



# Converge Technology Solutions

## Q1'2023 Earnings Presentation



**Shaun Maine**  
*Group Chief Executive Officer*

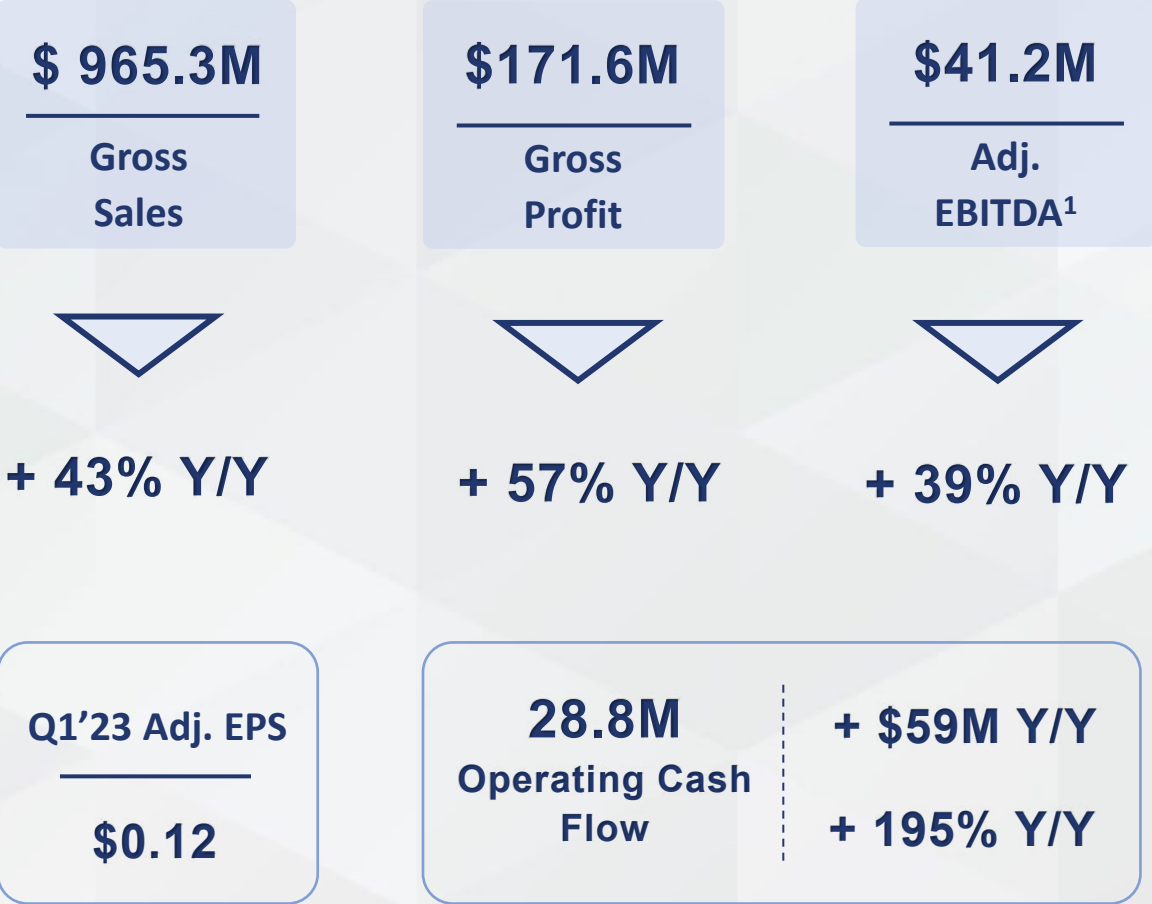


**Matthew Smith**  
*Interim Chief Financial Officer*



**Thomas Volk**  
*Board Chairman*

# Q1'23 Financial Highlights



<sup>1</sup>Non-IFRS measure. Refer to reconciliation to nearest IFRS measure provided in appendix to this presentation.  
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# Special Committee Update

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**Thomas Volk**  
*Board Chairman*

