

# TOPICUS.COM INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

The following discussion and analysis should be read in conjunction with the Annual Consolidated Financial Statements of Constellation Software Netherlands Holding Cooperatief U.A. (the "Coop" or the "Company") for the year ended December 31, 2020, which we prepared in accordance with International Financial Reporting Standards ("IFRS"). The information presented is based on the historical financial performance of the Coop, as predecessor to Topicus.com Inc. ("Topicus"), and does not take into account the transactions described under "Subsequent Events". Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward-Looking Statements" and "Risks and Uncertainties".

Unless otherwise indicated, all amounts are expressed in Euros. All references to "€" are to Euros and all references to "we", "us", "our" and "our company" refer to the Coop and its subsidiaries. Due to rounding, certain totals and subtotals may not foot and certain percentages may not reconcile.

Additional information about Topicus is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### Forward Looking Statements

Certain statements in this report may contain "forward looking" statements that involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Words such as "may", "will", "expect", "believe", "plan", "intend", "should", "anticipate" and other similar terminology are intended to identify forward looking statements. These statements reflect current assumptions and expectations regarding future events and operating performance as of the date of this MD&A, February 10, 2021. 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, including, but not limited to, the factors discussed under "Risks and Uncertainties". Although the forward looking statements contained in this MD&A are based upon what management of Topicus believes are reasonable assumptions, Topicus cannot assure investors that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this MD&A and Topicus assumes no obligation, except as required by law, to update any forward looking statements to reflect new events or circumstances. This report should be viewed in conjunction with Topicus' other publicly available filings, copies of which can be obtained electronically on SEDAR at [www.sedar.com](http://www.sedar.com).

### Non-IFRS Measures

This MD&A includes certain measures which have not been prepared in accordance with IFRS such as Free cash flow available to shareholders.

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. 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. See “Results of Operations—Free cash flow available to shareholders” for a reconciliation of FCFA2S to net cash flows from operating activities.

## **Overview**

We acquire, manage and build vertical market software (“VMS”) businesses, primarily located in the Netherlands. Generally, these businesses provide mission critical software solutions that address the specific needs of our customers in particular vertical markets. Our focus on acquiring businesses with growth potential, managing them well and then building them, has allowed us to generate significant cash flows and revenue growth during the past several years.

Our revenue consists primarily of software license fees, maintenance and other recurring fees, professional service fees and hardware sales. Software license revenue is comprised of license fees charged for the use of our software products generally licensed under multiple-year or perpetual arrangements. Maintenance and other recurring revenue primarily consists of fees charged for customer support on our software products post-delivery and also includes, to a lesser extent, recurring fees derived from software as a service, subscriptions, combined software/support contracts, transaction-related revenues, and hosted products. Maintenance and other recurring fee arrangements generally include rights to certain product updates “when and if available”. Professional service revenue consists of fees charged for implementation and integration services, customized programming, product training and consulting. Hardware sales include the resale of third party hardware that forms part of our customer solutions, as well as sales of customized hardware assembled internally. Our customers typically purchase a combination of software, maintenance, professional services and hardware, although the type, mix and quantity of each vary by customer and by product.

Expenses consist primarily of staff costs, the cost of hardware, third party licenses, maintenance and professional services to fulfill our customer arrangements, travel and occupancy costs, depreciation and other general operating expenses.

## Results of Operations

(In millions of euros, except percentages and per share amounts)

