Converge Technology Solutions Corp.

Management Discussion and Analysis

For the year ended December 31, 2019

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Management Discussion and Analysis

(expressed in thousands of Canadian dollars)

For the year ended December 31, 2019

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 and twelve months ended December 31, 2019. This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto for the year ended December 31, 2019, as well as the Company's annual MD&A and consolidated financial statements and accompanying notes thereto for the year ended December 31, 2018.

The audited 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 year ended December 31, 2019. The 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 ("NI 51-102"). This MD&A is dated as at April 1, 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." The Company's head office is located at 161 Bay Street Suite 2325, Toronto, ON M5J 2S1.

On November 7, 2018, the Company completed its Qualifying Transaction (as defined in Policy 2.4 of the TSX Venture Exchange Inc. (the "TSXV")) pursuant to the terms of an acquisition agreement dated August 28, 2018 between the Company, Converge Technology Partners Inc. ("CTS") and Norwick Acquisition Corp. Pursuant to the acquisition agreement, the Company acquired all of the issued and outstanding Class A common shares of CTS and CTS amalgamated with Norwick Acquisition Corp. (the "Transaction") and became a wholly owned subsidiary of the Company. Upon completion of the Transaction, the Company's stock symbol was changed from "NWK.P" to "CTS" and the Company's name was changed from Norwick Capital Corp. to Converge Technology Solutions Corp. The acquisition of CTS by the Company is considered a reverse takeover within the meaning of NI 51-102.

Upon completion of the Transaction, the former shareholders of CTS owned approximately 98.25% of the issued and outstanding shares of the Company.

In accordance with IFRS 3, *Business Combinations,* the substance of the transaction was a reverse acquisition of a non-operating company. The transaction did not constitute a business combination as the Company prior to the Transaction did not meet the definition of a business under the standard. As a result, the Transaction was accounted for as a capital transaction with CTS being identified as the accounting acquirer and the equity consideration being measured at fair value. The resulting statement of financial position was presented as a continuance of CTS and comparative figures presented in the financial statements after the Transaction are those of CTS and references to the "Company" or "Converge" are references to the consolidated entity subsequent to the date of the completion of the Transaction and to CTS prior to that date.

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About Forward-Looking Information

Certain information and statements within the MD&A and documents incorporated by reference may constitute "forward-looking information" (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 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)

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.

COVID -19

Since December 31, 2019, the 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

Financial results for the three months and year ended December 31, 2019:

- The Company earned revenue of $214,705, gross profit of $53,355, and adjusted EBITDA of $11,832 for the three months ended December 31, 2019 (three months ended December 31, 2018 – revenue of $136,088, gross profit of $30,323, and adjusted EBITDA of $5,759) all within the Company's previously disclosed ranges.
- The Company earned revenue of $687,796, gross profit of $161,585, and adjusted EBITDA of $31,623 in 2019 (2018 – revenue of $459,193, gross profit of $89,969, and adjusted EBITDA of $16,509) all within the Company's previously disclosed ranges.

Financing

- On January 18, 2019, Converge NE Commercial Finance, LLC, a wholly owned subsidiary of the Company, entered into a revolving credit agreement with a Canadian lender. The ABL can be drawn to a certain percentage of the eligible trade receivables to a maximum of $12,500. Interest is payable monthly at a rate of the higher of 9.25% or the published TD Bank prime rate plus 5.3% - 8.3% based on the advance rate of the trade receivables.

- On January 18, 2019, Converge Canada Finance Corp., a wholly owned subsidiary of the Company, increased the maximum drawing limit of its revolving credit agreement with a Canadian lender to $52,500 from $40,000. Interest is payable monthly at a rate of the higher of 9.25% or the published TD Bank prime rate plus 5.3% - 8.3% based on the advance rate of the trade receivables.

- On March 1, 2019, the Company entered into a three-year credit agreement with a third party, which was secured by certain customer contracts. Under the agreement, monthly repayments of blended principal and interest of $124 USD are required. The lender advanced cash of $5,457 ($4,000 USD) with an interest rate of 7% per annum.

- On June 11, 2019, the Company entered into a two-year credit agreement with a third party, which was secured by certain customer contracts. Under the agreement, monthly repayments of blended principal and interest of $453 USD are required. The lender advanced cash of $13,287 ($10,000 USD) with an interest rate of 8% per annum.

- On October 1, 2019, Converge NE Commercial Finance, LLC, entered into a revolving credit agreement with a Canadian lender. The ABL can be drawn to a certain percentage of the eligible trade receivables to a maximum of $7,500. Interest is payable monthly at a rate of the higher of 9.25% or the published TD Bank prime rate plus 5.3% - 8.3% based on the advance rate of the trade receivables.

