



Converge Reports Third Quarter 2023 Results

First Billion-Dollar Gross Sales Quarter Driven by Strong Demand

FOR IMMEDIATE RELEASE

November 14, 2023 – TORONTO, ONTARIO, CANADA and GATINEAU, QUÉBEC, CANADA - Converge Technology Solutions Corp. (“**Converge**” or “the **Company**”) (TSX:CTS) (FSE:OZB) (OTCQX:CTSDF) is pleased to provide its financial results for the three and nine months period ended September 30, 2023. All figures are in Canadian dollars unless otherwise stated.

Third Quarter 2023 Financial Highlights:

- Gross sales¹ of \$1.037 billion, an increase of 42% from the comparative period in the prior year;
- For the first nine months of 2023, achieved gross sales organic growth of 10.8%;
- Revenue of \$710.1 million, an increase of 38% from the comparative period in the prior year;
- Gross profit increased 25% to \$174.1 million from \$139.7 million in Q3 2022;
- Adjusted EBITDA¹ increased 33% to \$41.3 million from \$31.0 million in Q3 2022;
- Net income of (\$3.3) million compared to \$18.2 million in Q3 2022
- Cash flows from operating activities were \$95.9 million, an increase of \$80.9 million, compared to \$15.0 million in Q3 2022;
- Decreased net leverage to 1.8x compared to 2.24x in Q2 2023;
- Reduced net debt (cash less borrowings) by \$44.3 million to \$307.5 million, compared to \$351.9 million in Q2 2023; and
- Product bookings backlog² at the end of Q3 2023 was \$479 million, an increase of \$32 million from Q2 2023.

“The structural demand tailwinds of planning, implementing and monitoring complex technology projects whether AI, cloud or cyber related are driving a higher quality revenue mix,” said Shaun Maine, Group CEO. “Converge continues to witness significant demand for higher end products, services and solutions which is crucial to positioning the Company as a trusted advisor to our clients.”

Financial Summary

<i>In \$000s except per share amounts</i>	3-month	3-month	9-month	9-month
	Q3 2023	Q3 2022	Q3 2023	Q3 2022
Gross Sales	1,036,760	730,571	2,959,237	2,134,178
Revenue	710,106	514,485	2,054,117	1,523,721
Gross profit (GP)	174,090	139,654	521,351	381,851
Gross profit (GP) %	24.5%	27.1%	25.4%	25.1%
Adjusted EBITDA	41,258	30,967	123,789	99,804

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 press 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 Canada and United States.

Adjusted EBITDA as a % of GP ¹	23.7%	22.2%	23.7%	26.1%
Net (loss) income	(3,316)	18,228	(11,174)	27,449
Adjusted net income ¹	20,622	21,266	70,187	73,676
Adjusted EPS ¹	0.10	0.10	0.34	0.34

Subsequent to Quarter-End

- Board of Directors authorized a third quarter dividend of \$0.01 per common share to be paid on December 28, 2023 to shareholders of record at the close of business on December 13, 2023

Financial Outlook

Converge is providing financial guidance for the three months ended December 31, 2023 as follows:

- Gross Profit between \$177 million and \$184 million
- Adjusted EBITDA between \$45 million and \$47 million

Conference Call Details:

Date: Tuesday, November 14th, 2023

Time: 8:00 AM Eastern Standard Time

Participant Webcast Link:

Webcast Link – <https://app.webinar.net/QdG07XJ8abr>

Participant Dial-in Details with Operator Assistance:

Conference ID: 64850592

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/46xbq12>

Recording Playback:

Webcast Link - <https://app.webinar.net/QdG07XJ8abr>

Toronto: 416-764-8677

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

Replay Code: 850592 #

Expiry Date: November 21st, 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.

For further information contact:

Converge Technology Solutions Corp.

Email: investors@convergetp.com

Phone: 416-360-1495

Summary of Consolidated Statements of Financial Position

(expressed in thousands of Canadian dollars)

	September 30, 2023	December 31, 2022
Assets		
Current		
Cash	\$ 105,221	\$ 159,890
Restricted cash	3,103	5,230
Trade and other receivables	803,673	781,683
Inventories	165,788	158,430
Prepaid expenses and other assets	22,224	23,046
	1,100,009	1,128,279
Non-current		
Other assets	17,460	4,646
Property, equipment, and right-of-use assets, net	73,592	88,352
Intangible assets, net	400,536	463,751
Goodwill	568,188	563,848
Total assets	\$ 2,159,785	\$ 2,248,876
Liabilities		
Current		
Trade and other payables	\$ 898,423	\$ 824,924
Other financial liabilities	52,625	123,932
Deferred revenue	48,633	60,210
Borrowings	109	421,728
Income taxes payable	10,971	7,112
	1,010,761	1,437,906
Non-current		
Other financial liabilities	47,206	77,183
Borrowings	412,644	-
Deferred tax liabilities	77,034	102,977
Total liabilities	\$ 1,547,645	\$ 1,618,066

