



Converge Reports First Quarter 2024 Results

Q1 Marks Third Consecutive Billion Dollar Gross Sales¹ Quarter

May 9, 2024 – 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 month period ended March 31, 2024. All figures are in Canadian dollars unless otherwise stated.

First Quarter 2024 Highlights (year-over-year, unless otherwise noted):

- Gross sales¹ of \$1.01 billion, an increase of \$40.7 million or 4.2%;
- Gross sales organic growth¹ of 4.2% and gross profit organic growth¹ of 2.1%;
- Revenue of \$628.8 million, a decrease of \$49.4 million;
- Gross profit increased 2.1% to \$175.3 million, representing a gross margin of 27.9%;
- Adjusted EBITDA¹ increased 2.9% to \$42.2 million;
- Net loss of \$3.5 million, an increase in loss of \$0.1 million;
- Cash from operating activities was \$110.9 million, an increase of \$82.2 million, compared to \$28.8 million for the comparative period in the prior year; and
- Reduced net debt¹ by \$190 million year-over-year and by \$79 million compared to Q4 FY23 to \$130.8 million, compared to \$321.2 million as at Q1 FY23 and \$209.8 million as at Q4 FY23.

"With our 3rd consecutive quarter of Billion-dollar sales and strong cash generation, we continue to demonstrate our position as a leading IT Service Provider," said Shaun Maine, Group CEO. "Our *Advise, Implement and Manage* go-to-market strategy continues to drive our cross-sell efforts towards higher margin solutions and offerings across our key practice areas, demonstrated by our strong software sales during the quarter. In addition, the tailwinds of AI infrastructure spending, high-performance compute and cyber solutions are helping to offset generalized device weakness which is expected to turn as we enter a new refresh cycle towards the later part of this year."

Financial Summary for the Three Months Ended March 31,

In \$000s except per share amount

	2024	2023
	\$	\$
Gross Sales	1,005,989	965,258
Revenue	628,766	678,198
Gross profit (GP)	175,272	171,588
Gross profit (GP) %	27.9%	25.3%
Adjusted EBITDA	42,209	41,004
Adjusted EBITDA as a % of GP	24.1%	23.9%
Net loss	(3,540)	(3,361)

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.

Adjusted net income ¹	22,707	24,441
Adjusted Earnings per Share ¹	0.11	0.12

Subsequent to Quarter-End

- On May 8, 2024, the Board declared a quarterly dividend of \$0.015 per common share to be paid on June 6, 2024 to shareholders of record at the close of business on May 23, 2024.

Financial Outlook

Converge is providing financial guidance for the three months ended June 30, 2024 as follows:

	Q2 2023 Actual	Q2 2024 Expected
Gross profit	\$171.6 million	\$175 million - \$182 million
Adjusted EBITDA	\$41.2 million	\$43 million - \$46 million

Conference Call Details:

Date: Thursday, May 9th, 2024

Time: 8:00 AM Eastern Standard Time

Participant Webcast Link:

Webcast Link – <https://app.webinar.net/1A08yeayG6V>

Participant Dial-in Details with Operator Assistance:

Conference ID: 01139

Toronto: 1-289-819-1350

North American Toll Free: 1-800-836-8184

International Toll-Free Numbers:

Germany: 498005889782

Ireland: 35315251826

Spain: 34917918582

Switzerland: 41432107274

United Kingdom: 448002797040

You may register and enter your phone number to receive an instant automated call back via

<https://emportal.ink/3U6LCs8>

Recording Playback:

Webcast Link - <https://app.webinar.net/1A08yeayG6V>

Toronto: 1-289-819-1450

North American Toll Free: 1-888-660-6345

Replay Code: 01139 #

Expiry Date: May 16, 2024

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, artificial intelligence (AI), 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 Condensed Consolidated Interim Statements of Financial Position

(expressed in thousands of Canadian dollars)

