



Converge Technology Solutions Reports Strong Q1 2023 Results and Declares Quarterly Cash Dividend

FOR IMMEDIATE RELEASE

May 9, 2023 – TORONTO, ONTARIO, CANADA and GATINEAU, QUÉBEC, CANADA - Converge Technology Solutions Corp. (“**Converge**” or “the **Company**”) (TSX:CTS) (FSE:0ZB) (OTCQX:CTSDF) is pleased to provide its financial results for the three-month period ended March 31, 2023 (“Q1-23”). All figures are in Canadian dollars unless otherwise stated.

Q1-2023 Financial Highlights:

- Gross sales¹ for Q1-23 of \$965.3 million compared to \$673.9 million in Q1-22; an increase of \$291.4 million or 43%
- Gross Profit of \$171.6 million compared to \$109.0 million in Q1-22; an increase of \$62.6 million or 57%
- Organic gross profit growth¹ increased to 16.5% from 13.9% in Q1-22
- Cash flow from operating activities generated \$28.8 million, compared to cash used in operations of \$30.2 million in Q1-22, increasing by \$59.0 million
- Adjusted EBITDA¹ of \$41.2 million, increasing from \$29.6 million in Q1-22 by 39%
- Net revenue for Q1-23 of \$678.2 million, an increase of 37% over Q1-22
- Product backlog² grew by \$48M from Q4-22 to \$527M at the end Q1-23
- Adjusted EPS¹ of \$0.12 per share for Q1-23, increasing from \$0.10 per share in Q1-22
- Achieved 103 net new logos in Q1-23

“We are successfully executing against our strategy to demonstrate continued expansion in profitability and cash generation, each reaching new highs during Q1 despite current macro-economic conditions,” stated Mr. Shaun Maine, Converge Group CEO. “While the overall market is expected to remain relatively flat in 2023, with particular challenges at the large enterprise customer level, we anticipate that we will gain market share organically, clearly positioning us as the preferred partner among mid-market customers, and that we’ll see further organic gross profit growth throughout the remainder of 2023 and beyond.”

Q1-2023 Business Highlights & Subsequent to Quarter

- Announced the conclusion of the strategic review process and the dissolution of the Special Committee
- The Board has declared a quarterly dividend of \$0.01 per share

¹ This is a Non-IFRS measure (including non-IFRS ratio) and not a recognized, defined or a standardized measure under IFRS. See the Non-IFRS Financial Measures section of this news release for definitions, uses and a reconciliation of historical non-IFRS financial measures to the most directly comparable IFRS financial measures.

² Product backlog is calculated as purchase orders received from customers not yet delivered at the end of the fiscal period.

- Announced the re-commencement of the Company’s normal course issuer bid (“NCIB”)
- Announced the appointment of Avjit Kamboj to Chief Financial Officer, a finance and technology executive with over 16 years of experience in capital and international markets
- Converge subsidiary Stone Group earned Global winner Green World Awards 2023 and Global Silver Winner in Corporate Social responsibility Category; the Company plans on releasing further ESG details at upcoming AGM on June 20, 2023

“With the success of our cross-selling strategy, the Company will be prioritizing organic growth over inorganic growth moving forward,” continued Mr. Maine. “The Company is also pleased to announce the appointment of Mr. Avjit Kamboj today as Chief Financial Officer. After leading finance in the early phase of Converge’s growth, Mr. Kamboj will re-join the executive leadership team of Converge reporting into myself as Group CEO.”

Capital Management Initiatives

In light of the Company’s positive net cash flow and on-going cash generation, the Board of Directors has authorized the initiation of a quarterly dividend. The Board has declared a dividend of \$0.01 per common share of the Company in respect of the first quarter of 2023. The dividend will be paid on or about June 16, 2023 to shareholders of record at the close of business on June 9, 2023. This dividend is designated to be an eligible dividend for purposes of Section 89(1) of the *Income Tax Act* (Canada).

The Company also intends to resume purchases under the NCIB that commenced on August 11, 2022. The NCIB terminates one year after its commencement, or earlier if the maximum number of common shares under the NCIB have been purchased or the NCIB is terminated at the option of the Company. As of the date hereof, 6,464,124 common shares of a maximum of 10,744,818 common shares have been repurchased by the Company under the NCIB.

Conference Call Details:

Date: Wednesday, May 10th, 2023

Time: 8:00 AM Eastern Time

Participant Webcast Link:

Webcast Link – <https://app.webinar.net/Be13rwz0YGB>

Participant Dial-in Details with Operator Assistance:

Confirmation #: 19352249

Toronto: 416-764-8609

North American Toll Free: 888-390-0605

International Toll-Free Numbers:

Germany: 08007240293

Ireland: 1800939111

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You may register and enter your phone number to receive an instant automated call back via <https://emportal.ink/41om1Vv>

Recording Playback:

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Toronto: 416-764-8677

North American Toll Free: 1-888-390-0541

Replay Code: 352249 #

Expiry Date: May 17th, 2023

Please connect at least 15 minutes prior to the conference call to ensure time for any software download that may be required to access the webcast. A live audio webcast accompanied by presentation slides and archive of the conference call and webcast will be available by visiting the Company's website at <https://convergetp.com/investor-relations/>.

About Converge

Converge Technology Solutions Corp. is a services-led, software-enabled, IT & Cloud Solutions provider focused on delivering industry-leading solutions. Converge's global approach delivers advanced analytics, application modernization, cloud platforms, cybersecurity, digital infrastructure, and digital workplace offerings to clients across various industries. The Company supports these solutions with advisory, implementation, and managed services expertise across all major IT vendors in the marketplace. This multi-faceted approach enables Converge to address the unique business and technology requirements for all clients in the public and private sectors. For more information, visit convergetp.com.

