



Converge Technology Solutions Corp.

Management Discussion and Analysis

For the three and nine months ended September 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 nine months ended September 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 nine months ended September 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 nine months ended September 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 November 10, 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.

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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 Adjusted EBITDA and Gross Revenue 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

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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.

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 material 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%
Portage CyberTech Inc., 10084182 Canada Inc. o/a Becker-Carroll, Vivvo Application Studios ("Portage")	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%
Essex 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%
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% ⁽⁴⁾
LPA Software Solutions ("LPA")	Rochester, 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 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.
- (4) The seller holds a put option, which provides the non-controlling interest shareholders of Rednet the right to require the Company to purchase the remaining 25% ownership interest in Rednet. For accounting purposes, the Company has elected to consolidate 100% of Rednet in its financial statements and does not recognize a non-controlling interest, as per IAS 32 – Financial Instruments

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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.

Talent. Converge continues to build its talent pool of highly qualified engineers and software professionals in its key practice areas in order to provide more value-added IT solutions to the Company's customers.

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 Essexotec Acquisition, LLC. ("Essexotec"), 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

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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. On August 30, 2021, the Company acquired all of the issued and outstanding shares of 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. On October 1, 2021, the Company acquired all of the issued and outstanding shares of LPA Software Solutions (“LPA”), an IT services provider headquartered in Rochester, NY that provides business analytics solutions and professional services in analytics, data science, artificial intelligence, financial performance management, data governance, data integration, location analytics, and data sets.

European Expansion

On August 4, 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

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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.

Supply chain impacts

As a result of the COVID-19 pandemic, the global industry is facing various degrees of supply chain disruption. To date, some of the Company's key vendors have experienced supply shortages as it relates to product levels available for delivery to Converge's customers. As a result, the Company is experiencing higher than normal product backlog in its pipeline. In response, during the year Converge has proactively increased its inventory levels where possible to alleviate supply chain pressures. The Company continues to work closely with key vendors and proactively manage its inventory levels to mitigate the impact of industry wide supply constraints.

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Business and Financial Highlights for the Three and Nine Months Ended September 30, 2021

Financial results for the three and nine months ended September 30, 2021:

- For the three months ended September 30, 2021, the Company earned revenue of \$367,349, gross profit of \$83,771, and adjusted EBITDA of \$18,862 (three months ended September 30, 2020 – revenue of \$189,875, gross profit of \$52,395, and adjusted EBITDA of \$14,619).
- For the nine months ended September 30, 2021, the Company earned revenue of \$1,022,858, gross profit of \$229,811, and adjusted EBITDA of \$59,349 (nine months ended September 30, 2020 – revenue of \$659,242, gross profit of \$162,079, and adjusted EBITDA of \$37,119).
- During the quarter, the Company generated \$48,121 in cash from operations, including \$34,674 from working capital.

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, resulting in net proceeds of \$80,940.
- 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, resulting in net proceeds of \$164,482.
- On September 1, 2021, the Company closed an underwritten public offering (the “September Offering”) of 24,552,500 common shares of the Company (“September Offered Shares”) at a price of \$10.55 per Offered Share for gross proceeds to the Company of \$259,029. The gross proceeds included the full exercises of an over-allotment option by the underwriters before transaction related costs of \$10,646, resulting in net proceeds of \$248,383.
- On October 14, 2021, Portage, a cybersecurity-focused entity comprised of the Company’s Becker-Carroll and Vivvo subsidiaries, closed a non-brokered placement issuing 43,750,000 common shares of Portage at a price of \$0.80 per common share for gross proceeds of \$35,000. Upon completion of the private placement, the Company owns approximately 53% of Portage.