- On October 1, 2019, the Company acquired Essextec. Essextec had an existing revolving credit agreement with a Canadian lender. The ABL could be drawn to a certain percentage of the eligible trade receivables and eligible inventory balances to a maximum of $17,500. From time to time, the maximum amount of the credit facility could be increased to $20,000 at the discretion of the lender. Interest is payable monthly at a rate of the higher of 9.25% and the published TD Bank prime rate plus 5.3% based on the advance rate of the trade receivables.

- On October 1, 2019, the Company entered into a two-year credit agreement with a third party, which was secured by certain customer contracts. Under the agreement, monthly repayments of blended principal and interest of $228 USD was required. The lender advanced cash of $6,622 ($5,000 USD) with an interest rate of 8.5% per annum.

- On November 1, 2019, Converge NE Commercial Finance, LLC, entered into a revolving credit agreement with a Canadian lender. The ABL can be drawn to a certain percentage of the eligible trade receivables to a maximum of $12,500. Interest is payable monthly at a rate of the higher of 9.25% or the published TD Bank prime rate plus 5.3% - 8.3% based on the advance rate of the trade receivables.

- On November 15, 2019, the Company entered into a three-year credit agreement with a third party, which was secured by certain customer contracts. Under the agreement, monthly repayments of blended principal and interest of $158 USD was required. The lender advanced cash of $6,616 ($5,000 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"), a copy of which may be obtained by any shareholder, without charge, by contacting the Company at [●]. 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 and twelve months ended December 31, 2019, there were no transactions recorded in relation to the NCIB. As at March 31, 2020, 1,066,500 common shares have been repurchased for cancellation for an aggregate purchase price of $1,246 under the NCIB.

Acquisitions

- On January 18, 2019, the Company acquired all of the Class A issued and outstanding membership interests, which represents 100% control of Software Information Systems, LLC ("SIS") located in Kentucky, USA. As at December 31, 2019, there were 6,500,000 Class B membership interests issued and outstanding, which have no voting rights, no dividends, or equity participation. SIS is a 36-year-old technology solutions and services company, collaborating with customers on innovative data center strategy, technology solutions in the cloud or on-premise to help customers drive impactful business results. Consideration for the purchase consisted of (i) $11,500 USD in cash; plus (ii) the issuance of a right to exchange 8,000,000 Class B membership interests for an aggregate of 8,000,000 common shares of the Company. No exchange will be permitted until at least six months from the acquisition date, at which point 1,500,000 common shares will become eligible for issuance pursuant to the agreement. An additional 1,500,000 common shares will become eligible for exchange on each six-month anniversary of the completion of the transaction thereafter, such that all 8,000,000 common shares will only be available for exchange following the three-year anniversary of the acquisition. As at December 31, 2019, 1,500,000 Class B membership interests has been exchanged to 1,500,000 common shares of the Company for a value of $960.

- On July 1, 2019, the Company acquired all of the issued and outstanding shares of Nordisk Systems, Inc. ("Nordisk"). Nordisk is incorporated and is domiciled in the state of Oregon in the US. The total consideration for the purchase of Nordisk was $8,357 ($6,386 USD). Purchase consideration consisted of $3,272 in cash, $2,617 in promissory note, $2,599 in deferred purchase payment, offset by a ($131) working capital adjustment. The deferred purchase payment was fully repaid on October 3, 2019.

- On October 1, 2019, the Company acquired all of the issued and outstanding membership interests of Essextec Acquisition, LLC. , a Delaware limited liability company and the sole shareholder of Essex Technology Group, Inc ("Essextec"). Essextec is incorporated and is domiciled in the state of New Jersey in the US. The total consideration for the purchase of Essextec was $6,435 ($4,861 USD). Purchase consideration consisted of $5,250 which was set-off against the Seller's obligation to repay to the Company the principal amount of $5,250 and any accrued but unpaid interest under a loan in the form of a promissory note, $870 in forgiven receivables owed by Essextec to the Company, $530 prepaid expense owed by Essextec to the Company, and offset by $(216) in forgiven payables owed by the Company to Essextec.

- On October 1, 2019, the Company acquired all of the issued and outstanding shares of Datatrend Technologies, Inc. ("Datatrend"). Datatrend is incorporated and is domiciled in the state of Minnesota in the US. The total consideration for the purchase of Datatrend was $27,960 ($21,118 USD). Purchase consideration consisted of $19,860 in cash, $3,310 in promissory note, and $4,790 in excess working capital promissory note.

