Converge Technology Solutions Corp.

Management Discussion and Analysis

For the three and six months ended June 30, 2021 and 2020

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. (the "Company" or "Converge") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and six months ended June 30, 2021 and 2020. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes thereto for the three and six months ended June 30, 2021, as well as the Company's consolidated financial statements and MD&A for the year ended December 31, 2020.

The condensed interim consolidated financial statements have been prepared in accordance with accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in effect for the Company's reporting three and six months ended June 30, 2021. 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 August 11, 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'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. On August 5, 2021, the Company announced its acquisition of REDNT AG, marking Converge's official expansion into Europe, a significant milestone for the Company. 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 and providing ongoing services. 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 of the date of this MD&A:

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%
CarpeDatum LLC ("CarpeDatum")	Aurora, CO	100% (3)
Accudata Systems LLC ("Accudata")	Houston, TX	100%
Dasher Technologies, Inc. ("Dasher")	Campbell, CA	100%
ExactlyIT Inc. ("ExactlyIT")	Morrisville, NC	100%
REDNET AG ("Rednet")	Mainz, Germany	75%

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 2,000,000 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 15 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.
(3) The Company indirectly holds all of the issued and outstanding Class A membership units of CarpeDatum, which represents 100% of the economic interests in CarpeDatum. As of the date of this MD&A, there are also 367,644 Class B membership units of CarpeDatum (which have no right to economic participation in CarpeDatum) issued and outstanding, held by the vendors of CarpeDatum 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.

On January 6, 2021, the Company acquired all of the issued and outstanding shares of CarpeDatum LLC, ("CarpeDatum"), a Colorado-based analytics consulting organization. On February 12, 2021, the Company acquired all of the issued and outstanding shares of Accudata Systems LLC, ("Accudata"), a Texas-based IT consulting and integration firm that provides infrastructure and security solutions and services. On April 1, 2021, the Company acquired all of the issued and outstanding shares of Dasher Technologies, Inc. ("Dasher"), an IT solution provider headquartered in Silicon Valley that has architected, implemented, and managed innovative solutions that digitally transform businesses for over 20 years. On June 22, 2021, the Company acquired all of the issued and outstanding shares of ExactlyIT, Inc. ("ExactlyIT"), an IT solution provider headquartered in North Carolina, with operational offices in Mexico, that has managed business-critical systems to deliver innovative, next-generation managed IT services.

European Expansion

On August 11, 2021, the Company completed the acquisition of a majority interest in REDNET AG ("Rednet"), an IT services provider headquartered in Mainz, Germany. Rednet represents the Company's 23rd acquisition announced by Converge and the Company's first European acquisition. Founded in 2004, Rednet specializes in serving education, healthcare, and government/public sectors, providing detailed advice, economic planning, smooth logistics, and fast service to their clients. Particularly, the organization prides themselves on bringing value through comprehensive, high-quality services and extensive know-how in handling large rollouts. The addition of Rednet is significant, as it marks Converge's official expansion into Europe and will greatly increase the Company's ability to serve clients globally and strengthens Converge's global footprint.

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 Three and Six Months Ended June 30, 2021

Financial results for the three and six months ended June 30, 2021:

- For the three months ended June 30, 2021, the Company earned revenue of $345,307, gross profit of $78,244, and adjusted EBITDA of $21,582 (three months ended June 30, 2020 – revenue of $227,842, gross profit of $54,849, and adjusted EBITDA of $11,654).

- For the six months ended June 30, 2021, the Company earned revenue of $655,509, gross profit of $146,040, and adjusted EBITDA of $40,350 (six months ended June 30, 2020 – revenue of $469,367, gross profit of $109,684, and adjusted EBITDA of $22,500).

Financing

- On January 15, 2021, the Company closed an underwritten public offering (the "January Offering") of 17,825,000 common shares of the Company ("January 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 $5,511.

- On June 3, 2021, the Company closed an underwritten public offering (the "June Offering") of 23,000,000 common shares of the Company ("June Offered Shares") at a price of $7.50 per Offered Share for gross proceeds to the Company of $172,500. The gross proceeds included the full exercises of an over-allotment option by the underwriters before transaction related costs of $8,018.

