



SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

**CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER**

- 1. August 14, 2024
Date of Report (Date of earliest event reported)
- 2. SEC Identification Number CS200716094
- 3. BIR Tax Identification No. 006-895-049-000
- 4. Converge Information and Communications Technology Solutions, Inc.
Exact name of issuer as specified in its charter
- 5. Metro Manila, Philippines

Province, country or other jurisdiction of incorporation	
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- 6. (SEC Use Only)
Industry Classification Code:
- 7. New Street Building, Mc Arthur Highway, Balibago, Angeles City, Pampanga 2009
Address of principal office Postal Code
- 8. (02) 8667-0888
Issuer's telephone number, including area code
- 9. N/A
Former name or former address, if changed since last report
- 10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
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Common Shares	7,266,573,061
Fixed Rate Bonds	10,000,000,000

- 11. Indicate the item numbers reported herein: Item 9. Other events

1H2024 CONSOLIDATED RESIDENTIAL NET ADDS REACHED 223,751 – HIGHER BY 142% VS 1H2023 AND REPRESENTING ALMOST 90% OF TOTAL NET ADDS IN FY2023.

SUSTAINED INDUSTRY-LEADING FINANCIAL TRIFECTA; CONSOLIDATED REVENUE GROWTH FOR 1H2024 AT 12.4% YOY; EBITDA MARGIN ENDED AT 60.9% AND ROIC AT 17.3%

1H2024 Key Highlights

- **Converge registered consolidated revenues of ₱19.5Bn for 1H2024, higher by 12.4% from the same period last year**
- **1H2024 Residential revenues grew to ₱16.6Bn or 11.8% YoY growth**
- **Enterprise revenues reached ₱2.9Bn in 1H2024, a growth of 16.0% YoY**
- **EBITDA grew 18.3% to ₱11.9Bn with margin ending at 60.9% for 1H2024**
- **1H2024 net income after tax increased by 23.6% from last year to reach ₱5.3 Bn representing net income margin of 27.1%**
- **Consolidated residential net additions for the quarter reached a total of 223,751 (fiber-only net adds reached 236,951)**
- **Maintained industry-leading ROIC at 17.3% for 1H2024**

MANILA, Philippines, August 14, 2024 – The Philippines’ only pure-play high-speed fixed broadband operator, Converge Information and Communications Technology Solutions, Inc. (PSE: CNVRG) (“**Converge**” or the “**Company**”) ended June 2024 with a total of 2,351,803 subscribers. This is comprised of 2,159,284 postpaid subscribers and 192,519 prepaid subscribers. The 1H2024 net adds of 223,751 shows continuous demand for core product FiberX, as well as the new brands BIDA Fiber and Surf2Sawa.

Residential and Enterprise segments post improved performance, reaccelerating to double digit growth

Highest quarterly fiber gross additions in 11 quarters

Consolidated revenues grew by 12.4% in 1H2024 to ₱19.5Bn from ₱17.4Bn in 1H2023 – reinforcing the Company’s position as the fastest-growing fixed broadband service provider in the Philippines.

Residential business grew to ₱16.6Bn during the same period, representing 11.8% YoY growth. FiberX has seen a steady demand growth from 1H2023 with an 18.8% increase in gross additions and 83.3% increase in net additions. BIDA Fiber and Surf2Sawa continued to register all-time-high quarterly gross adds – a testament to the intact and growing demand for fiber broadband across all income segments. BIDA Fiber and Surf2Sawa now represent 5% of residential revenue and more than 13% of total residential subscriber base. Consolidated subscriber base reached 2,351,803 as of June 2024.

In 1H2024, enterprise revenue grew by 16.0% year-on-year to ₱2.9Bn from ₱2.5Bn in 1H2023. Small and medium enterprise (“SME”) continued to be the fastest growing subsegment with 29.5% revenue growth.

EBITDA levels and profitability margins well above guidance owing to prudent cost management approach and maintaining moderate levels of leverage

EBITDA growth trajectory remains strong with profitability margins further outperforming initial guidance

The Company’s EBITDA grew by double-digits at 18.3% to ₱11.9Bn in 1H2024 from ₱10.1Bn in 1H2023. Consolidated EBITDA margin improved to 60.9% in 1H2024 compared to 57.9% during the same period last year. Provision for impairment of trade and other receivables significantly improved to 3.9% cost margin due to improved efficiency and effectivity in collection.

Industry-Leading ROIC and Strong Balance Sheet

The Company maintained its industry-leading Return on Invested Capital (“ROIC”) at 17.3% from 17.4% last quarter. This performance is a result of the Company’s disciplined approach in deploying capital to expand its fiber network and improve its overall services.

Net income after tax grew by 23.6% from ₱4.3Bn in 1H2023 to ₱5.3Bn in 1H2024, resulting in a net income margin of 27.1% for 1H2024, higher than 1H2023 net income margin of 24.7%.