- On November 1, 2019, the Company acquired all of the issued and outstanding Class A membership interests, which represents 100% control of VSS Holdings, LLC, a Nevada limited liability company and owner of all of the equity securities of VSS, LLC , a Virginia limited liability company and Information Insights, LLC, a Nevada limited liability company (collectively "VSS"). There were 60 Class B membership interests of VSS Holdings, LLC issued, which have no dividends or equity participation. The total consideration for the purchase of VSS was $33,977 ($25,815 USD). Purchase consideration consisted of $20,559 in cash, $3,422 in seller subordinated promissory note, $1,974 in three promissory notes, $4,982 in contingent consideration, $428 working capital adjustment, and $2,613 for the issuance of a right to exchange 2,930,000 Class B membership interests less 58,600 common shares issued as broker fees by the seller for an aggregate of 2,871,400 common shares of the Company. Under the terms of the agreement, no exchange will be permitted until at least six months from the acquisition date, at which point 717,850 common shares will become eligible for issuance pursuant to the agreement. An additional 717,850 common shares will become eligible for exchange on each six-month anniversary of the completion of the transaction thereafter, such that all 2,871,400 common shares will only be available for exchange following the two-year anniversary of the acquisition. The fair value of the exchange right consideration issued is $2,613 calculated as 2,871,400 common shares at $0.91 per share as at the date of acquisition.

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.

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(expressed in thousands of Canadian dollars)

For the year ended December 31, 2019

Summary of Consolidated Financial Results

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

	For the three months ended December 31, 2019	For the three months ended December 31, 2018	For the twelve months ended December 31, 2019	For the twelve months ended December 31, 2018
Revenues	**$ 214,705**	$ 136,088	**$ 687,796**	$ 459,193
Cost of sales	**161,350**	105,765	**526,211**	369,224
Gross profit	**53,355**	30,323	**161,585**	89,969
Selling, general and administrative expenses	**44,172**	25,149	**136,949**	75,655
Income before the following:	**9,183**	5,174	**24,636**	14,314
Depreciation and amortization	**4,648**	1,850	**13,057**	5,100
Finance expense, net	**5,499**	2,551	**16,026**	7,549
Change in fair value of contingent consideration	**(841)**	(186)	**1,299**	7,447
Transaction costs	**1,945**	3,063	**6,292**	7,748
Reverse take-over costs	**-**	1,622	**-**	2,282
Other expenses (income)	**(200)**	(323)	**719**	(224)
Net loss before taxes	**$ (1,868)**	$ (3,403)	**$ (12,757)**	$ (15,588)
Income tax (recovery) expense	**(3,461)**	794	**(1,917)**	2,648
Net income (loss)	**1,593**	(4,197)	**(10,840)**	(18,236)
Exchange (gain) loss on translation of foreign operations	**(741)**	469	**(784)**	691
Comprehensive income (loss)	**$ 2,334**	$ (4,666)	**$ (10,056)**	$ (18,927)
EBITDA(i)	**$ 7,961**	$ 1,583	**$ 19,496**	$ (744)
Adjusted EBITDA(i)	**11,832**	5,759	**31,622**	16,509

(i) EBITDA and Adjusted EBITDA are non-IFRS financial measures and do not have any standardized meaning under IFRS. See the "Non-IFRS Financial Measures" section of this MD&A for more details, including reconciliations to the most comparable IFRS financial statements.

Overall Company Performance and Key Changes in Financial Results

Revenue

Revenue for the three and twelve months ended December 31, 2019 of $214,705 and $687,796 respectively, as compared to $136,088 and $459,193 for the three and twelve months ended December 31, 2018, was derived from the Company's US subsidiaries, including Corus360, KeyInfo, BCT, Lighthouse, SIS, Nordisk, Datatrend, Essextec, and VSS which collectively accounted for $198,989 and $570,285 in revenue, combined with Canadian subsidiaries Northern Micro and Becker-Carroll which accounted for $15,716 and $117,511 in revenue for the three and twelve months ended December 31, 2019. The increase in revenue of $78,617 and $228,603 for the three and twelve months ended December 31, 2019 compared to the three and twelve months ended December 31, 2018 was primarily due to the acquisitions of SIS, Nordisk, Datatrend, Essextec, and VSS in 2019. For the year ended December 31, 2018, the Company had acquired Corus360 and Northern Micro during 2017, Becker-Carroll on February 2, 2018, KeyInfo on April 3, 2018, BCT on May 18, 2018, and Lighthouse on November 30, 2018.

Northern Micro revenue for the three months ended December 31, 2019 increased $7,898 or 106% compared to the three months ended December 31, 2018. This was mainly due to increased hardware infrastructure sales to the Canadian federal government after the federal election. Revenue for the twelve months ended December 31, 2019 was negatively impacted year over year due to the disruption of vendor supply of Intel chips and the timing of purchasing decisions by the federal government. There was also higher Enterprise demand in 2018 compared to 2019. This reduction was offset by the increase in revenues year over year contributed from the Company's US subsidiaries, in particular the twelve months results of Lighthouse of $77,864 compared to only one month of operations in 2018 with revenue of $19,115.

