Converge Technology Solutions Corp.

Management Discussion and Analysis
For the three months ended March 31, 2023 and 2022

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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 three months ended March 31, 2023 and 2022. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes thereto for the three months ended March 31, 2023, as well as the Company's consolidated financial statements and MD&A for the year ended December 31, 2022.

The condensed interim consolidated financial statements have been prepared in accordance with the requirements of IAS 34, Interim Financial Reporting, which is within the framework of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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 May 9, 2023 and was approved by the Board of Directors on that date. Results are reported in thousands of Canadian dollars unless otherwise stated.

The registered office of the Company is located at 85 Rue Victoria, Gatineau, Quebec, J8X 2A3 and the head office of the Company is located at 161 Bay Street, Suite 2325, Toronto, Ontario, M5J 2T6.

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 Technology Solutions Corporation is a services-led, software-enabled IT & cloud solutions provider with operations in North America and Europe. The Company is organized around two operating segments: Converge Hybrid IT Solutions, and Portage Software-as-a-Solution ("SaaS") Solutions.

Converge Hybrid IT Solutions is focused on delivering advanced analytics, application modernization, cloud, cybersecurity, digital infrastructure, digital workplace and managed services offerings as well as the provision of hardware and software products and solutions to clients across various industries and organizations. This multi-faceted approach enables Converge to address the unique business and technology requirements for all clients in the public and private sectors. This operating segment is primarily made-up of mature companies that sell complimentary products and services, and their operations have been fully integrated within the Company's consolidated operations.

Portage SaaS Solutions, which is comprised of the operations of the Company's majority-owned subsidiary, Portage CyberTech, is focused on powering trusted digital transactions between individuals, businesses, and government organizations. Portage customers use its SaaS solutions and expert services to power digital signatures with legal reliability, and to improve experiences for trusted transactions. On a standalone basis, as an early-stage company investing in research and development to scale its operations, this segment may not be accretive to the Company's reported net income (loss) in the next twelve-month period.

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.

As a buyer of 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 an international solutions leader within these segments.

Global Strategy - Converge's strategy is to become the leading ITSP to mid-market customers in North America and Europe.

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.

Cross-sell - Converge is the only scaled services-led, software-enabled, IT & Cloud Solutions provider that can package a full suite of advisory, implementation, and managed services and cross sell these services across multiple companies and customer solutions to provide full suite of end-to-end services.

*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.

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.

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.

FY22 Acquisitions:

2022

In 2022, the Company continued to execute on its acquisition strategy, completing the acquisitions of 10 companies. On January 7, 2022, the Company acquired a 100% interest in PDS, 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. On February 9, 2022, the Company acquired a 100% interest in Visucom, which was effective to January 1, 2022 for accounting purposes. 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. On March 1, 2022, Portage, the

Company's 51% owned cyber security-focused SaaS entity, acquired a 100% interest in 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. On April 1, 2022, the Company acquired a 100% interest in CBI, a corporation headquartered in Ferndale, Michigan, a services-led organization focused on cybersecurity solutions centered around threat detection and obstruction. CBI's solutions help defend and secure customer networks and endpoints, as well as testing and monitoring areas of operational risk, and protecting data. On April 29, 2022, the Company announced that it acquired a 100% interest in IDX, a corporation headquartered in Edmonton, Alberta, focused on cloud computing, infrastructure and open-source consulting. On June 17, 2022, Portage, the Company's 51% owned cyber security-focused SaaS entity, acquired a 100% interest in Notarius, a corporation headquartered in Montreal, QC, that provides solutions that safeguard the long-term reliability of electronic documents. On July 29, 2022, the Company acquired a 100% interest in TIG, a corporation headquartered in San Diego, CA, specializing in optimized performance solutions and critical business support. On July 29, 2022, the Company acquired a 100% interest in GfdB, IfmB, and DEQSTER (collectively, "GfdB"), education market focused organizations headquartered in Germany which enable schools and universities to implement their digital future. GfdB and IfmB are full-service IT suppliers for education, while DEQSTER specializes in the development of production of equipment for digital learning and working. On September 9, 2022, the Company acquired a 100% interest in Newcomp Analytics Inc., a corporation headquartered in Toronto, ON, that assists organizations in building a map to deeper analytics while providing teams with the tools they need to tackle big data projects. On November 4, 2022, the Company acquired an 89% interest in Stone Technologies Group Limited ("Stone"), a provider of Circular IT solutions for education institutions, as well as public and private sector organizations in the United Kingdom. The acquisition of Stone capped off a monumental year of growth for Converge in the European market and provides the Company with industry leading knowledge and skills to continue enhancing Converge's capabilities and offerings to its clients in the United Kingdom and European Union.

