Converge Technology Solutions Corp.

Management Discussion and Analysis

For the three months ended March 31, 2020 and 2019

Converge Technology Solutions Corp.
Management Discussion and Analysis

(expressed in thousands of Canadian dollars)

General Information

The following management discussion and analysis ("MD&A") of the financial condition, changes in financial condition and results of operations of Converge Technology Solutions Corp. (formerly Norwick Capital Corp.) (the "Company" or "Converge") constitutes management's review of the factors that affected the Company's financial and operating performance for the three months ended March 31, 2020 and 2019. This MD&A should be read in conjunction with the unaudited condensed consolidated financial statements and accompanying notes thereto for the three months ended March 31, 2020, as well as the Company's audited annual MD&A and consolidated financial statements and accompanying notes thereto for the year ended December 31, 2019.

The condensed interim consolidated financial statements have been prepared in accordance with accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in effect for the Company's reporting three months ended March 31, 2020. The condensed interim consolidated financial statements can be found at **www.sedar.com** and **www.convergetp.com**.

This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This MD&A is dated as at May 13, 2020 and was approved by the Board of Directors on that date. Results are reported in thousands of Canadian dollars unless otherwise stated.

The Company was incorporated under the provisions of the *Business Corporations Act* (British Columbia) on January 4, 2018 under the name "Norwick Capital Corp." and on November 7, 2018, the Company's name was changed to "Converge Technology Solutions Corp." The Company's head office is located at 161 Bay Street Suite 2325, Toronto, ON M5J 2S1.

About Forward-Looking Information

Certain information and statements within the MD&A and documents incorporated by reference may constitute "forward-looking information" (as defined in applicable Canadian securities legislation) which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiaries, or the industry in which the Company operates, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, the words "estimate", "believe", "anticipate", "intend", "expect", "plan", "may", "should", "will", the negative thereof or other variations thereon or comparable terminology are intended to identify forward-looking statements. Such forward-looking statements reflect the current expectations of the management of the Company with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results, performance or expansion and growth achievements to differ materially from those expressed or implied by those forward looking statements, such as significant changes in market conditions, the inability of the Company to close sales and the inability of the Company to attract sufficient financing and including the risk factors summarized above under the heading "Risks and Uncertainties". New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in such forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained in this MD&A speak only as of the date hereof. The Company does not undertake or assume any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

Non-IFRS Financial Measures

This MD&A refers to certain performance indicators including EBITDA and Adjusted EBITDA that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management believes that these measures are useful to most shareholders, creditors and other stakeholders in analyzing the Company's results. 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. See section "Non-IFRS Financial Measures".

Overview of the Business

Converge is a North American platform of regionally focused IT solution providers ("ITSP") in the United States of America ("US") and Canada connecting best of breed services and solutions to clients. Converge provides high quality hardware, software, and managed services solutions to corporate and government institutions.

Companies increasingly rely on the expertise and experience of an IT solutions provider to design their IT infrastructure and to procure and integrate the appropriate hardware and software for an integrated IT solution. 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.

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.

(expressed in thousands of Canadian dollars)

As a buyer of Information Technology Service Providers ("ITSPs"), Converge tends to seek out sellers that have digital transformation, cloud, compliance, security, vertical market and regional expertise. With a focus on these areas, Converge believes it is well positioned to become a solutions leader within these segments.

The following table presents further details on the acquired subsidiaries of Converge:

Company	Location	Ownership percentage
Northern Micro Inc. ("Northern Micro")	Ottawa, ON	100%
Corus Group, LLC ("Corus360")	Atlanta, GA	100%
BlueChip Tek, Inc. ("BCT")	Santa Clara, CA	100%
Key Information Systems, Inc. ("KeyInfo")	Agoura Hills, CA	100%
10084182 Canada Inc. o/a Becker-Carroll ("Becker-Carroll")	Ottawa, ON	100%
Lighthouse Computer Services, Inc., Creative Computing LLC, Lighthouse Middleware, LLC, Acumetrics Business Intelligence Inc. ("Lighthouse")	Providence, RI	100%
SIS Holding Company, LLC, Software Information Systems, LLC ("SIS")	Lexington, KY	100%(1)
Nordisk Systems, Inc. ("Nordisk")	Portland, OR	100%
Essextec Acquisition, LLC, Essex Technology Group, Inc., Essex Commercial Finance LLC ("Essextec")	New York, NY	100%
Datatrend Technologies, Inc. ("Datatrend")	Minneapolis, MN	100%
VSS Holdings, LLC, VSS, LLC, Information Insights, LLC ("VSS")	Madison, MS	100%(2)
Solutions P.C.D. Inc, P.C.D. Consultation Inc. ("PCD")	Montreal, QC	100%

Notes:

(1) The Company indirectly holds all of the issued and outstanding Class A membership units of SIS, which represent 100% of the economic and voting interests in SIS. As of the date of this MD&A, there are also 5,000,000 Class B membership units of SIS (which have no right to economic or voting participation in SIS) issued and outstanding, held by the vendors of SIS and exchangeable into common shares of the Company.

