

Constellation Software Inc. and Topicus.Com Inc. Announce Results for Topicus.com Inc. for the First Quarter Ended March 31, 2021

TORONTO, May 04, 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 first quarter ended March 31, 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 months ended March 31, 2021 and the accompanying notes, our Management Discussion and Analysis for the three months ended March 31, 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.

Q1 2021 Headlines:

- Revenue increased 50% (7% organic growth) to €179.6 million compared to €119.8 million in Q1 2020.
- A €2,456.8 million expense related to the increase in fair value of redeemable preferred securities was incurred in the quarter, €2,442.1 million of which is non-cash related. Fair value of the preferred securities is primarily dependent on the price movement of Topicus' Subordinate Voting Shares.
- Earnings decreased to a net loss of €2,436.1 million (€52.40 on a diluted per share basis) from net income of €17.5 million (€0.15 on a diluted per share basis) in Q1 2020 primarily resulting from the €2,456.8 million redeemable preferred securities expense.
- On January 5, 2021, the Company acquired 100% of the shares of Topicus.com B.V. from Ijssel B.V. ("Ijssel"). The Company paid cash of €133.6 million to Ijssel. Furthermore, the Company issued 5,842,882 Topicus Coop Preference Units to Ijssel for an initial subscription price of €83.8 million plus an additional subscription amount of €27.6 million which will be paid by Ijssel to the Company in May 2021. The Company also issued 5,842,882 Topicus Coop Ordinary Units to Ijssel. The aggregate consideration totalled €217.4 million.
- Additional acquisitions were completed for aggregate cash consideration of €13.0 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of €0.7 million resulting in total consideration of €13.7 million.
- Cash flows from operations ("CFO") increased €39.4 million to €159.8 million compared to €120.4 million in Q1 2020 representing an increase of 33%.
- Free cash flow available to shareholders¹ ("FCFA2S") increased €14.8 million to €91.5 million compared to €76.7 million in Q1 2020 representing an increase of 19%.

Total revenue for the quarter ended March 31, 2021 was €179.6 million, an increase of 50%, or €59.8 million, compared to €119.8 million for the comparable period in 2020. The increase for the three-month period compared to the same period in the prior year is primarily attributable to growth from acquisitions as the Company experienced organic growth of 7%.

On January 4, 2021 and January 5, 2021, the Company completed a corporate reorganization and acquired Topicus.com B.V. (the "Combination"). In connection with the Combination, the Company issued 39,412,385 Preferred Shares to Constellation Software Inc. and 19,665,642 Topicus Coop Preference Units to Joday Investments II B.V. and certain individual investors affiliated therewith (being the previous minority owners of CSNH), and in connection with the acquisition of Topicus.com B.V. on January 5, 2021, the Company issued 5,842,882 Topicus Coop Preference Units to Ijssel, collectively the "Preferred Securities". The Preferred Securities are non-voting and under certain conditions are redeemable at the option of the holder for a redemption price of approximately €19.06 per security. The redemption price may either be settled in cash or through the issuance of a variable number of Subordinate Voting Shares or Topicus Coop Ordinary Units, as applicable, of equal value, or any combination thereof. The Preferred Securities are also convertible into Subordinate Voting Shares or Topicus Ordinary Units, as applicable, at a conversion ratio of 1:1. The Preferred Securities holders will also be entitled to a fixed annual cumulative dividend of 5% per annum on the initial Preferred Securities value of approximately €19.06 per security.

The Preferred Securities will be recorded at fair value at the end of each reporting period. The change in fair value of the Preferred Securities is recorded as redeemable preferred securities expense (income) in the condensed consolidated interim statements of income. Based on the Preferred Securities conversion right, the value of the Preferred Securities is primarily dependent on the price movement of Topicus' Subordinate Voting Shares. At March 31, 2021 the market price of Topicus' Subordinate Voting Share closed at CAD\$82.54 or approximately €55.89. The increase in value from €19.06 to €55.89 multiplied by the 64.9 million Preferred Securities outstanding equals approximately €2,391.2 million. The difference between €2,391.2 million and the fair value of €2,456.8 million primarily relates to the impact of share price volatility and optionality and the accrued dividend of €14.7 million.