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 was 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 \$2,519 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 was accounted for as a business combination. Purchase consideration consisted of (i) \$9,533 in cash; (ii) working capital adjustment

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of \$5,218; 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 was 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 (\$8,780 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 \$2,569 (\$2,079 USD); and (iii) an estimated aggregate of \$7,919 (\$6,409 USD) in earn-out payments for the six years following closing of the acquisition based on the achievement of certain milestones.
- On August 4, 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 was accounted for as a business combination. Consideration for the purchase consisted of (i) \$145,049 (€96,602) in cash; (ii) a loan payable of \$24,392 (€16,407); and (iii) an NCI financial liability of \$28,099 (€18,900). The agreement contains a put option, which provides the non-controlling interest (“NCI”) shareholders of Rednet the right to require the Company to purchase the remaining 25% ownership interest in Rednet. The terms of the acquisition also includes a reciprocal call option, which would require the same NCI shareholders to sell their 25% ownership interest to the Company. The call and put option price will is determined based on future EBITDA results of Rednet.
- On August 30, 2021, the Company announced the closing of its previously announced acquisitions of 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. In aggregate, consideration for the purchases consisted of (i) \$18,917 (\$15,002 USD) in cash; and (ii) working capital adjustment of \$3,421 (\$2,713 USD).
- On October 1, 2021, the Company acquired all of the issued and outstanding shares of LPA Software Solutions (“LPA”), an IT services provider headquartered in Rochester, NY that provides business analytics solutions and professional services in analytics, data science, artificial intelligence, financial performance management, data governance, data integration, location analytics, and data sets. The transaction will be accounted for as a business combination. Consideration for the purchase consisted of (i) \$11,389 (\$9,000 USD) in cash, and (ii) an estimated aggregate of \$3,796 (\$3,000 USD) in earn-out payments for the two 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

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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.

Inclusion in the S&P/TSX Composite Index

On September 20, 2021, the S&P Dow Jones Indices added Converge to the S&P/TSX Composite Index. S&P Dow Jones Indices is the largest global resource for essential index-based concepts, data and research, and home to iconic financial market indicators, such as the S&P 500 and the Dow Jones Industrial Average and marks a significant achievement for the Company.

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

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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 continue to expand its operations into Europe.

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Summary of Consolidated Financial Results

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenues				
Product	\$ 289,591	\$ 143,450	\$ 823,385	\$ 509,141
Service	77,758	46,425	199,473	150,101
Total revenue	367,349	189,875	1,022,858	659,242
Cost of sales	283,578	137,480	793,047	497,163
Gross profit	83,771	52,395	229,811	162,079
Selling, general and administrative expenses	66,092	38,942	173,365	128,518
Income before the following	17,679	13,453	56,446	33,561
Depreciation and amortization	10,162	5,180	24,548	16,204
Finance expense, net	1,528	5,138	5,675	15,953
Special charges	8,702	1,865	17,107	7,914
Share-based compensation expense	1,193	-	1,193	-
Other expense (income)	(8,491)	506	(5,458)	(114)
Income (loss) before income taxes	4,585	764	13,408	(6,396)
Income tax expense (recovery)	(11)	70	4,121	(1,271)
Net income (loss)	\$ 4,596	\$ 694	\$ 9,287	\$ (5,125)
Other comprehensive income (loss)				
Exchange loss on translation of foreign operations	641	(345)	23	403
Comprehensive income (loss)	\$ 3,955	\$ 1,039	\$ 9,264	\$ (5,528)
Adjusted EBITDA⁽ⁱ⁾	\$ 18,862	\$ 14,619	\$ 59,349	\$ 37,119

(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, share-based compensation expense, 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.

