



## **Converge Technology Solutions Corp.**

Management Discussion and Analysis

For the three and nine months ended September 30, 2024 and 2023

# Converge Technology Solutions Corp. Management Discussion and Analysis

(expressed in thousands of Canadian dollars, except share amounts and share prices)

## General information

As used in this management's discussion and analysis ("MD&A"), unless the context indicates or requires otherwise, all references to the "Company", "Converge", "we", "us" or "our" refer to Converge Technology Solutions Corp. together with our subsidiaries, on a consolidated basis as constituted on September 30, 2024.

This MD&A for the three months ended September 30, 2024 ("Q3 2024") and 2023 ("Q3 2023") and for the nine months ended September 30, 2024 ("YTD 2024") and 2023 ("YTD 2023") should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and the accompanying notes for the three and nine months ended September 30, 2024 and 2023 ("Financial Statements") as well as with the Company's audited annual consolidated financial statements and the related notes thereto for the year ended December 31, 2023 ("Fiscal 2023"). All references in this MD&A to "Fiscal 2023" are to the twelve months ended December 31, 2023. The financial information presented in this MD&A is derived from the Financial Statements which have been prepared in accordance with IAS 34 – *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB").

All amounts are in thousands of Canadian dollars, except where otherwise indicated. Due to rounding, certain totals and subtotals may not foot and certain percentages may not reconcile.

Additional information relating to Converge, including our most recent Annual Information Form ("AIF"), can be found on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

This MD&A is dated as of November 11, 2024 and was prepared with information available at that date.

The registered office of the Company is located at 85 Rue Victoria, Gatineau, Quebec, J8X 2A3 and the head office of the Company is located at 161 Bay Street, Suite 2325, Toronto, Ontario, M5J 2T6.

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### About forward-looking information

Certain information and statements within the MD&A and documents incorporated by reference may constitute “forward-looking information” within the meaning of applicable securities laws (“forward-looking statements”) 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 projections or estimates as to the Company’s future objectives, business operations, plans or expectations with respect to business strategies, expected growth of the Company’s platform of IT Solutions Providers (“ITSPs”), expectations regarding the pipeline of investment opportunities available to the Company, the impact of global economic and geopolitical uncertainty on the Company’s business and the markets in which it operates, expectations regarding future competitive conditions and the Company’s competitive position, expectations regarding the Company’s differentiated and competitive skill set, the Company’s expectations regarding operating in large and transformative markets, the Company’s expectations regarding customers and customer contracting, the Company’s expectations regarding vendor and distributor relationships and the Company’s expectations to expand its client base are considered forward-looking statements. Forward-looking statements include all disclosures regarding possible events, conditions or results of operations that are based on assumptions about future economic conditions and courses of action. Forward-looking statements may also include, without limitation, any statement relating to future events, conditions or circumstances. The forward-looking statements 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 and (viii) the industries Converge operates in will continue to grow consistent with past experience. 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 MD&A, 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 statements 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 this MD&A. 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 MD&A. 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 MD&A, those results

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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 MD&A 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 forward-looking information contained in this MD&A is expressly qualified by the foregoing cautionary statements.

### Non-IFRS financial & supplementary financial measures

This MD&A refers to certain performance indicators including Adjusted EBITDA, Adjusted Net Income, Adjusted Earnings per Share ("Adjusted EPS"), gross sales, and organic growth that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. 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 and 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, net finance expense, foreign exchange gains and losses, other expenses and income, share-based compensation expense, income tax expense or recovery, change in fair value of contingent consideration, impairment loss, gain or loss on loss of control of a subsidiary, income or loss from investment in associates 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.

#### *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.

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### *Adjusted Net Income and Adjusted EPS*

Adjusted Net Income represents net income or loss adjusted to exclude acquisition, integration, restructuring and other expenses, change in fair value of contingent consideration, impairment loss, gain or loss on loss of control of a subsidiary, income or loss from investment in associates, amortization of acquired intangible assets, unrealized foreign exchange gain or 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 and Adjusted EPS presented in the Company's financial statements is net income (loss) and net income (loss) per share, respectively.

### *Gross sales*

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 revenue, the IFRS measure, as it better reflects volume fluctuations as compared to 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, revenue is calculated by reducing gross sales by the cost of sale amount. The IFRS measure most directly comparable to gross sales presented in the Company's financial statements is revenue.

### *Organic growth*

The Company measures organic growth on a quarterly and year-to-date basis, 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 period comparable pre-acquisition period(s) from the current reporting period(s) included in the consolidated results.

Organic growth calculation for the three and nine-months ended September 30, 2024, deducts gross sales and gross profits from Portage CyberTech Inc. ("Portage") for the three months ended September 30, 2023 due to deconsolidation of Portage on June 27, 2024.

Gross profit organic growth is calculated by deducting prior period gross profit, as reported in the Company's 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.

### *Gross profit margin*

Gross profit margin represents the percentage of total revenue in excess of costs of goods sold and is an indicator of the Company's profitability on sales before operating expenses. This is calculated by dividing gross profit by revenue.

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### Overview of the business

Converge Technology Solutions Corporation is a services-led, software-enabled, IT & cloud solutions provider with operations in North America, Germany and United Kingdom (“UK”).

The Company’s operations in North America, UK and Germany are focused on delivering advanced analytics, artificial intelligence (AI), application modernization, cloud, cybersecurity, digital infrastructure, digital workplace and managed services offerings as well as the provision of hardware and software products and solutions to clients across various industries and organizations. Converge is focused on being the trusted advisor to their clients and providing advisory, implementation, and managed services across the portfolio.

Portage, the Company’s 51% equity-accounted investment, is focused on powering trusted digital transactions between individuals, businesses, and government organizations. Portage customers use its SaaS solutions and expert services to power digital signatures with legal reliability, and to improve experiences for trusted transactions.

Companies increasingly rely on the expertise and experience of an IT solutions provider to design their IT infrastructure, to procure and integrate the appropriate hardware and software for an integrated IT solution, and to provide ongoing IT support services. This trend is largely driven by limited in-house capacity, higher costs and challenges related to internal development, deployment, and maintenance of complex and rapidly changing IT infrastructure. Furthermore, clients are increasingly looking to consolidate their vendors and minimize the number of providers they interact with for their IT needs. Companies are looking for providers who offer a broad portfolio of end-to-end capabilities including next generation technologies and new delivery models. Converge offers an extensive range of products, services, and solutions to meet these needs and be their end-to-end solution provider.

With significant increases in the amount of information and the abundance of data in today’s market environment, companies are increasingly demanding a more agile, responsive technology infrastructure system that helps meet their strategic business objectives. These needs are increasingly under pressure with the desire to create virtual environments that can further leverage this growing dataset, including cloud computing. Cloud computing heavily leverages resource pools in a variety of different technologies – storage and networking, virtualization, and the data center. Converge believes that these technologies are not only central aspects of a company’s IT strategy, but also central to a company’s broader business strategy.

With a focus on these areas, Converge believes it is well positioned to become an international solutions leader within these segments.

*Global Strategy* – Converge’s strategy is to become the leading ITSP to mid-market and enterprise customers in North America, Germany and the United Kingdom.

*Invest and Transform to Drive Organic Growth* – Building on the capabilities, relationships, and value of acquired companies, Converge invests in resources, education, tools, and relationships to deepen domain level expertise in specific technology practice areas and industry sectors. Converge has acquired and built public and private cloud capabilities that transform ITSPs into Hybrid IT providers.

*Advise, Implement and Manage (“AIM”)* – Converge is services-led, software-enabled, IT & Cloud Solutions provider that can package a full suite of advisory, implementation, and managed services across all of their solution areas.

*Cross-sell* – Converge will cross-sell the solutions and services of advisory, implementation and managed services across multiple companies to drive meaningful business outcome and provide a full suite of end-to-end services. Converge’s go to market model allows it to leverage all of the resources across every region to drive more value with every client.

*Consolidate Certain Back-Office Functions* – Starting with back office and support functions, Converge creates significant financial and operating efficiencies as well as service-level gains by leveraging its best-of-breed systems, purchasing power, staff, and processes across acquired companies.

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*Volume Rebates* – Converge provides value to clients and the market by identifying and expanding business, industry, and technical solutions competencies across acquired organizations, including leveraging vendor certifications and hardware volumes across groups to receive increased pricing incentives and rebates.

*Talent* – Converge continues to build its talent pool of highly qualified engineers and software professionals in its key practice areas in order to provide value-added IT solutions to the Company's customers.

*Identify and Acquire* – Converge's strategy is to identify and acquire ITSPs that offer a multi-vendor technology solution for clients. Selecting the right companies for acquisition is essential to creating market momentum and is pivotal in delivering lasting value to the Company's stakeholders. Converge selects ITSPs with proven business, technical, enterprise client, and industry experience that are known and recognized for the business value they create for its clients and partners.

