Converge Technology Solutions Corp.

Management Discussion and Analysis
For the years ended December 31, 2020 and 2019

Converge Technology Solutions Corp.
Management Discussion and Analysis
(expressed in thousands of Canadian dollars)

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 years ended December 31, 2020 and 2019. This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto for the year ended December 31, 2020, as well as the Company's annual MD&A for the year ended December 31, 2019.

The audited 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 year ended December 31, 2020. The 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 March 9, 2021 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." and on November 7, 2018, the Company's name was changed to "Converge Technology Solutions Corp." The Company's registered head office is 85 Rue Victoria, Gatineau, Quebec, J8X 2A3.

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 Information Technology Service Providers ("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 as at December 31, 2020:

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% (1)
Nordisk Systems, Inc. ("Nordisk")	Portland, OR	100%
Essextec Acquisition, LLC, Essex Technology Group, Inc., Essex Commercial Finance LLC ("Essextec")	New York, NY	100%
Datatrend Technologies, Inc. ("Datatrend")	Minneapolis, MN	100%
VSS Holdings, LLC, VSS, LLC, Information Insights, LLC ("VSS")	Madison, MS	100% (2)
Solutions P.C.D. Inc, P.C.D. Consultation Inc. ("PCD")	Montreal, QC	100%
Unique Digital, Inc. ("Unique Digital")	Dallas, TX	100%
Workgroup Connections, Inc. ("Workgroup")	Saint Louis, MO	100%
Vivvo Application Studios ("Vivvo")	Regina, SK	100%
Vicom Computer Services, Inc. ("Vicom")	Farmingdale, NY	100%

Notes:
(1) The Company indirectly holds all of the issued and outstanding Class A membership units of SIS, which represent 100% of the economic and voting interests in SIS. As of the date of this MD&A, there are also 3,500,000 Class B membership units of SIS (which have no right to economic or voting participation in SIS) issued and outstanding, held by the vendors of SIS and exchangeable into common shares of the Company.
(2) The Company indirectly holds all of the issued and outstanding Class A membership units of VSS, which represents 100% of the economic interests in VSS. As of the date of this MD&A, there are also 60 Class B membership units of VSS (which have no right to economic participation in VSS) issued and outstanding, held by the vendors of VSS and exchangeable into common shares of the Company

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. During the third quarter of 2019, Converge acquired Nordisk Systems, Inc. (“Nordisk”), a professional services organization specialized in infrastructure, cloud, security, analytics, business continuity and managed services solutions. During the fourth quarter of 2019, Converge acquired Essextec Acquisition, LLC. (“Essextec”), a leading Wall Street-based cloud, cognitive, and cybersecurity solution provider, Datatrend Technologies, Inc. (“Datatrend”), a leading technology solutions provider focused on Next Gen Data Center, hybrid cloud, infrastructure, multi-site IT deployments, and ISV/OEM solutions, and VSS Holdings, LLC (“VSS”), a leading technology solutions provider specializing in managed services, technology solutions, IT portfolio management and consulting services.

On February 1, 2020, the Company acquired all of the issued and outstanding shares of Solutions P.C.D. Inc. and P.C.D. Consultation Inc. (collectively “PCD”), a Montreal, Canada based partner focused on solutions in enterprise system architecture, storage and information management, virtualization and cloud, and business continuity and disaster recovery. On October 1, 2020, the Company acquired all of the issued and outstanding shares of Unique Digital, Inc. (“Unique Digital”), a Texas-based IT solutions provider focused on architecting and implementing solutions in big data, cloud, data protection networking, security, and virtualization. On December 1, 2020, the Company acquired all of the issued and outstanding shares of Workgroup Connections, Inc. (“Workgroup”), a US-based IT solutions provider with headquarters in Missouri and Colorado, that specializes in leading-edge cloud, software development, and licensing services and solutions. On December 22, 2020, the Company acquired all of the issued and outstanding shares of Vivvo Application Studios, Inc. (“Vivvo”), a Canadian technology innovation organization that delivers a feature-rich, production-ready, proven identity-management-as-a-service (IDMAAS) platform that enables and accelerates digital transformation. On December 31, 2020, the Company acquired all of the issued and outstanding shares of Vicom Computer Services, Inc. (“Vicom”), a New York-based full-service multi-cloud infrastructure provider.

COVID-19

The COVID-19 pandemic continues to present a source of economic uncertainty to the Company. These uncertain economic conditions may adversely impact operations and the financial performance of the Company and its customers, negatively impact demand for the Company’s products and services or the equity markets, which could adversely affect the Company's financial performance. As of the date of this MD&A, Converge has experienced increased demand for solutions that allow employees to work remotely. As a result, the Company has experienced increased revenue in some of its product and service offerings that support remote work and cloud enablement as companies and organizations invest in solutions that allow their employees to work remotely and access information and systems by way of cloud infrastructure. However, if the Company or its vendors and suppliers are unable to keep up with such increasing demands stemming from the recent outbreak of COVID-19, customers may experience delays or interruptions in service, which may be detrimental to the Company's reputation and business.

Operationally, Converge has implemented technology and procedures that enable the majority of its employees to work remotely with minimal disruption to the Company's operations. To the extent that employees are required to be in the office or warehouse to fulfill orders, the Company has followed guidelines and rules put in place by local, state, provincial and federal governments. The Company has good relations with its suppliers and is in regular contact with them and to date, has not experienced any meaningful disruptions in its supply chain that have negatively impacted the Company's ability to meet its demand and fulfill customer orders.

The Company cautions that it is impossible to fully anticipate or quantify the effect and ultimate impact of the COVID-19 pandemic as the situation is rapidly evolving. The extent to which COVID-19 impacts the Company's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of COVID-19 and the actions taken by governments to contain it or treat its impact. These may include shelter in place directives, which, if extended, may impact the economies in which the Company now, or may in the future, operate, key markets into which the Company sells and markets through which the Company's key suppliers source their products.

Business And Financial Highlights For The Quarter And Year Ended December 31, 2020

Financial results for the three months and year ended December 31, 2020:

- For the three months ended December 31, 2020, the Company earned revenue of $289,557, gross profit of $70,927, and adjusted EBITDA of $23,375 (three months ended December 31, 2019 – revenue of $214,705, gross profit of $53,355, and adjusted EBITDA of $11,832).