- As recently announced, the Converge Board of Directors has concluded the Company's strategic review process which commenced on November 22, 2022
- The Special Committee of Independent Directors received and thoroughly reviewed a number of proposals for transactions involving the Company during the course of the strategic review process and concluded that none of such proposals would be in the best interests of the Company
- The Special Committee further recommended that the Board endorse the Company's continued execution of its business plans as an independent publicly held company under the leadership of its Chief Executive Officer Shaun Maine. The Special Committee's recommendation has been accepted and endorsed by the Board. Accordingly, the work of the Special Committee has been completed and the Special Committee will be dissolved

# Corporate Objectives Update



**Avjit Kamboj**  
*Chief Financial Officer*

Avjit Kamboj is the Chief Financial Officer of Converge, responsible for all finance functions and investor relations. Avjit has more than 16 years of leadership experience in capital markets, strategic acquisitions, and international markets. Previously, Avjit was Chief Financial Officer of Dye & Durham where he played an important role in helping Dye & Durham prepare and execute its IPO and execute on acquisition growth strategy.

Avjit was also the Managing Director at KAM Consulting Services Inc., a boutique finance advisory firm providing senior finance executive advisory services. Before founding KAM Consulting in 2016, Avjit held a series of progressing management roles at Honeywell Aerospace, Canadian Solar, MDA Corporation and Deloitte. Avjit is a Chartered Professional Accountant (CA), US Certified Public Accountant (Illinois) and holds a Bachelor of Business Administration degree from Wilfrid Laurier University.

## Capital Management Initiatives

- Resumption of NCIB that originally commenced on August 11, 2022; as of the date hereof 6,464,124 common shares of a maximum 10,744,818 common shares have been repurchased by the Company
- BOD authorized initiation of quarterly dividend of \$0.01 per common share of Company in respect of first quarter 2023 ; Dividend will be paid on or about June 16, 2023 to shareholders of record at the close of business June 9, 2023

