

Constellation Software Inc. and Topicus.Com Inc. Announce Results for Topicus.com Inc. for the Third Quarter Ended September 30, 2021

TORONTO, Nov. 03, 2021 (GLOBE NEWSWIRE) -- Topicus.com Inc. (TSXV:TOI) in a joint release with Constellation Software Inc. (TSX:CSU) today announced financial results for Topicus.com Inc. ("Topicus" or the "Company") for the third quarter ended September 30, 2021. Please note that all amounts referred to in this press release are in Euros 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, 2021 and the accompanying notes, our Management Discussion and Analysis for the three and nine months ended September 30, 2021 and the Annual Consolidated Financial Statements of Constellation Software Netherlands Holding Cooperatief U.A. (the "Topicus Coop" or "CSNH") for the year ended December 31, 2020, which we prepared in accordance with International Financial Reporting Standards ("IFRS") and the Company's annual Management's Discussion and Analysis for the year ended December 31, 2020, which can be found on SEDAR at www.sedar.com and on Topicus.com Inc.'s website www.topicus.com. Additional information about Topicus.com Inc. is also available on SEDAR at www.sedar.com.

Q3 2021 Headlines:

- Revenue increased 46% (5% organic growth) to €177.1 million compared to €121.2 million in Q3 2020.
- Net income decreased to €18.1 million (€0.09 on a diluted per share basis) from €19.3 million (€0.16 on a diluted per share basis) in Q3 2020.
- A number of acquisitions were completed for aggregate cash consideration of €13.2 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of €3.0 million resulting in total consideration of €16.2 million.
- Cash flows from operations ("CFO") decreased €1.0 million to €8.5 million compared to €9.5 million in Q3 2020.
- Free cash flow available to shareholders¹ ("FCFA2S") decreased €3.1 million to negative €0.5 million compared to €2.6 million in Q3 2020.
- Subsequent to September 30, 2021, the Company completed an agreement to acquire a business in the oil and gas vertical for aggregate cash consideration of US\$85.3 million (€73.6 million) on closing plus cash holdbacks of US\$9.5 million (€8.2 million) and contingent consideration with a maximum value of US\$5.0 million (€4.3 million). The Company will have an equity interest of 60% in the business. The remaining 40% equity interest will be owned by another subsidiary of Constellation Software Inc.

1. See Non-IFRS measures.

Total revenue for the quarter ended September 30, 2021 was €177.1 million, an increase of 46%, or €55.9 million, compared to €121.2 million for the comparable period in 2020. For the first nine months of 2021 total revenues were €535.0 million, an increase of 50%, or €178.4 million, compared to €356.6 million for the comparable period in 2020. 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 5% and 7% respectively.

Net income for the quarter ended September 30, 2021 was €18.1 million compared to net income of €19.3 million for the same period in 2020. On a per share basis, this translated into net income per basic and diluted share of €0.09 in the quarter ended September 30, 2021 compared to net income per basic share of €0.33 and diluted share of €0.16 for the same period in 2020. For the nine months ended September 30, 2021, net loss was €2,249.3 million or a loss €32.78 per basic and diluted share compared to income of €50.8 million or €0.86 per basic share and €0.43 per diluted share for the same period in 2020.

For the quarter ended September 30, 2021, CFO were €8.5 million compared to €9.5 million for the same period in 2020. Many of the businesses invoice customers for annual software maintenance fees in Q1 each year resulting in a disproportionate amount of cash being received in the first quarter as compared to the remaining three quarters. For the nine months ended September 30, 2021, CFO increased €12.1 million to €133.7 million compared to €121.6 million for the same period in 2020 representing an increase of 10%.

For the quarter ended September 30, 2021, FCFA2S was negative €0.5 million compared to €2.6 million for the same period in 2020. For the nine months ended September 30, 2021, FCFA2S decreased €4.5 million to €66.4 million compared to €70.8 million for the same period in 2020 representing a decrease of 6%.