- For the year ended December 31, 2020, the Company earned revenue of $948,799, gross profit of $233,006, and adjusted EBITDA of $60,493 (2019 – revenue of $687,795, gross profit of $161,584, and adjusted EBITDA of $31,623).

Financing

- On February 1, 2020, the Company entered into a 46-month credit agreement with a third party, which is secured by certain customer contracts. Under the agreement, quarterly repayments of blended principal and interest of $138 USD are required. The lender advanced cash of $2,635 ($1,992 USD) with an interest rate of 8.5% per annum.

- On February 20, 2020, the Company announced that it had entered into an agreement with a syndicate of underwriters, pursuant to which the Underwriters have agreed to purchase, on a bought deal basis, 5,769,231 common shares of the Company ("February Offered Shares") at a price of $1.30 per Offered Share (the "Issue Price") for gross proceeds to the Company of $7,500 (the "February Offering"), before deducting the underwriters' fees and estimated offering expenses. The Company also granted the underwriters an option, exercisable at any time, in whole or in part, until the date that is 30 days following closing to purchase, to purchase 865,384 additional common shares to cover over-allotments and for market stabilization purposes. On March 3, 2020, the underwriters partially exercised their over-allotment option to purchase an additional 592,084 common shares of the Company at a price of $1.30 per share, for additional gross proceeds to the Company of $770. As a result, the total gross proceeds of the Offering were $8,270 before transaction related costs of $976.

- On March 18, 2020, the Company entered into a credit agreement with a third party, which was secured by certain customer contracts. Under the agreement, the first tranche with a three-year term requires monthly repayments of blended principal and interest of $190 USD. The lender advanced cash of $8,505 ($6,000 USD) with an interest rate of 8.5% per annum. The second tranche with a one-year term requires monthly repayments of blended principal and interest of $350 USD. The lender advanced cash of $5,670 ($4,000 USD) with an interest rate of 8.5% per annum.

- On July 31, 2020, the Company closed an underwritten public offering (the “Offering”) of 10,800,000 common shares of the Company (the “Offered Shares”) at a price to the public of $1.62 per share for gross proceeds to the Company of $17,496, before deducting the underwriters’ fees and estimated offering expenses. The Company also granted the underwriters an option, exercisable at any time, in whole or in part, until the date that is 30 days following closing to purchase, at the offering price, 1,620,000 additional common shares to cover over-allotments and for market stabilization purposes. On August 7, 2020, the over-allotment option was exercised in full, for additional gross proceeds to the Company of $2,624. As a result, the total gross proceeds of the Offering were $20,120 before transaction related costs of $1,569.

- On September 30, 2020, the Company closed an underwritten public offering (the “Offering”) of 16,847,500 common shares of the Company (“Offered Shares”) at a price of $2.05 per Offered Share (the “Issue Price”) for gross proceeds to the Company of $34,537 (the “Offering”). The gross proceeds included the full exercise of an over-allotment option by the underwriters before transaction related costs of $2,512.

- On November 6, 2020, the Company announced that it has entered into a new, $140,000 revolving credit agreement with a syndicate of Canadian lenders. The agreement, which is an asset-based lending (“ABL”) facility, provide lines of credit secured by the assets of the Company, at an interest between the Canadian bank’s prime rate plus 0-2%. On November 5, 2020, the Company terminated its existing ABL facilities with a Canadian lender. These facilities could be drawn to a certain percentage of the eligible trade receivables and inventory balances, to a maximum of $170,000. Interest was payable monthly at rates that vary from the higher of 8.75% to 9.25% or the published TD Bank prime rate plus 5.3% to 5.8%, with an expansion rate of an additional 3% based on the advance rate of the trade receivables.

- On November 27, 2020, the Company closed an underwritten public offering (the “Offering”) of 15,410,000 common shares of the Company (“Offered Shares”) at a price of $3.00 per Offered Share for gross proceeds to the Company of $46,230. The gross proceeds included the full exercise of an over-allotment option by the underwriters before transaction related costs of $3,059.

- Subsequent to the end of the year, on January 15, 2021, the Company closed an underwritten public offering (the “Offering”) of 17,825,000 common shares of the Company (“Offered Shares”) at a price of $4.85 per Offered Share for gross proceeds to the Company of $86,451. The gross proceeds included the full exercises of an over-allotment option by the underwriters before transaction related costs of $5,306.

Share Repurchase

On December 10, 2019 the TSX Venture Exchange ("TSXV") accepted the Company's notice of intention to commence a Normal Course Issuer Bid ("NCIB"). Pursuant to the NCIB, the Company may purchase for cancellation through the facilities of the TSXV and/or permitted alternative trading systems, from time to time, up to an aggregate of 4,025,120 of its issued and outstanding Common Shares, being 5% of the issued and outstanding Common Shares as at December 3, 2019. The program commenced on December 16, 2019 and terminated on December 16, 2020. During the year ended December 31, 2020, 1,793,400 common shares were repurchased and cancelled under the NCIB (2019 – nil), for an aggregate purchase price of $2,125.

Acquisitions

- On February 1, 2020, the Company acquired all of the issued and outstanding shares of PCD, a Montreal, Canada based partner focused on solutions in enterprise system architecture, storage and information management, virtualization and cloud, and business continuity and disaster recovery. The transaction will be accounted for as a business combination. Consideration for the purchase consisted of (i) $7,000 in cash; (ii) promissory notes in the total amount of $4,860 in favor of the sellers due over the three years following closing of the acquisition; and (iii) up to an aggregate of $4,500 in earn-out payments for the three years following closing of the acquisition based on the achievement of certain milestones.

- On October 1, 2020, the Company acquired all of the issued and outstanding shares of Unique Digital Technology, Inc. (“Unique Digital”), a Texas based IT solutions provider focused on architecting and implementing solutions in big data, cloud, data protection networking, security, and virtualization. The transaction will be accounted for as a business combination. Consideration for the purchase consisted of (i) $7,111 in cash; (ii) a promissory note in the amount of $3,679 in favor of the sellers due over the three years following closing of the acquisition; (iii) $1,953 working capital adjustment; and (iv) up to an aggregate of $2,000 in earn-out payments for the three years following closing of the acquisition based on the achievement of certain milestones.

