# Converge Technology Solutions Corp.

Management Discussion and Analysis
For the Three Months Ended December 31, 2024 and 2023
and Fiscal 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 December 31, 2024.

This MD&A for the three months ended December 31, 2024 ("Q4 2024") and 2023 ("Q4 2023") and for the years ended December 31, 2024 ("Fiscal 2024") and 2023 ("Fiscal 2023") should be read in conjunction with the Company's audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2024 and 2023 ("Financial Statements"). The financial information presented in this MD&A is derived from the Financial Statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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.

This MD&A is dated as of March 5, 2025 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.

## 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”), the proposed timing and completion of the Transaction, approval of the Transaction by Converge’s shareholders at the a special meeting of the Company’s shareholders, the satisfaction of the conditions precedent to the Transaction; timing, receipt and anticipated effects of court and other approvals, the delisting from the TSX and the closing of the Transaction, 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 (vii) the industries Converge operates in will continue to grow consistent with past experience. Forward-looking statements regarding the Transaction are based on assumptions as to the ability of the parties to receive, in a timely manner and on satisfactory terms, the necessary regulatory, court and shareholder approvals; the ability of the parties to satisfy, in a timely manner, the other conditions for the completion of the Transaction, and other expectations and assumptions concerning the proposed Transaction. The anticipated dates indicated may change for a number of reasons, including the necessary regulatory, court and shareholder approvals, the necessity to extend the time limits for satisfying the other conditions for the completion of the proposed Transaction or the ability of the Board to consider and approve, subject to compliance by the Company of its obligations under the Arrangement Agreement, a superior proposal for the Company. 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 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, gross sales organic growth, and gross profit 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, 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.

*Adjusted Net Income and Adjusted EPS*

Adjusted Net Income represents net income (loss) adjusted to exclude acquisition, integration, restructuring and other expenses, change in fair value of contingent consideration, 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 twelve months ended December 31, 2024, deducts gross sales and gross profits from Portage CyberTech Inc. ("Portage") for the three and six months ended December 31, 2023 due to the 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.

## 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.

*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[1] for the three months ended December 31, 2024 was $1.11 billion, an increase of $27.4 million or 2.5%, compared to the three months ended December 31, 2023. For the year ended December 31, 2024 and 2023, gross sales[1] was $4.12 billion and $4.04 billion, respectively, an increase of $82.8 million or 2.1%.

- Revenue for the three months ended December 31, 2024 was $680.8 million, an increase of $29.7 million or 4.6%, compared to the three months ended December 31, 2023. For the year ended December 31, 2024 and 2023, revenue was $2.59 billion and $2.71 billion, respectively, a decrease of $113.1 million or 4.2%.

- Gross profit for the three months ended December 31, 2024 was $178.6 million, a decrease of $2.9 million or 1.6%, compared to the three months ended December 31, 2023. For the year ended December 31, 2024 and 2023, gross profit was $691.4 million and $702.9 million, respectively, a decrease of $11.5 million or 1.6%.

- Net loss for the three months ended December 31, 2024 was $9.2 million, compared to net income of $4.8 million for the three months ended December 31, 2023, a decrease of $14.0 million or 291.9%. For the year ended December 31, 2024 and 2023, net loss was $181.0 million, compared to net loss of $6.4 million.

- Adjusted EBITDA[1] for the three months ended December 31, 2024 was $47.9 million, an increase of $1.4 million or 3.0%, compared to the three months ended December 31, 2023. For the year ended December 31, 2024 and 2023, Adjusted EBITDA[1] was $167.3 million and $170.3 million, respectively, a decrease of $3.0 million or 1.7%.

- For the three months ended December 31, 2024 and 2023, cash from operating activities was $57.0 million and $114.5 million, respectively, a decrease of $57.5 million or 50.2%. For the year ended December 31, 2024 and 2023, cash from operating activities was $269.4 million and $229.5 million, respectively, an increase of $39.9 million or 17.4%.

[1] 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.

*Other highlights*

- As a result of the change in operating segments, the Company performed an impairment test on June 1, 2024 resulting from continued decline in its Germany business, concluding 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 year ended December 31, 2024. Please refer to *"Overall company performance and key changes in financial results*" section of this MD&A for further discussion.

- 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. As at December 31, 2024, the carrying value of investment in associates is $4,795 and the Company's share of loss from associates for the twelve months ended December 31, 2024 is $25,930, out of which $21,931 was due to the Company 51% share of an impairment loss of goodwill and intangibles recognized by Portage.

- During the year ended December 31, 2024, 15,639,200 Common Shares were repurchased by the Company under its Normal-Course Issuer Bid ("NCIB") for an aggregate purchase price of $71,506. All Common Shares repurchased in the Fiscal 2024 repurchased under the NCIB had been cancelled as at December 31, 2024.

- On February 7, 2025, Converge announced it had entered into an arrangement agreement (the "Arrangement Agreement") with an affiliate of H.I.G. Capital ("H.I.G."), whereby H.I.G agreed to acquire all of the issued and outstanding common shares (the "Common Shares") of the Company (the "Transaction"). Under the terms of the Arrangement Agreement, shareholders will receive C$5.50 per Common Share in cash, other than Common Shares held by certain shareholders who enter into rollover equity agreements. The purchase price of the Transaction values Converge at an enterprise value of approximately C$1.3 billion. The Transaction, which was which was approved unanimously by the Board is subject to shareholder approval, court and regulatory approvals and clearance, and other customary closing conditions. Subject to the satisfaction of such conditions, the Transaction is expected to be completed during the second half of 2025. If the Arrangement Agreement is terminated under certain conditions, either the Company or H.I.G. is required to pay a termination fee; in the case of the Company, the termination fee is $34.4 million, and in the case of H.I.G., the termination fee is US$36.4 million (or approximately $53 million). Upon completion of the Transaction, the Company intends to apply to delist the Common Shares from all public markets and cease to be a reporting issuer under Canadian securities laws.

## 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 recent 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.

*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.

