Converge Technology Solutions Corp.
Management Discussion and Analysis
For the years ended December 31, 2021 and 2020

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Management Discussion and Analysis

(expressed in thousands of Canadian dollars, except share amounts and share prices)

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 years ended December 31, 2021 and 2020. This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto for the year ended December 31, 2021, as well as the Company's consolidated financial statements and MD&A for the year ended December 31, 2020.

The audited consolidated financial statements have been prepared in accordance with accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in effect for the Company's reporting year ended December 31, 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 and 52-112 – Non-GAAP and Other Financial Measures Disclosure. This MD&A is dated as at March 22, 2022 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” within the meaning of applicable securities laws (“forward-looking statements”). Such forward-looking statements, if and when made, include projections or estimates made by the Company and its management as to the Company’s future objectives, business operations, plans or expectations with respect to business strategies, expected growth of the Company’s platform of IT Solutions Providers (“ITSPs”), expectations regarding the pipeline of investment opportunities available to the Company, the impact of the coronavirus disease (“COVID-19”) on the Company’s business and the markets in which it operates, expectations regarding future competitive conditions and the Company’s competitive position, expectations regarding the Company’s differentiated and competitive skill set, the Company’s expectations regarding operating in large and transformative markets, the Company’s expectations regarding customers and customer contracting, the Company’s expectations regarding vendor and distributor relationships and the Company’s expectations to expand its client base. Forward-looking statements include all disclosures regarding possible events, conditions or results of operations that are based on assumptions about future economic conditions and courses of action. Forward-looking statements may also include, without limitation, any statement relating to future events, conditions or circumstances. The Company cautions the reader not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. Often, but not always, forward-looking statements can be identified by the use of words or phrases such as “plans”, “expects”, “projected”, “estimated”, “forecasts”, “anticipates”, “indicative”, “intend”, “guidance”, “outlook”, “potential”, “prospects”, “seek”, “strategy”, “targets” or “believes”, or variations of such words and phrases or statements that certain future conditions, actions, events or results “will”, “may”, “could”, “would”, “should”, “might” or “can”, or negative versions thereof, “be taken”, “occur”, “continue” or “be achieved”, and other similar expressions, and may be based on management’s current assumptions and expectations related to all aspects of the Company’s business, industry and the global economy.

Overview of the Business

Converge is a North American platform of regionally focused IT solution providers (“ITSP”) in the United States of America (“US”) and Canada connecting best of breed services and solutions to clients. Converge provides high quality hardware, software, and managed services solutions to corporate and government institutions. On August 5, 2021, the Company announced its acquisition of REDNET GmbH (“Rednet”), marking Converge’s official expansion into Europe, a significant milestone for the Company. Converge expanded its European footprint with the acquisition of Visucom GmbH, School Supplies 4.0 GmbH (“Visucom”) in February 2022, which, along with Rednet, will enhance the Company’s ability to deliver a wide range of products and services to clients across Germany.

Companies increasingly rely on the expertise and experience of an IT solutions provider to design their IT infrastructure, to procure and integrate the appropriate hardware and software for an integrated IT solution, and to provide ongoing IT support 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, except share amounts and share prices)

As a buyer of Information Technology Service Providers ("ITSPs"), Converge tends to seek out acquisitions 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, OPIN Digital Inc., OPIN Digital Corp., 1CRM Systems Corp., ("Portage")	Ottawa, ON	53%
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%
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 GmbH ("Rednet")	Mainz, Germany	75% (4)
LPA Software Solutions ("LPA")	Rochester, NY	100%
PDS Holding Company, Paragon Development Systems Inc., Works Computing, LLC., Paragon Staffing, LLC. ("PDS")	Milwaukee, WI	100%
Visucom GmbH, School Supplies 4.0 GmbH ("Visucom")	Walzbachtal, Germany	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 nil 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 478,567 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 321,689 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.

Strategy

Global Strategy - Converge's strategy is to become the leading ITSP to mid-market customers in North America and Europe. We have recently added an executive management team in Europe that will allow Converge to pursue its expansion 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 to 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 to Drive Organic Growth - 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 Function*s - Starting with back office and support functions, Converge creates significant financial and operating efficiencies as well as 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 organizations, 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 value-added IT solutions to the Company's customers.

Acquisition History:

2017

Converge completed its first two acquisitions in 2017, acquiring Corus360 and Northern Micro. It enabled the Company to establish an acquisition platform that closely aligned with its stated strategy.

2018

In 2018, Converge completed four more acquisitions. 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.

2019

In 2019, Converge completed six acquisitions. 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.

2020

In 2020, despite the global challenges associated with the COVID-19 pandemic, Converge successfully closed five acquisitions in North America. On February 1, 2020, the Company acquired 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 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 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 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 Vicom Computer Services, Inc. ("Vicom"), a New York-based full-service multi-cloud infrastructure provider.

Please refer to *Business and Financial Highlights for the Quarter and Year Ended December 31, 2021* for acquisitions completed by the Company since January 1, 2021.

European Expansion

On August 4, 2021, the Company completed the acquisition of a majority interest in REDNET GmbH ("Rednet"), an IT services provider headquartered in Mainz, Germany, representing 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.

On February 9, 2022, the Company completed the acquisition of 100% interest in Visucom GmbH ("Visucom") and its subsidiary, School Supplies 4.0 GmbH, headquartered in Walzbachtal, Germany, representing the Company's 27th acquisition to date and Converge's second European acquisition. Founded in 1987, Visucom has been a trusted supplier of professional screens, interactive blackboards, loudspeakers, cameras, projectors, displays, and media controls for education and public clients. Visucom also offers on-site installations and training and has an excellent reputation for neutral advice, planning, and equipment for all market-leading manufacturers of media devices. Together with Rednet GmbH, Converge will offer clients across Germany a wider range of service offerings and further expand 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.

Pandemics, epidemics and other systemic or widespread health and safety risks could occur, any of which could adversely affect the Company's ability to maintain operations or meet revenue or expense targets or plans and may also adversely affect the ability of suppliers to provide products and services needed to operate the business. Pandemics, epidemics and other health and safety risks could also have an adverse effect on the economy and financial markets resulting in a declining level of activity, which could have a negative impact on the demand for, and prices of, the Company's products and services.

The COVID-19 pandemic continues to impact the well-being of individuals as well as the Canadian and global economies. The Company, informed by measures recommended by public health agencies, continues to provide its essential services and support to customers while safeguarding the health and safety of employees.

Supply Chain Impacts

The impact of COVID-19 and measures to prevent its spread have affected the Company in a number of ways. 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. Therefore, 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 vendor and proactively manage its inventory levels to mitigate the impact of industry wide supply constraints.

