



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. May 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

1Q2024 CONSOLIDATED RESIDENTIAL GROSS ADDS OF 244,670 AND NET ADDS OF 124,793 – HIGHEST IN MORE THAN TWO YEARS WITH MONTHLY CHURN RATES DECLINING TO LESS THAN 2%

SUSTAINED INDUSTRY-LEADING FINANCIAL TRIFECTA; CONSOLIDATED REVENUE GROWTH FOR 1Q2024 AT 10.4% YOY; EBITDA MARGIN ENDED AT 61.1% AND ROIC AT 17.4%

1Q2024 Key Highlights

- **Converge registered consolidated revenues of ₱9.5Bn for 1Q2024, higher by 10.4% from the same period last year**
- **1Q2024 Residential revenues grew to ₱8.2Bn or 10.4% YoY growth due to increased subscriber base – well above guidance**
- **Enterprise revenues reached ₱1.4Bn in 1Q2024, a growth of 10.5% YoY**
- **EBITDA grew 12.8% to ₱21.5Bn with margin ending at 61.1% for 1Q2024**
- **1Q2024 net income after tax increased by 17.5% from last year to reach almost ₱2.6 Bn representing net income margin of 26.7%**
- **Consolidated residential net additions for the quarter reached a total of 124,793, with FiberX representing 54,615 – the highest net additions of the brand since 1Q2022**
- **Monthly churn rates significantly declined to 1.82% during the quarter from 2.18% in 4Q2023**
- **Maintained industry-leading ROIC at 17.4% for 1Q2024**

MANILA, Philippines, May 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 March 2024 with a total of 2,252,845 subscribers. This is comprised of 2,091,897 postpaid subscribers and 160,948 prepaid subscribers.

In 1Q2024, FiberX contributed 54,615 net additions out of the total consolidated net additions of 124,793 (considering the upselling of HFC customers), which was the highest quarterly net additions since 3Q2021. Similarly, gross additions during 1Q2024 of 244,670 was the highest since the same period.

Residential and Enterprise segments post solid performance, with residential business posting double-digit growth

Highest quarterly net additions in 10 quarters; Consolidated churn rate significantly declined

Consolidated revenues grew by 10.4% in 1Q2024 to ₱9.5Bn from ₱8.6Bn in 1Q2023 – reinforcing the Company’s position as the fastest-growing fixed broadband service provider in the Philippines.

Residential business grew to ₱8.2Bn during the same period. FiberX registered gross additions above the quarterly 2023 gross additions. With churn rates significantly reduced, net additions reached 54,615, the highest since 1Q2022. 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.

Consolidated average monthly churn rates have also improved QoQ in 1Q2024, down to 1.82%. A dedicated churn management team was established to drive long-term strategic churn management initiatives in view of lowering churn further to more favorable levels. Consolidated subscriber base reached 2,252,845 with total net additions of 124,793 across all brands.

In 1Q2024, enterprise revenue grew by 10.5% year-on-year to ₱1.4Bn from ₱1.2Bn in 1Q2023. Small and medium enterprise (“SME”) continued to be the fastest growing subsegment with 31% 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

The Company's EBITDA grew by double-digits at 12.8% to ₱5.8Bn in 1Q2024 from ₱5.2Bn in 1Q2023. Consolidated EBITDA margin improved to 61.1% in 1Q2024 compared to 59.9% during the same period last year.

Amortization of deferred contract costs ("DCC") declined year-on-year by 17% due to lower churn during the quarter. This account included the advance recognition of the unamortized DCC of churned subscribers, which was higher during 1Q2023. Outside services also declined by 24%, which was due to savings from third party optimization. These were offset with higher repair and maintenance expenses, personnel costs, and promotions and marketing expenses.

Industry-Leading ROIC and Strong Balance Sheet

The Company improved its industry-leading Return on Invested Capital ("ROIC") to 17.4% from 16.3% last quarter. The Company expects ROIC to further improve as more ports are utilized. 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 from ₱2.2Bn in 1Q2023 to ₱2.6Bn in 1Q2024, resulting in a net income margin of 26.7% for 1Q2024, higher than 1Q2023 net income margin of 25.1%.