### Consolidated highlights

#### Select financial highlights

- Gross sales<sup>1</sup> for the three months ended September 30, 2024 were \$945.0 million, a decrease of \$91.8 million or 8.9%, compared to the three months ended September 30, 2023. For the nine months ended September 30, 2024 and 2023, gross sales<sup>1</sup> were \$3.0 billion and \$2.96 billion, respectively, an increase of \$55.4 million or 1.9%.
- Revenue for the three months ended September 30, 2024 was \$630.7 million, a decrease of \$79.4 million or 11.2%, compared to the three months ended September 30, 2023. For the nine months ended September 30, 2024 and 2023, revenue was \$1.9 billion and \$2.1 billion, respectively, a decrease of \$142.8 million or 7.0%.
- Gross profit for the three months ended September 30, 2024 was \$158.3 million, a decrease of \$15.8 million or 9.1%, compared to the three months ended September 30, 2023. For the nine months ended September 30, 2024 and 2023, gross profit was \$512.8 million and \$521.4 million, respectively, a decrease of \$8.5 million or 1.6%.
- Net loss for the three months ended September 30, 2024 and 2023 was \$3.3 million. For the nine months ended September 30, 2024 and 2023, net loss was \$171.8 million and \$11.2 million, respectively, an increase in loss of \$160.6 million.
- Adjusted EBITDA<sup>1</sup> for the three months ended September 30, 2024 was \$32.1 million, a decrease of \$9.1 million or 22.2%, compared to the three months ended September 30, 2023. For the nine months ended September 30, 2024 and 2023, Adjusted EBITDA<sup>1</sup> was \$119.4 million and \$123.8 million, respectively, a decrease of \$4.4 million or 3.5%.
- For the three months ended September 30, 2024 and 2023, cash from operating activities was \$48.8 million and \$95.9 million, respectively, a decrease of \$47.1 million or 49.1%. For the nine months ended September 30, 2024 and 2023, cash from operating activities was \$212.4 million and \$115.1 million, respectively, an increase of \$97.3 million or 84.6%.

#### Other highlights

- On November 11, 2024, Converge's Board of Directors declared a quarterly dividend of \$0.015 per common share to be paid on December 28, 2024 to shareholders of record at the close of business on December 10, 2024.

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<sup>1</sup> This is a Non-IFRS measure (including non-IFRS ratio or supplementary financial measure) and not a recognized, defined or standardized measure under IFRS. See the Non-IFRS Financial & Supplementary Financial Measures section of this MD&A.

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- During the nine months ended September 30, 2024, 10,479,900 common shares were repurchased for an aggregate purchase price of \$53.8 million. As at September 30, 2024, 9,480,900 common shares had been cancelled and the remainder were cancelled in October 2024.
- On June 27, 2024, the Company fulfilled the criteria necessary for the deconsolidation of Portage by relinquishing control of Portage. The Company entered into a voting agreement with Portage whereby the Company waived its right to majority representation on Portage Board of Directors by limiting the representation to no more than one third. The Company has retained approximately 51% of the outstanding common shares of Portage in addition to the \$25 million principal amount long-term unsecured subordinated loan payable by Portage to the Company. Following the loss of control, the Company has determined that it has significant influence over Portage and the Company's investments in Portage will be accounted for using the equity method of accounting as an investment in associate under *IAS 28 Investment in Associates and Joint Ventures*. On loss of control, the Company measured its retained investments of equity interest and loan in Portage at fair value of \$29.9 million and derecognized the assets and liabilities including non-controlling interest at the carrying amounts resulting in a loss of \$117 for the nine months ended September 30, 2024.
- As a result of the change in operating segments, the Company performed an impairment test on June 1, 2024 resulting from continued decline in Germany business, and concluded that the carrying value of the Germany cash-generating unit was higher than its recoverable amount and accordingly recognized a non-cash impairment loss of \$176,124 (2023 – \$nil) for the nine months ended September 30, 2024. Please refer to “*Overall company performance and key changes in financial results*” section of this MD&A for further discussion.

### Factors affecting the Company's performance

We believe that the growth and future success of our business depends on many factors, including those described below. While each of these factors present significant opportunities for our business, they also pose important challenges, some of which are discussed below and in the “Risk Factors” section of our AIF.

#### *Ability to integrate acquired companies*

The Company is of the view that the ability to realize synergies and integrate acquired companies is critical for the future success of the Company. The Company has successfully acquired and integrated numerous companies over the years and must undertake such integration activities with each new company that it acquires. Our inability to effectively integrate the companies we acquire in the future could have adverse effects on our business and results of operations.

#### *Foreign currency*

The Company's functional and presentation currency is Canadian dollars. The functional currency for our subsidiaries is the local currency of the country in which the foreign operation is located. Our results of operations are converted into our functional currency using the average foreign exchange rates for each period presented. As a result, our results of operations may be adversely impacted by an increase in the value of the Canadian dollar relative to the United States Dollar, Euros and Pound Sterling.

#### *Economic activity*

General economic conditions may affect our results of operations and financial condition. Demand for our products and services depends in large part upon the level of capital and operating IT expenditure by many of our customers. Decreased capital and operational IT spending could have a material adverse effect on the demand for our products and services and our business, results of operations, cash flow and overall financial condition. Decreased IT capital and operational spending or disruptions in the markets could be caused by, without limitation, geopolitical tensions, the outbreak of a contagious illness, such as the global outbreak of COVID-19, acts of war, terrorism and catastrophes. Any of these conditions may reduce the ability of our customers and prospective customers to commit funds to purchase our products and services, or their ability to pay for our products and services after purchase.



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### *Natural disasters*

Natural disasters, such as earthquakes, hurricanes, tornadoes, floods, and other adverse weather and climate conditions; unforeseen public health crises, such as the global outbreak of COVID-19 and other pandemics and epidemics; political crises, such as terrorist attacks, war, and other political instability; or other catastrophic events could disrupt our operations, or the operations of our customers. To the extent any of these events occur, our business and results of operations could be adversely affected.

### *Cross selling*

Our ability to expand by cross selling more goods and services to our current clients is crucial to our success. As our emphasis areas expand, we want to serve a wide spectrum of public and private sector customers with a high potential for IT solution spending. We think the fragmented market for IT solutions gives us a great chance to increase our portion of IT spenders' wallets. Despite a very competitive environment, we feel that Converge's sophisticated skills and IT solutions set us apart from our rivals and will help us grow our market share over time.

### *Partnerships*

The quality of our connections with our technology partners will have an impact on how quickly we grow in the future. Despite the variety of technological collaborations, we now have, we continually look for new emerging technology partners and expand existing alliances to find better IT solutions for consumers. In order to advance our technical proficiency, we also keep our attention on improving the technology partner certifications we now possess. In-depth certification status has been attained with top technology partners. We think it's more likely that customers and technology partners would view us as their preferred source of IT solutions as a result of our success in creating lasting connections with them.

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### Summary of consolidated financial results

The following table provides the consolidated operating results for the Company for the three and nine months ended September 30, 2024 and 2023:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024 \$	2023 \$	2024 \$	2023 \$
<b>Revenue</b>				
Product	500,881	559,646	1,503,439	1,607,932
Service	129,809	150,460	407,864	446,185
Total revenue	630,690	710,106	1,911,303	2,054,117
Cost of sales	472,433	536,016	1,398,490	1,532,766
<b>Gross profit</b>	158,257	174,090	512,813	521,351
Selling, general and administrative expenses	129,042	134,935	400,878	403,667
<b>Income before the following</b>	29,215	39,155	111,935	117,684
Depreciation and amortization	19,961	29,456	69,382	82,239
Finance expense, net	7,126	10,867	22,881	30,870
Acquisition, integration, restructuring and other	2,236	2,601	10,692	10,969
Change in fair value of contingent consideration	1,016	-	4,289	9,209
Share-based compensation	2,761	774	4,673	2,738
Other expense (income), net	865	(170)	1,120	(4,230)
Loss on loss of control of Portage	-	-	117	-
Loss from investment in associates	1,968	-	1,968	-
Impairment loss – Germany segment	-	-	176,124	-
Loss before income taxes	(6,718)	(4,373)	(179,311)	(14,111)
Income tax recovery	(3,409)	(1,057)	(7,499)	(2,937)
<b>Net loss</b>	(3,309)	(3,316)	(171,812)	(11,174)
Net income attributable to:				
Shareholders of Converge	(3,309)	(1,802)	(168,539)	(7,309)
Non-controlling interest ("NCI")	-	(1,514)	(3,273)	(3,865)
	(3,309)	(3,316)	(171,812)	(11,174)
<b>Other comprehensive income (loss)</b>				
Exchange differences on translation of foreign operations	(2,988)	2,891	9,046	(10,661)
<b>Comprehensive loss</b>	(6,297)	(425)	(162,766)	(21,835)
Comprehensive loss attributable to:				
Shareholders of Converge	(6,297)	1,089	(159,493)	(17,970)
Non-controlling interest	-	(1,514)	(3,273)	(3,865)
	(6,297)	(425)	(162,766)	(21,835)
<b>Adjusted EBITDA<sup>1</sup></b>	32,114	41,258	119,430	123,789
<b>Adjusted EBITDA<sup>1</sup> as a % of Gross profit</b>	20.3%	23.7%	23.3%	23.7%

<sup>1</sup> This is a Non-IFRS measure (including non-IFRS ratio or supplementary financial measure) and not a recognized, defined or standardized measure under IFRS. See the "Non-IFRS Financial & Supplementary Financial Measures" section of this MD&A.