Members' Equity of Topicus Coop and Share Capital of Topicus

The Controlling / Non-Controlling interest ("NCI") percentage attributable to the common equity holders is based on Topicus.com Inc.'s ownership in the Topicus Coop.

Calculations as at September 30, 2021 are as follows:

Topicus.com Inc.	39,870,435	61.4% Ordinary units in Topicus Coop
		30.3% Ordinary units in Topicus

Joday Group*	19,665,642	Coop
		8.3% Ordinary units in Topicus
Ijssel*	5,384,832	Coop
	<u>64,920,909</u>	

* as defined in the Company's Management's Discussion and Analysis for the three and nine month periods ended September 30, 2021

The NCI amount is 38.6% as at September 30, 2021.

As of February 1, 2022, all the preferred shares and preference units will be automatically converted to Subordinate voting shares and/or ordinary units, as applicable.

At that time, assuming no other changes occur, holdings will be as follows:

		61.1% Ordinary units in Topicus
Topicus.com Inc.	79,282,820	Coop
		30.3% Ordinary units in Topicus
Joday Group*	39,331,284	Coop
		8.6% Ordinary units in Topicus
Ijssel*	11,227,714	Coop
	<u>129,841,818</u>	

* as defined in the Company's Management's Discussion and Analysis for the three and nine month periods ended September 30, 2021

The NCI amount will then be 38.9%.

Further descriptions of the significant terms and conditions of the preferred shares and preference units are described in Note 9 to the Company's Unaudited Condensed Consolidated Interim Financial Statements for the three and nine month periods ended September 30, 2021.

The market capitalization of the company as reported by the Toronto Stock Venture Exchange is currently based on the 39,870,435 Subordinate voting shares outstanding and excludes all potentially dilutive securities and NCI. On a fully diluted basis and no NCI the market capitalization would be based on 129,841,818 shares.

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 Topicus 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 Topicus 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, and property and equipment purchased, and includes interest and dividends received. The portion of this amount applicable to non-controlling interests is then deducted. Topicus believes that FCFA2S is useful supplemental information as it provides an indication of the uncommitted cash flow that is available to shareholders if Topicus does not make any acquisitions, or investments, and does not repay any debts. While Topicus could use the FCFA2S to pay dividends or repurchase shares, Topicus' objective is to invest all of our FCFA2S in acquisitions which meet Topicus' 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,	
	2021	2020	2021	2020
	(€ in millions, except percentages)		(€ in millions, except percentages)	
Net cash flows from operating activities	8.5	9.5	133.7	121.6
Adjusted for:				

Interest paid on lease obligations	(0.3)	(0.2)	(0.9)	(0.7)
Interest paid on other facilities	(3.3)	(1.6)	(5.9)	(3.5)
Credit facility transaction costs	-	-	(2.4)	-
Payments of lease obligations	(4.4)	(3.3)	(12.9)	(9.5)
Property and equipment purchased	(1.3)	(0.5)	(3.2)	(1.8)
	(0.8)	3.9	108.4	106.2
Less amount attributable to Non-controlling interests	0.3	(1.3)	(42.0)	(35.3)
Free cash flow available to shareholders	(0.5)	2.6	66.4	70.8

Due to rounding, certain totals may not foot.

Comparative financial information amended to reflect the Combination as if it occurred before the start of the earliest period presented.

About Topicus.com Inc.

Topicus' subordinate voting shares are listed on the Toronto Venture Stock Exchange under the symbol "TOI". Topicus acquires, manages and builds vertical market software businesses.

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: TOPICUS.COM INC.

Topicus.com Inc.

