



Converge Technology Solutions Reports Second Quarter 2023 Financial Results

FOR IMMEDIATE RELEASE

August 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 and six months period ended June 30, 2023 (“Q2-23”). All figures are in Canadian dollars unless otherwise stated.

Financial Summary

| <i>In \$000s except per share amounts</i> | Q2 2023 | Q2 2022 | H1 2023 | H1 2022 |
|--|-----------------|---------|----------------|-----------|
| Gross Sales ¹ | 957,219 | 729,678 | 1,922,477 | 1,403,607 |
| Revenue | 665,813 | 515,196 | 1,344,011 | 1,009,236 |
| Gross profit (GP) | 175,672 | 133,152 | 347,260 | 242,196 |
| Gross profit (GP) % | 26.4% | 25.8% | 25.8% | 24.0% |
| Adjusted EBITDA ¹ | 41,527 | 39,187 | 82,735 | 68,836 |
| Adjusted EBITDA ¹ as a % of GP | 23.6% | 29.4% | 23.8% | 28.4% |
| Adjusted EBITDA ¹ as a % of Revenue | 6.2% | 7.6% | 6.2% | 6.8% |
| Net (loss) income | (4,495) | 11,678 | (7,856) | 9,270 |
| Adjusted net income ¹ | \$25,124 | 29,900 | \$49,565 | 52,410 |
| Adjusted EPS ¹ | \$0.12 | \$0.14 | \$0.24 | \$0.24 |

Q2-23 Financial Highlights:

- Gross sales¹ of \$957.2 million compared to \$729.7 million in Q2-22; an increase of \$227.5 million or 31%
- Gross services sales¹ of \$317.2 million increased by 33% year-over-year
- Gross Profit of \$175.7 million compared to \$133.1 million in Q2-22; an increase of \$42.5 million or 32%
- Organic gross profit growth for Q2-23 was 2.5% driven by 14.4% increase in services organic gross profit
- Adjusted EBITDA¹ of \$41.5 million, increasing from \$39.2 million in Q2-22 by 6%
- Revenue for Q2-23 of \$665.8 million, an increase of 29% over Q2-22
- Product Bookings backlog² at the end of Q2-23 was \$447.6 million
- Achieved 112 net new logos³ in Q2-23, securing 215 net new logos in H1-23

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 Bookings backlog is calculated as purchase orders received from customers not yet delivered at the end of the fiscal period for North America Region.

³ Statistic based on North American Region.

Q2-23 Business Highlights & Subsequent to Quarter

- Board of Directors authorize second quarter dividend of \$0.01 per common share to be paid on September 22nd, 2023 to shareholders of record at the close of business on September 8th, 2023
- Converge concluded its previously announced NCIB program after purchasing 4.28 million shares throughout Q2-23
- The Company announced that the Toronto Stock Exchange approved the Company's Notice of Intention to make a Normal Course Issuer Bid. Pursuant to the NCIB, the Company may purchase for cancellation up to an aggregate of 19,427,276 common shares. All common shares acquired by the Company under the NCIB will be cancelled

"Converge continued to execute on its cross-sell strategy throughout the second quarter and drove high value solutions with clients by leveraging our advisory, implementation, and managed services across all practice areas. Today 60% of Converge sales representatives in North America are now driving more than 4 solution areas with their clients," said Greg Berard, Converge Global CEO. "In today's IT environment, Converge continues to shape and transform innovation, revolutionizing client-technology interactions. A distinguishing reason clients continue to partner with Converge is our ability to provide end-to-end solutions for cloud, hardware, and software, all while leveraging the technical expertise required for effective professional and managed services. Converge has built a unique set of skills supported by foundational partnerships across Analytics, AI, Cloud, and Cybersecurity and will continue to develop leading solutions to adapt with our clients' growing needs. I am extremely proud of our team's performance which has resulted in record gross profit in Q2-23."

