

Constellation Software Inc. Announces Results for the Third Quarter Ended September 30, 2023, Declares Quarterly Dividend and Announces Appointments to its Board of Directors

TORONTO, Nov. 09, 2023 -- Constellation Software Inc. (TSX:CSU) ("Constellation" or the "Company") today announced its financial results for the third quarter ended September 30, 2023 and declared a \$1.00 per share dividend payable on January 11, 2024 to all common shareholders of record at close of business on December 20, 2023. 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 nine months ended September 30, 2023 and the accompanying notes, our Management Discussion and Analysis for the three and nine months ended September 30, 2023 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, 2022, which can be found on SEDAR at www.sedarplus.ca and on the Company's website www.csissoftware.com. Additional information about the Company is also available on SEDAR at www.sedarplus.ca

Q3 2023 and Subsequent Headlines:

- Revenue grew 23% (8% organic growth, 6% after adjusting for changes in foreign exchange rates) to \$2,126 million compared to \$1,725 million in Q3 2022.
- A \$37 million expense related to the increase in fair value of redeemable preferred securities was incurred in the quarter, which is non-cash related. Fair value of the preferred securities is primarily dependent on the price movement of Lumine Group Inc.'s (TSXV:LMN) Subordinate Voting Shares.
- Net income attributable to common shareholders increased 30% to \$177 million (\$8.36 on a diluted per share basis) from \$136 million (\$6.42 on a diluted per share basis) in Q3 2022.
- On September 14, 2023, the Company completed the acquisition of the Optimal Blue business from Intercontinental Exchange, Inc. The Company paid cash of \$201 million and assumed an estimated cash holdback payable of \$1 million and a long-term promissory note payable of \$500 million.
- A number of additional acquisitions were completed for aggregate cash consideration of \$187 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of \$37 million resulting in total consideration of \$223 million.
- Cash flows from operations ("CFO") were \$513 million, an increase of 60%, or \$192 million, compared to \$321 million for the comparable period in 2022.
- Free cash flow available to shareholders¹ ("FCFA2S") increased 60% or \$138 million to \$367 million compared to \$229 million for the same period in 2022.
- On October 6, 2023, a total of \$157 million (C\$213 million) principal amount of Debentures were issued at a price of C\$133.00 per C\$100.00 principal amount of Debentures purchased, representing proceeds to the Company of \$209 million (C\$283 million) which was used by the Company to pay down indebtedness under its existing credit facility.

Total revenue for the quarter ended September 30, 2023 was \$2,126 million, an increase of 23%, or \$401 million, compared to \$1,725 million for the comparable period in 2022. For the first nine months of 2023 total revenues were \$6,084 million, an increase of 27%, or \$1,309 million, compared to \$4,774 million for the comparable period in 2022. The increase for both the three and nine 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 8% and 5% respectively, 6% and 5% respectively for both periods 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.

1. See Non-IFRS measures.

The Net income attributable to common shareholders of CSI for the quarter ended September 30, 2023 was \$177 million compared to net income of \$136 million for the same period in 2022. On a per share basis this translated into a net income per diluted share of \$8.36 in the quarter ended September 30, 2023 compared to net income per diluted share of \$6.42 for the same period in 2022. For the nine months ended September 30, 2023, net income attributable to common shareholders of CSI was \$375 million or \$17.68 per diluted share compared to \$360 million or \$16.99 per diluted share for the same period in 2022.

For the quarter ended September 30, 2023, CFO increased \$192 million to \$513 million compared to \$321 million for the same period in 2022 representing an increase of 60%. For the first nine months of 2023, CFO increased \$371 million to \$1,268 million compared to \$897 million during the same period in 2022, representing an increase of 41%.

For the quarter ended September 30, 2023, FCFA2S increased \$138 million to \$367 million compared to \$229 million for the

same period in 2022 representing an increase of 60%. For the nine months ended September 30, 2023, FCFA2S increased \$272 million to \$835 million compared to \$563 million for the same period in 2022 representing an increase of 48%.

The board of directors of Constellation announced today the appointment of Lawrence Cunningham and Dexter Salna to the Company's Board of Directors.