Converge has been able to maintain its strong balance sheet and cash flows with ample liquidity and gearing comfortably within bank covenants. The Company’s net debt position (as measured by total financial debt less cash and cash equivalents) decreased from ₱20.1Bn as of March 31, 2024 to ₱15.8Bn as of June 30, 2024. The Company repaid a portion of its financial debt, reducing the balance to ₱32.8Bn. This slightly reduced the finance cost incurred in 2Q2024. The Company’s debt service coverage ratio (“DSCR”) was 3.4x, the net debt-to-total equity was at 0.4x, and gross debt-total equity was at 0.6x – well within the required financial covenants from its debt facilities.

Total cash CAPEX as of 1H2024 amounted to ₱4.7Bn.

Converge introduced innovative products to further empower microbusinesses and expand disaster recovery options for enterprises

Converge introduced MicrobizMax and Disaster Recovery as a Service (“DRaaS”) to improve our microbusiness portfolio and support businesses with disaster mitigation.

MicrobizMax is an upgrade to its earlier iteration Microbiz with improved speeds. This was designed to make pure fiber connectivity affordable for those businesses upgrading from other forms of connectivity, including legacy and mobile data. Understanding the needs of promising entrepreneurs, Converge aims to provide innovative solutions and ensure these enterprises have low-cost business-grade plans.

Powered by HPE Zerto, a subsidiary of Hewlett Packard Enterprise (“HPE”), DRaaS is a cloud computing product that provides business continuity and data protection capabilities to organizations using Continuous Data Protection (“CDP”) technology in the event of a natural disaster, power outage, cyberattack, or other type of business disruption.

Designed as a disaster recovery solution, Converge DRaaS sees the company hosting, managing, and providing the tools and infrastructure to conduct corporate disaster recovery processes. The product assures that customers can quickly reestablish access to applications, data, and IT resources after an outage, switching over to a redundant set of servers and storage systems until the business’ primary data center is functional again.

“In the age of shifting market conditions where cybersecurity is an important focus for businesses, digital resilience is fundamental for companies to be able to adapt and swiftly deal with disruptions,” said Converge Senior Executive Vice President and Chief Operations Officer Jesus C. Romero. “Converge DRaaS is the reliable, hassle-free, affordable, and flexible support our enterprise clients can take advantage of to bolster their resilience capabilities,” he adds.

Converge was recognized again as the Fastest Internet Service Provider in the Philippines by Ookla

For its reliable performance and fast speeds during the first half of the year, Converge was awarded by Ookla® as the fastest internet provider in the Philippines for the covered period with speed score of 147.77. This is the second year running that Converge surpassed industry peers. Ookla® is the global leader in mobile and broadband network intelligence, testing applications, and related technologies.

“What we’re seeing is a changing of the guard in the industry and this comes as no surprise given our hard-earned investments into our fiber network. In the end, service excellence through innovation and technology ruled the day,” shared Converge President and Co-Founder Grace Y. Uy.

Converge maintains commitment to UN Global Compact, Sustainable Development Goals

Converge submitted its Communication on Progress (“CoP”) for 2023 to the United Nations (“UN”) on strides made in the areas of human rights, labor, environment, and anti-corruption, as enshrined in the UN Global Compact.

The UN Global Compact is a call to companies to align their strategies and operations with ten universal principles related to human rights, labor, environment and anti-corruption, and take actions that advance societal goals and the implementation of the SDGs.

The Company continues to uphold customer privacy and data security, which is central to its Human Rights Policy. In the area of labor, Converge champions workforce welfare through offering various benefits, engagement programs, and talent development to build leaders within its ranks.

“Reporting on our sustainability gains is part of the push for transparency and accountability expected of signatories to the UN Global Compact. Converge is proud to share how we’ve been making progress in fulfilling the Ten Principles of the UNGC in 2023, which embody our responsibility to safeguard our people and our planet,” said Converge Chief Sustainability Officer Benjamin B. Azada.

Please refer to the link below for Converge's Communication on Progress 2023: https://cop-report.unglobalcompact.org/COPViewer/2024?responselId=R_4V833x1X0BJJBU1

Supplementing the CoP, interested stakeholders may download the Sustainability Report through the link: <https://corporate.convergeict.com/wp-content/uploads/2023/03/2023-Sustainability-Report.pdf>

Upgraded 2024 financial targets

With the first six months significantly outperforming expectations, Converge has upgraded its full year 2024 targets. From 7-8% consolidated revenue growth, Converge now expects to grow top-line revenue by 12-14% with BIDA Fiber and Surf2Sawa continuing their growth trajectory and FiberX exceeding targets.