(2) The Company indirectly holds all of the issued and outstanding Class A membership units of VSS, which represents 100% of the economic interests in VSS. As of the date of this MD&A, there are also 60 Class B membership units of VSS (which have no right to economic participation in VSS) issued and outstanding, held by the vendors of VSS and exchangeable into common shares of the Company

Strategy

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 for 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.

Invest and Transform. 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.

Consolidate Certain Back-Office Functions. Starting with back office and support functions, Converge creates significant financial and operating efficiencies and 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 businesses, including leveraging vendor certifications and hardware volumes across groups to receive increased pricing incentives and rebates.

With its first acquisitions in 2017, Corus360 and Northern Micro, Converge was able to establish an acquisition platform that closely aligned with its stated strategy. During the first quarter of 2018, Converge acquired Becker-Carroll, a company specialized in delivering powerful blockchain solutions. During the second quarter of 2018, Converge expanded its offerings with the acquisition of Key Information Systems, Inc. (“KeyInfo”), an infrastructure company that simplifies complex technology challenges, and BlueChip Tek Inc. (“BCT”), an information technology professional services organization specialized in data center infrastructure integration, cloud optimization, and data center infrastructure solutioning. In the fourth quarter of 2018, Converge acquired Lighthouse Computer Services, Inc., Creative Computing, LLC, Lighthouse Middleware, LLC, and Acumetrics Business Intelligence Inc. (collectively “Lighthouse”), a highly skilled company experienced in analytics, hybrid cloud, infrastructure, and cybersecurity. During the first quarter of 2019, Converge acquired SIS Holding Company, LLC and Software Information Systems, LLC (collectively “SIS”), a strategic company focused on managed cloud delivery, compute efficiency, network optimization, and IT spend optimization. During the third quarter of 2019, Converge acquired Nordisk Systems, Inc. (“Nordisk”), a professional services organization specialized in infrastructure, cloud, security, analytics, business continuity and managed services solutions. During the fourth quarter of 2019, Converge acquired Essextec Acquisition, LLC. (“Essextec”), a leading Wall Street-based cloud, cognitive, and cybersecurity solution provider, Datatrend Technologies, Inc. (“Datatrend”), a leading technology solutions provider focused on Next Gen Data Center, hybrid cloud, infrastructure, multi-site IT deployments, and ISV/OEM solutions, and VSS Holdings, LLC (“VSS”), a leading technology solutions provider specializing in managed services, technology solutions, IT portfolio management and consulting services. On February 1, 2020, the Company acquired all of the issued and outstanding shares of Solutions P.C.D. Inc. and P.C.D. Consultation Inc. (collectively “PCD”), a Montreal, Canada based partner focused on solutions in enterprise system architecture, storage and information management, virtualization and cloud, and business continuity and disaster recovery.

COVID -19

The recent outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

As a result of government actions such as social distancing and requiring some non-essential business to temporarily close or curtail their operations Converge has experienced increased demand for solutions that allow employees to work remotely. To date, the Company has been able to fulfil this demand even at a time when demand is increasing and supply chains are under pressure. In most states and provinces that have enacted laws to limit business operations, Converge is, as of the date of this MD&A, considered an essential service. However, if the Company or its vendors and suppliers are unable to keep up with such increasing demands stemming from the recent outbreak of the COVID-19 virus, customers may experience delays or interruptions in service, which may be detrimental to the Company’s reputation and business. The Company cautions that government mandates, including shelter in place directives, adopted in response to the COVID-19 outbreak, if extended, may impact the economies where the Company now, or may in the future operate, key markets that the Company sells into and the markets through which the Company's key suppliers source their products in ways that impact the Company in future quarters to an extent that the Company cannot yet fully anticipate or quantify.

Business And Financial Highlights For The Three Months Ended March 31, 2020

Financial results:

- The Company earned revenue of $241,525, gross profit of $54,835, and adjusted EBITDA of $11,044 for the three months ended March 31, 2020 (three months ended March 31, 2019 – revenue of $170,601, gross profit of $37,207, and adjusted EBITDA of $8,453).

Financing

- On February 20, 2020, the Company closed an underwritten public offering (the "Offering") of common shares (the "Offering"). The Offering consisted of 5,769,231 common shares of the Company (the "Offered Shares"). The Offered Shares were offered at a price to the public of $1.30 per Offered Share for gross proceeds to the Company of $7,500, before deducting the underwriters' fees and estimated offering expenses. The Company also granted the underwriters an option, exercisable at any time, in whole or in part, until the date that is 30 days following closing to purchase, at the offering price, 865,384 additional common shares to cover over-allotments and for market stabilization purposes. On March 3, 2020, the underwriters partially exercised their over-allotment option to purchase an additional 592,084 common shares of the Company at a price of $1.30 per share, for additional gross proceeds to the Company of $770. As a result, the total gross proceeds of the Offering were $8,270 before transaction related costs of $976.

- On February 1, 2020, the Company entered into a 46-month credit agreement with a third party, which is secured by certain customer contracts. Under the agreement, quarterly repayments of blended principal and interest of $138 USD are required. The lender advanced cash of $2,635 ($1,992 USD) with an interest rate of 8.5% per annum.

