



Constellation Software Inc. Announces Results for the Second Quarter Ended June 30, 2022 and Declares Quarterly Dividend

TORONTO, Aug. 04, 2022 -- Constellation Software Inc. (TSX:CSU) ("Constellation" or the "Company") today announced its financial results for the second quarter ended June 30, 2022 and declared a \$1.00 per share dividend payable on October 11, 2022 to all common shareholders of record at close of business on September 20, 2022. This dividend has been designated as an eligible dividend for the purposes of the Income Tax Act (Canada). Please note that all dollar amounts referred to in this press release are in U.S. Dollars unless otherwise stated.

The following press release should be read in conjunction with the Company's Unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2022 and the accompanying notes, our Management Discussion and Analysis for the three and six months ended June 30, 2022 and with our annual Consolidated Financial Statements, prepared in accordance with International Financial Reporting Standards ("IFRS") and our annual Management's Discussion and Analysis for the year ended December 31, 2021, which can be found on SEDAR at www.sedar.com and on the Company's website www.csisoftware.com. Additional information about the Company is also available on SEDAR at www.sedar.com

Q2 2022 Headlines:

- Revenue grew 30% (negative 2% organic growth, 2% after adjusting for changes in foreign exchange rates) to \$1,618 million compared to \$1,249 million in Q2 2021.
- Net income attributable to common shareholders increased 43% to \$126 million (\$5.94 on a diluted per share basis) from \$88 million (\$4.16 on a diluted per share basis) in Q2 2021.
- A number of acquisitions were completed for aggregate cash consideration of \$1,000 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of \$62 million resulting in total consideration of \$1,062 million.
- Cash flows from operations ("CFO") were \$78 million, a decrease of 55%, or \$93 million, compared to \$171 million for the comparable period in 2021.
- Free cash flow available to shareholders¹ ("FCFA2S") decreased \$133 million to \$12 million compared to \$145 million for the same period in 2021.
- Subsequent to June 30, 2022, the Company completed or entered into agreements to acquire a number of businesses for aggregate cash consideration of \$134 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of \$30 million resulting in total consideration of \$164 million.

Total revenue for the quarter ended June 30, 2022 was \$1,618 million, an increase of 30%, or \$370 million, compared to \$1,249 million for the comparable period in 2021. For the first six months of 2022 total revenues were \$3,050 million, an increase of 26%, or \$625 million, compared to \$2,425 million for the comparable period in 2021. The increase for both the three and six month periods compared to the same periods in the prior year is primarily attributable to growth from acquisitions as the Company experienced organic growth of negative 2% and negative 1% respectively, 2% and 3% respectively after adjusting for the impact of changes in the valuation of the US dollar against most major currencies in which the Company transacts business. Organic growth is not a standardized financial measure and might not be comparable to measures disclosed by other issuers.

The Net income attributable to common shareholders of CSI for the quarter ended June 30, 2021 was \$126 million compared to net income of \$88 million for the same period in 2021. On a per share basis this translated into a net income per diluted share of \$5.94 in the quarter ended June 30, 2022 compared to net income per diluted share of \$4.16 for the same period in 2021. For the six months ended June 30, 2022, net income attributable to common shareholders of CSI was \$224 million or \$10.58 per diluted share compared to \$80 million or \$3.76 per diluted share for the same period in 2021.

For the quarter ended June 30, 2022, CFO decreased \$93 million to \$78 million compared to \$171 million for the same period in 2021 representing a decrease of 55%. For the first six months of 2022, CFO decreased \$91 million to \$576 million compared to \$667 million during the same period in 2021, representing a decrease of 14%. The primary reason for the decline in CFO for the three and six months ended June 30, 2022 is the impact of changes in non-cash operating assets and liabilities exclusive of effects of business combinations. For the three and six months ended June 30, 2022 there was \$188 million and \$18 million of cash used in non-cash operating working capital respectively compared to \$99 million of cash used and \$100 million of cash generated from non-cash operating working capital for the same periods in 2021. There are many reasons contributing to the non-cash operating working capital impact variance none of which are indicative of an underlying concern with the Company's overall non-cash operating working capital balance. Specifically, no concerns with accounts receivable or unbilled revenue aging. In addition, income taxes paid increased 50% or \$49 million for the quarter ended June 30, 2022 and 28% or \$41 million for the six months ended June 30, 2022 over the same periods in 2021.