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

## Summary of consolidated financial results

The following table provides the consolidated operating results for the Company for the three and twelve months ended December 31, 2024 and 2023:

| | Three months ended December 31, | | Twelve months ended December 31, | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **$** | $ | **$** | $ |
| **Revenue** | | | | |
| Product | **555,055** | 490,948 | **2,058,494** | 2,098,880 |
| Service | **125,723** | 160,142 | **533,587** | 606,327 |
| Total revenue | **680,778** | 651,090 | **2,592,081** | 2,705,207 |
| Cost of sales | **502,149** | 469,561 | **1,900,639** | 2,002,327 |
| **Gross profit** | **178,629** | 181,529 | **691,442** | 702,880 |
| Selling, general and administrative expenses | **134,040** | 137,451 | **534,918** | 541,118 |
| **Income before the following** | **44,589** | 44,078 | **156,524** | 161,762 |
| Depreciation and amortization | **20,283** | 29,212 | **89,665** | 111,451 |
| Finance expense, net | **8,098** | 10,355 | **30,979** | 41,225 |
| Acquisition, integration, restructuring and other | **5,737** | 2,679 | **16,429** | 13,648 |
| Change in fair value of contingent consideration | **6,293** | 5,464 | **10,582** | 14,673 |
| Share-based compensation | **1,185** | 954 | **5,858** | 3,692 |
| Other loss (income), net | **237** | (132) | **1,357** | (4,362) |
| Loss on loss of control of Portage | **-** | - | **117** | - |
| Loss from investment in associates | **23,962** | - | **25,930** | - |
| Impairment loss – Germany segment | **-** | - | **176,124** | - |
| **Loss before income taxes** | **(21,206)** | (4,454) | **(200,517)** | (18,565) |
| Income tax recovery | **(12,032)** | (9,235) | **(19,531)** | (12,172) |
| **Net (loss) income** | **(9,174)** | 4,781 | **(180,986)** | (6,393) |
| Net (loss) income attributable to: | | | | |
| Shareholders of Converge | **(9,174)** | 5,861 | **(177,713)** | (1,448) |
| Non-controlling interest (“NCI”) | **-** | (1,080) | **(3,273)** | (4,945) |
| | **(9,174)** | 4,781 | **(180,986)** | (6,393) |
| **Other comprehensive (loss) income** | | | | |
| Exchange differences on translation of foreign operations | **15,594** | 916 | **24,640** | (9,745) |
| **Comprehensive (loss) income** | **6,420** | 5,697 | **(156,346)** | (16,138) |
| Comprehensive (loss) income attributable to: | | | | |
| Shareholders of Converge | **6,420** | 6,777 | **(153,073)** | (11,193) |
| Non-controlling interest | **-** | (1,080) | **(3,273)** | (4,945) |
| | **6,420** | 5,697 | **(156,346)** | (16,138) |
| **Adjusted EBITDA**[1] | **47,885** | 46,505 | **167,315** | 170,294 |
| **Adjusted EBITDA as a % of gross profit**[1] | **26.8%** | 25.6% | **24.2%** | 24.2% |

[1] This is a Non-IFRS measure (including non-IFRS ratio or supplementary financial measure) and not a recognized, defined or standardized measure under IFRS.

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

## Adjusted EBITDA

The Company has reconciled Adjusted EBITDA[1] to the most comparable IFRS financial measure for the three and twelve months ended December 31, 2024 and 2023 as follows:

| | Three months ended December 31, | | Twelve months ended December 31, | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **$** | $ | **$** | $ |
| **Net (loss) income before taxes** | **(21,206)** | (4,454) | **(200,517)** | (18,565) |
| Depreciation and amortization[i] | **20,283** | 29,212 | **89,665** | 111,451 |
| Depreciation included in cost of sales[i] | **3,296** | 2,427 | **10,791** | 8,532 |
| Finance expense, net[ii] | **8,098** | 10,355 | **30,979** | 41,225 |
| Acquisition, integration, restructuring and other[iii] | **5,737** | 2,679 | **16,429** | 13,648 |
| Change in fair value of contingent consideration[iv] | **6,293** | 5,464 | **10,582** | 14,673 |
| Share-based compensation[v] | **1,185** | 954 | **5,858** | 3,692 |
| Other loss (income), net[vi] | **237** | (132) | **1,357** | (4,362) |
| Loss on loss of control of Portage[vii] | **-** | - | **117** | - |
| Loss from investment in associates[viii] | **23,962** | - | **25,930** | - |
| Impairment loss – Germany segment[ix] | **-** | - | **176,124** | - |
| **Adjusted EBITDA[1]** | **47,885** | 46,505 | **167,315** | 170,294 |

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, deferred consideration and financing programs, net of interest income.
(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, restricted stock units, and deferred share units granted to employees and board members.
(vi) Other loss (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.

[1] 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.

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

## Overall company performance and key changes in financial results

*Gross sales*[1]

The following table presents the Company's gross sales[1] for the three and twelve months ended December 31, 2024 and 2023:

| | Three months ended December 31, | | Twelve months ended December 31, | |
|---|---|---|---|---|
| | **2024** **$** | 2023 $ | **2024** **$** | 2023 $ |
| Product | **811,839** | 719,974 | **2,898,039** | 2,747,172 |
| Managed services and professional services | **119,128** | 138,001 | **472,535** | 522,827 |
| Maintenance, support, and cloud solutions | **175,088** | 220,688 | **750,143** | 767,922 |
| Gross sales[1] | **1,106,055** | 1,078,663 | **4,120,717** | 4,037,921 |
| Less: adjustment for sales transacted as agent | **425,277** | 427,573 | **1,528,636** | 1,332,714 |
| Revenue | **680,778** | 651,090 | **2,592,081** | 2,705,207 |

The following table presents the Company's gross sales[1] by geographical segment for the three months ended December 31, 2024:

| | **Q4 2024** | | | | | Q4 2023 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **USA $** | **Canada $** | **Europe $** | **UK $** | **Total $** | USA $ | Canada $ | Europe $ | UK $ | Total $ |
| Gross sales[1] | **879,304** | **90,134** | **87,324** | **49,293** | **1,106,055** | 847,555 | 102,804 | 78,005 | 50,299 | 1,078,663 |
| Less: adjustment for sales transacted as agent | **378,431** | **36,017** | **7,313** | **3,516** | **425,277** | 377,907 | 35,591 | 11,985 | 2,090 | 427,573 |
| Revenue | **500,873** | **54,117** | **80,011** | **45,777** | **680,778** | 469,648 | 67,213 | 66,020 | 48,209 | 651,090 |

The following table presents the Company's gross sales[1] by geographical segment for the twelve months ended December 31, 2024:

| | **Fiscal 2024** | | | | | Fiscal 2023 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **USA $** | **Canada $** | **Europe $** | **UK $** | **Total $** | USA $ | Canada $ | Europe $ | UK $ | Total $ |
| Gross sales[1] | **3,212,431** | **343,239** | **306,346** | **258,701** | **4,120,717** | 3,079,231 | 375,099 | 313,083 | 270,508 | 4,037,921 |
| Less: adjustment for sales transacted as agent | **1,394,814** | **97,378** | **24,562** | **11,882** | **1,528,636** | 1,180,628 | 90,261 | 54,627 | 7,198 | 1,332,714 |
| Revenue | **1,817,617** | **245,861** | **281,784** | **246,819** | **2,592,081** | 1,898,603 | 284,838 | 258,456 | 263,310 | 2,705,207 |

[1] 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.