	Three months ended December 31,		Period-Over- Period Change		Year ended December 31,		Period-Over- Period Change	
	2020	2019	€	%	2020	2019	€	%
<b>Revenue</b>	<b>137.4</b>	<b>116.9</b>	<b>20.5</b>	<b>18%</b>	<b>494.0</b>	<b>417.4</b>	<b>76.6</b>	<b>18%</b>
Expenses	99.7	87.5	12.2	14%	352.2	307.9	44.3	14%
Amortization of intangible assets	13.8	13.2	0.6	4%	50.4	46.3	4.1	9%
Finance and other expense (income)	1.7	1.2	0.4	37%	6.4	4.5	1.9	42%
Income before income taxes	22.2	14.9	7.3	49%	85.0	58.7	26.3	45%
<b>Income tax expense (recovery)</b>								
Current income tax expense (recovery)	8.4	5.6	2.8	51%	29.0	20.6	8.4	41%
Deferred income tax expense (recovery)	1.0	(1.8)	2.8	NM	(7.6)	(8.3)	0.7	-8%
Income tax expense (recovery)	9.4	3.7	5.6	152%	21.3	12.2	9.1	74%
<b>Net income</b>	<b>12.9</b>	<b>11.2</b>	<b>1.6</b>	<b>15%</b>	<b>63.7</b>	<b>46.5</b>	<b>17.2</b>	<b>37%</b>
<b>Net cash flows from operating activities</b>	<b>30.3</b>	<b>19.1</b>	<b>11.2</b>	<b>59%</b>	<b>151.9</b>	<b>121.4</b>	<b>30.5</b>	<b>25%</b>
<b>Free cash flow available to shareholders</b>	<b>23.9</b>	<b>12.5</b>	<b>11.4</b>	<b>92%</b>	<b>130.1</b>	<b>103.4</b>	<b>26.7</b>	<b>26%</b>
Weighted average units outstanding								
Basic	59.1	59.1			59.1	59.1		
Diluted	59.1	59.1			59.1	61.4		
<b>Net income per unit</b>								
Basic	€ 0.22	€ 0.19	€ 0.03	15%	€ 1.08	€ 0.79	€ 0.29	37%
Diluted	€ 0.22	€ 0.19	€ 0.03	15%	€ 1.08	€ 0.76	€ 0.32	42%
<b>Net cash flows from operating activities per unit</b>								
Basic	€ 0.51	€ 0.32	€ 0.19	59%	€ 2.57	€ 2.05	€ 0.52	25%
Diluted	€ 0.51	€ 0.32	€ 0.19	59%	€ 2.57	€ 1.98	€ 0.60	30%
<b>Free cash flow available to shareholders per unit</b>								
Basic	€ 0.40	€ 0.21	€ 0.19	92%	€ 2.20	€ 1.75	€ 0.45	26%
Diluted	€ 0.40	€ 0.21	€ 0.19	92%	€ 2.20	€ 1.68	€ 0.52	31%
Total assets					641.1	543.5	97.6	18%
Total long-term liabilities					159.5	140.6	18.9	13%

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

## Comparison of the three and twelve month periods ended December 31, 2020 and 2019

### Revenue:

Total revenue for the quarter ended December 31, 2020 was €137.4 million, an increase of 18%, or €20.5 million, compared to €116.9 million for the comparable period in 2019. For the 2020 fiscal year total revenues were €494.0 million, an increase of 18%, or €76.6 million, compared to €417.4 million for the 2019 fiscal year. The increase for both the three and twelve 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 3% and 2% respectively. 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 the Company.

The following table displays the breakdown of our revenue according to revenue type:

	Three months ended December 31,		Period-Over- Period Change		Q419 Proforma Adj. (Note 1)	Organic Growth	Year ended December 31,		Period-Over- Period Change		Q419 Proforma Adj. (Note 2)	Organic Growth
	2020	2019	€	%	€	%	2020	2019	€	%	€	%
	(€ in millions, except percentages)						(€ in millions, except percentages)					
Licenses	4.9	3.2	1.6	51%	1.6	1%	14.4	8.1	6.3	78%	8.4	-13%
Professional services	35.3	32.1	3.3	10%	4.4	-3%	119.5	111.9	7.6	7%	16.4	-7%
Hardware and other	2.4	1.2	1.2	101%	0.2	71%	6.2	4.7	1.5	32%	1.3	3%
Maintenance and other recurring	94.8	80.4	14.4	18%	9.7	5%	353.9	292.7	61.1	21%	42.0	6%
	137.4	116.9	20.5	18%	16.0	3%	494.0	417.4	76.6	18%	68.2	2%

€M - Millions of euros

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

Note 1: Estimated pre-acquisition revenues for the three months ended December 31, 2019 from companies acquired after September 30, 2019. (Obtained from unaudited vendor financial information.)

Note 2: Estimated pre-acquisition revenues for the year ended December 31, 2019 from companies acquired after December 31, 2018. (Obtained from unaudited vendor financial information.)

For comparative purposes the table below shows the quarterly organic growth as compared to the same period in the prior year by revenue type since Q4 2018.

	Quarter Ended								
	Dec. 31 <u>2018</u>	Mar. 31 <u>2019</u>	Jun. 30 <u>2019</u>	Sep. 30 <u>2019</u>	Dec. 31 <u>2019</u>	Mar. 31 <u>2020</u>	Jun. 30 <u>2020</u>	Sep. 30 <u>2020</u>	Dec. 31 <u>2020</u>
Licenses	7%	-34%	-20%	-51%	-23%	-23%	-34%	3%	1%
Professional services	-2%	-6%	-3%	-4%	-1%	-8%	-10%	-7%	-3%
Hardware and other	-44%	-32%	-3%	-33%	-37%	-13%	-34%	-1%	71%
Maintenance and other recurring	6%	7%	6%	6%	7%	5%	6%	6%	5%
<b>Revenue</b>	<b>2%</b>	<b>2%</b>	<b>3%</b>	<b>0%</b>	<b>3%</b>	<b>1%</b>	<b>0%</b>	<b>2%</b>	<b>3%</b>