Acquisitions

- 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. Purchase consideration consisted of (i) $1,586 in cash; (ii) working capital adjustment of $95; (iii) $1,875 for the issuance of a right to exchange Class B membership interests for an aggregate of 367,644 common shares of the Company; and (iv) up to an estimated aggregate of $2,197 in earn-out payments for the three years following closing of the acquisition based on the achievement of certain milestones.

- On February 12, 2021, the Company acquired all of the issued and outstanding shares of Accudata Systems LLC, ("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. Purchase consideration consisted of (i) $9,533 in cash; (ii) working capital adjustment of $4,391; and (iii) up to an estimated aggregate of $6,076 in earn-out payments for the three years following closing of the acquisition based on the achievement of certain milestones.

- On April 1, 2021, the Company acquired all of the issued and outstanding shares of Dasher Technologies, Inc., ("Dasher"), a Silicon Valley-based IT solution provider that has industry-recognized expertise in technologies such as cybersecurity, enterprise networking, data center, and hybrid cloud services. The transaction will be accounted for as a business combination. Consideration for the purchase consisted of (i) $49,632 ($39,500 USD) in cash; and (ii) promissory notes in aggregate of $11,031 ($8,779 USD) payable over the three years following closing of the acquisition; (iii) working capital adjustment of $150 and; (iv) payment to company participants totaling $13,829 ($11,006 USD).

- On June 22, 2021, the Company acquired all of the issued and outstanding shares of ExactlyIT, Inc. ("ExactlyIT"), an IT solution provider headquartered in North Carolina, with operational offices in Mexico, that has managed business-critical systems to deliver innovative, next-generation managed IT services. The total consideration for the purchase consisted of (i) $32,620 ($26,400 USD) in cash; (ii) working capital adjustment of $2,568 ($2,079 USD); and (iii) an estimated aggregate of $7,919 in earn-out payments for the six years following closing of the acquisition based on the achievement of certain milestones.

- On June 30, 2021, the Company announced that it signed definitive agreements to acquire Vicom Infinity, Inc. and Infinity Systems Software, Inc. Vicom Infinity is a world-class IBM mainframe solutions provider, and Infinity Systems Software has been a leading supplier of software and services for IBM platforms for more than 20 years. The addition of Vicom Infinity and Infinity Systems Software will add to the Vicom group of companies within Converge and provide the Company increased resources and client offerings, specifically in the area of IBM solutions and high-availability environments. Consideration for the purchases will consist of $18,591 ($15,000 USD) in cash to be paid at closing. The acquisition is expected to close in Q3 of this year.

- On August 5, 2021, the Company acquired a 75% interest in REDNET AG ("Rednet"), an IT services provider headquartered in Mainz, Germany that specializes in serving the education, healthcare, and government/public sectors, providing detailed advice, economic planning, smooth logistics, and fast service to its clients. The transaction will be accounted for as a business combination. Consideration for the purchase consisted of (i) $142,902 (€96,582) in cash; and (ii) an adjustment representing 75% of excess working capital at closing. The purchase agreement allows for Converge to acquire the remaining 25% of Rednet after three to five years.

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. Additionally, in 2021 Converge plans to expand its operations 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:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Revenues				
Product	**$ 281,287**	$ 175,307	**$ 533,794**	$ 365,691
Service	**64,020**	52,535	**121,715**	103,676
Total revenue	**345,307**	227,842	**655,509**	469,367
Cost of sales	**267,063**	172,993	**509,469**	359,683
Gross profit	**78,244**	54,849	**146,040**	109,684
Selling, general and administrative expenses	**57,630**	44,174	**107,273**	89,576
Income before the following	**20,614**	10,675	**38,767**	20,108
Depreciation and amortization	**7,898**	5,623	**14,386**	11,024
Finance expense, net	**1,727**	5,316	**4,147**	10,815
Special charges	**5,354**	4,307	**8,405**	6,049
Other expense (income)	**1,913**	999	**3,006**	(620)
Income (loss) before income taxes	**3,722**	(5,570)	**8,823**	(7,160)
Income tax expense (recovery)	**2,697**	(1,169)	**4,133**	(1,342)
Net income (loss)	**$ 1,025**	$ (4,401)	**$ 4,690**	$ (5,818)
Other comprehensive income (loss)				
Exchange loss on translation of foreign operations	**(820)**	(951)	**(618)**	748
Comprehensive income (loss)	**$ 1,845**	$ (3,450)	**$ 5,308**	$ (6,566)
Adjusted EBITDA(i)	**$ 21,720**	$ 11,654	**$ 40,488**	$ 22,500