Lawrence A. Cunningham is the Managing Partner of the Quality Shareholders Group (a boutique investor relations consultancy) since 2017 and Special Counsel, Mayer Brown LLP, since January 2023. Mr. Cunningham served as the Henry St. George Tucker III Research Professor of Law at George Washington University from 2007 to 2022 (elected emeritus in 2022). He has served on several public, private, and non-profit boards. He currently is a Director of Markel Group (New York Stock Exchange) and of Kelly Partners Group (Australia Stock Exchange). Mr. Cunningham also is a Trustee of the Museum of American Finance; a member of the Dean's Council of Lerner College of Business at the University of Delaware; a member of the Editorial Board of Financial History; and a member of the Advisory Board for the Ben Graham Centre for Value Investing at Ivey Business School. Mr. Cunningham has written extensively on corporate affairs, including the best-selling book, *The Essays of Warren Buffett*. In 2018, he received the B. Kenneth West Lifetime Achievement Award from the National Association of Corporate Directors (NACD); in 2023, he delivered Delaware Law School's 37th Annual F.G. Pileggi Distinguished Lecture in Corporate Law.

Dexter Salna joined Constellation in 1995 and is currently the Chairman of the Perseus operating group within Constellation and oversees its Romulus and Digital Marketing portfolios of software businesses. Prior to his current position, Mr. Salna held various senior executive positions within the Volaris operating group of Constellation.

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, and the proceeds from sale of interest rate caps. 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 September 30,		Nine months ended September 30,	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	(\$ in millions)		(\$ in millions)	
Net cash flows from operating activities	513	321	1,268	897
Adjusted for:				
Interest paid on lease obligations	(3)	(3)	(8)	(8)
Interest paid on other facilities	(34)	(23)	(96)	(49)
Proceeds from sale of interest rate cap	(1)	-	5	-
Credit facility transaction costs	(1)	(0)	(4)	(3)
Payments of lease obligations	(25)	(24)	(78)	(69)
IRGA / TSS membership liability revaluation charge	(25)	(33)	(94)	(89)
Property and equipment purchased	(10)	(8)	(29)	(27)
Interest and dividends received	0	0	1	0
	415	230	965	652
Less amount attributable to Non-controlling interests	(47)	(1)	(129)	(89)

Free cash flow available to shareholders	367	229	835	563
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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

	September 30, 2023	December 31, 2022	September 30, 2022
Assets			
Current assets:			
Cash	\$ 1,076	\$ 811	\$ 665
Accounts receivable	994	892	719
Unbilled revenue	329	219	225
Inventories	56	48	46
Other assets	497	497	474
	2,951	2,466	2,129
Non-current assets:			
Property and equipment	129	128	119
Right of use assets	282	283	266
Deferred income taxes	84	159	149
Other assets	199	174	160
Intangible assets	6,358	4,662	4,407
	7,052	5,406	5,101
Total assets	\$ 10,004	\$ 7,872	\$ 7,230
Liabilities and Shareholders' Equity			
Current liabilities:			
Debt with recourse to Constellation Software Inc.	\$ 907	\$ 505	\$ 364
Debt without recourse to Constellation Software Inc.	235	316	234
Redeemable preferred securities	536	-	-
Accounts payable and accrued liabilities	1,246	1,083	916
Dividends payable	21	21	21
Deferred revenue	1,778	1,482	1,426
Provisions	8	11	9
Acquisition holdback payables	153	159	150
Lease obligations	103	96	93
Income taxes payable	112	99	103
	5,098	3,772	3,316

Non-current liabilities:				
Debt with recourse to Constellation Software Inc.		617	567	522
Debt without recourse to Constellation Software Inc.		1,275	586	705
Deferred income taxes		517	465	447
Acquisition holdback payables		87	73	62
Lease obligations		216	218	204
Other liabilities		238	258	273
		2,949	2,167	2,214
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Total liabilities		8,047	5,938	5,530
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Shareholders' equity:				
Capital stock		99	99	99
Accumulated other comprehensive income (loss)		(159)	(150)	(227)
Retained earnings		1,712	1,763	1,632
Non-controlling interests		304	221	196
		1,957	1,933	1,700
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Total liabilities and shareholders' equity	\$	10,004	\$	7,872
			\$	7,230