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

The Company has reconciled Adjusted EBITDA<sup>1</sup> to the most comparable IFRS financial measure for the three and nine months ended September 30, 2024 and 2023 as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024 \$	2023 \$	2024 \$	2023 \$
<b>Net loss before taxes</b>	<b>(6,718)</b>	(4,373)	<b>(179,311)</b>	(14,111)
Depreciation and amortization <sup>i</sup>	<b>19,961</b>	29,456	<b>69,382</b>	82,239
Depreciation included in cost of sales <sup>i</sup>	<b>2,899</b>	2,103	<b>7,495</b>	6,105
Finance expense, net <sup>ii</sup>	<b>7,126</b>	10,867	<b>22,881</b>	30,870
Acquisition, integration, restructuring and other <sup>iii</sup>	<b>2,236</b>	2,601	<b>10,692</b>	10,969
Change in fair value of contingent consideration <sup>iv</sup>	<b>1,016</b>	-	<b>4,289</b>	9,209
Share-based compensation <sup>v</sup>	<b>2,761</b>	774	<b>4,673</b>	2,738
Other expense (income), net <sup>vi</sup>	<b>865</b>	(170)	<b>1,120</b>	(4,230)
Loss on loss of control of Portage <sup>vii</sup>	-	-	<b>117</b>	-
Loss from investment in associates <sup>viii</sup>	<b>1,968</b>	-	<b>1,968</b>	-
Impairment loss – Germany segment <sup>ix</sup>	-	-	<b>176,124</b>	-
<b>Adjusted EBITDA<sup>1</sup></b>	<b>32,114</b>	41,258	<b>119,430</b>	123,789

Notes:

- (i) Depreciation and amortization expense is primarily related to acquired intangible assets, depreciation expense on property, equipment, and right-of-use assets.
- (ii) Finance expense, net is primarily related to interest expenses incurred on borrowings, lease obligations, and deferred consideration.
- (iii) 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.
- (iv) Change in fair value of contingent consideration is related to revaluation of contingent purchase consideration from completed acquisitions.
- (v) Share-based compensation represents non-cash expenditures recognized in connection with stock options and restricted stock units issued to employees.
- (vi) Other expense (income), net is primarily comprised of non-cash gains and losses related to foreign exchange translation.
- (vii) Loss on loss of control of Portage is non-cash loss recognized on deconsolidation of Portage.
- (viii) Loss from investment in associates is non-cash loss recognized from equity accounted investment in Portage.
- (ix) Non-cash impairment loss of goodwill and intangible assets recognized in connection with the Germany operating segment.

<sup>1</sup> This is a Non-IFRS measure (including non-IFRS ratio or supplementary financial measure) and not a recognized, defined or standardized measure under IFRS. See the Non-IFRS Financial & Supplementary Financial Measures section of this MD&A.

# Converge Technology Solutions Corp. Management Discussion and Analysis

(expressed in thousands of Canadian dollars, except share amounts and share prices)

## Overall company performance and key changes in financial results

### Gross sales<sup>1</sup>

The following table presents the Company's gross sales<sup>1</sup> for the three and nine months ended September 30, 2024 and 2023:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024 \$	2023 \$	2024 \$	2023 \$
Product	668,057	721,871	2,086,201	2,027,198
Managed services and professional services	119,128	129,382	353,407	384,826
Maintenance, support, and cloud solutions	157,821	185,507	575,054	547,234
Gross sales <sup>1</sup>	945,006	1,036,760	3,014,662	2,959,258
Less: adjustment for sales transacted as agent	314,316	326,654	1,103,359	905,141
Revenue	630,690	710,106	1,911,303	2,054,117

The following table presents the Company's gross sales<sup>1</sup> by geographical segment for the three months ended September 30, 2024 and 2023:

	Q3 2024					Q3 2023				
	USA \$	Canada \$	Europe \$	UK \$	Total \$	USA \$	Canada \$	Europe \$	UK \$	Total \$
Gross sales <sup>1</sup>	730,991	38,779	91,292	83,944	945,006	785,846	66,746	92,335	91,833	1,036,760
Less: adjustment for sales transacted as agent	291,803	13,726	6,038	2,749	314,316	266,153	16,101	42,082	2,318	326,654
Revenue	439,188	25,053	85,254	81,195	630,690	519,693	50,645	50,253	89,515	710,106

The following table presents the Company's gross sales<sup>1</sup> by geographical segment for the nine months ended September 30, 2024 and 2023:

	YTD 2024					YTD 2023				
	USA \$	Canada \$	Europe \$	UK \$	Total \$	USA \$	Canada \$	Europe \$	UK \$	Total \$
Gross sales <sup>1</sup>	2,333,127	253,105	219,022	209,408	3,014,662	2,231,676	272,295	235,078	220,209	2,959,258
Less: adjustment for sales transacted as agent	1,016,383	61,361	17,249	8,366	1,103,359	802,721	54,669	42,642	5,109	905,141
Revenue	1,316,744	191,744	201,773	201,042	1,911,303	1,428,955	217,626	192,436	215,100	2,054,117

<sup>1</sup> This is a Non-IFRS measure (including non-IFRS ratio or supplementary financial measure) and not a recognized, defined or standardized measure under IFRS. See the Non-IFRS Financial & Supplementary Financial Measures section of this MD&A.

# Converge Technology Solutions Corp.

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The following table calculates gross sales organic growth<sup>1</sup> for the three months ended September 30, 2024 and 2023:

	Q3 2024 \$	Q3 2023 \$
Gross sales <sup>1</sup>	945,006	1,036,760
Less: gross sales from companies not owned in comparative period <sup>1</sup>	-	133,891
Gross sales of companies owned in comparative period <sup>1</sup>	945,006	902,869
Less: prior period gross sales <sup>1</sup> (Note 1)	1,031,779	730,571
<b>Organic Growth - \$</b>	<b>(86,773)</b>	172,298
<b>Organic Growth - %</b>	<b>(8.4%)</b>	23.6%

*Note 1: In Q3 2024, Portage prior period gross sales<sup>1</sup> of \$4,981 is excluded*

The following table calculates gross sales organic growth for the nine months ended September 30, 2024 and 2023:

	YTD 2024 \$	YTD 2023 \$
Gross sales <sup>1</sup>	3,014,662	2,959,258
Less: gross sales from companies not owned in comparative period <sup>1</sup>	-	593,758
Gross sales of companies owned in comparative period <sup>1</sup>	3,014,662	2,365,500
Less: prior period gross sales <sup>1</sup> (Note 1)	2,954,277	2,134,178
<b>Organic Growth - \$</b>	<b>60,385</b>	231,322
<b>Organic Growth - %</b>	<b>2.0%</b>	10.8%

*Note 1: In YTD 2024, Portage prior period gross sales<sup>1</sup> of \$4,981 is excluded*

### Gross sales organic growth<sup>1</sup>

Gross sales organic growth<sup>1</sup> for the three months ended September 30, 2024 was (\$86,773) or (8.4%), compared to gross sales organic growth<sup>1</sup> of \$172,298 or 23.6% in the equivalent period in the prior year. Gross sales organic growth<sup>1</sup> was \$60,385 or 2.0% for the nine months ended September 30, 2024, compared to \$231,322 or 10.8% in the equivalent period in the prior year. For the quarter, the declines in organic growth was primarily due to lower hardware sales in North America.

### Revenue

The following table presents the Company's revenues by product and service for the three and nine months ended September 30, 2024 and 2023:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024 \$	2023 \$	2024 \$	2023 \$
Product	500,881	559,646	1,503,439	1,607,932
Managed services and professional services	110,723	126,213	340,217	370,367
Maintenance, support, and cloud solutions	19,086	24,247	67,647	75,818
<b>Total</b>	<b>630,690</b>	<b>710,106</b>	<b>1,911,303</b>	<b>2,054,117</b>

Product revenue includes hardware and software sales. Product revenue decreased from \$559,646 to \$500,881 or 10.5% for the three months ended September 30, 2024 compared to the equivalent period in the prior year and decreased by \$104,493 to \$1,503,439 or 6.5% for the nine months ended September 30, 2024 compared to the

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equivalent period in the prior year. The change is primarily due to the lower hardware sales in North America offset by strong software sales.

Managed services and professional services revenue includes recurring revenue from long-term contracts, non-recurring revenue based on usage and non-recurring resale of managed service contracts and professional services rendered by the Company and resale of professional services. Managed services and professional services revenue decreased from \$126,213 to \$110,723 or 12.3% for the three months ended September 30, 2024, compared to the equivalent period in the prior year and decreased by \$30,150 to \$340,217 or 8.1% for the nine months ended September 30, 2024, compared to the equivalent period in the prior year. The decrease is primarily due to completion of two large talent solutions contracts with customers and lower non-recurring resale services.

Maintenance, support and cloud solutions revenue include revenue from public cloud resell, maintenance and support contracts. Maintenance, support and cloud solutions decreased from \$24,247 to \$19,086, or 21.3% for the three months ended September 30, 2024, compared to the equivalent period in the prior year and decreased by \$8,171 to \$67,647 or 10.8% for the nine months ended September 30, 2024, compared to the equivalent period in the prior year. The decrease is primarily due to lower maintenance and support related to hardware sales offset by strong cloud solutions revenue.