Expenses:

The following table displays the breakdown of our expenses:

	Three months ended December 31,		Period-Over- Period Change		Year ended December 31,		Period-Over- Period Change	
	<u>2020</u>	<u>2019</u>	€	%	<u>2020</u>	<u>2019</u>	€	%
	(€ in millions, except percentages)				(€ in millions, except percentages)			
Expenses								
Staff	71.6	62.0	9.6	15%	254.7	217.2	37.5	17%
Hardware	0.7	1.0	(0.3)	-31%	3.0	3.2	(0.2)	-7%
Third party license, maintenance and professional services	12.9	10.9	2.0	18%	45.5	40.0	5.6	14%
Occupancy	0.7	0.8	(0.14)	-17%	3.3	3.2	0.1	5%
Travel, Telecommunications, Supplies & Software and equipment	2.9	4.3	(1.3)	-31%	12.9	14.6	(1.8)	-12%
Professional fees	3.3	1.7	1.61	96%	9.5	7.0	2.5	35%
Other, net	1.7	2.7	(0.9)	-35%	4.7	7.5	(2.9)	-38%
Depreciation	6.0	4.2	1.8	42%	18.7	15.2	3.5	23%
	99.7	87.5	12.2	14%	352.2	307.9	44.3	14%

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

Overall expenses for the quarter ended December 31, 2020 increased 14%, or €12.2 million to €99.7 million, compared to €87.5 million during the same period in 2019. As a percentage of total revenue, expenses equalled 73% for the quarter ended December 31, 2020 and 75% for the same period in 2019. During the fiscal year ended December 31, 2020, expenses increased 14%, or €44.3 million to €352.2 million, compared to €307.9 million during the 2019 fiscal year. As a percentage of total revenue, expenses were 71% for the fiscal year ended December 31, 2020 and 74% for the 2019 fiscal year.

**Staff expense** – Staff expenses increased 15% or €9.6 million for the quarter ended December 31, 2020 and 17% or €37.5 million for the fiscal year ended December 31, 2020 over the same periods in 2019. Staff expense can be broken down into five key operating departments: Professional Services, Maintenance, Research and Development, Sales and Marketing, and General and Administrative. Included within staff expenses for each of the above five departments are personnel and related costs associated with providing the necessary services. The table below compares the period over period variances.

	Three months ended December 31,		Period-Over- Period Change		Year ended December 31,		Period-Over- Period Change	
	<u>2020</u>	<u>2019</u>	€	%	<u>2020</u>	<u>2019</u>	€	%
	(€ in millions, except percentages)				(€ in millions, except percentages)			
Professional services	16.5	15.2	1.3	9%	62.6	56.7	6.0	11%
Maintenance	11.9	11.4	0.5	5%	42.8	39.4	3.5	9%
Research and development	18.7	15.3	3.4	22%	67.8	53.4	14.4	27%
Sales and marketing	7.8	6.3	1.5	23%	25.5	21.0	4.4	21%
General and administrative	16.7	13.8	2.9	21%	56.0	46.7	9.3	20%
	71.6	62.0	9.6	15%	254.7	217.2	37.5	17%

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

The increase in staff expenses for the three and twelve months ended December 31, 2020 was primarily due to the growth in the number of employees compared to the same periods in 2019 primarily due to acquisitions.

**Hardware expenses** – Hardware expenses decreased 31% or €0.3 million for the quarter ended December 31, 2020 and 7% or €0.2 million for the fiscal year ended December 31, 2020 over the same periods in 2019 as compared with the 101% and 32% increase in hardware and other revenue for the three and twelve month periods ending December 31, 2020 respectively over the comparable periods in 2019. Hardware margins for the three and twelve months ended December 31, 2020 were 71% and 52% respectively as compared to 15% and 32% for the comparable periods in 2019.

**Third party license, maintenance and professional services expenses** – Third party license, maintenance and professional services expenses increased 18% or €2.0 million for the quarter ended December 31, 2020 and 14% or €5.6 million for the fiscal year ended December 31, 2020 over the same period in 2019. The increase is primarily due to third party license, maintenance and professional services expenses of acquired businesses.

**Occupancy expenses** – Occupancy expenses decreased 17% or €0.1 million for the quarter ended December 31, 2020 and increased 5% or €0.1 million for the fiscal year ended December 31, 2020 over the same periods in 2019. The increase for the fiscal year is primarily due to the occupancy expenses of acquired businesses.