Business And Financial Highlights for the Quarter Ended March 31, 2023 ("Q1 2023")

Q1 2023 Financial Highlights:

- Net revenue of $678,198 (Q1-2022 – net revenue of $494,040).
- Gross profit of $171,588 (Q1-2022 – gross profit of $109,045).
- Adjusted EBITDA[1] of $41,208 (Q1-2022 – Adjusted EBITDA[1] of $29,649).
- Cash flow from operating activities of $28,763, increasing from negative operating cash flow of $30,220 in Q1 2022, which represents a conversion rate of 70% of Q1 2023 adjusted EBITDA[1] (Q1-2022 negative conversion rate of 102%).
- Gross profit organic growth of 16.5%, increasing from 13.9% in Q1 last year, and increased sequentially by 15.0% from 1.5% in Q4 2022.

Acquisition of remaining Rednet interest

At December 31, 2022, the Company signed a definitive agreement with the seller which modified the original purchase agreement to allow the Company to acquire the remaining 25% interest in Rednet for $36,713 (25,393 €), which is payable in two installments. On March 15, 2023, the Company made the first payment of $29,994 (20,393 €), with the remaining $6,719 (5,000 €) owed to the seller on December 31, 2023.

Non-IFRS Financial & Supplementary Financial Measures

This MD&A refers to certain performance indicators including Adjusted EBITDA, Adjusted Free Cash Flow, Adjusted Free Cash Flow Conversion, Adjusted Net Income, Adjusted Earnings per Share ("EPS"), Annual Recurring Revenue ("ARR"), Gross Sales, and Organic Growth that do not have any standardized meaning prescribed by

[1] This is a Non-IFRS measure (including non-IFRS ratio or supplementary financial measure) and not a recognized, defined or standardized measure under IFRS. See the Non-IFRS Financial & Supplementary Financial Measures section of this MD&A.

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 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 EBITDA as a % of Net Revenue

The Company believes that Adjusted EBITDA as a % of Net Revenue is a useful measure of the Company's operating efficiency and profitability. This is calculated by dividing Adjusted EBITDA by net revenue.

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

Adjusted Net Income represents net income adjusted to exclude special charges, amortization of acquired intangible assets, unrealized foreign exchange gain/loss, and share-based compensation. The Company believes that Adjusted Net Income is a more useful measure than net income 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 by the total weighted average shares outstanding on a basic and diluted basis.

Gross sales

Gross sales, which is a non-IFRS measurement, reflects the gross amount billed to customers, adjusted for amounts deferred or accrued. The Company believes gross sales 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 sales by the cost of sale amount.

Organic Growth

The Company measures organic growth on a quarterly and year-to-date basis, at the gross sales and gross profit levels, and includes the contributions under Converge ownership in the current and comparative period(s). In calculating organic growth, the Company therefore deducts gross sales and gross profit generated from companies that were acquired in the current reporting period(s).

Gross profit organic growth is calculated by deducting prior period gross profit, as reported in the Companies public filings, from current period gross profit for the same portfolio of companies. Gross profit organic growth percentage is calculated by dividing organic growth by prior period reported gross profit.

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.

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 net revenues.