Profitability margins also outpaced targets – pushing our EBITDA margin guidance to a range of 59%-60% from 58-59%. ROIC target will also be upgraded to 16-17% from 15-16% declared previously. Cash CAPEX for the year is expected to range between ₱15-17Bn.

This press release may contain forward looking statements and information that are, by their nature, subject to significant risks, uncertainties, and assumptions. Many factors could make or cause the actual results, performance or achievements to be materially different from those expressed or implied in this release. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein.



For questions, please contact:

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ANNEX

Exhibit 1: Summary Statement of Comprehensive Income

	For the six months ended June 30				For the three months ended June 30			
	2024	2023	YoY change	YoY change %	2024	2023	YoY change	YoY change %
In PHP millions								
Revenues	19,519	17,362	2,157	12%	9,979	8,720	1,259	14%
<i>Residential</i>	16,635	14,876	1,760	12%	8,469	7,477	992	13%
<i>Enterprise</i>	2,884	2,487	397	16%	1,511	1,244	267	21%
Cost of services	(7,058)	(5,671)	1,387	24%	(3,728)	(2,858)	869	30%
Gross profit	12,461	11,691	770	7%	6,252	5,862	390	7%
General and administrative expenses	(4,226)	(3,642)	584	16%	(2,061)	(1,808)	253	14%
Provision for impairment of trade and other receivables	(764)	(1,140)	(377)	-33%	(394)	(709)	(315)	-44%
Equity share in net income of joint ventures	55	21	34	162%	27	12	16	134%
Unrealized fair value (loss) gain on financial asset at FVTPL	(6)	8	(14)	N/M	4	11	(7)	-65%
Other income (expense), net	456	(215)	(671)	N/M	230	(53)	(283)	N/M
Profit from operations	7,976	6,722	1,253	19%	4,058	3,315	743	22%
Finance costs	(973)	(1,092)	(119)	-11%	(479)	(559)	(80)	-14%
Profit before income tax	7,003	5,631	1,372	24%	3,579	2,756	823	30%
Income tax expense	(1,709)	(1,346)	363	27%	(837)	(643)	194	30%
Profit after income tax for the period	5,294	4,285	1,009	24%	2,742	2,113	630	30%
Other comprehensive (loss) income	-	-	-	-	-	-	-	-
Total comprehensive income for the period	5,294	4,285	1,009	24%	2,742	2,113	630	30%
Profit after income tax	5,294	4,285	1,009	24%	2,742	2,113	630	30%
Finance costs	973	1,092	(119)	-11%	479	559	(80)	-14%
Income taxes	1,709	1,346	363	27%	837	643	194	30%
Depreciation and amortization - COS	3,395	2,764	630	23%	1,757	1,315	441	34%
Depreciation and amortization - G&A	189	114	76	66%	94	3	91	2962%
Amortization of deferred contract costs - SAQ	332	455	(123)	-27%	151	250	(99)	-40%
EBITDA	11,892	10,056	1,836	18%	6,060	4,884	1,176	24%
EBITDA Margin	60.9%	57.9%			60.7%	56.0%		

Exhibit 2: Quarterly Operational Performance Summary

	2023				2024		YoY Change % 2Q2024 vs 2Q2023
	1Q	2Q	3Q	4Q	1Q	2Q	
Residential							
Revenues (In PHP millions)	7,399	7,477	7,591	7,812	8,167	8,469	11.8%
FTTH	7,089	7,181	7,331	7,600	7,993	8,345	14.5%
HFC	311	291	259	212	173	124	-50.5%
Customers	1,920,361	1,969,663	2,048,286	2,128,052	2,252,845	2,351,803	19.4%
FTTH	1,740,666	1,795,858	1,882,987	1,976,500	2,107,156	2,213,451	23.3%
HFC	179,695	173,805	165,299	151,552	145,689	138,352	-20.4%
Homes Passed	15,917,481	16,560,337	16,732,193	16,850,877	16,897,965	16,947,181	2.3%
FTTH	15,066,680	15,709,536	15,881,392	15,995,576	16,042,664	16,091,880	2.4%
HFC	850,801	850,801	855,301	855,301	855,301	855,301	0.0%
Ports	8,384,141	8,705,569	8,791,497	8,853,089	8,876,633	8,901,241	2.2%
FTTH	7,533,340	7,854,768	7,940,696	7,997,788	8,021,332	8,045,940	2.4%
HFC	850,801	850,801	855,301	855,301	855,301	855,301	0.0%
Household Coverage (%)	59.9%	62.3%	62.9%	63.4%	63.54%	63.72%	2.3%
ARPU	1,219	1,208	1,196	1,195	1,189	1,170	-2.4%
FTTH	1,297	1,277	1,262	1,225	1,247	1,228	-3.0%
HFC	562	543	506	482	388	291	-38.2%
Customer Churn (%)	1.89	2.04	2.43	2.18	1.82	2.20	3.5%
FTTH	2.09	2.12	2.50	2.11	1.86	2.23	1.1%
HFC	1.16	1.19	1.68	3.03	1.33	1.75	30.9%
Port Utilization (%)	22.9	22.6	23.3	24.0	25.4	26.4	16.9%
FTTH	23.1	22.9	23.7	24.7	26.3	27.5	20.3%
HFC	21.1	20.4	19.4	17.7	17.0	16.2	-20.4%
Enterprise							
Revenues (In PHP millions)	1,243	1,244	1,292	1,299	1,373	1,511	16.0%
Customers	40,683	42,797	45,736	48,150	50,923	55,906	30.6%
ARPU	10,398	10,130	10,195	8,824	9,094	9,290	-10.2%
Customer Churn (%)	1.58	1.27	1.22	1.14	1.60	0.90	-14.1%

