



# Converge Technology Solutions

## Q2 Fiscal 2024 Earnings Presentation

*All figures in this document are in C\$'000 unless otherwise stated*



Shaun Maine  
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*Converge Chief Executive Officer*



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**USE OF NON-IFRS MEASURES AND RATIOS:** Converge's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and the accounting policies we adopted in accordance with IFRS. In this presentation, management has used certain terms, including Adjusted EBITDA, Adjusted Net Income, Adjusted Earnings per Share ("EPS"), Gross Sales, Backlog, Organic Growth and Net Debt to LTM Adjusted EBITDA, which is a non-IFRS ratio, which are not recognized under IFRS and do not have a standardized meaning under IFRS. 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. Converge's method of calculating such non-IFRS measures and ratios may differ from methods used by other companies and therefore may not be comparable to similar measures presented by other companies. 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. A full description of these non-IFRS measures and reconciliations for such non-IFRS measures can be found in the MD&A that accompanies the financial statements for the period ended December 31, 2023 and for the year ended December 31, 2023 and filed under the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

# Q2'24 Highlights

Fourth Consecutive Quarter with  
**+\$1 Billion**  
Gross Sales<sup>1</sup>

**\$52.4 M**  
Cash from  
Operating Activities

**-\$194.0M Y/Y**  
Change in  
Net Debt

**\$47.4 M**  
Capital Return to  
Shareholders

**Q2'24**

**Gross Sales<sup>1</sup>**

\$1.06 B

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+11.1% y/y

**Gross Profit**

\$179.3 M

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+2.1% y/y

**Adj. EBITDA<sup>1</sup>**

\$45.1 M

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+8.6% y/y

**11.1%**  
Q2'24 Gross Sales  
Organic Growth<sup>1</sup>

<sup>1</sup> This is a non-IFRS measure and not a recognized, defined or standardized measure under IFRS. See "Use of Non-IFRS Measures" in the disclaimer and refer to the Appendix to this presentation for a reconciliation to the most directly comparable IFRS financial measure.

<sup>2</sup> **Net Debt to LTM Adjusted EBITDA<sup>1</sup>** calculated as net debt (current and non-current borrowings less cash) divided by LTM 2024 Q2 Adj. EBITDA .

# Q2'24 YTD Highlights

**\$163.3 M**

Cash from  
Operating Activities

**0.90x**

Net Debt to  
LTM Adj. EBITDA<sup>1,2</sup>

**\$51.9M**

Reduction in Net  
Debt since Q4'23

**\$31.2M**

YTD Acquisition  
Consideration  
Paid<sup>3</sup>

**Gross  
Sales<sup>1</sup>**

\$2.07 B

+7.7% y/y

**Gross  
Profit**

\$354.6 M

+2.1% y/y

**Adj.  
EBITDA<sup>1</sup>**

\$87.3 M

+5.8% y/y

**7.7%**

Q2'24 YTD Gross  
Sales Organic  
Growth<sup>1</sup>

**Q2'24 YTD**

<sup>1</sup> This is a non-IFRS measure and not a recognized, defined or standardized measure under IFRS. See "Use of Non-IFRS Measures" in the disclaimer and refer to the Appendix to this presentation for a reconciliation to the most directly comparable IFRS financial measure.

<sup>2</sup> **Net Debt to LTM Adjusted EBITDA<sup>1</sup>** calculated as net debt (current and non-current borrowings less cash) divided by LTM 2024 Q2 Adj. EBITDA.

<sup>3</sup> Comprised of \$19.3M of Contingent payments and \$11.9M of Deferred payment

# Partner Diversification & Depth

## Top Partner Alliances



## YTD Partner Awards

 NVIDIA Networking Partner of the Year	 North American IBM Partner Plus Award In Digital Defense	 Cisco Gold Partner Worldwide	 VMware by Broadcom's Americas Technical Enablement POY	 Elite 150 on MSP 500 & Tech Elite 250
 NVIDIA Canadian Partner of the Year	 North America Storage POY	 Americas Acceleration POY	 Large Solution Provider POY	 #28 on Solution Provider 500 List



## Industrial Distributor

- While in growth mode, the demands on the security team were extremely high for onboarding of any M&A. The Converge team put together a new Security as a services solution to help drive a variety of services including penetration testing, vulnerability management, risk and compliance, and cloud security;

## Healthcare Corporation

- In an effort to improve the overall experience for both caregivers and clients, our team worked with the client to build a mobile application to drive more efficient scheduling, seamless check-in and check-out, optimized matching caregivers with clients, and improved communications for everyone.



## Automotive Manufacturing Corporation

- Our client was facing several challenges with innovative solutions to enhance operational efficiency and reliability. Our solutions improved their overall IT operations and streamlined processes through AI-driven analytics and automation. With better anomaly detection and proactive alerts, network outages have been reduced and efficiency has been boosted.

