COVER SHEET

SEC Registration Number

C	S	2	0	0	7	1	6	0	9	4

Company Name

CONVERGE INFORMATION AND
COMMUNICATIONS TECHNOLOGY
SOLUTIONS, INC.

Principal Office ***(No./Street/Barangay/City/Town/Province)***

NEW STREET BUILDING MCARTHUR
HIGHWAY BALIBAGO ANGELES CITY
PAMPANGA

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	MSRD	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
converge.sec@convergeict.com	-	09175774586
No. of Stockholders	**Annual Meeting Month/Day**	**Fiscal Year Month/Day**
	Last Friday of May of Each Year	Dec-31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
OWEN OCAMPO	okdocampo@convergeict.com	-	09328912603

CONTACT PERSON's ADDRESS

Reliance IT Center Bldg., Annex 1, No. 99, E. Rodriguez Jr. Ave., Brgy. Ugong, Pasig City

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies

CONVERGE
ICT SOLUTIONS INC.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **September 30, 2021**

2. SEC Identification number **CS200716094**

3. BIR Tax Identification No. **006-895-049**

4. **Converge Information and Communications Technology Solutions, Inc.**
Exact name of registrant as specified in its charter

5. **Republic of the Philippines**
Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

7. **New Street Bldg., Mc Arthur Highway, Balibago, Angeles City, Pampanga** **2009**
Address of registrant's principal office Postal Code

8. **(02) 8667-0888**
Registrant's telephone number, including area code

9. **Not applicable**
Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	No. of Shares of Common Stock Issued & Outstanding
Common Stock, P0.25 par value	**7,526,294,461 Shares**

11. Are any or all of the securities listed on a Stock Exchange?
Yes [✓] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
Philippine Stock Exchange, Common Stock

12. Indicate by check mark whether the registrant:
(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [✓] No []

(b) has been subject to such filing requirements for the past ninety (90) days

Yes [✓] No []

PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Our unaudited condensed consolidated financial statements include the financial statements of the Parent Company and its subsidiaries namely, Pentagon Holding Co., Inc. ("Pentagon"), Converge ICT Solutions (Global) Limited ("Converge Global"), and Converge ICT Singapore Pte. Ltd. These consolidated financial statements also include Pentagon's wholly owned subsidiary, namely, Metroworks ICT Construction Inc. ("Metroworks"). The Parent Company and its subsidiaries are collectively referred to here as the "Group".

The unaudited condensed consolidated financial statements for the nine months ended September 30, 2021 (filed as Annex 1 of this report) have been prepared in accordance with Philippine Accounting Standard 34, Interim Financial Reporting and hence do not include all of the information required in the annual audited financial statements.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of Converge's financial performance for the nine months ended September 30, 2021. The prime objective of this MD&A is to help the readers understand the dynamics of the Company's business and the key factors underlying its financial results. This section focuses on key statistics from the unaudited consolidated financial statements and pertains to known risks and uncertainties relating to the telecommunications industry in the Philippines where we operate up to the stated reporting period. However, Converge's MD&A should not be considered all inclusive, as it excludes unknown risks, uncertainties and changes that may occur in the general economic, political and environmental condition after the stated reporting period. Converge has adopted an expanded corporate governance approach in managing its business risks. An Enterprise Risk Management Policy was developed to systematically view the risks and to manage these risks in the context of the normal business processes such as strategic planning, business planning, operational and support processes.

The Company's MD&A should be read in conjunction with its unaudited consolidated financial statements and the accompanying notes. All financial information is reported in Philippine Pesos (₱) unless otherwise stated.

Any references in this MD&A to "we", "us", "our", "Company" means the Converge and references to "Converge" mean Converge Information and Communications Technology Solutions, Inc. Additional information about the Company, including annual and quarterly reports, can be found on our corporate website https://www.convergeict.com/

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I. OVERVIEW OF OUR BUSINESS

Converge Information and Communications Technology Solutions, Inc. ("Converge") is the fastest-growing highspeed fixed broadband operator in the Philippines, with our residential subscriber base growing from approximately 530,000 at the start of 2020 to almost 1,577,000 as of September 30, 2021.

Furthermore, we are the only pure-play high-speed fixed broadband provider, with an exclusive focus on serving the Philippines with industry leading optical fiber-based connectivity services. This singular focus on industry leading highspeed fixed broadband services is deeply ingrained in our organization, which we believe permeates all aspects of our operations, including our network rollout, product and service offerings, sales and customer service.

We operate two businesses: (i) our residential business ("Residential Business"), which primarily offers high-speed fixed broadband internet services to our residential customers; and (ii) our enterprise business ("Enterprise Business"), which offers high-speed fixed broadband internet services, private data network solutions, cloud and colocation services and other connectivity solutions to our enterprise customers of varying sizes, industries and types.

We own and operate the fastest-growing, end-to-end fiber network in the Philippines, which is also one of the newest in the country. With almost 90,000 kilometers of fiber as of September 30, 2021, our network is among the most extensive in the country. Our network is comprised of a fiber backbone reaching from the Luzon Island to the Visayas and Mindanao regions. Our extensive fiber distribution and last-mile network passes through 440 cities and municipalities across the country (including Metro Manila), as of September 30, 2021. Our network reached more than 9.6 million homes as of September 30, 2021 covering approximately 57% of households in Luzon and 38% of households nationwide. In November 2021, the Company has completed its nationwide subsea cable backbone project, supported by 20 cable landing stations across the archipelago.

II. KEY PERFORMANCE INDICATORS

Converge is committed to efficiently managing the Company's resources and enhancing shareholder value. The Company regularly reviews its performance against its operating and financial plans and strategies, and uses key performance indicators to monitor its progress.

Some of its key performance indicators are set out below. Except for Net Income, these key performance indicators are not measurements in accordance with Philippine Financial Reporting Standards ("PFRS") and should not be considered as an alternative to net income or any other measure of performance which are in accordance with PFRS.

AVERAGE REVENUE PER UNIT ("ARPU")

ARPU for our Residential Business is calculated by dividing (i) the revenue generated by residential subscribers during a period by (ii) the average number of subscribers during that period, then dividing the quotient by the number of months during that period. The average number of subscribers during a period, is calculated by the sum of the subscribers at the beginning and at the end of the period, divided by two.

ARPU for our Enterprise Business is calculated by dividing (i) the revenue generated by the enterprise users during a period by (ii) the average number of enterprise users during that period, then dividing the quotient by the number of months during that period. The average number of enterprise users during a period, is calculated by the sum of the enterprise users at the beginning and at the end of the period, divided by two.

AVERAGE MONTHLY CHURN RATE

The percentage measure of the number of customers who have, voluntarily or involuntarily, discontinued a service for which the customer had subscribed for the relevant period over the number of customers for that period.

Our churn rate is calculated by dividing (i) the sum of the number of permanent subscriber discontinuations in a month, by (ii) the average number of subscribers during the respective month and multiplying the result by 100%. The average number of subscribers during a month, is calculated by the sum of the subscribers at the beginning and at the end of the month, divided by two.

PORT UTILIZATION

Our port utilization rates for our FTTH network is the number of our FTTH subscribers as a percentage of total FTTH ports and for our HFC network is our number of HFC subscribers as a percentage of HFC homes passed. In line with our focus on FTTH network expansion and FTTH subscriber additions, we actively track and manage our FTTH port take-up or utilization rates. Each utilized port generates revenue for us.

EBITDA

EBITDA is calculated as our profit for the year before depreciation and amortization (including amortization of installation fees as their corresponding revenue impact has not been adjusted), finance costs, income tax expense. This measure provides useful information regarding a company's ability to generate cash flows, incur and service debt, finance capital expenditures and working capital changes. As the Company's method of calculating EBITDA may differ from other companies, it may not be comparable to similarly titled measures presented by other companies.

NET INCOME

As presented in the unaudited condensed consolidated financial statements for applicable periods, net income provides an indication of how well the Company performed after all costs of the business have been factored in.

EBITDA AND NET INCOME MARGIN

EBITDA and Net Income Margins are calculated as a percentage of revenues.

RETURN ON INVESTED CAPITAL ("ROIC")

Return on Invested Capital is tax-adjusted (25% corporate income tax rate with the CREATE Law approved this year to be applied starting July 2020) profit from operations divided by average invested capital. Invested Capital is the sum of our total equity and total debt (comprising loans payable (non-current and current portions)), less cash and cash equivalents and capital expenditures in progress. This measure provides useful information regarding a company's ability to deploy capital efficiently.