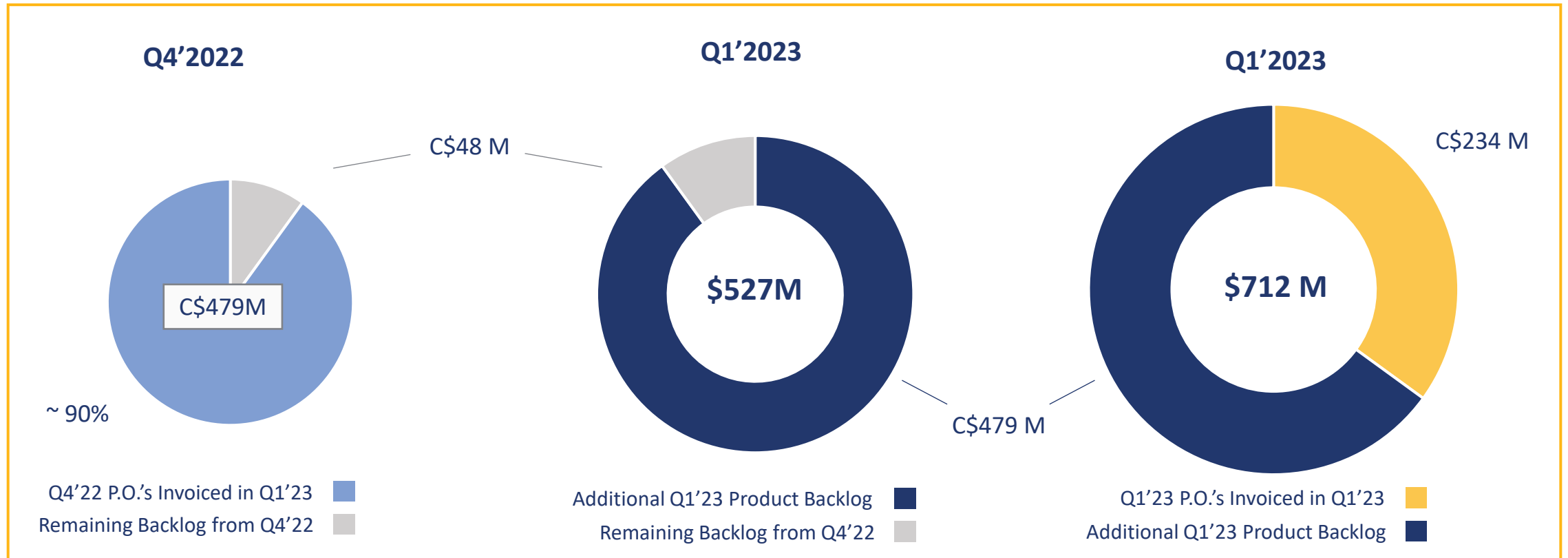
## Annual General Meeting

- Annual General Meeting will occur on June 20, 2023 giving the opportunity for all registered holders and duly appointed proxyholders to actively participate by voting their shares and submitted questions to Management team
- Management team will provide a Corporate Update with highlights that include but are not limited to historical financial results, integration efforts, and ESG Roadmap

# Converge Backlog Management

## CTS Product Backlog

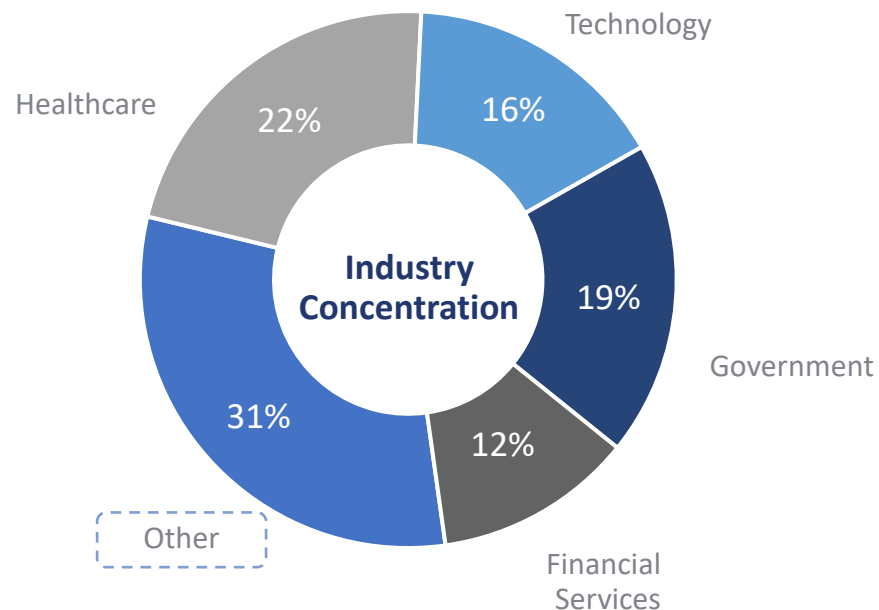
## Demand Generated in Q123



Note: Bookings backlog is calculated as purchase orders received from customers not yet delivered at the end of the fiscal period.

# Diverse & Resilient Converge Customer Base

Q1'23 Customer Concentration



	Q1'23	Q1'22
Healthcare	22%	18%
Government	19%	27%
Financial	12%	12%
Technology	16%	20%
Manufacturing	4%	4%
Retail	4%	1%
Automotive	4%	2%
Other	19%	16%

- Despite year-over-year change in government spending driven by decreased hardware purchase orders gross profit margins were not impacted; activity in other verticals helped off set these trends
- Although other competitors may be witnessing decreases in financial services sectors Converge remains the same year-over-year

