

October 29, 2020

Philippine Stock Exchange

6F PSE Tower One Bonifacio High Street
28th Street corner 5th Avenue
Bonifacio Global City, Taguig City

Attn: Ms. Janet A. Encarnacion
Head, Disclosure Department

Dear Ms. Encarnacion

We submit herewith the attached press release on our 3rd Quarter results.

Thank you.

Very truly yours,

CONVERGE ICT SOLUTIONS INC.



Benjamin Azada
Chief Strategy Officer

FOLLOWING ITS IPO IN OCTOBER 2020, CONVERGE REPORTS RECORD RESULT FOR 3Q2020, WITH 67% REVENUE GROWTH (9M20, Y.O.Y), ADDING MORE THAN 200,000 GROSS RESIDENTIAL SUBSCRIBERS AND CONTINUED RAPID NETWORK ROLL-OUT OF c. 500,000 PORTS IN LAST 3 MONTHS

3Q2020 Key Highlights

- **Continued to deliver the industry-leading trifecta with 67% revenue growth, 52% EBITDA margin and 20% ROIC in 9M20**
- **Record monthly port roll-out and gross residential subscriber additions of ~174k and ~74k, respectively in the single month of September 2020**
- **Continued upselling resulting in healthy residential ARPU growth of ~7% in 3Q20 (vs. 1H20)**
- **Residential business delivered 90% Y.o.Y revenue growth in 9M20, driven by strong subscriber additions and healthy ARPU growth**
- **Enterprise business continued to remain robust, with revenue growing 15% Y.o.Y in 9M20 despite COVID-19**
- **In the third quarter of 2020, Converge has activated 600Gbps out of its 5Tbps of international bandwidth capacity secured with Telstra**

MANILA, Philippines, October 30, 2020 – The Philippines’ largest and only pure-play high-speed fixed broadband operator, Converge Information and Communications Technology Solutions, Inc. (PSE: CNVRG) (“**Converge**”) continued to significantly expand its network infrastructure in the third quarter of 2020. As the fastest growing fixed broadband operator in the Philippines, the Company deployed approximately 490,000 new FTTH ports in the last three months which is 2.7 times the number of FTTH ports deployed in the first three months of this year. As at September 30, 2020, Converge’s nationwide network reached more than 5.1 million homes nationwide.

Record Pace of Network Roll-Out

The Company is on track to achieve its mid-term target of reaching approximately 55% of total households in the Philippines, expanding its network coverage to new areas nationwide. Converge’s backbone expansion continues to progress with more than 9,000km of terrestrial backbone constructed in the last quarter. The Company has substantially completed the extension of its backbone to the Visayas area and begun constructing key segments connecting Mindanao. Converge is on track to complete its backbone expansion to the Visayas and Mindanao by the first half of 2021.

Converge continues to roll-out its network at record pace, with approximately 490,000 additional FTTH ports deployed in the third quarter. The Company deployed a record number of 173,680 FTTH ports in September, marking the highest monthly port deployment in the Company’s history. As at September 30, 2020, Converge had 3.0 million ports (including 2.1 million FTTH ports) passing 5.1 million homes, representing 36% of households in Luzon and 21% of households nationwide.

Rapid Monthly Gross Subscriber Addition

Converge continues to connect a record number of new subscribers, with its residential subscriber base again doubling over the last 12 months, increasing from 454,438 residential subscribers as of September 30, 2019 to 900,531 residential subscribers as of September 30, 2020. Over the last three months, the Company continued to achieve record number of gross adds each month, with 64,941, 70,375 and 73,564



new subscribers connected in the months of July, August and September, respectively. Installations were further accelerated and waiting times reduced by the fact that Converge today has more than double the number of installation teams as compared to before the ECQ lockdown. In the third quarter of 2020, more than 90% of newly connected subscribers were first time fixed broadband users, highlighting the unserved and underserved state of the broadband market in the Philippines.

Maintaining Low Churn Rates

Converge's monthly residential churn rate was approximately 1.1% year to date in the first nine months of this year. The Company continues to manage involuntary churn resulting from the impact of COVID-19 and the expiration of payment extensions that were mandated by the government from March 17, 2020 to May 31, 2020. The low rate of voluntary churn (c. 10% of total churn) reflects Converge's ability to meet or exceed its customers' expectations on product quality, value for money and customer service. Converge values its loyal customer base and has provided those subscribers significantly impacted by COVID-19 the option to settle their outstanding dues through staggered payments, which has reduced delinquencies.

During the quarter, the Company rolled out its mobile application *Converge Xperience App*, which offers a convenient channel for its customers to review and pay their bills, and also allows customers to log tickets online. In addition, the Company also onboarded almost 400 new outsourced call center agents to respond to customer queries, allowing us to triple the number of answered call by our customer service desk from c. 27,000 in April 2020 to 83,000 in September 2020. The Company believes that these commitments to delivering superior customer service will differentiate our product and increase overall customer satisfaction, leading to low churn.

Strong Financial Performance – Industry-leading Trifecta with 67% Revenue Growth, 52% EBITDA Margin and 20% ROIC in 3Q2020 (first nine months FY2020)

Solid Revenue Growth in both Residential and Enterprise Businesses

With Converge's strong roll-out and subscriber additions, the Company achieved PHP10,677 million of consolidated revenues in the first nine months of 2020, representing a 67% increase (Y.o.Y). For the three months ended September 2020, the Company generated PHP4,187 million of consolidated revenues representing a 71% increase (Y.o.Y), highlighting the revenue growth acceleration of the business in the third quarter 2020. Its Residential and Enterprises Businesses generated revenues of PHP8,412 million (+90% Y.o.Y) and PHP2,264 million (+15% Y.o.Y), respectively.