# AIM - Vertically Integrated Set of Solutions



## Advanced Analytics

- Business Analytics
- Data Visualization
- Data Platforming & Integration
- Financial & Operational Management
- Robotic Process Automation



## Artificial Intelligence

- Generative AI
- Deep Search
- Virtual Agents
- Visual Insights
- Predictive Analytics
- Data Science
- Machine Learning



## Application Modernization

- Application Development & Migrations
- DevOps
- Containers Services & Kubernetes
- Automation & Orchestration
- Observability & Intelligent Ops
- Integration & Middleware



## Cloud Platforms

- Cloud Foundations & Landing Zones
- Cloud Migrations
- IBM Power on Cloud
- VMware on Cloud
- Infrastructure as Code & Automation
- Cloud Governance & Operations
- FinOps & Cost Optimization



## Cybersecurity

- Advanced Testing
- Governance, Risk & Compliance
- Incident Readiness & Response
- Strategy & Defense
- Data Protection
- Identity & Access Management
- Strategic Staffing
- Managed Security Services



## Digital Infrastructure

- Datacenter & Compute
- Intelligent Networking
- Customer Experience
- Multi-site Deployment
- Configuration Centers
- Infrastructure Security



## Digital Workplace

- Voice & Unified Communications
- Workplace Productivity Solutions
- Endpoint Management Solutions
- Virtual Desktop Solution
- End User Compute

### Delivered Through End-to-End Service Offerings

#### Advise

- Architecture Planning & Insights
- Roadmap Design & Prioritization
- Software Asset Management
- Strategic Transformation Workshops & Assessments

#### Implement

- Agile Methodology & DevSecOps
- Build & Design
- Integration & Support
- Program & Project Management
- Talent Services

#### Manage

- Service Desk & Managed ITSM
- Managed Applications (AMS)
- Security Operations Center (SOC)
- Infrastructure Operations Center (IOC)

# Key Financial Metrics

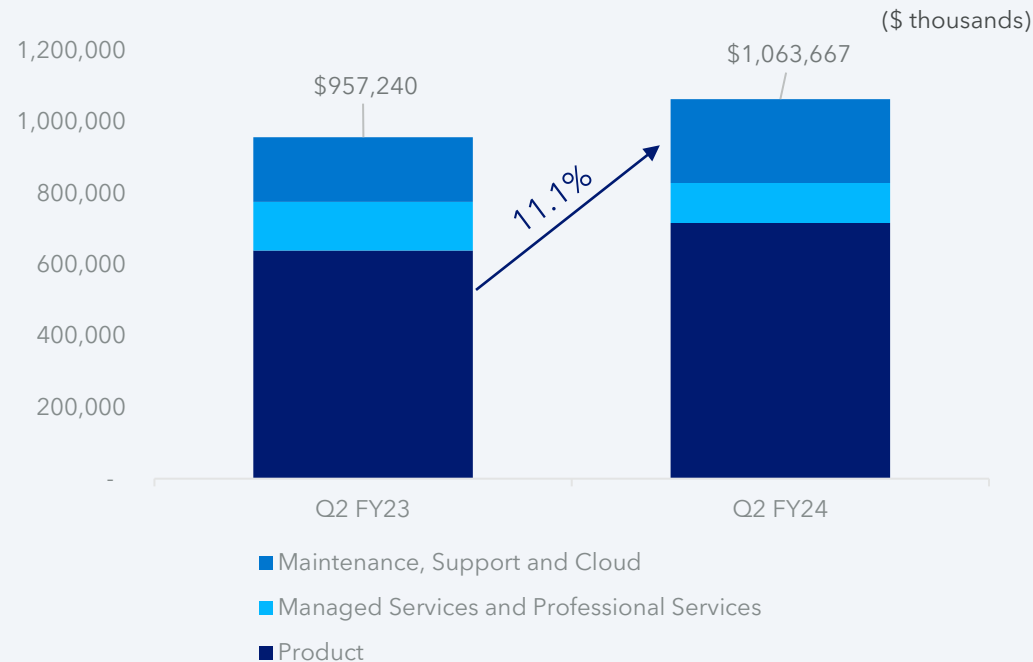
<i>In \$000s except per share amounts</i>	<b>Q2' 24</b>	Q2' 23	<b>Q2' 24 YTD</b>	Q2' 23YTD
<b>Gross Sales<sup>1</sup></b>	<b>1,063,667</b>	957,240	<b>2,069,656</b>	1,922,498
<b>Revenue</b>	<b>651,847</b>	665,813	<b>1,280,613</b>	1,344,011
<b>Gross Profit (GP)</b>	<b>179,284</b>	175,672	<b>354,556</b>	347,260
<b>Gross Profit (GP) %</b>	<b>27.5%</b>	26.4%	<b>27.7%</b>	25.8%
<b>Adjusted EBITDA<sup>1</sup></b>	<b>45,107</b>	41,257	<b>87,316</b>	82,531
<b>Adjusted EBITDA<sup>1</sup> as % of GP</b>	<b>25.2%</b>	23.5%	<b>24.6%</b>	23.8%
<b>Net loss</b>	<b>(164,963)</b>	(4,495)	<b>(168,503)</b>	(7,856)
<b>Adjusted net income<sup>1</sup></b>	<b>38,759</b>	25,124	<b>61,466</b>	49,565
<b>Adjusted EPS<sup>1</sup></b>	<b>\$0.19</b>	\$0.12	<b>\$0.30</b>	\$0.24

<sup>1</sup> This is a non-IFRS measure and not a recognized, defined or standardized measure under IFRS. See "Use of Non-IFRS Measures" in the disclaimer and refer to the Appendix to this presentation for a reconciliation to the most directly comparable IFRS financial measure.