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 25.7 million as of December 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.

Exhibit 3: Summary Balance Sheet

	As of the period			
	June 30, 2024	Dec 31, 2023	Change	Change %
In P millions				
Current assets				
Cash and cash equivalents	16,990	13,694	3,296	24%
Trade and other receivables, net	3,326	3,456	(130)	-4%
Due from related parties, net, current portion	151	209	(57)	-28%
Network materials and supplies, net	1,860	2,024	(163)	-8%
Deferred contract costs, current portion	1,334	984	350	36%
Other current assets	2,363	1,788	575	32%
Noncurrent assets				
Property, plant and equipment, net	68,719	67,530	1,189	2%
Right of use assets, net	2,562	2,853	(291)	-10%
Intangible assets, net	2,072	2,145	(73)	-3%
Advances to suppliers of fixed assets	2,801	3,605	(804)	-22%
Due from related parties, net of current portion	150	154	(4)	-3%
Other noncurrent assets	2,270	2,703	(433)	-16%
Total assets	104,598	101,145	3,453	3%
Current liabilities				
Trade and other current liabilities	16,494	16,199	295	2%
Due to related parties	36	42	(6)	-14%
Borrowings, current portion	5,560	5,258	302	6%
Lease liabilities, current portion	448	460	(12)	-3%
Other current liabilities	2,514	1,958	556	28%
Non-current liabilities				
Borrowings, net of current portion	27,221	29,985	(2,764)	-9%
Retirement benefit obligation, net	-	12	(12)	-100%
Other non-current liabilities	1,862	1,984	(122)	-6%
Total liabilities	54,135	55,899	(1,764)	-3%
Total equity	50,463	45,246	5,217	12%
Total liabilities and equity	104,598	101,145	3,453	3%

Exhibit 6: Summary Cash Flow

	For the six months ended June 30			
	2024	2023	YoY change	YoY change %
In PHP millions				
Cash flow from operating activities				
Profit before income tax	7,003	5,631	1,372	24%
Adjustments for operating income	5,601	6,337	(311)	15%
Adjustments for assets and liabilities	(402)	(4,143)	(3,741)	-90%
Cash from operations	12,200	7,825	4,801	76%
Interest received and income taxes paid	(988)	(1,725)	(310)	-43%
Net cash from operating activities	11,212	6,100	5,111	84%
Cash flow from investing activities				
Acquisition of property, plant, and equipment	(4,545)	(3,017)	1,527	51%
Others	(196)	(217)	(21)	-10%
Net cash used in investing activities	(4,740)	(3,234)	1,506	47%
Cash flow from financing activities				
Proceeds from borrowings	-	500	(500)	-100%
Payments of borrowings	(2,436)	(1,162)	1,275	110%
Others	(1,065)	(1,164)	(98)	-8%
Net cash used in financing activities	(3,502)	(1,826)	1,676	92%
Net increase in cash and cash equivalents	2,970	1,041	1,929	185%
Cash and cash equivalents, beginning	13,694	10,214	3,480	34%
Effects of exchange rate changes in cash and cash equivalents	327	6	321	N/M
Cash and cash equivalents, ending	16,990	11,261	5,730	51%

Exhibit 7: Liquidity and Capital Resources

	June 30, 2024	December 31, 2023	Change (%)
Balance Sheet Data (in P millions)			
Total Assets	104,635	101,145	3%
Total Debt	32,781	35,244	-7%
Total Stockholders' Equity	50,557	45,246	12%
Financial Ratios			
Total Debt to EBITDA (gross)	1.3x	1.6x	
Total Debt to EBITDA (net)	0.6x	1.0x	
Debt Service Coverage	3.4x	3.6x	
Interest Coverage (gross)	9.9x	10.4x	
Debt to Equity (gross)	0.6x	0.8x	
Debt to Equity (net)	0.3x	0.5x	
Return on Invested Capital	17.3%	15.7%	

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) 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

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