



Constellation Software Inc. Announces Results for the Second Quarter Ended June 30, 2023 and Declares Quarterly Dividend

TORONTO, Aug. 11, 2023 -- Constellation Software Inc. (TSX:CSU) ("Constellation" or the "Company") today announced its financial results for the second quarter ended June 30, 2023 and declared a \$1.00 per share dividend payable on October 11, 2023 to all common shareholders of record at close of business on September 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 six months ended June 30, 2023 and the accompanying notes, our Management Discussion and Analysis for the three and six months ended June 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.csisoftware.com. Additional information about the Company is also available on SEDAR at www.sedarplus.ca

Q2 2023 and Subsequent Headlines:

- Revenue grew 26% (4% organic growth, 5% after adjusting for changes in foreign exchange rates) to \$2,039 million compared to \$1,618 million in Q2 2022.
- A \$94 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 decreased 18% to \$103 million (\$4.88 on a diluted per share basis) from \$126 million (\$5.94 on a diluted per share basis) in Q2 2022.
- A number of acquisitions were completed for aggregate cash consideration of \$392 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of \$114 million resulting in total consideration of \$506 million.
- Cash flows from operations ("CFO") were \$123 million, an increase of 58%, or \$45 million, compared to \$78 million for the comparable period in 2022.
- Free cash flow available to shareholders¹ ("FCFA2S") increased 22% or \$3 million to \$14 million compared to \$12 million for the same period in 2022.
- On July 17, 2023, the Company announced that its Perseus operating group has entered into a binding commitment with Intercontinental Exchange, Inc. and Black Knight, Inc. to acquire Black Knight's Optimal Blue business for \$700 million.
- On August 3, 2023 the Company announced a rights offering pursuant to which the Company intends to distribute rights that will entitle holders of common shares of the Company on the applicable record date to purchase up to C\$700 million aggregate principal amount of Debentures of the Company.

Total revenue for the quarter ended June 30, 2023 was \$2,039 million, an increase of 26%, or \$421 million, compared to \$1,618 million for the comparable period in 2022. For the first six months of 2023 total revenues were \$3,958 million, an increase of 30%, or \$908 million, compared to \$3,050 million for the comparable period in 2022. 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 4% and 3% respectively, 5% 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.

The Net income attributable to common shareholders of CSI for the quarter ended June 30, 2023 was \$103 million compared to net income of \$126 million for the same period in 2022. On a per share basis this translated into a net income per diluted share of \$4.88 in the quarter ended June 30, 2023 compared to net income per diluted share of \$5.94 for the same period in 2022. For the six months ended June 30, 2023, net income attributable to common shareholders of CSI was \$198 million or \$9.32 per diluted share compared to \$224 million or \$10.58 per diluted share for the same period in 2022.

For the quarter ended June 30, 2023, CFO increased \$45 million to \$123 million compared to \$78 million for the same period in 2022 representing a increase of 58%. For the first six months of 2023, CFO increased \$179 million to \$755 million compared to \$576 million during the same period in 2022, representing a increase of 31%.

For the quarter ended June 30, 2023, FCFA2S increased \$3 million to \$14 million compared to \$12 million for the same period in 2022 representing an increase of 22%. For the six months ended June 30, 2023, FCFA2S increased \$133 million to \$467 million compared to \$335 million for the same period in 2022 representing an increase of 40%.

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 June 30,		Six months ended June 30,	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	(\$ in millions)		(\$ in millions)	
Net cash flows from operating activities	123	78	755	576
Adjusted for:				
Interest paid on lease obligations	(3)	(3)	(5)	(5)
Interest paid on other facilities	(36)	(16)	(62)	(26)
Proceeds from sale of interest rate cap	6	-	6	-
Credit facility transaction costs	(1)	(2)	(3)	(3)
Payments of lease obligations	(28)	(23)	(53)	(45)
IRGA / TSS membership liability revaluation charge	(31)	(29)	(69)	(56)
Property and equipment purchased	(9)	(12)	(19)	(19)
Interest and dividends received	0	0	1	0
	21	(7)	550	422
Less amount attributable to Non-controlling interests	(7)	18	(83)	(87)
Free cash flow available to shareholders	14	12	467	335