There have been industry-wide disruptions. However, overall, given the constantly evolving nature, extent, and sentiments about the-COVID-19 pandemic, it is difficult to predict with certainty medium or long-term impacts of the pandemic to the Company. Key unknowns which may affect the Company and its business and financial positions include the duration, severity, and the impact of a resurgence of the outbreaks, imposition of new or reintroduction of emergency measures, timing, and extent of, border closures or reopening timing, changes to travel restrictions, and fluctuations in financial and commodity markets. In addition, labour shortages due to illness or, restrictions on the movement of personnel as well as supply chain disruptions could result in a material reduction or even cessation of all or a portion of the Company's operations. Further spread or severity of COVID-19 in Canada and globally could also have a material adverse effect on the regional economies in which the Company operates, could negatively impact stock markets, including the trading price of its Shares, adversely impact the Company's ability to raise capital, cause continued interest rate volatility or make obtaining financing or renegotiating the terms of its existing financing more challenging or more expensive.

In addition, the recent escalation in conflict between Russia and Ukraine ("Conflict") and the resulting imposition of sanctions and counter sanctions have disrupted supply chains and caused instability in the global economy. The short and long-term implications of the conflict are difficult to predict at this time. The ongoing conflict could result in the imposition of future economic sanctions, which may have a greater adverse effect on economic markets and could result in an even greater impact related to global supply and pricing of electricity and materials.

Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic and Conflict may materially and adversely affect the Company's operations, financial results and condition in future periods are also subject to significant uncertainty. Therefore, uncertainty about judgements, estimates and assumptions made by management during the preparation of the Company's consolidated financial statements related to potential impacts of the COVID-19 pandemic and Conflict on revenue, expenses, assets, liabilities, and note disclosures could result in a material adjustment to the carrying value of the asset or liability affected.

As of December 31, 2021, the Company's bookings backlog, which is calculated as purchase orders received from customers that are not yet delivered at the end of the fiscal period, was approximately $350 million as compared to approximately $250 million as at September 30, 2021. The Company continues to work closely with its vendors and customers to ensure fulfillment of orders as soon as possible and expects to see these orders fulfilled in the coming quarters.

Business and Financial Highlights for the Quarter and Year Ended December 31, 2021

Financial results for the three months and year ended December 31, 2021:

- For the three months ended December 31, 2021, the Company earned net revenue of $504,983, gross profit of $115,893, and Adjusted EBITDA[1] of $34,685 (three months ended December 31, 2020 – revenue of $289,557, gross profit of $70,927, and adjusted EBITDA[1] of $23,375).

- For the year ended December 31, 2021, the Company earned net revenue of $1,527,841, gross profit of $345,704, and Adjusted EBITDA[1] of $94,035 (2020 – net revenue of $948,799, gross profit of $233,006, and Adjusted EBITDA[1] of $60,493).

- During the year, the Company generated $87,065 in cash from operations, including $7,633 from working capital (2020 - $51,605 cash from operations, including $6,258 from working capital).

- For the year ended December 31, 2021, Adjusted Free Cash Flow[2] was $77,681 and Adjusted Free Cash Flow Conversion[2] was 83%, increasing from $45,796 and 76%, respectively, for 2020.

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 $8,019, resulting in net proceeds of $164,481.

- 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 $10,647, resulting in net proceeds of $248,382.

- On October 14, 2021, Portage, a cybersecurity-focused entity comprised of the Company's Becker-Carroll, Vivvo, and OPIN 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. After deducting transaction costs of $1,800, the net proceeds to Portage was $33,200. Upon completion of the private placement, the Company owns approximately 53% of Portage.

- On December 8, 2021, the Company announced it had gained approval to increase its ABL credit facility from $190 million to $300 million in an agreement with a syndicate of banks led by CIBC. Converge also added J.P. Morgan Chase & Co. to the Company's syndicate of banks.

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[1] Non-IFRS measure. See "Adjusted EBITDA" under the Non-IFRS Financial Measures section of this MD&A.

[2] Non-IFRS measure. See "Adjusted Free Cash Flow" and "Adjusted Free Cash Flow Conversion" under the Non-IFRS Financial Measures section of this MD&A.

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 ($7,500 USD) in cash; (ii) working capital adjustment of $5,217 ($4,105 USD); and (iii) up to an estimated aggregate of $6,076 ($4,780 USD) 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 ($8,779 USD) payable over the three years following closing of the acquisition; (iii) working capital adjustment of $150 ($119 USD); 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; and (ii) working capital adjustment of $1,651 ($1,336 USD). As part of the purchase consideration for the acquisition of ExactlyIT, the sellers are entitled to future renumeration that becomes payable over a five year period commencing on January 1, 2022. Remuneration is based on the achievement of certain milestones, and is expensed in the consolidated statements of income (loss) and comprehensive income (loss).

- 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 (€96,582) 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 is 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) $18,918 ($15,002 USD) in cash; and (ii) working capital adjustment of $3,233 ($2,564 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 was accounted for as a business combination. Consideration for the purchase consisted of (i) $11,389 ($9,000 USD) in cash; (ii) working capital adjustment of $1,206 ($953 USD); and (iii) an estimated aggregate of $1,731 ($1,368 USD) in earn-out payments for the two years following closing of the acquisition based on the achievement of certain milestones.

- On December 1, 2021, Portage, the Company’s 53% owned cyber security-focused SaaS entity, acquired all of the issued and outstanding shares of OPIN Digital Inc. (“OPIN”), an Ontario-based full-service Canadian digital agency focused on designing and building digital web, mobile, and app experiences to support the strategic service goal of government and enterprise customers. Consideration for the purchase consisted of (i) $4,662 in cash; (ii) negative working capital adjustment of $120; (iii) promissory note due to Converge of $615; and (iv) an estimated aggregate of $926 in earn-out payments for the two years following closing of the acquisition based on the achievement of certain milestones.

- On January 7, 2022, the Company acquired a 100% interest in PDS Holding Company (“PDS”) and its wholly owned subsidiaries, including Paragon Development Systems Inc, a corporation headquartered in Milwaukee, WI that offers solutions ranging from cloud and security to servers and infrastructure to virtualized work environment and remote work. The total consideration for the purchase consisted of $69,033 ($54,503 USD) in cash.

- On February 9, 2022, the Company acquired a 100% interest in Visucom GmbH (“Visucom”) and its subsidiary, School Supplies 4.0 GmbH. Headquartered in Walzbachtal, Germany, Visucom is a supplier of hardware for education and public sector clients, offering on-site installations, training, neutral advice, planning, and equipment for market-leading manufacturers of media devices. The total consideration for the purchase consisted of $8,270 (€5,700) in cash.