III. FINANCIAL AND OPERATIONAL RESULTS

A. FINANCIAL AND OPERATING SUMMARY

SUMMARY OF STATEMENTS OF COMPREHENSIVE INCOME

	For the nine months ended September 30				For the three months ended September 30			
	2021	2020	YoY change	YoY change %	2021	2020	YoY change	YoY change %
	(in ₱ millions)							
Revenues	18,831	10,677	8,154	76%	7,050	4,187	2,862	68%
Residential	*16,374*	*8,413*	*7,961*	*95%*	*6,162*	*3,435*	*2,727*	*79%*
Enterprise	*2,457*	*2,264*	*192*	*9%*	*887*	*752*	*135*	*18%*
Cost of services	(7,461)	(4,944)	(2,518)	51%	(2,636)	(1,926)	(711)	37%
Gross profit	11,370	5,733	5,636	98%	4,413	2,262	2,152	95%
General and administrative expenses	(3,272)	(1,771)	(1,501)	85%	(1,148)	(695)	(453)	65%
Provision for impairment of trade and other receivables	(778)	(491)	(287)	58%	(254)	(166)	(87)	52%
Other income (loss), net	(132)	125	(257)	N/M	(310)	52	(361)	N/M
Profit from operations	7,188	3,597	3,591	100%	2,702	1,452	1,250	86%
Finance costs	(448)	(454)	6	-1%	(184)	(107)	(77)	72%
Profit before income tax	6,740	3,142	3,598	114%	2,518	1,345	1,173	87%
Income tax expense	(1,542)	(952)	(589)	62%	(572)	(414)	(158)	38%
Profit after income tax for the year/ period	**5,198**	**2,190**	**3,008**	**137%**	**1,946**	**931**	**1,015**	**109%**
Other comprehensive income	-	(19)	19	100%	-	-	-	-
Total comprehensive income	5,198	2,171	3,028	139%	1,946	931	1,015	109%
Profit after income tax	5,198	2,190	3,008	137%	1,946	931	1,015	109%
Finance costs	448	454	(6)	-1%	184	107	77	72%
Income taxes	1,542	952	589	62%	572	414	158	38%
Depreciation and amortization – cost of services	2,565	1,651	914	55%	937	700	237	34%
Depreciation and amortization – general and administrative expenses	157	106	51	48%	55	23	31	133%
Amortization of subscriber acquisition costs	461	222	239	108%	183	87	96	111%
EBITDA	**10,371**	**5,576**	**4,795**	**86%**	**3,877**	**2,262**	**1,615**	**71%**
EBITDA Margin	**55.1%**	**52.2%**			**55.0%**	**54.0%**		

SUMMARY OF SELECTED OPERATING INFORMATION

	2020				2021			QoQ Growth
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	3Q2021 vs 3Q2020
Residential								
Revenues	**2,287**	**2,691**	**3,435**	**4,215**	**4,797**	**5,415**	**6,162**	**79%**
FTTH	1,614	1,992	2,679	3,509	4,086	4,771	5,571	108%
HFC	673	698	756	707	711	644	590	-22%
Customers	**615,466**	**731,563**	**900,531**	**1,038,321**	**1,181,723**	**1,355,079**	**1,576,759**	**75%**
FTTH	405,784	512,597	673,005	822,791	964,644	1,139,290	1,363,681	102%
HFC	209,682	218,966	227,526	215,530	217,079	215,789	213,078	-6%
Homes Passed	**3,599,533**	**4,111,661**	**5,112,591**	**6,177,845**	**7,172,033**	**8,303,553**	**9,610,861**	**88%**
FTTH(1)	2,789,112	3,301,240	4,281,768	5,342,008	6,330,536	7,462,056	8,768,296	105%
HFC(2)	810,421	810,421	830,823	835,837	841,497	841,497	842,565	1%
Ports	**2,204,977**	**2,461,041**	**2,971,707**	**3,506,841**	**4,006,765**	**4,572,525**	**5,226,713**	**76%**
FTTH(3)	1,394,556	1,650,620	2,140,884	2,671,004	3,165,268	3,731,028	4,384,148	105%
HFC(4)	810,421	810,421	830,823	835,837	841,497	841,497	842,565	1%
Household Coverage(5) (%)	**14.5%**	**16.6%**	**20.6%**	**24.5%**	**28.3%**	**32.5%**	**37.6%**	**83%**
ARPU(6)	**1,284**	**1,287**	**1,352**	**1,408**	**1,390**	**1,372**	**1,346**	**0%**
FTTH	1,417	1,405	1,467	1,516	1,481	1,455	1,424	-3%
HFC	1,046	1,033	1,046	1,044	1,014	967	891	-15%
Customer Churn(7) (%)	**0.39**	**1.08**	**1.63**	**1.35**	**1.16**	**1.11**	**1.32**	**-19%**
FTTH	0.34	0.78	1.28	0.61	1.14	0.97	1.32	3%
HFC	0.49	1.74	2.55	3.84	1.27	1.79	1.34	-48%
Port Utilization(8) (%)	**27.9**	**29.7**	**30.3**	**29.6**	**29.5**	**29.6**	**30.2**	**0%**
FTTH	29.1	31.1	31.4	30.8	30.5	30.5	31.1	-1%
HFC	25.9	27.0	27.4	25.8	25.8	25.6	25.3	-8%
Enterprise								
Revenues	**734**	**778**	**752**	**760**	**750**	**819**	**888**	**18%**
Customers	**10,378**	**10,498**	**10,953**	**11,090**	**12,400**	**17,539**	**21,425**	**96%**
ARPU(9)	**23,910**	**26,569**	**21,675**	**23,002**	**21,269**	**18,247**	**15,175**	**-30%**
Customer Churn(10) (%)	**0.30**	**0.33**	**0.49**	**1.61**	**0.72**	**0.35**	**1.42**	**189%**

Notes:
(1) FTTH homes passed is derived from the number of homes within a 300-meter radius from a network access point ("NAP") that we have installed in a coverage area. Each NAP has eight or sixteen ports, and one port serves one home.
(2) HFC homes passed refers to the number of homes and other residential units that are within a 200-meter radius from our HFC ports, and can be connected to our network.
(3) The number of FTTH ports installed represents both activated FTTH connections and ports available for immediate activation once a new subscription is approved.
(4) The number of HFC ports installed refers to a slot on a network device allowing for the transmission of data between our HFC network and the equipment at the customer premises.
(5) Household coverage is calculated as total homes passed over total number of homes in the Philippines, which is estimated at 25.6 million as of June 2021, extrapolated from MPA data.
(6) Monthly ARPU for our Residential Business is calculated by dividing (i) the revenue generated during a period by (ii) the average number of subscribers during that period, then dividing the quotient by the number of months during that period. The average number of subscribers during a period, is calculated by the sum of the subscribers at the beginning and at the end of the period, divided by two.
(7) Blended churn rate refers to the combined FTTH and HFC churn rate. Churn rate for our Residential Business is calculated by dividing (i) the sum of the number of permanent subscriber discontinuations in a month, by (ii) the average number of subscribers during the respective month and multiplying the result by 100%. The average number of subscribers during a month, is calculated by the sum of the subscribers at the beginning and at the end of the month, divided by two.
(8) Our port utilization rates for our FTTH network is our number of FTTH subscribers as a percentage of total FTTH ports and for our HFC network is our number of HFC subscribers as a percentage of HFC homes passed.
(9) ARPU for our Enterprise Business is calculated by dividing (i) the revenue generated during a period by (ii) the average number of enterprise users during that period, then dividing the quotient by the number of months during that period. The average number of enterprise users during a period, is calculated by the sum of the enterprise users at the beginning and at the end of the period, divided by two.
(10) Customer churn rate for our Enterprise Business is calculated by dividing (i) the sum of the number of permanent customer deactivations in a month, by (ii) the average number of customers during the respective month and multiplying the result by 100%. The average number of customers during a month is calculated by the sum of the circuits at the beginning and at the end of the month, divided by two.

Nine months ended September 30, 2021 compared to nine months ended September 30, 2020

B. OPERATING REVENUES

The Company earned ₱18,831 million of consolidated revenues in the first nine months of 2021, representing a 76% increase (YoY). The significant growth in revenue is coming from our residential business showing a 95% increase from ₱8,413 million for the first nine months of 2020 to ₱16,374 million in the first nine months of 2021. Converge's monthly residential ARPU remained steady from ₱1,352 in the first nine months of 2020 to ₱1,346 during the same period in 2021.