### Gross profit and gross profit margin<sup>1</sup>

The following table calculates gross profit organic growth for the three months ended September 30, 2024 and 2023:

	Q3 2024 \$	Q3 2023 \$
Gross profit	158,257	174,090
Less: gross profit from companies not owned in comparative period	-	20,375
Gross profit of companies owned in comparative period	158,257	153,715
Less: prior period gross profit (Note 1)	170,639	139,654
<b>Organic Growth - \$</b>	<b>(12,382)</b>	14,061
<b>Organic Growth - %</b>	<b>(7.3%)</b>	10.1%

Note 1: In Q3 2024, Portage prior period gross profit of \$3,451 is excluded

The following table calculates gross profit organic growth for the nine months ended September 30, 2024 and 2023:

	YTD 2024 \$	YTD 2023 \$
Gross profit	512,813	521,351
Less: gross profit from companies not owned in comparative period	-	104,212
Gross profit of companies owned in comparative period	512,813	417,139
Less: prior period gross profit (Note 1)	517,900	381,851
<b>Organic Growth - \$</b>	<b>(5,087)</b>	35,288
<b>Organic Growth - %</b>	<b>(1.0%)</b>	9.2%

Note 1: In YTD 2024, Portage prior period gross profit of \$3,451 is excluded

Gross profit organic growth for the three and nine months ended September 30, 2024 was (\$12,382) or (7.3%) and (\$5,087) or (1.0%), respectively, driven by lower hardware gross sales<sup>1</sup> in North America.

Gross profit margin increased from 24.5% to 25.1% for the three months ended September 30, 2024, compared to the equivalent period in the prior year and increased from 25.4% to 26.8% for the nine months ended September 30, 2024, compared to the equivalent period in the prior year.

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Gross profit margin will fluctuate due to product mix as (i) most hardware sales are recognized on a gross basis and software, maintenance and cloud sales are recognized on a net basis; and (ii) higher gross profits from professional services and managed services.

### *Selling, general, and administrative expenses*

Selling, general, and administrative is comprised of the following expenses for the three and nine months ended September 30, 2024 and 2023:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024 \$	2023 \$	2024 \$	2023 \$
Salaries and benefits	108,152	108,168	326,578	329,527
Office, travel and events	15,511	14,879	51,086	48,917
Professional fees	3,551	6,000	11,821	15,872
Other expenses	1,828	5,888	11,393	9,351
<b>Total</b>	<b>129,042</b>	<b>134,935</b>	<b>400,878</b>	<b>403,667</b>

Salaries and benefits expense decreased from \$108,168 to \$108,152 or 0.0% for the three months ended September 30, 2024, compared to the equivalent period in the prior year and decreased by \$2,949 to \$326,578 or 0.9% for the nine months ended September 30, 2024, compared to the equivalent period in the prior year. The decrease is primarily due to deconsolidation of Portage offset by continued investment in sales and technical resources.

Office, travel and events expense increased from \$14,879 to \$15,511 or 4.2% for the three months ended September 30, 2024, compared to the equivalent period in the prior year and increased by \$2,169 to \$51,086 or 4.4% for the nine months ended September 30, 2024, compared to the equivalent period in the prior year. For both periods, the increase is primarily due to higher software and subscription fees.

Professional fees decreased from \$6,000 to \$3,551 or 40.8% for the three months ended September 30, 2024, compared to the equivalent period in the prior year and by \$4,051 to \$11,821 or 25.5% for the nine months ended September 30, 2024, compared to the equivalent period in the prior year. The decrease in both periods is driven by cost management measures.

Other expenses decreased from \$5,888 to \$1,828 or 69.0% for the three months ended September 30, 2024, compared to the equivalent period in the prior year and increased by \$2,042 to \$11,393 or 21.8% for the nine months ended September 30, 2024, compared to the equivalent period in the prior year. The increase for the nine months period is primarily due to sales taxes provision recognized in the first quarter of 2024.

### *Depreciation and amortization*

Amortization of intangible assets decreased from \$21,056 to \$17,915 or 14.9% for the three months ended September 30, 2024, compared to the equivalent period in the prior year and by \$5,019 to \$57,772 or 8.0% for the nine months ended September 30, 2024, compared to the equivalent period in the prior year. In both periods, the decrease is primarily due to certain intangible assets being fully amortized in prior periods and due to impairment loss recognized on Germany segment assets.

Depreciation expense (including depreciation included in cost of sales) decreased from \$10,503 to \$4,945 or 52.9% for the three months ended September 30, 2024, compared to the equivalent period in the prior year and by \$6,448 to \$19,105 or 25.2% for the nine months ended September 30, 2024, compared to the equivalent period in the prior year. In both periods, the decrease is primarily due to certain property, equipment and ROU assets being fully depreciated assets in prior periods.

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### *Finance expense, net*

Finance expense, net relates to interest costs incurred for the borrowings under the Company's revolving credit facility, deferred consideration, lease liabilities and other financing programs.

Finance expense, net decreased from \$10,867 to \$7,126, or 34.4% for the three months ended September 30, 2024, compared to the equivalent period in the prior year and by \$7,989 to \$22,881 or 25.9% for the nine months ended September 30, 2024, compared to the equivalent period in the prior year. In both periods, the decrease in finance expense, net is primarily due to lower average balances drawn on the Company's revolving credit facility and lower interest rates.

### *Acquisition, integration, restructuring and other*

Acquisition, integration, restructuring and other expenses decreased from \$2,601 to \$2,236 or 14.0% for the three months ended September 30, 2024, compared to the equivalent period in the prior year and by \$277 to \$10,692 or 2.5% for the nine months ended September 30, 2024, compared to the equivalent period in the prior year.

For the three months ended September 30, 2024, acquisition, integration, restructuring and other expenses were primarily related to \$1,266 of acquisition and transaction related costs, \$390 of restructuring costs, \$438 of integration costs including professional fees incurred, and \$142 of other costs. During the same period in the prior year, acquisition, integration, restructuring and other expenses were primarily related to \$933 of acquisition and transaction related costs, \$1,207 of restructuring costs, \$126 of integration costs, and \$335 of other costs.

For the nine months ended September 30, 2024, acquisition, integration, restructuring and other expenses were primarily related to \$4,132 of acquisition and transaction related costs, \$3,865 of restructuring costs, \$2,092 of integration costs including professional fees incurred, and \$603 of other costs. During the same period in the prior year, acquisition, integration, restructuring and other expenses were primarily related to \$3,817 of acquisition and transaction related costs, \$4,564 of restructuring costs, \$525 of integration costs including professional fees incurred, and \$2,063 of other costs.

### *Change in fair value of contingent consideration*

Change in fair value of contingent consideration for the three months ended September 30, 2024 was \$1,016, compared to \$nil in the equivalent period in the prior year. Change in fair value of contingent consideration for the nine months ended September 30, 2024 was \$4,289, compared to \$9,209 in the equivalent period in the prior year. Contingent considerations consist of earn-out payments due to sellers of acquired companies for meeting certain financial targets over a period of time from the date of acquisition. We expect the change in fair value of contingent consideration balance to fluctuate from period to period as target assumptions and forecasts change.

### *Share-based compensation*

Share-based compensation for the three and nine months ended September 30, 2024 was \$2,761 and \$4,673, respectively, an increase of \$1,987 and \$1,935, respectively, compared to equivalent periods in the prior year. The increase is primarily due to the issuance of restricted stock units and deferred share units granted during the period.

### *Other expense (income), net*

Other expense (income), net for the three months ended September 30, 2024 was expense of \$865 compared to an income of \$170 in the prior year. Other expense (income), net for the nine months ended September 30, 2024 was expense of \$1,120 compared to an income of \$4,230 in the prior year. The decrease is primarily due to the impact of foreign exchange gains and losses from the translation of certain foreign currency denominated monetary net asset balances denominated in a currency different from the functional currency of the related entity in prior periods.

### *Loss on loss of control of Portage*

On June 27, 2024, the Company fulfilled the criteria necessary for the deconsolidation of Portage by relinquishing control of Portage. On loss of control, the Company measured its retained investments of equity interest and loan to



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Portage at fair value of \$29.9 million and derecognized the assets and liabilities including non-controlling interest at the carrying amounts resulting in a loss of \$117 for the nine months ended September 30, 2024.

### *Loss from investment in associates*

Loss from investment in associates for the three and nine months ended September 30, 2024 was \$1,968, representing the Company's portion of net loss of Portage since the date of deconsolidation.

### *Impairment loss – Germany segment*

As a result of the change in operating segments, the Company performed an impairment test on June 1, 2024 resulting from continued decline in Germany's business, and concluded that the carrying value of the Germany CGU was higher than its recoverable amount and accordingly recognized a non-cash impairment loss of \$176,124 (2023 – \$nil) for the nine months ended September 30, 2024. The impairment loss resulted in reduction of goodwill of \$145,935 and reduction in intangible assets of \$30,189.

### *Income tax recovery*

Income tax recovery for the three months ended September 30, 2024 increased to \$3,409 from an income tax recovery of \$1,057 in the prior year. Income tax recovery for the nine months ended September 30, 2024 increased to \$7,499 from \$2,937 in the prior year. The increase in income tax recovery is primarily due to the release of deferred tax liability recognized on acquisitions as the related intangible assets are amortized and due to impairment of intangible assets related to the Germany operating segment.