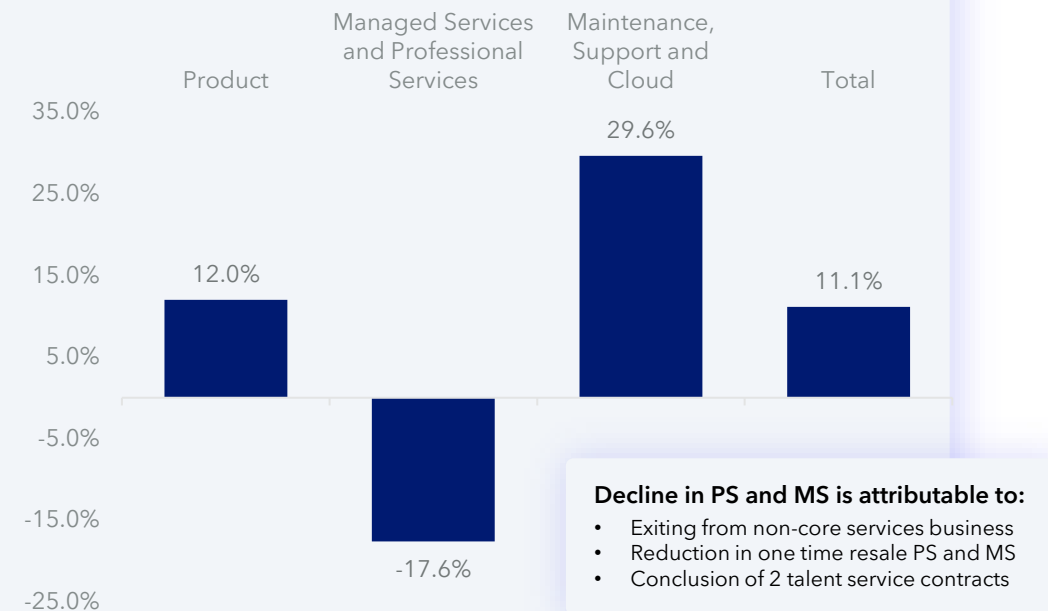


# Q2'24 | Gross Sales

### Gross Sales<sup>1</sup> - Q2'24



### Organic Growth<sup>1</sup> - Q2'24



**Gross sales organic growth<sup>1</sup> of 11.1% drive by strong solutions sales**

**Double digit growth in focus practice areas**

<sup>1</sup> This is a non-IFRS measure and not a recognized, defined or standardized measure under IFRS. See "Use of Non-IFRS Measures" in the disclaimer and refer to the Appendix to this presentation for a reconciliation to the most directly comparable IFRS financial measure.

# Revenue Recognition - IFRS impact of netting down

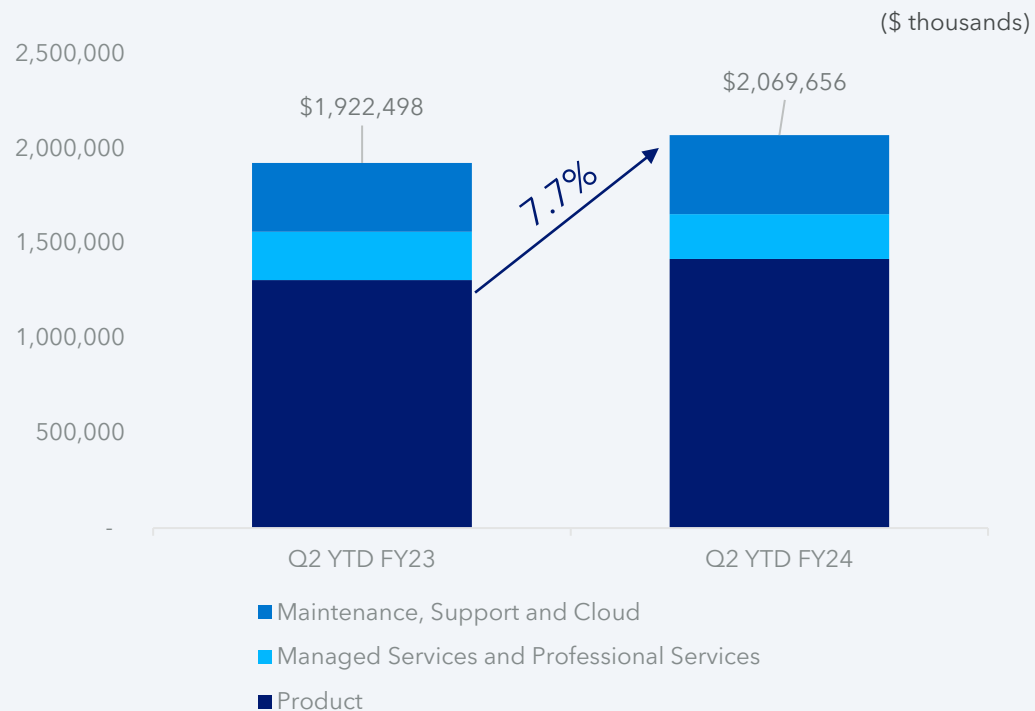
	Hardware	Software	Managed Services & Professional Services ("MS / PS")	MS / PS Resale	Maintenance & Support, Cloud
<b>Selling Relationship</b>	Principal	Agent	Principal	Agent	Agent
<b>Gross Sales</b>	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
<b>Adjustment for Agent Relationship</b>	n.a.	(\$750)	n.a.	(\$750)	(\$750)
<b>Revenue</b>	\$1,000	\$250	\$1,000	\$250	\$250
<b>Cost of Sales</b>	(\$750)	n.a.	(\$750)	n.a.	n.a.
<b>Gross Profit</b>	\$250	\$250	\$250	\$250	\$250

