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Converge Technology Solutions Reports Second Quarter 2019 Financial Results

FOR IMMEDIATE RELEASE

August 21, 2019 – VANCOUVER, BRITISH COLUMBIA AND TORONTO, ONTARIO, CANADA – Converge Technology Solutions Corp. (“**Converge**” or “**Company**”) (TSXV:CTS) (FSE:0ZB) (OTCQX:CTSDF), a software enabled Hybrid IT Solutions Provider, is pleased to provide its financial results for the three and six month period ended June 30, 2019. All figures are in CAD dollars unless otherwise stated.

“We continue to see surging demand for our software solutions and that is reflected in another strong quarter of financial and operational performance,” said Shaun Maine, Chief Executive Officer of Converge Technology Solutions. “The synergies that have arisen from Phase II of our strategy have already generated significant operational leverage amongst the companies we have acquired to date, as we are seeing software and managed services sales increase across the board compared to a year ago. Hardware sales as a percentage of gross revenue invoiced continues to decline and is below 50%. The Company, and its vendor partners through Market Development Funds, continues to make investments in capabilities to better serve customers that will add to the growing portion of our software and services revenue base.”

Mr. Maine continued, “As we look towards the second half of 2019, our pipeline of acquisition targets continues to be strong and we are focused on completing several more acquisitions before the year is completed. With IBM’s acquisition of Red Hat now complete, Converge is uniquely positioned to roll out Red Hat enablement across our regions. As our mid-tier customer base, especially in Finance and Healthcare continue their cloud transformation journey, Converge is primed to be at the forefront of this process.”

Second Quarter 2019 Financial Highlights

- Revenue for the three months ended June 30, 2019 was \$149.3 million compared to \$103.3 million for the same period in 2018, an increase of 44.5%. Revenue for the six months ended June 30, 2019 was \$314.0 million compared to \$223.1 million for the same period in 2018, an increase of 40.8%.
- Gross profit for the three months ended June 30, 2019 was \$34.2 million or 22.9% compared to \$22.3 million or 21.6% for the same period in 2018. Gross profit for the six months ended June 30, 2019 was \$71.4 million or 22.7% compared to \$39.4 million or 17.7% for the same period in 2018.
- Adjusted EBITDA¹ for the three months ended June 30, 2019 was \$5.5 million compared to \$5.3 million for the same period in 2018, an increase of 3.8%. Adjusted EBITDA¹ for the six month period ended June 30, 2019 totaled \$13.96 million compared to \$10.6 million for the same period in 2018, an increase of 31.9%.

¹ EBITDA and Adjusted EBITDA are non-IFRS financial measures and do not have any standardized meaning under IFRS. See “Use of Non-IFRS Financial Measures” below.

Key Items from the Second Quarter

- The Company listed its shares on the OTCQB under the symbol CTSDF to improve market access for US investors.
- Ralph Garcea, formerly a top-ranked research analyst in Canada was appointed to the Board of Directors as an independent director.
- Converge announced a \$4.3 million contract with a large U.S.-based financial services company, to deliver enterprise software solutions.

Key Items Subsequent to Quarter End

- Converge acquired Nordisk Systems Inc., a Northwest-based partner focused on infrastructure, cloud, security, analytics, business continuity and managed services solutions.
- The Company appointed industry-leader Greg Berard as President of Converge to help further solidify the Company's position as a leading provider of Red Hat and software solutions.

Second Quarter Conference Call

The Company will host a conference call featuring management's quarterly remarks and follow-up question and answer period.

A recording of the call will be available and posted on the Company's website. Dial-in details can be found below.

Conference Call Details:

Date: Thursday, August 22nd, 2019

Time: 9:00 AM Eastern Time

Participant Dial-in Numbers:

Local – Toronto (+1) 416 764 8609

Toll Free – North America (+1) 888 390 0605

Conference ID: 82821225

Recording Playback Numbers:

Toronto (+1) 416 764 8677

Toll Free – North America (+1) 888 390 0541

Passcode: 821225 #

Expiry Date: Thursday, August 29th, 2019 11:59pm

Quarterly and Annual Results Materials

The Company's outlook is contained in its MD&A for the three and six months ended June 30, 2019, which is available along with the 2019 consolidated financial statements, at www.convergetp.com and at www.sedar.com.