Conference Call Details:

Date: Wednesday, Aug 9th, 2023

Time: 8:00 AM Eastern Time

Participant Webcast Link:

Webcast Link – <https://app.webinar.net/gkXqYQ1YE8v>

Participant Dial-in Details with Operator Assistance:

Conference ID: 70789128

Toronto: 416-764-8609

North American Toll Free: 888-390-0605

International Toll-Free Numbers:

Germany: 08007240293

Ireland: 1800939111

Spain: 900834776

Switzerland: 0800312635

United Kingdom: 08006522435

You may register and enter your phone number to receive an instant automated call back via <https://emportal.ink/3OgdiAZ>

Recording Playback:

Webcast Link - <https://app.webinar.net/gkXqYQ1YE8v>

Toronto: 416-764-8677

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

Replay Code: 789128 #

Expiry Date: August 16th, 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)

| | June 30, 2023 | December 31, 2022 |
|--|---------------------|----------------------|
| Assets | | |
| Current | | |
| Cash | \$ 78,443 | \$ 159,890 |
| Restricted cash | 2,611 | 5,230 |
| Trade and other receivables | 781,330 | 781,683 |
| Inventories | 160,411 | 158,430 |
| Prepaid expenses and other assets | 23,337 | 23,046 |
| | 1,046,132 | 1,128,279 |
| Non-current | | |
| Other assets | 17,943 | 4,646 |
| Property, equipment, and right-of-use assets, net | 73,659 | 88,352 |
| Intangible assets, net | 419,403 | 463,751 |
| Goodwill | 561,283 | 563,848 |
| Total assets | \$ 2,118,420 | \$ 2,248,876 |
| Liabilities | | |
| Current | | |
| Trade and other payables | \$ 814,855 | \$ 824,924 |
| Other financial liabilities | 63,082 | 123,932 |
| Deferred revenue | 47,475 | 60,210 |

| | | |
|---|----------------|--------------|
| Borrowings | 398 | 421,728 |
| Income taxes payable | 7,816 | 7,112 |
| | 933,626 | 1,437,906 |
| Non-current | | |
| Other financial liabilities | 51,701 | 77,183 |
| Borrowings | 429,909 | - |
| Deferred tax liabilities | 88,278 | 102,977 |
| Total liabilities | \$ 1,503,514 | \$ 1,618,066 |
| Shareholders' equity | | |
| Common shares | 604,144 | 595,019 |
| Contributed surplus | 9,243 | 7,919 |
| Exchange rights | - | 1,705 |
| Accumulated other comprehensive income | 156 | 13,708 |
| Deficit | (27,186) | (18,441) |
| Total equity attributable to shareholders of Converge | 586,357 | 599,910 |
| Non-controlling interest | 28,549 | 30,900 |
| | 614,906 | 630,810 |
| Total liabilities and shareholders' equity | \$ 2,118,420 | \$ 2,248,876 |

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

| | Three months ended | | Six months ended | |
|--|--------------------|------------|-------------------|------------|
| | June 30, | | June 30, | |
| | 2023 | 2022 | 2023 | 2022 |
| Revenues | | | | |
| Product | \$ 511,597 | \$ 410,361 | \$ 1,048,286 | \$ 807,753 |
| Service | 154,216 | 104,835 | 295,725 | 201,483 |
| Total revenue | 665,813 | 515,196 | 1,344,011 | 1,009,236 |
| Cost of sales | 490,141 | 382,044 | 996,751 | 767,040 |
| Gross profit | 175,672 | 133,152 | 347,260 | 242,196 |
| Selling, general and administrative expenses | 136,699 | 95,823 | 268,732 | 176,235 |
| Income before the following | 38,973 | 37,329 | 78,528 | 65,961 |
| Depreciation and amortization | 26,893 | 17,178 | 52,783 | 31,657 |
| Finance expense, net | 10,652 | 3,094 | 20,002 | 4,912 |
| Special charges | 13,292 | 5,559 | 17,576 | 11,280 |
| Share-based compensation | 1,117 | 1,68 | 1,965 | 2,897 |
| Other (income) expenses | (6,529) | (3,265) | (4,060) | 3,138 |
| Income before income taxes | (6,452) | 13,078 | (9,738) | 12,077 |
| Income tax (recovery) expense | (1,957) | 1,400 | (1,882) | 2,807 |
| Net (loss) income | \$ (4,495) | \$ 11,678 | \$ (7,856) | \$ 9,270 |

