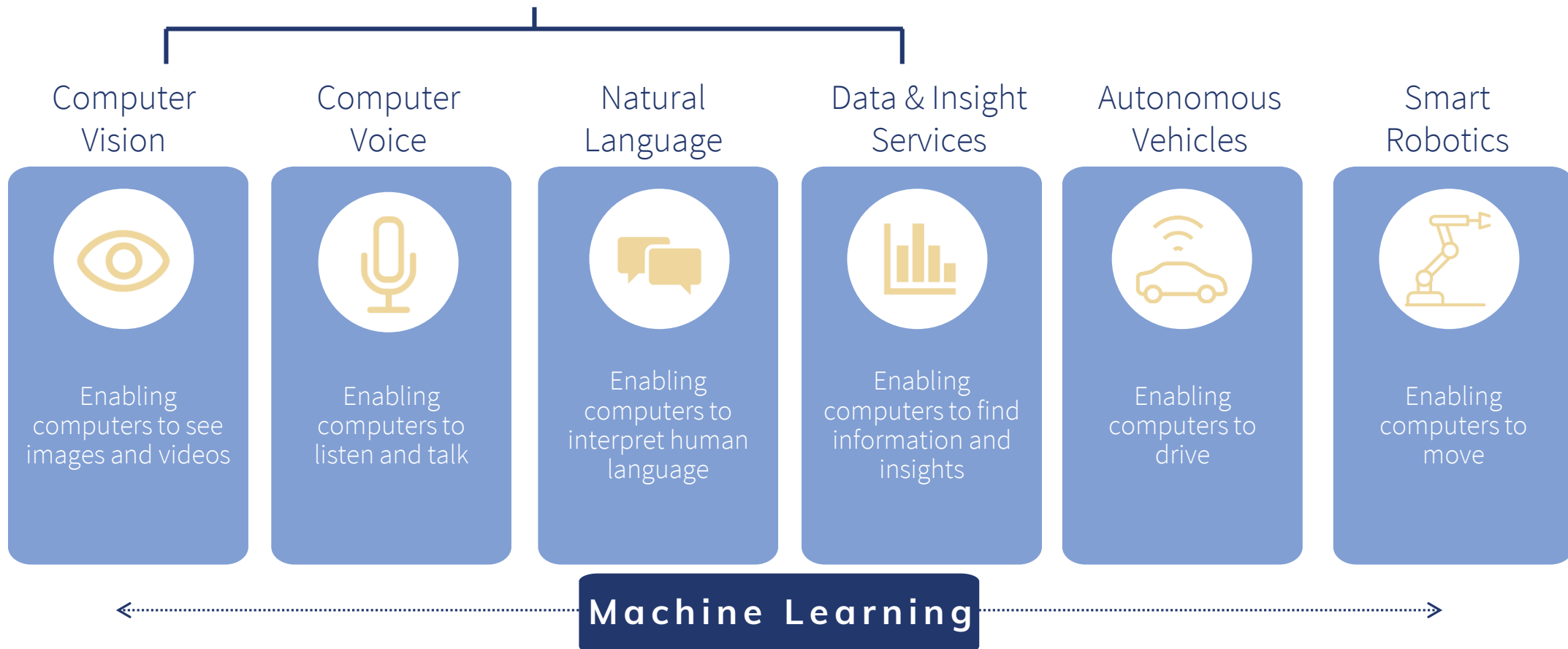
Sales, Service, Support, Managed Services, Managed Projects, and Staff augmentation for:


- 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.

# Integration and Operational Model

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\*

# M&A Strategy Overview

## Disciplined M&A Strategy



Proven and highly active M&A program to enhance solutions offerings, expand geographic exposure, and further platform transformation



M&A process led by a strong management team with significant industry experience



Structured acquisition with minimal equity up-front and combination of seller financing and contingent consideration based on future performance



Methodical M&A approach that drives accretive purchases in short order, with post-synergy multiples down several turns to low-to-mid-single digits



Converge has not typically participated in competitive auction processes, but instead selectively sources opportunities outside the market

## Acquirer of Choice and Expert Integrator

12

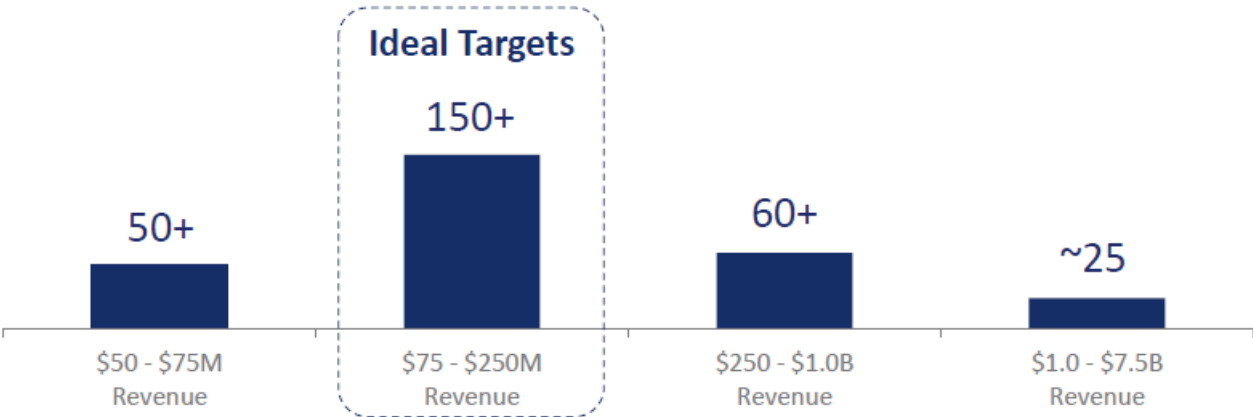
Acquisitions Completed in Last 2 Years

60+

Opportunities Reviewed in the Last Twelve Months



## M&A Market Map (North American Solutions Providers)<sup>(1)</sup>



1. Revenue \$ in USD.

# Financial Summary | Quarterly Financials

## Income Statement

	3 months ended			9 months ended	
(C\$ thousands)	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	
(C\$ thousands)	30-Sep-19	31-Dec-18
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 Qusitive 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**

Shaun.Maine@convergetp.com

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

MaryAnne.Palangio@convergetp.com

**John Flores**  
**Executive Vice President**

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