**Travel, Telecommunications, Supplies & Software and equipment expenses** – Travel, Telecommunications, Supplies & Software and equipment expenses decreased 31% or €1.3 million for the quarter ended December 31, 2020 and 12% or €1.8 million for the fiscal year ended December 31, 2020 over the same periods in 2019. Increases in these expenses related to acquisitions were offset by decreases due to travel restrictions related to the COVID-19 pandemic.

**Professional fees** – Professional fees increased 96% or €1.6 million for the quarter ended December 31, 2020 and 35% or €2.5 million for the fiscal year ended December 31, 2020 over the same periods in 2019. There are no individually material reasons contributing to this variance.

**Other, net** – Other expenses decreased 35% or €0.9 million for the quarter ended December 31, 2020 and 38% or €2.9 million for the fiscal year ended December 31, 2020 over the same periods in 2019. The following table provides a further breakdown of expenses within this category.

	Three months ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	<u>2020</u>	<u>2019</u>	€	%	<u>2020</u>	<u>2019</u>	€	%
	(€ in millions, except percentages)							
Advertising and promotion	0.8	1.1	(0.3)	-27%	2.7	3.5	(0.7)	-20%
Recruitment and training	1.3	1.3	(0.0)	-3%	4.3	4.5	(0.2)	-6%
R&D tax credits	(1.0)	(0.8)	(0.1)	17%	(3.6)	(2.4)	(1.2)	50%
Contingent consideration	0.2	0.5	(0.3)	-58%	(0.0)	0.5	(0.5)	NM
Other expense, net	0.4	0.6	(0.2)	-32%	1.3	1.5	(0.2)	-14%
	1.7	2.7	(0.9)	-35%	4.7	7.5	(2.9)	-38%

NM - Not meaningful

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

The contingent consideration expense amounts recorded for the periods above relate to an increase (decrease) in anticipated acquisition earnout payment accruals primarily as a result of increases (decreases) to revenue forecasts for the associated acquisitions. Revenue forecasts are updated on a quarterly basis and the related anticipated acquisition earnout payment accruals are updated accordingly. There are no individually material reasons contributing to the remaining variances.

**Depreciation** – Depreciation of property and equipment increased 42% or €1.8 million for the quarter ended December 31, 2020 and 23% or €3.5 million for the fiscal year ended December 31, 2020 over the same periods in 2019. The increases are primarily due to the depreciation expense associated with acquired businesses.

Other Income and Expenses:

The following table displays the breakdown of our other income and expenses:

	Three months ended December 31,		Period-Over- Period Change		Year ended December 31,		Period-Over- Period Change	
	2020	2019	€	%	2020	2019	€	%
	(€ in millions, except percentages)				(€ in millions, except percentages)			
Amortization of intangible assets	13.8	13.2	0.6	4%	50.4	46.3	4.1	9%
Finance and other expense (income)	1.7	1.2	0.4	37%	6.4	4.5	1.9	42%
Income tax expense (recovery)	9.4	3.7	5.6	152%	21.3	12.2	9.1	74%
	24.8	18.2	6.7	37%	78.1	63.0	15.0	24%

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

**Amortization of intangible assets** – Amortization of intangible assets increased 4% or €0.6 million for the quarter ended December 31, 2020 and 9% or €4.1 million for the fiscal year ended December 31, 2020 over the same periods in 2019. The increase in amortization expense for the three and twelve months ended December 31, 2020 is primarily attributable to an increase in the carrying amount of our intangible asset balance over the twelve-month period ended December 31, 2020 as a result of acquisitions completed during this twelve-month period.

**Finance and other expense (income)** – Finance and other expense for the three and twelve months ended December 31, 2020 was €1.7 million and €6.4 million respectively, compared to €1.2 million and €4.5 million for the same periods in 2019. The increases are primarily a result of an increase in the interest expense on debt in 2020 as compared to 2019.

**Income taxes** – We operate throughout Europe and we calculate our tax provision in each of the jurisdictions in which we conduct business. Our effective tax rate on a consolidated basis is, therefore, affected by the realization and anticipated relative profitability of our operations in those various jurisdictions, as well as different tax rates that apply and our ability to utilize tax losses and other credits. For the quarter ended December 31, 2020, income tax expense increased €5.6 million to €9.4 million compared to €3.7 million for the same period in 2019. During the fiscal year ended December 31, 2020, income tax expense increased €9.1 million to €21.3 million compared to €12.2 million for the 2019 fiscal year. Current tax expense has historically approximated our cash tax expense however the quarterly expense can sometimes fall outside of the annual range due to out of period adjustments. Current tax expense reflects gross taxes before the application of R&D tax credits which are classified as part of “other, net” expenses in the condensed consolidated statements of income.