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

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Net income (loss) before taxes	\$ 4,585	\$ 764	\$ 13,408	\$ (6,396)
Finance expense	1,528	5,138	5,675	15,953
Share-based compensation expense	1,193	-	1,193	-
Depreciation and amortization	10,162	5,180	24,548	16,204
Depreciation included in cost of sales	683	1,271	2,443	4,052
Foreign exchange loss (gain)	(7,991)	401	(5,025)	(608)
Special charges	8,702	1,865	17,107	7,914
Adjusted EBITDA	\$ 18,862	\$ 14,619	\$ 59,349	\$ 37,119

For the three months ended September 30, 2021, special charges are primarily due to \$2,800 of acquisition transaction costs, \$1,358 of legal provisions, restructuring costs, and other costs related to acquired companies, \$461 in financing related costs, \$275 of employee compensation and benefits, and \$3,808 due to a change in fair value of contingent consideration. During the same period in the prior year, special charges were primarily due to \$49 of acquisition transaction costs, \$88 of restructuring charges related to the integration of acquired companies, and \$1,728 of legal provisions and costs related to acquired companies.

For the nine months ended September 30, 2021, special charges are primarily due to \$6,435 of acquisition transaction costs, \$2,981 of legal provisions and other costs related to acquired companies, \$1,178 in financing related costs, \$275 of employee compensation and benefits, and \$6,238 due to a change in fair value of contingent consideration. During the same period in the prior year, special charges were primarily due to \$922 of acquisition transaction costs, \$3,455 of restructuring charges related to the integration of acquired companies, and \$3,537 of legal and advisory costs.

Overall Company Performance and Key Changes in Financial Results

Revenue

Gross revenue (non-IFRS measurement)

Gross revenue, which is a non-IFRS measurement, reflects the gross amount billed to customers, adjusted for amounts deferred or accrued. The Company believes gross revenue is a useful alternative financial metric to net revenue, the IFRS measure, as it better reflects volume fluctuations as compared to net revenue. Net revenue is equal to gross revenue after adjusting for the IFRS 'principal vs agent' consideration, whereby there is a reduction

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to both gross revenue and cost of sales in equal amounts in instances where Converge is acting as an agent between the customer and the vendor.

Gross Revenue

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Product	\$ 289,591	\$ 143,450	\$ 823,068	\$ 509,141
Third party services	114,535	85,555	331,593	255,788
Managed services	25,240	15,173	68,026	43,464
Professional and other services	43,252	19,643	109,952	68,753
Total	\$ 472,618	\$ 263,681	\$ 1,332,639	\$ 877,146

Net Revenue

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Product	\$ 289,591	\$ 143,450	\$ 823,385	\$ 509,141
Managed Services	20,264	15,173	51,994	42,596
Third party and professional services	57,494	31,252	147,479	107,505
Total	\$ 367,349	\$ 189,875	\$ 1,022,858	\$ 659,242

Product revenue, which includes hardware and software, for the three months ended September 30, 2021 increased 102% to \$289,591 from \$143,450 for the three months ended September 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, Dasher, Vicom Infinity, Infinity Systems, and Rednet that were completed during the period subsequent to September 30, 2020. Recurring revenue from managed services, which are long-term contracts, increased 34% to \$20,264 from \$15,173 last year primarily due to organic growth of managed cloud services to customers and the impact of the ExactlyIT and Rednet acquisitions. Professional and other services which include professional and staffing services and the net revenue from public cloud resell and software support, increased 84% to \$57,494 from \$31,252 last year primarily due to the impact of acquisitions completed in the intervening period.

For the three months ended September 30, 2021, revenue by industry was approximately 20% from technology companies, 20% from healthcare companies, 24% from manufacturing companies, 12% from banking and financial services, and 8% from government.

Product revenue for the nine months ended September 30, 2021 increased 62% to \$823,385 from \$509,141 for the nine months ended September 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, Dasher, Vicom Infinity, Infinity Systems, and Rednet that were completed during the period subsequent to September 30, 2020. Recurring revenue from managed services increased 22% to \$51,994 from \$42,596 last year primarily due to organic growth of managed cloud services to customers and the impact of the ExactlyIT acquisition. Professional

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and other services increased 37% to \$147,479 from \$107,505 last year primarily due to the impact of acquisitions completed in the intervening period.

For the nine months ended September 30, 2021, revenue by industry was approximately 20% from technology companies, 16% from healthcare companies, 20% from manufacturing companies, 16% from banking and financial services, and 17% from government.