- On December 1, 2020, the Company acquired all of the issued and outstanding shares of Workgroup Connections, Inc. (“Workgroup”), a US-based IT solutions provider with headquarters in Missouri and Colorado, that specializes in leading-edge cloud, software development, and licensing services and solutions. The transaction will be accounted for as a business combination. Consideration for the purchase consisted of (i) $259 in cash; (ii) $105 working capital adjustment; and (iii) $1,338 in common shares issued by the Company.

- On December 22, 2020, the Company acquired all of the issued and outstanding shares of Vivvo Application Studios, Inc. (“Vivvo”), a Canadian technology innovation organization that delivers a feature-rich, production-ready, proven identity-management-as-a-service (IDMAAS) platform that enables and accelerates digital transformation. The transaction will be accounted for as a business combination. Consideration for the purchase consisted of (i) $2,500 in cash; (ii) $802 working capital adjustment; (iii) $1,500 in common shares issued by the Company; and (iv) up to an aggregate of $3,000 in earn-out payments for the three years following closing of the acquisition based on the achievement of certain milestones.

- On December 31, 2020, the Company acquired all of the issued and outstanding shares of Vicom Computer Services, Inc. (“Vicom”), a New York-based full-service multi-cloud infrastructure provider. The transaction will be accounted for as a business combination. Consideration for the purchase consisted of (i) $31,830 in cash; and (ii) $10,053 working capital adjustment.

- Subsequent to the end of the fiscal year, on January 6, 2021, the Company acquired all of the issued and outstanding shares of CarpeDatum LLC, (“CarpeDatum”), a Colorado-based analytics consulting organization. The transaction will be accounted for as a business combination. Consideration for the purchase consisted of (i) $1,592 in cash; (ii) $1,591 for the issuance of a right to exchange Class B membership interests for an aggregate of 367,644 common shares of the Company; and (iii) up to an aggregate of $3,182 in earn-out payments for the three years following closing of the acquisition based on the achievement of certain milestones.

- Subsequent to the end of the fiscal year, on February 12, 2021, the Company acquired all of the issued and outstanding shares of Accudata Systems, Inc., ("Accudata"), a Texas-based IT consulting and integration firm that provides infrastructure and security solutions and services. The transaction will be accounted for as a business combination. Consideration for the purchase consisted of (i) $9,549 in cash; (ii) working capital adjustment of $3,790; and (iii) up to an aggregate of $14,004 in earn-out payments for the three years following closing of the acquisition based on the achievement of certain milestones.

Graduation to Toronto Stock Exchange (TSX)

On February 9, 2021, the Company announced that it had received final approval from the Toronto Stock Exchange ("TSX") to graduate from the TSX Venture Exchange ("TSXV") and list the Company's common shares ("Common Shares") on the TSX. The Common Shares commenced trading on the TSX at the opening of markets on Thursday, February 11, 2021 under the existing stock symbol "CTS". In connection with the listing of the Common Shares on the TSX, the last day of trading on the TSXV was February 10, 2021 and the Common Shares were delisted from the TSXV on February 11, 2021 upon commencement of trading on the TSX.

Outlook for fiscal 2021

In response to the fluctuating nature of COVID-19 and its variants, governments around the globe have enacted measures in the attempt to manage the spread of the novel strain. These ongoing measures, which include the implementation of travel bans or restrictions, social distancing, and the closure or curtailing of the operations for some non-essential businesses have resulted in transformational shifts surrounding remote work and virtualization. As a result, Converge has experienced increased demand for transformative solutions and expects that companies will continue to increase the use of cloud or hybrid cloud computing along with remote access into 2021 and beyond. The Company also anticipates that businesses will continue to increase investment spending surrounding cybersecurity, artificial intelligence, and overall digital transformation efforts. Converge‘s national footprint and partnerships with several leading hardware and software companies, positions the Company well to support these trends.

While the long-term impacts and duration of COVID-19 still remain uncertain and cannot be predicted with absolute certainty, in the near term, Converge remains well-positioned to assist its current and prospective clients meet the demands to support remote workers and the challenges which may arise, as well as manage the hardware and fulfillment orders where applicable. While Converge continues to work closely with suppliers and customers during these times of uncertainty as a trusted advisor, there can be no assurance the Company will continue to see increased demand or be able to fully supply such demand.

Enterprise IT Priorities

According to the Enterprise Strategy Group, which examines key business and technology priorities driving spending plans across a range of technology markets including infrastructure, cloud services, cybersecurity, artificial intelligence (AI), analytics, data protection, mobility, business applications, and more, Technology Spending Intentions Survey 2021 finds the top four technology focus areas for IT leaders are:

- Enterprise tech spending is poised to rebound
- The transition to remote work remains a contributing driver of new spending
- Cybersecurity is job number one
- Cloud adoption is accelerating

Enterprise Tech Spending Rebound

Enterprise technology streamlines workflows, improves communication, and provides access to data. COVID-19 has dramatically changed the landscape of the traditional workplace, the technology sector, and the world as a whole. The need for reliable communication with fully remote teams, the ability to securely access data from any checkpoint across the globe, and a continued desire for efficiency and simplification in operations, requires organizations to invest in enterprise technology in the coming year. Specifically, teams who found themselves unprepared for the drastic and immediate shift to a new way of doing business are now poised to increase their spend in this sector during 2021. As demand grows, Converge remains available to meet the needs of our clients and customers.

Remote Work

In 2020, the fast-paced shift and demand for remote work left many organizations feeling unprepared to support a workforce operating outside the standard office space. Employees and businesses were quickly forced into working from home and, without the appropriate technology and infrastructure in place for such a dramatic change, teams found themselves struggling to secure the normal course of business. This led to a pressing demand to implement remote work technologies and solutions that are expected to continue into 2021 and beyond.

Cybersecurity

With increase in remote work, there is also an increased need for security and cybersecurity solutions to keep information private and secure from outside forces. As internal and external cyber threats continue to multiply in an unprecedented way, securing data, environments, and systems is a top priority in every industry. Converge's cybersecurity practice is comprised of an ever-evolving set of defense tools, risk management approaches, technologies, and training. These industry-driven security solutions provide customers the ability to add security everywhere from the core architecture, the network, the edge, and the endpoint while staying ahead of threats and providing fast remediation options.