For the quarter ended June 30, 2022, FCFA2S decreased \$133 million to \$12 million compared to \$145 million for the same period in 2021. For the first six months of 2022, FCFA2S decreased \$79 million to \$335 million compared to \$413 million during the same period in 2021, representing a decrease of 19%. The items negatively impacting CFO summarized above are

the same items negatively impacting FCFA2S. On February 1, 2022, the Topicus Preferred Shares and Topicus Coop Preference Units were converted to Topicus Subordinate Voting Shares and Topicus Coop Ordinary Units respectively. As a result of this conversion the non-controlling interest in Topicus.com Inc. decreased from approximately 70% to 39%.

1. See Non-IFRS measures.

Forward Looking Statements

Certain statements herein may be “forward looking” statements that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Constellation or the industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly from the results discussed in the forward looking statements. These forward looking statements reflect current assumptions and expectations regarding future events and operating performance and are made as of the date hereof and Constellation assumes no obligation, except as required by law, to update any forward looking statements to reflect new events or circumstances.

Non-IFRS Measures

Free cash flow available to shareholders “FCFA2S” refers to net cash flows from operating activities less interest paid on lease obligations, interest paid on other facilities, credit facility transaction costs, repayments of lease obligations, the IRGA / TSS membership liability revaluation charge, and property and equipment purchased, and includes interest and dividends received. The portion of this amount applicable to non-controlling interests is then deducted. We believe that FCFA2S is useful supplemental information as it provides an indication of the uncommitted cash flow that is available to shareholders if we do not make any acquisitions, or investments, and do not repay any debts. While we could use the FCFA2S to pay dividends or repurchase shares, our objective is to invest all of our FCFA2S in acquisitions which meet our hurdle rate.

FCFA2S is not a recognized measure under IFRS and, accordingly, readers are cautioned that FCFA2S should not be construed as an alternative to net cash flows from operating activities.

The following table reconciles FCFA2S to net cash flows from operating activities:

	Three months ended June 30,		Six months ended June 30,	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	(\$ in millions, except percentages)		(\$ in millions, except percentages)	
Net cash flows from operating activities	78	171	576	667
Adjusted for:				
Interest paid on lease obligations	(3)	(2)	(5)	(5)
Interest paid on other facilities	(16)	(9)	(26)	(18)
Credit facility transaction costs	(2)	(2)	(3)	(4)
Payments of lease obligations	(23)	(20)	(45)	(41)
IRGA / TSS membership liability revaluation charge	(29)	(22)	(56)	(82)
Property and equipment purchased	(12)	(7)	(19)	(11)
Interest and dividends received	0	1	0	1
	(7)	110	422	507
Less amount attributable to Non-controlling interests	18	35	(87)	(94)
Free cash flow available to shareholders	12	145	335	413

Due to rounding, certain totals may not foot.

About Constellation Software Inc.

Constellation's common shares are listed on the Toronto Stock Exchange under the symbol "CSU". Constellation acquires, manages and builds vertical market software businesses.

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SOURCE: CONSTELLATION SOFTWARE INC.**CONSTELLATION SOFTWARE INC.**

Condensed Consolidated Interim Statements of Financial Position

(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited

	June 30, 2022	December 31, 2021	June 30, 2021
Assets			
Current assets:			
Cash	\$ 676	\$ 763	\$ 851
Accounts receivable	776	600	505
Unbilled revenue	236	140	137
Inventories	46	35	28
Other assets	511	296	271
	<u>2,244</u>	<u>1,835</u>	<u>1,792</u>
Non-current assets:			
Property and equipment	129	93	93
Right of use assets	292	245	263
Deferred income taxes	97	66	58
Other assets	145	99	86
Intangible assets	4,515	3,428	3,000
	<u>5,178</u>	<u>3,931</u>	<u>3,499</u>
Total assets	\$ 7,421	\$ 5,766	\$ 5,291
Liabilities and Shareholders' Equity			
Current liabilities:			
Debt with recourse to Constellation Software Inc.	\$ 389	\$ 143	\$ 131
Debt without recourse to Constellation Software Inc.	206	60	41
Redeemable preferred securities	-	7	7
Accounts payable and accrued liabilities	892	832	671
Dividends payable	21	22	21
Deferred revenue	1,669	1,158	1,222
Provisions	10	11	13
Acquisition holdback payables	142	94	78
Lease obligations	91	79	80
Income taxes payable	77	56	67
	<u>3,497</u>	<u>2,461</u>	<u>2,332</u>
Non-current liabilities:			
Debt with recourse to Constellation Software Inc.	541	561	548
Debt without recourse to Constellation Software Inc.	746	354	327
Deferred income taxes	476	436	372
Acquisition holdback payables	62	68	43
Lease obligations	225	190	209
Other liabilities	203	175	139
	<u>2,254</u>	<u>1,784</u>	<u>1,637</u>
Total liabilities	5,751	4,245	3,969
Shareholders' equity:			
Capital stock	99	99	99