- On March 1, 2022, Portage, the Company’s 53% owned cyber security-focused SaaS entity, acquired a 100% interest in 1CRM Systems Corp. (“1CRM”), a SAAS-based software corporation headquartered in Victoria, Canada that operates in the cloud and on premise, with the ability to handle daily task management, marketing automation, sales and opportunities, order management, client service and project management in a single system. The total consideration for the purchase consisted of (i) $3,000 in cash; and (ii) up to an aggregate of $2,000 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 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 2022

As the world continues to move towards a new sense of normalcy, so too do businesses, organizations, and industries begin to make efforts to return to previous levels of efficiencies and innovation. Although the effects of COVID-19 still remain, there has emerged a revitalized movement of pushing towards pre-pandemic levels of output while also accommodating to changes that will be permanent moving forward. With such a concerted effort to increase safety, accommodate a new workforce culture, way of doing business, and resume productivity levels not seen since 2019, Converge recognizes its ability to play a role in accommodating and advancing these post-pandemic requirements. Converge has already seen increased demand for products, solutions, and services in the analytics, cloud, cybersecurity, and talent spaces during the course of this year, and, as we move further into 2022, the Company anticipates continued escalation in these fields and expansion in others not yet realized. Converge also predicts increased spending in these areas and is preparing itself to accommodate those seeking such solutions, as the Company remains well-equipped to meet demand with it’s increased global footprint through the Company’s extensive and diverse network of leading hardware and software partners.

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 2022 finds the top five technology focus areas for IT leaders are:

- The enterprise technology spending
- Fortified and holistic cybersecurity strategies
- Risk of ransomware as a business priority for customers
- A focus on hybrid cloud balance
- The methodologies that support cloud-native initiatives

Enterprise Technology Spending

Enterprise technology streamlines workflows, improves communication, and provides access to data. COVID-19 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 continue investing in enterprise technology and solutions that began in 2020 and 2021. Specifically, with a new demand for expanded work from home capabilities, many organizations are poised to make a significant investment in this sector in 2022. As demand grows, Converge will meet the needs of its clients.

Fortified and Holistic Cybersecurity Strategies

Staying in front of cybersecurity threats is a top business focus for executives in 2022. As businesses move more data to the cloud, this creates additional entrances through which information can be hacked. Ongoing work from home and remote work mandates have also created new, vulnerable attack environments. Keeping data secure and compliant is a significant need for even the most complex organization. Therefore, strategies such as encryption, trusted environments, and a multilayered security approach are in high demand.

Converge's cybersecurity practice is comprised of an ever-evolving set of defense tools, risk management approaches, and technologies created to help teams remain secure.

Risk of Ransomware as a Business Priority for Customers

The real risk of operational disruption, brand damage, and legal liabilities caused by ransomware attacks has elevated cybersecurity from a technical issue normally handled by security teams to a major executive level priority and discussion. Even the most sophisticated and mature companies with cyber-defenses already in place are now rethinking their preparedness and response capabilities when faced with imminent threat of ransomware strikes. Without a robust strategy to prepare for, respond to, and recover from such incidents, organizations are left with significant monetary, functionality, and brand exposure risk. Converge's industry-driven security solutions combined with industry leading expertise provide clients with the ability to add security from the core architecture, the network, the edge, and the endpoint while staying ahead of threats and providing fast remediation options.

A Focus on Hybrid Cloud Balance

Hybrid cloud — both public and private — promises the most value for enterprises, leveraged for the right reasons and at timely moments in an organization's lifecycle. Companies today are accelerating their use of hybrid cloud as a result of demands from their business to support company initiatives. Clients are looking to drive unique experiences, find better ways to scale capacity, and reduce cost & resources. The adoption of hybrid cloud also offers unique solutions for each business' specific needs. Converge is well equipped to assist teams in their cloud journey.

Methodologies that Support Cloud-Native Initiatives

Cloud-native applications help organizations thrive in a digital world, with the added ability to build and update apps quickly, at a higher quality and with less risk than other methods. Cloud-native programs are scalable, easily modified, and extend capabilities with minimal coding. With scalability at the forefront of most cloud-native designs, these applications are highly valuable in their ability to change with the needs of a business without creating dependencies

Converge's Competitive Positioning

With a portfolio of software-enabled IT & cloud solutions backed by industry-leading advanced analytics, application modernization, cloud, cybersecurity, digital infrastructure, and digital workplace offerings, Converge is strategically positioned as a leader in the technology space and a valued supplier for its clients. The Company supports these solutions with advisory, implementation, and managed services expertise across all major IT partners in the marketplace. Converge continues to advance its focus on delivering world class solutions and services.

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 clients with the resources and technical capabilities of a scaled platform, along with the brand, reputation, and dedicated resources of a global 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 2022, Converge will endeavor to strengthen its managed services, software, and recurring revenue offerings through continued expansion in North America, Europe, and globally.

Non-IFRS Financial Measures

This MD&A refers to certain performance indicators including Adjusted EBITDA, Adjusted Free Cash Flow, Adjusted Free Cash Flow Conversion, Gross Revenue, and Organic Growth 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 operating results, and can highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company also 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. 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. 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.

Adjusted EBITDA

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.

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.

Adjusted EBITDA as a % of Gross Profit

The Company believes that Adjusted EBITDA as a % of Gross Profit is a useful measure of the Company's operating efficiency and profitability. This is calculated by dividing Adjusted EBITDA by gross profit.

Adjusted Net Income (Loss) and Adjusted Earnings per Share ("EPS")

Adjusted Net Income (Loss) represents net income (loss) adjusted to exclude special charges, amortization of acquired intangible assets, and share-based compensation. The Company believes that Adjusted Net Income (Loss) is a more useful measure than net income (loss) as it excludes the impact of one-time, non-cash and/or non-recurring items that are not reflective of Converge's underlying business performance. Adjusted EPS is calculated by dividing Adjusted Net Income (Loss) by the total weighted average shares outstanding on a basic and diluted basis.

Gross revenue and Gross revenue for organic growth

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. Under the applicable IFRS 15 'principal vs agent' guidance, the principal records revenue on a gross basis and the agent records commission on a net basis. In transactions where Converge is acting as an agent between the customer and the vendor, net revenue is calculated by reducing gross revenue by the cost of sale amount. Gross revenue for organic growth is calculated as i) the actual gross revenue for companies owned by Converge for at least three months that is included in the Company's financial results for the year then ended, plus ii) for those acquisitions that occurred after January 1 and that have been under Converge ownership for at least three months, the pro forma gross revenue contribution had they been owned for the full fiscal year.

Adjusted Free Cash Flow and Adjusted Free Cash Flow Conversion

The Company calculates Adjusted Free Cash Flow as Adjusted EBITDA less: (i) capital expenditures ("Capex") and (ii) lease payments relating to the IFRS 16 lease liability ("IFRS 16 Lease Liability"). Capex and IFRS 16 Lease Liability cash outflows are found in the *cash flows from investing activities* and *cash flows from financing activities* sections of the Company's consolidated statements of cash flows, respectively. Adjusted Free Cash Flow is a useful measure that allows the Company to primarily identify how much pre-tax cash is available for continued investment in the business and for the Company's growth by acquisition strategy.