The Company is subject to tax audits in the countries in which it carries on business. These tax audits could result in additional tax expense in future periods relating to historical filings. Reviews by tax authorities generally focus on, but are not limited to, the validity of the Company’s inter-company transactions, including financing and transfer pricing policies which generally involve subjective areas of taxation and a significant degree of judgment. If any of these tax authorities are successful with their challenges, the Company’s income tax expense may be adversely affected and the Company could also be subject to interest and penalty charges.

Net Income and Earnings per Unit:

Net income for the quarter ended December 31, 2020 was €12.9 million compared to net income of €11.2 million for the same period in 2019. On a per unit basis, this translated into a net income per diluted unit of €0.22 in the quarter ended December 31, 2020 compared to net income per diluted unit of €0.19 for the same period in 2019. For the fiscal year ended December 31, 2020, net income was €63.7 million or €1.08 per diluted unit compared to €46.5 million or €0.76 per diluted unit for the 2019 fiscal year. Diluted units outstanding decreased from 61.4 million to 59.1 million for the fiscal year ended December 31, 2020.

Net cash flows from operating activities (“CFO”):

For the quarter ended December 31, 2020, CFO increased €11.2 million to €30.3 million compared to €19.1 million for the same period in 2019 representing an increase of 59%. For the fiscal year ended December 31, 2020, CFO increased €30.5 million to €151.9 million compared to €121.4 million for the 2019 fiscal year representing an increase of 25%.

Free cash flow available to shareholders (“FCFA2S”):

For the quarter ended December 31, 2020, FCFA2S increased €11.4 million to €23.9 million compared to €12.5 million for the same period in 2019. For the fiscal year ended December 31, 2020, FCFA2S increased €26.7 million to €130.1 million compared to €103.4 million for the 2019 fiscal year representing an increase of 26%.

The following table reconciles FCFA2S to net cash flows from operating activities:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
	(€ in millions, except percentages)		(€ in millions, except percentages)	
<b>Net cash flows from operating activities</b>	30.3	19.1	151.9	121.4
<b>Adjusted for:</b>				
Interest paid on lease obligations	(0.3)	(0.2)	(1.0)	(0.8)
Interest paid on other facilities	(1.2)	(0.7)	(4.6)	(2.5)
Credit facility transaction costs	-	(1.8)	-	(1.8)
Payments of lease obligations	(4.3)	(3.3)	(13.8)	(10.4)
Property and equipment purchased	(0.6)	(0.6)	(2.4)	(2.6)
Free cash flow available to shareholders	23.9	12.5	130.1	103.4

Due to rounding, certain totals may not foot.

## Quarterly Results

	Quarter Ended								
	Dec. 31 2018	Mar. 31 2019	Jun. 30 2019	Sep. 30 2019	Dec. 31 2019	Mar. 31 2020	Jun. 30 2020	Sep. 30 2020	Dec. 31 2020
Revenue	93.3	100.3	98.3	102.0	116.9	119.8	115.6	121.2	137.4
Net income	20.7	16.9	10.1	8.6	11.2	17.5	14.1	19.3	12.9
Net income per unit									
Basic	€ 0.35	€ 0.29	€ 0.17	€ 0.15	€ 0.19	€ 0.30	€ 0.24	€ 0.33	€ 0.22
Diluted	€ 0.29	€ 0.25	€ 0.17	€ 0.15	€ 0.19	€ 0.30	€ 0.24	€ 0.33	€ 0.22

We do not generally experience significant seasonality in our operating results from quarter to quarter. However our quarterly results may fluctuate as a result of the various acquisitions which may be completed by the Company in any given quarter. We may experience variations in our net income on a quarterly basis depending upon the timing of certain expenses or gains, which may include changes in provisions, acquired contract liabilities, and gains or losses on the sale of financial and other assets.

## Liquidity

Our net debt position (bank indebtedness excluding capitalized transaction costs less cash) decreased by €57.6 million to a net cash position of €1.6 million in the fiscal year ended December 31, 2020 resulting from cash flows from operations exceeding the net capital deployed on acquisitions. Cash increased by €27.6 million to €55.6 million at December 31, 2020 compared to €28.0 million at December 31, 2019 and bank indebtedness decreased by €30.0 million to €54.0 million at December 31, 2020 compared to €84.0 million at December 31, 2019.

Total assets increased €97.6 million, from €543.5 million at December 31, 2019 to €641.1 million at December 31, 2020. The increase is primarily due to the €27.6 million increase in cash and a €52.4 million increase in intangible assets.