For the period ended September 30, 2021, Converge's enterprise business is ₱2,457 million, which is a 9% increase from the revenues for the same business for the first nine months of 2020, amounting to ₱2,264 million. The successful launch of the Company's SME product flexiBIZ earlier this year allowed us to more than double our SME customer base in 3Q2021 from the same period last year. Our overall enterprise customer base increased from 10,953 unique customers as of September 30, 2020 to 21,425 as of September 30, 2021.

C. COST OF SERVICES, G&A EXPENSES AND PROVISIONS

For the first three quarters of 2021, Converge's total cost of services, amounted to ₱7,461 million, up by 51% from ₱4,944 million reported in the same period last year. As the strong revenue growth of 76% over the period exceeded cost of services growth of 51%, total gross margins grew from 54% in the first nine months of 2020 to 60% in the first nine months of 2021.

Converge achieved an EBITDA of ₱10,371 million for the first nine months of 2021, representing an increase of 86% (YoY), as a result of the Company's revenue growth outpacing the increase in expenses. Converge's consolidated EBITDA margins improved from 52.2% to 55.1% for the first nine months of 2020 and the first nine months of 2021, respectively.

Cost of Services

Cost of services increased by 51%, or ₱2,518 million, from ₱4,944 million for the nine months ended September 30, 2020 to ₱7,461 million for the nine months ended September 30, 2021. The increase was primarily attributable to increases in depreciation and amortization costs, network materials and supplies used, amortization of deferred contract cost, and personnel cost.

Depreciation and amortization costs increased by 55%, or ₱914 million, from ₱1,651 million for the nine months ended September 30, 2020 to ₱2,565 million for the nine months ended September 30, 2021 primarily due to our fiber network expansion and customer premises equipment issuances to subscribers.

Network materials and supplies used increased by 91%, or ₱739 million, from ₱807 million for the nine months ended September 30, 2020 to ₱1,546 million for the nine months ended September 30, 2021 due to material issuances used in our subscriber installations.

Amortization of deferred contract cost increased by 129%, or ₱687 million, from ₱533 million for the nine months ended September 30, 2020 to ₱1,220 million for the nine months ended September 30, 2021. The growth is due to the increase in subscriber acquisition costs from the expansion of our residential customers.

Personnel costs increased by 74%, or ₱166 million, from ₱225 million for the nine months ended September 30, 2020 to ₱391 million for the nine months ended September 30, 2021 due to increase in headcount and key hires for the period from October 2020 to September 2021, to support the Company's growing business, and the issuance of the share options to selected employees.

Gross Profit

Gross profit increased by 98%, or ₱5,636 million, from ₱5,733 million for the nine months ended September 30, 2020 to ₱11,370 million for the nine months ended September 30, 2021. Gross margin, or gross profit as a percentage of revenue, increased from 54% in 2020 to 60% in 2021. The increase in gross margin was primarily due to the growth in revenue which was more than the growth in some of our significant costs, as discussed above.

The table below summarizes our cost of services for the periods indicated.

	For the nine months ended September 30				For the three months ended September 30			
	2021	2020	YoY change	YOY change %	2021	2020	YoY change	YoY change %
	(in ₱ millions)							
Depreciation and amortization	2,565	1,651	914	55%	937	700	237	34%
Network materials and supplies used	1,546	807	739	91%	552	314	237	76%
Amortization of deferred contract cost	1,220	533	687	129%	472	217	256	118%
Bandwidth and leased line costs	763	998	(235)	-24%	248	355	(107)	-30%
Service fees	449	443	7	2%	133	147	(13)	-9%
Personnel costs	391	225	166	74%	102	97	5	5%
Rent	257	98	159	163%	109	41	69	169%
Repairs and maintenance expense	160	104	55	53%	39	27	13	47%
Utilities	82	60	23	38%	36	21	15	72%
Others	27	25	2	10%	8	8	-	-
Total cost of services	**(7,461)**	**(4,944)**	**(2,518)**	**51%**	**(2,636)**	**(1,926)**	**(711)**	**37%**
Gross profit	**11,370**	**5,733**	**5,636**	**98%**	**4,413**	**2,262**	**2,152**	**95%**
Gross profit margin	**60.4%**	**53.7%**			**62.6%**	**54.0%**		

General and Administrative Expenses

General and administrative expenses increased by 85%, or ₱1,501 million, from ₱1,771 million for the nine months ended September 30, 2020 to ₱3,272 million for the nine months ended September 30, 2021. The increase was primarily attributable to an increase in personnel costs, outside services, managed service fees, and taxes and licenses.

Personnel costs increased by 36%, or ₱272 million, from ₱758 million for the nine months ended September 30, 2020 to ₱1,030 million for the nine months ended September 30, 2021 due to increase in headcount and key hires for the period from October 2020 to September 2021, to supsport the Company's growing business, and the issuance of the share options to selected employees.

Managed service fees increased by 335%, or ₱429 million, from ₱128 million for the nine months ended September 30, 2020 to ₱557 million for the nine months ended September 30, 2021 primarily from the additions of new Managed Service Providers ("MSPs") to serve our growing subscriber base. Also, our MSPs were able to reach their targets for the period, which drove up their commissions and other incentives.

Outside services increased by 231%, or ₱254 million, from ₱110 million for the nine months ended September 30, 2020 to ₱363 million for the nine months ended September 30, 2021 due to additional call center service providers, to improve on our customer support while we scale up our business.

Taxes and licenses increased by 243%, or ₱198 million, from ₱82 million for the nine months ended September 30, 2020 to ₱280 million for the nine months ended September 30, 2021, since the Company paid higher business taxes in 2021 due to the Company's growing business.

Provision for Impairment of Trade and Other Receivables

Provision for impairment of trade and other receivables increased by 59%, or ₱288 million, from ₱491 million for the nine months ended September 30, 2020 to ₱778 million for the nine months ended September 30, 2021 primarily due to a higher amount of receivables outstanding as of September 30, 2021. As a percentage of revenue, our provisions slightly decreased from 4.6% in 2020 to 4.1% in 2021 due to the update in our Expected Credit Loss ("ECL") rates, based on the net disconnected accounts.

The table below summarizes our general and administrative expenses for the periods indicated.

	For the nine months ended September 30				For the three months ended September 30			
	2021	2020	YoY change	YoY change %	2021	2020	YoY change	YoY change %
	(in ₱ millions)							
Personnel costs	1,030	758	272	36%	311	277	34	12%
Managed service fees[1]	557	128	429	335%	222	47	175	372%
Outside services	363	110	254	231%	155	49	106	214%
Taxes and licenses	280	82	198	243%	90	36	54	149%
Depreciation and amortization	157	106	51	48%	55	23	31	133%
Promotions	205	41	164	398%	118	8	111	N/M
Repairs and maintenance	146	103	43	41%	64	30	34	116%
Office supplies	62	12	50	409%	22	4	18	400%
Utilities	76	60	17	28%	28	31	(4)	-11%
Other general and administrative expenses	394	371	23	6%	82	189	(106)	-56%
Total G&A expenses	**(3,272)**	**(1,771)**	**(1,501)**	**85%**	**(1,148)**	**(695)**	**(453)**	**65%**
Provision for impairment of receivables	(778)	(491)	(288)	59%	(254)	(167)	(87)	52%
Other income/(expenses)	(132)	125	(257)	N/M	(310)	52	(361)	N/M
Operating profit	**7,188**	**3,597**	**3,591**	**100%**	**2,702**	**1,452**	**1,250**	**86%**
Operating profit margin	**38.2%**	**33.7%**			**38.3%**	**34.7%**		

Note:

(1) Previously referred to as commission expense

D. OTHER INCOME STATEMENT ITEMS

For the first nine months of 2021, Converge achieved a net income for the period of ₱5,198 million, representing an increase of 137% YoY, and a net income margin of 28% compared to the net income for the nine months ended September 30, 2020 amounting to ₱2,190, with a net income margin of 21%, highlighting the growing profitability of our business.

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The table below summarizes our other income statement items for the periods indicated.