### *Reconciliation to three months ended September 30, 2024 and Fiscal 2024 Outlook*

Please see the Company's press release dated October 24, 2024 (the "**October Press Release**") for additional details regarding events and circumstances that impacted the Company's revenue for the three months ended September 30, 2024 and caused such results to differ from the previously announced range of financial results for this period. A copy of the October Press Release is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

For the three months ended September 30, 2024, (i) revenue fell below the previously guided range of \$636,000 to \$658,000; (ii) gross profit fell below the previously guided range of \$172,000 to \$178,000; and (iii) Adjusted EBITDA fell below the previously guided range of \$43,000 to \$47,000. Revenue was impacted by adverse macroeconomic conditions as certain customers delayed project spend as timelines shifted into the fourth quarter of 2024 or potentially the next fiscal year. As compared to the equivalent period in the prior year, for the three and nine months ended September 30, 2024, revenue declined due to lower demand in North America for data center, networking, and storage solutions whereas the same period in the prior year included a period of abnormally strong backlog fulfillment. Historically, the third quarter ended September 30 has been the weakest quarter from a seasonality perspective. In addition, refresh activity on end user devices continues to be pushed into 2025 as some customers are delaying the purchase cycle in advance of wider availability of AI PC's. This resulted in reduced hardware and associated maintenance and support revenue. Cloud and software revenue has continued to grow double digit percentage year over year. The Company anticipates these factors will result in revenue, gross profit and Adjusted EBITDA for the fiscal year ended December 31, 2024 falling below each of their previously guided ranges. For the fiscal year ended December 31, 2024, the Company now expects that (i) revenue will be in the range of \$2,511,000 to \$2,558,000 from previously guided range of \$2,620,000 - \$2,664,000; (ii) gross profit will be in the range of \$678,000 to \$691,000 from previously guided range of \$709,000 to \$721,000; and (iii) Adjusted EBITDA will be in the range of \$155,000 to \$166,000 from previously guided range of \$176,000 to \$184,000.

### *Segment performance*

The Company's Group Chief Executive Officer ("CEO") has been identified as the Chief Operating Decision Maker ("CODM"). During the three months ended June 30, 2024, it was identified that the CODM evaluates the performance of the Company and allocates resources primarily based on revenue, gross profit less selling, general and administrative expenses as provided by the Company's internal-management system at the regional level, being North America, Germany and UK. The CODM may also consider industry trends and other externally available financial information when evaluating the performance of the Company. As a result of internal reporting changes undertaken by

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the Company that affect how the Company views and monitors performance, the Company has determined that it is composed of three operating segments: (i) North America (ii) Germany, and (iii) UK.

Portage was an operating segment prior to loss of control on June 27, 2024.

The following table provides a condensed summary of the operating performance of each operating segment for the periods indicated:

For the three months ended September 30,	2024					2023				
	North America	Germany	UK	Portage	Total	North America	Germany	UK	Portage	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Gross sales<sup>1</sup></b>	<b>769,770</b>	<b>91,292</b>	<b>83,944</b>	<b>-</b>	<b>945,006</b>	847,611	92,335	91,833	4,981	1,036,760
<b>Revenue</b>	<b>464,241</b>	<b>85,254</b>	<b>81,195</b>	<b>-</b>	<b>630,690</b>	565,521	50,253	89,515	4,817	710,106
<b>Gross profit</b>	<b>124,643</b>	<b>15,053</b>	<b>18,561</b>	<b>-</b>	<b>158,257</b>	144,609	11,918	14,112	3,451	174,090
<b>Income (Loss) before income taxes</b>	<b>(7,992)</b>	<b>(2,157)</b>	<b>3,431</b>	<b>-</b>	<b>(6,718)</b>	2,443	(3,072)	(1,272)	(2,472)	(4,373)
Depreciation and amortization	<b>14,862</b>	<b>2,917</b>	<b>2,182</b>	<b>-</b>	<b>19,961</b>	20,098	4,021	3,962	1,375	29,456
Depreciation included in cost of sales	<b>2,899</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,899</b>	2,103	-	-	-	2,103
Finance expense, net	<b>5,520</b>	<b>2,915</b>	<b>(1,309)</b>	<b>-</b>	<b>7,126</b>	7,333	997	2,139	398	10,867
Acquisition, integration, restructuring and other	<b>2,173</b>	<b>48</b>	<b>15</b>	<b>-</b>	<b>2,236</b>	2,343	56	(11)	213	2,601
Change in fair value of contingent consideration	<b>1,016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,016</b>	-	-	-	-	-
Share-based compensation	<b>2,761</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,761</b>	774	-	-	-	774
Other (income) expense, net	<b>(1,046)</b>	<b>1,053</b>	<b>858</b>	<b>-</b>	<b>865</b>	(587)	214	196	7	(170)
Loss from investment in associates	<b>1,968</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,968</b>	-	-	-	-	-
<b>Adjusted EBITDA<sup>1</sup></b>	<b>22,161</b>	<b>4,776</b>	<b>5,177</b>	<b>-</b>	<b>32,114</b>	34,507	2,216	5,014	(479)	41,258

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For the nine months ended September 30,	2024					2023				
	North America	Germany	UK	Portage	Total	North America	Germany	UK	Portage	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Gross sales<sup>1</sup></b>	2,576,536	219,022	209,408	9,696	3,014,662	2,488,906	235,078	220,209	15,065	2,959,258
<b>Revenue</b>	1,499,160	201,773	201,042	9,328	1,911,303	1,631,984	192,436	215,100	14,597	2,054,117
<b>Gross profit</b>	428,455	37,032	41,005	6,321	512,813	436,020	39,468	35,749	10,114	521,351
<b>Income (Loss) before income taxes</b>	18,581	(189,248)	(1,385)	(7,259)	(179,311)	7,215	(8,742)	(3,865)	(8,719)	(14,111)
Depreciation and amortization	47,087	11,582	8,029	2,684	69,382	57,154	12,534	8,633	3,918	82,239
Depreciation included in cost of sales	7,495	-	-	-	7,495	6,105	-	-	-	6,105
Finance expense, net Acquisition, integration, restructuring and other	15,652	5,894	450	885	22,881	23,175	3,947	2,478	1,270	30,870
Change in fair value of contingent consideration	7,770	1,771	273	878	10,692	9,635	321	27	986	10,969
Share-based compensation	4,289	-	-	-	4,289	9,209	-	-	-	9,209
Other (income) expense, net	4,673	-	-	-	4,673	2,738	-	-	-	2,738
Loss on loss of control of Portage	(1,656)	1,519	1,233	24	1,120	(4,572)	75	252	15	(4,230)
Loss from investment in associates	117	-	-	-	117	-	-	-	-	-
Impairment loss – Germany segment	1,968	-	-	-	1,968	-	-	-	-	-
	-	176,124	-	-	176,124	-	-	-	-	-
<b>Adjusted EBITDA<sup>1</sup></b>	<b>105,976</b>	<b>7,642</b>	<b>8,600</b>	<b>(2,788)</b>	<b>119,430</b>	110,659	8,135	7,525	(2,530)	123,789

North America's revenue decreased by \$101,280 or 17.9% to \$464,241 for the three months ended September 30, 2024 compared to the equivalent period in the prior year, and by \$132,824 or 8.1% to \$1,499,160 for the nine months ended September 30, 2024 compared to the equivalent period in the prior year. The decrease was primarily due to lower hardware sales compared to prior periods, partly offset by favorable foreign currency impact.

North America's Adjusted EBITDA<sup>1</sup> decreased by \$12,346 or 35.8% to \$22,161 for the three months ended September 30, 2024 compared to the equivalent period in the prior year and by \$4,683 or 4.2% to \$105,976 for the nine months ended September 30, 2024 compared to the equivalent period in the prior year. The decrease in Adjusted EBITDA<sup>1</sup> is primarily due to lower gross profit generated, partially offset by lower salaries and wages and other general and administrative cost savings.

Germany's revenue increased by \$35,001 or 69.6% to \$85,254 for the three months ended September 30, 2024 compared to the equivalent period in the prior year, and by \$9,337 or 4.9% to \$201,773 for the nine months ended September 30, 2024 compared to the equivalent period in the prior year. The increase was primarily due to higher sales in end-user device products and services to the education sector.

Germany's Adjusted EBITDA<sup>1</sup> increased by \$2,560 or 115.5% to \$4,776 for the three months ended September 30, 2024 compared to the equivalent period in the prior year and decreased by \$493 or 6.1% to \$7,642 for the nine months ended September 30, 2024 compared to the equivalent period in the prior year. The quarter-on-quarter increase in the Adjusted EBITDA<sup>1</sup> is primarily due to higher revenue, partially offset by higher costs.

UK's revenue decreased by \$8,320 or 9.3% to \$81,195 for the three months ended September 30, 2024 compared to the equivalent period in the prior year, and by \$14,058 or 6.5% to \$201,042 for the nine months ended September 30,

<sup>1</sup> This is a Non-IFRS measure (including non-IFRS ratio or supplementary financial measure) and not a recognized, defined or standardized measure under IFRS. See the Non-IFRS Financial & Supplementary Financial Measures section of this MD&A.

# Converge Technology Solutions Corp. Management Discussion and Analysis

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2024 compared to the equivalent period in the prior year. The decrease was primarily due to a large one-time hardware transaction in the prior year.

UK's Adjusted EBITDA<sup>1</sup> increased by \$163 or 3.3% to \$5,177 for the three months ended September 30, 2024 compared to the equivalent period in the prior year and by \$1,075 or 14.3% to \$8,600 for the nine months ended September 30, 2024 compared to the equivalent period in the prior year. The year-to-date increase in Adjusted EBITDA<sup>1</sup> is primarily due to cost reduction measures which improved gross margins and increased gross profit.