Management also believes that Adjusted EBITDA is a good proxy for cash generation and as such, Adjusted Free Cash Flow Conversion is a useful metric that demonstrates that the rate at which the Company can convert Adjusted EBITDA to cash.

Organic Growth

The Company measures organic growth on an annual basis, at the gross revenue level, and includes companies that Converge has owned for at least three months. Once a company is acquired, there is lead time required to integrate and regionalize the acquired work force, align rebate programs, and begin to execute on cross-selling opportunities. Management believes that three months provides a good representation of the acquisition under Converge ownership and can begin to evaluate the acquired company from an organic growth standpoint. Organic growth is calculated by deducting prior year pro forma gross revenues from current year gross revenue for organic growth. Organic growth % is calculated by dividing organic growth by prior year pro forma gross revenues

Annual Recurring Revenue ("ARR")

Annual recurring revenue represents annualized net revenue from managed services, which are long-term recurring contracts. This is calculated by multiplying quarterly net managed services revenues by four.

Supplementary Financial Measures

Gross Profit Margin

Gross profit margin represents the percentage of total revenue in excess of costs of goods sold and is an indicator of the Company's profitability on sales before operating expenses. This is calculated by dividing gross profit by revenues.

(expressed in thousands of Canadian dollars, except share amounts and share prices)

Summary of Consolidated Financial Results

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

	Three months ended December 31, 2021	Three months ended December 31, 2020	Twelve months ended December 31, 2021	Twelve months ended December 31, 2020
Revenues				
Product	**$ 412,916**	$ 241,091	**$ 1,236,300**	$ 750,232
Service	**92,067**	48,466	**291,541**	198,567
Total revenue	**504,983**	289,557	**1,527,841**	948,799
Cost of sales	**389,090**	218,630	**1,182,137**	715,793
Gross profit	**115,893**	70,927	**345,704**	233,006
Selling, general and administrative expenses	**81,440**	49,179	**254,805**	177,697
Income before the following	**34,453**	21,748	**90,899**	55,309
Depreciation and amortization	**11,925**	5,262	**36,473**	21,466
Finance expense, net	**2,125**	3,719	**7,801**	19,672
Special charges	**2,595**	7,149	**19,701**	15,063
Share-based compensation expense	**1,132**	-	**2,325**	-
Other expense	**6,108**	1,723	**625**	1,609
Income (loss) before income taxes	**10,568**	3,895	**23,974**	(2,501)
Income tax expense	**3,488**	2,945	**7,608**	1,674
Net income (loss)	**$ 7,080**	$ 950	**$ 16,366**	$ (4,175)
Net income (loss) attributable to:				
Shareholders of Converge	**6,660**	950	**15,946**	(4,175)
Non-controlling interest	**420**	-	**420**	-
	$ 7,080	$ 950	**$ 16,366**	$ (4,175)
Other comprehensive income (loss)				
Exchange (gain) loss on translation of foreign operations	**465**	(1,151)	**488**	(748)
Comprehensive income (loss)	**$ 6,615**	$ 2,101	**$ 15,878**	$ (3,427)
Comprehensive income (loss) attributable to:				
Shareholders of Converge	**6,195**	2,101	**15,458**	(3,427)
Non-controlling interest	**420**	-	**420**	-
	$ 6,615	$ 2,101	**$ 15,878**	$ (3,427)
Adjusted EBITDA[3]	**$ 34,685**	$ 23,375	**$ 94,035**	$ 60,493
Adjusted EBITDA as a % of Gross Profit[4]	**30.0%**	33.0%	**27.0%**	26.0%

[3] Non-IFRS measure. See "Adjusted EBITDA" under the Non-IFRS Financial Measures section of this MD&A.
[4] Non-IFRS measure. See "Adjusted EBITDA as a % of Gross Profit" under the Non-IFRS Financial Measures section of this MD&A.

(expressed in thousands of Canadian dollars, except share amounts and share prices)

Adjusted EBITDA

The Company has reconciled Adjusted EBITDA to the most comparable IFRS financial measure as follows:

	For the three months ended December 31,		For the twelve months ended December 31,	
	2021	2020	**2021**	2020
Net income (loss) before taxes	**$ 10,568**	$ 3,895	**$ 23,974**	$ (2,501)
Finance expense	**2,125**	3,719	**7,801**	19,672
Share-based compensation expense	**1,132**	-	**2,325**	-
Depreciation and amortization	**11,925**	5,262	**36,473**	21,466
Depreciation included in cost of sales	**671**	1,058	**3,114**	5,109
Foreign exchange loss	**5,669**	3,486	**647**	2,878
PPP loan forgiveness	**-**	(1,194)	**-**	(1,194)
Special charges	**2,595**	7,149	**19,701**	15,063
Adjusted EBITDA	**$ 34,685**	$ 23,375	**$ 94,035**	$ 60,493

For the three months ended December 31, 2021, special charges are primarily due to $2,950 of acquisition transaction costs, $172 in financing related costs, and $611 of employee compensation and benefits, offset by $1,138 of loss on change in fair value of contingent consideration. During the same period in the prior year, special charges were primarily due to $3,596 in financing related costs, $1,134 of acquisition related costs, $1,161 of legal provisions and other costs related to acquired companies, $131 of restructuring costs related to the integration of acquired companies, and $1,127 due to a change in fair value of contingent consideration.

For the year ended December 31, 2021, special charges are primarily due to $9,513 of acquisition transaction costs, $2,852 of legal provisions, restructuring costs, and other costs related to acquired companies, $1,350 in financing related costs, $886 of employee compensation and benefits, and $5,100 due to a change in fair value of contingent consideration. During the same period in the prior year, special charges were primarily due to $3,693 in financing related costs, $2,056 of acquisition transaction costs, $4,927 of legal and advisory costs, $3,260 of restructuring costs related to the integration of acquired companies, and $1,127 due to a change in fair value of contingent consideration.

Overall Company Performance and Key Changes in Financial Results

Revenue

Gross Revenue[5]

	For the three months ended December 31,		For the twelve months ended December 31,	
	2021	2020	**2021**	2020
Product	**$ 412,916**	$ 241,091	**$ 1,236,300**	$ 750,232
Managed services	**24,577**	15,485	**84,961**	58,949
Third party and professional services	**207,736**	163,631	**653,529**	488,172
Total	**$ 645,229**	$ 420,207	**$ 1,974,790**	$ 1,297,353
Adjustment for sales transacted as agent	**140,246**	130,650	**446,949**	348,554
Net revenue	**$ 504,983**	$ 289,557	**$ 1,527,841**	$ 948,799

Organic growth

The Company measures organic growth on an annual basis, at the gross revenue level, and includes companies that Converge has owned for at least three months. Once a company is acquired, there is lead time required to integrate and regionalize the acquired work force, align rebate programs, and begin to execute on cross-selling

[5] Non-IFRS measure. See "Gross Revenue" under the Non-IFRS Financial Measures section of this MD&A.