- On March 18, 2020, the Company entered into a credit agreement with a third party, which was secured by certain customer contracts. Under the agreement, the first tranche with a three-year term requires monthly repayments of blended principal and interest of $190 USD. The lender advanced cash of $6,000 USD with an interest rate of 8.5% per annum. The second tranche with a one-year term requires monthly repayments of blended principal and interest of $350 USD. The lender advanced cash of $4,000 USD with an interest rate of 8.5% per annum.

Share Repurchase

On December 10, 2019 the TSX Venture Exchange ("TSXV") accepted the Company's Notice of Intention to Make a Normal Course Issuer Bid (the "Notice"). Pursuant to the Normal Course Issuer Bid (the "NCIB"), the Company may purchase for cancellation, through the facilities of the TSXV and/or permitted alternative trading systems, from time to time, up to an aggregate of 4,025,120 of the issued and outstanding common shares of the Company ("Common Shares"), being 5% of its issued and outstanding Common Shares as of December 3, 2019 (the last trading date prior to the Company's filing of the Notice). The NCIB commenced on December 16, 2019 and will remain in effect until the earlier of (i) December 16, 2020, (ii) the date upon which the Company acquires the maximum number of Common Shares permitted under the NCIB, or (iii) the date upon which the Company provides written notice of the termination of the NCIB to the TSXV. On December 16, 2019, the Company entered into an Automatic Share Purchase Plan ("ASPP") with a broker that allows the purchase of Common Shares for cancellation under the NCIB at any time during predetermined trading blackout periods.

During the three months ended March 31, 2020, 1,066,500 common shares have been repurchased for cancellation for an aggregate purchase price of $1,246 under the NCIB, of which 964,500 common shares have been cancelled as at March 31, 2020 (three months ended March 31, 2019 – nil). As at March 31, 2020, an obligation for the repurchase of shares of $4,389 was recognized under the ASPP (December 31, 2019 - $5,635).

Acquisitions

- On February 1, 2020, the Company acquired all of the issued and outstanding shares of PCD, a Montreal, Canada based partner focused on solutions in enterprise system architecture, storage and information management, virtualization and cloud, and business continuity and disaster recovery. The transaction will be accounted for as a business combination. Consideration for the purchase consisted of (i) $7,000 in cash; (ii) promissory notes in the total amount of $4,860 in favor of the sellers due over the three years following closing of the acquisition; and (iii) up to an aggregate of $4,500 in earn-out payments for the three years following closing of the acquisition based on the achievement of certain milestones.

Outlook for fiscal 2020

As a result of government actions such as social distancing and requiring some non-essential business to temporarily close or curtail their operations Converge has experienced increased demand for solutions that allow employees to work remotely. As a result of the COVID-19 virus, Converge anticipates a trend for companies to increase the use of cloud and hybrid cloud computing and remote access will likely gain additional traction in the foreseeable future. The Company also expects that in the longer term companies are likely to continue and may increase investment spending in cybersecurity, artificial intelligence and digital transformation. Converge's national footprint and partnerships with several of the leading hardware and software companies, positions the Company well to support these trends.

In the near term, COVID-19 has resulted in opportunities, such as increased demand to support remote workers and challenges, and supply of some hardware and fulfillment of some orders. Converge continues to work closely with suppliers and customers to meet their requirements during this period of uncertainty, however there can be no assurances that the Company will continue to see increased demand, nor be able to fully supply that demand.

Enterprise IT Priorities

According to the Enterprise Strategy Group ("ESG") Technology Spending Intentions Survey 2020, the top five technology focus areas for IT leaders are:

- Advanced Analytics - Artificial Intelligence ("AI")
- Cybersecurity tools and processes
- Digital Transformation
- Public Cloud – Applications & Infrastructure
- Hybrid Cloud Infrastructure

Advanced Analytics - AI

In quickly recognizing the growing importance of AI and advanced analytics, Converge has secured cognitive applications as a core component of its solutions portfolio. With more organizations increasing spend on AI, Converge is prepared to meet increased needs and provide sales, service, support, managed services, managed projects, and talent solutions in this sector.

Harnessing the Company's experience and skills in data warehousing, business intelligence, planning, and predicting, Converge's wide analytic reach provides clear differentiation, most specifically in regard to the company's core area of Cognitive Computing. In an increasingly analytical world, Converge's early adoption of and deep breadth of skills in AI yields a distinctive advantage over many of our competitors.

Cybersecurity

According to ESG, over 60 percent of companies in the previous year fell victim to a ransomware attack, and ESG forecasts organizations will increase their security spending to address this risk. This, along with a 44 percent security skills shortage, allows Converge a value proposition in combining its core competencies of Cybersecurity and Talent Solutions (ESG, 2020).