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 ₱21.5Bn as of December 31, 2023 to ₱20.1Bn as of March 31, 2024. The Company repaid a portion of its financial debt, reducing the balance to ₱34.2Bn as of March 31, 2024, which is ₱1Bn lower than December 31, 2023. This reduced the finance cost incurred in 1Q2024. The Company's debt service coverage ratio ("DSCR") was 3.4x and the net debt-to-total equity was at 0.4x, well within the required financial covenants from its debt facilities.

Total cash CAPEX as of 1Q2024 amounted to ₱3.0Bn.

Appointment of Robert Yu as Chief Financial Officer

On May 10, 2024, Robert Yu was appointed by the Board of Directors as the Chief Financial Officer ("CFO") of Converge. Prior to joining Converge as CFO, Robert was part of Malaysia-headquartered private equity firm Creador which handles \$2.3 billion in funds across South and Southeast Asia. He also served as a consultant at Converge from 2018 - 2019, putting in place a strategic and efficient capital structure plan for the company based on its performance and projected growth.

"We're glad to welcome Robert back to Converge. We're confident that his breadth of experience in corporate financial planning and strategizing will keep Converge in a solid financial footing and will be a strong addition to the leadership team," said Converge President and Co-Founder Grace Y. Uy.

"The goal is to take Converge to the next phase of its evolution as a company, without taking any undue risks. The short-term plan is to make sure that all our upcoming investments are prudently funded, striking a balance of reinvesting internally generated cash flow and utilizing external sources of funds. Over the long-term term, Converge will be in a solid financial position that rewards all stakeholders," said Yu.

Previously, Robert was an Investment Principal at Sierra Madre Advisers Inc., which makes equity investments in ambitious companies in the Philippines spanning a diverse range of sectors. He was one of 7 investment professionals in the company managing around \$70 million of growth capital dedicated to lower middle market enterprises. Prior to that, he rose through the ranks at Morgan Stanley (Southeast Asia and Consumer Coverage), starting as an associate in 2015, and becoming a Vice President in 2017. Robert started his career in New York, focused on mergers, acquisitions and capital raising for Citigroup's consumer-sector clients.

Memorandum of Agreement with Naver Cloud Corporation aimed at serving the expanding cloud market in the Philippines

Converge CEO and Co-Founder Dennis Anthony Uy and NAVER Cloud's Chief Executive Officer Yuwon Kim were in attendance during the signing of the Memorandum of Understanding ("MOU") at the Converge Headquarters in Pasig City last Thursday, May 9.

Through the said cooperative venture, both companies will collaborate to discuss and establish potential partnerships, leveraging NAVER Cloud's expertise to deliver innovative cloud solutions for the specific needs of Filipino customers. The company also plans to promote all-round cooperation for the Digital Transformation projects in the Philippines by utilizing NAVER Cloud's innovative technology capabilities related to smart cities and business capabilities such as Large Language Model (LLM), Sovereign Cloud, WORKS (B2B communication tool), and Whale (browser-based web service integration platform).

"Our continuous leap to digital calls for advanced solutions that would support a technology-enabled lifestyle in a robust digital environment. We look forward to working with NAVER Cloud to discover ways how we can empower more customers through cutting-edge cloud technologies," Uy said.

"The Philippines is a high potential market for cloud and digital transformation business growth, and with the signing of the MOU, we expect to contribute to the digital transformation of the Philippines," said Yuwon Kim, CEO of NAVER Cloud.

Converge 2023 Sustainability Report

Converge's fourth annual Sustainability Report, published on April 15, 2024 as Exhibit 2 of the Philippines' Securities and Exchange Commission ("SEC") Form 17-A Annual Report, covers relevant discussions and disclosures on the positive and negative economic, environmental and social impacts of the Company and its subsidiaries' performance from January 1 to December 31, 2023. The report details significant events and sustainability-related initiatives undertaken by Converge during the year. It highlights the Company's contributions to support national development programs, such as the Philippine Development Plan 2023-2028 and AmBisyon Natin 2040. It also features our alignment and contributions to the global sustainability targets of the United Nations Sustainable Development Goals.

The report complies with Memorandum Circular No. 4, Series of 2019 (Sustainability Reporting Guidelines for Publicly-Listed Companies) and must be read in conjunction with the main Form 17-A filing.