	For the nine months ended September 30				For the three months ended September 30			
	2021	2020	YoY change	YoY change %	2021	2020	YoY change	YoY change %
				(in ₱ millions)				
Net foreign exchange gain/(loss)	(223)	117	(340)	N/M	(338)	48	(386)	N/M
Gain on transfer of network materials	20	31	(10)	-34%	7	24	(16)	-70%
Interest income - cash and cash equivalents	32	30	2	6%	0	4	(4)	-90%
Miscellaneous income/(expense)	39	(53)	92	N/M	21	(24)	45	N/M
Total Other income/(expense), net	**(132)**	**125**	**(257)**	**N/M**	**(310)**	**52**	**(361)**	**N/M**
Operating profit	7,188	3,597	3,591	100%	2,702	1,452	1,250	86%
Finance cost	(448)	(454)	6	-1%	(184)	(107)	(77)	72%
Profit before income tax	6,740	3,142	3,598	114%	2,518	1,345	1,173	87%
Income tax expense	(1,542)	(952)	(589)	62%	(572)	(414)	(158)	38%
Net income	**5,198**	**2,190**	**3,008**	**137%**	**1,946**	**931**	**1,015**	**109%**
Net income margin	**27.6%**	**20.5%**			**27.6%**	**22.2%**		

Other Income (Expenses), net

Other income, net decreased by ₱257 million from ₱125 million gain for the nine months ended September 30, 2020 to ₱132 million loss for the nine months ended September 30, 2021. For the nine months September 30, 2021, other income, net is primarily related to net foreign exchange loss on the weakening of the Philippine Peso against the US Dollar, which had an unfavorable impact in our financials since we are in a net liability position in our USD denominated balances.

Profit from Operations

Profit from operations increased by 100%, or ₱3,591 million, from ₱3,597 million for the nine months ended September 30, 2020 to ₱7,188 million for the nine months ended September 30, 2021 for the reasons described above, in particular the increase in gross profit, partially offset by the increases in general and administrative expenses and provision for impairment of trade and other receivables.

Finance Costs

Finance costs decreased by 1%, or ₱6 million, from ₱454 million for the nine months ended September 30, 2020 to ₱448 million for the nine months ended September 30, 2021 as we paid out ₱1.8 billion of our long-term loans early in 2021 and we only had additional loans availments starting of June 2021.

Profit Before Income Tax

Profit before income tax increased by 114%, or ₱3,598, from ₱3,142 million for the nine months ended September 30, 2020 to ₱6,740 million for the nine months ended September 30, 2021 for the reasons described above, in particular the 100%, increase in profit from operations in 2021.

Income Tax Expense

Income tax expense increased by 62%, or ₱589 million, from ₱952 million for the nine months ended September 30, 2020 to ₱1,542 million for the nine months ended September 30, 2021 due to the increase in profit before income tax described above. Our effective tax rate, which is our income tax expenses as a percentage of profit before income tax, was 23% for the nine months ended September 30, 2021 compared to 30% for the nine months ended September 30, 2020. This has decreased because of the impact of the

CREATE bill, approved in March 2021, which lowers the corporate income tax rate from 30% to 25%. Further decreasing the effective tax rate to 23% is the reversal of the 2020 provision for income tax rates since the 25% tax rate is effective starting July 1, 2020, and one of our major subsidiaries elected for the optional standard deduction in their income tax filings in 2021.

Profit for the Period

For the reasons discussed above, profit for the period increased by 137%, or ₱3,008 million, from ₱2,190 million for the nine months ended September 30, 2020 to ₱5,198 million for the nine months ended September 30, 2021.

E. CAPITAL EFFICIENCY AND LIQUIDITY

	September 30, 2021	December 31, 2020	Change (%)
Balance Sheet Data (in ₱ millions)			
Total Assets	75,434	56,712	33%
Total Debt(1)	18,098	11,314	60%
Total Stockholders' Equity	33,087	27,775	19%
Financial Ratios			
Total Debt to EBITDA (gross)	1.5x	1.4x	
Total Debt to EBITDA (net)	0.7x	-0.2x	
Debt Service Coverage(2)	4.3x	2.3x	
Interest Coverage (gross) (3)	23.2x	14.9x	
Debt to Equity (gross) (4)	0.5x	0.4x	
Debt to Equity (net) (5)	0.3x	-0.1x	
Return on Invested Capital (6)	21.7%	20.0%	

Notes:
(1) Total Debt is the sum of current and noncurrent loans payable
(2) Debt Service Coverage is computed as last twelve month's ("LTM") EBITDA divided by the sum of current loans payable, LTM interest expense, and current lease liabilities
(3) Interest Coverage (gross) is computed as LTM EBITDA divided by LTM finance costs
(4) Debt to Equity (gross) is computed as total debt divided by total shareholders' equity
(5) Debt to Equity (net) is computed as the difference between total debt and cash and cash equivalents divided by total shareholders' equity
(6) Return on Invested Capital is tax-adjusted (25% assumed effective tax rate for 2021 and 30% for 2020) profit from operations divided by average invested capital. Invested Capital is the sum of our total equity and total debt (comprising loans payable (non-current and current portions)), less cash and cash equivalents and capital expenditures in progress

Converge's balance sheet and cash flows remain strong with ample liquidity and gearing comfortably within bank covenants.

Converge's consolidated assets as of September 30, 2021 amounted to ₱75,434 million compared to ₱56,712 million as of December 31, 2020. Consolidated cash, cash equivalents and short-term investments was at ₱9,647 million as of September 30, 2021 compared to ₱12,957.4 million as of December 31, 2020.

We had outstanding loan payables of ₱18,097.9 million as of September 30, 2021 compared to ₱11,313.8 million as of December 31, 2020. Our Net Debt position, defined as loan payables less cash and cash equivalents amounted to ₱8,451 million as of September 30, 2021 compared to our Net Cash position of ₱1,643.6 million as of December 31, 2020. The move from a net cash position to net debt position is due to our CAPEX expenditures as well as the Company starting to use the IPO proceeds for its intended use. Our resulting Net Debt to EBITDA ratio, based on the last twelve months EBITDA over the period from October 2020 to September 2021, was 0.7 times. This conservative leverage level gives us, together with our increasing and strong cash flow generation, ample headroom to execute our capital expenditure plans, and capitalize on the massive opportunity for high-speed fixed broadband infrastructure in the Philippines.

The financial tests under Converge's loan agreements subject us to a financial covenant, which requires us to maintain a minimum debt service coverage ("DSCR") ratio of 1.2x. As of September 30, 2021, Converge's DSCR ratio was 4.3x, well above the required minimum liquidity threshold.

Converge's capital efficiency measured by our Return on Invested Capital ("ROIC") was 21.7% in the first nine months of 2021 (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.

CONSOLIDATED CASH FLOWS

	For the nine months ended September 30			
	2021	2020	YoY change	YoY change %
	(in ₱ millions)			
Cash flow from operating activities				
Profit before income tax	6,740	3,142	3,598	114%
Adjustments for operating income	5,573	3,167	2,406	76%
Adjustments for assets and liabilities	(4,029)	92	(4,122)	N/M
Cash from operations	8,284	6,402	1,882	29%
Interest received and income taxes paid	(1,342)	(1,390)	48	-3%
Net cash from operating activities	**6,942**	**5,012**	**1,930**	**39%**
Cash flow from investing activities				
Acquisition of property, plant, and equipment	(15,904)	(7,881)	(8,023)	102%
Others	(363)	(999)	636	-64%
Net cash (used in) investing activities	**(16,268)**	**(8,880)**	**(7,388)**	**83%**
Cash flow from financing activities				
Proceeds from loans payable	8,833	3,474	5,359	154%
Proceeds from issuance of convertible preferred shares	-	4,566	(4,568)	-100%
Payment of loans payable	(2,049)	(2,006)	(43)	2%
Others	(757)	(1,600)	843	-53%
Net cash from/(used in) financing activities	**6,028**	**4,434**	**1,594**	**36%**
Net increase/(decrease) in cash and cash equivalents	**(3,299)**	**565**	**(3,864)**	**N/M**
Cash and cash equivalents, beginning	12,957	6,233	6,724	108%
Effects of exchange rate changes in cash and cash equivalents	(12)	(64)	51	-81%
Cash and cash equivalents, ending	**9,647**	**6,735**	**(2,912)**	**43%**

Net cash flows from operating activities

Net cash from operating activities was ₱6,942 million for the nine months ended September 30, 2021. Our cash flows generated from operating activities for 2021 are calculated by adjusting our profit before income tax of ₱6,740 million by (i) non-cash and other items, primarily comprising ₱2,722 million of depreciation and amortization, ₱778 million in provision for impairment of trade and other receivables, ₱1,220 million of amortization of deferred contract costs and ₱448 million in finance costs, (ii) changes in certain working capital items that positively impacted cash flows from operating activities, in particular increases in trade and other payables of ₱3,600 million, due from related parties of ₱410 million, and deferred revenue of ₱500 million (iii) changes in certain working capital items that negatively impacted cash flows from operating activities, in particular a ₱1,685 million increase in trade and other receivables, a ₱2,289 million increase in network materials and supplies and a ₱1,903 million increase in other deferred contract costs.

