



Constellation Software Inc. Announces Results for the First Quarter Ended March 31, 2022 and Declares Quarterly Dividend

TORONTO, May 04, 2022 -- Constellation Software Inc. (TSX:CSU) ("Constellation" or the "Company") today announced its financial results for the first quarter ended March 31, 2022 and declared a \$1.00 per share dividend payable on July 11, 2022 to all common shareholders of record at close of business on June 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 months ended March 31, 2022 and the accompanying notes, our Management Discussion and Analysis for the three months ended March 31, 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

Q1 2022 Headlines:

- Revenue increased 22% (1% organic growth, 3% after adjusting for changes in foreign exchange rates) to \$1,431 million compared to \$1,176 million in Q1 2021.
- Net income attributable to common shareholders was \$98 million for Q1 2022 (\$4.63 on a diluted per share basis), compared to a net loss attributable to common shareholders of \$9 million (\$0.41 on a diluted per share basis) in Q1 2021.
- A number of acquisitions were completed for aggregate cash consideration of \$214 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of \$59 million resulting in total consideration of \$273 million.
- Cash flows from operations ("CFO") were \$498 million, an increase of 1%, or \$3 million, compared to \$495 million for the comparable period in 2021.
- Free cash flow available to shareholders¹ ("FCFA2S") increased \$55 million to \$324 million compared to \$269 million for the same period in 2021.
- On May 2, 2022 the Company through its wholly-owned subsidiary, N. Harris Computer Corporation, completed the purchase from Allscripts Healthcare Solutions ("Allscripts") of Allscripts' Hospitals and Large Physician Practices business segment.
- Subsequent to March 31, 2022, the Company completed or entered into agreements to acquire a number of additional businesses for aggregate cash consideration of \$79 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of \$35 million resulting in total consideration of \$113 million.

Total revenue for the quarter ended March 31, 2022 was \$1,431 million, an increase of 22%, or \$255 million, compared to \$1,176 million for the comparable period in 2021. The increase is primarily attributable to growth from acquisitions as the Company experienced organic growth of 1%, 3% after adjusting for the impact of changes in the valuation of the US dollar against most major currencies in which the Company transacts business. For acquired companies, organic growth is calculated as the difference between actual revenues achieved by each company in the financial period following acquisition compared to the estimated revenues they achieved in the corresponding financial period preceding the date of acquisition by Constellation. 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 March 31, 2022 was \$98 million compared to a net loss of \$9 million for the same period in 2021. On a per share basis this translated into net income per basic and diluted share of \$4.63 in the quarter ended March 31, 2022 compared to a net loss per basic and diluted share of \$0.41 for the same period in 2021.

For the quarter ended March 31, 2022, CFO increased \$3 million to \$498 million compared to \$495 million for the same period in 2021 representing an increase of 1%.

For the quarter ended March 31, 2022, FCFA2S increased \$55 million to \$324 million compared to \$269 million for the same period in 2021 representing an increase of 21%.

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 March 31,	
	<u>2022</u>	<u>2021</u>
	(\$ in millions, except percentages)	
Net cash flows from operating activities	498	495
Adjusted for:		
Interest paid on lease obligations	(2)	(2)
Interest paid on other facilities	(10)	(9)
Credit facility transaction costs	(1)	(2)
Payments of lease obligations	(22)	(20)
IRGA / TSS membership liability revaluation charge	(27)	(61)
Property and equipment purchased	(8)	(4)
Interest and dividends received	0	1
	429	397
Less amount attributable to Non-controlling interests	(105)	(128)
Free cash flow available to shareholders	324	269

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

March 31, 2022	December 31, 2021	March 31, 2021
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Assets

Current assets:

Cash	\$	996	\$	763	\$	932
Accounts receivable		660		600		518
Unbilled revenue		164		140		128
Inventories		41		35		27
Other assets		443		296		288
		2,305		1,835		1,892

Non-current assets:

Property and equipment		98		93		92
Right of use assets		278		245		266
Deferred income taxes		66		66		57
Other assets		107		99		80
Intangible assets		3,644		3,428		2,759
		4,193		3,931		3,254

Total assets	\$	6,499	\$	5,766	\$	5,147
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Liabilities and Shareholders' Equity

Current liabilities:

Debt with recourse to Constellation Software Inc.	\$	142	\$	143	\$	122
Debt without recourse to Constellation Software Inc.		124		60		34
Redeemable preferred securities		-		7		390
Accounts payable and accrued liabilities		772		832		637
Dividends payable		21		22		21
Deferred revenue		1,536		1,158		1,296
Provisions		12		11		15
Acquisition holdback payables		119		94		78
Lease obligations		85		79		77
Income taxes payable		119		56		91
		2,931		2,461		2,761

Non-current liabilities:

Debt with recourse to Constellation Software Inc.		560		561		527
Debt without recourse to Constellation Software Inc.		443		354		271
Deferred income taxes		448		436		371
Acquisition holdback payables		60		68		31
Lease obligations		218		190		214
Other liabilities		200		175		139
		1,930		1,784		1,554

Total liabilities		4,860		4,245		4,315
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Shareholders' equity:

Capital stock		99		99		99
Other equity		-		(179)		(165)
Accumulated other comprehensive income (loss)		(62)		(66)		(67)
Retained earnings		1,410		1,206		950
Non-controlling interests		191		460		15
		1,638		1,521		832

Total liabilities and shareholders' equity	\$	6,499	\$	5,766	\$	5,147
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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 March 31,	
	2022	2021
Revenue		
License	\$ 69	\$ 66
Professional services	270	237
Hardware and other	47	39
Maintenance and other recurring	1,045	834
	1,431	1,176
Expenses		
Staff	783	641
Hardware	27	22
Third party license, maintenance and professional services	122	96
Occupancy	11	9
Travel, telecommunications, supplies, software and equipment	56	39
Professional fees	24	15
Other, net	35	5
Depreciation	32	29
Amortization of intangible assets	146	118
	1,236	975
Foreign exchange loss (gain)	0	(13)
IRGA/TSS Membership liability revaluation charge	27	61
Finance and other expense (income)	(2)	(2)
Bargain purchase gain	(1)	-
Impairment of intangible and other non-financial assets	1	3
Redeemable preferred securities expense (income)	-	263
Finance costs	19	15
	44	327
Income (loss) before income taxes	151	(126)
Current income tax expense (recovery)	99	64
Deferred income tax expense (recovery)	(58)	(14)
Income tax expense (recovery)	40	49
Net income (loss)	111	(175)
Net income (loss) attributable to:		
Common shareholders of Constellation Software Inc.	98	(9)
Non-controlling interests	13	(166)
Net income (loss)	111	(175)
Earnings per common share of Constellation Software Inc.		
Basic and diluted	\$ 4.63	\$ (0.41)

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 March 31,	
	2022	2021
Net income (loss)	\$ 111	\$ (175)
Items that are or may be reclassified subsequently to net income (loss):		
Foreign currency translation differences from foreign operations and other, net of tax	6	(23)
Other comprehensive income (loss) for the period, net of income tax	6	(23)
Total comprehensive income (loss) for the period	\$ 116	\$ (198)
Total other comprehensive income (loss) attributable to:		
Common shareholders of Constellation Software Inc.	9	(17)
Non-controlling interests	(3)	(6)
Total other comprehensive income (loss)	\$ 6	\$ (23)
Total comprehensive income (loss) attributable to:		
Common shareholders of Constellation Software Inc.	107	(26)
Non-controlling interests	9	(172)
Total comprehensive income (loss)	\$ 116	\$ (198)