IFRS treatment for principal vs. agent relationship

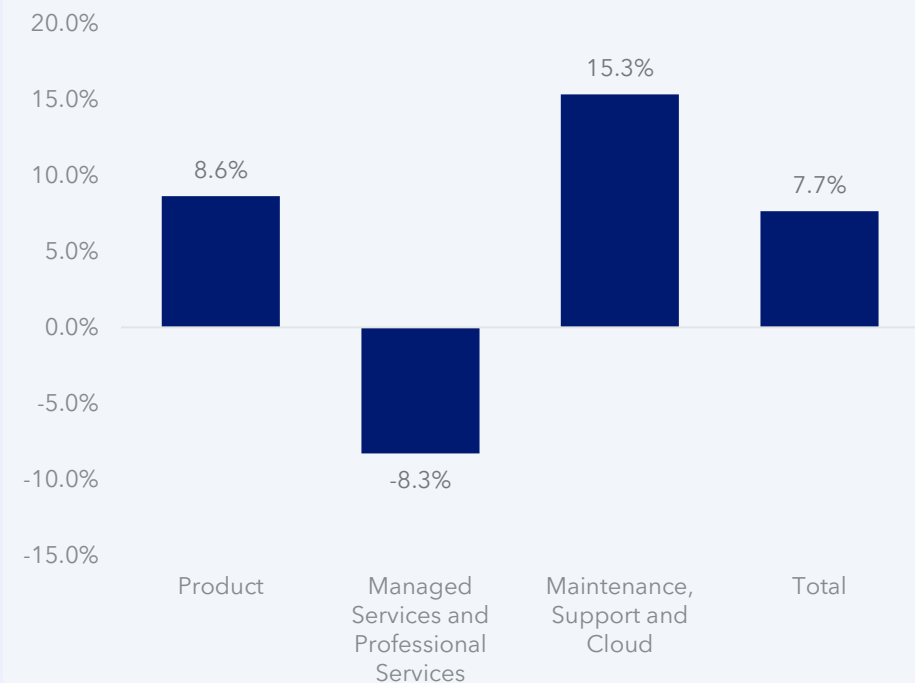
No impact to gross sales or gross profit