Shareholders' equity			
Common shares		603,716	595,019
Contributed surplus		10,016	7,919
Exchange rights		-	1,705
Accumulated other comprehensive income		3,047	13,708
Deficit		(31,674)	(18,441)
<hr/>			
Total equity attributable to shareholders of			
Converge		585,105	599,910
Non-controlling interest		27,035	30,900
		612,140	630,810
<hr/>			
Total liabilities and shareholders' equity	\$	2,159,785	\$ 2,248,876

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Revenue				
Product	\$ 559,646	\$ 385,285	\$ 1,607,932	\$ 1,193,038
Service	150,460	129,200	446,185	330,683
Total revenue	710,106	514,485	2,054,117	1,523,721
Cost of sales	536,016	374,831	1,532,766	1,141,870
Gross profit	174,090	139,654	521,351	381,851
Selling, general and administrative expenses	134,935	111,032	403,667	287,267
Income before the following	39,155	28,622	117,684	94,584
Depreciation and amortization	29,456	23,094	82,239	54,751
Finance expense, net	10,867	5,886	30,870	10,798
Acquisition, integration, restructuring and other	2,601	8,211	10,969	19,492
Change in fair value of contingent consideration	-	-	9,209	-
Share-based compensation	774	1,275	2,738	4,172
Other (income) expenses	(170)	(25,570)	(4,230)	(22,432)
(Loss) income before income taxes	(4,373)	15,726	(14,111)	27,803
Income tax (recovery) expense	(1,057)	(2,502)	(2,937)	304
Net (loss) income	\$ (3,316)	\$ 18,228	\$ (11,174)	\$ 27,499
Net (loss) income attributable to:				
Shareholders of Converge	(1,802)	20,595	(7,309)	30,819
Non-controlling interest	(1,514)	(2,367)	(3,865)	(3,320)
	\$ (3,316)	\$ 18,228	\$ (11,174)	\$ 27,499

Other comprehensive (loss) income

Item that may be reclassified subsequently to (loss)

Exchange differences on translation of foreign	(2,891)	5,352	(10,661)	(859)
	(2,891)	5,352	(10,661)	(859)
Comprehensive (loss) income	\$ (425)	\$ 23,580	\$ (21,835)	\$ 26,640
Comprehensive (loss) income attributable to:				
Shareholders of Converge	1,089	25,947	(17,970)	29,960
Non-controlling interest	(1,514)	(2,367)	(3,865)	(3,320)
	(425)	23,580	(21,835)	26,640
Adjusted EBITDA	\$ 41,258	\$ 30,967	\$ 123,789	\$ 99,804
Adjusted EBITDA as a % of Gross Profit	23.7%	22.2%	23.7%	26.1%
Adjusted EBITDA as a % of Revenue¹	5.8%	6.0%	6.0%	6.6%

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Cash flows (used in) from operating				
Net (loss) income	\$ (3,316)	\$ 18,228	\$ (11,174)	\$ 27,499
Adjustments to reconcile net (loss) income to net cash from operating activities				
Depreciation and amortization	31,559	24,101	88,344	58,071
Unrealized foreign exchange gains	-	(24,233)	(2,818)	(20,532)
Share-based compensation expense	774	1,275	2,738	4,172
Finance expense, net	10,867	5,886	30,870	10,798
Gain on sale of property and equipment	-	-	(598)	-
Change in fair value of contingent	-	-	9,209	-
Income tax (recovery) expense	(1,057)	(2,502)	(2,937)	304
	38,827	22,755	113,634	80,312
Changes in non-cash working capital items	63,102	(5,904)	18,858	(50,195)
	101,929	16,851	132,492	30,117
Income taxes paid	(5,987)	(1,901)	(17,433)	(18,926)
Cash from operating activities	95,942	14,950	115,059	11,191
Cash flows (used in) from investing				
Purchase of property and equipment	(1,593)	(4,332)	(8,790)	(18,812)
Proceeds on disposal of property and	-	-	3,749	(6)
Payment of contingent consideration	(10,899)	-	(20,834)	(10,135)
Payment of deferred consideration	(14,095)	(121)	(43,815)	(7,069)
Payment of NCI liability	(973)	-	(30,967)	-
Business combinations, net of cash acquired	-	(154,212)	-	(353,683)
Cash used in investing activities	(27,560)	(158,665)	(100,657)	(389,705)
Cash flows (used in) from financing				
Transfers (to) from restricted cash	(519)	141	2,068	(4,372)
Interest paid	(10,544)	(1,229)	(25,786)	(4,287)
Dividends paid	(2,047)	-	(4,114)	(1,080)
Payments of lease liabilities	(4,975)	(3,462)	(15,199)	(8,494)
Repurchase of common shares	(1,064)	(30,539)	(15,294)	(30,539)