Net cash flows used in investing activities

Net cash used in investing activities was ₽16,268 million for the nine months ended September 30, 2021. During such period, we made significant investments in capital expenditures to develop additional property, plant and equipment (our end-to-end fiber network) and acquire key intangible assets (our telecommunication franchise and software and licenses).

Cash used for acquisitions of property, plant and equipment was ₽15,904 million for the nine months ended September 30, 2021. Over that period, we made the following significant investments: (i) additions in outside plant equipment, which primarily consists of passive network equipment related to the construction of our end-to-end fiber network, (ii) additions in inside plant equipment, which primarily consists of active network equipment such as dense wavelength division multiplexing equipment and routers and (iii) additions in other property, plant and equipment, which primarily consists of purchases of customer premise equipment, and general IT related investments such as laptop computers and other office IT equipment.

	As of the period			
	Sept 30, 2021	Sept 30, 2020	YoY Change	YoY Change %
	(in millions)			
Total additions to property, plant and equipment	**18,160**	**10,090**	**8,070**	**80%**
Total cash capital expenditures[1]	**15,904**	**8,775**		
Cash capital expenditures[1] / Revenue	**-84%**	**-82%**		

Notes:
(1) Include property, plant and equipment, intangibles and right-of-use assets, acquired as of report date

Net cash flows from financing activities
Net cash from financing activities was ₽6,028 million during the nine months ended September 30, 2021. Cash flows from financing activities primarily consisted of ₽8,833 million of loan availments, offset by ₽2,049 million loan amortizations and repayments, and ₽757 million of payments for interest and lease liabilities.

Commitments and Off-Balance Sheet Arrangements
As of September 30, 2021, we have unused credit lines from local banks amounting to ₱23.5 billion. As of September 30, 2021, we have entered into agreements with various suppliers for the construction, delivery and installation of property and equipment amounting to ₱16.7 billion. We did not have any other off-balance sheet arrangements or obligations that were likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

F. QUANTITATIVE AND QUALITATIVE DISCLOSURE OF FINANCIAL RISK

We are exposed to the financial risks described below in the course of our normal business activities. These financial risks principally involve the possibility of adverse consequences on our results of operations due to factors that generally beyond our control.

Credit Risk

Credit risk is the risk of financial loss to the Company if a subscriber or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from its subscribers.

The Company continuously reviews credit policies and processes and implements various credit actions, depending on assessed risks, to minimize credit exposure. Applications for service are subjected to standard credit evaluation and verification procedures. Receivable balances of subscribers are being monitored on a regular basis and appropriate credit treatments are applied at various stages of delinquency.

The maximum exposure to credit risk equals the carrying amount of the financial assets, except for trade receivables secured by subscribers' deposits which cover for anticipated losses on default payments.

The Group has the following financial assets as at September 30, 2021 where the expected credit losses ("ECL") model has been applied:

In Philippine Peso (millions)	At gross amounts	Allowance provided	Net carrying amount	Internal credit rating	Basis for recognition of ECL
Cash and cash equivalents	9,640	-	9,640	Performing	12-month ECL
Trade receivables					
Residential - Group 2	2,589	673	1,916	Collective assessment	Lifetime ECL
Residential - Group 3	305	305	-	Credit impaired	Lifetime ECL
Corporate - Group 1	288		288	Collective assessment	Lifetime ECL
Corporate - Group 2	816	140	676	Collective assessment	Lifetime ECL
Corporate - Group 3	548	548	-	Credit impaired	Lifetime ECL
Other receivables - Group 1	191	-	191	Performing	12-month ECL
Due from related parties	1,108	-	1,108	Performing	12-month ECL
	15,485	**(1,666)**	**13,819**		

Credit quality of subscribers and counterparties are classified as follows:

- Group 1 - Subscriber and counterparty balances without history of default and assessed to be fully recoverable.
- Group 2 - Subscriber and counterparty balances with some defaults in the past.
- Group 3 - Individually assessed subscribers and counterparties with defaults and which the Group no longer expects to recover the balance despite its collection efforts.

Cash and cash equivalents

Cash and cash equivalents exclude cash on hand as of September 30, 2021 amounting to ₱6.61 million. which is not subject to credit risk. To minimize credit risk exposure from cash, the Group deposits its cash in banks with universal banks, all with good credit ratings.

As at September 30, 2021, the Group is also exposed to credit risk in relation to its investment in exchangeable bonds that are measured at fair value through profit or loss and investment in short-term government securities, with the maximum exposure amounting to ₱71.9 million and ₱5.5 million, respectively. The Group's investments in exchangeable bonds and short-term government securities are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

Trade receivables

Trade receivables from residential and corporate subscribers are secured by subscribers' deposits which cover anticipated losses on default payments. The Group does not hold any collateral as security for the rest of the financial assets.

To measure the ECL, residential subscription receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of subscribers and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as gross domestic product and inflation rate affecting the ability of the subscribers to settle the receivables.

In relation to corporate subscription receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each corporate subscriber. The credit quality of corporate subscription receivables is further classified and assessed by reference to historical information about each of the counterparty's historical default rates.

Group 1 corporate subscribers have no history of default and assessed to be fully recoverable. ECL on these balances have therefore been assessed to be insignificant.

For Group 2 corporate subscribers, expected loss rates are based on the payment profiles of subscription and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on factors such as gross domestic product and inflation rate affecting the ability of the subscribers to settle the receivables.

Other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. The credit quality of other receivables is further classified and assessed by reference to historical information about each of the counterparty's historical default rates.

Credit risk on other receivables have been assessed to be insignificant considering no historical defaults and counterparties' high credit ratings.

Due from related parties

Based on assessment of qualitative and quantitative factors that are indicative of the risk of default, including but not limited to, availability of accessible highly liquid asset and internal and external funding of related parties, the Group has assessed that the outstanding balances are exposed to low credit risk. ECL on these balances have therefore been assessed to be insignificant.

Foreign Currency Exchange Risk

Foreign currency exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the Group's functional currency.

The Group has transactional currency exposures. Such exposures arise mainly from cash, trade and other current liabilities denominated in US Dollar as of September 30, 2021.

The Group manages its US Dollar exchange risk by maintaining sufficient cash in US Dollar to cover its maturing obligations.

At September 30, 2021, if the US Dollar had weakened or strengthened by 1.1% against the Philippine Peso, with all other variables held constant, pre-tax profit for the period ended September 30, 2021 and equity would have been ₱79M lower or higher, mainly as a result of foreign exchange losses or gains on translation of net US Dollar denominated monetary liabilities. The assumed shift in foreign currency exchange rate used in the sensitivity analysis is the rate of change between the US Dollar and the Philippine Peso at the end of the reporting period and the Philippine Peso equivalent determined 30 days after the reporting period, by which management is expected to settle or receive the Group's foreign currency denominated monetary assets or liabilities.

Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of financial assets and liabilities will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of financial assets and liabilities will fluctuate because of changes in market interest rates.

The Group's exposure to cash flow interest rate risk relates to borrowings which are subject to interest rates that are repriced at periodic intervals in accordance with the terms of the agreement. The Group's practice is to manage its interest cost by reference to current market rates in borrowings.

As of September 30, 2021, if interest rates increased/decreased by 6 basis points, with all other variables held constant, profit for the period ended September 30, 2021 would have been ₱6.2 million lower/higher, mainly as a result of higher/lower interest expense based on variable rates.

Changes in the market interest rates of the Group's borrowing with fixed interest rates only affect income if these are measured at their fair value. As such, the Group's financial liabilities with fixed interest rates that are measured at amortized cost are not subject to fair value interest rate risk as defined in PFRS 7.

Liquidity Risk

Liquidity risk arises from the possibility that the Group will encounter difficulty in raising funds to meet associated commitments with financial instruments.

The Group manages the liquidity risk by maintaining a balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves and reserve borrowing facilities as necessary in accordance with internal policies. Short-term loans are availed to cover for immediate expenses and maturing obligations. The Group is also able to defer payments of some of its due to related party balances.

The table below presents the Group's financial liabilities as of September 30, 2021.

	Amount
Trade and other liabilities	18,203
Due to related parties	129
Loans payable	18,098
Lease liabilities, gross of discount	1,767
	38,197

Trade and other liabilities presented above include non-current portion of subscribers' deposits as at September 30, 2021 amounting to ₱390 million and exclude non-financial liabilities such as deferred output VAT payable, payable to government agencies, and provision for contingencies.