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

Summary of Consolidated Financial Results

The following table provides the consolidated operating results for the Company:

For the three months ended March 31,		2023		2022
Revenues				
Product	$	**536,689**	$	397,392
Service		**141,509**		96,648
Total revenue		**678,198**		494,040
Cost of sales		**506,610**		384,995
Gross profit		**171,588**		109,045
Selling, general and administrative expenses		**132,033**		80,412
Income before the following		**39.555**		28,633
Depreciation and amortization		**25,890**		14,480
Finance expense, net		**9,350**		1,818
Special charges		**4,284**		5,722
Share-based compensation expense		**848**		1,212
Other expense		**2,469**		6,403
Loss before income taxes		**(3,286)**		(1,002)
Income tax expense		**75**		1,406
Net loss	**$**	**(3,361)**	$	(2,408)
Net loss attributable to:				
Shareholders of Converge		**(1,957)**		(1,794)
Non-controlling interest		**(1,404)**		(614)
	$	**(3,361)**	$	(2,408)
Other comprehensive loss				
Exchange gain (loss) on translation of foreign operations		**(2,173)**		(6,587)
Comprehensive loss	**$**	**(1,188)**	$	(8,995)
Comprehensive loss attributable to:				
Shareholders of Converge		**216**		(8,381)
Non-controlling interest		**(1,404)**		(614)
	$	**(1,188)**	$	(8,995)
Adjusted EBITDA[1]	**$**	**41,208**	$	29,649
Adjusted EBITDA as a % of Gross Profit[1]		**24.0%**		27.2%
Adjusted EBITDA as a % of Revenue[1]		**6.1%**		6.0%

[1] This is a Non-IFRS measure (including non-IFRS ratio or supplementary financial measure) and not a recognized, defined or standardized measure under IFRS. See the Non-IFRS Financial & Supplementary 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[1] to the most comparable IFRS financial measure as follows:

	For the three months ended March 31,	
	2023	2022
Net loss before taxes	**$ (3,286)**	$ (1,002)
Finance expense	**9,350**	1,818
Share-based compensation expense	**848**	1,212
Depreciation and amortization	**25,890**	14,480
Depreciation included in cost of sales	**1,659**	751
Foreign exchange loss	**2,463**	6,668
Special charges	**4,284**	5,722
Adjusted EBITDA	**$ 41,208**	$ 29,649

For the three months ended March 31, 2023, special charges are primarily due to $893 of acquisition transaction costs, $922 of legal and advisory costs related to the Company's strategic review process, $466 of legal provisions and other costs related to acquired companies, $698 in financing related costs, and $1,305 of restructuring costs related to the integration of acquired companies. During the same period in the prior year, special charges were primarily due to $4,969 of acquisition transaction costs, $583 in financing related costs, and $170 of legal provisions and other costs related to acquired companies.

Overall Company Performance and Key Changes in Financial Results

Segment Performance

As a result of significant business operation and internal reporting changes undertaken by the Company in the first quarter of 2023 that affect how the Company views and monitors the performance of its majority-owned Portage subsidiary, the Company has determined that it is now comprised of two operating segments: i) Converge Hybrid IT Solutions ("Converge"), and ii) Portage SaaS Solutions ("Portage").

The following table provides a condensed summary of the operating performance of each operating segment:

For the three months ended March 31,	**2023**			**2022**		
	Converge	**Portage**	**Total**	**Converge**	**Portage**	**Total**
Total revenue	$ 673,503	4,695	678,198	$ 492,629	1,411	**494,040**
Gross profit	168,219	3,369	171,588	108,258	624	**109,045**
Income (loss) before income taxes	(287)	(2,999)	**(3,286)**	230	(1,232)	**(1,002)**
Finance expense	8,789	561	**9,350**	1,808	10	**1,818**
Share-based compensation expense	848	-	**848**	1,212	-	**1,212**
Depreciation and amortization	24,653	1,237	**25,890**	14,242	238	**14,480**
Depreciation included in cost of sales	1,659	-	**1,659**	751	-	**751**
Foreign exchange loss	2,463	-	**2,463**	6,668	-	**6,668**
Special charges	3,964	320	**5,379**	5,495	227	**5,722**
Adjusted EBITDA	$ 42,089	(881)	**41,208**	30,406	(757)	**29,649**

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

Portage segment performance

For the three months ended March 31, 2023, Portage's revenue increased to $4,695 from $1,411 in in the prior year. The year-over-year increase was primarily driven by SaaS and recurring revenue growth and includes the impact of the acquisitions of Notarius and 1CRM completed in the intervening period, both which are higher margin solutions based on proprietary software. Gross margin improved from 56% to 71% led by its SaaS business making up proportionally more of its overall revenue mix. Adjusted EBITDA losses increased by $124 to $881 as a result of higher operating expenses in research and development (R&D) and sales and marketing.