(expressed in thousands of Canadian dollars, except share amounts and share prices)

opportunities. Management believes that three months provides a good representation of the acquisition under Converge ownership and can begin to evaluate the acquired company from an organic growth standpoint.

Gross revenue for organic growth is calculated as i) the actual gross revenue for companies owned by Converge for at least three months that is included in the Company's financial results for the year then ended, plus; ii) for those acquisitions that occurred after January 1 and that have been under Converge ownership for at least three months, the pro forma gross revenue contribution had they been owned for the full fiscal year.

The following table calculates organic growth for the year ended December 31, 2021:

	2021
Gross revenue	**$ 1,974,790**
Less: gross revenues of Companies below three months ownership	**1,693**
Gross revenue included in actual results	**$ 1,973,097**
Add: pro forma gross revenue	**302,693**
Gross revenue for organic growth	**$ 2,275,790**
Prior year pro forma gross revenues	2,077,111
Organic Growth[6] - $	**$ 198,679**
Organic Growth[6] - %	**9.6%**

Organic growth for 2021 was $198,679 and 9.6%. This strong growth is attributable to the Company's ability to efficiently and effectively integrate acquired companies and grow revenues organically through expanding customers' digital infrastructure and cross-selling opportunities across the Company's various practice areas, including cyber security, analytics, and cloud and managed services.

Net Revenue

	For the three months ended December 31,		**For the twelve months ended December 31,**	
	2021	2020	**2021**	2020
Product	**$ 412,916**	$ 241,091	**$ 1,236,300**	$ 750,232
Managed Services	**22,372**	14,300	**75,886**	56,896
Third party and professional services	**69,695**	34,166	**215,655**	141,671
Total	**$ 504,983**	$ 289,557	**$ 1,527,841**	948,799

Product revenue, which includes hardware and software, for the three months ended December 31, 2021 increased 71% to $412,916 from $241,091 for the three months ended December 31, 2020, primarily due to the impact of the acquisitions of Vicom, Accudata, Dasher, Vicom Infinity, and Rednet that were completed during the period subsequent to December 31, 2020. Recurring revenue from managed services, which are long-term contracts, increased 56% to $22,372 from $14,300 last year primarily due to organic growth of managed cloud services to customers and the impact of the ExactlyIT and Rednet acquisitions. On an annual recurring revenue ("ARR")[7] basis, the Company finished the year with ARR[7] from managed services of $89,488 as compared to $57,200 last year. Third party and professional services which includes the net revenue from public cloud resell and software support, increased 104% to $69,695 from $34,166 last year primarily due to the impact of acquisitions completed in the intervening period.

For the three months ended December 31, 2021, revenue by industry was approximately 16% from technology companies, 16% from healthcare companies, 17% from manufacturing companies, 12% from banking and financial services, and 34% from government.

[6] Non-IFRS measure. See "Organic Growth" under the Non-IFRS Financial Measures section of this MD&A.
[7] Non-IFRS measure. See "Annual Recurring Revenue" under the Non-IFRS Financial Measures section of this MD&A.

(expressed in thousands of Canadian dollars, except share amounts and share prices)

Product revenue for the year ended December 31, 2021 increased 65% to $1,236,300 from $750,232 for the year ended December 31, 2020, primarily due to higher sales to the Canadian government and the impact of the acquisitions of Vicom, Accudata, Dasher, Vicom Infinity, and Rednet that were completed during the period subsequent to December 31, 2020. Recurring revenue from managed services increased 33% to $75,886, from $56,896 last year primarily due to organic growth of managed cloud services to customers and the impact of the ExactlyIT acquisition. Third party and professional services increased 52% to $215,655 from $141,671 last year primarily due to the impact of acquisitions completed in the intervening period.

For the year ended December 31, 2021, revenue by industry was approximately 19% from technology companies, 16% from healthcare companies, 11% from manufacturing companies, 14% from banking and financial services, and 24% from government.

Gross profit and gross profit margin

For the three months ended December 31, 2021, gross profit increased 63% to $115,893 from $70,927 last year and gross profit margin of 23.0% decreased from 24.5% in the same period last year. For the year ended December 31, 2021, gross profit increased 48% to $345,704 from $233,006 last year and gross profit margin of 22.6% decreased from 24.6% in the same period last year.

The decrease in gross profit margin is due primarily to the fact that the Company acquired nine companies in 2021 versus only five companies in 2020, and the corresponding impact of these acquired companies that sell primarily lower margin hardware, paired with 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 December 31,		**For the twelve months ended December 31,**	
	2021	2020	**2021**	2020
Salaries and benefits	**$ 69,543**	$ 45,959	**$ 218,565**	$ 154,168
Professional fees	**2,450**	1,870	**9,778**	6,019
Office and travel, events	**8,440**	766	**25,544**	16,619
Other expenses	**1,007**	584	**918**	891
Total	**$ 81,440**	$ 49,179	**$ 254,805**	$ 177,697

Employee compensation and benefits for the three months ended December 31, 2021 increased to $69,543 from $45,959 last year primarily due to increased headcount related to acquisitions. Professional fees increased to $2,450 for the three months ended December 31, 2021 from $1,870 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 $8,440 for the three months ended December 31, 2021 from $766 last year due to an increase in in-person customer meetings and events as a result of the lifting of COVID restrictions. Other expenses increased to $1,007 for the three months ended December 31, 2021 compared to $584 in prior year, primarily due to the impact of recent acquisitions

Employee compensation and benefits for the year ended December 31, 2021 increased to $218,565 from $154,168 last year primarily due to increased headcount related to acquisitions. Professional fees increased to $9,778 for the year ended December 31, 2021 from $6,019 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 increased to

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$25,544 for the year ended December 31, 2021 from $16,619 last year primarily due to an increase in in-person customer meetings and events as a result of the lifting of COVID restrictions. Other expenses increased to $918 for the year ended December 31, 2021 compared to $891 in prior year.

Depreciation and amortization

	For the three months ended December 31,		For the twelve months ended December 31,	
	2021	2020	**2021**	2020
Amortization of intangibles	**$ 9,021**	$ 3,488	**$ 26,438**	$ 14,213
Depreciation of right of use assets and equipment	**2,904**	1,774	**10,035**	7,253
Total	**$ 11,925**	$ 5,262	**$ 36,473**	$ 21,466

Amortization of intangibles for the three months ended December 31, 2021 increased to $9,021 from $3,488. Amortization of intangibles for the year ended December 31, 2021 increased to $26,438 from $14,213. The increase is primarily due to intangible assets related to the acquisitions of companies purchased subsequent to December 31, 2020. Depreciation expense for the three months ended December 31, 2021 increased to $2,904 from $1,774 last year. Depreciation expense for the year ended December 31, 2021 increased to $10,035 from $7,253 last year. The increase is primarily due to right of use assets and equipment additions from companies acquired subsequent to December 31, 2020.