Gross profit and gross profit margin

For the three months ended September 30, 2021, gross profit increased 60% to \$83,771 from \$52,395 last year and gross profit margin of 22.8% decreased from 27.6% in the same period last year. For the nine months ended September 30, 2021, gross profit increased 42% to \$229,811 from \$162,079 last year and gross profit margin of 22.5% decreased from 24.6% 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 well as the Company's investment in the growth of its managed service offering. As we begin to achieve scale in our higher margin cloud and managed services, and cross-sell these 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 September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Salaries and benefits	\$ 55,383	\$ 32,641	\$ 149,021	\$ 108,209
Professional fees	2,658	1,643	7,328	4,148
Office and travel, events	6,073	4,550	14,440	15,853
Other expenses	1,978	108	2,576	308
Total	\$ 66,092	\$ 38,942	\$ 173,365	\$ 128,518

Employee compensation and benefits for the three months ended September 30, 2021 increased to \$55,383 from \$32,641 last year primarily due to increased headcount related to acquisitions. Professional fees increased to \$2,658 for the three months ended September 30, 2021 from \$1,643 last year due to personnel costs and advisory services for tax and planning for the Company's expansion into Europe. Office and travel, events, which includes marketing expenses, increased to \$6,073 for the three months ended September 30, 2021 from \$4,550 last year due to an increase in in-person customer meetings and events. Other expenses increased to \$1,978 for the three months ended September 30, 2021 compared to \$108 in prior year.

Employee compensation and benefits for the nine months ended September 30, 2021 increased to \$149,021 from \$108,209 last year primarily due to increased headcount related to acquisitions. Professional fees increased to \$7,328 for the nine months ended September 30, 2021 from \$4,148 last year primarily due to personnel costs and advisory services for tax and planning associated with the Company's expansion into Europe. Office and travel, events decreased to \$14,440 for the nine months ended September 30, 2021 from \$15,853 last year primarily due to higher marketing development funds received year-to-date. Other expenses increased to \$2,576 for the nine months ended September 30, 2021 compared to \$308 in prior year.

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Depreciation and amortization

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Amortization of intangibles	\$ 8,689	\$ 3,464	\$ 18,791	\$ 10,725
Depreciation of right of use assets and equipment	1,473	1,716	5,757	5,479
Total	\$ 10,162	\$ 5,180	\$ 24,548	\$ 16,204

Amortization of intangibles for the three months ended September 30, 2021 increased to \$8,689 from \$3,464. Amortization of intangibles for the nine months ended September 30, 2021 increased to \$18,791 from \$10,725. The increase is primarily due to intangible assets related to the acquisitions of companies purchased subsequent to September 30, 2020. Depreciation expense for the three months ended September 30, 2021 decreased to \$1,473 from \$1,716 last year. Depreciation expense for the nine months ended September 30, 2021 increased to \$5,757 from \$5,479 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 September 30, 2020.

Finance expense

Finance expense for the three months ended September 30, 2021 of \$1,528 consisted of interest expense related to (i) receivable backed financing of \$1,174; (ii) notes payable of \$110; (iii) right-of-use assets of \$244. Finance expense for the three months ended September 30, 2020 of \$5,138 consisted of interest expense related to (i) receivable backed financing of \$4,063; (ii) notes payable of \$363; (iii) debentures of \$446; and (iv) right-of-use assets of \$266. The decrease in finance expense is primarily due to lower interest rates due to the change in the Company's ABL facility and as a result of paying down debenture and other non-ABL debt.

Finance expense for the nine months ended September 30, 2021 of \$5,675 consisted of interest expense related to (i) receivable backed financing of \$4,118; (ii) notes payable of \$677; (iii) right-of-use assets of \$880. Finance expense for the nine months ended September 30, 2020 of \$15,953 consisted of interest expense related to (i) receivable backed financing of \$12,469; (ii) notes payable of \$1,235; (iii) debentures of \$1,105; and (iv) right-of-use assets of \$1,144. The decrease in finance expense is primarily due to lower interest rates due to the change in the company's ABL facility and as a result of paying down debenture and other non-ABL debt.