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

The following table calculates gross sales organic growth[1] for the three months ended December 31, 2024:

| | Q4 2024 $ | Q4 2023 $ |
|---|---|---|
| Gross sales[1] | **1,106,055** | 1,078,663 |
| Less: gross sales from companies not owned in comparative period[1] | **-** | 17,286 |
| Gross sales of companies owned in comparative period[1] | **1,106,055** | 1,061,377 |
| Less: prior period gross sales[1(i)] | **1,074,132** | 956,803 |
| **Organic Growth[1] – $** | **31,923** | 104,574 |
| **Organic Growth[1] – %** | **3.0%** | 10.9% |

Note:
(i) In Q4 2024, Portage prior period gross sales[1] of $4,531 is excluded.

The following table calculates gross sales organic growth[1] for the twelve months ended December 31, 2024:

| | Fiscal 2024 $ | Fiscal 2023 $ |
|---|---|---|
| Gross sales[1] | **4,120,717** | 4,037,921 |
| Less: gross sales from companies not owned in comparative period[1] | **-** | 611,045 |
| Gross sales of companies owned in comparative period[1] | **4,120,717** | 3,426,876 |
| Less: prior period gross sales[1(i)] | **4,028,409** | 3,090,981 |
| **Organic Growth[1] – $** | **92,308** | 335,895 |
| **Organic Growth[1] – %** | **2.3%** | 10.9% |

Note:
(i) In YTD 2024, Portage prior period gross sales[1] of $9,512 is excluded.

*Gross sales organic growth[1]*

Gross sales organic growth[1] was $31,923 or 3.0% for the three months ended December 31, 2024, compared to $104,574 or 10.9% in the equivalent period in the prior year. Gross sales organic growth[1] was $92,308 or 2.3% for the twelve months ended December 31, 2024, compared to $335,895 or 10.9% in the equivalent period in the prior year. In both periods, the organic growth is primarily driven by favorable foreign currency impact.

*Revenue*

The following table presents the Company's revenues by product and services for the three and twelve months ended December 31, 2024 and 2023:

| | **For the three months ended December 31,** | | **For the twelve months ended December 31,** | |
|---|---|---|---|---|
| | **2024 $** | 2023 $ | **2024 $** | 2023 $ |
| Product | **555,055** | 490,948 | **2,058,494** | 2,098,880 |
| Managed services and professional services | **102,737** | 133,091 | **442,954** | 503,457 |
| Maintenance, support, and cloud solutions | **22,986** | 27,051 | **90,633** | 102,870 |
| Total | **680,778** | 651,090 | **2,592,081** | 2,705,207 |

[1] 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.

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

Product revenue includes hardware and software sales. Product revenue increased from $490,948 to $555,055 or 13.1% for the three months ended December 31, 2024 compared to the equivalent period in the prior year and decreased by $40,386 to $2,058,494 or 1.9% for the twelve months ended December 31, 2024, compared to the equivalent period in the prior year. The increase for the three months ended December 31, 2024, was primarily due to favorable foreign currency impact. The decrease for the twelve months ended December 31, 2024 was primarily due to higher software sales that are recognized on a net basis under IFRS 15 due to acting as an agent for software sales transactions.

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 $133,091 to $102,737 or 22.8% for the three months ended December 31, 2024, compared to the equivalent period in the prior year and by $60,503 to $442,954 or 12.0% for the twelve months ended December 31, 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, termination of certain low value contracts at TIG and lower non-recurring resale services.

Maintenance, support and cloud solutions revenue includes revenue from public cloud resell, maintenance and support contracts. Maintenance, support and cloud solutions revenue decreased from $27,051 to $22,986, or 15.0% for the three months ended December 31, 2024, compared to the equivalent period in the prior year and by $12,237 to $90,633 or 11.9% for the twelve months ended December 31, 2024, compared to the equivalent period in the prior year. In both periods, the decrease primarily due to lower maintenance and support related to high value hardware sales offset by strong cloud solutions revenue.

*Gross profit and gross profit margin*[1]

The following table calculates gross profit organic growth[1] for the three months ended December 31, 2024 and 2023:

| | **Q4 2024<br>$** | Q4 2023<br>$ |
|---|---|---|
| Gross profit | **178,629** | 181,529 |
| Less: gross profit from companies not owned in comparative period | **-** | 3,032 |
| Gross profit of companies owned in comparative period | **178,629** | 178,497 |
| Less: prior period gross profit[(i)] | **178,656** | 168,916 |
| **Organic Growth[1] – $** | **(27)** | 9,581 |
| **Organic Growth[1] – %** | **-** | 5.7% |

Note:
(i) In YTD 2024, Portage prior period gross profit of $2,873 is excluded.

[1] 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.

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

The following table calculates gross profit organic growth[1] for the twelve months ended December 31, 2024 and 2023:

| | **Fiscal 2024** **$** | Fiscal 2023 $ |
|---|---|---|
| Gross profit | **691,442** | 702,880 |
| Less: gross profit from companies not owned in comparative period | **-** | 107,295 |
| Gross profit of companies owned in comparative period | **691,442** | 595,585 |
| Less: prior period gross profit[(i)] | **696,556** | 550,767 |
| **Organic Growth[1] – $** | **(5,114)** | 44,818 |
| **Organic Growth[1] – %** | **(0.7%)** | 8.1% |

Note:
(i) In YTD 2024, Portage prior period gross profit[1] of $6,324 is excluded

Gross profit organic growth[1] was ($27) for the three months ended December 31, 2024, compared to $9,581 or 5.7% in the equivalent period in the prior year. Gross profit organic growth[1] was ($5,114) or (0.7%) for the twelve months ended December 31, 2024, compared to $44,818 or 8.1% in the equivalent period in the prior year.

Gross profit margin[1] decreased from 27.9% to 26.2% for the three months ended December 31, 2024, compared to the equivalent period in the prior year and increased from 26.0% to 26.7% for the twelve months ended December 31, 2024, compared to the equivalent period in the prior year.

Gross profit margin[1] will fluctuate due to product mix as (i) most hardware sale 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 expenses comprised of the following expenses for the three and twelve months ended December 31, 2024 and 2023:

| | **Three months ended December 31,** | | **Twelve months ended December 31,** | |
|---|---|---|---|---|
| | **2024** **$** | 2023 $ | **2024** **$** | 2023 **$** |
| Salaries and benefits | **110,310** | 111,547 | **437,007** | 442,346 |
| General office, IT, insurance and travel | **14,639** | 18,289 | **65,149** | 66,420 |
| Professional fees | **3,982** | 4,413 | **16,246** | 19,874 |
| Other expenses | **4,091** | 2,091 | **13,553** | 10,752 |
| Marketing expenses, net | **1,018** | 1,111 | **2,963** | 1,726 |
| **Total** | **134,040** | 137,451 | **534,918** | 541,118 |

Salaries and benefits expense decreased from $111,547 to $110,310 or 1.1% for the three months ended December 31, 2024, compared to the equivalent period in the prior year and by $5,339 to $437,007 or 1.2% for the twelve months ended December 31, 2024, compared to the equivalent period in the prior year. In both periods, the decrease is primarily due to lower headcount from deconsolidation of Portage offset by continued investment in sales and technical resources.