# Record Revenue Driven by Advanced Services Offerings

## Q1 Net Revenue Growth

**QTD + 37 %**

**LTM + 51 %**

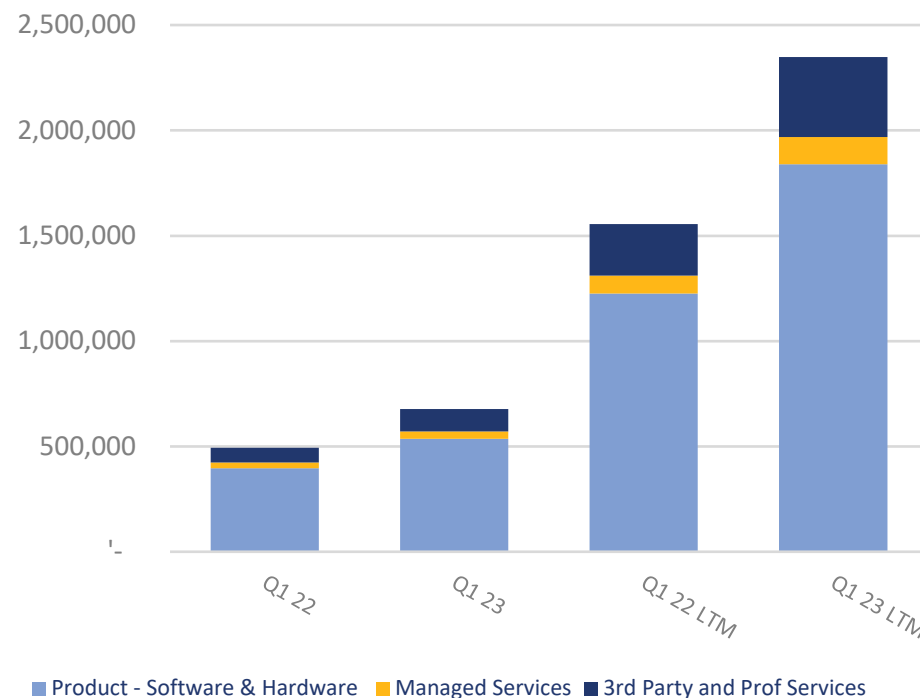
\$000s	Q1'23 QTD	% Chg
Product	\$ 536,689	35%
Managed Services	35,395	34%
Third party and prof services	106,114	51%
<b>Net Revenue</b>	<b>\$ 678,198</b>	<b>37%</b>

\$000s	Q1'23 LTM	% Chg
Product	\$ 1,839,964	50%
Managed Services	128,578	50%
Third party and prof services	380,263	56%
<b>Net Revenue</b>	<b>\$ 2,348,805</b>	<b>51%</b>