Revenue

Gross sales

The following table presents the Company's gross sales:

	For the three months ended March 31,	
	2023	2022[(1)]
Product	**$ 665,310**	$ 453,389
Managed services	**40,636**	33,983
Third party and professional services	**259,312**	186,557
Total	**$ 965,258**	$ 673,929
Adjustment for sales transacted as agent	**287,060**	179,889
Net revenue	**$ 678,198**	$ 494,040

(1) Includes an adjustment of $55,997 for Q1 2023 for the impact of a software revenue accounting policy change adopted by the Company in Q4 2022 that is applied retrospectively to the comparative reporting period.

Gross sales organic growth

Gross sales organic growth for the three months ended March 31, 2023 was $45,699 (6.8%), compared to $77,144 (18.9%) in Q1 2022. The decrease in growth from Q1 last year was primarily due to lower device sales to the Canadian government which reflects the timing of customers' hardware refresh cycles, partially offset by stronger gross revenue growth across the Company's US subsidiaries.

This continued organic growth is attributable to the Company's strong integration engine, whereby the Company can seamlessly integrate acquired companies and grow revenues organically through expanding customers' digital infrastructure.

The following table calculates organic growth for the three months ended March 31, 2023 and 2022:

	Q1 2023	Q1 2022
Gross sales[1]	**$ 965,258**	$ 673,929
Less: gross sales from companies not owned in comparative period	**245,630**	188,685
Gross sales of companies owned in comparative period	**$ 719,628**	$ 485,244
Prior period pro forma gross sales	**673,929**	408,100
Organic Growth - $	**$ 45,699**	$ 77,144
Organic Growth - %	**6.8%**	18.9%

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

Net Revenue

The following table presents the Company's net revenues by product and service for the three months ended March 31, 2023 and 2022:

	Q1 2023	Q1 2022(1)
Product	**$ 536,689**	$ 397,392
Managed services	**35,395**	26,447
Third party and professional services	**106,114**	70,201
Total	**$ 678,198**	$ 494,040

(1) Includes an adjustment of $55,997 for Q1 2023 for the impact of a software revenue accounting policy change adopted by the Company in Q4 2022 that is applied retrospectively to the comparative reporting period.

Product revenue, which includes hardware and software, for the three months ended March 31, 2023 increased 35% to $536,689 from $397,392 for the three months ended March 31, 2022. Recurring revenue from managed services, which are long-term contracts, increased 34% to $35,395 from $26,447 last year primarily due to the impact of recent acquisitions that sell cloud and managed services, increased managed services revenue from the Company's recently announced IBM Power for Google Cloud ("IP4G"), and organic growth from the expansion of existing customers' managed services. At March 31, 2023, ARR from managed services was $141,580 as compared to $105,788 last year. Third party and professional services which includes the net revenue from public cloud resell and software support, increased 51% to $106,114 from $70,201 last year primarily due to the impact of acquisitions completed in the intervening period, and organic growth from our key service-based practice areas including cyber security, and business analytics which are higher margin.

For the three months ended March 31, 2023, revenue by industry was approximately 22% from healthcare services (Q1 2022 – 18%), 19% from government (Q1 2022 – 27%), 16% from technology (Q1 2022 – 30%), 12% from financial services (Q1 2022 – 12%), and 31% from other companies (Q1 2022 – 23%).

Gross profit and gross profit margin

For the three months ended March 31, 2023, gross profit increased 57% to $171,588 from $109,045 last year and gross profit margin of 25% increased from 22% in the same period last year.

In the short-term, gross profit margin reflects the impact of acquired companies, whereby recent acquisitions tend to sell primarily lower margin hardware, paired with high volume but lower margin end-user device sales. As the Company begins to achieve scale in its higher margin cloud and managed services, and cross-sell these services to customers of recently acquired companies, Converge expects gross margins to increase.

Gross profit organic growth

Gross profit organic growth for the three months ended March 31, 2023 was $17,946 (16.5%), increasing from $9,440 in Q1 last year (13.9%).