Gross Profit and Gross Profit Margin

For the three and twelve months ended December 31, 2019, gross profit was $53,355 and $161,585, respectively, with a gross profit margin of 24.9% and 23.5%, respectively. For the three and twelve months ended December 31, 2018, gross profit was $30,323 and $89,969, respectively with a gross profit margin of 17.7% and 19.6%, respectively. The increase in gross profit margin was due to the change in mix of product and service revenue lines acquired in 2019 compared to 2018. The acquisition of SIS, Nordisk, Essex, Datatrend, and VSS had combined gross profit of $13,900 and $36,253 for the three and twelve months ended December 31, 2019, which were nil for the same period in 2018. The remaining increase in gross margin was attributed to sales of higher margin product and a significant increase in vendor rebates year over year for the three and twelve months ended December 31, 2019 reflective of the Company level certifications with key vendor partners.

Net Income (Loss)

For the three and twelve months ended December 31, 2019, the Company's net income (loss) of $1,593 and $(10,840), respectively, was driven by a gross profit of $53,355 and $161,585 and offset by $44,172 and $136,949 in selling, general, and administrative expenses, $5,499 and $16,026 in finance expense, $(841) and $1,299 in change in fair value of contingent consideration, and $1,945 and $6,292 in transaction costs for such periods. For the three and twelve months ended December 31, 2018, the Company's net loss of $(4,197) and $(18,236), respectively, was driven by a gross profit of $30,323 and $89,969 and offset by $25,149 and $75,655 in selling, general, and administrative expenses, $2,551 and $7,549 in finance expense, $(186) and $7,447 in change in fair value of contingent consideration, and $3,063 and $7,748 in transaction costs for such periods.

(expressed in thousands of Canadian dollars)

Selling, general, and administrative expenses

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

	Three months ended December 31,		Twelve months ended December 31,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Employee compensation and benefits	**35,722**	21,724	**112,154**	60,717
Professional fees	**2,003**	2,358	**6,574**	3,146
Rent and office	**5,836**	380	**15,857**	10,284
Marketing events and showcase expenses	**542**	611	**2,078**	1,204
Other expenses	**69**	77	**286**	304
Total	**44,172**	25,150	**136,949**	75,655

Finance expense

Finance expense is comprised primarily of interest expense on the Company's revolving credit facilities, debenture, and convertible debenture. The increase in finance expense for the three and twelve months ended December 31, 2019 of $2,948 and $8,477 was due to the 2019 acquisitions, which resulted in a higher credit facility balance of $125,084 as at December 31, 2019 compared to December 31, 2018 of $73,266. The Company has also entered into four loans with a third party for an aggregate amount of $24,000 USD in 2019 at an interest rate ranging from 7% to 8.5% per annum, respectively.

Fair value change in contingent consideration

The change in fair value of contingent consideration for the twelve months ended December 31, 2019 was due to (i) a revised estimate of earn-out payments to sellers of Lighthouse of $2,140 and (ii) the reversal of KeyInfo's contingent consideration of $842.

(expressed in thousands of Canadian dollars)

Non-IFRS Financial Measures

The Company uses non-IFRS financial measures that do not have any standardized meaning prescribed by IFRS. **"**EBITDA" and "Adjusted EBITDA**"** are measures of the Company's operating profitability. Management believes that EBITDA and Adjusted EBITDA provide useful information to investors because they exclude transactions not related to the core operating business activities, allowing meaningful analysis of the performance of core operations.

EBITDA is an indicator of the financial results generated by the Company's business activities excluding:

- the impact of any financing activities;
- income taxes with respect to various jurisdictions; and
- depreciation of property and equipment and amortization of intangible assets.

Adjusted EBITDA is a further refinement of EBITDA to remove the effect of:

- acquisition, merging and restructuring related costs;
- share-based compensation expense;
- write-off of goodwill or other impairments to any financial and non-financial assets;
- fair value adjustments on contingent consideration; and
- gains and losses resulting from the translation of non-Canadian dollar balances.

As such, Adjusted EBITDA provides more meaningful continuity with respect to the comparison of operating results over time. EBITDA and Adjusted EBITDA are derived from the consolidated statements of loss and comprehensive loss and consolidated statements of cash flows.