Capital Risk Management

Our objectives when managing capital are to safeguard Converge's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Converge may adjust the amount of dividends paid to shareholders, return capital to shareholders, obtain borrowings from banks or related parties, and issue new shares. The capital that Converge manages is the total equity attributable to owners of the Parent Company less reserve for remeasurements of retirement benefit obligation and other reserves as shown in the consolidated statements of financial position.

Converge is not subject to any externally imposed capital requirements.

Converge loan agreements include compliance with certain ratios.

BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standards (PAS 34) - Interim Financial Reporting. These financial statements should be read in conjunction with annual consolidated financial statements as at and for the year ended December 31, 2020, which have been prepared in accordance with PFRS.

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies.

The same accounting policies and methods of computation were followed in the interim consolidated financial statements consistent with those adopted for the Group's annual consolidated financial statements for the year ended December 31, 2020.

G. OTHER RELEVANT INFORMATION

CORPORATE DEVELOPMENTS

Speed Upgrades to all Residential Fiber Plans to Celebrate Reaching the 1.5 Million Residential Subscriber Milestone

To celebrate the Company reaching 1.5 million residential subscribers as of end of 3Q2021, Converge gave free speed upgrades to all existing subscribers effective November 9, 2021, which are also extended to new subscribers. This is on top of the speed increase implemented last December 2020 for reaching its one million subscriber milestone. This strengthens Converge's commitment to provide better quality broadband service with the best value. With up to four times the speeds, the Company's subscribers will be much more equipped to adapt to the rapid transition to the digital lifestyle – including leisure, work, and education.

This holiday season, three new FiberX plans are set to roll out — starting with Plan 1500 for 50 Mbps with an exclusive add-on for 10Mbps for only ₱99, Plan 2500 for 300 Mbps, and Plan 3500 for 800 Mbps, making Converge now unmatched in the Philippine telecommunications industry as the most affordable internet plan.

Closely listening to its consumer's pain points, Converge identified a gap to fill in order to offer better value for their money with no additional costs, yet fast speeds. Beyond speed increase, families are encouraged to spend within their means without sacrificing their bandwidth. Turbocharged speeds play a vital role in every Filipino's lifeline as homes became an office, school, marketplace, and the like.

Expansion of Backbone Network to 440 Cities and Municipalities Nationwide and Completion of the Nationwide Subsea Cable Network

More than 13,000 kilometers of fiber optic cable were added to our backbone during 3Q2021 – the longest quarterly expansion of our backbone so far. As of September 30, 2021, our backbone has now expanded to almost 90,000 kilometers from almost 76,500 kilometers last quarter. Our network has now passed through around 440 cities and municipalities nationwide, extending our services to new areas including Iloilo, Cagayan, and Cagayan de Oro. In the coming weeks, the Company will also have its soft launch in Mindoro and Butuan City. During the third quarter, Converge also reached the shores of Palawan, where the Company plans to soft launch its services in the coming months.

The Company also completed its domestic submarine cable project that connects the country's major islands from Luzon to the Visayas and Mindanao to its national fiber backbone. The 1,800 kilometer subsea cable made its final landing in Coron, Palawan.

The subsea cables that connect to the domestic backbone of Converge are laid out in a way that there is redundancy in the network, assuring service availability even in the case of fiber cuts.

Converge interconnected Visayas and Mindanao during Phase 1 of its domestic subsea backbone rollout, first landing in Bogo, Cebu and Cagayan De Oro. Then in Phase 2, re-entered Visayas through Roxas City, Capiz in Panay Island and Mindanao through Buenavista, Agusan del Norte - closing the loops in its network. This is supported by 20 cable landing stations across the archipelago.

Continued Investment in Network Upgrades to Deliver Best Results

Beyond expanding our network to reach an increasing number of households in the Philippines, Converge is actively investing in network equipment upgrades and backbone network redundancies to ensure reliable services to its customers.

During the quarter, the Company has completed its North Luzon fiber optic loop that ensures improved reliability and availability of service in the region. This loop makes the network in the region completely redundant, which ensures continued service in case there's an interruption in one part of the network.

"*We are happy to announce that our fiber network in the region is now completely redundant. This means if there should be a fiber break in the area, services will continue*," Converge CEO Dennis Anthony Uy said. "*Amid the continued community quarantine restrictions and lockdowns, Filipinos consume more and more bandwidth at home for work, school, and entertainment. Thus, we aim to cater to the growing demand across the country, including North Luzon*."

As part of strengthening its foothold in North Luzon, Converge said it is set to finish the total fiberization of Pangasinan and La Union this month as it reaches the major cities and municipalities in these provinces where broadband services are urgently needed.

With these improvements in place, Converge was able to deliver superior network availability for its subscribers. During the third quarter of this year, outage.report/ph reported that Converge experienced less than 500 network outages per month. Though the average number of outages per month is less than half of the outages of our closest competitor, Converge is focused on further reducing outage incidents to enhance customer satisfaction.

Key Enterprise Business Wins in 3Q2021

Converge secured multiple enterprise business contracts during the last three months resulting in a 18% YoY revenue growth of the Enterprise Business compared with the three months of 3Q2020. One key growth driver came from our Enterprise Wholesale business, where Converge is re-selling bandwidth capacity on its local and international fiber cables to enterprise and telecom clients on a wholesale basis.

A recent win for our local wholesale business is one of the biggest cable TV and broadband service providers in the VisMin regions. Our contract to provide 10Gbps of bandwidth capacity is a result of our investment in our national domestic backbone – allowing us the cater to businesses outside Luzon. Also, Converge won a bid to provide 20Gbps international connectivity for a local government institute's research arm to access contents from the United States. This one-year contract will help boost enterprise revenues by more than ₱50 million. Lastly, Converge won its largest bandwidth wholesale contract so far where the Company will connect 100Gbps of capacity between Singapore and the Philippines for two years. This contract will support the growth of our wholesale business as we regionalize our presence and strategies.

Converge incorporated Converge ICT Singapore Pte. Ltd., a wholly owned subsidiary in Singapore in the third quarter of this year. The subsidiary which will focus on the marketing and selling of international cable capacity for our wholesale business. As Converge is increasing its investment in local and international cable systems, we expect that the Enterprise Wholesale business will represent an important growth driver of our Enterprise Business.

Cloud Connectivity Services Now Offered to Enterprise Customers

Following the launch of Converge Business, which will be the Company's umbrella brand for all business connectivity, data transport, and other ICT solutions for SMEs, conglomerates, and large enterprises, Converge also introduced cloud connectivity services for its Converge Business customers.

The Cloud Upload Booth allows customers to upload large files into cloud service provider platforms, at a working space located at Reliance IT Center in Pasig City. This removes the need to go to cloud regions such as Singapore just to upload large files. Users would have access to a Windows PC with a LAN-based internet connection of 10Gbps.

The Cloud Direct Connect, meanwhile, is a service that would connect the enterprise customer's local IT infrastructure to a cloud service provider. This link is done in partnership with global firm Equinix, without crossing the internet.

"*As the only pure end-to-end fiber technology provider in the country, we are committed to offering beyond just a public network. These innovative cloud connectivity services are a testament to our commitment to enterprises to help grow their businesses*," said Converge Chief Operations Officer Jesus Romero.

Continued Commitment to Improving Customer Experience
The Company continues to commit to providing quality customer experience for both existing and potential new subscribers. Converge continues to be highly focused on enhancing the overall customer experience by strengthening our customer care functions and digitizing the journey of our customers.

In 3Q2021, Converge installed more than 93% of new NCR subscribers within seven days and 60% within one day of application, respectively. First call resolution rate of our service desk teams has been consistently improving since the start of the year. During 3Q2021, more than 60% of all concerns raised were resolved during the first call, which was an improvement from only around half during the second quarter.

With the ongoing regional expansion, the Company launched its One Nationwide Cellular Hotline aimed for subscribers outside Metro Manila to avoid incurring long distance charges. Through this cellular hotline, any subscriber from anywhere in the Philippines can reach the Company's contact agents without a need for a fixed telephone line.

Additionally, Converge launched self-service kiosks in its business centers in Luzon to reduce queue time of customers. This platform has multiple functionalities, including a click-to-call function that allows customers to interact directly with a Company representative without the need to line up inside the business center. Also, this kiosk can also assist customers in new line applications, viewing latest bills, raising tickets for technical complaints, and other aftersales requests.