Converge's ability to grow its gross profit organically is attributable to the Company's strong integration engine and illustrates the Company's success in cross-selling higher margin software and services across the Company's various practice areas, including cyber security, analytics, and cloud and managed services.

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

The following table calculates organic growth for the three months ended March 31, 2023 and 2022:

	Q1 2023	Q1 2022
Gross profit	**$ 171,588**	$ 109,045
Less: gross profit from companies not owned in comparative period	**44,597**	31,808
Gross profit of companies owned in comparative period	**126,991**	77,237
Prior period gross profit	**109,045**	67,797
Organic Growth - $	**$ 17,946**	$ 9,440
Organic Growth - %	**16.5%**	13.9%

Selling, general, and administrative expenses

Selling, general, and administrative is comprised of the following expenses for the three months ended March 31, 2023 and 2022:

	Q1 2023	Q1 2022
Salaries and benefits	**$ 111,335**	$ 68,282
Professional fees	**4,633**	2,872
Office and travel, events	**15,136**	7,630
Other expenses	**929**	1,628
Total	**$ 132,033**	$ 80,412

Employee compensation and benefits for the three months ended March 31, 2023 increased to $111,335 from $68,282 last year primarily due to increased headcount related to acquisitions. Professional fees increased to $4,633 for the three months ended March 31, 2022 from $2,872 last year primarily due to advisory and tax services for tax and planning for the Company’s European expansion, and additional statutory compliance costs. Office, travel and events increased to $15,136 for the three months ended March 31, 2023 from $7,630 last year primarily due to the impact of new acquisitions and greater employee travel now that COVID-19 related restrictions have lessened and more in-person events have resumed. Other expenses decreased to $929 for the three months ended March 31, 2023 compared to $1,628 in prior year which primarily reflects the impact of acquisitions.

Depreciation and amortization

Depreciation and amortization for the three months ended March 31, 2023 and 2022 is as follows:

	Q1 2023	Q1 2022
Amortization of intangibles	**$ 20,208**	$ 11,316
Depreciation of right of use assets and equipment	**5,682**	3,164
Total	**$ 25,890**	$ 14,480

Amortization of intangibles for the three months ended March 31, 2023 increased to $20,208 from $11,316, primarily due to intangible assets related to the acquisitions of companies purchased subsequent to March 31, 2022. Depreciation expense for the three months ended March 31, 2023 increased to $5,682 from $3,164 last year. The increase is primarily due to right-of-use asset and equipment additions from companies acquired subsequent to March 31, 2022.

Finance expense

Finance expense for the three months ended March 31, 2023 of $9,350 consisted of interest expense related to (i) borrowings under the Company’s credit facility of $7,073; (ii) deferred consideration and other interest of $302; (iii) lease liabilities of $605; and (iv) receivable backed financing of $1,370. Finance expense for the three months ended March 31, 2022 of $1,818 consisted of interest expense related to (i) receivable backed financing and other borrowings of $1,051; (ii) deferred consideration and other interest of $485; and (iii) lease liabilities of $282.

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

Special charges

Special charges for the three months ended March 31, 2023 decreased to $4,284 from $5,722 last year. Refer to the Adjusted EBITDA section of this MD&A for a breakdown of special charges.

Other expense

Other expense for the three months ended March 31, 2023 was $2,469 compared to other expense of $6,403 last year. The changes in the three-month period are as a result of the impact of unrealized foreign exchange gains and losses from the foreign exchange impact that arises on the translation of certain foreign currency denominated net asset balances into the Company's Canadian dollar reporting currency. IAS 21 accounting rules requires that the exchange difference is to be included in the consolidated statements of income and loss.

Income tax expense

Income tax expense for the three months ended March 31, 2023 decreased to $75 from an expense of $1,406 in the prior year.