Cloud Adoption

Cloud adoption is a strategy used by organizations to improve scalability while reducing cost and risk. Although traditional cloud solutions have often focused on either public or private cloud, there has been a recent emergence in the adoption of hybrid cloud, which allows businesses the ability to combine one or more cloud providers' offerings into a unique solution for that organization's specific needs. Additional benefits include the ability to store data in the private cloud while leveraging the technological resources from the public cloud. Due in part to COVID-19, cloud adoption has increased with the expansion of remote work and is a trend that is expected to continue. Converge has grown its cloud practice and finds itself increasingly prepared to assist customers in their journeys through public, private, hybrid, or any combination of cloud solutions.

Converge's Competitive Positioning

With a suite of software enabled hybrid IT solutions backed by industry-leading advanced analytics, cloud, cybersecurity, digital infrastructure and managed services, and talent solutions, Converge has strategically positioned itself as a valued supplier for customers and as a leader in this industry. The Company continues to rapidly move forward towards a services-oriented model in line with large IT vendors and consulting firms.

Execution of this strategy includes Converge's continued focus on its approach to growth through selective acquisitions and development of recurring revenue offerings. Converge's 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. An emphasis on hybrid IT solutions also facilitates entry into new markets and verticals, as well as cross-selling opportunities with existing customers.
In 2021, Converge will endeavor to strengthen its managed services, software, and recurring revenue offerings across North America partnered with planned expansion into Europe.

(expressed in thousands of Canadian dollars)

Summary of Consolidated Financial Results

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

	For the three months ended December 31, 2020	For the three months ended December 31, 2019	For the twelve months ended December 31, 2020	For the twelve months ended December 31, 2019
Revenues				
Product	**$ 241,091**	$ 159,459	**$ 750,232**	$ 539,719
Service	**48,466**	55,246	**198,567**	148,076
Total revenue	**289,557**	214,705	**948,799**	687,795
Cost of sales	**218,630**	161,350	**715,793**	526,211
Gross profit	**70,927**	53,355	**233,006**	161,584
Selling, general and administrative expenses	**49,179**	42,821	**177,697**	133,899
Income before the following	**21,748**	10,534	**55,309**	27,685
Depreciation and amortization	**5,262**	4,648	**21,466**	13,057
Finance expense, net	**3,719**	5,499	**19,672**	16,026
Special charges	**7,149**	2,455	**15,063**	10,640
Other expense	**1,723**	(200)	**1,609**	719
Income (loss) before income taxes	**3,895**	(1,868)	**(2,501)**	(12,757)
Income tax expense (recovery)	**2,945**	(3,461)	**1,674**	(1,917)
Net income (loss)	**$ 950**	$ 1,593	**$ (4,175)**	$ (10,840)
Other comprehensive loss				
Exchange loss (gain) on translation of foreign operations	**(1,151)**	(741)	**(748)**	(784)
Comprehensive income (loss)	**$ 2,101**	$ 2,334	**$ (3,427)**	$ (10,056)
Adjusted EBITDA(i)	**$ 23,375**	$ 11,832	**$ 60,493**	$ 31,622

(i) *See the "Adjusted EBITDA (Non-IFRS Financial Measurement)" for a reconciliation of this measurement to IFRS*.

Adjusted EBITDA (Non-IFRS Financial Measurement)

Adjusted EBITDA represents net income (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.

(expressed in thousands of Canadian dollars)

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 December 31,		**For the twelve months ended December 31,**	
	2020	2019	**2020**	2019
Net income (loss) before taxes	**$ 3,895**	$ (1,868)	**$ (2,501)**	$ (12,757)
Finance expense	**3,719**	5,499	**19,672**	16,026
Depreciation and amortization	**5,262**	4,648	**21,466**	13,057
Depreciation included in cost of sales	**1,058**	1,342	**5,109**	4,830
Foreign exchange loss (gain)	**3,486**	(244)	**2,878**	(174)
PPP loan forgiveness	**(1,194)**	-	**(1,194)**	-
Special charges	**7,149**	2,455	**15,063**	10,640
Adjusted EBITDA	**$ 23,375**	$ 11,832	**$ 60,493**	$ 31,622

For the three months ended December 31, 2020, special charges are primarily due to $3,596 in financing related costs, $1,134 of acquisition transaction costs, $1,161 of legal provisions and other costs related to acquired companies, $131 of restructuring costs related to the integration of acquired companies, and $1,127 due to a change in fair value of contingent consideration. During the same period in the prior year, special charges were primarily due to $3,296 in acquisition transaction costs, less $841 due to a change in fair value of contingent consideration.

For the year ended December 31, 2020, special charges are primarily due to $3,693 in financing related costs, $2,056 of acquisition transaction costs, $4,927 of legal and advisory costs, $3,260 of restructuring costs related to the integration of acquired companies, and $1,127 due to a change in fair value of contingent consideration. During 2019, special charges were primarily due to $9,321 of acquisition transaction costs, and $1,299 due to a change in fair value of contingent consideration.

Overall Company Performance and Key Changes in Financial Results

Revenue

Revenue for the three months ended December 31, 2020 increased 35% to $289,557 from $214,705 for the three months ended December 31, 2019. The increase was primarily due to the acquisitions of PCD, Unique Digital, Workgroup, and Vivvo that were completed during the period subsequent to December 31, 2019 and organic growth related to new managed and cloud services, and additional cross selling of products and new customers. The percentage increase that is directly attributed to the acquisitions and to organic growth is difficult to quantify as the companies, once acquired, operate on a regional basis and cross-sell products and services. For the three months ended December 31, 2020 revenue by industry was approximately 25% from banking and financial services companies, 24% from government, 15% from technology companies, and 7% from healthcare.

Revenue for the year ended December 31, 2020 increased 38% to $948,799 from $687,795 for the year ended December 31, 2019. The increase was primarily due to the acquisitions of Datatrend, Essextec, and VSS that were completed during 2019 and the acquisitions of PCD, Unique Digital, Workgroup, and Vivvo, which were acquired subsequent to December 31, 2019 and organic growth related to new managed and cloud services, additional cross selling of products and new customers. The percentage increase that is directly attributed to the acquisitions and to organic growth is difficult to quantify as the companies, once acquired, operate on a regional basis and cross-sell products and services. For the year ended December 31, 2020, revenue by industry was approximately 22% from banking and financial services companies, 18% from technology companies, 14% from government, and 14% from healthcare.

(expressed in thousands of Canadian dollars)

Gross profit and gross profit margin

For the three months ended December 31, 2020, gross profit increased 33% to $70,927 from $53,355 last year and gross profit margin of 24.5% was down slightly from 24.9% in the same period last year.