[1] 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.

General office, IT, insurance and travel expense decreased from $18,289 to $14,639 or 20.0% for the three months ended December 31, 2024, compared to the equivalent period in the prior year and by $1,271 to $65,149 or 1.9% for the twelve months ended December 31, 2024, compared to the equivalent period in the prior year. In both periods, the decrease is primarily due to cost control measures.

Professional fees decreased from $4,413 to $3,982 or 9.8% for the three months ended December 31, 2024, compared to the equivalent period in the prior year and decreased by $3,628 to $16,246 or 18.3% for the twelve months ended December 31, 2024, compared to the equivalent period in the prior year. For the three months ended December 31, 2024, the decrease is primarily due to advisory services for support and consultation. For the twelve months ended December 31, 2024, the decrease is primarily due to cost control measures.

Other expenses increased from $2,091 to $4,091 or 95.6% for the three months period ended December 31, 2024, compared to the equivalent period in the prior year and increased by $2,801 to $13,553 or 26.1% for the twelve months period ended December 31, 2024, compared to the equivalent period in the prior year. In both periods, the increase is primarily due to provisions for credit risk and sales taxes.

Marketing expenses decreased from $1,111 to $1,018 or 8.4% for the three months period ended December 31, 2024, compared to the equivalent period in the prior year and increased by $1,237 to $2,963 or 71.7% for the twelve months period ended December 31, 2024, compared to the equivalent period in the prior year. The increase is primarily due to lower MDF funds.

*Depreciation and amortization*

Amortization of intangibles decreased from $24,468 to $17,386 or 28.9% for the three months ended December 31, 2024, compared to the equivalent period in the prior year and by $12,101 to $75,158 or 13.9% for the twelve months ended December 31, 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 and due to deconsolidation of Portage.

Depreciation expense decreased from $4,744 to $2,897 or 38.9% for the three months ended December 31, 2024, compared to the equivalent period in the prior year and by $9,685 to $14,507 or 40% for the twelve months ended December 31, 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 and deconsolidation of Portage.

*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 $10,355 to $8,098, or 21.8% for the three months ended December 31, 2024, compared to the equivalent period in the prior year and by $10,246 to $30,979 or 24.9% for the twelve months ended December 31, 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 at lower interest rates.

*Acquisition, integration, restructuring and other*

Acquisition, integration, restructuring and other expenses increased from $2,679 to $5,737 or 114.1% for the three months ended December 31, 2024, compared to the equivalent period in the prior year and by $2,781 to $16,429 or 20.4% for the twelve months ended December 31, 2024, compared to the equivalent period in the prior year.

For the three months ended December 31, 2024, acquisition, integration, restructuring and other expenses were primarily related to $1,197 of acquisition and transaction related costs, $4,045 of restructuring costs, $368 of integration costs including professional fees incurred, and $127 of other costs. During the same period in the prior year, acquisition, integration, restructuring and other expenses were primarily related to $415 of acquisition and transaction related costs, $979 of restructuring costs, $1,054 of integration costs, and $231 of other costs.

For the twelve months ended December 31, 2024, acquisition, integration, restructuring and other expenses were primarily related to $5,329 of acquisition and transaction related costs, $7,910 of restructuring costs, $2,460 of integration costs including professional fees incurred, and $730 of other costs. During the same period in the prior year, acquisition, integration, restructuring and other expenses were primarily related to $4,232 of acquisition and transaction related costs, $5,543 of restructuring costs, $1,579 of integration costs including professional fees incurred, and $2,294 of other costs.

*Change in fair value of contingent consideration*

Change in fair value of contingent consideration for the three months ended December 31, 2024 was $6,293, compared to $5,464 in the equivalent period in the prior year. Change in fair value of contingent consideration for the twelve months ended December 31, 2024 was $10,582, compared to $14,673 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 twelve months ended December 31, 2024 was $1,185 and $5,858, respectively, an increase of $231 and $2,166, respectively, compared to equivalent periods in the prior year. The increase is primarily due to new grants during the period.

*Other loss (income), net*

Other loss for the three months ended December 31, 2024 was $237 compared to other income of $132 in the prior year. Other loss for the year ended December 31, 2024 was $1,357 compared to other income of $4,362 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 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 year ended December 31, 2024.

*Loss on investment in associates*

Loss from investment in associates for the three months and year ended December 31, 2024 was $23,962 and $25,930, respectively, out of which $21,931 was due to the Company 51% share of an impairment loss recognized by Portage.

*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 cash generating unit ("CGU") was higher than its recoverable amount and accordingly recognized a non-cash impairment loss of $176,124 (2023 – $nil) for the year ended December 31, 2024. The impairment loss resulted in reduction of goodwill of $145,935 and reduction in intangible assets of $30,189.

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

*Income tax recovery*

Income tax recovery for the three months ended December 31, 2024 increased to $12,032 from $9,235 in the prior year. For the year ended December 31, 2024, income tax recovery was $19,531 compared to $12,172 in the prior year.

*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[1] 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 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:

| | 2024 | | | | | 2023 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **For the three months ended December 31,** | **North America $** | **Germany $** | **UK $** | **Portage $** | **Total $** | North America $ | Germany $ | UK $ | Portage $ | Total $ |
| **Gross sales[1]** | **969,438** | **87,324** | **49,293** | **-** | **1,106,055** | 945,828 | 78,005 | 50,299 | 4,531 | 1,078,663 |
| **Revenue** | **554,990** | **80,011** | **45,777** | **-** | **680,778** | 532,500 | 66,020 | 48,209 | 4,361 | 651,090 |
| **Gross profit** | **155,125** | **13,598** | **9,906** | **-** | **178,629** | 157,953 | 11,573 | 9,130 | 2,873 | 181,529 |
| **(Loss) Income before income taxes** | **(13,610)** | **(585)** | **(7,011)** | **-** | **(21,206)** | 6,679 | (2,971) | (4,630) | (3,532) | (4,454) |
| Depreciation and amortization | **14,757** | **2,882** | **2,644** | **-** | **20,283** | 20,608 | 4,481 | 2,786 | 1,337 | 29,212 |
| Depreciation included in cost of sales | **3,296** | **-** | **-** | **-** | **3,296** | 2,427 | - | - | - | 2,427 |
| Finance expense, net | **5,957** | **(674)** | **2,815** | **-** | **8,098** | 6,917 | 2,156 | 857 | 425 | 10,355 |
| Acquisition, integration, restructuring and other | **4,687** | **435** | **615** | **-** | **5,737** | 1,313 | 968 | - | 398 | 2,679 |
| Change in fair value of contingent consideration | **7,210** | **-** | **(917)** | **-** | **6,293** | 5,514 | - | - | (50) | 5,464 |
| Share-based compensation | **1,185** | **-** | **-** | **-** | **1,185** | 954 | - | - | - | 954 |
| Other loss (income), net | **(2,261)** | **1,627** | **871** | **-** | **237** | (1,051) | 413 | 373 | 133 | (132) |
| Loss from investment in associates | **23,962** | **-** | **-** | **-** | **23,962** | - | - | - | - | - |
| **Adjusted EBITDA[1]** | **45,183** | **3,685** | **(983)** | **-** | **47,885** | 43,361 | 5,047 | (614) | (1,289) | 46,505 |