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	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Net revenues[1]	678,198	640,927	514,485	515,196	494,040	445,951	301,801	314,043
Gross Profit	171,588	168,916	139,654	133,152	109,045	115,893	83,771	78,244
Gross Margin, adjusted	25%	26%	27%	26%	22%	26%	28%	25%
Adjusted EBITDA	41,208	43,064	30,967	39,188	29,649	34,685	18,862	21,720
Net income (loss)	(4,456)	(4,656)	18,228	11,678	(2,408)	7,080	4,596	1,025
Earnings per								
Basic	(0.01)	(0.02)	0.10	0.05	(0.01)	0.03	0.02	0.01
Diluted	(0.01)	(0.02)	0.10	0.05	(0.01)	0.03	0.02	0.01
Net income (loss)	(3,361)	(4,656)	18,228	11,678	(2,408)	7,080	4,596	1,025
Special charges	4,284	18,654	8,211	5,559	5,722	2,595	8,702	5,354
Amortization on intangibles	20,208	16,502	17,785	13,946	11,316	9,021	7,315	5,815
Foreign exchange loss (gain)	2,463	951	(24,233)	(2,968)	6,668	5,669	(7,991)	1,954
Share-based compensation	848	1,422	1,275	1,685	1,212	1,132	1,193	-
Adjusted Net Income	24,442	32,873	21,266	29,900	22,510	25,497	13,815	14,148
Adjusted EPS:								
Basic	0.12	0.16	0.10	0.14	0.10	0.12	0.07	0.08
Diluted	0.12	0.16	0.10	0.14	0.10	0.12	0.07	0.08

(1) Reflects quarterly impact of software revenue net-down on a retrospective basis as per the IFRS 15 accounting policy adopted by the Company in Q4 2022.

(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		March 31, 2023		December 31, 2022
Assets				
Current assets	**$**	**1,110,976**	$	1,128,279
Long-term assets		**1,105,915**		1,120,597
Total assets	**$**	**2,216,891**	$	2,248,876
Current liabilities	**$**	**1,420,848**	$	1,437,906
Long-term liabilities		**163,064**		180,160
Total liabilities	**$**	**1,583,912**	$	1,618,066
Shareholders' equity				
Common shares		**599,233**		595,019
Contributed surplus		**8,767**		7,919
Exchange rights		**-**		1,705
Accumulated other comprehensive income		**15,881**		13,708
Deficit		**(20,398)**		(18,441)
Non-controlling interest		**29,496**		30,900
Total shareholders' equity	**$**	**632,979**	$	630,810
Total liabilities and shareholders' equity	**$**	**2,216,891**	$	2,248,876

Current Assets

Current assets are mainly comprised of cash of $139,028 (December 31, 2022 - $159,890), trade and other receivables of $784,096 (December 31, 2022 - $781,683), and inventories of $157,608 (December 31, 2022 - $158,430).

Long-term assets

Long-term assets are mainly comprised of goodwill of $566,996 (December 31, 2022 - $563,848) and intangible assets of $446,961 (December 31, 2022 - $463,751). As at March 31, 2023, intangible assets consisted of $391,523 (December 31, 2022 - $405,790) in customer relationships, $40,380 (December 31, 2022 - $43,065) in trade name and trademarks, $11,619 (December 31, 2022 - $11,900) in developed technology, $2,658 in computer software (December 31, 2022 – $2,154), and $782 (December 31, 2022 – $842) in backlog.

Current Liabilities

Current liabilities are mainly comprised of $828,000 (December 31, 2022 - $824,924) in trade and other payables from the Company's operations, $460,221 (December 31, 2022 - $421,728) in borrowings, $60,484 (December 31, 2022 - $60,210) in deferred revenue, and $66,741 (December 31, 2022 - $123,932) in other financial liabilities. Borrowings are mainly comprised of the amount drawn on the Company's external revolving credit facility ("Revolver Credit Facility"). See "Credit Facilities" section below.

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

The following table provides a summary of borrowings and debt:

As at	March 31, 2023	December 31, 2022
Revolver Credit Facility	**$ 459,262**	$ 420,439
Contract financing facilities	**959**	1,289
Notes payable and contingent consideration related to acquisitions	**52,413**	80,106
Notes payable relating to operations	**1,820**	1,842
	514,454	503,676
Long-term portion	**19,260**	55,178
Current portion	**$ 495,194**	$ 448,498

Long-term liabilities

Long-term liabilities are comprised of $64,551 (December 31, 2022 - $77,183) in other financial liabilities and deferred tax liability of $98,513 (December 31, 2022 - $102,977). The increase in long-term liabilities is mainly due to contingent consideration from acquisitions, which are earn-out payments typically paid over a two to three-year period, based on the achievement of certain milestones. Refer to Note 12 of the consolidated financial statements for further detail.