Converge has reported in accordance with the Global Reporting Initiative ("GRI") Standards 2021 for the period from January 1 to December 31, 2023. The report is also aligned with AA1000 AccountAbility Principles (2018) of Inclusivity, Materiality, Responsiveness and Impact, and includes disclosures recommended under the Telecommunications Sustainability Accounting Standard (Version 2023-06) of the Sustainability Accounting Standards Board ("SASB"). The Company has also reported information with reference to the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). This year, we also referred to the recently released International Financial Reporting Standards Sustainability Disclosure Standards S1 and S2, disclosing relevant information



where possible, in preparation for a full adoption next year. All indexes for our GRI, SASB and TCFD disclosures are included in the Data and Disclosures section of the Sustainability Report.

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

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 three months ended March 31			
	2024	2023	YoY change	YoY change %
	(in ₱ millions)			
Revenues	9,540	8,642	898	10%
<i>Residential</i>	<i>8,167</i>	<i>7,399</i>	<i>767</i>	<i>10%</i>
<i>Enterprise</i>	<i>1,373</i>	<i>1,243</i>	<i>131</i>	<i>11%</i>
Cost of services	(3,331)	(2,813)	518	18%
Gross profit	6,209	5,829	380	7%
General and administrative expenses	(2,165)	(1,834)	331	18%
Provision for impairment of trade and other receivables	(370)	(431)	(62)	-14%
Other income (expenses), net	244	(156)	400	N/M
Profit from operations	3,918	3,407	511	15%
Finance costs	(494)	(533)	(39)	-7%
Profit before income tax	3,424	2,874	549	19%
Income tax expense	(872)	(702)	170	24%
Profit after income tax	2,552	2,172	380	17%
Other comprehensive income	-	-	-	-
Total comprehensive income	2,552	2,172	380	17%
Profit after income tax	2,552	2,172	380	17%
Finance costs	494	533	(39)	-7%
Income taxes	872	702	170	24%
Depreciation and amortization – cost of services	1,638	1,449	189	13%
Depreciation and amortization – general and administrative expenses	95	111	(16)	-14%
Amortization of subscriber acquisition costs	181	205	(24)	-12%
EBITDA	5,832	5,172	660	13%
EBITDA Margin	61.1%	59.9%		

Exhibit 2: Quarterly Operational Performance Summary

	2023				2024	YoY Change %
	1Q	2Q	3Q	4Q	1Q	1Q2024 vs 1Q2023
Residential						
Revenues	7,399	7,477	7,591	7,812	8,167	10.4%
FTTH	7,089	7,181	7,331	7,600	7,993	12.8%
HFC	311	291	259	212	173	-44.2%
Customers	1,920,361	1,969,663	2,048,286	2,128,052	2,252,845	17.3%
FTTH	1,740,666	1,795,858	1,882,987	1,976,500	2,107,156	21.1%
HFC	179,695	173,805	165,299	151,552	145,689	-18.9%
Homes Passed	15,917,481	16,560,337	16,732,193	16,850,877	16,897,965	6.1%
FTTH	15,066,680	15,709,536	15,881,392	15,995,576	16,042,664	6.5%
HFC	855,301	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	5.8%
FTTH	7,533,340	7,854,768	7,940,696	7,997,788	8,021,332	6.5%
HFC	855,301	855,301	855,301	855,301	855,301	0.0%
Household Coverage (%)	59.9%	62.3%	62.9%	63.4%	63.54%	6.1%
ARPU	1,219	1,208	1,196	1,195	1,189	-2.5%
FTTH	1,297	1,277	1,262	1,225	1,247	-3.9%
HFC	562	543	506	482	388	-30.9%
Customer Churn (%)	1.89	2.04	2.43	2.18	1.82	-3.5%
FTTH	2.09	2.12	2.50	2.11	1.86	-11.0%
HFC	1.16	1.19	1.68	3.03	1.33	15.3%
Port Utilization (%)	22.9	22.6	23.3	24.0	25.4	10.8%
FTTH	23.1	22.9	23.7	24.7	26.3	13.7%
HFC	21.1	20.4	19.4	17.7	17.0	-19.3%
Enterprise						
Revenues	1,243	1,244	1,292	1,299	1,373	10.5%
Customers	40,683	42,797	45,736	48,150	50,923	25.2%
ARPU	10,398	10,130	10,195	8,824	9,094	-12.5%
Customer Churn (%)	1.58	1.27	1.22	1.14	1.60	1.4%