For the year ended December 31, 2020, gross profit increased 44% to $233,006 from $161,584 last year and gross profit margin increased to 24.6% of revenue, compared to a gross profit margin of 23.5% in the same period last year. The increase in gross profit margin is due primarily to the Company's focus on selling higher margin software and cloud services.

Selling, general, and administrative expenses

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

	For the three months ended December 31,		For the twelve months ended December 31,	
	2020	2019	**2020**	2019
Salaries and benefits	**$ 45,959**	$ 34,869	**$ 154,168**	$ 111,030
Professional fees	**1,870**	424	**6,019**	4,648
Office and travel	**1,256**	6,825	**16,203**	15,857
Marketing and events	**(490)**	587	**416**	2,078
Other expenses	**584**	116	**891**	286
Total	**$ 49,179**	$ 42,821	**$ 177,697**	$ 133,899

Employee compensation and benefits for the three months ended December 31, 2020 increased to $45,959 from $34,869 last year primarily due to increased headcount related to the acquisitions of companies purchased subsequent to December 31, 2019. Professional fees increased insignificantly to $1,870 for the three months ended December 31, 2020 from $424 last year. Marketing programs, and travel and office expense decreased to $766 for the three months ended December 31, 2020 from $7,412 last year due to decreased travel activity as a result of COVID-19. Other expenses increased to $584 for the three months ended December 31, 2020 compared to $116 last year primarily due to higher allowance for doubtful accounts.

Employee compensation and benefits for the year ended December 31, 2020 increased to $154,168 from $111,030 last year primarily due to increased headcount related to the acquisitions of companies purchased subsequent to December 31, 2019. Professional fees increased to $6,019 for 2020 from $4,648 last year due to higher use of external contractors and legal costs. Marketing programs, and travel and office expense decreased to $16,619 for the year ended December 31, 2020 from $17,935 last year due to decreased travel activity as a result of COVID-19. Other expenses increased to $891 for 2020 compared to $286 last year primarily due to higher allowance for doubtful accounts.

Depreciation and amortization

Depreciation and amortization for the three months ended December 31, 2020 increased to $5,262 from $4,648 last year. For the year ended December 31, 2020, depreciation and amortization increased to $21,466 from $13,057 last year. The increases are primarily due to intangible assets related to the acquisitions of companies purchased subsequent to December 31, 2019.

Finance expense

Finance expense for the three months ended December 31, 2020 of $3,719 consisted of interest expense related to (i) receivable backed financing of $2,811; (ii) notes payable of $109; (iii) debentures of $359 and; (iv) right-of-use assets of $440. Finance expense for the three months ended December 31, 2019 of $5,499 consisted of interest expense related to (i) receivable backed financing of $4,436; (ii) notes payable of $271; (iii) debentures of $418; and (iv) right-of-use assets of $374. The decrease in finance expense is due to the termination of ABL facilities with a Canadian lender that had interest rates that vary from the higher of 8.75% to 9.25% or the published TD Bank prime rate plus 5.3% to 5.8%, with an expansion rate of an additional 3% based on the advance rate of the trade receivables. The Company entered into new ABL facilities with a syndication of Canadian lenders that had interest rates of CIBC Bank prime rate plus 0% to 2%.

Finance expense for the year ended December 31, 2020 of $19,672 consisted of interest expense related to (i) receivable backed financing of $15,279; (ii) notes payable of $1,345; (iii) debentures of $1,464 and; (iv) right-of-use assets of $1,584. Finance expense for the year ended December 31, 2019 of $16,026 consisted of interest expense related to (i) receivable backed financing of $12,681; (ii) notes payable of $448; (iii) debentures of $1,548; and (iv) right-of-use assets of $1,349. The increase in finance expense is due to the Company's growth in revenues and related accounts receivable, notes payable related to acquisitions and increased right-of-use assets from the acquisition of companies subsequent to December 31, 2019.

Special charges

Special charges for the three months ended December 31, 2020 increased to $7,149 from $2,455 last year. For the year ended December 31, 2020, special charges increased to $15,063 from $10,640 in 2019. Refer to "Adjusted EBITDA (Non-IFRS Financial Measurement)" for a breakdown of special charges.

Other expenses (income)

Other expenses for the three months ended December 31, 2020 was $1,723 compared to other income of $200 last year. Other income and expenses are primarily the impact of realized and unrealized foreign exchange gains and losses from foreign currency transactions translated into Canadian dollars.

Other expenses for the year ended December 31, 2020 was $1,609 compared to expenses of $719 last year. The significant increase year over year is primarily due foreign exchange losses generated on US dollar-denominated receivables as a result of the strengthening of the Canadian dollar relative to the US dollar during the year, partially offset by the PPP loan forgiveness of $1,194 that occurred during the year ended December 31, 2020.

Income tax expense (recovery)

Income tax expense for the three months ended December 31, 2020 was $2,945 decreased from the comparative period last year recovery of $3,461. For the year ended December 31, 2020, income tax expense was $1,674 compared to a recovery of $1,917 last year.

(expressed in thousands of Canadian dollars)

Quarterly Financial Results

	Three months ended (*unaudited*)								
	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019*	Mar 31, 2019*	Dec 31, 2018
Revenues	289,557	189,875	227,842	241,525	214,705	144,504	157,985	170,601	136,088
Gross Profit*	70,927	52,395	54,849	54,835	53,355	34,889	36,138	37,207	30,322
Gross Profit Margin	24%	28%	24%	23%	25%	24%	23%	22%	22%
Adjusted EBITDA	23,375	14,619	11,654	11,044	11,832	5,827	5,510	8,453	5,759
Net income (loss)	950	694	(4,401)	(1,416)	1,593	(7,077)	(2,358)	(2,895)	(4,197)
Loss per share:									
Basic	0.01	0.01	(0.05)	(0.02)	0.02	(0.09)	(0.03)	(0.04)	(0.05)
Diluted	0.01	0.01	(0.05)	(0.02)	0.02	(0.09)	(0.03)	(0.04)	(0.05)
Total assets	720,620	493,054	502,946	573,206	488,884	303,788	303,932	326,354	256,298
Total current liabilities	571,549	396,477	457,632	517,909	445,215	265,275	259,785	287,363	236,710

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 amounts within revenues, cost of sales and selling, general and administrative have been revised for the three months ended June 30 and March 31, 2019. Revisions to revenue of $8,700 and $5,800 was recognized for the 3 months ended June 30 and March 31, 2019, respectively, with a corresponding amount recognized to cost of sales in the amount of $6,600 and $5,800 for the 3 months ended June 30 and March 31, 2019, respectively. Selling, general and administrative costs of $2,100 were reclassified from cost of sales for the 3 months ended June 30, 2019. The revised amounts have an insignificant impact on the gross profit amount and margin previously disclosed.