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

Three months ended March 31, 2022

	Equity Attributable to Common Shareholders of CSI					Total	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
<i>Total comprehensive income (loss) for the period:</i>								
Net income (loss)	-	-	-	98	98		13	111
<i>Other comprehensive income (loss)</i>								
Foreign currency translation differences from foreign operations and other, net of tax	-	-	9	-	9		(3)	6
Total other comprehensive income (loss) for the period	-	-	9	-	9		(3)	6
Total comprehensive income (loss) for the period	-	-	9	98	107		9	116

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 movements	-	305	(5)	-	301		(301)	-
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Non-controlling interests arising from business combinations	-	-	-	-	-	23	23
Other movements in non-controlling interests	-	-	-	(0)	(0)	(0)	(1)
Dividends to shareholders of the Company	-	-	-	(21)	(21)	-	(21)
Reclassification of other equity to retained earnings	-	(127)		127	-	-	-
Balance at March 31, 2022	\$ 99	\$ -	\$ (62)	\$ 1,410	\$ 1,447	\$ 191	\$ 1,638

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

Three months ended March 31, 2021

	Equity Attributable to Common Shareholders of CSI						
	Capital stock	Other equity	Accumulated other comprehensive income (loss)	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2021	\$ 99	\$ -	\$ (31)	\$ 980	\$ 1,048	\$ -	\$ 1,048
<i>Total comprehensive income (loss) for the period:</i>							
Net income (loss)	-	-	-	(9)	(9)	(166)	(175)
<i>Other comprehensive income (loss)</i>							
Foreign currency translation differences from foreign operations and other, net of tax	-	-	(17)	-	(17)	(6)	(23)
Total other comprehensive income (loss) for the period	-	-	(17)	-	(17)	(6)	(23)
Total comprehensive income (loss) for the period	-	-	(17)	(9)	(26)	(172)	(198)

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	(3)	-	0	(3)	6	3

Dividends to shareholders of the Company	-	-	(21)	(21)	-	(21)
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Balance at March 31, 2021	\$ 99	\$ (165)	\$ (67)	\$ 950	\$ 817	\$ 15	\$ 832
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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 March 31,	
	2022	2021
Cash flows from (used in) operating activities:		
Net income (loss)	\$ 111	\$ (175)
Adjustments for:		
Depreciation	32	29
Amortization of intangible assets	146	118
IRGA/TSS Membership liability revaluation charge	27	61
Finance and other expense (income)	(2)	(2)
Bargain purchase (gain)	(1)	-
Impairment of intangible and other non-financial assets	1	3
Redeemable preferred securities expense (income)	-	263
Finance costs	19	15
Income tax expense (recovery)	40	49
Foreign exchange loss (gain)	0	(13)
Change in non-cash operating assets and liabilities exclusive of effects of business combinations	169	198
Income taxes paid	(44)	(51)
Net cash flows from (used in) operating activities	498	495
Cash flows from (used in) financing activities:		
Interest paid on lease obligations	(2)	(2)
Interest paid on debt	(10)	(9)
Increase (decrease) in revolving credit debt facilities without recourse to CSI	57	6
Proceeds from issuance of term debt facilities without recourse to CSI	83	79
Repayments of term debt facilities without recourse to CSI	(7)	(1)
Credit facility transaction costs	(1)	(2)
Payments of lease obligations	(22)	(20)
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)
Net cash flows from (used in) in financing activities	47	6
Cash flows from (used in) investing activities:		
Acquisition of businesses	(214)	(314)
Cash obtained with acquired businesses	38	44
Post-acquisition settlement payments, net of receipts	(33)	(46)
Purchases of other investments	(96)	(0)
Proceeds from sales of other investments	3	-
Interest, dividends and other proceeds received	0	3
Property and equipment purchased	(8)	(4)
Net cash flows from (used in) investing activities	(309)	(319)
Effect of foreign currency on cash and cash equivalents	(2)	(9)
Increase (decrease) in cash	233	174

Cash, beginning of period	\$	763	\$	758
Cash, end of period	\$	996	\$	932