(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 June 30,		**For the six months ended June 30,**	
	2021	2020	**2021**	2020
Net income (loss) before taxes	**$ 3,722**	$ (5,570)	**$ 8,823**	$ (7,160)
Finance expense	**1,727**	5,316	4,148	10,815
Depreciation and amortization	**7,898**	5,623	14,386	11,024
Depreciation included in cost of sales	**1,065**	1,346	1,760	2,780
Foreign exchange loss (gain)	**1,954**	632	2,966	(1,008)
Special charges	**5,354**	4,307	8,405	6,049
Adjusted EBITDA	**$ 21,720**	$ 11,654	**$ 40,488**	$ 22,500

For the three months ended June 30, 2021, special charges are primarily due to $2,676 of acquisition transaction costs, $125 of legal provisions and other costs related to acquired companies, $592 in financing related costs, $128 of restructuring costs related to the integration of acquired companies, and $1,833 due to a change in fair value of contingent consideration. During the same period in the prior year, special charges were primarily due to $471 of acquisition transaction costs, $2,307 of restructuring charges related to the integration of acquired companies, and $1,529 of legal provisions and costs related to acquired companies.

For the six months ended June 30, 2021, special charges are primarily due to $3,635 of acquisition transaction costs, $322 of legal provisions and other costs related to acquired companies, $717 in financing related costs, $1,301 of restructuring costs related to the integration of acquired companies, and $2,430 due to a change in fair value of contingent consideration. During the same period in the prior year, special charges were primarily due to $873 of acquisition transaction costs, $3,487 of restructuring charges related to the integration of acquired companies, and $1,689 of legal provisions and costs related to acquired companies.

Overall Company Performance and Key Changes in Financial Results

Revenue

	For the three months ended June 30,		**For the six months ended June 30,**	
	2021	2020	**2021**	2020
Product	**$ 281,287**	$ 175,307	**$ 533,794**	$ 365,691
Managed Services	**16,871**	13,896	**33,250**	27,423
Professional and other services	**47,149**	38,639	**88,465**	76,253
Total	**$ 345,307**	$ 227,842	**$ 655,509**	$ 469,367

(expressed in thousands of Canadian dollars)

Product revenue, which includes hardware and software, for the three months ended June 30, 2021 increased 60% to $281,287 from $175,307 for the three months ended June 30, 2020, primarily due to higher sales to the Canadian government and the impact of the acquisitions of Unique Digital, Workgroup, Vivvo, Vicom, CarpeDatum, Accudata, and Dasher that were completed during the period subsequent to June 30, 2020. Recurring revenue from managed services, which are long-term contracts, increased 21% to $16,871 from $13,896 last year primarily due to organic growth of managed cloud services to customers. Professional and other services which include professional and staffing services and the net revenue from public cloud resell and software support, increased 22% to $47,149 from $38,639 last year primarily due to the impact of acquisitions completed in the intervening period.

For the three months ended June 30, 2021, revenue by industry was approximately 24% from banking and financial services companies, 24% from government, 17% from technology companies, and 13% from healthcare.

Product revenue for the six months ended June 30, 2021 increased 46% to $533,794 from $365,691 for the six months ended June 30, 2020, primarily due to higher sales to the Canadian government and the impact of the acquisitions of Unique Digital, Workgroup, Vivvo, Vicom, CarpeDatum, Accudata, and Dasher that were completed during the period subsequent to June 30, 2020. Recurring revenue from managed services increased 21% to $33,250 from $27,423 last year primarily due to organic growth of managed cloud services to customers. Professional and other services increased 16% to $88,465 from $76,253 last year primarily due to the impact of acquisitions completed in the intervening period.