Condensed Consolidated Interim Statements of Financial Position

(In thousands of euros, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited

	September 30, 2021	December 31, 2020	September 30, 2020
Assets			
Current assets:			
Cash	66,634	55,635	47,171
Accounts receivable	57,091	46,644	37,275
Unbilled revenue	29,688	12,609	13,753
Inventories	654	375	454
Other assets	25,005	14,461	14,928
	179,071	129,724	113,581
Non-current assets:			
Property and equipment	15,228	8,782	7,745
Right of use assets	52,644	50,517	45,723
Deferred income taxes	4,779	1,946	638
Other assets	4,810	3,956	4,423
Intangible assets	678,777	446,213	406,472
	756,239	511,415	465,001
Total assets	935,310	641,139	578,582

Liabilities and Shareholders' Equity

Current liabilities:

Revolving credit facility and current portion of term loans	40,092	19,482	-
Redeemable preferred securities	66,614	-	-
Accounts payable and accrued liabilities	104,637	97,386	74,197
Deferred revenue	106,082	59,721	82,213
Provisions	2,216	1,222	1,032
Acquisition holdback payables	5,811	12,601	8,385
Lease obligations	15,798	13,953	12,329
Income taxes payable	11,850	12,576	7,637
	<u>353,100</u>	<u>216,941</u>	<u>185,793</u>

Non-current liabilities:

Term loans	95,961	32,572	32,794
Deferred income taxes	125,654	79,958	68,952
Acquisition holdback payables	485	608	-
Lease obligations	37,624	37,154	32,569
Other liabilities	11,855	9,225	5,690
	<u>271,579</u>	<u>159,518</u>	<u>140,005</u>

Total liabilities	<u>624,679</u>	<u>376,459</u>	<u>325,798</u>
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Shareholders' Equity:

Preferred shares	2,047,473	-	-
Capital stock	39,412	39,412	39,412
Other equity	(999,460)	-	-
Accumulated other comprehensive income (loss)	(834)	(1,409)	(766)
Retained earnings (deficit)	(1,794,229)	138,572	129,992
Non-controlling interests	1,018,267	88,106	84,146
	<u>310,631</u>	<u>264,680</u>	<u>252,784</u>

Total liabilities and shareholders' equity	<u>935,310</u>	<u>641,139</u>	<u>578,582</u>
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Topicus.com Inc.

Condensed Consolidated Interim Statements of Income (Loss)

(In thousands of euros, except per share amounts. Due to rounding, numbers presented may not foot.)

Three and nine months ended September 30 2021 and 2020

Unaudited

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenue				
License	4,638	3,794	15,777	9,528
Professional services	45,241	28,226	141,446	84,191
Hardware and other	1,143	1,397	3,986	3,804
Maintenance and other recurring	126,105	87,788	373,753	259,057
	<u>177,126</u>	<u>121,205</u>	<u>534,961</u>	<u>356,580</u>
Expenses				
Staff	95,908	59,983	291,452	183,137
Hardware	738	1,058	2,030	2,287
Third party license, maintenance and professional services	17,311	11,243	53,100	32,626
Occupancy	1,260	870	4,075	2,637
Travel, telecommunications, supplies, software and equipment	4,717	3,003	13,670	9,939

Professional fees	3,394	2,438	8,361	6,203
Other, net	1,389	449	5,032	2,943
Depreciation	6,354	4,365	18,385	12,750
Amortization of intangible assets	21,026	12,472	62,054	36,567
	152,095	95,880	458,159	289,089
Redeemable preferred securities expense (income)	-	-	2,302,185	-
Impairment of intangible and other non-financial assets	-	-	1,600	-
Finance and other expenses (income)	2,161	1,402	8,069	4,693
	2,161	1,402	2,311,854	4,693
Income (loss) before income taxes	22,870	23,922	(2,235,051)	62,798
Current income tax expense (recovery)	9,552	7,318	28,464	20,583
Deferred income tax expense (recovery)	(4,778)	(2,657)	(14,260)	(8,608)
Income tax expense (recovery)	4,773	4,661	14,205	11,976
Net income (loss)	18,097	19,262	(2,249,256)	50,823
Net income (loss) attributable to:				
Equity holders of Topicus	7,422	12,850	(1,896,100)	33,905
Non-controlling interests	10,675	6,412	(353,156)	16,918
Net income (loss)	18,097	19,262	(2,249,256)	50,823
Weighted average shares				
Basic shares outstanding	79,282,821	39,412,386	57,851,780	39,412,386
Diluted shares outstanding	129,841,819	118,156,055	129,627,794	118,156,055
Earnings (loss) per common share of Topicus				
Basic	0.09	0.33	(32.78)	0.86
Diluted	0.09	0.16	(32.78)	0.43