Special charges

Special charges for the three months ended September 30, 2021 increased to \$8,702 from \$1,865 last year. For the nine months ended September 30, 2021, special charges increased to \$17,107 from \$7,914 in the same period in 2020. Refer to "Adjusted EBITDA (Non-IFRS Financial Measurement)" for a breakdown of special charges.

Other expenses (income)

Other income for the three months ended September 30, 2021 was \$8,491 compared to other expense of \$506 last year. Other income for the nine months ended September 30, 2021 was \$5,485 compared to other income of \$114 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 recovery for the three months ended September 30, 2021 decreased to \$11 from an expense of \$70 in the prior year. For the nine months ended September 30, 2021, income tax expense was \$4,121 compared to income tax recovery of \$1,271 last year. The increase in income tax expense is due to the increased earnings in 2021.

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Quarterly Financial Results

	Three months ended (<i>unaudited</i>)							
	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019
Revenues	367,349	345,307	310,202	289,557	189,875	227,842	241,525	214,705
Gross Profit	83,771	78,244	67,797	70,927	52,395	54,849	54,835	53,355
Gross Profit Margin	23%	23%	22%	24%	28%	24%	23%	25%
Adjusted EBITDA	18,862	21,720	18,768	23,375	14,619	11,654	11,044	11,832
Net income (loss)	4,596	1,025	3,666	950	694	(4,401)	(1,416)	1,593
Loss per share:								
Basic	0.02	0.01	0.02	0.01	0.01	(0.05)	(0.02)	0.02
Diluted	0.02	0.01	0.02	0.01	0.01	(0.05)	(0.02)	0.02
Total assets	1,270,060	912,662	787,494	720,620	493,054	502,946	573,206	488,884
Total current liabilities	523,603	491,187	553,644	571,549	396,477	457,632	517,909	445,215

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.

Overview of Financial Position

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

As at	September 30, 2021	December 31, 2020
Assets		
Current assets	\$ 675,377	\$ 477,319
Long-term assets	594,683	243,301
Total assets	\$ 1,270,060	\$ 720,620
Current liabilities	523,603	571,549
Long-term liabilities	138,575	47,324
Total liabilities	\$ 662,178	\$ 618,873
Shareholders' equity		
Common Shares	633,271	135,354
Contributed surplus	1,193	-
Exchange rights	2,614	4,853
Foreign exchange translation reserve	794	817
Deficit	(29,990)	(39,277)
Total shareholders' equity	\$ 607,882	\$ 101,747
Total liabilities and shareholders' equity	\$ 1,270,060	\$ 720,620

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Current Assets

Current assets are mainly comprised of trade and other receivables of \$358,549 (December 31, 2020 - \$364,308), inventories of \$79,551 (December 31, 2020 - \$37,868), and cash of \$210,344 (December 31, 2020 - \$64,767).

Long-term assets

Long-term assets are mainly comprised of goodwill of \$325,988 (December 31, 2020 - \$110,068) and intangible assets of \$238,618 (December 31, 2020 - \$108,926). Goodwill increased for the three months ended September 30, 2021 as compared to December 31, 2020 due to the acquisitions of Vicom Infinity, Infinity Systems, and Rednet, reflecting the benefits attributable to synergies, revenue growth, future market development, and the estimated fair value of an assembled workforce. As at September 30, 2021, intangible assets consisted of \$203,076 (December 31, 2020 - \$71,972) in customer relationships, \$34,996 (December 31, 2020 - \$35,774) in trade name and trademarks, \$227 (December 31, 2020 - \$279) in developed technology, \$238 (December 31, 2020 - \$426) in managed service contracts and \$81 in computer software (December 31, 2020 - \$475).