For the six months ended June 30, 2021, revenue by industry was approximately 19% from banking and financial services companies, 23% from government, 20% from technology companies, and 13% from healthcare.

Gross profit and gross profit margin

For the three months ended June 30, 2021, gross profit increased 43% to $78,244 from $54,849 last year and gross profit margin of 22.7% decreased from 24.1% in the same period last year. The decrease in gross profit margin is due primarily to the impact of recent acquisitions that sell primarily lower margin hardware and higher sales to the Canadian government of hardware products. As we cross-sell higher margin cloud and managed services to customers of recently acquired companies, we expect gross margins to increase.

For the six months ended June 30, 2021, gross profit increased 33% to $146,040 from $109,684 last year and gross profit margin of 22.3% decreased from 23.4% in the same period last year. The decrease in gross profit margin is due primarily to the impact of recent acquisitions that sell primarily lower margin hardware and higher sales to the Canadian government of hardware products. As we cross-sell higher margin cloud and managed services to customers of recently acquired companies, we expect gross margins to increase.

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 June 30,		**For the six months ended June 30,**	
	2021	2020	**2021**	2020
Salaries and benefits	**$ 50,690**	$ 38,537	**$ 93,638**	$ 75,568
Professional fees	**1,710**	1,411	**4,670**	2,505
Office and travel, events	**4,431**	4,226	**8,367**	11,303
Other expenses	**799**	-	**598**	200
Total	**$ 57,630**	$ 44,174	**$ 107,273**	$ 89,576

(expressed in thousands of Canadian dollars)

Employee compensation and benefits for the three months ended June 30, 2021 increased to $50,690 from $38,537 last year primarily due to increased headcount related to acquisitions. Professional fees increased to $1,710 for the three months ended June 30, 2021 from $1,411 last year primarily due to advisory services for tax and planning for the Company's expansion into Europe. Office and travel, events, which includes marketing expenses, increased to $4,431 for the three months ended June 30, 2021 from $4,226 last year. Other expenses increased to $799 for the three months ended June 30, 2021 compared to nil in prior year.

Employee compensation and benefits for the six months ended June 30, 2021 increased to $93,638 from $75,568 last year primarily due to increased headcount related to acquisitions. Professional fees increased to $4,670 for the six months ended June 30, 2021 from $2,505 last year primarily due to advisory services for tax and planning for the Company's expansion into Europe. Office and travel, events decreased to $8,367 for the six months ended June 30, 2021 from $11,303 last year primarily due to higher marketing development funds received year-to-date. Other expenses increased to $598 for the six months ended June 30, 2021 compared to $200 in prior year.

Depreciation and amortization

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	**2021**	2020
Amortization of intangibles	**$ 5,815**	$ 3,271	**$ 10,102**	$ 7,188
Depreciation of right of use assets and equipment	**2,083**	2,352	**4,284**	3,836
Total	**$ 7,898**	$ 5,623	**$ 14,386**	$ 11,024

Amortization of intangibles for the three months ended June 30, 2021 increased to $5,815 from $3,271. Amortization of intangibles for the six months ended June 30, 2021 increased to $10,102 from $7,188. The increase is primarily due to intangible assets related to the acquisitions of companies purchased subsequent to June 30, 2020. Depreciation expense for the three months ended June 30, 2021 decreased to $2,083 from $2,352 last year. Depreciation expense for the six months ended June 30, 2021 increased to $4,284 from $3,836 last year. The decrease is primarily due to a decrease in the foreign currency translation rate into Canadian dollars offset by right of use asset and equipment additions from the newly acquired companies subsequent to June 30, 2020.