Overview of Financial Position

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

As at	**December 31, 2020**	December 31, 2019
Assets		
Current assets	**$ 477,319**	$ 287,184
Long-term assets	**243,301**	201,700
Total assets	**$ 720,620**	$ 488,884
Current liabilities	**571,549**	445,215
Long-term liabilities	**47,324**	53,546
Total liabilities	**$ 618,873**	$ 498,761
Shareholders' equity		
Common Shares	**135,354**	20,612
Warrants	**-**	243
Contributed surplus	**-**	307
Exchange rights	**4,853**	6,773
Foreign exchange translation reserve	**817**	69
Deficit	**(39,277)**	(37,881)
Total shareholders' equity (deficiency)	**$ 101,747**	$ (9,877)
Total liabilities and shareholders' equity	**$ 720,620**	$ 488,884

Current Assets

Current assets are mainly comprised of trade and other receivables of $364,308 (December 31, 2019 - $220,138), inventories of $37,868 (December 31, 2019 - $23,376), and cash of $64,767 (December 31, 2019 - $20,590). Trade and other receivables increased by $144,170 due to timing of cash collection from customers and the acquisitions in 2020. Inventory increased by $14,492 primarily due to the new acquisitions subsequent to December 31, 2019.

Long-term assets

Long-term assets are mainly comprised of goodwill of $110,068 (December 31, 2019 - $80,271) and intangible assets of $108,926 (December 31, 2019 - $92,047). Goodwill increased for year ended December 31, 2020 due to the acquisition of PCD, Unique Digital, Workgroup, Vivvo, and Vicom reflecting the benefits attributable to synergies, revenue growth, future market development, and the estimated fair value of an assembled workforce. As at December 31, 2020, intangible assets consisted of $71,972 (December 31, 2019 - $71,961) in customer relationships, $35,774 (December 31, 2019 - $19,282) in trade name and trademarks, $279 (December 31, 2019 - nil) in developed technology, $426 (December 31, 2019 - $600) in managed service contracts and $475 in computer software (December 31, 2019 – $204).

Current Liabilities

Current liabilities are mainly comprised of $398,003 (December 31, 2019 - $248,218) in trade and other payables from the Company's operations, $133,281 (December 31, 2019 - $142,123) in borrowings and $22,125 (December 31, 2019 - $35,734) in other financial liabilities. On October 30, 2020, the convertible debenture holder exercised its conversion right and the Company issued 5,250,000 common shares and extinguished the debt (December 31, 2019 - $5,114). In October 2020, the Company paid out the balance of the debenture liability to debenture holders (December 31, 2019 – $3,629).

On November 6, 2020, the Company entered into a revolving credit agreement with a syndicate of Canadian lenders. The agreement, which is an asset-based lending ("ABL") facilities, provide lines of credit secured by the assets of the Company. The ABL facilities can be drawn to a certain percentage of the eligible trade receivables and inventory balances, to a maximum of $140,000. Interest is payable monthly at the published CIBC Bank prime rate plus 0% to 2%. As at December 31, 2020, the total balance owing to the lender under these facilities was $116,285. Coinciding with the signing of the above ABL, the Company terminated its previous ABL facilities which had interest payable monthly at rates that varied from the higher of 8.75% to 9.25% with an expansion rate of an additional 3% based on the advance rate of the trade receivables. It also required the Company to deposit 5% of the facilities' limit, into a cash reserve account controlled by the lender. As at December 31, 2019, the total balance owing to the lender under these facilities was $125,083 and restricted cash held in deposit was $8,053.

The Company also has a number of credit agreements with a US-based third party. As at December 31, 2020, the total balance owing to the lender under these facilities was $22,878 (December 31, 2019 – $31,613). Under these credit agreements, the Company is required to make monthly or quarterly blended repayments of principal and interest, at interest rates ranging from 4.5% to 8.5% per annum.

During the year ended December 31, 2020, 1,793,400 common shares were repurchased and cancelled under the Normal Course Issuer Bid (2019 – nil), for an aggregate purchase price of $2,125.

(expressed in thousands of Canadian dollars)

The following table provides a summary of borrowings and debt:

As at	December 31, 2020	December 31, 2019
Asset Backed Lending (ABL) credit facility	**$ 116,285**	$ 125,083
Contract financing facilities	**22,878**	31,613
Notes payable and contingent consideration related to acquisitions	**30,916**	38,015
Notes payable relating to operations	**4,393**	5,595
Debentures	**-**	8,743
	174,472	209,049
Long-term portion	**20,819**	53,546
Current portion	**$ 153,653**	$ 155,503

Since the beginning of fiscal 2020, the Company has reduced its borrowings and debt by $17,533.

Long-term liabilities

Long-term liabilities are comprised of $28,858 (December 31, 2019 - $33,111) in other financial liabilities, $5,882 in borrowings (December 31, 2019 – $14,573), and deferred tax liability of $12,584 (December 31, 2019 - $5,862).

Liquidity and Capital Resources

Liquidity

The Company manages its liquidity to ensure that it has sufficient liquidity to meet its short term and long-term commitments at they become due, while maintaining financial flexibility to pursue its strategy of organic and acquisition growth. To date, the Company has effectively managed liquidity through issuance of common shares, proceeds from debt, cashflow from operations. The increased demand for technology solutions due in part to COVID-19 has generally increased investor demand for technology related companies. Refer to the section *Business And Financial Highlights For The Year Ended December 31, 2020* for a discussion of the Company's recent financing initiatives.

The Company anticipates that it will have sufficient liquidity to fund its current cash requirements for working capital and contractual commitments, and if required, believes that it has the ability to raise additional capital or debt to help fund its acquisition strategy and achieve planned organic and inorganic growth targets.

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.

Cash Flow Analysis

As at December 31, 2020, total cash on hand was $64,767 (December 31, 2019 - $20,590); an increase of $44,177 since the beginning of the year. As at December 31, 2020, amounts borrowed under existing credit facilities were $139,163 (December 31, 2019 – $156,696).