Current Liabilities

Current liabilities are mainly comprised of \$446,560 (December 31, 2020 - \$398,003) in trade and other payables from the Company's operations, \$849 (December 31, 2020 - \$133,281) in borrowings and \$35,808 (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 September 30, 2021, the total balance owing to the lender under these facilities was \$29 (December 31, 2020 - \$116,285).

The Company also has a number of credit agreements with a US-based third party. As at September 30, 2021, the total balance owing to the lender under the remaining facility was \$1,399 (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.

The following table provides a summary of borrowings and debt:

As at	September 30, 2021	December 31, 2020
Asset Backed Lending (ABL) credit facility	\$ 29	\$ 116,285
Contract financing facilities	1,399	22,878
Notes payable and contingent consideration related to acquisitions	106,152	30,916
Notes payable relating to operations	584	4,393
	108,164	174,472
Long-term portion	88,984	20,819
Current portion	\$ 19,180	\$ 153,653

Long-term liabilities

Long-term liabilities are comprised of \$88,303 (December 31, 2020 - \$28,858) in other financial liabilities, \$579 in borrowings (December 31, 2020 - \$5,882), and deferred tax liability of \$49,693 (December 31, 2020 - \$12,584). The increase in long-term liabilities is mainly due to contingent consideration from acquisitions, as well as the fair

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value of the Rednet NCI liability. Refer to note 7 of the interim condensed consolidated financial statements for further detail.

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 as 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, and 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 Nine months ended September 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 to 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 and cash equivalents

As at September 30, 2021, total cash on hand was \$210,344 (December 31, 2020 - \$64,767); an increase of \$145,557 since the beginning of the year.

Cash Flow Analysis

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Cash from operating activities	\$ 48,121	\$ 25,873	\$ 67,300	\$ 77,185
Cash used in investing activities	(150,411)	(4,766)	(258,531)	(20,685)
Cash from (used in) financing activities	181,482	1,917	330,541	(18,182)
Net increase in cash and cash equivalents	79,192	23,024	139,310	38,318
Cash and cash equivalents at the beginning of period	124,923	36,372	64,767	20,590
Effect of foreign exchange fluctuations on cash held	6,229	(345)	6,267	143
Cash and cash equivalents at the end of the period	\$ 210,344	\$ 59,051	\$ 210,344	\$ 59,051

Cash from operating activities

Cash from operating activities was \$48,121 for the three months ended September 30, 2021. The was primarily attributable to decreases in trade and other receivables of \$34,045 and increases in trade and other payables of \$16,896, which was partially offset by an increase of inventory of \$7,103 for the three months ended September 30, 2021. In the same period in 2020, cash from operating activities was primarily attributable to decreases in

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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. For the nine months ended September 30, 2021, cash provided by operating activities decreased to \$67,300 primarily due to a decrease in trade and other receivables of \$93,065 and decrease in trade and other payables of \$48,706, partially offset by increases in inventories of \$31,290 and increases in deferred revenue and customer deposits of \$13,123 as compared to a decrease of \$45,947 in trade and other receivables as a result of higher sales and cash collection from acquisitions completed subsequent to September 30, 2020.