Finance expense

Finance expense for the three months ended June 30, 2021 of $1,727 consisted of interest expense related to (i) receivable backed financing of $1,080; (ii) notes payable of $232; (iii) right-of-use assets of $415. Finance expense for the three months ended June 30, 2020 of $5,316 consisted of interest expense related to (i) receivable backed financing of $4,125; (ii) notes payable of $497; (iii) debentures of $285; and (iv) right-of-use assets of $409. The decrease in finance expense is primarily due to lower interest rates due to the change in the company's ABL facility and to lower interest as a result of paying down debenture and other non-ABL debt.

Finance expense for the six months ended June 30, 2021 of $4,147 consisted of interest expense related to (i) receivable backed financing of $2,944; (ii) notes payable of $567; (iii) right-of-use assets of $636. Finance expense for the six months ended June 30, 2020 of $10,815 consisted of interest expense related to (i) receivable backed financing of $8,406; (ii) notes payable of $872; (iii) debentures of $659; and (iv) right-of-use assets of $878. The decrease in finance expense is primarily due to lower interest rates due to the change in the company's ABL facility and to lower interest as a result of paying down debenture and other non-ABL debt.

Special charges

Special charges for the three months ended June 30, 2021 increased to $5,354 from $4,307 last year. For the six months ended June 30, 2021, special charges increased to $8,405 from $6,049 in the same period in 2020. Refer to "Adjusted EBITDA (Non-IFRS Financial Measurement)" for a breakdown of special charges.

(expressed in thousands of Canadian dollars)

Other expenses (income)

Other expenses for the three months ended June 30, 2021 was $1,913 compared to other expense of $999 last year. Other expenses for the six months ended June 30, 2021 was $3,006 compared to other income of $620 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.

Income tax expense (recovery)

Income tax expense for the three months ended June 30, 2021 increased to $2,697 from a recovery of $1,169 in the prior year. For the six months ended June 30, 2021, income tax expense was $4,133 compared to income tax recovery of $1,342 last year. The increase in income tax expense is due to the increased earnings in 2021.

Quarterly Financial Results

	Three months ended (*unaudited*)							
	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019
Revenues	345,307	310,202	289,557	189,875	227,842	241,525	214,705	144,504
Gross Profit*	78,244	67,797	70,927	52,395	54,849	54,835	53,355	34,889
Gross Profit Margin	23%	22%	24%	28%	24%	23%	25%	24%
Adjusted EBITDA	21,720	18,768	23,375	14,619	11,654	11,044	11,832	5,827
Net income (loss)	1,025	3,666	950	694	(4,401)	(1,416)	1,593	(7,077)
Loss per share:								
Basic	0.01	0.02	0.01	0.01	(0.05)	(0.02)	0.02	(0.09)
Diluted	0.01	0.02	0.01	0.01	(0.05)	(0.02)	0.02	(0.09)
Total assets	912,414	787,494	720,620	493,054	502,946	573,206	488,884	303,788
Total current liabilities	491,186	553,644	571,549	396,477	457,632	517,909	445,215	265,275

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.

(expressed in thousands of Canadian dollars)

Overview of Financial Position

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

As at		June 30, 2021		December 31, 2020
Assets				
Current assets	**$**	**548,439**	$	477,319
Long-term assets		**363,975**		243,301
Total assets	**$**	**912,414**	$	720,620
Current liabilities		**491,186**		571,549
Long-term liabilities		**66,876**		47,324
Total liabilities	**$**	**558,062**	$	618,873
Shareholders' equity				
Common Shares		**383,696**		135,354
Exchange rights		**3,808**		4,853
Foreign exchange translation reserve		**1,435**		817
Deficit		**(34,587)**		(39,277)
Total shareholders' equity	**$**	**354,352**	$	101,747
Total liabilities and shareholders' equity	**$**	**912,414**	$	720,620

Current Assets

Current assets are mainly comprised of trade and other receivables of $351,663 (December 31, 2020 - $364,308), inventories of $62,096 (December 31, 2020 - $37,868), and cash of $124,923 (December 31, 2020 - $64,767).