Topicus.com Inc.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

(In thousands of euros, except per share amounts. Due to rounding, numbers presented may not foot.)

Three and nine months ended September 30 2021 and 2020

Unaudited

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net income (loss)	18,097	19,262	(2,249,256)	50,823
Items that are or may be reclassified subsequently to net income (loss):				
Foreign currency translation differences from foreign operations and other	(731)	(127)	523	(433)
Other comprehensive (loss) income for the period, net of income tax	(731)	(127)	523	(433)
Total comprehensive income (loss) for the period	17,366	19,135	(2,248,733)	50,389
Total other comprehensive income (loss) attributable to:				
Equity holders of Topicus	(453)	(85)	357	(289)

Non-controlling interests	(278)	(42)	166	(144)
Total other comprehensive income (loss)	(731)	(127)	523	(433)
Total comprehensive income (loss) attributable to:				
Equity holders of Topicus	6,969	12,765	(1,895,743)	33,616
Non-controlling interests	10,398	6,369	(352,990)	16,774
Total comprehensive income (loss)	17,366	19,135	(2,248,733)	50,389

Topicus.com Inc.

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity (Deficiency)

(In thousands of euros, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited

Nine months ended September 30, 2021

	Attributable to equity holders of Topicus					Total	Non-controlling interests	Total equity
	Preferred Shares	Capital Stock	Other equity	Accumulated other comprehensive (loss) income	Retained earnings (Deficit)			
Balance at January 1, 2021	-	39,412	-	(1,409)	138,572	176,575	88,106	264,680
<i>Total comprehensive income (loss) for the period:</i>								
Net income (loss)	-	-	-	-	(1,896,100)	(1,896,100)	(353,156)	(2,249,256)
<i>Other comprehensive income (loss)</i>								
Foreign currency translation differences from foreign operations and other	-	-	-	357	-	357	166	523
Total other comprehensive income (loss) for the period	-	-	-	357	-	357	166	523
Total comprehensive income (loss) for the period	-	-	-	357	(1,896,100)	(1,895,743)	(352,990)	(2,248,733)

Transactions with owners, recorded directly in equity

Issuance of Topicus Coop Ordinary Units to non-controlling interests

- - 9,770 127 - 9,896 (9,896) -

Net acquisition of non-controlling interest associated with acquisitions and other movements

- - - 92 (276) (184) 2,508 2,324

Issuance of Redeemable preferred securities

- -(1,001,469) - - (1,001,469) (124,797) (1,126,267)

Dividends to common shareholders of the Company (note 12)

- - - - (36,425) (36,425) (18,175) (54,600)

Reclassification of Redeemable preferred securities of Topicus from liabilities to preferred shares	2,073,205	-	-	-	-	2,073,205	-	2,073,205
Reclassification of Redeemable preferred securities of Topicus Coop from liabilities to non-controlling interest	-	-	-	-	-	-	1,442,910	1,442,910
Exchange of Topicus Coop ordinary units held by non-controlling interests to subordinate voting shares of Topicus	-	-	(7,760)	-	-	(7,760)	7,760	-
Accrued dividends to preferred shareholders of Topicus recorded subsequent to the Notification of Conversion	(25,731)	-	-	-	-	(25,731)	-	(25,731)
Accrued dividends to preference unit holders of Topicus Coop recorded subsequent to the Notification of Conversion	-	-	-	-	-	-	(17,157)	(17,157)
Balance at September 30, 2021	2,047,473	39,412	(999,460)	(834)	(1,794,229)	(707,637)	1,018,267	310,631

Topicus.com Inc.