Finance expense

Finance expense for the three months ended December 31, 2021 of $2,125 consisted of interest expense related to (i) receivable backed financing and other borrowings of $27; (ii) deferred consideration and other interest of $1,963; and (iii) right-of-use assets of $135. Finance expense for the three months ended December 31, 2020 of $3,719 consisted of interest expense related to (i) receivable backed financing and other borrowings of $2,811; (ii) deferred consideration and other interest of $109; (iii) debentures of $359; and (iv) right-of-use assets of $440. 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 debentures, ABL facility, and other non-ABL debt.

Finance expense for the year ended December 31, 2021 of $7,801 consisted of interest expense related to (i) receivable backed financing and other financing of $3,917; (ii) deferred consideration and other interest of $2,869; and (iii) right-of-use assets of $1,015. Finance expense for the year ended December 31, 2020 of $19,672 consisted of interest expense related to (i) receivable backed financing and other borrowings of $15,279; (ii) deferred consideration and other interest of $1,345; (iii) debentures of $1,464; and (iv) right-of-use assets of $1,349. 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 debentures, ABL facility, and other non-ABL debt.

Special charges

Special charges for the three months ended December 31, 2021 decreased to $2,595 from $7,149 last year. For the year ended December 31, 2021, special charges increased to $19,701 from $15,063 in the same period in 2020. Refer to Adjusted EBITDA section for a breakdown of special charges.

Other expenses

Other expenses for the three months ended December 31, 2021 was $6,108 compared to other expenses of $1,723 last year. Other expenses for the year ended December 31, 2021 was $625 compared to other expenses of $1,609 last year. Other expenses are primarily the impact of realized and unrealized foreign exchange gains and losses from the revaluation of foreign currency asset and liability balances into Canadian dollars.

(expressed in thousands of Canadian dollars, except share amounts and share prices)

Income tax expense

Income tax expense for the three months ended December 31, 2021 increased to $3,488 from an expense of $2,945 in the prior year. For the year ended December 31, 2021, income tax expense was $7,608 compared to an expense of $1,674 last year. The increase in income tax expense is due to the increased earnings in 2021.

Quarterly Financial Results

The following table summarizes select financial information from the Company's results of operations for the eight most recently completed quarters. 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 below may not be indicative of the Company's financial performance in a future comparative period.

For the three months ended	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020
Revenues	504,983	367,349	345,307	310,202	289,557	189,875	227,842	241,525
Gross Profit	115,893	83,771	78,244	67,797	70,927	52,395	54,849	54,835
Gross Profit Margin[8]	23%	23%	23%	22%	24%	28%	24%	23%
Adjusted EBITDA[9]	34,685	18,862	21,720	18,768	23,375	14,619	11,654	11,044
Net income (loss)	7,080	4,596	1,025	3,666	950	694	(4,401)	(1,416)
Earnings per share:								
Basic	0.03	0.02	0.01	0.02	0.01	0.01	(0.05)	(0.02)
Diluted	0.03	0.02	0.01	0.02	0.01	0.01	(0.05)	(0.02)
Adjusted Net Income (Loss) and Adjusted EPS[10]								
Net income (loss)	7,080	4,596	1,025	3,666	950	694	(4,401)	(1,416)
Special charges	2,595	8,702	5,354	3,051	7,149	1,865	4,307	1,939
Amortization of acquired intangible assets	9,021	7,315	5,815	4,287	3,617	3,457	3,526	3,613
Foreign exchange loss (gain)	5,669	(7,991)	1,954	1,012	3,486	401	632	(1,640)
Share-based compensation	1,132	1,193	-	-	-	-	-	-
Adjusted Net Income (Loss)[10]	25,497	13,815	14,148	12,016	15,202	6,417	4,064	2,496
Adjusted EPS[10]:								
Basic	0.12	0.07	0.08	0.08	0.12	0.06	0.04	0.03
Diluted	0.12	0.07	0.08	0.07	0.11	0.06	0.04	0.03

[8] Supplementary financial measure. See "Gross Profit Margin" under the Supplementary Financial Measures section of this MD&A.

[9] Non-IFRS measure. See "Adjusted EBITDA" under the Non-IFRS Financial Measures section of this MD&A.

[10] Non-IFRS measure. See "Adjusted Net Income (Loss)" and "Adjusted Earnings Per Share (EPS)" under the Non-IFRS Financial Measures section of this MD&A.

(expressed in thousands of Canadian dollars, except share amounts and share prices)

Overview of Financial Position

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

As at		December 31, 2021		December 31, 2020
Assets				
Current assets	**$**	**780,708**	$	477,319
Long-term assets		**588,129**		243,301
Total assets	**$**	**1,368,837**	$	720,620
Current liabilities	**$**	**591,215**	$	571,549
Long-term liabilities		**128,794**		47,324
Total liabilities	**$**	**720,009**	$	618,873
Shareholders' equity				
Common Shares		**633,489**		135,354
Contributed surplus		**2,325**		-
Exchange rights		**2,396**		4,853
Foreign exchange translation reserve		**329**		817
Deficit		**(25,050)**		(39,277)
Non-controlling interest		**35,339**		-
Total shareholders' equity	**$**	**648,828**	$	101,747
Total liabilities and shareholders' equity	**$**	**1,368,837**	$	720,620

Current assets

Current assets are mainly comprised of trade and other receivables of $416,499 (December 31, 2020 - $364,308), inventories of $104,254 (December 31, 2020 - $37,868), and cash of $248,193 (December 31, 2020 - $64,767).

Long-term assets

Long-term assets are mainly comprised of goodwill of $323,284 (December 31, 2020 - $110,068) and intangible assets of $233,586 (December 31, 2020 - $108,926). Goodwill increased for the year ended December 31, 2021 as compared to December 31, 2020 due to the acquisitions of CarpeDatum, Accudata, Dasher, ExactlyIT, Vicom Infinity, Infinity Systems, Rednet, LPA, and OPIN, reflecting the benefits attributable to synergies, revenue growth, future market development, and the estimated fair value of an assembled workforce. As at December 31, 2021, intangible assets consisted of $199,061 (December 31, 2020 - $86,549) in customer relationships, $33,424 (December 31, 2020 - $21,197) in trade name and trademarks, $575 (December 31, 2020 - $279) in developed technology, $526 in computer software (December 31, 2020 – $474), and nil (December 31, 2020 - $427) managed service contracts.