Strengthened Commitment to Environmental, Social and Governance with Established Roadmap
Since the start of the year, Converge has been working on the Company's Sustainability Framework that goes beyond compliance reporting. The framework will underscore our commitment to ensuring that the Company adheres to global standards in environmental, social, and governance best-practices.

The Company has established its Sustainability Roadmap with an organization structure that defines the key roles of the management team. With the Sustainability Commitment, Pillars, and Principles as building blocks, the Company has developed relevant short, medium, and long-term targets for key metrics. A few key ESG targets for the Company include:

Environment
- Zero solid waste being added to landfills by 2030
- 75% reduction in GHG emissions from purchased electricity by 2030
- Net zero by 2050, which is in line with the United Nations goal. To reach this goal, Converge will develop initiatives that will allow the Company to lessen its carbon emissions.

Social
- Improve average annual training hours per employee to 40 hours by 2022
- Implement programs to ensure diversity among employees at 70-30 male-to-female ratio by 2025

To meet these select short, mid, and long-term targets, the Company has been implementing multiple initiatives.

Environment
- On September 26, 2021, Converge started transitioning to renewable energy to power its main office in Pasig City as it aims to pursue greener options in its operations. The Company committed to purchase a total of 2.5 megawatts ("MW") of geothermal energy up to 2023 from pioneering clean energy company First Gen Corporation.

  "The clean energy that First Gen will provide for our head office in Pasig complements our business in more ways than one. It reflects our choices as a responsible company that wishes to do its share for the environment," said Converge CEO Dennis Anthony Uy in a virtual signing ceremony held recently.

- The Company contracted an energy solutions platform provider, for energy efficiency data analytics for its main office. The online dashboard provides vendor analysis in different regions for informed decision making on future partnerships under the RCOA program, on top of real-time measurement of energy consumption through meter reading. With this data analytics platform, the Company's can economically and gradually shift to renewable energy sources for its offices and business centers.

- Converge entered into a three-year partnership with the Abacan River and Angeles Watershed Advisory Council Inc. and a local Aeta community group for the rehabilitation and protection of the Angeles watershed which is the source of clean water for the city and the province of Pampanga.

Social

- Converge entered into several partnerships during the third quarter to extend our services in the digitalization of educational programs. Converge partnered with the San Juan City local government to help students, families, and educators in the city adapt to the learn-from-home environment amid mobility restrictions during the pandemic. A culmination of these efforts is the activation of free fiber optic connectivity to the digital learning platforms for over 12,000 public school students in 6,000 households.

- The Company also started providing connectivity and digital support to students of the Philippine Science High School ("PSHS") at four provincial learning hubs to help enable blended learning in the country's top science high school amid the pandemic.

- Due to the ongoing pandemic, the Company has encouraged its employees to get vaccinated for safety of both the employees and the customers. As of September 30, 2021, almost 85% of employees have been inoculated with at least one dose of Covid-19 vaccine either through the government-sponsored program or company-sponsored vaccination drives.

- The Company launched Converge University, which aims to standardize processes, establish best practices, and share and hone skills of employees that require these. The training sessions ensure that services are provided to our subscribers at a top notch level throughout the country, regardless of where the subscriber resides. Agents and other contractual workers are also provided training under Converge University.

Governance

- To strengthen the Company's data privacy framework, Converge segregated the Data Protection Officer ("DPO") function with the Information Technology role and added experienced and competent data privacy professionals to boost the team's manpower. Additionally, a series of campaigns were launched to refresh employees of the policies in protecting personal information. This ensures that employees are up-to-date on and strictly complies with all relevant company policies regarding data privacy.

- The Company's Board Risk Oversight Committee has approved the Enterprise Risk Management ("ERM") Policy. The policy outlined the ERM framework, which was based on ISO 31000:2018, and details the process, tools, and techniques in managing different types of risks. Due to uncertainties in both internal and external environments, the Company needs to quickly identify and actively manage risks to either increase shareholder value and enhance its competitive advantage or minimize losses and damages.

MAJOR STOCKHOLDERS

The following are the major stockholders of Converge as of September 30, 2021:

Title of Class	Name of Record Owner	Name of Beneficial Owner	Citizenship	Number of Shared held	Percentage of Ownership
Common Shares	Comclark Network and Technology Corp.	Dennis Anthony H. Uy Maria Grace Y. Uy Shareholders of Comclark Network and Technology Corp	Filipino	4,797,417,274	63.74%
Common Shares	Coherent Cloud Investments B.V.	Funds ultimately managed by affiliates of Warburg Pincus LLC	Dutch	1,191,412,844	15.83%
Common Shares	PCD Nominee Non-Filipino	Public Ownership	Foreign	1,183,134,385	15.72%
Common Shares	PCD Nominee Filipino	Public Ownership	Filipino	354,161,953	4.71%

BOARD OF DIRECTORS ("BOD")

The following table sets forth our Board of Directors:

Name	Position	Citizenship
Dennis Anthony H. Uy	CEO, Founder & Executive Director	Filipino
Maria Grace Y. Uy	President, Chief Resources Officer, Founder & Executive Director	Filipino
Jose Pamintuan de Jesus	Chairman, Independent Non-Executive Director	Filipino
Amando M. Tetangco, Jr.	Independent Non-Executive Director	Filipino
Roman Felipe S. Reyes	Independent Non-Executive Director	Filipino
Francisco Ed. Lim	Non-Executive Director	Filipino
Saurabh N. Agarwal	Non-Executive Director	Indian

SIGNATURES

Pursuant to the requirement of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **Converge Information and Communications Technology Solutions, Inc.**

Dennis Anthony H. Uy
Chief Executive Officer

DATE SIGNED: 11/9/2021

Christine R. Blabagno
Treasurer

DATE SIGNED: 11/9/2021

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

Condensed Consolidated Interim Financial Statements

As at September 30, 2021, December 31, 2020, and
for each of the nine months ended September 30, 2021 and 2020 and
for each of the three months ended September 30, 2021 and 2020

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

Consolidated Statements of Financial Position

As at September 30, 2021 and December 31, 2020
(All amounts in Philippine Peso)

	September 30, 2021	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	9,646,949,585	12,957,408,688
Trade and other receivables, net	3,079,947,401	2,172,669,790
Due from related parties, current portion	999,089,740	1,408,259,424
Network materials and supplies, net	3,392,425,852	2,031,358,171
Deferred contract costs, current portion	1,684,125,956	1,109,716,644
Other current assets	2,638,893,215	1,591,424,876
Total current assets	21,441,431,749	21,270,837,593
Non-current assets		
Property, plant and equipment, net	43,594,175,570	28,127,033,243
Advances to fixed assets suppliers	3,873,281,906	2,507,879,161
Right-of-use assets, net	1,912,416,930	1,859,298,827
Intangible assets, net	1,286,739,323	1,154,646,550
Deferred contract costs, net of current portion	652,094,262	543,161,211
Deferred input value-added tax, net of current portion	921,030,203	138,911,552
Deferred income tax assets, net	1,041,203,904	788,364,030
Investment in joint ventures	389,462,272	-
Due from related parties, net of current portion	163,422,374	163,422,374
Financial asset at fair value through profit or loss (FVTPL)	71,904,900	71,904,900
Other non-current assets	86,623,893	86,623,893
Total non-current assets	53,992,355,537	35,441,245,741
Total assets	75,433,787,286	56,712,083,334
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other current liabilities	19,838,264,466	13,252,779,907
Loans payable, current portion	3,061,031,385	731,214,286
Lease liabilities, current portion	230,406,171	325,737,209
Due to related parties	128,926,111	217,976,119
Deferred revenue, current portion	883,620,552	463,619,256
Income tax payable	814,084,717	393,924,516
Total current liabilities	24,956,333,402	15,385,251,293
Non-current liabilities		
Deferred revenue, net of current portion	285,426,679	205,105,237
Loans payable, net of current portion	15,036,868,100	10,582,607,143
Lease liabilities, net of current portion	1,536,594,645	1,507,853,434
Retirement benefit obligation	141,825,539	123,146,658
Subscribers' deposits, net of current portion	389,683,175	1,132,965,276
Total non-current liabilities	17,390,398,138	13,551,677,748
Total liabilities	42,346,731,540	28,936,929,041
Equity		
Attributable to owners of the Parent Company		
Share capital		
Common shares	1,881,573,615	1,881,573,615
Additional paid-in capital	18,746,088,245	18,746,088,245
Retained earnings		
Unappropriated	12,337,333,581	7,139,049,614
Reserve for remeasurements of retirement benefit obligation, net of tax	8,130,319	8,130,319
Other reserves	113,617,486	-
	33,086,743,246	27,774,841,793
Non-controlling interest	312,500	312,500
Total equity	33,087,055,746	27,775,154,293
Total liabilities and equity	75,433,787,286	56,712,083,334

CONVERGE
ICT SOLUTIONS INC.