Current liabilities increased €16.4 million, from €200.6 million at December 31, 2019 to €216.9 million at December 31, 2020. The increase is primarily due to an increase in accounts payable and accrued liabilities of €12.4 million, income taxes payable of €9.0 million and an increase in deferred revenue of €15.9 million mainly due to acquisitions made since December 31, 2019 and the timing of maintenance and other billings versus performance and delivery under those customer arrangements. These increases were offset by a decrease in bank debt of €29.7 million.

**Net Changes in Cash Flows**

(€ in millions)

	Year ended December 31, 2020	Year ended December 31, 2019
Net cash provided by operating activities	151.9	121.4
Net cash from (used in) financing activities	(50.0)	(6.3)
Cash used in the acquisition of businesses	(92.4)	(120.7)
Cash obtained with acquired businesses	19.7	21.7
Net cash from (used in) other investing activities	(1.5)	(3.0)
Net cash from (used in) investing activities	(74.2)	(102.0)
Effect of foreign currency	0.0	0.0
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>27.6</b>	<b>13.0</b>

The net cash flows from operating activities were €151.9 million for the fiscal year ended December 31, 2020. The €151.9 million provided by operating activities resulted from €63.7 million in net income plus €96.8 million of non-cash adjustments to net income and €11.2 million of cash from non-cash operating working capital offset by €19.8 million in taxes paid.

The net cash flows used in financing activities for the fiscal year ended December 31, 2020 were €50.0 million, which is mainly a result of a net decrease in bank indebtedness of €30.0 million, and lease obligation payments of €13.8 million.

The net cash flows used in investing activities in the fiscal year ended December 31, 2020 were €74.2 million. The cash used in investing activities was primarily due to acquisitions for an aggregate of €92.4 million (including payments for holdbacks relating to prior acquisitions) offset by €19.7 million of acquired cash.

We believe we have sufficient cash and available credit capacity to continue to operate for the foreseeable future. Generally, our VMS businesses operate with negative working capital as a result of the collection of maintenance payments and other revenues in advance of the performance of the related services. As such, management anticipates that it can continue to grow the business organically without any additional funding. If we continue to acquire VMS businesses we may need additional external funding depending upon the size and timing of the potential acquisitions.

**Related Parties**

Transactions with related parties are assumed when a relationship exists between the Company and a natural person or entity that is affiliated with the Company. This includes, amongst others, the relationship between the Company and its subsidiaries, members, directors, key management personnel and companies that are under common control of our controlling unitholder, CSI. Transactions are transfers of resources, services or obligations, regardless whether anything has been charged. There have been no material transactions with related parties that were not on a commercial basis.

The Company had a loan of €19 million from CSI. The loan was non-interest bearing, maturing in 2024, and could be repaid at any time by the Company. The aggregate loan was convertible into ordinary units at a price per ordinary unit equal to two times the issue price of the initial ordinary units (€2.00). During the three months ending March 31, 2019 the loan was repaid.

The Company also pays management fees to CSI (included within “Other, net” expenses) and reimburses CSI for certain expenses paid on behalf of the Company. The aggregate payments made by the Company to CSI

for management fees and reimbursements of expenses during the fiscal year ended December 31, 2020 was €1.4 million (December 31, 2019 - €1.3 million).

The ending payable balance to CSI (included within accounts payable and accrued liabilities) as at December 31, 2020 was €1.3 million (December 31, 2019 – €1.3 million).

The Company also provides professional services to other entities under the control of CSI. The total amount of revenue recognized during the fiscal year ended December 31, 2020 (included within professional services revenue) relating to such arrangements was €4.4 million (December 31, 2019 – €4.5 million). The ending receivable balance (included within accounts receivable) as at December 31, 2020 relating to these arrangements was €0.4 million (December 31, 2019 – €0.5 million).

## **Capital Resources and Commitments**

### Credit Facility

On July 14, 2017, a subsidiary of the Company entered into the Credit Facility with a number of European financial institutions. Under this facility, the Company is able to borrow up to €300 million under a multicurrency revolving loan facility and up to €50 million under an additional uncommitted term loan facility. The Credit Facility has a term of seven years and bears interest at a rate calculated at EURIBOR plus interest rate spreads based on a leverage table. The Credit Facility is collateralized by substantially all of the assets owned by the Company and its subsidiaries. The Credit Facility contains standard events of default which if not remedied within a cure period would trigger the repayment of any outstanding balance. As at December 31, 2020, €20 million had been drawn from the Credit Facility. Transaction costs associated with the Credit Facility are being amortized through profit or loss using the effective interest rate method.