EBITDA and Adjusted EBITDA are calculated as follows:

	For the three months ended December 31,		For the twelve months ended December 31,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Net gain (loss) as reported	**1,593**	(4,197)	**(10,840)**	(18,236)
Add:				
Finance expense	**5,499**	2,551	**16,026**	7,549
Income tax expense (recovery)	**(3,461)**	794	**(1,917)**	2,648
Depreciation and amortization	**4,648**	1,850	**13,057**	5,100
Depreciation included in cost of sales	**1,342**	585	**4,830**	2,195
EBITDA	**9,621**	1,583	**21,156**	(744)
Add:				
Change in fair value of contingent consideration	**(841)**	(186)	**1,299**	7,447
Transaction costs	**1,945**	3,063	**6,292**	7,748
Other transaction costs included in selling, general, and administrative expenses	**1,351**		**3,029**	
Reverse take-over costs	**-**	1,622	**-**	2,282
Other expenses (income)	**(244)**	(323)	**(154)**	(224)
Adjusted EBITDA	**11,832**	5,759	**31,622**	16,509

(expressed in thousands of Canadian dollars)

Quarterly Financial Results

	Three months ended (*unaudited*)							
	December 31, 2019	September 30, 2019	June 30, 2019**	March 31, 2019**	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Revenues	**214,705**	144,504	157,985	170,601	136,088	100,044	103,277	119,785
Gross Profit*	**53,355**	34,889	36,138	37,207	30,322	20,232	22,329	17,086
Gross Profit Margin	**25%**	24%	23%	22%	22%	20%	22%	14%
Adjusted EBITDA	**11,832**	5,827	5,510	8,453	5,759	(189)	5,331	5,607
Net gain (loss)	**1,593**	(7,077)	(2,358)	(2,895)	(4,197)	(6,776)	(5,796)	(1,468)
Loss per share:								
Basic	**0.02**	(0.09)	(0.03)	(0.04)	(0.05)	(0.11)	(0.10)	(0.03)
Diluted	**0.02**	(0.09)	(0.03)	(0.04)	(0.05)	(0.11)	(0.10)	(0.03)
Total assets	**488,884**	303,788	303,932	326,354	256,298	176,436	166,418	161,173
Total current liabilities	**445,215**	265,275	259,785	287,363	236,710	162,978	158,070	148,147

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, June 30 and March 31, 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		**December 31, 2019**		December 31, 2018
Assets				
Current assets	**$**	**287,184**	**$**	162,851
Long-term assets		**201,700**		93,447
Total assets	**$**	**488,884**	**$**	256,298
Current liabilities		**445,215**		236,710
Long-term liabilities		**53,546**		24,092
Total liabilities	**$**	**498,761**	**$**	260,802
Shareholders' equity				
Common Shares		**20,612**		17,826
Exchange rights		**6,773**		-
Warrants		**243**		493
Contributed surplus		**307**		319
Foreign exchange translation reserve		**69**		(715)
Deficit		**(37,881)**		(22,427)
Total shareholders' deficiency	**$**	**(9,877)**	**$**	(4,504)
Total liabilities and shareholders' equity	**$**	**488,884**	**$**	256,298

Current Assets

Current assets are mainly comprised of trade and other receivables of $220,138 (December 31, 2018 - $129,979), inventories of $23,376 (December 31, 2018 - $12,392), and cash of $20,590 (December 31, 2018 - $10,482). Trade and other receivables increased $90,159 due to an overall increase in sales in 2018 as a result of the acquisitions made in 2019. The inventory increase of $10,984 was due to the regular seasonality of the Company's operations, increased customer orders at year-end, and the acquisition of a subsidiary which holds inventory in an on-site warehouse.

Long-term assets

Long-term assets are mainly comprised of goodwill of $80,271 (December 31, 2018 - $32,614) and intangible assets of $92,047 (December 31, 2018 - $46,033). Goodwill increased for the year ended December 31, 2019 due to the 2019 acquisitions, reflecting the benefits attributable to synergies, revenue growth, future market development, and the estimated fair value of an assembled workforce. As at December 31, 2019, intangible assets consisted of $71,961 (December 31, 2018 - $34,004) in customer relationships, $19,282 (December 31, 2018 - $11,677) in trade name and trademarks, $600 (December 31, 2018) in managed service contracts and $204 in computer software (December 31, 2018 – 352).

Current Liabilities

Current liabilities are mainly comprised of $248,218 (December 31, 2018 - $136,208) in trade and other payables from the Company's operations, $142,123 (December 31, 2018 - $75,993) in borrowings and $35,734 (December 31, 2018 - $19,487) in other financial liabilities. Convertible debenture of $5,114 (December 31, 2018 - $4,966) and debentures of $3,629 (December 31, 2018 - $3,151) have been reclassed from long-term liabilities to current liabilities as they mature in October 30, 2020 and September 30, 2020, respectively.

On January 18, 2019, October 1, 2019, and November 1, 2019, Converge NE Commercial Finance, LLC entered into three additional asset based loans with a Canadian lender. On January 18, 2019, Converge Canada Finance Corp. increased the maximum drawing limit on its revolving credit agreement with a Canadian lender to $52,500 from $40,000. On October 1, 2019, the Converge Canada Finance Corp. ABL, increased the maximum drawing limit to $75,000 from $52,500. On November 1, 2019, the Converge Canada Finance Corp. ABL, increased the maximum drawing limit to $82,500 from $75,000. As at December 31, 2019, the total borrowings outstanding under the revolving credit agreements with the Canadian lender were $125,084 (December 31, 2018 - $73,266).