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Net (loss) income attributable to: | | | | |
| Shareholders of Converge | (3,548) | 12,017 | (5,505) | 10,223 |
| Non-controlling interest | (947) | (339) | (2,351) | (953) |
| | \$ (4,495) | \$ 11,678 | \$ (7,856) | \$ 9,270 |
| Other comprehensive (loss) income | | | | |
| Item that may be reclassified subsequently to income: | | | | |
| Exchange differences on translation of foreign | (15,725) | 5,554 | (13,552) | (1,034) |
| | (15,725) | 5,554 | (13,552) | (1,034) |
| Comprehensive (loss) income | \$ (20,220) | \$ 17,232 | \$ (21,408) | \$ 8,236 |
| Comprehensive (loss) income attributable to: | | | | |
| Shareholders of Converge | (19,273) | 17,571 | (19,057) | 9,189 |
| Non-controlling interest | (947) | (339) | (2,351) | (953) |
| | (20,220) | 17,232 | (21,408) | 8,236 |
| Adjusted EBITDA | 41,527 | 39,187 | 82,735 | 68,836 |
| Adjusted EBITDA as a % of Gross Profit | 23.6% | 29.4% | 23.8% | 28.4% |
| Adjusted EBITDA as a % of Revenue | 6.2% | 7.6% | 6.2% | 6.8% |

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|--|--|------------------|--------------------------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Cash flows (used in) from operating activities | | | | |
| Net (loss) income | \$ (4,495) | \$ 11,678 | \$ (7,856) | \$ 9,270 |
| Adjustments to reconcile net (loss) income to net cash from operating activities | | | | |
| Depreciation and amortization | 29,235 | 18,739 | 56,785 | 33,969 |
| Unrealized foreign exchange (gains) losses | (5,281) | (2,968) | (2,818) | 3,701 |
| Share-based compensation expense | 1,117 | 1,685 | 1,965 | 2,897 |
| Finance expense, net | 10,652 | 3,094 | 20,002 | 4,912 |
| Gain on sale of property and equipment | (598) | - | (598) | - |
| Change in fair value of contingent | 6,551 | - | 6,551 | - |
| Income tax (recovery) expense | (1,957) | 1,400 | (1,882) | 2,807 |
| | 35,224 | 33,628 | 72,149 | 57,556 |
| Changes in non-cash working capital items | (40,349) | 9,214 | (41,585) | (44,290) |
| | (5,125) | 42,842 | 30,564 | 13,266 |
| Income taxes paid | (4,520) | (16,272) | (11,446) | (17,025) |
| Cash (used in) from operating activities | (9,645) | 26,570 | 19,118 | (3,759) |
| Cash flows used in investing activities | | | | |
| Purchase of property and equipment | (2,091) | (3,123) | (7,197) | (14,479) |
| Proceeds on disposal of property and | 3,681 | - | 3,749 | 178 |
| Payment of contingent consideration | (975) | - | (9,935) | (10,168) |
| Payment of deferred consideration | (4,066) | (5,208) | (29,720) | (6,948) |
| Payment of NCI liability | - | - | (29,994) | - |
| Business combinations, net of cash acquired | - | (131,545) | - | (199,471) |
| Cash used in investing activities | (3,451) | (139,876) | (73,097) | (230,888) |

| | | | | |
|---|------------------|-------------------|------------------|-------------------|
| Cash flows (used in) from financing activities | | | | |
| Transfers from (to) restricted cash | 2,371 | 58,980 | 2,587 | (4,513) |
| Interest paid | (7,365) | (2,102) | (15,242) | (3,058) |
| Dividend paid | (2,067) | (1,100) | (2,067) | (1,100) |
| Payments of lease liabilities | (5,089) | (2,304) | (10,224) | (5,032) |
| Repurchase of common shares | (14,230) | - | (14,230) | - |
| Repayment of notes payable | (40) | (38) | (80) | (159) |
| Net (repayment) proceeds from borrowings | (22,815) | 22,351 | 11,384 | 184,819 |
| Cash (used in) from financing activities | (49,235) | 75,787 | (27,872) | 170,957 |
| Net change in cash during the period | (62,331) | (37,519) | (81,851) | (63,690) |
| Effect of foreign exchange on cash | 1,746 | 4,526 | 404 | (328) |
| Cash, beginning of period | 139,028 | 217,168 | 159,890 | 248,193 |
| Cash, end of period | \$ 78,443 | \$ 184,175 | \$ 78,443 | \$ 184,175 |