Repayment of notes payable	(39)	(37)	(119)	(196)
Net (repayment to) proceeds from	(21,977)	173,084	(10,593)	357,901
Cash (used in) from financing activities	(41,165)	137,958	(69,037)	308,933
Net change in cash during the period	27,217	(5,757)	(54,635)	(69,581)
Effect of foreign exchange on cash	(439)	(6,189)	(34)	(6,383)
Cash, beginning of period	78,443	184,175	159,890	248,193
Cash, end of period	\$ 105,221	\$ 172,229	\$ 105,221	\$ 172,229

Non-IFRS Financial Measures

This press release refers to certain performance indicators including Adjusted EBITDA, Gross Profit, Adjusted Net Income and Adjusted EPS that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management believes that these measures are useful to most shareholders, creditors, and other stakeholders in analyzing the Company's operating results and can highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers.

Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess the ability to meet capital expenditure and working capital requirements. These non-IFRS financial measures should not be considered as an alternative to the consolidated income (loss) or any other measure of performance under IFRS. Investors are encouraged to review the Company's financial statements and disclosures in their entirety, 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 or loss adjusted to exclude amortization, depreciation, interest expense and net finance expense, foreign exchange gains and losses, other expenses and income, share-based compensation expense, income tax expense, change in fair value of contingent consideration, and acquisition, integration, restructuring and other expenses. Acquisition and transaction related costs primarily consists of acquisition-related compensation tied to continued employment of pre-existing shareholders of the acquiree not included in the total purchase consideration and professional fees. Integration costs primarily consist of professional fees incurred related to integration of acquisitions completed. Restructuring costs mainly represent employee exit costs as a result of synergies created from acquisitions and organizational changes. The IFRS measure most directly comparable to Adjusted EBITDA presented in the Company's financial statements is net (loss) income before taxes.

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.

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Net (loss) income before income taxes	\$ (4,373)	\$ 15,726	\$ (14,111)	\$ 27,803
Finance expense, net	10,867	5,886	30,870	10,798
Share-based compensation expense	774	1,275	2,738	4,172
Depreciation and amortization	29,456	23,094	82,239	54,751
Depreciation included in cost of sales	2,103	1,008	6,105	3,320
Other (income) expense	(170)	(24,233)	(4,230)	(20,532)
Change in fair value of contingent consideration	-	-	9,209	-
Acquisition, integration, restructuring and other	2,601	8,211	10,969	19,492
Adjusted EBITDA	\$ 41,258	\$ 30,967	\$ 123,789	\$ 99,804

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 Revenue

The Company believes that Adjusted EBITDA as a % of Revenue is a useful measure of the Company's operating efficiency and profitability. This is calculated by dividing Adjusted EBITDA by revenue.²

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

Adjusted Net Income represents net income adjusted to exclude acquisition, integration, restructuring and other expenses, change in fair value of contingent consideration, 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. The IFRS measure most directly comparable to Adjusted Net Income presented in the Company's financial statements is net (loss) income and net (loss) income per share.

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Net (loss) income	\$ (3,316)	\$ 18,228	\$ (11,174)	\$ 27,499
Acquisition, integration, restructuring and Change in fair value of contingent consideration	2,601	8,211	10,969	19,492
Amortization on intangibles	-	-	9,209	-
Foreign exchange gain	21,056	17,785	62,793	43,045
	(493)	(24,233)	(4,348)	(20,532)

Share-based compensation	774	1,275	2,738	4,172
Adjusted Net Income:	\$ 20,622	\$ 21,266	\$ 70,187	\$ 73,676
Adjusted EPS -Basic	0.10	0.10	0.34	0.34