Other equity	-	(179)	(162)
Accumulated other comprehensive income (loss)	(147)	(66)	(56)
Retained earnings	1,514	1,206	1,017
Non-controlling interests	204	460	423
	1,670	1,521	1,322

Total liabilities and shareholders' equity	\$ 7,421	\$ 5,766	\$ 5,291
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CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Income (loss)

(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Revenue				
License	\$ 72	\$ 71	\$ 141	\$ 137
Professional services	340	254	610	491
Hardware and other	50	43	97	82
Maintenance and other recurring	1,156	880	2,201	1,714
	1,618	1,249	3,050	2,425
Expenses				
Staff	873	665	1,656	1,306
Hardware	29	23	56	45
Third party license, maintenance and professional services	153	109	276	205
Occupancy	12	10	23	19
Travel, telecommunications, supplies, software and equipment	80	44	135	83
Professional fees	28	17	52	32
Other, net	32	14	68	19
Depreciation	35	30	67	59
Amortization of intangible assets	168	124	314	242
	1,411	1,035	2,647	2,010
Foreign exchange loss (gain)	(42)	15	(42)	2
IRGA/TSS Membership liability revaluation charge	29	22	56	82
Finance and other expense (income)	18	(2)	15	(4)
Bargain purchase gain	(0)	0	(1)	0
Impairment of intangible and other non-financial assets	0	2	1	5
Redeemable preferred securities expense (income)	-	32	-	295
Finance costs	25	17	44	32
	30	86	74	413
Income (loss) before income taxes	177	128	328	2
Current income tax expense (recovery)	110	75	209	138
Deferred income tax expense (recovery)	(67)	(25)	(126)	(39)
Income tax expense (recovery)	43	50	83	99
Net income (loss)	134	78	245	(97)
Net income (loss) attributable to:				
Common shareholders of Constellation Software Inc.	126	88	224	80

Non-controlling interests	8	(11)	21	(177)
Net income (loss)	134	78	245	(97)

Earnings per common share of Constellation Software Inc.

Basic and diluted	\$	5.94	\$	4.16	\$	10.58	\$	3.76
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CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Comprehensive Income (loss)

(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 134	\$ 78	\$ 245	\$ (97)
Items that are or may be reclassified subsequently to net income (loss):				
Foreign currency translation differences from foreign operations and other, net of tax	(96)	5	(91)	(18)
Other comprehensive income (loss) for the period, net of income tax	(96)	5	(91)	(18)
Total comprehensive income (loss) for the period	\$ 38	\$ 83	\$ 154	\$ (115)
Total other comprehensive income (loss) attributable to:				
Common shareholders of Constellation Software Inc.	(85)	11	(76)	(6)
Non-controlling interests	(11)	(6)	(15)	(11)
Total other comprehensive income (loss)	\$ (96)	\$ 5	\$ (91)	\$ (18)
Total comprehensive income (loss) attributable to:				
Common shareholders of Constellation Software Inc.	41	99	148	73
Non-controlling interests	(3)	(16)	6	(188)
Total comprehensive income (loss)	\$ 38	\$ 83	\$ 154	\$ (115)

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statement of Changes in Equity

(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited

Six months ended June 30, 2022

	Equity Attributable to Common Shareholders of CSI					Non-controlling interests	Total equity
	Capital stock	Other equity	Accumulated other comprehensive income (loss)	Retained earnings	Total		
Balance at January 1, 2022	\$ 99	\$ (179)	\$ (66)	\$ 1,206	\$ 1,061	460	\$ 1,521
Total comprehensive income (loss) for the period:							
Net income (loss)	-	-	-	224	224	21	245

Other comprehensive income (loss)

Foreign currency translation differences from foreign operations and other, net of tax	-	-	(76)	-	(76)	(15)	(91)
Total other comprehensive income (loss) for the period	-	-	(76)	-	(76)	(15)	(91)
Total comprehensive income (loss) for the period	-	-	(76)	224	148	6	154
Transactions with owners, recorded directly in equity							
Conversion of redeemable preferred securities to subordinate voting shares of Topicus.com Inc. and ordinary units of Topicus Coop and other related movements	-	305	(5)	-	301	(301)	-
Non-controlling interests arising from business combinations	-	-	-	-	-	40	40
Other movements in non-controlling interests	-	-	-	(1)	(1)	(1)	(2)
Dividends to shareholders of the Company	-	-	-	(42)	(42)	-	(42)
Reclassification of other equity to retained earnings	-	(127)	-	127	-	-	-
Balance at June 30, 2022	\$ 99	\$ -	\$ (147)	\$ 1,514	\$1,466	\$ 204	\$ 1,670