*Note: The above table excludes intercompany sales across operating segments.*

[1] 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.

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

| | 2024 | | | | | 2023 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **For the twelve months ended December 31,** | **North America** $ | **Germany** $ | **UK** $ | **Portage** $ | **Total** $ | North America $ | Germany $ | UK $ | Portage $ | Total $ |
| **Gross sales**[1] | **3,545,974** | **306,346** | **258,701** | **9,696** | **4,120,717** | 3,434,734 | 313,083 | 270,508 | 19,596 | 4,037,921 |
| **Revenue** | **2,054,150** | **281,784** | **246,819** | **9,328** | **2,592,081** | 2,164,483 | 258,456 | 263,310 | 18,958 | 2,705,207 |
| **Gross profit** | **583,577** | **50,633** | **50,911** | **6,321** | **691,442** | 593,971 | 51,040 | 44,882 | 12,987 | 702,880 |
| **(Loss) Income before income taxes** | **4,967** | **(189,829)** | **(8,396)** | **(7,259)** | **(200,517)** | 13,895 | (11,713) | (8,496) | (12,251) | (18,565) |
| Depreciation and amortization | **61,844** | **14,464** | **10,673** | **2,684** | **89,665** | 77,762 | 17,015 | 11,419 | 5,255 | 111,451 |
| Depreciation included in cost of sales | **10,791** | **-** | **-** | **-** | **10,791** | 8,532 | - | - | - | 8,532 |
| Finance expense, net | **21,609** | **5,220** | **3,265** | **885** | **30,979** | 30,092 | 6,103 | 3,335 | 1,695 | 41,225 |
| Acquisition, integration, restructuring and other | **12,457** | **2,206** | **888** | **878** | **16,429** | 10,948 | 1,289 | 27 | 1,384 | 13,648 |
| Change in fair value of contingent consideration | **11,499** | **-** | **(917)** | **-** | **10,582** | 14,723 | - | - | (50) | 14,673 |
| Share-based compensation | **5,858** | **-** | **-** | **-** | **5,858** | 3,692 | - | - | - | 3,692 |
| Other loss (income), net | **(3,917)** | **3,146** | **2,104** | **24** | **1,357** | (5,623) | 488 | 625 | 148 | (4,362) |
| Loss on loss of control of Portage | **117** | **-** | **-** | **-** | **117** | - | - | - | - | - |
| Loss from investment in associates | **25,930** | **-** | **-** | **-** | **25,930** | - | - | - | - | - |
| Impairment loss – Germany segment | **-** | **176,124** | **-** | **-** | **176,124** | - | - | - | - | - |
| **Adjusted EBITDA**[1] | **151,155** | **11,331** | **7,617** | **(2,788)** | **167,315** | 154,021 | 13,182 | 6,910 | (3,819) | 170,294 |

*Note: The above table excludes intercompany sales across operating segments.*

[1] 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.

North America's revenue increased by $22,490 or 4.2% to $554,990 for the three months ended December 31, 2024 compared to the equivalent period in the prior year, and decreased by $110,333 or 5.1% to $2,054,150 for the twelve months ended December 31, 2024 compared to the equivalent period in the prior year. The increase in revenue for the three months ended December 31, 2024 is driven by favorable foreign currency impact while the decrease in revenue for the twelve months ended December 31, 2024 was primarily due to higher software sales recognized on a net basis compared to prior periods, partly offset by favorable foreign currency impact.

North America's Adjusted EBITDA[1] increased by $1,822 or 4.2% to $45,183 for the three months ended December 31, 2024 compared to the equivalent period in the prior year and decreased by $2,866 or 1.9% to $151,155 for the twelve months ended December 31, 2024 compared to the equivalent period in the prior year. The increase in Adjusted EBITDA[1] for the three months ended December 31, 2024 is primarily driven by favorable foreign currency impact and lower expenses due to cost control measures. The decrease in Adjusted EBITDA[1] for the twelve months ended December 31, 2024 is primarily due to lower gross profit generated, partially offset by lower costs due to cost control measures and favorable foreign currency impact.

Germany's revenue increased by $13,991 or 21.2% to $80,011 for the three months ended December 31, 2024 compared to the equivalent period in the prior year, and by $23,328 or 9.0% to $281,784 for the twelve months ended December 31, 2024 compared to the equivalent period in the prior year. The increase was primarily due to higher sales in end-user device products to the education sector.

Germany's Adjusted EBITDA[1] decreased by $1,362 or 27.0% to $3,685 for the three months ended December 31, 2024 compared to the equivalent period in the prior year and decreased by $1,851 or 14.0% to $11,331 for the twelve months ended December 31, 2024 compared to the equivalent period in the prior year. The decrease in both periods in the Adjusted EBITDA[1] is primarily due to lower gross profits and higher costs as we continue to invest in the business.

UK's revenue decreased by $2,432 or 5.0% to $45,777 for the three months ended December 31, 2024 compared to the equivalent period in the prior year, and by $16,491 or 6.3% to $246,819 for the twelve months ended December 31, 2024 compared to the equivalent period in the prior year. The decrease was primarily due to large non-recurring hardware transaction in the education sector in the prior year.

UK's Adjusted EBITDA[1] decreased by $369 or 60.1% to ($983) for the three months ended December 31, 2024 compared to the equivalent period in the prior year and increased by $707 or 10.2% to $7,617 for the twelve months ended December 31, 2024 compared to the equivalent period in the prior year. The year-to-date increase in Adjusted EBITDA[1] is primarily due to cost reduction measures higher gross profits.

Portage was deconsolidated on June 27, 2024, resulting in no segment results for the three months ended December 31, 2024 and the activity for the twelve months ended December 31, 2024 represents activity prior to deconsolidation.

---

[1] 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.