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Summary of Consolidated Statements of Financial Position
(expressed in thousands of Canadian dollars)

	March 31, 2023	December 31, 2022
Assets		
Current assets		
Cash	\$ 139,028	\$ 159,890
Restricted cash	5,105	5,230
Trade and other receivables	784,096	781,683
Inventories	157,608	158,430
Prepaid expenses and other assets	25,139	23,046
	1,110,976	1,128,279
Long-term assets		
Property, equipment, and right-of-use assets, net	79,897	88,352
Intangible assets, net	446,961	463,751
Goodwill	566,996	563,848
Other non-current assets	12,061	4,646
	\$ 2,216,891	\$ 2,248,876
Liabilities		
Current liabilities		
Trade and other payables	\$ 828,000	\$ 824,924
Borrowings	460,221	421,728
Other financial liabilities	66,741	123,932
Deferred revenue and other liabilities	60,484	60,210
Income taxes payable	5,402	7,112
	1,420,848	1,437,906
Long-term liabilities		
Other financial liabilities	64,551	77,183
Deferred tax liability	98,513	102,977
	\$ 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)
Total equity attributable to shareholders of Converge	603,483	599,910
Non-controlling interest	29,496	30,900
	632,979	630,810
	2,216,891	\$ 2,248,876

Summary of Consolidated Statements of Loss and Comprehensive Loss
(expressed in thousands of Canadian dollars)

	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 EBITDA³	\$ 41,208	\$ 29,649
Adjusted EBITDA as a % of Gross Profit³	24.0%	27.2%

³ This is a Non-IFRS measure (including non-IFRS ratio) and not a recognized, defined or a standardized measure under IFRS. See the Non-IFRS Financial Measures section of this news release for definitions, uses and a reconciliation of historical non-IFRS financial measures to the most directly comparable IFRS financial measures.

Summary of Consolidated Statements of Cash Flows
(expressed in thousands of Canadian dollars)

	For the three months ended March 31,	
	2023	2022
Cash flows from (used in) operating activities		
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)
Cash from (used in) operating activities	28,763	(30,220)
Cash flows used in investing activities		
Purchase of property and equipment	(5,106)	(11,356)
Proceeds on disposal of property and equipment	68	177
Repayment of contingent consideration	(8,960)	(10,134)
Repayment of deferred consideration	(25,654)	(1,740)
Repayment of NCI liability	(29,994)	-
Business combinations, net of cash acquired	-	(67,926)
Cash used in investing activities	(69,646)	(90,979)
Cash flows from financing activities		
Transfers from (to) restricted cash	216	(63,493)
Interest paid	(7,877)	(956)
Payments of lease liabilities	(5,135)	(2,728)
Repayment of notes payable	(40)	(121)
Net proceeds from borrowings	34,199	162,468
Cash from financing activities	21,363	95,170
Net change in cash during the period	(19,520)	(26,029)
Effect of foreign exchange on cash	(1,342)	(5,500)
Cash, beginning of period	159,890	248,193
Cash, end of period	\$ 139,028	\$ 216,664

Non-IFRS Financial Measures

This release refers to certain performance indicators including Adjusted EBITDA that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management believes that these measures are useful to most shareholders, creditors, and other stakeholders in analyzing the Company's results. These non-IFRS financial measures should not be considered as an alternative to the consolidated income (loss) or any other measure of performance under IFRS.

Adjusted EBITDA

Adjusted EBITDA represents net income or loss 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.

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

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

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

	For the three months ended 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

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.

The Company has provided a reconciliation to the most comparable IFRS financial measure as follows:

	For the three months ended March 31,	
	2023	2022
Net loss	\$ (3,361)	\$ (2,408)
Special charges	4,284	5,722
Amortization of acquired intangible assets	20,208	11,316
Foreign exchange loss	2,463	6,668
Share-based compensation	848	1,212
Adjusted Net Income:	\$ 24,442	\$ 22,510
Basic	0.12	0.10
Diluted	0.12	0.10

Gross sales and gross sales for organic growth

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.

The Company has provided a reconciliation of gross sales to net revenue, which is the most comparable IFRS financial measure, as follows:

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

Organic Growth

The Company measures organic growth 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.

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

The following table calculates gross sales organic growth for Q123:

For the three months ended March 31,	Q1 2023	Q1 2022
Gross sales	\$ 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 gross sales	673,929	408,100
Organic Growth - \$	\$ 45,699	\$ 77,144
Organic Growth - %	6.8%	18.9%

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.

For the three months ended March 31,	Q1 2023	Q1 2022
Gross profit	\$ 171,588	\$ 109,045
Less: gross profit from companies not owned in comparative	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%

Forward-Looking Information

This press release contains certain "forward-looking information" and "forward-looking statements" (collectively, "forward-looking statements") within the meaning of applicable Canadian securities legislation regarding Converge and its business. Any statement that involves discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as "expects", or "does not expect", "is expected" "anticipates" or "does not anticipate", "plans", "budget", "scheduled", "forecasts". "estimates", "believes" or intends" or variations of such words and phrases or stating that certain actions, events or results "may" or "could, "would", "might" or "will" be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Except as required by law, Converge assumes no obligation to update the forward-looking statements of beliefs,

opinions, projections, or other factors, should they change. The reader is cautioned not to place undue reliance on forward-looking statements.

For a detailed description of the risks and uncertainties facing the Company and its business and affairs, readers should refer to the Company's filings statement available on SEDAR under the Company's profile at www.sedar.com including its most recent Annual Information Form, its Management Discussion and Analysis and its Annual and Quarterly Financial Statements.