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statement of Changes in Equity

(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited

Six months ended June 30, 2021

	Equity Attributable to Common Shareholders of CSI					Non-controlling interests	Total equity
	Capital stock	Other equity	Accumulated other comprehensive income (loss)	Retained earnings	Total		
Balance at January 1, 2021	\$ 99	\$ -	\$ (31)	\$ 980	\$1,048	\$ -	\$ 1,048
<i>Total comprehensive income (loss) for the period:</i>							
Net income (loss)	-	-	-	80	80	(177)	(97)
<i>Other comprehensive income (loss)</i>							
Foreign currency translation differences from foreign operations and other, net of tax	-	-	(6)	-	(6)	(11)	(18)
Total other comprehensive income (loss) for the period	-	-	(6)	-	(6)	(11)	(18)

Total comprehensive income (loss) for the period	-	-	(6)	80	73	(188)	(115)
Transactions with owners, recorded directly in equity							
Special dividend of Topicus Subordinated Voting Shares	-	(141)	(16)	-	(157)	157	-
Issuance of Topicus Coop Ordinary Units to non-controlling interests	-	(21)	(2)	-	(23)	23	-
Net acquisition of non-controlling interest associated with acquisitions and other movements	-	1	-	0	1	2	3
Dividends to shareholders of the Company	-	-	-	(42)	(42)	-	(42)
Reclassification of Redeemable preferred securities of Topicus Coop from liabilities to non-controlling interest	-	-	-	-	-	434	434
Accrued dividends to preference unit holders of Topicus Coop	-	-	-	-	-	(5)	(5)
Balance at June 30, 2021	\$ 99	\$ (162)	\$ (56)	\$ 1,017	\$ 899	\$ 423	\$ 1,322

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Cash Flows

(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Cash flows from (used in) operating activities:				
Net income (loss)	\$ 134	\$ 78	\$ 245	\$ (97)
Adjustments for:				
Depreciation	35	30	67	59
Amortization of intangible assets	168	124	314	242
IRGA/TSS Membership liability revaluation charge	29	22	56	82
Finance and other expense (income)	18	(2)	15	(4)
Bargain purchase (gain)	(0)	0	(1)	0
Impairment of intangible and other non-financial assets	0	2	1	5
Redeemable preferred securities expense (income)	-	32	-	295
Finance costs	25	17	44	32
Income tax expense (recovery)	43	50	83	99
Foreign exchange loss (gain)	(42)	15	(42)	2
Change in non-cash operating assets and liabilities				
exclusive of effects of business combinations	(188)	(99)	(18)	100
Income taxes paid	(146)	(97)	(190)	(149)
Net cash flows from (used in) operating activities	78	171	576	667

Cash flows from (used in) financing activities:				
Interest paid on lease obligations	(3)	(2)	(5)	(5)
Interest paid on debt	(16)	(9)	(26)	(18)
Increase (decrease) in CSI facility	237	-	237	-
Increase (decrease) in Topicus revolving credit debt facility without recourse to CSI	48	6	105	12
Proceeds from issuance of debt facilities without recourse to CSI	342	55	425	134
Repayments of debt facilities without recourse to CSI	(6)	(1)	(13)	(2)
Other financing activities	2	-	2	-
Credit facility transaction costs	(2)	(2)	(3)	(4)
Payments of lease obligations	(23)	(20)	(45)	(41)
Distribution to the Joday Group	-	-	(23)	(22)
Dividends paid to redeemable preferred security holders	-	-	(7)	-
Dividends paid to common shareholders of the Company	(21)	(21)	(42)	(42)
Net cash flows from (used in) in financing activities	559	6	605	12
Cash flows from (used in) investing activities:				
Acquisition of businesses	(1,000)	(292)	(1,214)	(606)
Cash obtained with acquired businesses	110	40	148	85
Post-acquisition settlement payments, net of receipts	(26)	(39)	(59)	(85)
Receipt of additional subscription amount from the sellers of Topicus.com B.V.	-	33	-	33
Purchases of other investments	-	-	(96)	(0)
Proceeds from sales of other investments	-	-	3	-
Interest, dividends and other proceeds received	3	1	4	3
Property and equipment purchased	(12)	(7)	(19)	(11)
Net cash flows from (used in) investing activities	(924)	(263)	(1,233)	(582)
Effect of foreign currency on cash and cash equivalents				
	(33)	5	(35)	(4)
Increase (decrease) in cash	(321)	(81)	(87)	94
Cash, beginning of period	\$ 996	\$ 932	\$ 763	\$ 758
Cash, end of period	\$ 676	\$ 851	\$ 676	\$ 851