Converge has developed solutions, including managed services, across the continuum of cybersecurity. Converge's cybersecurity foundation assesses IT environments & risk, identifies gaps, builds a roadmap, develops strategies & policies, and designs & implements security solutions and recommendations. Each step of this foundation builds towards the company's ability to monitor and adjust for an organization's specific needs throughout the managed security lifecycle. In a digital environment that necessitates security, Converge's ability to add security from core architecture, the network, the edge, and the endpoint while staying ahead of the threats and providing fast remediation options, is an invaluable business advantage to combatting the growing number of cyberattacks.

Talent Solutions for IT Skills Gaps

In addition to a shortage of cybersecurity skills, more than half (52 percent) of organizations have a shortage of employees with hybrid IT architecture skills according to ESG. Converge is able to address this skills deficit with deep technical domain expertise and coordination of vendor networks in a one-stop solution. Broad knowledge of customers' systems and infrastructure allows for a consultative, solutions-oriented approach that helps to offset any lack of internal expertise.

Additionally, Converge can leverage its vast network of IT professionals and vendor partnerships to power its Talent Solutions practice. The Company delivers custom staffing and recruiting solutions to fit the needs of any modern enterprise.

Digital Transformation

ESG's report recognizes a continued emphasis on digital transformation. Three-quarters of organizations surveyed reported having a digital transformation initiative planned, in progress, or ready to launch, with 19 percent classified as "mature". Only five percent of businesses reported no digital transformation plans.

Converge's Digital Transformation practice is focused on Customer Experience (CX) technologies, including cognitive applications that optimize business processes across the customer journey. With recent Okta reports listing blockchain as a top 3 digital transformation technology, Converge's early investments in this solution has strengthened its solutions offering for logistics, financial services, and other sectors.

Converge's Digital Infrastructure practice remains a core component of the company's digital transformation solutions. Organizations continue to grapple with aging infrastructure and monolithic applications that must be modernized to enable digital transformation.

Cloud is also key, as ESG cites institutions in the most mature stages of digital transformation as aggressive in their use of public cloud infrastructure and applications. Converge's Cloud practice fulfills this business demand for cloud migration services.

Cloud Infrastructure

Through its acquisitions and investments, Converge has assembled an experienced team of leaders and experts dedicated to solving customers' cloud challenges and building a hybrid IT infrastructure that seamlessly combines hardware, software and services. The Company's multi-faceted cloud practice is built on a team of Solution Architects ready to enable organizations to adopt new strategies and approaches that embrace Cloud technologies.

The movement from on-premises IT infrastructure continues unabated. ESG finds that nine percent of enterprises maintain an "on-premises-first" policy, down from 24 percent in 2018. Almost half (42 percent) of workloads are considered strong candidates to move to the cloud, with another 32 percent as potential candidates. As such, Converge continues to build upon its partnerships with cloud technology leaders, including VMware, Red Hat, Microsoft Azure, Amazon Web Services, and Google. The Company believes there is significant market opportunity in cloud-enabling on-premises infrastructure and optimizing applications through containers, microservices, and related technologies.

With some workloads needing to remain on-premises, an emerging trend of "distributed cloud" is coming into focus, defined as "the distribution of public cloud services to different physical locations, while operation, governance, updates and the evolution of those services are the responsibility of the originating public cloud provider." (Gartner). Major cloud providers and Converge partners are leading the way, with solutions such as AWS Outposts, Google Anthos, and Microsoft Azure Stack.

Distributed cloud has been identified by Gartner as one of the Top 10 trends impacting infrastructure and operations in 2020. Converge is skilled in helping customers take advantage of this model due to its deep roots in design, implementation, and support of enterprise-class infrastructure, as well as its extensive knowledge of public cloud platforms, providing a competitive advantage in public cloud market.

Converge's Competitive Positioning

With a suite of hybrid IT solutions backed by industry-leading managed services, software, security, AI, transformation, and cloud offerings, Converge has strategically positioned itself as a valued supplier for customers and as a leader in this industry. The Company continues to rapidly move forward towards a services-oriented model in line with large IT vendors and consulting firms.

Execution of this strategy includes Converge's continued focus on its approach to growth through selective acquisitions and development of recurring revenue offerings. Converge's consolidation strategy provides customers with the resources and technical capabilities of a scaled platform, while maintaining the brand, reputation, and dedicated resources of a regional provider. An emphasis on hybrid IT solutions also facilitates entry into new markets and verticals, as well as cross-selling opportunities with existing customers.

In 2020, Converge will endeavor to strengthen its managed services, software, and other recurring revenue offerings across acquired businesses. This will bring the organization into the next phase of the Company's strategy, which focuses on larger acquisitions, back-office integration, and cost reduction opportunities. Such synergies are expected to drive the efficiency and scale needed to capture significant market share in the upcoming year and beyond.