As the threshold for the mandatory conversion or redemption of all Preferred Securities was reached on April 29, 2021, it is

expected that the holders will provide their notification for conversion no later than May 29, 2021 at which time the associated liability excluding accrued dividends will be extinguished.

Further descriptions of the significant terms and conditions of the Preferred Securities are described in Note 9 to the Company's Unaudited Condensed Consolidated Interim Financial Statements for the three month period ended March 31, 2021.

Net loss for the quarter ended March 31, 2021 was €2,436.1 million compared to net income of €17.5 million for the same period in 2020 primarily resulting from the €2,456.8 million redeemable preferred securities expense, €2,442.1 million of which is non-cash related. On a per share basis, this translated into a net loss per diluted share of €52.40 in the quarter ended March 31, 2021 compared to net income per diluted share of €0.15 for the same period in 2020.

For the quarter ended March 31, 2021, CFO increased €39.4 million to €159.8 million compared to €120.4 million for the same period in 2020 representing an increase of 33%.

For the quarter ended March 31, 2021, FCFA2S increased €14.8 million to €91.5 million compared to €76.7 million for the same period in 2020 representing an increase of 19%.

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 March 31,	
	2021	2020
	(€ in millions, except percentages)	
Net cash flows from operating activities	159.8	120.4
Adjusted for:		
Interest paid on lease obligations	(0.2)	(0.2)
Interest paid on other facilities	(1.5)	(1.4)
Credit facility transaction costs	(2.2)	-
Payments of lease obligations	(4.3)	(3.2)
Property and equipment purchased	(0.8)	(0.7)
Interest and dividends received	-	-
	150.7	114.9
Less amount attributable to Non-controlling interests	(59.2)	(38.3)
Free cash flow available to shareholders	91.5	76.7

Due to rounding, certain totals may not foot.

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

	March 31, 2021	December 31, 2020	March 31, 2020
Assets			
Current assets:			
Cash	86,278	55,635	86,592
Accounts receivable	71,079	46,644	55,878
Unbilled revenue	22,553	12,609	11,704
Inventories	568	375	396
Other assets	53,900	14,461	32,905
	234,377	129,724	187,475
Non-current assets:			
Property and equipment	15,797	8,782	8,159
Right of use assets	58,742	50,517	42,795
Deferred income taxes	5,035	1,946	942
Other assets	4,908	3,956	3,614
Intangible assets	710,942	446,213	389,058
	795,424	511,415	444,567
Total assets	1,029,801	641,139	632,042
Liabilities and Members' Equity			
Current liabilities:			
Revolving credit facility and current portion of term loans	24,625	19,482	-
Redeemable preferred securities	3,694,452	-	-
Accounts payable and accrued liabilities	133,481	97,386	95,736
Deferred revenue	193,158	59,721	151,372
Provisions	1,198	1,222	1,354
Acquisition holdback payables	11,040	12,601	5,247
Lease obligations	15,676	13,953	8,537
Income taxes payable	14,520	12,576	9,443
	4,088,150	216,941	271,689
Non-current liabilities:			
Term loans	96,613	32,572	32,351
Deferred income taxes	139,751	79,958	69,604
Acquisition holdback payables	-	608	887

Lease obligations	44,194	37,154	33,598
Other liabilities	10,014	9,225	4,467
	290,573	159,518	140,907
Total liabilities	4,378,723	376,459	412,596
Shareholders' Equity (Deficiency):			
Capital stock	39,412	39,412	39,412
Other equity	(991,700)	-	-
Accumulated other comprehensive income (loss)	(899)	(1,409)	(769)
Retained earnings (deficit)	(1,962,757)	138,572	107,755
Non-controlling interests	(432,979)	88,106	73,048
	(3,348,921)	264,680	219,446
Total liabilities and shareholders' equity	1,029,801	641,139	632,042

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.)