### Term Loan

On October 29, 2019 a subsidiary of the Company closed term loan funding with CVC Credit Partners, amounting to €34 million, to provide a long-term financial structure in connection with an acquired business (the “**Term Loan**”). Covenants and guarantees associated with the Term Loan are monitored and reported based on the financial position and financial performance of the acquired business.

The Term Loan has a maturity date of October 31, 2025 and the Term Loan bears an interest rate between 6 – 6.75% plus EURIBOR (2019: 6.75%). Transaction costs associated with the Term Loan have been included as part of the carrying amount of the liability and are being amortized through profit or loss using the effective interest rate method.

### Other Commitments

Commitments include operating leases for office equipment and facilities, letters of credit and performance bonds issued on our behalf by financial institutions in connection with facility leases and contracts with public sector customers. Also, occasionally we structure some of our acquisitions with contingent consideration based on the future performance of the acquired business. The fair value of contingent consideration recorded in our statement of financial position was €3.6 million at December 31, 2020. Aside from the aforementioned, we do not have any other business arrangements, derivative financial instruments, or any equity interests in non-consolidated entities that would have a significant effect on our assets and liabilities as at December 31, 2020.

(€ in millions)

	Total	< 1 yr	1-5 yrs	> 5 yrs
Lease obligations	53.1	14.3	30.5	8.3
Holdbacks	13.2	12.6	0.6	-
Revolving credit facility	20.0	20.0	-	-
Term loan	34.0	-	34.0	-
Total outstanding commitments	120.4	46.9	65.2	8.3

## Off-Balance Sheet Arrangements

As a general practice, we have not entered into off-balance sheet financing arrangements. Except for short term leases, leases of low value assets, and letters of credit, all of our liabilities and commitments are reflected as part of our statement of financial position.

## Proposed Transactions

We seek potential acquisition targets on an ongoing basis and may complete several acquisitions in any given fiscal year. On January 5, 2021 the Company completed the purchase of 100% of the shares of Topicus.com B.V. (“Topicus”), a Netherlands-based diversified vertical market software provider, from IJssel B.V. (the “Seller”). The purchase of Topicus was financed with cash on hand and the Company’s existing revolving line of credit. Consideration was in the form of a cash payment plus the issuance to the Seller of approximately 9% of the shares of the new operating group Topicus.com (the merged TSS and Topicus economic entity). Annual gross revenues of Topicus for 2019 were approximately €101M and total tangible assets at December 31, 2019 were approximately €7M. Topicus employs approximately 1,000 employees (870 full time equivalents).

## Critical Accounting Estimates

### General

The preparation of our consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Our estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Our ongoing evaluation of these estimates forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of revenues and expenses, in cases where they are not readily ascertainable from other sources. Actual amounts may differ from these estimates under different assumptions or conditions.

Our significant accounting policies are fully described in Note 3 to our annual consolidated financial statements which are available on SEDAR ([www.sedar.com](http://www.sedar.com)). Certain accounting policies are particularly important to the reporting of our financial position and results of operations, and require the application of significant judgment by our management. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different, estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could have a material impact on the financial statements. Management believes the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of our consolidated financial statements. We believe that there have been no significant changes in our critical accounting estimates for the years presented in our consolidated financial statements.

## ***Revenue Recognition***

Revenue represents the amount the Company expects to receive for products and services in its contracts with customers, net of discounts and sales taxes. The Company reports revenue under four revenue categories being, License, Hardware and other, Professional services, and Maintenance and other recurring revenue. Software license revenue is comprised of non-recurring license fees charged for the use of software products licensed under multiple-year or perpetual arrangements. Professional service revenue consists of fees charged for implementation services, custom programming, product training and consulting. Hardware and other revenue includes the resale of third party hardware as part of customized solutions, as well as sales of hardware assembled internally and the reimbursement of travel costs. Maintenance and other recurring revenue primarily consists of fees charged for customer support on software products post-delivery and also includes recurring fees derived from combined software/support contracts, transaction revenues, managed services, and hosted products.

### *Contracts with multiple products or services*

Typically, the Company enters into contracts that contain multiple products and services such as software licenses, hosted software-as-a-service, maintenance, professional services, and hardware. The Company evaluates these arrangements to determine the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the product or service is distinct from some or all of the other products or services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and Constellation's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct products and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation.

Where a contract consists of more than one performance obligation, revenue is allocated to each based on their estimated standalone selling price.