	March 31, 2024	December 31, 2023
	\$	\$
Assets		
Current		
Cash	158,056	169,872
Restricted cash	559	547
Trade and other receivables	820,584	814,231
Inventories	86,051	73,166
Prepaid expenses and other assets	26,608	26,528
	1,091,858	1,084,344
Non-current		
Other assets	51,235	53,579
Property, equipment and right-of-use assets, net	76,840	75,488
Intangible assets, net	361,510	375,181
Goodwill	572,725	564,770
Total assets	2,154,168	2,153,362
Liabilities		
Current		
Trade and other payables	1,015,537	913,994
Other financial liabilities	64,036	54,095
Deferred revenue	61,061	59,325
Borrowings	16,304	1,664
Income taxes payable	16,282	9,286
	1,173,220	1,038,364
Non-current		
Other financial liabilities	57,789	57,668
Borrowings	272,518	378,007
Deferred tax liabilities	64,103	67,168

Total liabilities	1,567,630	1,541,207
Shareholders' equity		
Common shares	575,507	599,434
Contributed surplus	11,742	10,970
Accumulated other comprehensive income	12,102	3,963
Deficit	(37,140)	(28,167)
Total equity attributable to shareholders of Converge	562,211	586,200
Non-controlling interest ("NCI")	24,327	25,955
	586,538	612,155
Total liabilities and shareholders' equity	2,154,168	2,153,362

Summary of Condensed Consolidated Interim Statements of Income and Comprehensive Income
(expressed in thousands of Canadian dollars)

	2024	2023
For the three months ended March 31,	\$	\$
Revenue		
Product	486,110	536,689
Service	142,656	141,509
Total revenue	628,766	678,198
Cost of sales	453,494	506,610
Gross profit	175,272	171,588
Selling, general and administrative expenses	135,893	132,033
Income before the following	39,379	39,555
Depreciation and amortization	24,213	25,890
Finance expense	8,427	9,350
Acquisition, integration, restructuring and other	3,588	4,284
Change in fair value of contingent consideration	2,144	-
Share-based compensation	772	848
Other expense, net	207	2,469
Income (loss) before income taxes	28	(3,286)
Income tax expense	3,568	75
Net loss	(3,540)	(3,361)
Net loss attributable to:		
Shareholders of Converge	(1,912)	(1,957)
Non-controlling interest	(1,628)	(1,404)
	(3,540)	(3,361)
Other comprehensive income (loss)		
Item that may be reclassified subsequently to income (loss):		
Exchange differences on translation of foreign operations	8,139	2,173
	4,599	(1,188)
Comprehensive income (loss)		
Comprehensive income (loss) attributable to:		
Shareholders of Converge	6,227	216

Non-controlling interest	(1,628)	(1,404)
	4,599	(1,188)
Net loss per share – basic and diluted	(0.01)	(0.01)
Weighted average number of shares outstanding – basic and diluted	203,681,626	208,971,019

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

	2024	2023
For the three months ended March 31,	\$	\$
Cash flows from operating activities		
Net loss	(3,540)	(3,361)
Adjustments to reconcile net loss to net cash from operating activities		
Depreciation and amortization	27,044	27,549
Unrealized foreign exchange loss	-	2,463
Share-based compensation expense	772	848
Finance expense	8,427	9,350
Loss on sale of property and equipment	61	-
Change in fair value of contingent consideration	2,144	-
Income tax expense	3,568	75
	38,476	36,924
Changes in non-cash working capital items	73,122	(1,236)
	111,598	35,688
Income taxes paid	(663)	(6,925)
Cash from operating activities	110,935	28,763
Cash flows used in investing activities		
Purchase of property, equipment and intangible assets	(1,858)	(5,106)
Proceeds on disposal of property and equipment	-	68
Payment of contingent consideration	(3,164)	(8,960)
Payment of deferred consideration	(7,865)	(25,654)
Payment of NCI liability	-	(29,994)
Cash used in investing activities	(12,887)	(69,646)
Cash flows (used in) from financing activities		
Transfers (to) from restricted cash	(3)	216
Interest paid	(6,773)	(7,877)
Dividends paid	(2,034)	-
Payments of lease liabilities	(5,088)	(5,135)
Repurchase of common shares	(2,296)	-
Repayment of notes payable	(39)	(40)
Net (repayment of) proceeds from borrowings	(96,271)	34,199
Cash (used in) from financing activities	(112,504)	21,363
Net change in cash during the period	(14,456)	(19,520)
Effect of foreign exchange on cash	2,640	(1,342)