Unaudited

	Three months ended March 31,	
	2021	2020
Revenue		
License	4,930	3,197
Professional services	48,589	28,270
Hardware and other	1,345	1,261
Maintenance and other recurring	124,733	87,040
	179,596	119,769
Expenses		
Staff	98,817	60,964
Hardware	634	749
Third party license, maintenance and professional services	15,721	10,593
Occupancy	1,373	862
Travel, telecommunications, supplies, software and equipment	4,212	3,798
Professional fees	2,520	1,937
Other, net	1,422	1,463
Depreciation	6,231	4,211
Amortization of intangible assets	20,411	11,772
	151,341	96,349
Redeemable preferred securities expense (income)	2,456,796	-
Finance and other expenses (income)	3,018	1,954
	2,459,814	1,954
Income before income taxes	(2,431,559)	21,466
Current income tax expense (recovery)	10,363	6,665
Deferred income tax expense (recovery)	(5,788)	(2,690)
Income tax expense (recovery)	4,575	3,976
Net income (loss)	(2,436,134)	17,490

Balance at January 1, 2021	39,412	-	(1,409)	138,572	176,575	88,106	264,680
<i>Total comprehensive income for the period:</i>						-	
Net income (loss)	-	-	-	(2,065,123)	(2,065,123)	(371,011)	(2,436,134)
<i>Other comprehensive income (loss)</i>							
Foreign currency translation differences from foreign operations and other	-	-	413	-	413	194	607
Total other comprehensive income (loss) for the period	-	-	413	-	413	194	607
Total comprehensive income (loss) for the period	-	-	413	(2,065,123)	(2,064,711)	(370,817)	(2,435,528)
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	-	-	(29)	220	191	2,602	2,793
Issuance of redeemable preferred securities	-	(1,001,469)	-	-	(1,001,469)	(124,797)	(1,126,267)
Dividends to shareholders of the Company	-	-	-	(36,425)	(36,425)	(18,175)	(54,600)
Balance at March 31, 2021	39,412	(991,700)	(899)	(1,962,757)	(2,915,943)	(432,979)	(3,348,921)

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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

Three months ended March 31, 2020

	Attributable to equity holders of Topicus					Non-controlling interests	Total equity
	Capital Stock	Other equity	Accumulated other comprehensive (loss) income	Retained earnings (deficit)	Total		
Balance at January 1, 2020	39,412	-	(477)	96,087	135,022	67,372	202,395
<i>Total comprehensive income for the period:</i>							
Net income (loss)	-	-	-	11,668	11,668	5,822	17,490

Other comprehensive income (loss)

Foreign currency translation differences from foreign operations and other	-	-	(293)	-	(293)	(146)	(439)
Total other comprehensive income (loss) for the period	-	-	(293)	-	(293)	(146)	(439)
Total comprehensive income (loss) for the period	-		(293)	11,668	11,375	5,676	17,051
Balance at March 31, 2020	39,412	-	(769)	107,755	146,398	73,048	219,446

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Condensed Consolidated Interim Statements of Cash Flows

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

Unaudited

	Three months ended March 31,	
	2021	2020
Cash flows from operating activities:		
Net income (loss)	(2,436,134)	17,490
Adjustments for:		
Depreciation	6,231	4,211
Amortization of intangible assets	20,411	11,772
Redeemable preferred securities expense (income)	2,456,796	-
Finance and other expenses (income)	3,018	1,954
Income tax expense (recovery)	4,575	3,976
Change in non-cash operating assets and liabilities exclusive of effects of business combinations	112,914	97,470
Income taxes (paid) received	(8,008)	(16,480)
Net cash flows from operating activities	159,803	120,392
Cash flows from (used in) financing activities:		
Interest paid on lease obligations	(203)	(213)
Interest paid on other facilities	(1,550)	(1,418)
Increase (decrease) in Revolving credit facility	5,032	(50,000)
Proceeds from issuance of term loans	65,843	-
Credit facility transaction costs	(2,245)	-
Payments of lease obligations	(4,323)	(3,156)
Dividends paid	(54,600)	-
Net cash flows from (used in) in financing activities	7,954	(54,787)
Cash flows from (used in) investing activities:		
Acquisition of businesses	(146,648)	(7,058)
Cash obtained with acquired businesses	14,968	1,719
Post-acquisition settlement payments, net of receipts	(4,668)	(1,150)
Interest, dividends and other proceeds received	-	100
Property and equipment purchased	(766)	(660)
Net cash flows from (used in) investing activities	(137,115)	(7,049)
Effect of foreign currency on cash and cash equivalents	(0)	0
Increase (decrease) in cash	30,643	58,556

Cash, beginning of period	55,635	28,036
Cash, end of period	86,278	86,592