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

## Selected annual information

| | Fiscal 2024 $ | Fiscal 2023 $ | Fiscal 2022 $ |
|---|---|---|---|
| Revenues | 2,592,081 | 2,705,207 | 2,164,647 |
| Gross profit | 691,442 | 702,880 | 550,768 |
| Gross margin[1] | 26.7% | 26.0% | 25.4% |
| Adjusted EBITDA[1] | 167,315 | 170,294 | 142,868 |
| Adjusted EBITDA Margin[1] (% of revenue) | 6.5% | 6.3% | 6.6% |
| Earnings per share: | | | |
| Basic | (0.90) | (0.01) | 0.13 |
| Diluted | (0.90) | (0.01) | 0.13 |
| Net (loss) income | (180,986) | (6,393) | 22,844 |
| Acquisition, integration, restructuring and other | 16,429 | 13,648 | 24,113 |
| Change in fair value of contingent consideration | 10,582 | 14,673 | 14,033 |
| Amortization on intangibles | 75,158 | 87,259 | 59,549 |
| Unrealized foreign exchange loss (gain) | 1,077 | (4,480) | (19,581) |
| Share-based compensation | 5,858 | 3,692 | 5,594 |
| Loss on loss of control of Portage | 117 | - | - |
| Loss on investment in associate | 25,930 | - | - |
| Impairment loss – Germany segment | 176,124 | - | - |
| Adjusted Net Income[1] | 130,289 | 108,399 | 106,552 |
| Adjusted EPS[1]: | | | |
| Basic | 0.66 | 0.53 | 0.50 |
| Net cash provided from operating activities | 269,381 | 229,540 | 41,586 |
| Total current assets | 1,236,972 | 1,073,765 | 1,128,279 |
| Total non-current assets | 949,292 | 1,079,597 | 1,120,597 |
| Total current liabilities | 1,324,573 | 978,025 | 1,437,906 |
| Total non-current liabilities | 502,956 | 563,182 | 180,160 |

*Revenue*

Revenue for the fiscal years ended December 31, 2024, 2023 and 2022 was $2,592,081, $2,705,207 and $2,164,647, respectively. The decrease in revenue from Fiscal 2023 to Fiscal 2024 was primarily attributable to higher software sales that are recognized on a net basis under IFRS 15 and lower managed and professional services due to completion of two large talent solutions contracts with customers. The increase in revenue from Fiscal 2022 to Fiscal 2023 was due to (a) revenue from acquisitions, (b) the compounded effect of upsells from businesses acquired, and (c) organic growth.

*Net (loss) income*

For the fiscal years ended December 31, 2024, 2023 and 2022, net (loss) income was $(180,986), $(6,393) and $22,844, respectively. Net loss in Fiscal 2024 was primarily due to the impairment loss of the Germany CGU of $176,124 and loss from investment in associates of $25,930.

[1] 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.

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

*Current assets*

Current assets are mainly comprised of cash of $142,733 (December 31, 2023 – $170,419), trade and other receivables of $1,000,573 (December 31, 2023 – $803,652), inventories of $62,938 (December 31, 2023 – $73,166) and prepaid expenses and other assets of $30,728 (December 31, 2023 – $26,528).

*Non-current assets*

Non-current assets are mainly comprised of goodwill of $404,711 (December 31, 2023 – $564,770), intangible assets of $265,882 (December 31, 2023 – $375,181), property, equipment, and right-of-use assets of $69,696 (December 31, 2023 – $75,488), unbilled receivable and other assets of $204,208 (December 31, 2023 – $64,158), and investment in associate of $4,795 (December 31, 2023 – nil). Goodwill and intangible assets are primarily the result of acquisitions completed. The decrease in goodwill and intangible assets 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 sale of multi-year software, maintenance & support and cloud revenue contracts.

*Current liabilities*

Current liabilities are mainly comprised of $1,202,943 (December 31, 2023 – $853,655) in trade and other payables from the Company's operations, $81,109 (December 31, 2023 – $59,325) in deferred revenue, and $39,882 (December 31, 2023 – $54,095) in other financial liabilities.

*Non-current liabilities*

Non-current liabilities are comprised of $255,464 in borrowings (December 31, 2023 – $378,007), $34,174 (December 31, 2023 – $57,668) in other financial liabilities, $184,514 in long term trade and other payable (December 31, 2023 – $60,339), and deferred tax liabilities of $28,804 (December 31, 2023 – $67,168). The decrease in non-current liabilities is mainly due to repayment of borrowings, deconsolidation of Portage while the increase in long term trade and other payable is due to increase in accrued cost of multi-year revenue contracts. The following table provides a summary of borrowings, other financial liabilities and lease liabilities:

| As at | **December 31, 2024<br>$** | December 31, 2023<br>$ |
|---|---|---|
| Revolver Credit Facility | **256,103** | 379,671 |
| Lease liabilities | **44,981** | 53,616 |
| NCI liability, deferred and contingent consideration related to acquisitions | **29,075** | 53,977 |
| NCIB Liability | **-** | 2,500 |
| Notes payable | **-** | 1,670 |
| | **330,159** | 491,434 |
| Non-current | **289,638** | 435,675 |
| Current | **40,521** | 55,759 |

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

## 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.

| | Q4 2024 $ | Q3 2024 $ | Q2 2024 $ | Q1 2024 $ | Q4 2023 $ | Q3 2023 $ | Q2 2023 $ | Q1 2023 $ |
|---|---|---|---|---|---|---|---|---|
| Revenues | 680,778 | 630,690 | 651,847 | 628,766 | 651,090 | 710,106 | 665,813 | 678,198 |
| Gross profit | 178,629 | 158,257 | 179,284 | 175,272 | 181,529 | 174,090 | 175,672 | 171,589 |
| Gross margin[1] | 26.2% | 25.1% | 27.5% | 27.9% | 27.9% | 24.5% | 26.4% | 25.3% |
| Adjusted EBITDA[1] | 47,885 | 32,114 | 45,107 | 42,209 | 46,505 | 41,258 | 41,527 | 41,004 |
| Net (loss) income | (9,174) | (3,309) | (164,963) | (3,540) | 4,781 | (3,316) | (4,495) | (3,363) |
| Earnings per share: | | | | | | | | |
| Basic | (0.05) | (0.02) | (0.82) | (0.01) | 0.03 | (0.01) | (0.02) | (0.01) |
| Diluted | (0.05) | (0.02) | (0.82) | (0.01) | 0.03 | (0.01) | (0.02) | (0.01) |
| Net (loss) income | (9,174) | (3,309) | (164,963) | (3,540) | 4,781 | (3,316) | (4,495) | (3,363) |
| Acquisition, integration, restructuring and other | 5,737 | 2,236 | 4,868 | 3,588 | 2,679 | 2,601 | 4,083 | 4,285 |
| Change in fair value of contingent consideration | 6,293 | 1,016 | 1,129 | 2,144 | 5,464 | - | 9,209 | - |
| Amortization on intangibles | 17,386 | 17,915 | 20,271 | 19,586 | 24,468 | 21,056 | 21,527 | 20,210 |
| Unrealized foreign exchange loss (gain) | 197 | 650 | 73 | 157 | (132) | (493) | (6,317) | 2,462 |
| Share-based compensation | 1,185 | 2,761 | 1,140 | 772 | 954 | 774 | 1,117 | 847 |
| Loss on loss of control of Portage | - | - | 117 | - | - | - | - | - |
| Loss from investment in associates | 23,962 | 1,968 | - | - | - | - | - | - |
| Impairment loss – Germany segment | - | - | 176,124 | - | - | - | - | - |
| Adjusted Net Income[1] | 45,586 | 23,237 | 38,759 | 22,707 | 38,214 | 20,622 | 25,124 | 24,441 |
| Adjusted EPS[1]: | | | | | | | | |
| Basic | 0.23 | 0.12 | 0.19 | 0.11 | 0.19 | 0.10 | 0.12 | 0.12 |