(expressed in thousands of Canadian dollars)

Summary of Consolidated Financial Results

The following table provides consolidated financial results for the Company as indicated below:

For the three months ended March 31,		2020		2019
Revenues	$	**241,525**	$	170,601
Cost of sales		**186,690**		133,394
Gross profit		**54,835**		37,207
Selling, general and administrative expenses		**46,741**		29,646
Income before the following		**8,094**		7,561
Depreciation and amortization		**5,401**		2,608
Finance expense, net		**5,499**		3,381
Transaction costs		**402**		3,178
Other expenses (income)		**(1,619)**		234
Loss before income taxes		**(1,589)**		(1,840)
Income tax expense (recovery)		**(173)**		1,055
Net loss	$	**(1,416)**	$	(2,895)
Exchange loss on translation of foreign operations		**1,699**		33
Comprehensive loss	$	**(3,115)**	$	(2,928)
Adjusted EBITDA[i]	$	**11,044**	$	8,453

(i) See the "Adjusted EBITDA (Non-IFRS Financial Measurement)" for a reconciliation of this measurement to IFRS.

Adjusted EBITDA (Non-IFRS Financial Measurement)

Adjusted EBITDA represents net loss or income adjusted to exclude amortization, depreciation, interest expense and finance costs, foreign exchange gains and losses, income tax expense, and special charges related to acquisition and restructuring costs. The Company uses Adjusted EBITDA to provide investors with a supplemental measure of its operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company 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.

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

(expressed in thousands of Canadian dollars)

	For the three months ended March 31, 2020	2019
Net loss before taxes	**$ (1,589)**	$ (1,840)
Finance expense	**5,499**	3,381
Depreciation and amortization	**5,401**	2,608
Depreciation included in cost of sales	**1,434**	906
Foreign exchange loss (gain)	**(1,640)**	220
Special charges	**1,939**	3,178
Adjusted EBITDA	**$ 11,044**	$ 8,453

Special charges are primarily due to $507 of acquisition transaction costs, $1,257 of restructuring charges related to the integration of acquired companies and $175 of other costs. During the same period in the prior year, Special charges were primarily due to $1,752 acquisition transaction costs $1,246 restructuring charges related to the integration of acquired companies and $180 of other costs.

Overall Company Performance and Key Changes in Financial Results

Revenue

Revenue for the three months ended March 31, 2020 increased 42% to $241,525 from $170,601 for the three months ended March 31, 2019. The increase was due to the acquisitions of Nordisk, Datatrend, Essextec, VSS and PCD that were completed during the period subsequent to March 31, 2019. For the three months ended March 31, 2020 revenue by industry was approximately 23% from government, 23% from banking and financial services companies, 21% from technology companies and 10% from healthcare.

Gross profit and gross profit margin

For the three months ended March 31, 2020, gross profit increased 47% to $54,835 from $37,207 last year and gross profit margin increased to 22.7% of revenue, compared to a gross profit margin of 21.8% last year. The increase in gross profit margin is due primarily to the Company's focus on selling higher margin software and cloud services.

Selling, general, and administrative expenses

Selling, general, and administrative expenses comprised of the following expenses for the periods indicated below:

For the three months ended March 31,	2020	2019
Employee compensation and benefits	**$ 38,092**	$ 24,858
Professional fees	**483**	1,245
Office and travel	**6,585**	2,793
Marketing events	**1,372**	750
Other expenses	**209**	68
Total	**$ 46,741**	$ 29,646

Employee compensation and benefits for the three months ended March 31, 2020 increased to $38,092 from $24,858 last year primarily due to increased headcount related to the acquisitions of companies purchased subsequent to March 31, 2019. Professional fees decreased to $483 in the first three months of 2020 from $1,245 last year primarily due to lower acquisition activity in 2020. Office and travel increased to $6,585 for the three months ended March 31, 2020 from $2,793 last year due to increased activity related to companies acquired subsequent to March 31, 2019. Marketing events increased to $1,372 in the first quarter from $750 last year primarily due to the impact of increased marketing programs and activities related to the companies acquired subsequent to March 31, 2019. Other expenses were $209 for the three months ended March 31, 2020 compared to $68 last year.

Depreciation and amortization

Depreciation and amortization for the three months ended March 31, 2020 increased to $5,401 from $2,608 last year primarily due to intangible assets related to the acquisitions of companies purchased subsequent to March 31, 2019.

Finance expense

Finance expense for the three months ended March 31, 2020 of $5,499 consisted of interest expense related to (i) receivable backed financing of $4,281; (ii) notes payable of $375; (iii) debentures of $374; and (iv) right-of-use assets of $469. Finance expense for the three months ended March 31, 2019 of $3,381 consisted of interest expense related to (i) receivable backed financing of $2,272; (ii) notes payable of $359; (iii) debentures of $331; and (iv) right-of-use assets of $219. The increase in finance expense is due to the Company's growth in revenues and related accounts receivable, notes payable related to acquisitions and increased right-of-use assets from the acquisition of companies subsequent to March 31, 2019.

Transaction costs

Transaction costs for the three months ended March 31, 2020 decreased to $402 from $3,178 last year due to lower acquisition activity primarily as a result of COVID-19. A key part of the Company's strategy is to identify and acquire ITSPs that offer a multi-vendor technology solution for clients. The timing of identifying and closing transactions is difficult to predict and COVID-19 has caused a temporary pause on acquisitions, however the Company fully expects to continue its acquisition strategy and is continuing to review opportunities.