# Q2'24 YTD | Gross Sales

## Gross Sales<sup>1</sup> - Q2'24 YTD

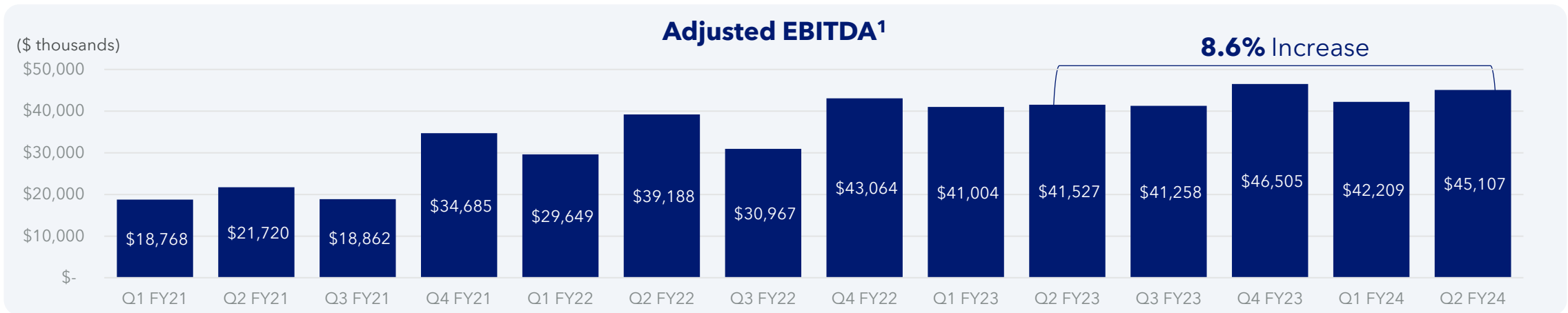


## Organic Growth<sup>1</sup> - Q2'24 YTD



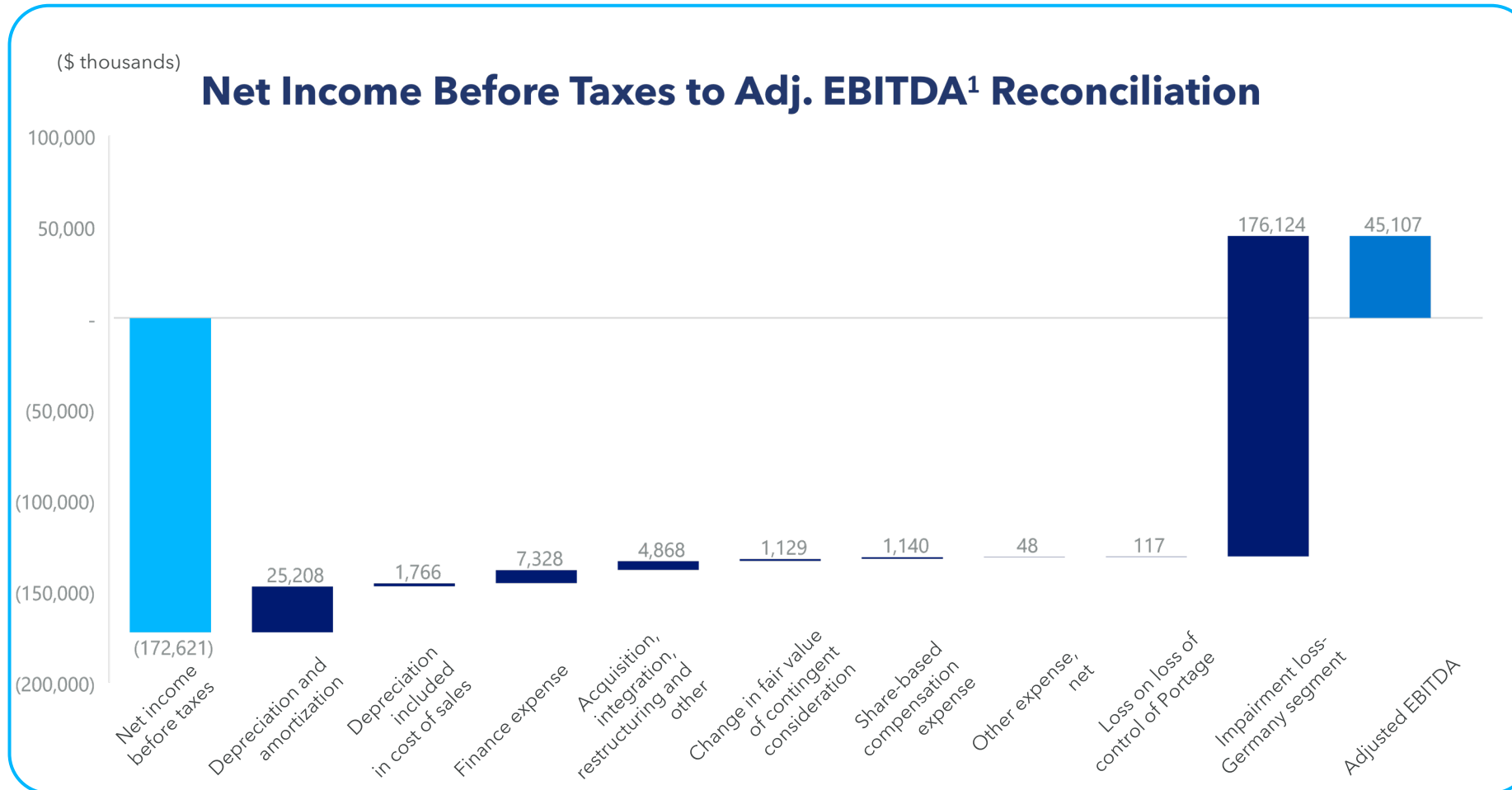
**Gross sales organic growth<sup>1</sup> of 7.7% driven by strong solutions sales**

# Profitability



<sup>1</sup> This is a non-IFRS measure and not a recognized, defined or standardized measure under IFRS. See "Use of Non-IFRS Measures" in the disclaimer and refer to the Appendix to this presentation for a reconciliation to the most directly comparable IFRS financial measure.