Liquidity and Capital Resources

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 Ended March 31, 2023* for a discussion of the Company's recent financing initiatives.

The Company anticipates that it will have sufficient liquidity from cash generation 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.

The Company's capital management objectives are to maintain financial flexibility in order to pursue its strategy of organic and acquisition growth and to provide returns to its shareholders. The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay financial liabilities, issue shares, repurchase shares, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances. The Company is not subject to any externally imposed capital requirements.

Cash Flow Analysis

As at March 31, 2023, total cash on hand was $139,028 (December 31, 2022 - $159,890); a decrease of $20,862 since the beginning of the year.

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

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

	For the three months ended March 31,	
	2023	2022
Cash from (used in) operating activities	**$ 28,763**	**$ (30,220)**
Cash used in investing activities	**(69,646)**	**(90,979)**
Cash from financing activities	**21,363**	**95,170**
Net change in cash and cash equivalents	**(19,520)**	**(26,029)**
Cash and cash equivalents at the beginning of period year	**159,890**	**248,193**
Effect of foreign exchange fluctuations on cash held	**(1,342)**	**(5,500)**
Cash and cash equivalents at the end of the period	**$ 139,028**	**$ 216,664**

Cash from operating activities

	For the three months ended March 31,	
	2023	2022
Net loss	**$ (3,361)**	$ (2,408)
Adjustments to reconcile net loss to net cash from operating activities		
Depreciation and amortization	**27,549**	15,340
Unrealized foreign exchange losses	**2,463**	6,669
Share-based compensation expense	**848**	1,212
Finance expense, net	**9,350**	1,818
Income tax expense	**75**	1,406
	36,924	24,037
Changes in non-cash working capital items		
Trade and other receivables	**(2,441)**	$ (27,773)
Inventories	**1,328**	6,549
Prepaid expenses and other assets	**(1,426)**	(1,429)
Trade and other payables	**781**	(29,383)
Income taxes payable	**(6,925)**	(753)
Other financial liabilities	**356**	1,917
Deferred revenue and customer deposits	**166**	(3,385)
	(8,161)	(54,257)
Cash from (used in) operating activities	**$ 28,763**	$ (30,220)

Cash from operating activities was $28,763 for the three months ended March 31, 2023, compared to cash used in operating activities of $30,220 in Q1 2022. The year over year increase was largely as a result of a $8,161 cash out flow from working capital, improving from $54,257 in the prior year. See "Non-Cash Working Capital" for a description of the drivers below.

Non-Cash Working Capital

In Q1 2023, cash used in non-cash working capital was $8,161, improving from $54,257 in Q1 2022. This was primarily driven by inflows related to inventories of $1,328 and trade and other payables of $781, offset by cash outflows related to trade and other receivables of $2,441, which is seasonally a use of cash due to higher sales and billings to the Canadian government, and income taxes payable of $6,925. The remaining working capital movement generally reflects timing of transactions and may vary period to period.

Cash used in investing activities

Cash used in investing activities for the three months ended March 31, 2023 was mainly due to the acquisition of the remaining 25% of Rednet and repayment of contingent consideration, as compared to the acquisitions of PDS, Visucom, and 1CRM during the three months ended March 31, 2022. Deferred consideration principal and interest payments of $25,654, NCI liability payment of $29,994, and contingent consideration payments of $8,960 were paid during the three months ended March 31, 2023 compared to $1,740 of deferred consideration and interest payments paid and $10,134 of contingent consideration payments paid in the same period in 2022.

Cash from financing activities

For the three months ended March 31, 2023, cash generated from financing was $21,363, which was mainly driven by the Company's net borrowings of $34,199, partially offset by interest paid of $7,877 and payments of lease liabilities of $5,135. In the three-month comparative period for 2022, cash generated from financing was $95,170, which was mainly driven by the Company's proceeds from ABL facility borrowings of $162,468, offset by transfers to restricted cash of $63,493 for the acquisition of CBI and payments of lease liabilities of $2,728.