Other expense (income)

Other income for the three months ended March 31, 2020 was $1,619 compared to an expense of $234 last year. Other income and expense is primarily the impact of realized and unrealized foreign exchange gains and losses from foreign currency transactions translated into Canadian dollars. The significant swing year over year is due to the significant weakness of the Canadian dollar experienced due in part to COVID-19.

Income tax expense (recovery)

Income tax recovery for the three months ended March 31, 2020 was $173 compared to an expense of $1,055 for the comparative period last year. The recovery was primarily related to a few of the Company's US subsidiaries that operated at a loss in the quarter due in part to seasonality and in part to COVID-19, offset by Canadian operations and some US subsidiaries that have seasonally strong sales in the first quarter.

(expressed in thousands of Canadian dollars)

Quarterly Financial Results

	Three months ended (*unaudited*)							
	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019**	March 31, 2019**	December 31, 2018	September 30, 2018	June 30, 2018
Revenues	**241,525**	214,705	144,504	157,985	170,601	136,088	100,044	103,277
Gross Profit*	**54,835**	53,355	34,889	36,138	37,207	30,322	20,232	22,329
Gross Profit Margin	**23%**	25%	24%	23%	22%	22%	20%	22%
Adjusted EBITDA	**11,044**	11,832	5,827	5,510	8,453	5,759	(189)	5,331
Net income (loss)	**(1,416)**	1,593	(7,077)	(2,358)	(2,895)	(4,197)	(6,776)	(5,796)
Loss per share:								
Basic	**(0.02)**	0.02	(0.09)	(0.03)	(0.04)	(0.05)	(0.11)	(0.10)
Diluted	**(0.02)**	0.02	(0.09)	(0.03)	(0.04)	(0.05)	(0.11)	(0.10)
Total assets	**573,206**	488,884	303,788	303,932	326,354	256,298	176,436	166,418
Total current liabilities	**517,909**	445,215	265,275	259,785	287,363	236,710	162,978	158,070

The Company's quarterly financial results above show selected financial information from the results of operations and financial position for the periods indicated. In general, the business tends to fluctuate quarter over quarter based on a variety of factors. 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 above may not be indicative of the Company's financial performance in a future comparative period.

* Certain costs have been reclassified from selling, general and administrative to cost of sales for each of the three months ended September 30 and June 30, 2018 having an insignificant impact on gross margin.

** Certain amounts within revenues, cost of sales and selling, general and administrative have been revised for the three months ended June 30 and March 31, 2019. Revisions to revenue of $8,700 and $5,800 was recognized for the 3 months ended June 30 and March 31, 2019, respectively, with a corresponding amount recognized to cost of sales in the amount of $6,600 and $5,800 for the 3 months ended June 30 and March 31, 2019, respectively. Selling, general and administrative costs of $2,100 were reclassified from cost of sales for the 3 months ended June 30, 2019. The revised amounts have an insignificant impact on the gross profit amount and margin previously disclosed.

(expressed in thousands of Canadian dollars)

Overview of Financial Position

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

As at		**March 31, 2020**		December 31, 2019
Assets				
Current assets	$	**345,355**	$	287,184
Long-term assets		**227,851**		201,700
Total assets	$	**573,206**	$	488,884
Current liabilities		**517,909**		445,215
Long-term liabilities		**58,669**		53,546
Total liabilities	$	**576,578**	$	498,761
Shareholders' equity				
Common Shares		**31,429**		20,612
Warrants		**6**		243
Contributed surplus		**307**		307
Exchange rights		**5,813**		6,773
Foreign exchange translation reserve		**(1,630)**		69
Deficit		**(39,297)**		(37,881)
Total shareholders' deficiency	$	**(3,372)**	$	(9,877)
Total liabilities and shareholders' equity	$	**573,206**	$	488,884

Current Assets

Current assets are mainly comprised of trade and other receivables of $251,585 (December 31, 2019 - $220,138), inventories of $45,393 (December 31, 2019 - $23,376), and cash of $26,749 (December 31, 2019 - $20,590). Trade and other receivables increased $31,447 due to an overall increase in sales in Q1 2020 primarily due to the acquisitions made in 2019. Inventory increased $22,017 primarily due to the seasonality of the Company's operations.

Long-term assets

Long-term assets are mainly comprised of goodwill of $97,382 (December 31, 2019 - $80,271) and intangible assets of $101,035 (December 31, 2019 - $92,047). Goodwill increased for the three months ended March 31, 2020 due to the acquisition of PCD, reflecting the benefits attributable to synergies, revenue growth, future market development, and the estimated fair value of an assembled workforce. As at March 31, 2020, intangible assets consisted of $79,138 (December 31, 2019 - $71,961) in customer relationships, $21,145 (December 31, 2019 - $19,282) in trade name and trademarks, $567 (December 31, 2019 - $600) in managed service contracts and $185 in computer software (December 31, 2019 – $204).

Current Liabilities

Current liabilities are mainly comprised of $314,964 (December 31, 2019 - $248,218) in trade and other payables from the Company's operations, $137,971 (December 31, 2019 - $142,123) in borrowings and $40,147 (December 31, 2019 - $35,734) in other financial liabilities. Convertible debenture of $5,155 (December 31, 2019 - $5,114) and debentures of $3,807 (December 31, 2019 - $3,629) mature in October 30, 2020 and September 30, 2020, respectively.