Current Liabilities

Current liabilities are mainly comprised of $519,434 (December 31, 2020 - $398,003) in trade and other payables from the Company's operations, $816 (December 31, 2020 - $133,281) in borrowings and $29,407 (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 $300,000 (on December 8, 2021, the Company increased the credit limit from $190,000 to $300,000). Interest is payable monthly at the published CIBC Bank prime rate plus 0% to 2%. As at December 31, 2021, the total balance owing to the lender under these facilities was nil (December 31, 2020 - $116,285).

(expressed in thousands of Canadian dollars, except share amounts and share prices)

The Company also has a credit agreement with a US-based third party. As at December 31, 2021, the total balance owing to the lender under the remaining facility was $1,228 (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 for certain loans.

The following table provides a summary of borrowings and debt:

As at	December 31, 2021	December 31, 2020
Asset Backed Lending (ABL) credit facility	**$ -**	$ 116,285
Contract financing facilities	**1,228**	22,878
Notes payable and contingent consideration related to acquisitions	**69,378**	30,916
Notes payable relating to operations	**318**	4,393
	70,924	174,472
Long-term portion	**43,819**	20,819
Current portion	**27,105**	$ 153,653

Long-term liabilities

Long-term liabilities are comprised of $85,296 (December 31, 2020 - $28,858) in other financial liabilities, $412 in borrowings (December 31, 2020 – $5,882), and deferred tax liability of $43,086 (December 31, 2020 - $12,584). The increase in long-term liabilities is mainly due to contingent consideration from acquisitions, as well as the fair value of the Rednet NCI liability. Refer to Note 12 of the 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 Quarter and Year Ended December 31, 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.

(expressed in thousands of Canadian dollars, except share amounts and share prices)

Cash Flow Analysis

Adjusted Free Cash Flow[11] and Adjusted Free Cash Flow Conversion[12]

	For the three months ended December 31,		For the twelve months ended December 31,	
	2021	2020	**2021**	2020
Adjusted EBITDA	**$ 34,685**	$ 23,375	**$ 94,035**	$ 60,493
Capex	**(2,648)**	(3,660)	**(6,310)**	(4,991)
Payment of lease liabilities	**(3,043)**	(2,204)	**(10,044)**	(9,706)
Adjusted Free Cash Flow[11]	**$ 28,994**	$ 17,511	**$ 77,681**	$ 45,796
Adjusted Free Cash Flow Conversion[12]	**84%**	75%	**83%**	76%

Adjusted Free Cash Flow[11] for the three months December 31, 2021 increased to $28,994 from $17,511 in Q4 2020 last year, and Adjusted Free Cash Flow Conversion[12] was 84% compared to 75% last year. For the year ended December 31, 2021, Adjusted Free Cash Flow[11] increased to $77,681 compared to $45,796 last year, and Adjusted Free Cashflow Conversion[12] increased to 83% from 76% over the same period.

The increase in Adjusted Free Cash Flow[11] and Adjusted Free Cash Flow Conversion[12] for the three and twelve month periods is attributable to the Company's strong, continued Adjusted EBITDA growth and effective management of working capital, while generally maintaining low Capex requirements.

Cash and Cash Equivalents

As at December 31, 2021, total cash on hand was $248,193 (December 31, 2020 - $64,767); an increase of $183,426 since the beginning of the year.

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

	For the three months ended December 31,		For the twelve months ended December 31,	
	2021	2020	**2021**	2020
Cash from (used in) operating activities	**$ 17,933**	$ (27,734)	**$87,065**	$ 51,605
Cash used in investing activities	**(19,268)**	(45,488)	**(277,802)**	(66,592)
Cash from financing activities	**40,846**	76,719	**371,384**	58,536
Net increase in cash and cash equivalents	**39,511**	3,497	**180,647**	43,549
Cash and cash equivalents at the beginning of period	**207,002**	59,051	**64,767**	20,590
Effect of foreign exchange fluctuations on cash held	**1,680**	2,219	**2,779**	628
Cash and cash equivalents at the end of the period	**$ 248,193**	$ 64,767	**$ 248,193**	$ 64,767

Non-cash working capital

For the three months ended December 31, 2021, outflow of cash from non-cash working capital was $13,376, primarily attributable to increases in trade and other receivables of $56,013 and increases in inventory of $25,255, which was partially offset by increases of trade and other payables of $74,508. In the same period in 2020, outflow of cash from non-cash working capital was $42,120, primarily attributable to increases in trade and other receivables of $163,213, partially offset by decreases in trade and other payables of $128,892. For the year ended December 31, 2021, inflow of cash from non-cash working capital was $7,633, primarily attributable to decreases

[11] Non-IFRS measure. See "Adjusted Free Cash Flow" under the Non-IFRS Financial Measures section of this MD&A.
[12] Non-IFRS measure. See "Adjusted Free Cash Flow Conversion" under the Non-IFRS Financial Measures section of this MD&A.

in accounts receivable of $37,051, increases in trade and other payables of $25,802, and increases in deferred revenue and customer deposits of $5,375, partially offset by increases in inventories of $56,545. In the same period in 2020, inflow of cash from non-cash working capital was $6,258, primarily attributable to increases in trade and other payables of $123,619, increases in deferred revenue and customer deposits of $7,529, and decreases in prepaid expenses and other assets of $7,181, partially offset by increases in trade and other receivables of $117,266 and increases in inventories of $10,890.

Cash from (used in) operating activities

Cash from operating activities was $17,933 for the three months ended December 31, 2021. The was primarily attributable to increases in trade and other receivables of $56,013 and increases in inventory of $25,255, which was partially offset by increases of trade and other payables of $74,508. In the same period in 2020, cash from operating activities was primarily attributable to increases in trade and other receivables of $163,213, partially offset by decreases in trade and other payables of $128,892. For the year ended December 31, 2021, cash provided by operating activities increase to $87,065 primarily attributable to decreases in accounts receivable of $37,051, increases in trade and other payables of $25,802, and increases in deferred revenue and customer deposits of $5,375, partially offset by increases in inventories of $56,545.

Cash used in investing activities

Cash used in investing activities for the three months ended December 31, 2021 of $19,268 was mainly due to the acquisition of LPA and OPIN, compared to the acquisitions of Unique Digital, Workgroup, Vivvo, and Vicom during the three months ended December 31, 2020. Contingent consideration of $5,502 was paid during the year ended December 31, 2021 compared to $4,244 of contingent consideration paid in the same period in 2020. Deferred consideration of $5,627 was paid during the year ended December 31, 2021 compared to $13,654 of contingent consideration paid in the same period in 2020. For the year ended December 31, 2021, cash used in investing activities was mainly due to acquisitions of nine companies of $260,550 net of cash acquired, compared to acquisitions of five companies of $43,793 net of cash acquired in the same period in 2020.