Portage was deconsolidated on June 27, 2024, resulting in no segment results for the three months ended September 30, 2024 and the activity for the nine months ended September 30, 2024 represents activity prior to deconsolidation.

## Quarterly financial results

The following table summarizes select financial information from the Company's results of operations for the eight most recently completed quarters. In general, the business tends to fluctuate quarter over quarter based on a variety of factors. However, the primary drivers of variations over the last eight quarters are due to acquisitions completed and the results of integration activities including cross selling. The spending of key customers is seasonal and heavily dependent on budgeted capital to be used before the end of their respective fiscal periods. The financial results shown below may not be indicative of the Company's financial performance in a future comparative period.

	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	630,690	651,847	628,766	651,090	710,106	665,813	678,198	640,927
Gross profit	158,257	179,284	175,272	181,529	174,090	175,672	171,589	168,916
Gross margin	25.1%	27.5%	27.9%	27.9%	24.5%	26.4%	25.3%	26.4%
Adjusted EBITDA <sup>1</sup>	32,114	45,107	42,209	46,505	41,258	41,527	41,004	43,064
Net (loss) income	(3,309)	(164,963)	(3,540)	4,781	(3,316)	(4,495)	(3,363)	(4,656)
Earnings per share:								
Basic	(0.02)	(0.82)	(0.01)	0.03	(0.01)	(0.02)	(0.01)	(0.02)
Diluted	(0.02)	(0.82)	(0.01)	0.03	(0.01)	(0.02)	(0.01)	(0.02)
Net (loss) income	(3,309)	(164,963)	(3,540)	4,781	(3,316)	(4,495)	(3,363)	(4,656)
Acquisition, integration, restructuring and other	2,236	4,868	3,588	2,679	2,601	4,083	4,285	4,621
Change in fair value of contingent consideration	1,016	1,129	2,144	5,464	-	9,209	-	14,033
Amortization on intangibles	17,915	20,271	19,586	24,468	21,056	21,527	20,210	16,502
Unrealized foreign exchange loss (gain)	650	73	157	(132)	(493)	(6,317)	2,462	951
Share-based compensation	2,761	1,140	772	954	774	1,117	847	1,422
Loss on loss of control of Portage	-	117	-	-	-	-	-	-
Loss from investment in associates	1,968	-	-	-	-	-	-	-
Impairment loss – Germany segment	-	176,124	-	-	-	-	-	-
Adjusted Net Income <sup>1</sup>	23,237	38,759	22,707	38,214	20,622	25,124	24,441	32,873
Adjusted EPS <sup>1</sup> :								
Basic	0.12	0.19	0.11	0.19	0.10	0.12	0.12	0.16

<sup>1</sup> This is a Non-IFRS measure (including non-IFRS ratio or supplementary financial measure) and not a recognized, defined or standardized measure under IFRS. See the "Non-IFRS Financial & Supplementary Financial Measures" section of this MD&A.

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### Overview of financial position

The following table provides the financial position of the Company as indicated below:

As at	September 30, 2024 \$	December 31, 2023 \$
<b>Assets</b>		
Current assets	1,061,354	1,073,765
Non-current assets	954,488	1,079,597
<b>Total assets</b>	<b>2,015,842</b>	<b>2,153,362</b>
<b>Liabilities</b>		
Current liabilities	1,107,726	978,025
Non-current liabilities	548,644	563,182
<b>Total liabilities</b>	<b>1,656,370</b>	<b>1,541,207</b>
<b>Shareholders' equity</b>		
Common shares	557,292	599,434
Contributed surplus	15,347	10,970
Accumulated other comprehensive income	13,009	3,963
Deficit	(226,176)	(28,167)
Non-controlling interest	-	25,955
<b>Total shareholders' equity</b>	<b>359,472</b>	<b>612,155</b>
<b>Total liabilities and shareholders' equity</b>	<b>2,015,842</b>	<b>2,153,362</b>

#### Current assets

Current assets are mainly comprised of cash of \$180,464 (December 31, 2023 – \$170,419), trade and other receivables of \$775,026 (December 31, 2023 – \$803,652), inventories of \$71,753 (December 31, 2023 – \$73,166), and prepaid expense and other assets of \$34,111 (December 31, 2023 – \$26,528).

#### Non-current assets

Non-current assets are mainly comprised of goodwill of \$385,022 (December 31, 2023 – \$564,770), intangible assets of \$272,646 (December 31, 2023 – \$375,181), property, equipment, and right-of-use assets of \$66,621 (December 31, 2023 – \$75,488), unbilled revenue and other assets of \$202,290 (December 31, 2023 – \$64,158), and investment in associates of \$27,909 (December 31, 2023 – \$nil). Goodwill and intangible assets are primarily the result of acquisitions completed. The decrease in goodwill and intangible assets since year-end is primarily due to the impairment loss recognized on the Germany segment and the deconsolidation of Portage. The increase in unbilled revenue is due to increase in multi-year product and service revenue contracts.

#### Current liabilities

Current liabilities are mainly comprised of \$976,301 (December 31, 2023 – \$853,655) in trade and other payables from the Company's operations, \$25,754 (December 31, 2023 – \$1,664) in borrowings, \$61,872 (December 31, 2023 – \$59,325) in deferred revenue, and \$43,799 (December 31, 2023 – \$54,095) in other financial liabilities.

#### Non-current liabilities

Non-current liabilities are comprised of \$180,704 in accrued liabilities and other payables (December 31, 2023 – \$60,339), \$282,589 (December 31, 2023 – \$378,007) in borrowings, \$41,955 (December 31, 2023 – \$57,668) in other financial liabilities and deferred tax liabilities of \$43,396 (December 31, 2023 – \$67,168). The decrease in non-current liabilities is mainly due to repayment of borrowings, deconsolidation of Portage and decrease in deferred tax liabilities, partly offset by increase in long-term accrued liabilities and other payables. The following table provides a summary of borrowings, other financial liabilities and lease liabilities:

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<b>As at</b>	<b>September 30, 2024</b> \$	December 31, 2023 \$
Revolver Credit Facility and other	<b>308,343</b>	379,671
Lease liabilities	<b>46,429</b>	53,616
NCI liability, deferred and contingent consideration related to acquisitions	<b>26,781</b>	53,977
NCIB liability	<b>12,544</b>	2,500
Notes payable	<b>-</b>	1,670
	<b>394,097</b>	491,434
Current	<b>69,553</b>	55,759
Non-current	<b>324,544</b>	435,675
	<b>394,097</b>	491,434

### Liquidity and capital resources

The general objectives of our capital management strategy are to preserve our capacity to maintain financial flexibility in order to pursue our strategy of organic and acquisition growth, provide benefits to our stakeholders and provide an adequate return on investment to our shareholders by selling our products and services at prices that commensurate with the level of operating risk we assume. We thus determine the total amount of capital required consistent with risk levels. This capital structure is adjusted on a timely basis depending on changes in the economic environment and risks of the underlying assets. We are not subject to any externally imposed capital requirements.

The Company manages its liquidity to ensure that it has sufficient liquidity to meet its short-term and long-term commitments as they become due, while maintaining financial flexibility to pursue its strategy of organic and acquisition growth. To date, the Company has effectively managed liquidity through issuance of common shares, proceeds from borrowings, and cashflow from operations.

The Company anticipates that it will have sufficient liquidity from cash generation to fund its current cash requirements for working capital and contractual commitments, and if required, believes that it has the ability to raise additional capital or debt to help fund its acquisition strategy and to achieve planned organic and inorganic growth targets.

# Converge Technology Solutions Corp.

## Management Discussion and Analysis

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### Cash flow analysis

As at September 30, 2024, total cash was \$180,464 (December 31, 2023 – \$170,419); an increase of \$10,045 since the beginning of the year.

The following table provides a summary of the Company's cash flows for the periods indicated below:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Cash from operating activities	48,859	95,942	212,408	115,059
Cash from (used in) investing activities	1,705	(27,560)	(33,351)	(100,657)
Cash used in financing activities	(44,346)	(41,165)	(172,151)	(69,037)
<b>Net change in cash</b>	<b>6,218</b>	27,217	<b>6,906</b>	(54,635)
Effect of foreign exchange on cash	159	(439)	4,213	(34)
Cash derecognized on loss of control of Portage	-	-	(1,074)	-
Cash at the beginning of period	174,087	78,443	170,419	159,890
<b>Cash at the end of the period</b>	<b>180,464</b>	105,221	<b>180,464</b>	105,221

#### *Cash from operating activities*

Cash generated from operating activities was \$48,859 for the three months ended September 30, 2024, compared to cash from operating activities of \$95,942 for the three months ended September 30, 2023. The decrease in cash flows was primarily due to decrease in positive non-cash working capital change of \$22,289, compared to a positive non-cash working capital change of \$63,102 in the prior year.

Cash generated from operating activities was \$212,408 for the nine months ended September 30, 2024, compared to cash from operating activities of \$115,059 for the nine months ended September 30, 2023. The increase in cash flows was primarily due to positive non-cash working capital change of \$131,642 as a result of better working capital management, compared to a positive non-cash working capital change of \$18,858 in the prior year.

#### *Cash from (used in) investing activities*

Cash generated from investing activities was \$1,705 for the three months ended September 30, 2024, primarily due to the net proceeds from property and equipment of \$2,213. In comparison, cash used in investing activities was \$27,560 for the three months ended September 30, 2023, primarily due to payment of deferred consideration of \$14,095 and payment of contingent consideration of \$10,899.