# Adjusted EBITDA



**Adj.  
EBITDA<sup>1</sup>**

\$45.1 M

+8.6% y/y

**Gross  
Profit**

\$179.3 M

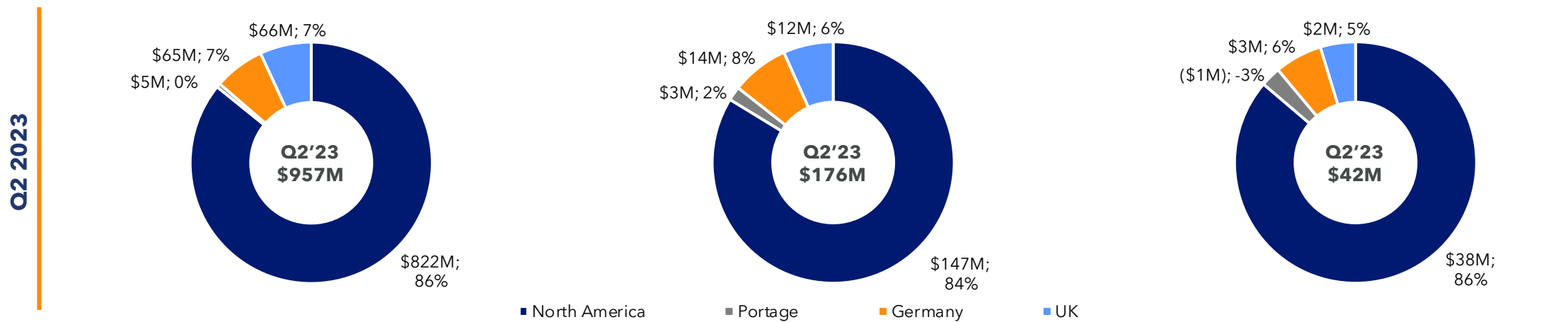
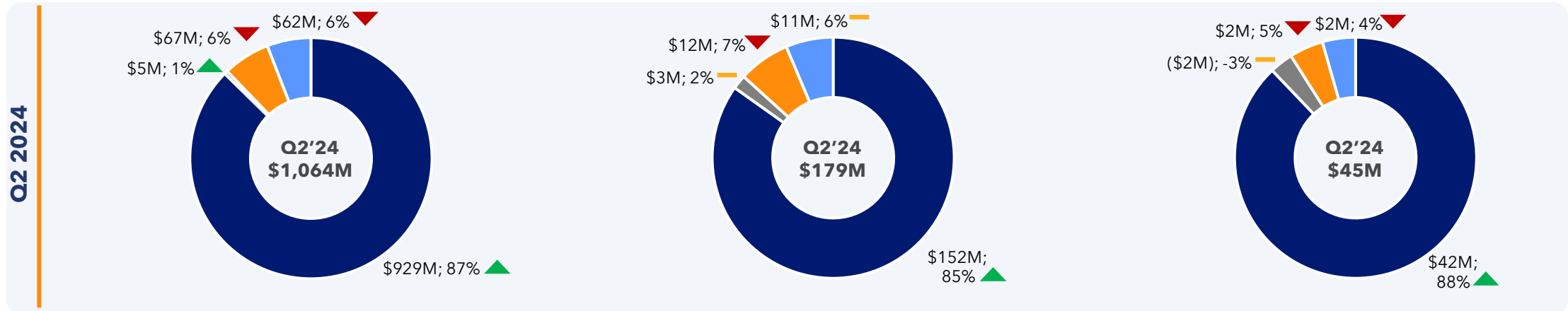
+2.1% y/y

# Mix by Geography (Q2'24)

Gross Sales (C\$ mm / % Mix)

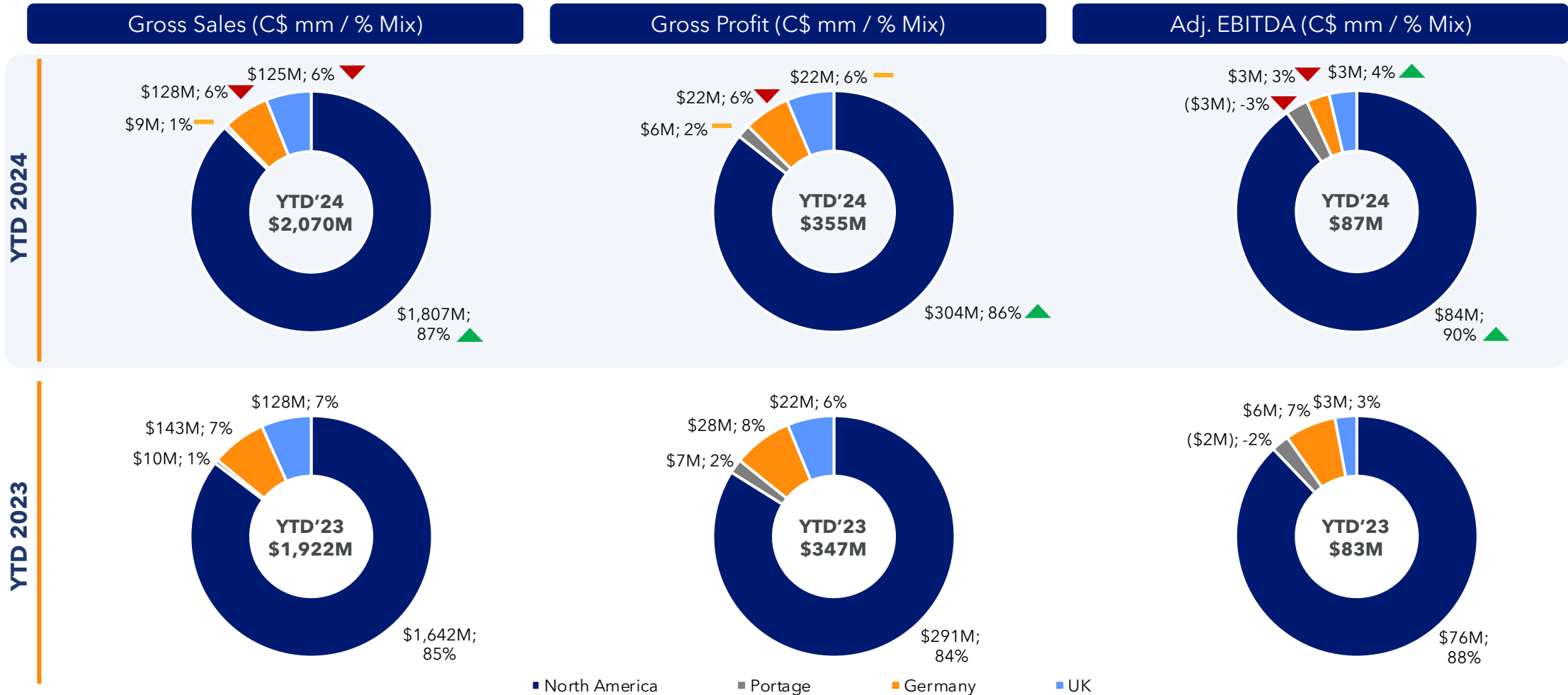
Gross Profit (C\$ mm / % Mix)