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

Consolidated Statements of Total Comprehensive Income
For each of the nine months ended September 30, 2021 and 2020, and
for each of the three months ended September 30, 2021 and 2020
(All amounts in Philippine Peso)

	For nine months ended Sept 30		For three months ended Sept 30	
	2021	**2020**	**2021**	**2020**
Revenues	18,830,930,985	10,677,289,360	7,049,582,250	4,187,346,180
Cost of services	(7,461,390,818)	(4,943,864,162)	(2,636,456,777)	(1,925,760,078)
Gross profit	11,369,540,167	5,733,425,198	4,413,125,473	2,261,586,102
General and administrative expenses	(3,272,083,155)	(1,771,383,167)	(1,147,517,057)	(694,715,510)
Provision for impairment of trade and other receivables	(777,876,916)	(490,787,888)	(253,635,487)	(166,468,258)
Unrealized fair value loss on financial asset at FVTPL	-	(40,615,039)	-	-
Other income, net	(131,660,874)	165,988,954	(309,528,456)	51,582,535
Profit from operations	7,187,919,222	3,596,628,058	2,702,444,473	1,451,984,869
Finance costs	(447,907,802)	(454,229,568)	(184,335,038)	(106,927,314)
Profit before income tax	6,740,011,420	3,142,398,490	2,518,109,435	1,345,057,555
Income tax expense	(1,541,727,453)	(952,228,521)	(571,868,116)	(413,588,986)
Profit for the period	**5,198,283,967**	**2,190,169,969**	**1,946,241,319**	**931,468,569**
Other comprehensive income				
Item that will not be reclassified to profit or loss				
Remeasurement gain on retirement benefit obligation, net of tax	-	(19,443,562)	-	-
Total comprehensive income for the period	**5,198,283,967**	**2,170,726,407**	**1,946,241,319**	**931,468,569**

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

Consolidated Statements of Changes in Equity
For each of the nine months ended September 30, 2021 and 2020
(All amounts in Philippine Peso)

	Share capital			Retained earnings					
	Common shares	Convertible preferred shares	Additional paid-in capital	Appropriated	Unappropriated	Reserve for remeasurements of retirement benefit obligation, net of tax	Other equity reserves	Non-controlling interest	Total
Balances at January 1, 2020	1,250,000,000	306,818,180	6,541,191,820	2,200,000,000	1,814,215,854	55,240,879	-	312,500	12,167,779,233
Transaction with owners									
Issuance of shares	-	204,545,450	4,361,358,764	-	-	-	-	-	4,565,904,214
Declaration of dividends	-	-	-	-	(263,000,000)	-	-	-	(263,000,000)
Total transactions with owners for the period	-	204,545,450	4,361,358,764	-	(263,000,000)	-	-	-	4,302,904,214
Comprehensive income									
Profit for the period	-	-	-	-	2,190,169,971	-	-	-	2,190,169,971
Other comprehensive loss for the period	-	-	-	-	-	(19,443,562)	-	-	(19,443,562)
Total comprehensive income for the period	-	-	-	-	2,190,169,971	(19,443,562)	-	-	2,170,726,409
Release of appropriation	-	-	-	(2,200,000,000)	2,200,000,000	-	-	-	-
Balances at September 30, 2020	1,250,000,000	511,363,630	10,902,550,584	-	5,941,385,825	35,797,317	-	312,500	18,641,409,856

	Share capital			Retained earnings					
	Common shares	Convertible preferred shares	Additional paid-in capital	Appropriated	Unappropriated	Reserve for remeasurements of retirement benefit obligation, net of tax	Other equity reserves	Non-controlling interest	Total
Balances at January 1, 2021	1,881,573,615	-	18,746,088,245	-	7,139,049,614	8,130,319	-	312,500	27,775,154,293
Transaction with owners									
Issuance of share options	-	-	-	-	-	-	113,617,486	-	113,617,486
Comprehensive income									
Profit for the period	-	-	-	-	5,198,283,967	-	-	-	5,198,283,967
Other comprehensive loss for the period	-	-	-	-	-	-	-	-	
Total comprehensive income for the period	-	-	-	-	5,198,283,967	-	-	-	5,198,283,967
Balances at September 30, 2021	1,881,573,615	-	18,746,088,245	-	12,337,333,581	8,130,319	113,617,486	312,500	33,087,055,746

CONVERGE ICT SOLUTIONS INC.

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
For the nine months ended September 30, 2021 and 2020
(All amounts in Philippine Peso)

	Nine months ended September 30	
	2021	**2020**
Cash flows from operating activities		
Profit before income tax	6,740,011,421	3,142,398,492
Adjustments for:		
Depreciation and amortization	2,722,194,361	1,757,526,607
Provision for impairment of trade and other receivables	777,876,916	490,787,888
Amortization of deferred contract costs	1,220,424,361	533,322,783
Finance costs	447,907,802	454,229,568
Retirement benefit expense	17,469,383	6,297,839
Unrealized foreign exchange (gain) loss, net	293,974,389	(143,513,533)
Interest income	(32,318,111)	(29,372,169)
Share in net income of joint venture	(25,997,272)	-
Loss (gain) on disposal of property, plant and equipment	173,961	56,998,307
Share-based compensation expense	113,617,486	-
Provision on contingencies	37,665,632	-
Unrealized loss on FVTPL	-	40,615,039
Operating income before changes in assets and liabilities	12,313,000,329	6,309,290,821
(Increase) decrease in assets:		
Trade and other receivables, net	(1,685,154,527)	(1,533,427,225)
Due from related parties	410,281,105	(472,877,313)
Network materials and supplies	(2,289,271,176)	(1,977,683,903)
Deferred contract costs	(1,903,766,724)	(1,036,561,749)
Other current assets	(1,047,468,339)	(679,403,922)
Deferred input valued-added tax	(782,118,651)	(775,794,299)
Increase (decrease) in liabilities:		
Trade and other payables	3,600,137,661	5,576,799,784
Subscribers deposits	(743,282,101)	893,447,006
Due to related parties	(89,050,008)	(111,517,049)
Deferred revenue	500,322,738	209,242,038
Cash from operations	8,283,630,307	6,401,514,189
Interest received	31,206,691	21,928,773
Income taxes paid	(1,372,818,166)	(1,411,793,620)
Net cash from operating activities	6,942,018,832	5,011,649,342
Cash flows from investing activities		
Acquisitions of property plant, and equipment	(15,565,350,117)	(8,525,835,780)
Acquisitions of intangible assets	(339,092,143)	(249,627,330)
Acquisition of subsidiary	-	(104,510,000)
Acquisition of joint venture	(363,465,000)	-
Net cash used in investing activities	(16,267,907,260)	(8,879,973,110)
Cash flows from financing activities		
Proceeds from issuance of convertible preferred shares	-	4,567,949,670
Payment of share issuance costs	-	(2,045,456)
Proceeds from loans payable	8,833,250,000	3,473,750,001
Payments of loans payable	(2,049,171,944)	(2,006,187,500)
Payment of dividends		(898,313,051)
Interest paid on loans payable	(322,147,683)	(418,169,990)
Payments on lease liabilities	(347,206,099)	(197,256,914)
Interest paid on lease liabilities	(87,197,483)	(85,834,905)
Net cash (used in) from financing activities	6,027,526,791	4,433,891,855
Net (decrease) increase in cash and cash equivalent	(3,298,361,637)	565,568,087
Cash and cash equivalent, beginning	12,957,408,688	6,233,043,005
Effects of exchange rate changes in cash and cash equivalent	(12,097,466)	(63,695,247)
Cash and cash equivalent, ending	**9,646,949,585**	**6,734,915,845**

CONVERGE
ICT SOLUTIONS INC.

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

Aging of Trade Receivables

The following table shows the aging of our consolidated trade receivables as at September 30, 2021:

	Total	Current	0-30 days	31-60 days	61-90 days	More than 90 days
			(in millions)			
Residential	2,894	1,233	243	138	132	1,149
Corporate	1,653	256	185	126	101	985
Total trade receivables, gross	**4,547**	**1,488**	**429**	**264**	**233**	**2,133**
Less: Allowance for doubtful accounts	(1,666)					
Total trade receivables, net	2,881					
Other receivables	199					
Total trade and other receivables	**3,080**					