Cash, beginning of period	169,872	159,890
Cash, end of period	158,056	139,028

Non-IFRS Financial Measures

This press release refers to certain performance indicators including Adjusted EBITDA, gross profit, gross sales, gross sales organic growth, net debt, adjusted net income (“**Adjusted Net Income**”) and adjusted earnings per share (“**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.

Please see “Non-IFRS Financial & Supplementary Financial Measures” and “Summary of Consolidated Financial Results” in the Company’s most recent Management’s Discussion and Analysis, which is available on the Company’s profile on SEDAR+ at www.sedarplus.ca, for further details on certain non-IFRS measures, which information is incorporated by reference herein.

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.

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.

The IFRS measure most directly comparable to Adjusted EBITDA presented in the Company’s financial statements is net (loss) income before taxes.

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

	2024	2023
For the three months ended March 31,	\$	\$
Net income (loss) before taxes	28	(3,286)
Depreciation and amortization	24,213	25,890
Depreciation included in cost of sales	2,830	1,455
Finance expense	8,427	9,350
Acquisition, integration, restructuring and other	3,588	4,284
Change in fair value of contingent consideration	2,144	-
Share-based compensation expense	772	848
Other expense, net	207	2,463
Adjusted EBITDA	42,209	41,004

Adjusted EBITDA as a % of Gross Profit¹

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 and Adjusted EPS

Adjusted Net Income represents net income (loss) 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 income (loss) and net income (loss) per share.

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

	2024	2023
For the three months ended March 31,	\$	\$
Net (loss)	(3,540)	(3,361)
Acquisition, integration, restructuring and other	3,588	4,284
Change in fair value of contingent consideration	2,144	-
Amortization on intangible assets	19,586	20,207
Foreign exchange loss	157	2,463
Share-based compensation	772	848
Adjusted Net Income	22,707	24,441
Adjusted EPS (Basic)	0.11	0.12

Leverage Ratio

The Company defines leverage ratio as net debt (current and non-current borrowings less cash) divided by trailing twelve months Adjusted EBITDA.

Gross sales and gross sales organic growth

Gross sales, which is a non-IFRS measure, 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 revenue, which is the most comparable IFRS financial measure, as follows:

	2024	2023
For the three months ended March 31,	\$	\$
Product	701,451	665,310
Managed services and professional services	122,253	119,467
Maintenance, support and cloud solutions	182,285	180,481
Gross sales	1,005,989	965,258
Less: adjustment for sales transacted as agent	377,223	287,060
Revenue	628,766	678,198

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 all corresponding prior comparable pre-acquisition period(s) from the current reporting period(s) included in the consolidated results.

Gross sales organic growth is calculated by deducting prior period gross sales, 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.

	2024	2023
For the three months ended March 31,	\$	\$
Gross sales	1,005,989	965,258
Less: gross sales from companies not owned in comparative period	-	245,630
Gross sales of companies owned in comparative period	1,005,989	719,628
Prior period gross sales	965,258	673,929
Organic Growth - \$	40,731	45,699
Organic Growth - %	4.2%	6.8%

Gross profit organic growth is calculated by deducting prior period gross profit, 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.

	2024	2023
For the three months ended March 31,	\$	\$
Gross profit	175,272	171,588
Less: gross profit from companies not owned in comparative period	-	44,597
Gross profit of companies owned in comparative period	175,272	126,991
Prior period gross profit	171,588	109,045

Organic Growth - \$	3,684	17,946
Organic Growth - %	2.1%	16.5%

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 months ended March 31, 2024. 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.