Long-term assets

Long-term assets are mainly comprised of goodwill of $186,995 (December 31, 2020 - $110,068) and intangible assets of $147,903 (December 31, 2020 - $108,926). Goodwill increased for the three months ended June 30, 2021 due to the acquisition of Dasher and ExactlyIT reflecting the benefits attributable to synergies, revenue growth, future market development, and the estimated fair value of an assembled workforce. As at June 30, 2021, intangible assets consisted of $121,909 (December 31, 2020 - $71,972) in customer relationships, $25,518 (December 31, 2020 - $35,774) in trade name and trademarks, $244 (December 31, 2020 - $279) in developed technology, $232 (December 31, 2020 - $426) in managed service contracts and nil in computer software (December 31, 2020 – $475).

Current Liabilities

Current liabilities are mainly comprised of $377,127 (December 31, 2020 - $398,003) in trade and other payables from the Company's operations, $50,513 (December 31, 2020 - $133,281) in borrowings and $26,437 (December 31, 2020 - $22,125) in other financial liabilities.

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 $190,000 (on March 21, 2021, the limit was increased to $190,000 from $140,000). Interest is payable monthly at the published CIBC Bank prime rate plus 0% to 2%. As at June 30, 2021, the total balance owing to the lender under these facilities was $49,715 (December 31, 2020 - $116,285).

The Company also has a number of credit agreements with a US-based third party. As at June 30, 2021, the total balance owing to the lender under the remaining facility was $1,521 (December 31, 2020 – $22,878). Under this credit agreement, the Company is required to make quarterly blended repayments of principal and interest, at an interest rate of 8.5% per annum. On January 19, 2021, the Company repaid $19,164 to the lender, equal to the outstanding principal plus accrued interest.

(expressed in thousands of Canadian dollars)

The following table provides a summary of borrowings and debt:

As at	**June 30, 2021**	**December 31, 2020**
Asset Backed Lending (ABL) credit facility	**$ 49,715**	$ 116,285
Contract financing facilities	**1,521**	22,878
Notes payable and contingent consideration related to acquisitions	**50,349**	30,916
Notes payable relating to operations	**931**	4,393
	102,516	174,472
Long-term portion	**32,049**	20,819
Current portion	**$ 70,467**	$ 153,653

Long-term liabilities

Long-term liabilities are comprised of $41,535 (December 31, 2020 - $28,858) in other financial liabilities, $723 in borrowings (December 31, 2020 – $5,882), and deferred tax liability of $24,618 (December 31, 2020 - $12,584).

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 Three and Six Months Ended June 30, 2021* 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 June 30, 2021, total cash on hand was $124,923 (December 31, 2020 - $64,767); an increase of $60,156 since the beginning of the year. As at June 30, 2021, amounts borrowed under existing credit facilities were $51,236 (December 31, 2020 – $139,163).

(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 June 30,		For the six months ended June 30,	
	2021	2020	**2021**	2020
Cash from operating activities	**$ 21,756**	$ 23,043	**$ 16,213**	$ 52,320
Cash used in investing activities	**(89,782)**	(4,748)	**(108,120)**	(15,920)
Cash from (used in) financing activities	**120,968**	(8,903)	**148,964**	(20,097)
Net increase in cash and cash equivalents	**52,942**	9,392	**57,057**	16,303
Cash and cash equivalents at the beginning of period	**68,432**	26,749	**64,767**	20,590
Effect of foreign exchange fluctuations on cash held	**3,549**	231	**3,099**	(521)
Cash and cash equivalents at the end of the period	**$ 124,923**	$ 36,372	**$ 124,923**	$ 36,372

Cash from (used in) operating activities

Cash from operating activities was $21,756 for the three months ended June 30, 2021. The was primarily attributable to decreases in inventory of $12,019, and trade and other payables of $30,462, which were partially offset by an increase of trade and other receivables of $36,224 for the three months ended June 30, 2021, as compared to decreases in inventory of $16,075 and trade and other receivables of $37,463, partially offset by an increase of $38,293 in trade and other payables in the same period in 2020. For the six months ended June 30, 2021, cash provided by operating activities increased by $16,213 primarily due to a decrease in trade and other payables of $65,601 offset by an increase of trade and other receivables of $59,019 as compared to an increase of $633 in trade and other payables and an increase of $30,060 in trade and other receivables in the year prior as a result of higher sales and cash collection from acquisitions completed subsequent to June 30, 2020.

