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Converge Technology Solutions Reports Second Quarter 2020 Financial Results

FOR IMMEDIATE RELEASE

Aug 10, 2020 – VANCOUVER, BRITISH COLUMBIA AND TORONTO, ONTARIO, CANADA – Converge Technology Solutions Corp. (“**Converge**” or “**Company**”) (TSXV:CTS) (FSE:0ZB) (OTCQX:CTSDF), a software enabled Hybrid IT Solutions Provider, is pleased to provide its financial results for the three and six month periods ended June 30, 2020.

Recent Highlights

- Second quarter revenue increased 44% over last year to \$227.8 million
- Gross profit increased 52% over last year to \$54.8 million and margins increased to 24.1% from 22.9 % last year
- Adjusted EBITDA¹ increased 112% to \$11.7 million from \$5.5 million last year
- Closed a \$20.1 million over-subscribed bought deal financing
- Launched Converge TrustBuilder Platform; a blockchain-based solution used by customers to create secure trust ecosystems
- Ranked first on the 2020 CRN Fast Growth 150 List
- Ranked in the top 50 of CRN’s 2020 Solution Provider 500 List
- Received Ingram Micro Cloud 2020 Reseller of the Year Award for North America
- Secured 2020 IBM Business Unit Excellence Award for Data & AI: DataOps
- Named Red Hat Rising Star Partner of the Year by Red Hat Inc.
- Announced Trek10 partnership, expanding AWS services and expertise

“Great management teams showcase themselves during times of crisis, and I am so proud of how the Converge team has overcome extremely challenging circumstances to deliver yet another strong quarter for the Company” said Shaun Maine, Chief Executive Officer of Converge Technology Solutions. “Not only did the team deliver a 44% increase in revenue, 52% gross profit growth and a 112% increase in adjusted EBITDA, but also reduced front office costs by an annualized \$11 million and integrated 4 back offices during an entire quarter of working remotely. It is readily apparent what an outstanding team we have and I feel incredibly privileged to be their leader.”

Mr. Maine continued, “In addition, in this quarter we were recognized as the fastest growing IT Service Provider in North America by CRN and ranked in the top 50 in size for North American Solution Providers. It is great to see our efforts have been recognized and rewarded, including by the capital markets as evidenced by our recent \$20 million over-subscribed bought deal financing.”

¹ Adjusted EBITDA is a non-IFRS measure. This measure is defined in the “Adjusted EBITDA (Non-IFRS Financial Measurement)” section of this news release.

Second Quarter Conference Call

The Company will host a conference call featuring management's quarterly remarks and follow-up question and answer period.

A recording of the call will be available and posted on the Company's website. Dial-in details can be found below.

Conference Call Details:

Date: Monday, August 10th, 2020

Time: 5:00 PM Eastern Time

Participant Dial-in Numbers:

Local – Toronto (+1) 416 764 8609

Toll Free – North America (+1) 888 390 0605

Germany – 08007240293

United Kingdom - 08006522435

Conference ID: 79711522

Recording Playback Numbers:

Toronto (+1) 416 764 8677

Toll Free – North America (+1) 888 390 0541

Passcode: 711522#

Expiry Date: August 17th, 2020

Condensed Interim Consolidated Statements of Financial Position

(expressed in thousands of Canadian dollars)

(unaudited)

	June 30, 2020	December 31, 2019
Assets		
Current assets		
Cash	\$ 36,372	\$ 20,590
Restricted cash	8,098	7,848
Trade and other receivables	206,153	220,138
Inventories	28,049	23,376
Prepaid expenses and other assets	10,993	15,232
	289,665	287,184
Long-term assets		
Property, equipment, and right-of-use assets, net	25,188	27,428
Intangible assets, net	94,786	92,047
Goodwill	91,500	80,271
Other non-current assets	1,807	1,954
	\$ 502,946	\$ 488,884
Liabilities		
Current liabilities		
Trade and other payables	\$ 265,133	\$ 248,218
Borrowings	137,298	142,123
Other financial liabilities	31,326	35,734
Convertible debenture	5,299	5,114
Debentures	3,790	3,629
Deferred revenue and other liabilities	14,233	9,737
Income taxes payable	553	660
	457,632	445,215
Long-term liabilities		
Other financial liabilities	29,973	33,111
Borrowings	13,937	14,573
Deferred tax liability	4,883	5,862
	\$ 506,425	\$ 498,761
Shareholders' deficiency		
Common shares	31,994	20,612
Warrants	6	243
Contributed surplus	307	307
Exchange rights	5,813	6,773
Foreign exchange translation reserve	(679)	69
Deficit	(40,920)	(37,881)
	(3,479)	(9,877)
	\$ 502,946	\$ 488,884

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(expressed in thousands of Canadian dollars)

(unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Revenues				
Product	\$ 175,307	\$ 125,724	\$ 365,691	\$ 260,518
Service	52,535	32,261	103,676	68,068
Total revenue	227,842	157,985	469,367	328,586
Cost of sales	172,993	121,847	359,683	255,241
Gross profit	54,849	36,138	109,684	73,345
Selling, general and administrative expenses	44,174	31,618	89,576	61,264
Income before the following	10,675	4,520	20,108	12,081
Depreciation and amortization	5,623	2,575	11,024	5,183
Finance expense, net	5,316	3,221	10,815	6,602
Special charges	4,307	438	6,049	3,616
Other expense	999	244	(620)	478
Loss before income taxes	(5,570)	(1,958)	(7,160)	(3,798)
Income tax expense (recovery)	(1,169)	400	(1,342)	1,455
Net loss	\$ (4,401)	\$ (2,358)	\$ (5,818)	\$ (5,253)
Other comprehensive loss				
Exchange loss (gain) on translation of foreign operations	(951)	(233)	748	(200)
Comprehensive loss	\$ (3,450)	\$ (2,125)	\$ (6,566)	\$ (5,053)
Adjusted EBITDA	\$ 11,654	\$ 5,510	\$ 22,500	\$ 13,963

Adjusted EBITDA (Non-IFRS Financial Measurement)

Adjusted EBITDA represents net loss or income adjusted to exclude amortization, depreciation, interest expense and finance costs, foreign exchange gains and losses, income tax expense, and special charges. Special charges consist primarily of restructuring related expenses for employee terminations, lease terminations, and restructuring of acquired companies, as well as certain legal fees or provisions related to acquired companies. From time to time, it may also include adjustments in the fair value of contingent consideration, and other such non-recurring costs related to restructuring, financing, and acquisitions. The Company uses Adjusted EBITDA to provide investors with a supplemental measure of its operating

performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess the ability to meet capital expenditure and working capital requirements.

Adjusted EBITDA is not a recognized, defined or standardized measure under IFRS. The Company's definition of Adjusted EBITDA will likely differ from that used by other companies and therefore comparability may be limited. Adjusted EBITDA should not be considered a substitute for or in isolation from measures prepared in accordance with IFRS. Investors are encouraged to review the Company's financial statements and disclosures in their entirety and are cautioned not to put undue reliance on non-IFRS measures and view them in conjunction with the most comparable IFRS financial measures. The Company has reconciled Adjusted EBITDA to the most comparable IFRS financial measure as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Net loss before taxes	\$ (5,570)	\$ (1,958)	\$ (7,160)	\$ (3,798)
Finance expense	5,316	3,221	10,815	6,602
Depreciation and amortization	5,623	2,575	11,024	5,183
Depreciation included in cost of sales	1,346	1,234	2,780	2,140
Foreign exchange loss (gain)	632	-	(1,008)	220
Special charges	4,307	438	6,049	3,616
Adjusted EBITDA	\$ 11,654	\$ 5,510	\$ 22,500	\$ 13,963

About Converge

Converge Technology Solutions Corp. is a North American Hybrid IT Solution Provider focused on delivering industry leading solutions and services. Converge's regional sales and services organizations deliver advanced analytics, cloud, cybersecurity, and managed services offerings to clients across various industries. The Company supports these solutions with talent expertise and digital infrastructure offerings across all major IT vendors in the marketplace. This multi-faceted approach enables Converge to address the unique business and technology requirements for all clients in the public and private sectors. For more information, visit convergetp.com.

For further information contact:

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 Phone: 416-360-1495

1. Forward-Looking Information

This press release contains certain “forward-looking information” and “forward-looking statements” (collectively, “**forward-looking statements**”) within the meaning of applicable Canadian securities legislation regarding Converge and its business. Any statement that involves discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as “expects”, or “does not expect”, “is expected” “anticipates” or “does not anticipate”, “plans”, “budget”, “scheduled”, “forecasts”. “estimates”, “believes” or intends” or variations of such words and phrases or stating that certain actions, events or results “may” or “could, “would”, “might” or “will” be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Except as required by law, Converge assumes no obligation to update the forward-looking statements of beliefs, opinions, projections, or other factors, should they change. The reader is cautioned not to place undue reliance on forward-looking statements.

For a detailed description of the risks and uncertainties facing the Company and its business and affairs, readers should refer to the Company’s filings statement available on SEDAR under the Company’s profile at www.sedar.com including its most recent Annual Information Form, its Management Discussion and Analysis and its Annual and Quarterly Financial Statements.

Neither the TSX Venture Exchange nor its regulation services provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

This press release does not constitute an offer to sell or a solicitation of an offer to buy any of the securities in the United States. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”) or any state securities laws and may not be offered or sold within the United States unless registered under the U.S. Securities Act and applicable state securities laws, unless an exemption from such registration is available.