(expressed in thousands of Canadian dollars)

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

	For the three months ended December 31,		For the twelve months ended December 31,	
	2020	2019	**2020**	2019
Cash from (used in) operating activities	**$ (27,734)**	$ 10,404	**$ 51,605**	$ 24,230
Cash used in investing activities	**(45,488)**	(48,093)	**(66,592)**	(62,851)
Cash from (used in) financing activities	**76,719**	44,496	**58,536**	51,074
Net increase in cash and cash equivalents	**3,497**	6,807	**43,549**	12,453
Cash and cash equivalents at the beginning of period	**59,051**	15,732	**20,590**	10,482
Effect of foreign exchange fluctuations on cash held	**2,219**	(1,949)	**628**	(2,345)
Cash and cash equivalents at the end of the period	**$ 64,767**	$ 20,590	**$ 64,767**	$ 20,590

Cash provided by (used in) operating activities

Cash used in operating activities was $27,734 for the three months ended December 31, 2020. The change was primarily attributable to decreases in inventory of $9,732, and trade and other receivables of $163,213, which were partially offset by an increase of trade and other payables of $128,892 for the three months ended December 31, 2020, as compared to increases in inventory of $2,501 and trade and other receivables of $15,887, partially offset by a decrease of $5,906 in trade and other payables in the same period in 2019. For the year ended December 31, 2020, cash provided by operating activities was $51,605 primarily due to a decrease in trade and other receivables of $117,266 as compared to a decrease of $20,334 in the year prior as a result of higher sales and cash collection from acquisitions completed subsequent to December 31, 2019.

Cash provided by (used in) investing activities

Cash used in investing activities for the three months ended December 31, 2020 was mainly due to the acquisition of Unique Digital, Workgroup, Vivvo, and Vicom compared to the acquisition of VSS during the three months ended December 31, 2019. For the year ended December 31, 2020, cash used in investing activities was mainly due to the acquisition of PCD, Unique Digital, Workgroup, Vivvo, and Vicom of $43,793 and earn-out and promissory note payments made to the previous shareholders of acquired companies of $17,898, compared to the year ended December 31, 2019 acquisition of SIS, Nordisk, and VSS of $55,194, repayment of contingent consideration of $2,420, and repayment of deferred consideration of $3,463.

Cash provided by (used in) financing activities

For the three months ended December 31, 2020, cash generated from financing was $76,719, which was mainly driven by the Company's net proceeds from an equity raise in of November 2020 totaling $43,210 and net proceeds under the Company's ABL facilities of $38,052, partially offset by the repayment of debentures of $3,896 and repayment of notes payable of $4,369. In the three-month comparative period for 2019, cash generated from financing was $44,496 primarily due to the net proceeds from borrowings under the Company's ABL facilities of $35,888. For the year ended December 31, 2020, cash from financing activities was $58,536, which was primarily due to net proceeds from equity raises in each of July, September, and November 2020 totally $103,597, partially offset by net repayments under the Company's ABL facilities of $17,965, interest paid of $14,860, payments of lease liabilities of $9,706, repayment of debentures of $3,896 and repayment of notes payable of $4,626. Refer to section *Business And Financial Highlights* for full details of the Company's equity financing deals that closed in 2020.

(expressed in thousands of Canadian dollars)

Revolving Credit Facility

On November 6, 2020, the Company entered into a revolving credit agreement with a syndicate of Canadian lenders. The agreement, which is an asset-based lending ("ABL") facilities, provide lines of credit secured by the assets of the Company. The ABL facilities can be drawn to a certain percentage of the eligible trade receivables and inventory balances, to a maximum of $140,000. Interest is payable monthly at the published CIBC Bank prime rate plus 0% to 2%. At December 31, 2020, the Company was in compliance with the lender's financial covenants under the ABL.

Use of Proceeds

The following tabular comparison details the Company's actual use of the ABL facilities:

Intended use of Credit Facility	Estimated Amount	Actual use of Proceeds	Actual Amount	Variance
Financing accounts receivable	Facility available as needed	Financing accounts receivable	Facility available as needed	No variance

On November 27, 2020, the Company raised net proceeds of approximately $43.5 million by way of an equity offering for acquisitions, working capital needs and other general corporate purposes. The following tabular comparison details the Company's actual use of the net proceeds from the offering:

Intended use of Proceeds	Estimated Amount	Actual use of Proceeds	Actual Amount	Variance
Acquisitions	Undetermined	December 1, 2020 acquisition of WorkGroup Connections Inc.	$1.4 million (US$1.1 million)	No variance
		December 22, 2020 acquisition of Vivvo Application Studios Ltd.	$2.5 million	No variance
		December 31, 2020 acquisition of Vicom Computer Services Inc.	$32 million (US$25 million)	No variance
		January 5, 2021 acquisition of CarpeDatum	$1.6 million (US$1.25 million)	No variance
Working capital and held for acquisitions	Undetermined	Working capital held for acquisitions	$6 million	No variance

(expressed in thousands of Canadian dollars)

Commitments and Contingencies

Commitments

As at December 31, 2020, the Company is committed under office building and computer equipment leases, for the following minimum annual rentals:

	December 31, 2020	December 31, 2019
	$	$
Minimum lease payments		
2020	-	7,980
2021	7,208	6,582
2022	4,446	3,793
2023	2,233	1,681
2024 and onwards	2,716	2,643
	16,603	22,679
Less: future finance charges	(993)	(3,079)
Present value of minimum lease payments	15,610	19,600
Current liabilities	7,570	6,710
Non-current liabilities	8,040	12,890
	15,610	19,600

Contingencies

In the normal course of operations, the Company is party to legal claims and contingencies. Accruals are made in instances where it is probable that liabilities have been incurred and where such liabilities can be reasonably estimated. Although it is possible that liabilities may be incurred in instances for which no accruals have been made, the Company does not believe that the ultimate outcome of these matters will have a material impact on its financial position.

On December 4, 2019, Key Information Systems, Inc. (“Key”) was served with a letter from the Los Angeles City Attorney’s Office regarding an investigation into certain transactions relating to goods and services provided by or through Key to the City’s Department of Building and Safety from the time period January 2012 to November 2017, prior to its indirect acquisition by the Company. On December 9, 2020, the two parties reached agreement to settle all claims and the Company paid an undisclosed amount on January 19, 2021 that did not have a material impact on the Company’s operations or financial position.