Cash from financing activities

For the three months ended December 31, 2021, cash generated from financing was $40,846, which was mainly driven by the Company's net proceeds from the Portage private placement in October 2021 totaling $33,200 and transfers from restricted cash of $11,467 for the acquisition of LPA, offset by payments of lease liabilities of $3,043. In the three-month comparative period for 2020, cash generated from financing was $76,719 primarily due to borrowings of $38,052 and the Company's net proceeds from equity raises in November 2020 totaling $43,210, partially offset by repayments of notes payable of $4,369 and debentures of $3,896. For the year ended December 31, 2021, cash generated from financing was $371,384, which was mainly driven by the Company's net proceeds from equity raises in January 2021, June 2021, August 2021, and November 2021 totaling $527,083 offset by net repayments under the Company's ABL facilities of $135,827. In the comparative period for 2020, cash generated from financing was $58,536, which was mainly driven by the Company's net proceeds from equity raises in February 2020, July 2020, September 2020, and November 2020 totaling $103,597, partially offset by net repayments under the Company's ABL facilities of $17,965, interest paid of $14,860, and payments of lease liabilities of $9,706.

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 $300,000 (on December 8, 2021, the Company increased the credit limit from $190,000 to $300,000). Interest is payable monthly at the published CIBC Bank prime rate plus 0% to 2%. At December 31, 2021, the Company was in compliance with the lender's financial covenants under the ABL.

(expressed in thousands of Canadian dollars, except share amounts and share prices)

Use of Proceeds from Financing

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 $80,940 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	$15,740	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

(expressed in thousands of Canadian dollars, except share amounts and share prices)

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:

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	$236,994	No variance

On October 14, 2021, Portage raised net proceeds of approximately $33,200 by way of a non-brokered private placement for acquisitions, working capital needs and other general corporate purposes. The following tabular comparison details the Company's actual use of the net proceeds from the offering:

Intended use of Proceeds	**Estimated Amount**	**Actual use of Proceeds**	**Actual Amount**	**Variance**
Acquisitions	Undetermined	December 1, 2021 acquisition of OPIN	$4,659	No variance
Working capital and held for acquisitions	Undetermined	Working capital held for acquisitions	$28,541	No variance

Commitments and Contingencies

Commitments

As at December 31, 2021, the Company is committed under office building, vehicle, and computer equipment leases, for the following minimum annual rentals:

	December 31, 2021	December 31, 2020
	$	$
Minimum lease payments		
2021	-	7,208
2022	8,137	4,446
2023	5,232	2,233
2024	3,317	980
2025 and onwards	4,527	1,736
	21,213	16,603
Less: future finance charges	(3,404)	(993)
Present value of minimum lease payments	17,809	15,610
Current liabilities	6,859	7,570
Non-current liabilities	10,950	8,040
	17,809	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.

(expressed in thousands of Canadian dollars, except share amounts and share prices)

Off-Balance Sheet Arrangements

As at December 31, 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 $5,772 for the year ended December 31, 2021 (2020 - $5,544) and includes salaries, bonuses, advisory fees, short-term employment benefits and other personnel costs.

On September 4, 2019, the Company entered into a loan agreement with a key management person, advancing principal of $250 with interest on the unpaid principal balance at the rate of 2.48% per annum. The outstanding principal and interest is due on the earlier of September 3, 2022, or the date on which the individual resigns from or is terminated by the Company. As at December 31, 2021, the loans had been repaid and the receivable balance was nil (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 December 31, 2021, the loans have been repaid and the receivable balance was nil (December 31, 2020 – $1,004).

On August 4, 2021, the Company entered into a loan agreement with key management personnel, borrowing principal totaling $23,225 (€16,139) to purchase the 75% interest of Rednet, with interest on the unpaid principal balance at the rate of 5% per annum. The loan matures at the earlier of ten years from the acquisition date, or when either the seller's put option or the Company's call option are exercised. The loan balance as at December 31, 2021 was $24,043 (December 31, 2020 – nil). Interest expense recognized for the year ended December 31, 2021 was $433 (2020 – nil).

Outstanding Share Information

The table below provides a summary of the outstanding share capital of the Company.

Capital	Authorized	Outstanding as at March 22, 2022	Outstanding as at December 31, 2022
Common shares	Unlimited	214,896,369	214,396,369
Exchange rights	Not applicable	800,256	1,300,526
Stock options		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 $8,019, the net proceeds to the Company were $164,481.

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 $10,647, the net proceeds to the Company were $248,382.

Portage private placement

On October 14, 2021, Portage 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. After deducting transaction costs of $1,800, the net proceeds to Portage was $33,200. Upon completion of the private placement, the Company owns approximately 53% of Portage. As a result, the Company recognizes a non-controlling interest in its consolidated financial statements.

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 used the Black-Scholes option pricing model to value the Options at the time of grant to determine a weighted average fair value per share of $5.49 by applying the following assumptions:

(expressed in thousands of Canadian dollars, except share amounts and share prices)

	2021
Exercise price	**$9.20**
Stock price	**$9.62**
Risk-free interest rate	**1.00%**
Dividend yield	**0%**
Expected life of options (years)	**6.25**
Expected annualized volatility	**60%**

Volatility is calculated at the time of option grant using the historical share price trading activity of the Company. Management periodically reviews the estimates used for calculating the fair value of options. During the year ended December 31, 2021, the Company recognized share-based compensation expense of $2,325 (2020 – nil). At December 31, 2021, 1,600,000 options were outstanding and nil were exercisable, at a weighted average exercise price of $9.20 per share with a weighted average remaining contractual life of 1.98 years.

Critical Accounting Policies and Estimates

Please see the Company's audited consolidated financial statements for the year ended December 31, 2021 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 December 31, 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.

Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued Disclosure of Accounting Policies, which amends IAS 1 and IFRS Practice Statement 2. The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendment to IAS 1 requires companies to disclose their material accounting policy information rather than its significant accounting policies. The amendment also clarifies that not all accounting policy information that relates to material transactions, other events or conditions is material to the financial statements. The amendment to IFRS Practice Statement 2 adds guidance and examples to the materiality practice statement, which explains how to apply the materiality process to identify material accounting policy information. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied prospectively. The Company is currently analyzing the impact these amendments will have on its financial statements.

Amendments to IFRS 9

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The adoption of this amendment will not have a material impact on the consolidated financial statements.

Risks and Uncertainties

The Company's business is subject to a number of risk factors which are described in its annual information form ("AIF") for the year ended December 31, 2021 and 2020 and its annual MD&A for the years ended December 31, 2021 and 2020, 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 December 31, 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. Management concluded that the Company's internal controls over financial reporting were effectively designed and operating as at December 31, 2021. There were no significant changes to the Company's internal controls over financial reporting for the year ended December 31, 2021.

Further Information

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