Cash used in investing activities

Cash used in investing activities for the three months ended September 30, 2021 was mainly due to the acquisition of Vicom Infinity, Infinity Systems, and Rednet, compared to no acquisitions during the three months ended September 30, 2020. Contingent consideration of \$5,502 was paid during the nine months ended September 30, 2021 compared to \$3,830 of contingent consideration paid in the same period in 2020. Deferred consideration of \$5,627 was paid during the nine months ended September 30, 2021 compared to \$9,077 of contingent consideration paid in the same period in 2020. For the nine months ended September 30, 2021, cash used in investing activities was mainly due to acquisitions of seven companies of \$244,293 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 September 30, 2021, cash generated from financing was \$181,482, which was mainly driven by the Company's net proceeds from an equity raise in August 2021 totaling \$248,370 offset by net repayments under the Company's ABL facilities of \$51,900. In the three-month comparative period for 2020, cash generated from financing was \$1,917 primarily due to the Company's net proceeds from equity raises in each of July and September 2020 totaling \$50,730, partially offset by net repayments under the Company's ABL facilities of \$42,694, interest paid of \$3,790, and payments of lease liabilities of \$2,246. For the nine months ended September 30, 2021, cash generated from financing was \$330,541, which was mainly driven by the Company's net proceeds from equity raises in January 2021, June 2021, and August 2021 totaling \$493,886 offset by net repayments under the Company's ABL facilities of \$135,448. In the nine-month comparative period for 2020, cash used in financing was \$18,182 primarily due to net repayments under the Company's ABL facilities of \$56,016, interest paid of \$12,420, and payments of lease liabilities of \$7,501, partially offset by net proceeds of \$60,387 from the Company's equity raises during that time.

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 September 30, 2021, 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

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On January 5, 2021, the Company raised net proceeds of approximately \$86,451 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
		August 30, 2021 acquisitions of Vicom Infinity and Infinity Systems	\$18,917 (US \$15,000)	No variance

On August 31, 2021, the Company raised net proceeds of approximately \$248,383 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:

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Intended use of Proceeds	Estimated Amount	Actual use of Proceeds	Actual Amount	Variance
Acquisitions	Undetermined	October 1, 2021 acquisition of LPA Software Solutions	\$11,389 (US \$9,000)	No variance
Working capital and held for acquisitions	Undetermined	Working capital held for acquisitions	\$236,914	No variance

Commitments and Contingencies

Commitments

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

	September 30, 2021	December 31, 2020
	\$	\$
Minimum lease payments		
2021	2,328	7,208
2022	6,574	4,446
2023	3,864	2,233
2024	2,041	980
2025 and onwards	2,256	1,736
	17,063	16,603
Less: future finance charges	310	(993)
Present value of minimum lease payments	17,373	15,610
Current liabilities	7,648	7,570
Non-current liabilities	9,725	8,040
	17,373	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 September 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 \$1,954 and \$4,403 for the three and nine months ended September 30, 2021 (for the three and nine months ended September 30, 2020 - \$1,085

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and \$3,447) 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 September 30, 2021, nil remains outstanding on the loan receivable (December 31, 2020 – \$258).

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 September 30, 2021, a total of \$632 remains outstanding on the loans receivable (December 31, 2020 – \$1,004).

Outstanding Share Information

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

Capital	Authorized	Outstanding as at November 10, 2021	Outstanding as at September 30, 2021	Common shares underlying convertible securities
Common shares	Unlimited	214,874,936	214,157,086	214,157,086
Exchange rights	Not applicable	821,689	1,539,539	1,539,539
Stock options		1,600,000	1,600,000	1,600,000

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.

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On August 24, 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, 14,220,000 common shares of the Company ("June Offered Shares") at a price of \$10.55 per Offered Share (the "August Issue Price") for gross proceeds to the Company of \$150,021 (the "August Offering"), before deducting the underwriters' fees and estimated offering expenses. On August 25, 2021, the Company announced that it amended the agreement to increase the Offered Shares to 21,350,000 common shares, for a total August Offering of \$225,243. 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 3,202,500 additional common shares to cover over-allotments and for market stabilization purposes. On September 1, 2021, the over-allotment option was exercised in full, increasing the aggregate gross proceeds of the Offering to \$259,029. After deducting transaction costs of \$10,646, the net proceeds to the Company were \$248,383.

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.

During the three and nine months ended September 30, 2021, the Company recognized share-based compensation expense of \$1,193. At September 30, 2021, 1,600,000 options are outstanding and nil are exercisable, 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 September 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

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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.

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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 September 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 President and 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 September 30, 2021. There were no significant changes to the Company's internal controls over financial reporting for the quarter ended September 30, 2021.

Further Information

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