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 September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Product	\$ 721,871	\$ 474,006	\$ 2,027,384	\$ 1,419,216
Managed services	38,728	35,681	124,546	101,932
Third party and professional services	276,161	220,884	807,307	613,030
Gross sales	\$ 1,036,760	\$ 730,571	\$ 2,959,237	\$ 2,134,178
Adjustment for sales transacted as agent	(326,654)	(216,086)	(905,120)	(610,457)
Revenue	\$ 710,106	\$ 514,485	\$ 2,054,117	\$ 1,523,721

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 nine months ended September 30, 2023:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Gross sales	1,036,760	730,571	2,959,237	2,134,178
Less: gross sales from companies not owned in comparative period	133,891	230,348	593,758	634,781
Gross sales of companies owned in comparative period	902,869	500,223	2,365,479	1,499,397

Prior period gross sales	730,571	472,419	2,134,178	1,332,639
Organic Growth - \$	172,298	27,804	231,301	166,758
Organic Growth - %	23.6%	5.9%	10.8%	12.5%

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 September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Gross profit	174,090	139,654	521,351	381,851
Less: gross profit from companies not owned in comparative period	20,375	44,994	104,212	117,539
Gross profit of companies owned in comparative period	153,715	94,660	417,139	264,312
Prior period gross profit	139,654	83,771	381,851	229,811
Organic Growth - \$	14,061	10,889	35,288	34,501
Organic Growth - %	10.1%	13.0%	9.2%	15.0%

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.

Specifically, statements regarding Converge's forecast on Gross Profit and Adjusted EBITDA, expectations of future results, performance, prospects, the markets in which it operates, or about any future intention with regard to its business and acquisition strategies are considered forward-looking information. The foregoing demonstrates Converge's objectives, which are not forecasts or estimates of its financial position, but are based on the implementation of its strategic goals, growth prospects, and growth initiatives. The forward-looking information, including management's assessments of, and outlook for, Gross Profit and Adjusted EBITDA, are based on management's opinions, estimates and assumptions, including, but not limited to: (i) Converge's results of operations will continue as expected, (ii) the Company will continue to effectively execute against its key strategic growth priorities, (iii) the Company will continue to retain and grow its existing customer base and market share, (iv) the Company will be able to take advantage of future prospects and opportunities, and realize on synergies, including with respect of acquisitions, (v) there will be no changes in legislative or regulatory matters that negatively impact the Company's business, (vi) current tax laws will remain in effect and will not be materially changed, (vii) economic conditions will remain relatively stable throughout the period, (viii) the industries Converge operates in will continue to grow consistent with past experience, and (ix) those assumptions described under the heading “About Forward-Looking Information” in the Company's Management's Discussion and Analysis for the three and nine-months ended September 30, 2023. While these opinions, estimates and assumptions are considered by the Company to be appropriate and reasonable in the circumstances as of the date of this press release, they are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, levels of activity,

performance, or achievements to be materially different from those expressed or implied by such forward-looking information.

The forward looking information, including the achievement of target Gross Profit and Adjusted EBITDA set out above, are subject to significant risks including, without limitation: that the Company will be unable to effectively execute against its key strategic growth priorities, including in respect of acquisitions; the Company will be unable to continue to retain and grow its existing customer base and market share; risks related to the Company's business and financial position; that the Company may not be able to accurately predict its rate of growth and profitability; risks related to economic and political uncertainty; income tax related risks; and those risk factors discussed in greater detail under the "Risk Factors" section of the Company's most recent annual information form and under the heading "Risks and Uncertainties" in the Company's most recent Management's Discussion and Analysis, which are each available under the Company's profile on SEDAR+ at www.sedarplus.ca. Many of these risks are beyond the Company's control.

If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. Although the Company has attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to the Company or that the Company presently believes are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information.

Although the Company bases these forward-looking statements on assumptions that it believes are reasonable when made, the Company cautions investors that forward-looking statements are not guarantees of future performance and that its actual results of operations, financial condition and liquidity and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this press release. In addition, even if the Company's results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward-looking statements contained in this press release, those results of developments may not be indicative of results or developments in subsequent periods.

There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. No forward-looking statement is a guarantee of future results. Accordingly, you should not place undue reliance on forward-looking information, which speaks only as of the date made. The forward-looking information contained in this press release represents the company's expectations as of the date specified herein, and are subject to change after such date. However, the Company disclaims any intention or obligation or undertaking to update or revise any forward-looking information or to publicly announce the results of any revisions to any of those statements, whether as a result of new information, future events or otherwise, except as required under applicable securities laws. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

All of the forward-looking information contained in this press release is expressly qualified by the foregoing cautionary statements.