## 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.

[1] 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.

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

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.

## Cash flow analysis

As at December 31, 2024, total cash was $142,733 (December 31, 2023 – $170,419); a decrease of $27,686 since the beginning of the year. This was primarily due to cash from operations offset by payments on deferred consideration, contingent consideration, purchase of property and equipment, interest and repayment of debt.

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

| | **Three months ended December 31,** | | **Twelve months ended December 31,** | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **$** | $ | **$** | $ |
| Cash from operating activities | **56,973** | 114,481 | **269,381** | 229,540 |
| Cash used in investing activities | **(5,765)** | (3,269) | **(39,116)** | (103,926) |
| Cash used in financing activities | **(92,671)** | (44,261) | **(264,822)** | (113,298) |
| **Net change in cash** | **(41,463)** | 66,951 | **(34,557)** | 12,316 |
| Effect of foreign exchange fluctuations on cash | **3,732** | (1,753) | **7,945** | (1,787) |
| Cash derecognized on loss of control of Portage | **-** | - | **(1,074)** | - |
| Cash at the beginning of period | **180,464** | 105,221 | **170,419** | 159,890 |
| **Cash at the end of the period** | **142,733** | 170,419 | **142,733** | 170,419 |

*Cash from operating activities*

Cash from operating activities was $56,973 for the three months ended December 31, 2024. This was primarily attributable to net income less items not affecting cash of $42,122, an increase of non-cash working capital balances of $16,822 offset by income taxes paid of $1,971. In comparison, cash from operating was $114,481 for the three months ended December 31, 2023. This was primarily attributable to net income less items not affecting cash of $44,289 and an increase of non-cash working capital balances of $71,888 offset by income taxes paid of $1,696.

Cash from operating activities was $269,381 for the twelve months ended December 31, 2024. This was primarily attributable to net income less items not affecting cash of $150,693 and an increase of non-cash working capital balances of $148,464 offset by income taxes paid of $29,776. In comparison, cash from operating was $229,540 for the twelve months ended December 31, 2023. This was primarily attributable to net income less items not affecting cash of $157,923 and an increase of non-cash working capital balances of $90,746 offset by income taxes paid of $19,129.

*Cash used in investing activities*

Cash used in investing activities was $5,765 for the three months ended December 31, 2024, primarily due to payment of contingent consideration of $5,971. In comparison, cash used in investing activities was $3,269 for the three months ended December 31, 2023, primarily due to purchase of property and equipment of $2,038 and payment of contingent consideration of $3,939.

Cash used in investing activities was $39,116 for the twelve months ended December 31, 2024, primarily due to payment of deferred consideration of $12,375, payment of contingent consideration of $25,299 and purchase of property and equipment and intangibles of $1,442. In comparison, cash used in investing activities was $103,926 for the twelve months ended December 31, 2023, primarily due to payment of deferred consideration of $41,114, payment of NCI liability of $30,967, payment of contingent consideration of $24,773 and net purchase of property and equipment and intangibles of $7,072.

*Cash used in financing activities*

Cash used in financing activities was $92,671 for the three months ended December 31, 2024, primarily due to Company's net repayment of borrowings of $61,502, dividends paid of $2,852, interest paid of $5,637, repurchase of Common Shares of $17,713 and lease payments of $4,967. In comparison, cash used in financing activities was $44,261 for the three months ended December 31, 2023, primarily due to the Company's net repayment of borrowings of $29,882, dividends paid of $2,042, interest paid of $7,938, repurchase of Common Shares of $2,094 and lease payments of $5,427.

Cash used in financing activities was $264,822 for the twelve months ended December 31, 2024, primarily due to Company's net repayment of borrowings of $139,848, interest paid of $23,767, lease payments of $19,760, dividend payments of $10,777 and repurchase of Common Shares of $71,506. In comparison, cash used in financing activities was $113,298 for the twelve months ended December 31, 2023, primarily due to Company's net repayment of borrowings of $40,475, interest paid of $33,724, lease payments of $20,626, dividend payments of $6,156 and repurchase of Common Shares of $17,388.

*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 feature, increasing the total borrowing capacity 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 year ended December 31, 2024 was 6.8% (2023 – 7.4%). 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 December 31, 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.

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

## Commitments and contingencies

*Commitments*

As at December 31, 2024, the Company is committed under office building, vehicle, and computer equipment leases, for the following minimum annual rentals:

| | **December 31, 2024** **$** | December 31, 2023 $ |
|---|---|---|
| **Minimum lease payments** | | |
| 2024 | **-** | 18,774 |
| 2025 | **16,752** | 14,085 |
| 2026 | **11,590** | 8,936 |
| 2027 | **8,685** | 6,779 |
| 2028 | **4,826** | 3,696 |
| 2029 and onwards | **8,559** | 7,458 |
| | **50,412** | 59,728 |
| Less: future finance charges | **(5,431)** | (6,112) |
| Present value of minimum lease payments | **44,981** | 53,616 |
| Current liabilities | **15,055** | 16,928 |
| Non-current liabilities | **29,926** | 36,688 |
| Total | **44,981** | 53,616 |

*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 December 31, 2024, the Company does not have any off-balance sheet arrangements other than the commitments and contingencies noted above.

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

## 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 during the year was as follows:

| | For the three months ended December 31, | | For the twelve months ended December 31, | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **$** | $ | **$** | $ |
| Salaries and benefits[(i)] | **3,714** | 2,503 | **9,867** | 9,354 |
| Share-based compensation | **1,185** | 954 | **5,858** | 3,692 |
| Total | **4,899** | 3,457 | **15,725** | 13,046 |

Note:
(i) Included in salaries and benefits are salaries and wages, bonuses, advisory fees, short-term employment benefits and other personnel costs.