Adj. EBITDA (C\$ mm / % Mix)

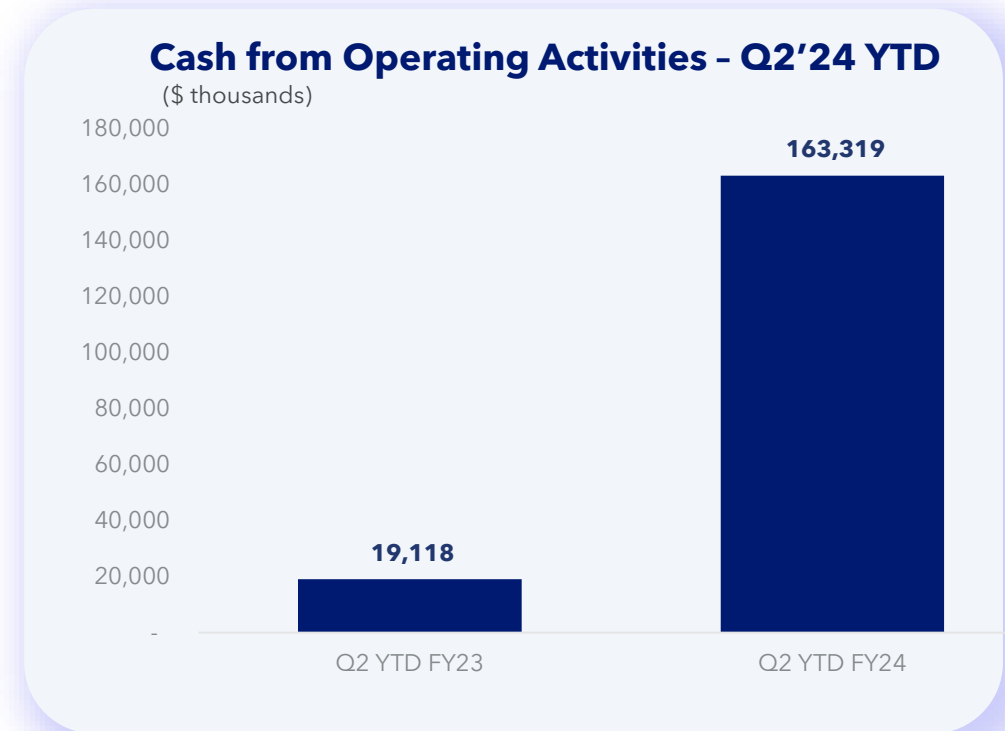


■ North America   ■ Portage   ■ Germany   ■ UK

# Mix by Geography (Q2'24 YTD)



# Liquidity and Cash Flows



**Liquidity Available<sup>2</sup>**

**>\$440M**

**Net Debt to LTM Adj. EBITDA<sup>1,3</sup> 0.90x**

<sup>1</sup> This is a non-IFRS measure and not a recognized, defined or standardized measure under IFRS. See "Use of Non-IFRS Measures" in the disclaimer and refer to the Appendix to this presentation for a reconciliation to the most directly comparable IFRS financial measure.

<sup>2</sup> Cash plus amount available under the credit facility.

<sup>3</sup> **Net Debt to LTM Adjusted EBITDA<sup>1</sup>** calculated as net debt (current and non-current borrowings less cash) divided by LTM 2024 Q1 Adj. EBITDA.