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity (Deficiency)
(In thousands of euros, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited

Nine months ended September 30, 2020

	Attributable to equity holders of Topicus					Total	Non-controlling interests	Total equity
	Preferred Shares	Capital Stock	Other equity	Accumulated other comprehensive income (loss)	Retained earnings (deficit)			
Balance at January 1, 2020	-	39,412	-	(477)	96,087	135,022	67,372	202,395
<i>Total comprehensive income (loss) for the period:</i>								
Net income (loss)	-	-	-	-	33,905	33,905	16,918	50,823
<i>Other comprehensive income (loss)</i>								
Foreign currency translation differences from foreign operations and other	-	-	-	(289)	-	(289)	(144)	(433)
Total other comprehensive income (loss) for the period	-	-	-	(289)	-	(289)	(144)	(433)

Total comprehensive income (loss) for the period	-	-	-	(289)	33,905	33,616	16,774	50,389
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Balance at September 30, 2020	-	39,412	-	(766)	129,992	168,638	84,146	252,784
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Topicus.com Inc.

Condensed Consolidated Interim Statements of Cash Flows

(In thousands of euros, except per share amounts. Due to rounding, numbers presented may not foot.)

Three and nine months ended September 30 2021 and 2020

Unaudited

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Cash flows from (used in) operating activities:				
Net income (loss)	18,097	19,262	(2,249,256)	50,823
Adjustments for:				
Depreciation	6,354	4,365	18,385	12,750
Amortization of intangible assets	21,026	12,472	62,054	36,567
Redeemable preferred securities expense (income)	-	-	2,302,185	-
Impairment of intangible and other non-financial assets	-	-	1,600	-
Finance and other expenses (income)	2,161	1,402	8,069	4,693
Income tax expense (recovery)	4,773	4,661	14,205	11,976
Change in non-cash operating assets and liabilities exclusive of effects of business combinations	(36,687)	(34,252)	4,760	20,643
Income taxes (paid) received	(7,231)	1,633	(28,341)	(15,842)
Net cash flows from (used in) operating activities	8,493	9,542	133,660	121,609
Cash flows from (used in) financing activities:				
Interest paid on lease obligations	(275)	(227)	(874)	(657)
Interest paid on other facilities	(3,319)	(1,633)	(5,861)	(3,456)
Increase (decrease) in revolving credit facility	10,000	-	20,000	(50,000)
Proceeds from issuance of term loans	-	-	65,907	-
Repayments of term loans	(411)	-	(411)	-
Credit facility transaction costs	-	-	(2,397)	-
Payments of lease obligations	(4,438)	(3,256)	(12,946)	(9,507)
Repayment of unitholder loans	-	-	-	(647)
Dividends paid	-	-	(54,600)	-
Net cash flows from (used in) in financing activities	1,557	(5,115)	8,818	(64,266)
Cash flows from (used in) investing activities:				
Acquisition of businesses	(13,261)	(19,711)	(164,999)	(46,338)
Cash obtained with acquired businesses	5,240	7,446	19,486	14,178
Post-acquisition settlement payments, net of receipts	(366)	(237)	(11,373)	(5,100)
Receipt of additional subscription amount from the sellers of Topicus.com B.V.	-	-	27,589	-
Interest, dividends and other proceeds received	1,010	378	1,010	870
Property and equipment purchased	(1,258)	(518)	(3,191)	(1,818)
Net cash flows from (used in) investing activities	(8,634)	(12,642)	(131,479)	(38,207)
Effect of foreign currency on cash and cash equivalents	(0)	0	(0)	0
Increase (decrease) in cash	1,415	(8,215)	10,999	19,135
Cash, beginning of period	65,218	55,385	55,635	28,036

Cash, end of period	66,634	47,171	66,634	47,171
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