Summary of Consolidated Financial Results
(in thousands of dollars)

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Revenues	\$ 149,273	\$ 103,277	\$ 314,035	\$ 223,061
Cost of sales	115,049	80,948	242,618	183,647
Gross profit	34,224	22,329	71,417	39,414
Selling, general and administrative expenses	29,704	17,652	59,336	29,387
Income before the following:	4,520	4,677	12,081	10,027
Depreciation and amortization	2,575	1,132	5,183	1,944
Finance expense, net	3,221	2,142	6,602	3,390
Change in fair value of contingent consideration	-	4,430	-	7,443
Transaction costs – acquisitions, including retention bonuses	438	2,506	3,616	2,840
Other expense	244	81	478	3
Net loss before taxes	\$ (1,958)	\$ (5,614)	\$ (3,798)	\$ (5,593)
Income tax expense	400	182	1,455	1,672
Net loss	(2,358)	(5,796)	(5,253)	(7,265)
Exchange gain (loss) on translation of foreign operations	(233)	(95)	200	(142)
Comprehensive loss	\$ (2,125)	\$ (5,891)	\$ (5,053)	\$ (7,407)
EBITDA ¹	\$ 5,096	\$ (1,605)	\$ 10,151	\$ 654
Adjusted EBITDA ¹	\$ 5,510	\$ 5,331	\$ 13,963	\$ 10,603

¹ EBITDA and Adjusted EBITDA are non-IFRS financial measures and do not have any standardized meaning under IFRS. See “Use of Non-IFRS Financial Measures” below.

About Converge

Converge Technology Solutions Corp. combines innovation accelerators and foundational infrastructure solutions to deliver best-of-breed solutions and services to customers. The Company is building a platform of regionally-focused Hybrid IT solution providers to enhance their ability to provide multi-cloud solutions, blockchain, resiliency, and managed services, enabling Converge to address the business and IT issues that public and private-sector organizations face today.

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Notice to Reader: Use of Non-IFRS Financial Measures and Forward-Looking Statements

1. Non-IFRS Financial Measures

In this news release, management uses certain non-IFRS measures to evaluate the performance of the Company. The term “Adjusted EBITDA” does not have any standardized meaning prescribed within IFRS and therefore may not be comparable to similar measures presented by other companies. Such measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS such as net income. Adjusted EBITDA is defined as gross profit less selling, general and administrative expenses, and corresponds to income before income tax, depreciation and amortization, finance expenses, change in fair value of contingent consideration, transaction costs for acquisitions, initial public offering costs and other non-operating expenses.

Management believes Adjusted EBITDA is an important indicator as it excludes certain items that are non-cash expenses, items that cannot be influenced by management in the short term and items that do not impact core operating performance, demonstrating the Company’s ability to generate liquidity through operating cash flow to fund working capital needs, service outstanding debt and fund future capital expenditures. Adjusted EBITDA is used by some investors and analysts for the purposes of valuing an issuer. The intent of Adjusted EBITDA is to provide additional useful information to investors and analysts and is also used by management as an internal performance measurement. A reconciliation of Adjusted EBITDA to net income is contained in the MD&A (see “Non-IFRS Financial Measures”).

2. Forward-Looking Information

This press release contains certain “forward-looking information” and “forward-looking statements” (collectively, “**forward-looking statements**”) within the meaning of applicable Canadian securities legislation regarding Converge and its business. Any statement that involves discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as “expects”, or “does not expect”, “is expected” “anticipates” or “does not anticipate”, “plans”, “budget”, “scheduled”, “forecasts”. “estimates”, “believes” or intends” or variations of such words and phrases or stating that certain actions, events or results “may” or “could, “would”, “might” or “will” be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Except as required by law, Converge assumes no obligation to update the forward-looking statements of beliefs, opinions, projections, or other factors, should they change. The reader is cautioned not to place undue reliance on forward-looking statements.

For a detailed description of the risks and uncertainties facing the Company and its business and affairs, readers should refer to the Company's filing statement dated April 1st, 2019 which is available on SEDAR under the Company's profile at www.sedar.com in addition to the consolidated financial statements for the years ended December 31, and 2017 together with the corresponding Management's Discussion and Analysis for additional risk factors described under "Risk Management".

Neither the TSX Venture Exchange nor its regulation services provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

This press release does not constitute an offer to sell or a solicitation of an offer to buy any of the securities in the United States. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or any state securities laws and may not be offered or sold within the United States unless registered under the U.S. Securities Act and applicable state securities laws, unless an exemption from such registration is available.