Cash used in investing activities was \$33,351 for the nine months ended September 30, 2024, primarily due to the payment of deferred consideration of \$12,375 and payment of contingent consideration of \$19,328. In comparison, cash used in investing activities was \$100,657 for the nine months ended September 30, 2023, primarily due to payment of deferred consideration of \$43,815, payment of contingent consideration of \$20,834 and payment of NCI liability of \$30,967.

#### *Cash used in financing activities*

Cash used in financing activities was \$44,346 for the three months ended September 30, 2024, primarily due to Company's net repayments of borrowings of \$23,874, interest paid of \$5,801, lease payments of \$4,677, and repurchase of common shares of \$7,072. In comparison, cash used in financing activities was \$41,165 for the three

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months ended September 30, 2023, primarily due to the Company's net repayments of borrowings of \$21,977, interest paid of \$10,544, lease payments of \$4,975, and repurchase of common shares of \$1,064.

Cash used in financing activities was \$172,151 for the nine months ended September 30, 2024, primarily due to Company's net repayment of borrowings of \$78,346, interest paid of \$18,130, lease payments of \$14,793, dividends paid of \$7,925, and repurchase of common shares of \$53,793. In comparison, cash used in financing activities was \$69,037 for the nine months ended September 30, 2023, primarily due to the Company's repurchase of common shares of \$15,294, interest paid of \$25,786, lease payments of \$15,199, and net repayment of borrowings of \$10,593.

### *Credit facilities*

On July 28, 2022, the Company entered into a multi-currency, global revolving credit agreement (the "Revolver Credit Facility") with a syndicate of Canadian and US lenders, led by J.P. Morgan and the Canadian Imperial Bank of Commerce ("CIBC"). The Revolver Credit Facility can be drawn to a maximum of \$500,000 and included an uncommitted accordion feature of \$100,000. On February 9, 2023, the Company exercised the accordion increasing the total borrowing capacity from \$500,000 to \$600,000. Interest is payable monthly at an interest rate that generally approximates the Secured Overnight Financing Rate ("SOFR"), plus applicable bank margin ranging from 1.25% to 2.25%. The effective interest rate for the nine months ended September 30, 2024 was 7.0%. The Revolver Credit Facility matures on July 27, 2027.

The Revolver Credit Facility has certain financial and non-financial covenants including a leverage ratio and interest coverage ratio. The Revolver Credit Facility is secured by a first-ranking security over all present and after-acquired properties in the form of a general security agreement. As at September 30, 2024, the Company was in compliance with its covenants.

The Revolver Credit Facility contains provisions that limit certain restricted payments including dividends and share repurchases to a total of \$40,000 per fiscal year. As at September 30, 2024 and for the nine months ended September 30, 2024, this limit was not applicable.

## **Commitments and contingencies**

### *Commitments*

As at September 30, 2024, the Company is committed under office building, vehicle, and computer equipment leases, for the following minimum annual rentals:

	September 30, 2024 \$	December 31, 2023 \$
<b>Minimum lease payments</b>		
2024	4,800	18,774
2025	15,866	14,085
2026	10,756	8,936
2027	8,001	6,779
2028 and onwards	12,561	11,154
	<b>51,984</b>	59,728
Less: future finance charges	5,555	6,112
Present value of minimum lease payments	<b>46,429</b>	53,616
Current liabilities	15,520	16,928
Non-current liabilities	30,909	36,688
	<b>46,429</b>	53,616



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### Contingencies

In the normal course of operations, the Company is party to legal claims and contingencies. Accruals are made in instances where it is probable that liabilities have been incurred and where such liabilities can be reasonably estimated. Although it is possible that liabilities may be incurred in instances for which no accruals have been made, the Company does not believe that the ultimate outcome of these matters will have a material impact on its financial position.

### Off-balance sheet arrangements

As at September 30, 2024, the Company does not have any off-balance sheet arrangements other than the commitments and contingencies noted above.

### Related party transactions

Key management personnel are those persons having the authority and responsibility for planning, directing, and controlling activities of the entity, directly or indirectly, including the Company's directors and officers.

The Company defines key management personnel as being the Board of Directors, the CEO and the executive leadership team. The remuneration of key management personnel for the three and nine months ended September 30, 2024 and 2023 was as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Salaries and benefits <sup>[1]</sup>	2,057	2,254	6,153	6,851
Stock-based compensation	2,761	774	4,673	2,738
<b>Total</b>	<b>4,818</b>	<b>3,028</b>	<b>10,826</b>	<b>9,589</b>

Note: [1] Includes salaries, bonuses, advisory fees, short-term employment benefits and other personnel costs.

As at September 30, 2024, \$890 (December 31, 2023 – \$1,208) was included in trade and other payables for salaries and benefits, directors' fees and reimbursement of expenses. The amounts due are unsecured, bear no interest and are payable on demand.

### Outstanding share capital

We are currently authorized to issue an unlimited number of common shares. The table below provides a summary of the outstanding share capital of the Company.

Capital	Authorized	Outstanding as at November 11, 2024
Common shares	Unlimited	193,066,384
Stock options		4,428,712
Restricted share units		1,107,318
Deferred share units		320,418

### Critical accounting policies and estimates

Please see the Company's audited consolidated financial statements for the year ended December 31, 2023 for a discussion of the accounting policies and estimates that are critical to the understanding of the Company's business operations and the results of its operations.

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## Management Discussion and Analysis

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### New or pending accounting standards, amendments and interpretations

The following new accounting standards were applied or adopted by the Company on January 1, 2024:

#### *Amendments to IAS 1 In January 2020, IASB issued Classification of Liabilities as “Current” or “Non-current”*

The narrow scope of these amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of its recognition. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least 12 months. That classification is unaffected by the likelihood that an entity will exercise its deferral right. The adoption of this amendment resulted in no impact on the Company's Financial Statements.

#### *Amendments to IFRS 16 in September 2022, IASB issued Lease Liability in a Sale and Leaseback*

The amendments specified the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. A sale and leaseback transaction involves the transfer of an asset by an entity to another entity and the leaseback of the same asset by the seller-lessee. The amendments are intended to improve the requirements for sale and leaseback transactions in IFRS 16. The adoption of these amendments resulted in no impact on the Company's Financial Statements.

#### *Amendments to IAS 7 and IFRS 7 in May 2023, IASB issued Disclosures: Supplier Finance Arrangements*

The amendments require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including the terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period, and the type and effect of non-cash changes in the carrying amounts of those arrangements. The information on those arrangements is required to be aggregated unless the individual arrangements have dissimilar or unique terms and conditions. The relief provisions of the amendments allow an exemption for interim financial statements in the first year of adoption. Appropriate disclosures (if required) will be included in the Company's annual consolidated financial statements for the year ending December 31, 2024.

#### *Amendments to IAS 12 in May 2023, IASB issued International Tax Reform – Pillar Two Model Rules*

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Company operates. The Company has performed an assessment of the Company's potential exposure to Pillar Two income taxes. This assessment is based on the most recent information available regarding the financial performance of the constituent entities in the Company. Based on the assessment performed, the Pillar Two effective tax rates in all jurisdictions in which the Company operates are above 15%. Therefore, the Company does not expect a potential exposure to Pillar Two top-up taxes.

#### *New standards, amendments and interpretations issued but not yet adopted by the Company*

The following new and amended standards and interpretations will become effective in future fiscal years. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective:

- Lack of Exchangeability – Amendments to IAS 21
- Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7
- IFRS 18 – Presentation and Disclosures in Financial Statements issued in April 2024
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28
- Annual Improvements to IFRS 1, IFRS 7, IFRS 9, IFRS 10, and IAS 7 Accounting Standards – Volume 11

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### Financial instruments and risk management

#### *Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits with banks and outstanding receivables. The Company has assessed the credit risk on its cash balance as low since its funds are held in highly rated financial institutions. The Company trades only with recognized, creditworthy third parties. The Company performs credit checks for all customers who wish to trade on credit terms. Due to the Company's diversified customer base, there is no particular concentration of credit risk related to the Company's receivables. As at September 30, 2024, one customer represented approximately 10% of the outstanding receivable balance. As at September 30, 2024, no individual customer represented greater than 10% of revenue.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, forecasting cash flows from operations and anticipating any investing and financing activities.

The Company intends to rely on positive cash flows from operations and available cash under existing credit facilities to achieve its future objectives. However, there can be no assurance that actual cash flows from operations will be as forecasted or that such equity and/or debt financings will be available on a timely basis under terms acceptable to the Company.

#### *Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

#### *Currency risk*

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates. The Company is not exposed to significant foreign currency exchange risk as it has minimal sales and purchase contracts denominated in currencies other than the functional currency of the Company and its subsidiaries.

Since the Company's reporting currency is Canadian dollars and the Company has significant US operations with US dollars as the functional currency for those operations, along with German operations with Euros as the functional currency and UK operations with Sterling Pounds as the functional currency, the Company is exposed to foreign currency fluctuations on its reported amounts of US, German, and UK assets and liabilities.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to fluctuations in interest rates since a significant portion of its capital structure consists of variable rate debt in the form of borrowings.