Credit Facilities

On July 28, 2022, the Company refinanced its existing $300,000 asset-based lending ("ABL") credit facility, with a multi-currency, global revolving credit agreement (the "Revolver Credit Facility") with a syndicate of Canadian and US lenders, led by J.P. Morgan and the Canadian Imperial Bank of Commerce ("CIBC"). The outgoing ABL facility could be drawn to a certain percentage of the eligible trade receivables and inventory balances, to a maximum of $300,000. The new Revolver Credit Facility can be drawn to a maximum of $500,000 and included an uncommitted accordion feature of $100,000. On February 9, 2023, the Company announced the exercise of its accordion feature, increasing the Revolver Credit Facility to $600,000, with no change to its existing credit terms. Interest is payable monthly at an interest rate that generally approximates the Secured Overnight Financing Rate, plus applicable bank margin ranging from 1.25% to 2.25%. As at March 31, 2023, the total balance drawn on the Revolver Credit Facility was $459,262.

As at March 31, 2023, the Company was in compliance with the lenders' primary financial covenants under the Revolver Credit Facility, however the Company's lease liability was in excess of the maximum permitted as per the applicable conditional under the credit agreement. On April 19, 2023, the Company received a waiver from the lenders for the breach and increased the available lease liability threshold, and the Company was in compliance with all covenants under the Revolver Credit Facility as at the date of this MD&A.

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

Commitments and Contingencies

Commitments

As at March 31, 2023, the Company is committed under office building, vehicle, and computer equipment leases, for the following minimum annual rentals:

	March 31, 2023	December 31, 2022
	$	$
Minimum lease payments		
2023	13,124	17,330
2024	13,827	13,450
2025	10,101	9,837
2026	6,085	5,847
2027 and onwards	13,641	13,237
	56,778	59,701
Less: future finance charges	(6,244)	(6,059)
Present value of minimum lease payments	50,534	53,642
Current liabilities	14,442	15,800
Non-current liabilities	36,092	37,842
	50,534	53,642

Contingencies

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

Off-Balance Sheet Arrangements

As at March 31, 2023, 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 $2,315 for the three months ended March 31, 2023 (three months ended March 31, 2022 - $1,789) and includes salaries, bonuses, advisory fees, short-term employment benefits and other personnel costs.

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.

During the three months ended March 31, 2023, the Company fully repaid the deferred consideration to the sellers of Rednet of $23,974 (€17,110).

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

Outstanding Share Capital

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

Capital	Authorized	Outstanding as at May 9, 2023	Outstanding as at March 31, 2023
Common shares	Unlimited	209,133,903	209,133,903
Exchange rights	Not applicable	-	-
Stock options		2,328,712	2,328,712
RSUs		69,675	69,675

Stock option plans

During the three months ended March 31, 2023, the Company recognized share-based compensation expense of $719 from stock option plans (three months ended March 31, 2022 – $1,184). As at March 31, 2023, 2,328,712 options were outstanding and nil were exercisable, at a weighted average exercise price of $9.14 per share.

Restricted stock units

During the three months ended March 31, 2023, the Company recognized share-based compensation expense of $129 from RSUs (three months ended March 31, 2022 – $28).

Critical Accounting Policies and Estimates

Please see the Company's audited consolidated financial statements for the year ended December 31, 2022 for a discussion of the accounting policies and estimates that are critical to the understanding of the Company's business operations and the results of its operations.

New or Pending Accounting Standards, Amendments and Interpretations

The following new accounting standards were applied or adopted by the Company as at January 1, 2023:

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.

There have been no new accounting standards issued in the current period from those previously disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2022.

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, 2022 and 2021 and its annual MD&A for the years ended December 31, 2022 and 2021, all of which are 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.

The residual impacts of COVID-19, and the recent escalation in conflict between Russia and Ukraine, have disrupted supply chains and caused instability in the global economy, which has 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 available for delivery to Converge's customers. In response, during the period 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.

As of March 31, 2023, the Company's product 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 $527 million as compared to approximately $479 million as at December 31, 2022. 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.

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 March 31, 2023.

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 March 31, 2023. There were no significant changes to the Company's internal controls over financial reporting for the period ended March 31, 2023.

Further Information

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