Cash used in investing activities

Cash used in investing activities for the three months ended June 30, 2021 was mainly due to the acquisition of Dasher and ExactlyIT compared to no acquisitions during the three months ended June 30, 2020. Contingent consideration of $2,134 was paid during the three months ended June 30, 2021 compared to $3,830 of contingent consideration paid in the same period in 2020. For the six months ended June 30, 2021, cash used in investing activities was mainly due to acquisitions of four companies of $96,150 compared to acquisition of PCD of $6,699 in the same period in 2020.

Cash from (used in) financing activities

For the three months ended June 30, 2021, cash generated from financing was $120,968, which was mainly driven by the Company's net proceeds from an equity raise in June 2021 totaling $164,482 offset by net repayments under the Company's ABL facilities of $87,791. In the three-month comparative period for 2020, cash used in financing was $8,903 primarily due to the interest payments of $4,197 and net repayments from borrowings under the Company's ABL facilities of $930. For the six months ended June 30, 2021, cash generated from financing was $148,964, which was mainly driven by the Company's net proceeds from an equity raise in January 2021 and June 2021 totaling $245,422 offset by net repayments under the Company's ABL facilities of $83,549. In the six-month comparative period for 2020, cash used in financing was $20,097 primarily due to the interest payments of $8,629, payments of lease liabilities of $5,255, and net repayments from borrowings under the Company's ABL facilities of $13,322. These repayments were offset by the Company's net proceeds from an equity raise in February 2020 of $7,294.

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 $190,000 (on March 21, 2021, the limit was increased to $190,000 from $140,000). Interest is payable monthly at the published CIBC Bank prime rate plus 0% to 2%. At June 30, 2021, the Company was in compliance with the lender's financial covenants under the ABL.

(expressed in thousands of Canadian dollars)

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 January 5, 2021, the Company raised net proceeds of approximately $80,900 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	January 5, 2021 acquisition of CarpeDatum	$1,600 (US $1,250)	No variance
		February 12, 2021 acquisition of Accudata	$13,900 (US $9,500)	No variance
		April 1, 2021 Acquisition of Dasher	$49,700 (US $39,500)	No variance
Working capital and held for acquisitions	Undetermined	Working capital held for acquisitions	$15,700	No variance

On June 3, 2021, the Company raised net proceeds of approximately $164,482 by way of an equity offering which was used as the primary source of funds for the below acquisitions completed. The balance of the aggregate acquisition consideration paid was financed by the Company's ABL facility. 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	June 22, 2021 acquisition of ExactlyIT	$35,000 (US $26,400)	No variance
		August 5, 2021 acquisition of REDNET AG	$140,000 (€96,000)	No variance

(expressed in thousands of Canadian dollars)

Commitments and Contingencies

Commitments

As at June 30, 2021, the Company is committed under office building and computer equipment leases, for the following minimum annual rentals:

	June 30, 2021	December 31, 2020
	$	$
Minimum lease payments		
2021	4,370	7,208
2022	5,495	4,446
2023	2,963	2,233
2024	1,362	980
2025 and onwards	1,829	1,736
	16,019	16,603
Less: future finance charges	618	(993)
Present value of minimum lease payments	16,637	15,610
Current liabilities	7,152	7,570
Non-current liabilities	9,485	8,040
	16,637	15,610

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.

Off-Balance Sheet Arrangements

As at June 30, 2021, the Company does not have any off-balance sheet arrangements other than the commitments and contingencies noted above.

Related Party Transactions

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

Total amounts expensed for the Company's key management personnel was $1,375 and $2,449 for the three and six months ended June 30, 2021 (for the three and six months ended June 30, 2020 - $1,056 and $2,362) 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 June 30, 2021, $261 remains outstanding on the loan receivable (December 31, 2020 – $258).

(expressed in thousands of Canadian dollars)

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 June 30, 2021, a total of $1,008 remains outstanding on the loans receivable (December 31, 2020 – $1,004).