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, 2023	December 31, 2022	June 30, 2022
Assets			
Current assets:			
Cash	\$ 970	\$ 811	\$ 676
Accounts receivable	976	892	758
Unbilled revenue	305	218	212
Inventories	56	48	45
Other assets	459	497	512
	<u>2,767</u>	<u>2,465</u>	<u>2,203</u>
Non-current assets:			
Property and equipment	128	128	128
Right of use assets	285	283	284
Deferred income taxes	89	159	114
Other assets	189	172	145
Intangible assets	5,730	4,667	4,447
	<u>6,422</u>	<u>5,410</u>	<u>5,117</u>
Total assets	\$ 9,188	\$ 7,875	\$ 7,320
Liabilities and Shareholders' Equity			
Current liabilities:			
Debt with recourse to Constellation Software Inc.	\$ 734	\$ 505	\$ 389
Debt without recourse to Constellation Software Inc.	283	316	206
Redeemable preferred securities	500	-	-
Accounts payable and accrued liabilities	1,084	1,082	883
Dividends payable	21	21	21
Deferred revenue	1,867	1,484	1,555
Provisions	11	11	10
Acquisition holdback payables	148	159	140
Lease obligations	98	96	96
Income taxes payable	77	99	81
	<u>4,824</u>	<u>3,772</u>	<u>3,380</u>
Non-current liabilities:			
Debt with recourse to Constellation Software Inc.	614	567	541
Debt without recourse to Constellation Software Inc.	795	586	746
Deferred income taxes	530	466	455
Acquisition holdback payables	104	75	62
Lease obligations	216	218	222
Other liabilities	237	257	244
	<u>2,496</u>	<u>2,169</u>	<u>2,269</u>
Total liabilities	7,320	5,941	5,650
Shareholders' equity:			
Capital stock	99	99	99
Accumulated other comprehensive income (loss)	(112)	(150)	(147)
Retained earnings	1,547	1,763	1,514
Non-controlling interests	335	221	204
	<u>1,868</u>	<u>1,933</u>	<u>1,670</u>

Total liabilities and shareholders' equity	\$	9,188	\$	7,875	\$	7,320
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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,	
	2023	2022	2023	2022
Revenue				
License	\$ 89	\$ 72	\$ 170	\$ 141
Professional services	428	340	840	610
Hardware and other	63	50	121	97
Maintenance and other recurring	1,459	1,156	2,828	2,201
	2,039	1,618	3,958	3,050
Expenses				
Staff	1,112	873	2,179	1,656
Hardware	36	29	71	56
Third party license, maintenance and professional services	199	153	384	276
Occupancy	13	12	26	23
Travel, telecommunications, supplies, software and equipment	97	80	185	135
Professional fees	36	28	71	52
Other, net	29	32	67	68
Depreciation	40	35	79	67
Amortization of intangible assets	213	168	406	314
	1,774	1,411	3,469	2,647
Foreign exchange loss (gain)	16	(42)	26	(42)
IRGA/TSS Membership liability revaluation charge	31	29	69	56
Finance and other expense (income)	(2)	18	(9)	15
Bargain purchase gain	0	(0)	(1)	(1)
Impairment of intangible and other non-financial assets	1	0	3	1
Redeemable preferred securities expense (income)	94	-	282	-
Finance costs	46	25	82	44
	186	30	453	74
Income (loss) before income taxes	79	177	36	328
Current income tax expense (recovery)	114	110	217	209
Deferred income tax expense (recovery)	(61)	(67)	(123)	(126)
Income tax expense (recovery)	53	43	93	83
Net income (loss)	26	134	(57)	245
Net income (loss) attributable to:				
Common shareholders of Constellation Software Inc.	103	126	198	224
Non-controlling interests	(78)	8	(255)	21
Net income (loss)	26	134	(57)	245
Earnings per common share of Constellation Software Inc.				
Basic and diluted	\$ 4.88	\$ 5.94	\$ 9.32	\$ 10.58

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,	
	2023	2022	2023	2022
Net income (loss)	\$ 26	\$ 134	\$ (57)	\$ 245
Items that are or may be reclassified subsequently to net income (loss):				
Foreign currency translation differences from foreign operations and other, net of tax	15	(96)	31	(91)
Other comprehensive income (loss), net of income tax	15	(96)	31	(91)
Total comprehensive income (loss)	\$ 41	\$ 38	\$ (26)	\$ 154
Total other comprehensive income (loss) attributable to:				
Common shareholders of Constellation Software Inc.	15	(85)	26	(76)
Non-controlling interests	0	(11)	6	(15)
Total other comprehensive income (loss)	\$ 15	\$ (96)	\$ 31	\$ (91)
Total comprehensive income (loss) attributable to:				
Common shareholders of Constellation Software Inc.	118	41	223	148
Non-controlling interests	(77)	(3)	(249)	6
Total comprehensive income (loss)	\$ 41	\$ 38	\$ (26)	\$ 154