On March 1, 2019, the Company entered into a three-year credit agreement with a third party. The lender advanced cash of $5,457 ($4,000 USD) with an interest rate of 7% per annum. As at December 31, 2019, the outstanding balance on the loan was $4,096 (December 31, 2018 - nil). On June 11, 2019, the Company entered into a two-year credit agreement with a third party. The lender advanced cash of $13,287 ($10,000 USD) with an interest rate of 8% per annum. As at December 31, 2019, the outstanding balance on the loan was $10,142 (December 31, 2018 - nil). On November 15, 2019, the Company entered into a three-year credit agreement with a third party. The lender advanced cash of $6,616 ($5,000 USD) with an interest rate of 8.5% per annum. As at December 31, 2019, the outstanding balance on the loan was $6,371 (December 31, 2018 - nil).

Other current financial liabilities as at December 31, 2019 consist of the following: notes payable of $4,623 (December 31, 2018 – $3,676), deferred consideration of $14,893 (December 31, 2018 - nil), employee retention bonus of nil (December 31, 2018 - $6,573), fair value of contingent consideration of $3,873 (December 31, 2018 – $8,510), and short-term finance lease payable of $6,710 (December 31, 2018 - $728). Deferred consideration for the acquisition of SIS of $803 was repaid on October 18, 2019. Deferred consideration of $2,649 relates to the Nordisk acquisition and was repaid on October 3, 2019. The acquisition of Datatrend and VSS resulted in current deferred consideration of $9,375. The remainder of current deferred consideration was a reclass from contingent consideration due to Northern Micro having attained the three year maximum EBITDA conditions and the Company amended the share purchase agreement to guarantee the second year payment of $3,750 by January 10, 2020 and third year payment of $1,500 by January 8, 2021. The employee retention bonus outstanding as at December 31, 2018 was fully repaid on March 1, 2019. Short-term finance lease payable has increased from December 31, 2018 due to the adoption of IFRS 16 on January 1, 2019 where right-of-use assets and lease liabilities of $19,600 were recognized on the consolidated statements of financial position.

Long-term liabilities

Long-term liabilities are mainly comprised of $33,111 (December 31, 2018 - $7,864) in other financial liabilities, $14,573 in borrowings (December 31, 2018 – $4,382), and deferred tax liability of $5,862 (December 31, 2018 - $3,729). Other non-current financial liabilities are comprised of notes payable of $3,972 (December 31, 2018 - $3,000), fair value of contingent consideration of $9,953 (December 31, 2018 - $4,203), deferred consideration of $6,296 (December 31, 2018 – nil), and long-term finance lease payable of $12,890 (December 31, 2018 - $661).

As at December 31, 2019, the deferred consideration relates to a promissory note for the Nordisk acquisition with an interest rate at 8% per annum payable quarterly. The Company is required to make partial repayments of $1,000 USD on December 31, 2021 and $1,000 USD on September 30, 2022. Deferred consideration also includes a Datatrend acquisition promissory note with an interest rate at 7% per annum payable quarterly due September 30, 2022. Contingent consideration decreased in the period ended December 31, 2019 due to a $2,500 repayment of the Northern Micro earnout. This was offset by a Lighthouse contingent consideration expense of $2,140 and an adjustment to the purchase price allocation of $3,091 for the year ended December 31, 2019. The acquisition of VSS also resulted in a contingent consideration accrual of $4,916. Long-term finance lease payable has increased from December 31, 2018 due to the adoption of IFRS 16 on January 1, 2019 where right-of-use assets of $10,130 and lease liabilities of $10,389 were recognized on the consolidated statements of financial position. In addition to the office and building leases that were transitioned as at January 1, 2019, office and equipment leases acquired as part of the acquisition of SIS, Nordisk, Essex, Datatrend, and VSS were recognized under IFRS 16 during the year ended December 31, 2019. These leases resulted in the recognition of a right-of-use asset of $12,142 and corresponding lease liability of $12,113. As at December 31, 2019, an additional $2,823 of equipment and office leases have been recognized as right-of-use assets and $2,875 of lease liabilities.

(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 December 31, 2019, total cash on hand was $20,590 (December 31, 2018 - $10,482). As at December 31, 2019, amounts borrowed under existing credit facilities were $156,696 (December 31, 2018 – $80,375).