Outstanding Share Capital

The table below provides a summary of the outstanding share capital of the Company as at June 30, 2021.

Capital	Authorized	Outstanding as at June 30, 2021	Common shares underlying convertible securities
Common shares	Unlimited	188,058,631	188,058,631
Exchange rights	Not applicable	3,085,494	3,085,494

Common shares

On January 5, 2021, 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, 10,310,000 common shares of the Company ("January Offered Shares") at a price of $4.85 per Offered Share (the "Issue Price") for gross proceeds to the Company of $50,004 (the "January Offering"), before deducting the underwriters' fees and estimated offering expenses. On January 6, 2021, the Company announced that it amended the agreement to increase the Offered Shares to 15,500,000, for a total Offering of $75,175. 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 2,325,000 additional common shares to cover over-allotments and for market stabilization purposes. On January 15, 2021, the over-allotment option was exercised in full, increasing the aggregate gross proceeds of the Offering to $86,451. After deducting transaction costs of $5,511 the net proceeds to the Company were $80,940.

On May 25, 2021, the Company announced that it had entered into an agreement with a syndicate of underwriters, pursuant to which the Underwriters agreed to purchase, on a bought deal basis, 13,300,000 common shares of the Company ("June Offered Shares") at a price of $7.50 per Offered Share (the "June Issue Price") for gross proceeds to the Company of $100,000 (the "June Offering"), before deducting the underwriters' fees and estimated offering expenses. On May 26, 2021, the Company announced that it amended the agreement to increase the Offered Shares to 20,000,000, for a total Offering of $150,000. 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 3,000,000 additional common shares to cover over-allotments and for market stabilization purposes. On June 3, 2021, the over-allotment option was exercised in full, increasing the aggregate gross proceeds of the Offering to $172,500. After deducting transaction costs of $8,018, the net proceeds to the Company were $164,482.

Stock option plans

On June 25, 2021, there were 1,600,000 options (the "Options") for common shares granted under the long term incentive plan. The Options vest over a four-year period with one quarter of the Options vesting every twelve months from the grant date. The Company uses the Black-Scholes option pricing model to value the Options at the time of grant. Management periodically reviews the estimates used for calculating the fair value of options; volatility is calculated at the time of option grant using historical share price trading activity; the risk-free interest rate is based on the government of Canada bond rate; the dividend yield is nil%; the expected annualized volatility is 60%; and the expected life of each option is 6.25 years after vesting. At June 30, 2021, 1,600,000 options are exercisable and outstanding, at a weighted average exercise price of $9.20 per share.

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 have been issued but not yet adopted by the Company at June 30, 2021:

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.

Amendments to IAS 8 In February 2021, IASB issued Definition of Accounting Estimates, which amends IAS 8.

The amendment replaces the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty." The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company is still assessing the impact of adopting these amendments on its financial statements.

Amendments to IAS 12 In May 2021, IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which amends IAS 12.

The amendment narrows the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offset temporary differences. As a result, companies will need to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition of transactions such as leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively

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, 2020 and 2019, 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.

Evaluation of Disclosure Controls and Procedures

Management is responsible for establishing and maintaining disclosure controls and procedures. Under the supervision and with the participation of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), management evaluated the effectiveness of the Company's disclosure controls and procedures. Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in annual filings, interim filings or other reports filed or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed in the annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to management, including the Company's certifying officers, as appropriate to allow timely decisions regarding required disclosure. Management concluded that the Company's disclosure controls and procedures were effectively designed as at June 30, 2021.

Evaluation of Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining internal control over financial reporting. Under the supervision and with the participation of the Company's CEO and the CFO, management evaluated the effectiveness of the Company's internal control over financial reporting. Internal control is a process designed by, or under the supervision of, an issuer's certifying officers, and effected by the issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS and includes those policies and procedures that: (a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company; (b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the IFRS, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (c) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial statements. Management concluded that the Company's internal controls over financial reporting were effectively designed as at June 30, 2021. There were no significant changes to the Company's internal controls over financial reporting for the quarter ended June 30, 2021.

Further Information

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