## Q1 Gross Sales<sup>1</sup> Growth

**QTD +43%**

**LTM + 51 %**



**+6.8%**  
Gross Sales<sup>1</sup> Organic Growth

**+59%**  
Q1'2023 Professional Services

**+34%**  
Q1'2023 Managed Services Revenue increased to \$35.4M

**\$141.6 M**  
ARR from Managed Services

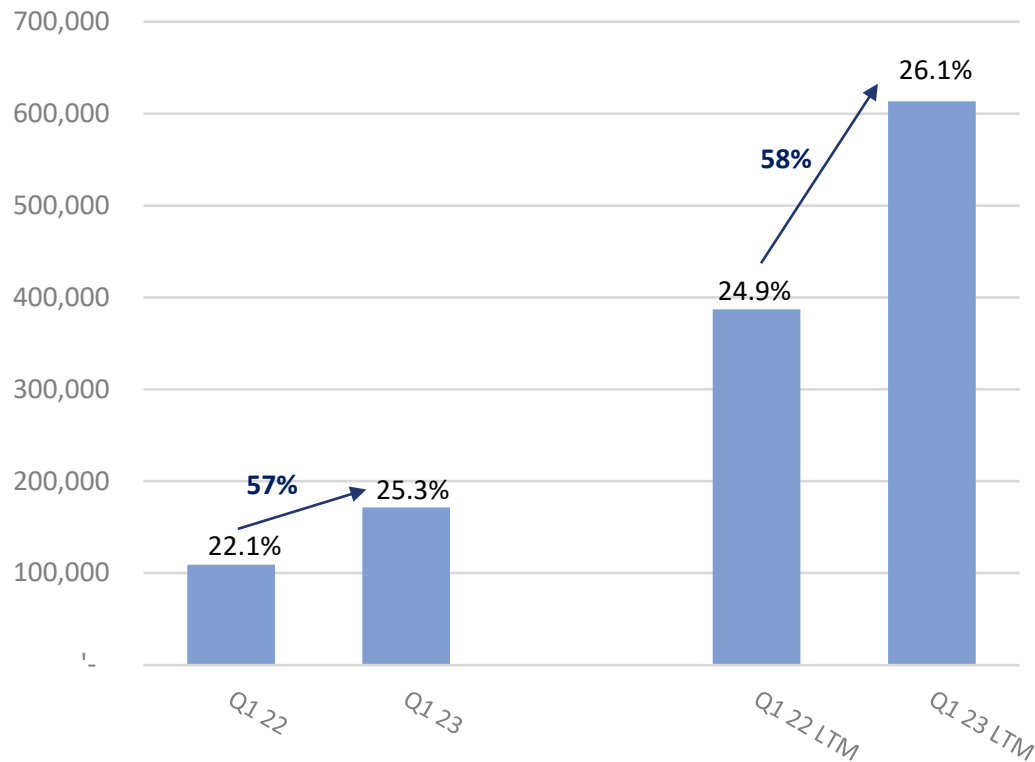
<sup>1</sup>Non-IFRS measure. Refer to reconciliation to nearest IFRS measure provided in appendix to this presentation.

# Strong Gross Profit Growth

## Gross Profit (GP)

Q1'23 QTD +57%

Q1'23 LTM +58%



**\$17.9M**

*Organic GP growth added*

**16.5%**

*Q1 2023 Gross Profit Organic Growth<sup>1</sup>*

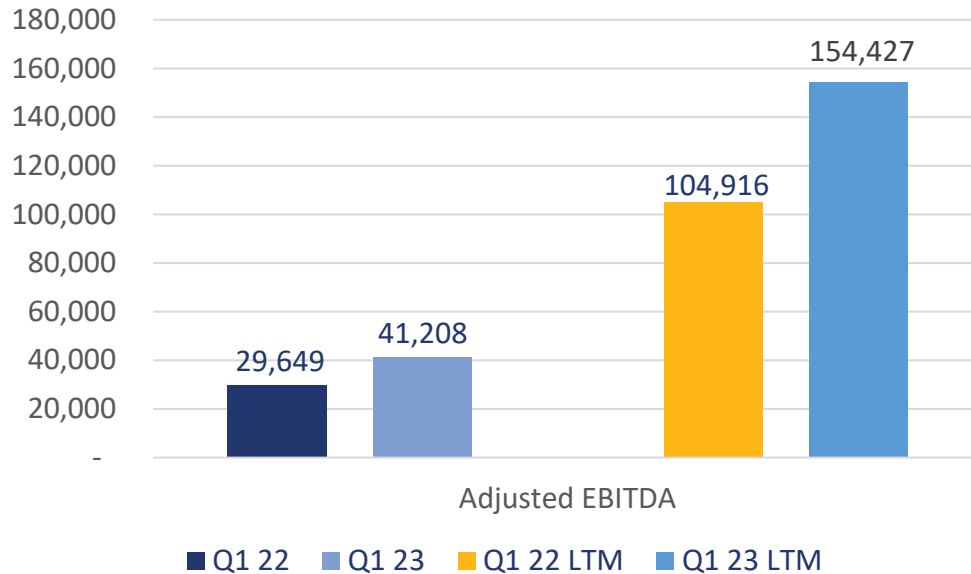
- GP increased by 57% from Q1 2022 despite hardware focused acquisitions occurring in prior fiscal year
- Opportunity for GM accretion with integration related cross-sell and higher margin offerings