#### *Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risks as at September 30, 2024.

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### *Fair values*

The fair values of cash, trade and other receivables, other assets, investment in associates, trade and other payables, deferred considerations and other financial liabilities approximate their carrying values due to the immediate or short-term maturity of these financial instruments. The fair value of borrowings approximates their carrying value due to the variable interest rates on these instruments. The Company measures its contingent consideration on acquisitions at fair value.

All assets and liabilities for which fair value is measured or disclosed in these consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs that are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

During the three and nine months ended September 30, 2024, there were no transfers of amounts between levels.

### **Critical accounting estimates**

The preparation of the Company's condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Estimates and judgments related to the Company's risk management, including credit risk, liquidity risk and market risk are discussed above.

### **Revenue recognition**

#### *Multiple performance obligation arrangements*

At contract inception, the Company is required to assess the goods and services promised in a contract with a customer and identify a good or service that is distinct or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Judgment is required to assess which of the identified goods or services represent separate performance obligations as well as how to allocate the transaction price among the separate performance obligations. Judgment is required when allocating the transaction price to individual performance obligations within a contract. In concluding whether components are separately identifiable, management considers the transaction from the customer's perspective. Among other factors, management assesses whether the service or product is sold separately by the Company in the normal course of business or whether the customer could purchase the service or product separately.

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### *Gross versus net revenue presentation assessment*

The determination by the Company as to whether it acts as a principal in a transaction and recognizes revenue on the gross amount billed to a customer, or as an agent, and reports the sales transaction on a net basis requires significant judgement. In making its judgement, the Company considers all facts and circumstances with respect to its contract with the customer and applies the guidance under IFRS 15 Revenue from Contracts with Customers (IFRS 15) to each distinct performance obligation on whether it acts as a principal or agent in determining if the revenue should be recognized on a gross or net basis.

### Depreciation of property and equipment and amortization of intangible assets

Depreciation of property and equipment and amortization of intangible assets is dependent upon estimates of useful lives and residual values, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

### Goodwill impairment

Goodwill is tested annually for impairment, or more frequently when there is an indication that goodwill may be impaired. For the purposes of impairment testing, goodwill acquired through business combinations is allocated to a cash generating unit ("CGU") or group of CGUs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Significant judgment is involved in determining the smallest group of assets that generates independent cash flows. The Company is required to estimate the recoverable amount of goodwill annually, which requires the Company to use significant judgement in determining the fair value of the CGU, including estimates and assumptions of growth rates, foreign exchange rates, discount rates, future operating performance and capital requirements. Any changes in rates or assumptions used by the Company as a result of industry uncertainties, changing economic conditions or other events could negatively affect future assessments of the recoverable amount of a CGU.

### Fair value of financial instruments

When the fair value of financial assets and financial liabilities, including contingent consideration, recorded in the consolidated statements of financial position cannot be derived from active markets, the fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible. Where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

### Leases

Management exercises judgment in the process of applying *IFRS 16 – Leases* and determining the appropriate lease term on a lease-by-lease basis as well as the incremental borrowing rate. Management considers many factors including any events that create an economic incentive to exercise a renewal option including store performance, expected future performance and past business practice. Renewal options are only included if Management is reasonably certain that the option will be renewed.

### Valuation of share-based payments

Management measures the costs for share-based payments using market-based option valuation techniques. Assumptions are made and estimates are used in applying the valuation techniques. These include estimating the future volatility of the share price, expected dividend yield, expected risk-free interest rate and the rate of forfeiture. Such estimates and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of share-based payments.

### Income taxes

The Company computes an income tax provision in each of the tax jurisdictions in which it operates. Actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant tax authorities,

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which occurs subsequent to the issuance of the consolidated financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets against future taxable income based on an assessment of the ability to use the underlying future tax deductions before they expire. To the extent that estimates of future taxable income differ from the tax return, earnings would be affected in a subsequent period.

### Business combinations

In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgement and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, the Company determines the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Business combinations are accounted for using the acquisition method of accounting, which requires the Company to identify and attribute values and estimated lives to the identifiable intangible assets acquired based on their estimated fair value. The purchase consideration of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition-date fair value and the amount of any NCI in the acquiree.

For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in *'Acquisition, integration, restructuring and other costs'*.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be a financial asset or liability will be recognized in accordance with *IFRS 9 – Financial Instruments: Classification and Measurement*.

### Consolidation

Judgment is required in determining the nature of its interest in another entity or arrangement. Judgment is required to assess whether the Company controls an investee, including consideration of the Company's power over the investee; whether the Company is exposed, or has rights, to variable returns from its involvement with the investee; and whether the Company has the ability to use its power to affect the investee's returns. The Company uses judgment when reassessing whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Judgment is also required to assess whether the Company has joint control of an arrangement or significant influence over another entity.

### Allowance for doubtful accounts

The Company has elected to apply the simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses ("ECLs") for trade receivables and unbilled revenue. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The Company measures ECLs by considering the Company's historical observed default rates and credit loss experience, adjusted with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

### Risks and uncertainties

The Company's business is subject to a number of risk factors which are described in the "Factors affecting the Company's performance" section of this MD&A, its AIF for the year ended December 31, 2023 and its annual MD&A for the years ended December 31, 2023, all of which are available at [www.sedarplus.ca](http://www.sedarplus.ca) under the Company's profile. The risks presented in the Company's filings should not be considered to be exhaustive and may not be all of the risks

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that Converge may face. It is believed that these are the factors that could cause actual results to be different from expected and historical results. If any of the noted risks occur, it may negatively affect the financial results of the Company and adversely affect the market price of Converge.

The Company has analyzed the wide-ranging effects of economic uncertainty, encompassing factors such as inflation and higher interest rates. This evaluation also considered the broader impacts stemming from global geopolitical instability and the persistent effects of the novel coronavirus pandemic on its condensed consolidated interim financial statements. As of September 30, 2024, management has concluded that the Company's capacity to carry out its medium and long-term plans, along with the economic sustainability of its assets—covering the carrying value of long-lived assets and inventory valuations—is not significantly affected. In arriving at this determination, the Company has considered various factors, including existing laws, regulations, orders, disruptions, and potential disruptions in the supply chain, market disturbances for its products, commodity prices, foreign exchange rates, and the measures taken by the Company at its operations to safeguard the health and safety of its workforce and the local community.

### Foreign exchange impact on consolidated results

The following tables have been prepared to assist readers in assessing the foreign exchange (“FX”) impact on selected results for the three and nine months ended September 30, 2024.

For the three months ended	Q3 2024	Q3 2024	Q3 2024	Q3 2023
	(as reported in CAD) \$	(FX impact) \$	(in CAD using Q3 2023 FX rates) \$	(as reported in CAD) \$
Gross sales <sup>1</sup>	945,006	(18,283)	926,723	1,036,760
Revenue	630,690	(13,106)	617,584	710,106
Gross profit	158,257	(3,191)	155,066	174,090
Selling, general and administrative expenses	129,042	(2,427)	126,615	134,935
Income tax (recovery) expense	(3,409)	49	(3,360)	(1,057)
Net loss	(3,309)	87	(3,222)	(3,316)
Adjusted EBITDA <sup>1</sup>	32,114	(807)	31,307	41,258

For the nine months ended	YTD 2024	YTD 2024	YTD 2024	YTD 2023
	(as reported in CAD) \$	(FX impact) \$	(in CAD using YTD 2023 FX rates) \$	(as reported in CAD) \$
Gross sales <sup>1</sup>	3,014,662	(53,937)	2,960,725	2,959,258
Revenue	1,911,303	(36,056)	1,875,247	2,054,117
Gross profit	512,813	(9,402)	503,411	521,351
Selling, general and administrative expenses	400,878	(7,068)	393,810	403,667
Income tax (recovery) expense	(7,499)	191	(7,308)	(2,937)
Net loss	(171,812)	4,575	(167,237)	(11,174)
Adjusted EBITDA <sup>1</sup>	119,430	(2,460)	116,970	123,789

<sup>1</sup> This is a Non-IFRS measure (including non-IFRS ratio or supplementary financial measure) and not a recognized, defined or standardized measure under IFRS. See the “Non-IFRS Financial & Supplementary Financial Measures” section of this MD&A.

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### Evaluation of disclosure controls and procedures

Management is responsible for establishing and maintaining disclosure controls and procedures. Under the supervision and with the participation of the CEO and Chief Financial Officer (CFO), management evaluated the effectiveness of the Company's disclosure controls and procedures. Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in annual filings, interim filings or other reports filed or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed in the annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to management, including the Company's certifying officers, as appropriate to allow timely decisions regarding required disclosure. Management concluded that the Company's disclosure controls and procedures were effectively designed as at September 30, 2024.

### Evaluation of internal control over financial reporting

Management is responsible for establishing and maintaining internal control over financial reporting. Under the supervision and with the participation of the Company's President and CEO and the CFO, management evaluated the effectiveness of the Company's internal control over financial reporting. Internal control is a process designed by, or under the supervision of, an issuer's certifying officers, and effected by the issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS and includes those policies and procedures that: (a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company; (b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the IFRS, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (c) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements.

Management concluded that the Company's internal controls over financial reporting were effectively designed and operating as at September 30, 2024 and that there were no material weaknesses in the Company's internal control over financial reporting as at September 30, 2024.

There have been no changes to the Company's internal controls over financial reporting during the quarter ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

### Further information

Additional information relating to the Company is available on the Company's website at [www.convergetp.com](http://www.convergetp.com) and on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).