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 26 million as of December 2023, 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			
	Mar 31 2024	Dec 31 2023	Change	Change %
(in ₪ millions)				
Current assets				
Cash and cash equivalents	14,064	13,694	370	3%
Trade and other receivables, net	3,537	3,456	81	2%
Due from related parties, net, current portion	207	209	(2)	-1%
Network materials and supplies, net	1,790	2,024	(234)	-12%
Deferred contract costs, current portion	1,116	984	132	13%
Other current assets	1,128	1,788	(660)	-37%
Noncurrent assets				
Property, plant and equipment, net	68,277	67,530	747	1%
Right of use assets, net	2,721	2,853	(133)	-5%
Intangible assets, net	2,266	2,145	122	6%
Advances to suppliers of fixed assets	3,870	3,605	265	7%
Due from related parties, net of current portion	150	154	(4)	-3%
Other noncurrent assets	2,824	2,703	121	4%
Total assets	101,950	101,145	805	1%
Current liabilities				
Trade and other current liabilities	14,667	16,199	(1,532)	-9%
Due to related parties	44	42	2	5%
Borrowings, current portion	5,426	5,258	168	3%
Lease liabilities, current portion	454	460	(6)	-1%
Other current liabilities	2,857	1,958	899	46%
Non-current liabilities				
Borrowings, net of current portion	28,751	29,985	(1,235)	-4%
Retirement benefit obligation, net	31	12	19	157%
Other non-current liabilities	1,905	1,984	(79)	-4%
Total liabilities	54,135	55,899	(1,764)	-3%
Total equity	47,815	45,246	2,569	6%
Total liabilities and equity	101,950	101,145	805	1%

Exhibit 4: Summary Cash Flow

	For the three months ended March 31			
	2024	2023	YoY change	YoY change %
	(in P millions)			
Cash flow from operating activities				
Profit before income tax	3,424	2,874	549	19%
Adjustments for operating income	2,778	3,183	(405)	-13%
Adjustments for assets and liabilities	(1,455)	(647)	809	125%
Cash from operations	4,746	5,411	(664)	-12%
Interest received and income taxes paid	71	(239)	(310)	-130%
Net cash from operating activities	4,817	5,172	(355)	-7%
Cash flow from investing activities				
Acquisition of property, plant, and equipment	(2,702)	(3,304)	(603)	-18%
Others	(262)	(12)	250	2121%
Net cash (used in) investing activities	(2,963)	(3,316)	(353)	-11%
Cash flow from financing activities				
Proceeds from borrowings	-	500	(500)	-100%
Payment of borrowings	(1,040)	(578)	462	80%
Others	(554)	(414)	140	34%
Net cash from/(used in) financing activities	(1,595)	(493)	1,102	224%
Net increase/(decrease) in cash and cash equivalents	259	1,363	(1,104)	-81%
Cash and cash equivalents, beginning	13,694	10,214	3,480	34%
Effects of exchange rate changes in cash and cash equivalents	111	(18)	(128)	-725%
Cash and cash equivalents, ending	14,064	11,560	2,505	22%

Exhibit 5: Liquidity and Capital Resources

	March 31, 2024	December 31, 2023	Change (%)
Balance Sheet Data (in P millions)			
Total Assets	101,950	101,145	1%
Total Debt ⁽¹⁾	34,177	35,244	-3%
Total Stockholders' Equity	47,814	45,245	6%
Financial Ratios			
Total Debt to EBITDA (gross)	1.5x	1.6x	
Total Debt to EBITDA (net)	0.9x	1.0x	
Debt Service Coverage ⁽²⁾	3.4x	3.6x	
Interest Coverage (gross) ⁽³⁾	10.9x	10.4x	
Debt to Equity (gross) ⁽⁴⁾	0.7x	0.8x	
Debt to Equity (net) ⁽⁵⁾	0.4x	0.5x	
Return on Invested Capital ⁽⁶⁾	17.4%	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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