As at December 31, 2024, $499 (December 31, 2023 – $1,208) was included in trade and other payables for salaries and benefits and directors' fees. The amounts due are unsecured, bear no interest and are payable on demand.

## Outstanding share capital

The table below provides a summary of the outstanding share capital of the Company.

| Capital | Authorized | Outstanding as at March 5, 2025 |
|---|---|---|
| Common Shares | Unlimited | 188,607,084 |
| Stock options | | 4,128,712 |
| Restricted share units | | 1,045,300 |
| 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, 2024 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.

## New or pending accounting standards, amendments and interpretations

The following new accounting standards were applied or adopted by the Company during the year ended December 31, 2024:

*Amendments to IAS 1 in January 2020, IASB issued Classification of Liabilities as "Current" or "Non-current"*

The narrow scope of these amendments affects 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 these amendments resulted in no impact on the Company's consolidated 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 material impact on the Company's consolidated 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 adoption of these amendments results in additional disclosures which are included in the Company's consolidated financial statements (see Note 18).

*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.

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 issued in August 2023*

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique. The amendments will be effective for annual reporting periods beginning on or after January 1, 2025. The Company expects no significant impact in adopting these amendments on its consolidated financial statements.

*Classification and Measurement of Financial Instruments – Amendments to IRS 9 and IFRS 7 issued in May 2024*

The amendments clarify that a financial liability is derecognized on the "settlement date" and also introduces an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met. The amendment clarifies how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance ("ESG")-linked features and other similar contingent features, and the treatment of non-recourse assets and contractually linked instruments. It requires additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income. The amendments will be effective for annual reporting periods beginning on or after January 1, 2026. The Company is assessing the impact of adopting these amendments on its consolidated financial statements.

*Annual Improvements to IFRS Accounting Standards – Volume 11 issued in July 2024*

Annual Improvements to IFRS Accounting Standards – Volume 11 amends IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7. The amendments will be effective for annual reporting periods beginning on or after January 1, 2026. The Company is assessing the impact of adopting these amendments on its consolidated financial statements.

*IFRS 18 – Presentation and Disclosures in Financial Statements issued in April 2024*

IFRS 18 introduces new categories and subtotals in the statement of profit or loss. It also requires disclosure of management-defined performance measures (as defined) and includes new requirements for the location, aggregation and disaggregation of financial information. The amendments will be effective for reporting periods beginning on or after January 1, 2027 and will apply retrospectively. The Company is assessing the impact of adopting these amendments on its consolidated financial statements.

## 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 December 31, 2024, no individual customer represented greater than 10% of the outstanding receivable balance or revenue.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become 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.

The Company participates in a supplier financing arrangements with the principal purpose of facilitating efficient payment processing of supplier invoices. While the arrangement does not significantly extend payment terms beyond the normal terms agreed with other suppliers that are not participating, the arrangement assists in making cash outflows more predictable.

*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 the Canadian dollar 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 Great British 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. As at December 31, 2024, the Company had net assets of $32,244 (2023 – net assets of $7,613) denominated in US dollars, net liabilities of $70,213 (2023 – net assets of $101,522) denominated in euros, and net assets of $1,991 (2023 – net liabilities of $3,955) denominated in Great British pounds. A 10% change in exchange rates between the euro and Canadian dollar results in a $7,021 impact on the Company's net assets denominated in euros. A 10% change in exchange rates between the US and Canadian dollar results in a $3,224 impact on the Company's net assets denominated in US dollar. A 10% change in exchange rates between the Great British pounds and Canadian dollar would not result in a material impact on the Company's net liabilities recorded on the Company's consolidated statements of financial position. All such changes are recorded to other comprehensive income.

*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. As at December 31, 2024, the Company had $256,393 (2023 – $379,220) of variable rate debt. A 100 basis points increase or decrease in the interest rates would result in a change in interest expense of $2,564 (2023 – $3,792) for the year ended December 31, 2024.

*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 December 31, 2024.

*Fair values*

The fair values of cash, trade and other receivables, other assets, 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.

Contingent consideration on acquisitions are classified as Level 3 financial instruments. During the year, there were no transfers of amounts between levels.

## Critical accounting estimates

The preparation of the Company's consolidated 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 consolidated 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. Judgement 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.

*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 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, 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 AIF and in this MD&A, all of which are available at www.sepdarplus.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 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 on its consolidated financial statements. As of December 31, 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.

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

## 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 twelve months ended December 31, 2024.

| For the three months ended | Q4 2024 (as reported in CAD) $ | Q4 2024 (FX impact) $ | Q4 2024 (in CAD using Q4 2023 FX rates) $ | Q4 2023 (as reported in CAD) $ |
|---|---|---|---|---|
| Gross sales[1] | **1,106,055** | (26,019) | **1,080,036** | 1,078,663 |
| Revenue | **680,778** | (16,338) | **664,440** | 651,090 |
| Gross profit | **178,629** | (4,543) | **174,086** | 181,529 |
| Selling, general and administrative expenses | **134,040** | (3,303) | **130,737** | 137,451 |
| Income tax (recovery) expense | **(12,032)** | 209 | **(11,823)** | (9,235) |
| Net (loss) income | **(9,174)** | 84 | **(9,091)** | 4,781 |
| Adjusted EBITDA[1] | **47,885** | (1,128) | **46,757** | 46,505 |

| For the year ended | Fiscal 2024 (as reported in CAD) $ | Fiscal 2024 (FX impact) $ | Fiscal 2024 (in CAD using Fiscal 2023 FX rates) $ | Fiscal 2023 (as reported in CAD) $ |
|---|---|---|---|---|
| Gross sales[1] | **4,120,717** | (131,604) | **3,989,113** | 4,037,921 |
| Revenue | **2,592,081** | (83,154) | **2,508,927** | 2,705,207 |
| Gross profit | **691,442** | (22,821) | **668,621** | 702,880 |
| Selling, general and administrative expenses | **534,918** | (16,920) | **517,998** | 541,118 |
| Income tax (recovery) expense | **(19,531)** | 333 | **(19,198)** | (12,172) |
| Net (loss) income | **(180,986)** | 3,561 | **(177,425)** | (6,393) |
| Adjusted EBITDA[1] | **167,315** | (6,061) | **161,254** | 170,294 |

## 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 December 31, 2024.

[1] 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.

## 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 December 31, 2024 and that there were no material weaknesses in the Company's internal control over financial reporting as at December 31, 2024.

There have been no changes to the Company's internal controls over financial reporting for the period ended December 31, 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 and on SEDAR+ at www.sedarplus.ca.