Cash Flow Analysis

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

	2019	2018
	$	$
Cash provided by operating activities	**26,811**	1,068
Cash used in investing activities	**(66,768)**	(33,662)
Cash received in financing activities	**52,410**	35,603
Net increase in cash and cash equivalents	**12,453**	3,009
Cash and cash equivalents at the beginning of the year	**10,482**	7,786
Effect of foreign exchange fluctuations on cash held	**(2,345)**	(313)
Cash and cash equivalents at the end of the period	**20,590**	10,482

Cash provided by operating activities increased by $25,743 in 2019 primarily due to the acquisitions completed in 2019. Due to the seasonal fluctuation at the year ended December 31, 2019, cash from operating activities increased due to higher collection of receivables at year-end. The increase in trade and other payables of $45,416 for the year ended December 31, 2019 in comparison to the prior year comparative increase of $80,784 was due to the higher sales in 2018 from Northern Micro resulting in higher repayment of payables in 2018.

Cash used in investing activities in 2019 was mainly due to the acquisitions of SIS, Nordisk, Essex, Datatrend and VSS of $55,194 compared to the 2018 acquisitions of Becker-Carroll, KeyInfo, BCT, and Lighthouse of $26,207.

Cash received from financing activities was mainly driven by the proceeds and repayments from the ABL credit facilities for the year ended December 31, 2019. The increase in proceeds of $897,441 and repayment of $(822,542) in 2019 compared to proceeds of $259,349 and repayment of $(221,001) in 2018 was due to the increased maximum borrowing capacity on the ABL loans of $170,000 (2018 - $80,000) from the 2019 acquisitions. Cash was also received from a third party lender in 2019 for four credit agreements of $31,982.

(expressed in thousands of Canadian dollars)

Commitments and Contingencies

Commitments

As at December 31, 2019, the Company is committed under office building and computer equipment leases, for the following minimum annual rentals:

	2019 $	2018 $
Minimum lease payments		
2019	-	798
2020	7,980	552
2021	6,582	225
2022	3,793	-
2023	1,681	-
2024 and onwards	2,643	-
	22,679	1,575
Less: future finance charges	(3,079)	(186)
Present value of minimum lease payments	19,600	1,389
Current liabilities	6,710	728
Non-current liabilities	12,890	661
	19,600	1,389

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 December 31, 2019, 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 year ended December 31, 2019, the Company paid lease expense of $262 (2018 - $262) 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 $3,982 for the year ended December 31, 2019 (2018 - $1,244) 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 is 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 December 31, 2019, $252 remains outstanding on the loan receivable (2018 – nil).

Outstanding Share Capital

The table below provides a summary of the outstanding share capital of the Company as at December 31, 2019.

Capital	Authorized	Outstanding as at December 31, 2019	Common shares underlying convertible securities
Common shares	Unlimited	81,257,474	81,257,474
Warrants	Not applicable	4,040,925	4,040,925
Convertible Debenture	Not applicable	5,250,000	5,250,000
Exchange rights	Not applicable	9,371,400	9,371,400

During the year-ended December 31, 2019, 3,459,500 purchase warrants were exercised for total proceeds of $2,076 (2018 – 3,331,000 exercised purchase warrants for total proceeds of $1,666) from the original issued purchase warrants of 10,652,055. During the year-ended December 31, 2019, 407,940 broker warrants were exercised for total proceeds of $216 (2018 – nil). As at February 14, 2020, all remaining purchase warrants of 3,861,555 have been exercised with 92,870 broker warrants remaining. As at March 31, 2020, an additional 1,500,000 Class B membership interests of SIS have been exchanged to 1,500,000 common shares of the Company.

Subsequent events

Acquisition of PCD

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. 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.

Financing

On February 20, 2020, the Company closed an underwritten public 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.

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.

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.

The following new accounting standards were applied or adopted during the year ended December 31, 2019:

[i] IFRS 16 – Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company has adopted IFRS 16 effective January 1, 2019 and applied the requirements of the standard retrospectively without restatement of comparative periods. The implementation of IFRS 16 resulted in the Company recognizing a right-of-use assets of $7,209 and lease liabilities of $7,209 on the consolidated statements of financial position. In addition to the office and building leases that were transitioned as at January 1, 2019, office and equipment leases acquired as part of the acquisition of SIS, Nordisk, Essex, Datatrend, and VSS were recognized under IFRS 16. These leases resulted in the recognition of right-of-use assets of $12,142 and lease liabilities of $12,113. During the year ended December 31, 2019, the Company recognized an additional $2,823 of equipment and office leases as right-of-use assets and $2,875 of lease liabilities.

The Company applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered or modified before, on, or after January 1, 2019. In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has resulted in the assessment of contracts to determine whether a lease exists at inception of a contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payment as an operating expense on a straight-line basis over the term of the lease. The right of use asset is initially measured at cost and includes the amount of the initial lease liability and all direct costs incurred by the Company and the lease incentives previously recognized as a liability with respect to operating leases have been derecognized with the amount factored into the measurement of the right-of-use assets.

The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date, discounted by using the incremental borrowing rate for the lease. The change in policy resulted in a decrease in operating expenses and an increase in amortization and interest expense.