Converge's monthly residential ARPU steadily increased from PHP1,270 in the first half of 2020 (January to June period) to PHP1,352 in the third quarter of 2020 (July to September period), representing a growth of 6.5%. The steady ARPU increase continues to be a result of the increasing contribution of FTTH subscribers in its customer mix and the upselling to its premium packages, such as its FiberXtreme packages, or add-on products, such as the "10-for-99" package offering 10Mbps bandwidth for PHP99 per month. As of September 30, 2020, 14% of FiberX 1500 subscribers had taken up the "10-for-99" promotion.

Despite the Covid-19 pandemic related headwinds in the Philippines enterprise connectivity market, which according to the market research firm MPA is expected to result in a decline of the market in 2020, the enterprise business of Converge continued to grow steadily, generating PHP2,264 million of revenues in the first nine months of 2020, representing a 15% Y.o.Y growth rate. In the third quarter of 2020, we continued to launch innovative new enterprise data products tailored to connectivity requirements of enterprise users under the new normal. These solutions include our Enterprise "time-of-day" plan, allowing enterprises to double their bandwidth during the time periods they need it most.



Record EBITDA margin of 52.2% in the first nine months of 2020

Converge achieved an EBITDA of PHP5,576 million for the first nine months of 2020, representing an increase of 74% (Y.o.Y), as a result of higher revenue and prudent management of direct costs including our international bandwidth and leased line costs. Converge's consolidated EBITDA margins improved from 50.1% to 52.2% for the first nine months of 2019 and the first nine months of 2020 respectively.

In September 2020, Converge started to draw down on its international capacity from the Telstra IRU, reducing the need to lease additional international bandwidth capacity. This has resulted in a reduction of bandwidth and leased line cost from 9.9% of total revenues in the first half of 2020 to 8.5% of total revenues in the three months ended September 2020. The continued improvement in EBITDA margin was also due to the Company's early investments in establishing a sustainable and scalable operating cost structure.

Industry Leading ROIC and Strong Balance Sheet

Converge's return on invested capital ("ROIC") was 20.4% in the first nine months of 2020 (annualized). This industry-leading performance is a result of Converge adopting a disciplined approach in deploying capital to expand its fiber network, focusing on capital efficiency to ensure consistently high ROIC.

Converge had also maintained a strong and conservatively levered balance sheet. Its net debt (as measured by total debt less cash and cash equivalents) of PHP2,683 million as of September 30, 2020, represents a net leverage (measured by net debt as of September 30, 2020 divided by EBITDA for the last 12 months ended September 30, 2020) of 0.38 times, provides the Company with sufficient headroom to execute its capital expenditure plans.

Secured Proprietary Access to 5Tbps of International Bandwidth Capacity on Two Major Intra-Asia Networks

In August 2020, Converge entered into an agreement with Telstra International Limited to purchase 5 Tbps of international bandwidth capacity, providing a 15-year indefeasible right of use ("IRU") on two major intra-Asia networks for an attractive cost, subject to certain conditions. This 5 Tbps of bandwidth capacity is equivalent to approximately seven times its current leased bandwidth capacity, and has been priced at an aggregate unit cost that is meaningfully lower compared to its average contracted lease costs at present. As of September 30, 2020, Converge has activated 600Gbps of international capacity from Telstra as part of this agreement.

This transaction is consistent with its strategy of forming partnerships with global carriers to secure proprietary access to bandwidth capacity on certain key international network routes. Going forward, Converge intends to continue to secure proprietary access to international bandwidth capacity through similar agreements with other international carriers, which can provide the Company with significant cost savings of its international bandwidth and leased line costs.

Launched Philippine's First 400GB High Capacity Metro Backbone

In July 2020, Converge activated the Philippines' first 400GB metro backbone utilizing industry-leading optical solutions from a United States-based networking systems, services, and software company Ciena. This deployment provides us with a programmable, dynamic setup of connections that increases



adaptability and resiliency. The metro backbone can further be scaled to higher 800GB capacity to support future growth.

Secured Term Sheets for and Additional ₱10 billion (U.S.\$200.6 million) of Long-Term Credit Facilities with Two Major Philippine Banks

During the third quarter of 2020, Converge entered into term sheets with two Philippine banks for two long-term credit facilities with an aggregate amount of up to ₱10 billion (U.S.\$200 million). Each credit facility is for an unsecured, 7-year term loan of ₱5 billion (U.S.\$100 million). Each loan will be available for drawdown for at least 12 months following the signing of the definitive facility agreement, and will have a term of seven years from the first drawdown date.

Interest would be payable quarterly in arrears and the principal would be payable in equal quarterly installments commencing after a grace period of two years from drawdown. Each loan bears interest equivalent to the BVAL benchmark rate prevailing at drawdown plus a spread. Each term sheet contemplates an indicative interest rate (assuming drawdown at the date of this Press Release) of approximately 5% per annum.

The definitive facility agreements are being prepared and are expected to be executed in the fourth quarter of 2020.

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About Converge ICT

Converge Information and Communications Technology Solutions, Inc. (Converge ICT), is the largest and fastest-growing high-speed fixed broadband operator in the Philippines with a proprietary end-to-end fibre infrastructure. In 2012, Converge ICT commenced its fixed broadband internet operations with a vision to provide high-speed broadband to millions of unserved and underserved households and businesses across the Philippines. Today, Converge is the only major pure-play broadband provider that is solely focused on serving the Philippine broadband market.

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