Off-Balance Sheet Arrangements

As at December 31, 2020, the Company does not have any off-balance sheet arrangements other than the commitments and contingencies noted above.

Related Party Transactions

During the year ended December 31, 2017, the Company entered into a 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 year ended December 31, 2020, the Company made rental payments of $262 (2019 - $262) under this arrangement.

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.

(expressed in thousands of Canadian dollars)

Total amounts expensed for the Company's key management personnel was $5,544 for the year ended December 31, 2020 (2019 - $3,982) and includes salaries, bonuses, advisory fees, short-term employment benefits and other personnel costs.

On September 4, 2019, the Company entered into a loan agreement with a key management person, advancing principal of $250 with interest on the unpaid principal balance at the rate of 2.48% per annum. The outstanding principal and interest is due on the earlier of September 3, 2022, or the date on which the individual resigns from or is terminated by the Company. As at December 31, 2020, $258 remains outstanding on the loan receivable (2019 – 252).

On July 31, 2020, the Company entered into loan agreements with key management personnel, advancing principal totaling $1,000 to purchase common shares of the Company, with interest on the unpaid principal balance at the rate of 1% per annum, equal to the prescribed rate by the Canada Revenue Agency. The outstanding principal and interest is due on the earlier of July 31, 2027, or the date upon which the common shares are transferred, assigned, or conveyed. As at December 31, 2020, a total of $1,004 remains outstanding on the loans receivable (2019 – nil).

Outstanding Share Capital

The table below provides a summary of the outstanding share capital of the Company as at December 31, 2020.

Capital	Authorized	Outstanding as at December 31, 2020	Common shares underlying convertible securities
Common shares	Unlimited	143,580,081	143,580,081
Warrants	Not applicable	-	-
Convertible Debenture	Not applicable	-	-
Exchange rights	Not applicable	6,371,400	6,371,400

Common shares

On February 20, 2020, the Company closed an underwritten public offering (the "February Offering"). The Offering consisted of 5,769,231 common shares of the Company (the "February Offered Shares"). The Company also granted the underwriters an option, exercisable at any time, in whole or in part, until the date that is 30 days following closing to purchase, at the offering price, 865,384 additional common shares to cover over-allotments and for market stabilization purposes. On March 3, 2020, the underwriters exercised their over-allotment option to purchase an additional 592,084 common shares of the Company.

On July 31, 2020, the Company closed an underwritten public offering (the "July Offering") of 10,800,000 common shares of the Company (the "July Offered Shares") at a price to the public of $1.62 per share for gross proceeds to the Company of $17,496, before deducting the underwriters' fees and estimated offering expenses. The Company also granted the underwriters an option, exercisable at any time, in whole or in part, until the date that is 30 days following closing to purchase, at the offering price, 1,620,000 additional common shares to cover over-allotments and for market stabilization purposes. On August 7, 2020, the over-allotment option was exercised in full, for additional gross proceeds to the Company of $2,624. As a result, the total gross proceeds of the Offering were $20,120 before transaction related costs of $1,635.

On September 30, 2020, the Company closed an underwritten public offering (the "September Offering") of 14,650,000 common shares of the Company (the "September Offered Shares") at a price of $2.05 per share for gross proceeds to the Company of $30,032, before deducting underwriters' fees and estimated offering expenses. The underwriters also exercised an over-allotment option on closing, in full, for 2,197,500 common shares, for additional gross proceeds to the Company of $4,505. As a result, the total gross proceeds of the Offering were $34,537 before transaction related costs of $2,512.

On November 27, 2020, the Company closed an underwritten public offering (the "November Offering") of 15,410,000 common shares of the Company (the "November Offered Shares") at a price of $3.00 per Offered Share for gross proceeds to the Company of $46,230, before deducting underwriters' fees and estimated offering expenses. The gross proceeds included the full exercise of an over-allotment option by the underwriters before transaction related costs of $3,047.

During the year ended December 31, 2020, 1,793,400 common shares were repurchased and cancelled under the NCIB (2019 – nil), for an aggregate purchase price of $2,125.

Warrants

During the year ended December 31, 2020, purchase warrants of 3,923,680 (2019 – 3,459,000) and 147,469 broker warrants (2019 – 407,940) have been exercised for total proceeds of $2,569 (2019 – $2,292). As at December 31, 2020, no purchase warrants remain outstanding.

Critical Accounting Policies and Estimates

Please see the Company's audited consolidated financial statements for the year ended December 31, 2020 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.

New or Pending Accounting Standards, Amendments and Interpretations

The following new accounting standards were applied or adopted by the Company during the year ended December 31, 2020:

Amendments to IFRS 3, Business Combinations ("IFRS 3") – Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 to help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarify the minimum requirements for a business, removed the assessment of whether market participants are capable of replacing any missing elements, added guidance to help entities assess whether an acquired process is substantive, narrowed the definitions of a business and of outputs, and introduced an optional fair value concentration test. Effective January 1, 2020, the Company adopted the amendments to IFRS 3, with no material impact on its consolidated financial statements.

Amendments to IAS 1, Presentation of Financial Statements("IAS 1") and IAS 8, Changes in Accounting Estimates and Errors("IAS 8") – Definition of Material

In October 2018, the IASB issued amendments to IAS 1 and IAS 8 to align the definition of "material" across the standards and to make it easier to understand. The definition of material in IAS 8 has been replaced by a definition of material in IAS 1. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendment is effective for annual reporting periods beginning on or after January 1, 2020. The adoption of this amendment did not have a material impact on the consolidated financial statements.

The following new accounting standards have been issued but not yet adopted by the Company at December 31, 2020:

Amendments to IAS 1 In January 2020, IASB issued Classification of Liabilities as "Current" or "Non-current", which amends IAS 1.

The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of its recognition. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least 12 months. That classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is still assessing the impact of adopting these amendments on its financial statements.

Risks and Uncertainties

The Company's business is subject to a number of risk factors which are described in its annual information form ("AIF") for the year ended December 31, 2020 and 2019 and its annual MD&A for the years ended December 31, 2019 and 2018, including a discussion of risk as a result of COVID-19 and updated in this MD&A (see "COVID-19" section), all available at www.sedar.com under the Company's profile. The risks presented in the Company's filings 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.