# 39% Year over Year Adjusted EBITDA<sup>1</sup> Growth

**Q1'23 QTD +39%**

**Q1'23 LTM +47%**



	Q1'23 QTD	Q1'22 QTD	Q1'23 LTM	Q1'22 LTM
EBITDA % net revenue	6.1%	6.0%	6.6%	6.7%

	Q1'23 QTD	Q1'22 QTD	Q1'23 LTM	Q1'22 LTM
EBITDA % GP	24.0%	27.2%	25.2%	27.1%

- As with GM, opportunity for EBITDA margin accretion with cross-sell of higher margin offerings plus integration related cost optimization

## EBITDA as a % GP

## FY22

**24.0%**   **27.2%**  
Q1-23 QTD   Q1-23 LTM

**27.2%** **29.4%** **22.2%** **25.5%**  
Q1-22   Q2-22   Q3-22   Q4-22

Q1'23 to Q4'22 Cost take out of approximately \$15M in annualized savings to be realized in FY23

<sup>1</sup>Non-IFRS measure. Refer to reconciliation to nearest IFRS measure provided in appendix to this presentation.

# Liquidity & Cash Flow from Operations

- \$139M – cash on-hand at March 31, 2023
- \$141M - excess capacity under revolver

- **\$280M** – total available funds

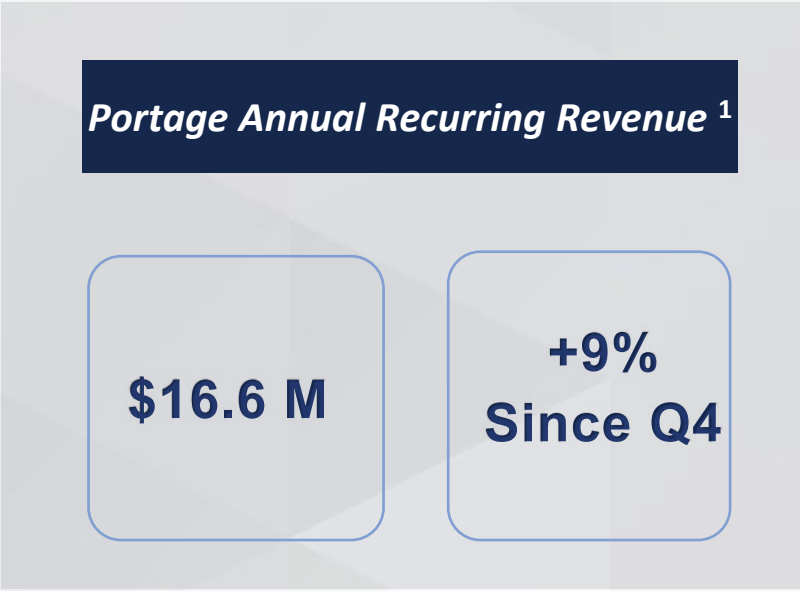
C\$ 000s	Q1 2023	Q1 2022	Variance
<b>Net income (loss)</b>	<b>(3,361)</b>	(2,408)	(953)
Non-cash adjustments before working capital	<b>40,285</b>	26,445	13,840
Adjusted net income (loss)	<b>36,924</b>	24,037	12,887
Changes in non-cash working capital items			
Trade and other receivables	<b>(2,441)</b>	(27,773)	25,332
Inventories	<b>1,328</b>	6,549	(5,221)
Prepaid expenses and other assets	<b>(1,426)</b>	(1,429)	3
Trade and other payables	<b>781</b>	(29,383)	30,164
Income taxes payable	<b>(6,925)</b>	(753)	(6,172)
Other financial liabilities	<b>356</b>	1,917	(1,561)
Deferred revenue and customer deposits	<b>166</b>	(3,385)	3,551
<b>Total changes in cash from working capital</b>	<b>(8,161)</b>	(54,257)	46,096
<b>Cash flow from operating activities</b>	<b>28,763</b>	(30,220)	58,983

- **Q1 2023 Cash Flow from Operations of \$28.8M; +\$59M improvement from Q1 2022**

# Portage Financial Update

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.