The Company has entered into revolving credit agreements, secured by certain accounts receivable and inventory, with a Canadian lender. The ABL facilities can be drawn to a certain percentage of the Company's eligible trade receivables to a maximum of $160,000 and to $170,000 at the discretion of the lender. Interest is payable monthly at rates that vary between the greater of 8.50% - 9.25% or the published TD Bank prime rate plus 5.3% - 5.8%, with an expansion rate of an additional 3% based on the advance rate of the trade receivables. As at March 31, 2020, the total balance owing to the lender under these facilities was $111,264 (December 31, 2019 – $125,083).

(expressed in thousands of Canadian dollars)

The Company also has a number of credit agreements with a US based third party. As at March 31, 2020, the total balance owing to the lender under these facilities was $45,486 (December 31, 2019 – $31,613).

On February 1, 2020, the Company entered into a 46-month credit agreement with a US based third party, which is secured by certain customer contracts. Under the agreement, quarterly repayments of blended principal and interest of $138 USD are required. The lender advanced cash of $2,635 ($1,992 USD) with an interest rate of 8.5% per annum. As at March 31, 2020, the balance owing to the lender under the facility is $2,635 (December 31, 2019 – nil).

On March 18, 2020, the Company entered into a credit agreement with a US based third party, which was secured by certain customer contracts. Under the agreement, the first tranche with a three-year term requires monthly repayments of blended principal and interest of $190 USD. The lender advanced cash of $8,505 ($6,000 USD) with an interest rate of 8.5% per annum. The second tranche with a one-year term requires monthly repayments of blended principal and interest of $350 USD. The lender advanced cash of $5,670 ($4,000 USD) with an interest rate of 8.5% per annum. As at March 31, 2020, the balance owing to the lender under the facility is $13,531 (December 31, 2019 – nil).

During the three months ended March 31, 2020, the Company repaid the VSS promissory notes of $2,600 USD and $500 USD. As a result of the acquisition of PCD, deferred consideration increased by $1,620 (December 31, 2019 – nil).

During the three months ended March 31, 2020, 1,066,500 common shares have been repurchased for cancellation for an aggregate purchase price of $1,246 under the NCIB, of which 964,500 common shares have been cancelled as at March 31, 2020 (three months ended March 31, 2019 – nil). As at March 31, 2020, an obligation for the repurchase of shares of $4,389 was recognized under the ASPP (December 31, 2019 - $5,635).

The following table provides a summary of borrowings and debt:

As at	**March 30, 2020**	**December 31, 2019**
Receivable backed financing	**$ 156,750**	$ 156,696
Notes payable and contingent consideration related to acquisitions	**40,615**	35,015
Notes payable relating to operations	**9,168**	8,595
Debentures	**8,962**	8,743
	215,495	209,049
Long-term portion	**58,669**	53,546
Current portion	**$ 156,826**	$ 155,503

Long-term liabilities

Long-term liabilities are mainly comprised of $33,787 (December 31, 2019 - $33,111) in other financial liabilities, $18,779 in borrowings (December 31, 2019 – $14,573), and deferred tax liability of $6,103 (December 31, 2019 - $5,862). As a result of the acquisition of PCD, other financial liabilities increased by $2,300 (December 31, 2019 – nil).

(expressed in thousands of Canadian dollars)

Liquidity and Capital Resources

The Company's capital management objectives are to maintain financial flexibility in order to pursue its strategy of organic and acquisition growth and to provide returns to its shareholders. The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay financial liabilities, issue shares, repurchase shares, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances. The Company is not subject to any externally imposed capital requirements.

As at March 31, 2020, total cash on hand was $26,749 (December 31, 2019 - $20,590). As at March 31, 2020, amounts borrowed under existing credit facilities were $156,750 (December 31, 2019 – $156,696).

Cash Flow Analysis

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

For the three months ended March 31,	**2020**	2019
Cash from (used in) operating activities	**$ 30,072**	$ (365)
Cash used in investing activities	**(11,172)**	(25,265)
Cash received in financing activities	**(11,988)**	23,937
Net decrease in cash and cash equivalents	**6,912**	(1,693)
Cash and cash equivalents at the beginning of the year	**20,590**	10,482
Effect of foreign exchange fluctuations on cash held	**(753)**	257
Cash and cash equivalents at the end of the period	**$ 26,749**	$ 9,046

Cash provided by operating activities increased by $30,437 for the three months ended March 31, 2020 primarily due to the acquisitions completed in 2019. Due to the seasonal fluctuation at the three months ended March 31, 2020, cash from operating activities increased due to the increase in trade and other payables of $38,926 for the three months ended March 31, 2020 in comparison to the prior year comparative increase of $4,638 was due to the higher vendor purchases from acquisitions completed in 2019, resulting in a higher payables balance in 2020.