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 June 30, | | For the six months ended June 30, | |
|--|--|------------------|--------------------------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Net income (loss) before taxes | \$ (6,452) | \$ 13,078 | \$ (9,738) | \$ 12,077 |
| Finance expense | 10,652 | 3,094 | 20,002 | 4,912 |
| Share-based compensation expense | 1,117 | 1,685 | 1,965 | 2,897 |
| Depreciation and amortization | 26,893 | 17,178 | 52,783 | 31,657 |
| Depreciation included in cost of sales | 2,342 | 1,561 | 4,002 | 2,312 |
| Foreign exchange loss (gain) | (6,317) | (2,968) | (3,855) | 3,701 |
| Special charges | 13,292 | 5,559 | 17,576 | 11,280 |
| Adjusted EBITDA | \$ 41,527 | \$ 39,187 | \$ 82,735 | \$ 68,836 |

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 June 30, | | For the six months ended June 30, | |
|--|--|------------------|--------------------------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Net (loss) income | \$ (4,495) | \$ 11,678 | \$ (7,856) | \$ 9,270 |
| Special charges | 13,292 | 5,559 | 17,576 | 11,280 |
| Amortization of acquired intangible assets | 21,527 | 13,946 | 41,735 | 25,262 |
| Foreign exchange loss | (6,317) | (2,968) | (3,855) | 3,701 |
| Share-based compensation | 1,117 | 1,685 | 1,965 | 2,897 |
| Adjusted Net Income: | \$ 25,124 | \$ 29,900 | \$ 49,565 | \$ 52,410 |
| Basic | 0.12 | 0.14 | 0.24 | 0.24 |

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 June 30, | | For the six months ended June 30, | |
|--|--|------------|--------------------------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| Product | \$ 639,996 | \$ 491,821 | \$ | \$ 945,210 |
| Managed services | 45,182 | 32,268 | 85,818 | 66,251 |
| Third party and professional services | 272,041 | 205,589 | 531,353 | 392,146 |
| Gross sales | \$ 957,219 | \$ 729,678 | \$ | \$ 1,403,607 |
| Adjustment for sales transacted as agent | (291,406) | (214,482) | (578,466) | (394,371) |
| Net Revenue | \$ 665,813 | \$ 515,196 | \$ | \$ 1,009,236 |

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 three and six months ended June 30, 2023:

| | For the three months ended June 30, | | For the six months ended June 30, | |
|--|--|------------|--------------------------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| Gross sales | \$ 957,219 | \$ 729,678 | \$ 1,922,477 | \$ 1,403,607 |
| Less: gross sales from companies not owned in comparative period | 214,227 | 215,748 | 459,857 | 404,433 |
| Gross sales of companies owned in comparative period | \$ 742,992 | \$ 513,930 | \$ 1,462,620 | \$ 999,174 |
| Prior period gross sales | 729,678 | 452,120 | 1,403,607 | 860,220 |
| Organic Growth - \$ | \$ 13,314 | \$ 61,810 | \$ 59,013 | \$ 138,954 |
| Organic Growth - % | 1.8% | 13.7% | 4.2% | 16.2% |

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 June 30, | | For the six months ended June 30, | |
|---|--|------------|--------------------------------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| Gross profit | \$ 175,672 | \$ 133,152 | \$ 347,260 | \$ 242,196 |
| Less: gross profit from companies not owned in comparative period | 39,239 | 40,737 | 83,836 | 72,545 |

| | | | | |
|---|------------|-----------|------------|------------|
| Gross profit of companies owned in comparative period | \$ 136,433 | \$ 92,415 | \$ 263,424 | \$ 169,651 |
| Prior period gross profit | 133,152 | 78,244 | 242,197 | 146,041 |
| Organic Growth - \$ | \$ 3,281 | \$ 14,171 | \$ 21,227 | \$ 23,610 |
| Organic Growth - % | 2.5% | 18.1% | 8.8% | 16.2% |

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.