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, 2023

	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, 2023	\$ 99	\$ -	\$ (150)	\$ 1,763	\$ 1,713	221	\$ 1,933

Total comprehensive income (loss):

Net income (loss)	-	-	-	198	198	(255)	(57)
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Other comprehensive income (loss)

Foreign currency translation differences from foreign operations and other, net of tax	-	-	26	-	26	6	31
Total other comprehensive income (loss)	-	-	26	-	26	6	31
Total comprehensive income (loss)	-	-	26	198	223	(249)	(26)
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	-	-	-	-	-	4	4
Other movements in non-controlling interests	-	-	0	6	6	(6)	0
Dividends to shareholders of the Company	-	-	-	(42)	(42)	-	(42)
Balance at June 30, 2023	\$ 99	\$ -	\$ (112)	\$ 1,547	\$ 1,533	\$ 335	\$ 1,868

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
<i>Total comprehensive income (loss):</i>							
Net income (loss)	-	-	-	224	224	21	245
<i>Other comprehensive income (loss)</i>							

Foreign currency translation differences from foreign operations and other, net of tax	-	-	(76)	-	(76)	(15)	(91)
Total other comprehensive income (loss)	-	-	(76)	-	(76)	(15)	(91)
Total comprehensive income (loss)	-	-	(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 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 (note 12)	-	-	-	(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 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,	
	2023	2022	2023	2022
Cash flows from (used in) operating activities:				
Net income (loss)	\$ 26	\$ 134	\$ (57)	\$ 245
Adjustments for:				
Depreciation	40	35	79	67
Amortization of intangible assets	213	168	406	314
IRGA/TSS Membership liability revaluation charge	31	29	69	56
Finance and other expense (income)	(2)	18	(9)	15
Bargain purchase (gain)	0	(0)	(1)	(1)

Impairment of intangible and other non-financial assets	1	0	3	1
Redeemable preferred securities expense (income)	94	-	282	-
Finance costs	46	25	82	44
Income tax expense (recovery)	53	43	93	83
Foreign exchange loss (gain)	16	(42)	26	(42)
Change in non-cash operating assets and liabilities exclusive of effects of business combinations	(238)	(188)	30	(18)
Income taxes paid	(158)	(146)	(249)	(190)
Net cash flows from (used in) operating activities	123	78	755	576
Cash flows from (used in) financing activities:				
Interest paid on lease obligations	(3)	(3)	(5)	(5)
Interest paid on debt	(36)	(16)	(62)	(26)
Proceeds from sale of interest rate cap	6	-	6	-
Increase (decrease) in CSI facility	240	237	189	237
Increase (decrease) in Topicus revolving credit debt facility without recourse to CSI	49	48	38	105
Proceeds from issuance of debt facilities without recourse to CSI	75	342	254	425
Repayments of debt facilities without recourse to CSI	(42)	(6)	(128)	(13)
Other financing activities	(2)	2	1	2
Credit facility transaction costs	(1)	(2)	(3)	(3)
Payments of lease obligations	(28)	(23)	(53)	(45)
Distribution to the Joday Group	-	-	-	(23)
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	238	559	195	605
Cash flows from (used in) investing activities:				
Acquisition of businesses	(393)	(1,000)	(845)	(1,214)
Cash obtained with acquired businesses	48	110	93	148
Post-acquisition settlement payments, net of receipts	(61)	(26)	(133)	(59)
Purchases of investments and other assets	(16)	-	(18)	(96)
Proceeds from sales of other investments and other assets	-	-	119	3
Decrease (increase) in restricted cash	29	-	(0)	-
Interest, dividends and other proceeds received	0	3	3	4
Property and equipment purchased	(9)	(12)	(19)	(19)
Net cash flows from (used in) investing activities	(402)	(924)	(800)	(1,233)
Effect of foreign currency on				
cash	1	(33)	8	(35)
Increase (decrease) in cash	(40)	(321)	159	(87)
Cash, beginning of period	\$ 1,010	\$ 996	\$ 811	\$ 763
Cash, end of period	\$ 970	\$ 676	\$ 970	\$ 676