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 September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
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Revenue				
License	\$ 84	\$ 79	\$ 254	\$ 220
Professional services	450	375	1,290	985
Hardware and other	71	54	191	151
Maintenance and other recurring	1,521	1,217	4,349	3,418
	2,126	1,725	6,084	4,774
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Expenses				
Staff	1,112	925	3,291	2,581
Hardware	42	31	113	88
Third party license, maintenance and professional services	208	167	592	443
Occupancy	11	12	37	35
Travel, telecommunications, supplies, software and equipment	99	80	285	215
Professional fees	36	26	107	78
Other, net	37	64	103	132
Depreciation	41	38	120	105
Amortization of intangible assets	214	177	620	491
	1,799	1,521	5,268	4,167
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Foreign exchange loss (gain)	(23)	(57)	3	(98)
IRGA/TSS Membership liability revaluation charge	25	33	94	89
Finance and other expense (income)	2	8	(7)	24
Bargain purchase gain	(0)	(3)	(1)	(4)

Impairment of intangible and other non-financial assets	1	-	4	1
Redeemable preferred securities expense (income)	37	-	319	-
Finance costs	50	29	132	73
	91	11	544	86
Income (loss) before income taxes	236	193	272	521
Current income tax expense (recovery)	99	113	315	322
Deferred income tax expense (recovery)	(32)	(63)	(155)	(189)
Income tax expense (recovery)	67	50	160	133
Net income (loss)	169	143	112	388
Net income (loss) attributable to:				
Common shareholders of Constellation Software Inc.	177	136	375	360
Non-controlling interests	(8)	7	(263)	28
Net income (loss)	169	143	112	388
Earnings per common share of Constellation Software Inc.				
Basic and diluted	\$ 8.36	\$ 6.42	\$ 17.68	\$ 16.99

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 September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net income (loss)	\$ 169	\$ 143	\$ 112	\$ 388
Items that are or may be reclassified subsequently to net income (loss):				
Foreign currency translation differences from foreign operations and other, net of tax	(58)	(93)	(27)	(184)
Other comprehensive income (loss), net of income tax	(58)	(93)	(27)	(184)
Total comprehensive income (loss)	\$ 111	\$ 50	\$ 85	\$ 204
Total other comprehensive income (loss) attributable to:				
Common shareholders of Constellation Software Inc.	(46)	(80)	(21)	(156)
Non-controlling interests (notes 1 and 18)	(12)	(13)	(6)	(27)
Total other comprehensive income (loss)	\$ (58)	\$ (93)	\$ (27)	\$ (184)
Total comprehensive income (loss) attributable to:				
Common shareholders of Constellation Software Inc.	131	56	354	204
Non-controlling interests	(20)	(6)	(269)	1
Total comprehensive income (loss)	\$ 111	\$ 50	\$ 85	\$ 204

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

Nine months ended September 30, 2023

	Equity Attributable to Common Shareholders of CSI					Total	Non-controlling interests	Total equity
	Capital stock	Other equity	Accumulated other comprehensive income (loss)	Retained earnings				
Balance at January 1, 2023	\$ 99	\$ -	\$ (150)	\$ 1,763	\$ 1,713		221	\$ 1,933
<i>Total comprehensive income (loss):</i>								
Net income (loss)	-	-	-	375	375		(263)	112
<i>Other comprehensive income (loss)</i>								
Foreign currency translation differences from foreign operations and other, net of tax	-	-	(21)	-	(21)		(6)	(27)
Total other comprehensive income (loss)	-	-	(21)	-	(21)		(6)	(27)
Total comprehensive income (loss)	-	-	(21)	375	354		(269)	85
Transactions with owners, recorded directly in equity								
Special dividend of Lumine Subordinate Voting Shares	-	-	12	(378)	(366)		366	-
Acquisition of non-controlling interests	-	-	-	-	-		(1)	(1)
Conversion of Lumine Special Shares to subordinate voting shares of Lumine	-	-	-	-	-		5	5
Other movements in non-controlling interests	-	-	0	16	16		(18)	(2)
Dividends to shareholders of the Company	-	-	-	(64)	(64)		-	(64)
Balance at September 30, 2023	\$ 99	\$ -	\$ (159)	\$ 1,712	\$ 1,653	\$	304	\$ 1,957