Cash used in investing activities for the three months ended March 31, 2020 was mainly due to the acquisition of PCD of $6,699 and repayment of VSS deferred consideration of $4,117 compared to the three months ended March 31, 2019 acquisition of SIS of $14,476, repayment of Northern Micro earnout of $2,500 and Key retention bonus of $7,242.

Cash used from financing activities was mainly driven by the proceeds and repayments from the ABL credit facilities for the three months ended March 31, 2020. The increase in proceeds of $272,214 and repayment of $(284,606) for the three months ended March 31, 2020 compared to proceeds of $200,691 and repayment of $(169,499) for the comparative period in 2019 was due to the increased sales revenue and collection of receivables. On February 20, 2020, the Company closed an underwritten public offering of common shares, which raised total gross proceeds of $8,270 before transaction related costs of $976.

Commitments and Contingencies

Commitments

As at March 31, 2020, the Company is committed under office building and computer equipment leases, for the following minimum annual rentals:

(expressed in thousands of Canadian dollars)

	March 31, 2020	December 31, 2019
	$	$
Minimum lease payments		
2020	6,597	7,980
2021	7,269	6,582
2022	4,225	3,793
2023	1,923	1,681
2024 and onwards	2,887	2,643
	22,901	22,679
Less: future finance charges	(3,140)	(3,079)
Present value of minimum lease payments	19,761	19,600
Current liabilities	7,374	6,710
Non-current liabilities	12,387	12,890
	19,761	19,600

Contingencies

On July 2, 2019, SIS was served with a statement of claim by a vendor alleging breach of contract and breach of good faith and fair dealing. The amount claimed is $2,400 USD plus costs and the Company believes the claim is without merit.

On December 4, 2019, Key was served with a letter from the Los Angeles City Attorney's Office regarding an investigation into certain transactions relating to goods and services provided by or through Key to the City's Department of Building and Safety from the time period January 2012 to November 2017, prior to its indirect acquisition by the Company. The Company is in the preliminary stages of evaluating the City's allegations and believes there would be no material impact on the Company.

Off-Balance Sheet Arrangements

As at March 31, 2020, the Company does not have any off-balance sheet arrangements other than the commitments and contingencies noted above.

Related Party Transactions

During the year ended December 31, 2017, the Company entered into a lease arrangement with an executive employee of the Company for a period of five years ending on October 31, 2022. The Company is obligated to make payments of $262 on an annual basis under the lease arrangement. For the three months ended March 31, 2020, the Company paid lease expense of $66 (March 31, 2019 - $66) under this arrangement.

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.

(expressed in thousands of Canadian dollars)

Total amounts expensed for the Company's key management personnel was $1,306 for the three months ended March 31, 2020 (March 31, 2019 - $681) and includes salaries, bonuses, advisory fees, short-term employment benefits and other personnel costs. On September 4, 2019, the Company entered into a loan agreement with a key management employee, advancing principal of $250 with interest on the unpaid principal balance at the rate of 2.48% per annum. The outstanding principal and interest are due on the earlier of September 3, 2022, or the date on which the individual resigns from or is terminated by the Company. As at March 31, 2020, $254 remains outstanding on the loan receivable (March 31, 2019 – nil).

Outstanding Share Capital

The table below provides a summary of the outstanding share capital of the Company as at March 31, 2020.

Capital	Authorized	Outstanding as at March 31, 2020	Common shares underlying convertible securities
Common shares	Unlimited	92,145,319	92,145,319
Warrants	Not applicable	92,870	92,870
Convertible Debenture	Not applicable	5,250,000	5,250,000
Exchange rights	Not applicable	7,871,400	7,871,400

Common shares

On February 20, 2020, the Company closed an underwritten public offering (the "Offering"). The Offering consisted of 5,769,231 common shares of the Company (the "Offered Shares"). The Company also granted the underwriters an option, exercisable at any time, in whole or in part, until the date that is 30 days following closing to purchase, at the offering price, 865,384 additional common shares to cover over-allotments and for market stabilization purposes. On March 3, 2020, the underwriters exercised their over-allotment option to purchase an additional 592,084 common shares of the Company

During the three months ended March 31, 2020, 1,066,500 common shares have been repurchased for cancellation for an aggregate purchase price of $1,246 under the NCIB, of which 964,500 common shares have been cancelled as at March 31, 2020 (three months ended March 31, 2019 – nil).

Warrants

During the three months ended March 31, 2020, purchase warrants of 3,861,555 have been exercised and 70,875 broker warrants have been exercised for total proceeds of $2,326. As at March 31, 2020, 92,870 broker warrants remain to be exercised.

During the period ended March 31, 2020, 58,600 common shares were issued as broker commissions for the acquisition of VSS.

Critical Accounting Policies and Estimates

Please see the Company's audited consolidated financial statements for the year ended December 31, 2019 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.

Risks and Uncertainties

The Company's business is subject to a number of risk factors which are described in its amended annual information form ("AIF") for the year ended December 31, 2019 and 2018 and its annual MD&A for the years ended December 31, 2019 and 2018, including a discussion of risk as a result of COVID-19, all available at **www.sedar.com** 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.

Further Information

Additional information relating to the Company is available on the Company's website at www.convergetp.com.