[ii] IFRIC 23 – Uncertainty over Income Tax Treatment ("IFRIC 23")

In June 2017, the IASB issued IFRIC 23, which clarifies the accounting for uncertainties in income taxes. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which the Company first applies them, without adjusting comparative information. Full retrospective application is permitted, if the Company can do so without using hindsight. The adoption of this interpretation did not have an impact on the consolidated financial statements.

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, 2018 dated as of July 8, 2019 available at **www.sedar.com** under the Company's profile. In addition to the risk factors described in the AIF, readers should carefully consider the risk factors set forth below. The risks presented 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.

COVID-19 Response

Since December 31, 2019, the 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 related to COVID-19 such as social distancing and requiring some non-essential business to temporarily close or curtail their operations, the Company 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, the Company 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.

Revenue Growth

The Company experienced significant revenue growth in prior periods. There can be no assurance that the revenue growth of any prior quarterly or annual period is an indication of the Company's future performance. Many factors may contribute to declines in the Company's growth rate, including higher market penetration, increased competition, slowing demand for the Company's services, a failure by the Company to continue capitalizing on growth opportunities, among others. If the Company's growth rate declines, investors' perceptions of the Company's business and the trading price of its common shares could be adversely affected.

Access to Credit

There is a risk that the Company's suppliers could reduce or reorganize the credit available to the Company. From time to time, the Company will rely upon its original equipment manufacturer, distribution and banking relationships in order to finance sizeable, non-recurring transactions of scale. The Company also relies upon these suppliers extending credit in respect of product delivered for on sale. Delays in product sales including as a result of downturns in the economy, market uncertainties and fluctuations in customer spending patterns, including as a result of seasonality, may affect the Company's ability to successfully meet those obligations which may, in turn, adversely affect the Company's relationships with the suppliers impacting the availability of further product and credit.

Additional Financing

The Company may require additional financing to fund growth in working capital and for other purposes. The ability to source such financing in the future, if needed, will depend in part on prevailing capital market conditions and the Company's ongoing financial success. There can be no assurance the Company will be successful in its efforts to arrange additional financing, if needed, on favourable terms, or at all. If additional financing is raised by the issuance of common shares or other forms of convertible securities from treasury, control of the Company may change and existing shareholders will suffer dilution. If sufficient funds are not available or are only available on terms which are not acceptable, the Company may not be able to take advantage of certain opportunities or be in a position to adequately respond to competitive pressures, which could materially and adversely affect the results of operations and financial condition.

Adequate Liquidity

Although the Company generates positive cash flow from operations and may have access to additional credit, there is no guarantee that such positive cash flow position will be maintained, or that such additional credit will be obtained. The Company has taken on liabilities in connection with its acquisitions. The Company's ability to satisfy these liabilities will be contingent upon its success in achieving sufficient revenues from such acquisitions to be able to make payments when due and payable, including payments of deferred purchase price, earnouts, milestone payments and payments of loan interest and principal repayment. There is no assurance that the Company will be able to secure future additional financing to repay its liabilities under existing debt obligations or in respect of obligations agreed to in connection with acquisitions should cash flows from operations be insufficient to repay these liabilities. Failure to maintain adequate liquidity would restrict the Company's ability to operate, pay current liabilities, comply with covenants applicable to its secured borrowings, or pursue new business opportunities in the future.

The obligations of the Company under existing debt obligations and other related finance documents are secured by security interests in all of the present and future right, title and interest in and to certain property of the Company and its subsidiaries in favour of and for the benefit of the lenders. In the event of a default in payment on, or of the acceleration of, any of the Company's secured indebtedness, and upon the lenders exercising the remedies on behalf pursuant to the terms of such obligations, such enforcement would have a material adverse effect on the business, operations, financial condition and prospects of the Company.

Economic Conditions and Reduced Spending

The Company is sensitive to the spending patterns of its clients, which are subject to economic and business conditions. It is difficult to estimate the level of growth for the economy as a whole. It is even more difficult to estimate growth in various parts of the economy, including the markets in which the Company participates. Because all components of the Company's budgeting and forecasting are dependent upon estimates of growth in the markets that the Company serves, economic uncertainties make it difficult to estimate future income and expenditures. Downturns in the economy market uncertainties and changes in customer spending patterns including as a result of seasonality may cause clients to delay, reduce or cancel orders for the Company's products, which could have a material adverse impact on the Company's business, operating results and financial condition including as a result of delayed payments to suppliers which may, in turn, adversely affect the Company's relationships with the suppliers impacting the availability of further product and credit. In addition, natural disasters, pandemics, acts of terrorism and the outbreak of hostilities and armed conflicts between countries have created uncertainties that may affect the global economy and could have a material adverse effect on the Company's business, operating results and financial condition.

Further Information

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