# Q&A



Shaun Maine  
*Group Chief Executive Officer*



Greg Berard  
*Converge Chief Executive Officer*



Avjit Kamboj  
*Chief Financial Officer*

# Non-IFRS Measures & Reconciliation

## Adjusted EBITDA<sup>1</sup>

	Q2 2024	Q2 2023	Q2 2024 YTD	Q2 2023 YTD
<b>Net (loss) income before taxes</b>	<b>(172,621)</b>	(6,452)	<b>(172,593)</b>	(9,738)
Depreciation and amortization	<b>25,208</b>	26,893	<b>49,421</b>	52,783
Depreciation included in cost of sales	<b>1,766</b>	2,342	<b>4,596</b>	3,798
Finance expense	<b>7,328</b>	10,652	<b>15,755</b>	20,002
Acquisition, integration, restructuring and other	<b>4,868</b>	4,083	<b>8,456</b>	8,367
Change in fair value of contingent Consideration	<b>1,129</b>	9,209	<b>3,273</b>	9,209
Share-based compensation expense	<b>1,140</b>	1,117	<b>1,912</b>	1,965
Other expense, net	<b>48</b>	(6,317)	<b>255</b>	(3,855)
Loss on loss of control of Portage	<b>117</b>	-	<b>117</b>	-
Impairment loss- Germany segment	<b>176,124</b>	-	<b>176,124</b>	-
<b>Adjusted EBITDA</b>	<b>45,107</b>	41,527	<b>87,316</b>	82,531

<sup>1</sup>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, impairment loss, gain or loss on loss of control of subsidiary, 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.

# Non-IFRS Measures & Reconciliation

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

	Q2 2024	Q2 2023	Q2 2024 YTD	Q2 2023 YTD
Product	716,692	640,017	1,418,144	1,305,327
Managed services and professional services	112,026	135,977	234,279	255,444
Maintenance, support, and cloud solutions	234,949	181,246	417,233	361,727
<b>Gross sales</b>	<b>1,063,667</b>	<b>957,240</b>	<b>2,069,656</b>	<b>1,922,498</b>
Less: Adjustment for sales transacted as agent	411,820	291,427	789,043	578,487
<b>Revenue</b>	<b>651,847</b>	<b>665,813</b>	<b>1,280,613</b>	<b>1,344,011</b>

## Gross Sales Organic Growth<sup>2</sup>

	Q2 2024	Q2 2023	Q2 2024 YTD	Q2 2023 YTD
<b>Gross sales</b>	<b>1,063,667</b>	<b>957,240</b>	<b>2,069,656</b>	<b>1,922,498</b>
Less: gross sales from Companies not owned in comparative period	-	214,227	-	459,857
<b>Gross sales of Companies owned in comparative period</b>	<b>1,063,667</b>	<b>743,013</b>	<b>2,069,656</b>	<b>1,462,641</b>
Prior period gross sales	957,240	729,678	1,922,498	1,403,607
<b>Organic Growth - \$</b>	<b>106,427</b>	<b>13,335</b>	<b>147,158</b>	<b>59,034</b>
<b>Organic Growth - %</b>	<b>11.1%</b>	<b>1.8%</b>	<b>7.7%</b>	<b>4.2%</b>

<sup>1</sup>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.

<sup>2</sup>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.

# Non-IFRS Measures & Reconciliation

## Adjusted Earnings per Share (EPS)<sup>1</sup>

	Q2 2024	Q2 2023	Q2 2024 YTD	Q2 2023 YTD
<b>Net Loss</b>	<b>(164,963)</b>	<b>(4,495)</b>	<b>(168,503)</b>	<b>(7,856)</b>
Acquisition, integration, restructuring and other	4,868	4,083	8,456	8,367
Change in fair value of contingent consideration	1,129	9,209	3,273	9,209
Amortization on intangibles	20,271	21,527	39,857	41,735
Foreign exchange (loss) gain	73	(6,317)	230	(3,855)
Share-based compensation	1,140	1,117	1,912	1,965
Loss on loss of control of Portage	117	-	117	-
Impairment loss- Germany segment	176,124	-	176,124	-
<b>Adjusted Net Income</b>	<b>38,759</b>	<b>25,124</b>	<b>61,466</b>	<b>49,565</b>
<b>Adjusted Earnings per Share (EPS) - basic</b>	<b>\$ 0.19</b>	<b>\$ 0.12</b>	<b>\$ 0.30</b>	<b>\$ 0.24</b>
<b>Weighted average # of shares - basic</b>	<b>199,616</b>	<b>208,331</b>	<b>201,659</b>	<b>208,649</b>

<sup>1</sup> 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.

# Non-IFRS Measures & Reconciliation

## Gross Profit Organic Growth<sup>1</sup>

	Q2 2024	Q2 2023	Q2 2024 YTD	Q2 2023 YTD
<b>Gross profit</b>	<b>179,284</b>	175,672	<b>354,556</b>	347,260
Less: gross profit from companies not owned in comparative period	-	39,239	-	83,836
<b>Gross profit of companies owned in comparative period</b>	<b>179,284</b>	136,433	<b>354,556</b>	263,424
Prior period gross revenue	<b>175,672</b>	133,152	347,260	242,197
<b>Organic Growth - \$</b>	<b>3,612</b>	3,281	<b>7,296</b>	21,227
<b>Organic Growth - %</b>	<b>2.1%</b>	2.5%	<b>2.1%</b>	8.8%

<sup>1</sup>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.