As discussed on the Q4-2022 Earnings Call, Converge has begun segmenting the Portage Financials in Q1-2023; see the Q1-2023 Financial Statements and MD&A for further details



<sup>1</sup>Annual Recurring Revenue from SaaS solutions



## Q&A



**Shaun Maine**  
*Group Chief Executive Officer*



**Greg Berard**  
*Global President & Chief Executive Officer*



**Thomas Volk**  
*Board Chairman*



**Matthew Smith**  
*Interim Chief Financial Officer*

# Non-IFRS Measures & Reconciliation



## Adjusted EBITDA

	Q1 2023	Q1 2022	Q1 2023 LTM	Q1 2022 LTM
<b>Net income (loss) before taxes</b>	<b>(3,286)</b>	<b>(1,002)</b>	<b>16,499</b>	<b>17,873</b>
Finance expense	9,350	1,818	27,392	7,198
Share-based compensation expense	848	1,212	5,230	3,537
Depreciation and amortization	25,890	14,480	86,525	44,465
Depreciation included in cost of sales	1,659	751	5,859	3,170
Foreign exchange loss	2,463	6,668	(23,786)	6,300
Special charges	4,284	5,722	36,708	22,373
<b>Adjusted EBITDA</b>	<b>41,208</b>	<b>29,649</b>	<b>154,427</b>	<b>104,916</b>

# Non-IFRS Measures & Reconciliation



## Adjusted Earnings per Share (EPS)

	Q1 2023	Q1 2022	Q1 2023 LTM	Q1 2022 LTM
<b>Net income (loss)</b>	<b>(3,361)</b>	(2,408)	<b>21,889</b>	10,293
Special charges	<b>4,284</b>	5,722	<b>36,708</b>	22,373
Amortization on acquired intangibles	<b>20,208</b>	11,316	<b>68,441</b>	33,467
Foreign exchange (gain) loss	<b>2,463</b>	6,668	<b>(23,786)</b>	6,300
Stock based compensation	<b>848</b>	1,212	<b>5,230</b>	3,537
<b>Adjusted Net Income</b>	<b>24,442</b>	22,510	<b>108,482</b>	75,970
<b>Adjusted Earnings per Share (EPS) - basic</b>	<b>\$ 0.12</b>	\$ 0.10	<b>\$ 0.51</b>	\$ 0.38
<b>Adjusted Earnings per Share (EPS) - diluted</b>	<b>\$ 0.12</b>	\$ 0.10	<b>\$ 0.50</b>	\$ 0.38
<b>Weighted average # of shares - basic</b>	<b>208,971</b>	214,796	<b>211,659</b>	199,471
<b>Weighted average # of shares - diluted</b>	<b>211,369</b>	217,333	<b>215,303</b>	201,532

# Non-IFRS Measures & Reconciliation



## Gross Sales

	Q1 23	Q1 22	Q1 23 LTM	Q1 22 LTM
Product	665,310	453,389	2,269,398	1,437,183
Managed services	40,636	33,983	144,829	102,335
Third party and professional services	259,312	186,557	968,083	701,101
<b>Gross sales</b>	<b>965,258</b>	<b>673,929</b>	<b>3,382,310</b>	<b>2,240,619</b>
Adjustment for sales transacted as agent	287,060	179,889	1,033,505	684,784
<b>Net revenue</b>	<b>678,198</b>	<b>494,040</b>	<b>2,348,805</b>	<b>1,555,835</b>

## Gross Sales Organic Growth

	Q1 2023	Q1 2022
<b>Gross sales</b>	<b>965,258</b>	<b>673,929</b>
Less: gross sales from Companies not owned in comparative period	245,630	188,685
<b>Gross sales of Companies owned in comparative period</b>	<b>719,628</b>	<b>485,244</b>
Prior period gross sales	673,929	408,100
<b>Organic Growth - \$</b>	<b>45,699</b>	<b>77,144</b>
<b>Organic Growth - %</b>	<b>6.8%</b>	<b>18.9%</b>

# Non-IFRS Measures & Reconciliation



## Gross Profit Organic Growth

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



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**All figures in this document are in C\$ unless otherwise stated.**