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

Nine months ended September 30, 2022

**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, 2022	\$ 99	\$ (179)	\$ (66)	\$ 1,206	\$1,061	\$ 460	\$1,521
<i>Total comprehensive income (loss):</i>							
Net income (loss)	-	-	-	360	360	28	388
<i>Other comprehensive income (loss)</i>							
Foreign currency translation differences from foreign operations and other, net of tax	-	-	(156)	-	(156)	(27)	(184)
Total other comprehensive income (loss)	-	-	(156)	-	(156)	(27)	(184)
Total comprehensive income (loss)	-	-	(156)	360	204	1	204
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)	-
Non-controlling interests arising from business combinations	-	-	-	-	-	41	41
Other movements in non-controlling interests	-	-	-	2	2	(5)	(2)
Dividends to shareholders of the Company (note 12)	-	-	-	(64)	(64)	-	(64)
Reclassification of other equity to retained earnings	-	(127)	-	127	-	-	-
Balance at September 30, 2022	\$ 99	\$ -	\$ (227)	\$ 1,632	\$1,504	\$ 196	\$1,700

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 September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Cash flows from (used in) operating activities:				
Net income (loss)	\$ 169	\$ 143	\$ 112	\$ 388
Adjustments for:				
Depreciation	41	38	120	105
Amortization of intangible assets	214	177	620	491
IRGA/TSS Membership liability revaluation charge	25	33	94	89
Finance and other expense (income)	2	8	(7)	24
Bargain purchase (gain)	(0)	(3)	(1)	(4)

Impairment of intangible and other non-financial assets	1	-	4	1
Redeemable preferred securities expense (income)	37	-	319	-
Finance costs	50	29	132	73
Income tax expense (recovery)	67	50	160	133
Foreign exchange loss (gain)	(23)	(57)	3	(98)
Change in non-cash operating assets and liabilities exclusive of effects of business combinations	(7)	(8)	23	(27)
Income taxes paid	(62)	(89)	(310)	(279)
Net cash flows from (used in) operating activities	513	321	1,268	897
Cash flows from (used in) financing activities:				
Interest paid on lease obligations	(3)	(3)	(8)	(8)
Interest paid on debt	(34)	(23)	(96)	(49)
Proceeds from sale of interest rate cap	(1)	-	5	-
Increase (decrease) in CSI facility	175	(32)	364	205
Increase (decrease) in Topicus revolving credit debt facility without recourse to CSI	5	7	43	112
Proceeds from issuance of debt facilities without recourse to CSI	35	22	290	447
Repayments of debt facilities without recourse to CSI	(100)	(17)	(227)	(30)
Other financing activities	(2)	3	(1)	4
Credit facility transaction costs	(1)	(0)	(4)	(3)
Payments of lease obligations	(25)	(24)	(78)	(69)
Distribution to the Joday Group	-	-	-	(23)
Dividends paid to redeemable preferred security holders	-	-	-	(7)
Dividends paid to common shareholders of the Company	(21)	(21)	(64)	(64)
Net cash flows from (used in) in financing activities	28	(89)	224	516
Cash flows from (used in) investing activities:				
Acquisition of businesses	(389)	(207)	(1,233)	(1,421)
Cash obtained with acquired businesses	19	42	113	190
Post-acquisition settlement payments, net of receipts	(35)	(39)	(168)	(98)
Purchases of investments and other assets	(1)	(0)	(19)	(96)
Proceeds from sales of other investments and other assets	-	-	119	3
Decrease (increase) in restricted cash	(1)	-	(1)	-
Interest, dividends and other proceeds received	0	1	3	4
Property and equipment purchased	(10)	(8)	(29)	(27)
Net cash flows from (used in) investing activities	(416)	(211)	(1,216)	(1,445)
Effect of foreign currency on cash	(19)	(32)	(10)	(67)
Increase (decrease) in cash	107	(11)	265	(99)
Cash, beginning of period	\$ 970	\$ 676	\$ 811	\$ 763
Cash, end of period	\$ 1,076	\$ 665	\$ 1,076	\$ 665