### *Nature of products and services*

The Company sells on-premise software licenses on both a perpetual and specified-term basis. Revenue from the license of distinct software is recognized at the time that both the right-to-use the software has commenced and the software has been made available to the customer. Certain of the Company's contracts with customers contain provisions that require the customer to renew optional support and maintenance in order to maintain the active right to use a perpetual or term license. The renewal payments after the initial bundled support and maintenance term in these cases apply to both the continued right-to-use the license and the support and maintenance renewal. Where the fees payable for the initial term are incremental to the fees for the renewal terms, the excess is treated as a prepayment for expected renewals and allocated (amortized) evenly over the expected customer renewals, up to the estimated life of the software that is typically 4-6 years.

Revenue from the license of software that involves complex implementation or customization that is not distinct, and/or includes sales of hardware that is not distinct, is recognized as a combined performance obligation using the percentage-of-completion method based primarily on labour hours. The percentage-of-completion method based on labour hours requires the Company to make significant judgments to determine the estimated hours to completion which affects the timing of revenue recognized.

A portion of the Company's sales, categorized as hardware and other revenue, are accounted for as product revenue. Product revenue is recognized when control of the product has transferred under the terms of an enforceable contract.

Revenue related to the customer reimbursement of travel related expenses incurred during a project implementation where the Company is the principal in the arrangement is included in the hardware and other revenue category. Revenue is recognized as costs are incurred which is consistent with the period in which the

costs are invoiced. Reimbursable travel expenses incurred for which an invoice has not been issued, are recorded as part of unbilled revenue on the statement of financial position.

Maintenance and other recurring revenue primarily consists of fees charged for customer support on software products post-delivery and also includes, to a lesser extent, recurring fees derived from software licenses that are not distinct from maintenance, transaction revenues, managed services, and hosted products.

Revenue from software-as-a-service (SaaS) arrangements, which allows customers to use hosted software over a term without taking possession of the software, are provided on a subscription basis. Revenue from the SaaS subscription, which includes the hosted software and maintenance is recognized rateably over the term of the subscription. Significant incremental payments for SaaS in an initial term are recognized rateably over the expected renewal periods, up to the estimated life of the software.

Professional services revenue including installation, implementation, training and customization of software is recognized by the stage of completion of the performance obligation determined using the percentage of completion method noted above or as such services are performed as appropriate in the circumstances. The revenue and profit of fixed price contracts is recognized on a percentage of completion basis when the outcome of a contract can be estimated reliably. When the outcome of the contract cannot be estimated reliably but the Company expects to recover its costs, the amount of expected costs is treated as variable consideration and the transaction price is updated as more information becomes known.

The timing of revenue recognition often differs from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts are included in unbilled revenue. Amounts billed in accordance with customer contracts, but not yet earned, are recorded and presented as part of deferred revenue.

### ***Valuation of Identifiable Goodwill and Other Intangible Assets***

Acquisitions have been accounted for using the acquisition method required by IFRS 3. Goodwill arising on acquisitions is measured as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, if any, less the net recognized amount of the estimated fair value of identifiable assets acquired and liabilities assumed (subject to certain exemptions to fair value measurement principles such as deferred tax assets or liabilities), all measured as of the acquisition date. When the excess of the consideration transferred less the assets and liabilities acquired is negative, a bargain purchase gain is recognized immediately in profit or loss. Transaction costs that the Company incurs in connection with a business combination are expensed as incurred.

We use the income approach to value acquired technology and customer related intangible assets, which are the two material intangible asset categories reported in our financial statements.

The income approach is a valuation technique that calculates the fair value of an intangible asset based on the cash flows that the asset can be expected to generate over its remaining useful life. We utilize the discounted cash flow (“DCF”) methodology which is a form of the income approach that begins with a forecast of the annual cash flows a market participant would expect the subject intangible asset to generate over a discrete projection period. The forecasted cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the intangible assets’ projected cash flows, again, from a market participant perspective. The present value of the forecasted cash flows are then added to the present value of the residual value of the intangible asset (if any) at the end of the discrete projection period to arrive at a conclusion with respect to the estimated fair value of the subject intangible asset.

Specifically, we rely on the relief-from-royalty method to value the acquired technology and the multiple-period excess earnings method (“MEEM”) to value customer relationship assets.

The underlying premise of the relief-from-royalty method is that the fair value of the technology is equal to the costs savings (or the "royalty avoided") resulting from the ownership of the asset by the avoidance of paying royalties to license the use of the technology from another owner. Accordingly the income forecast reflects an estimate of a fair royalty that a licensee would pay, on a percentage of revenue basis, to obtain a license to utilize the technology.

The MEEM method isolates the cash flows attributable to the subject asset by utilizing a forecast of expected cash flows less the returns attributable to other enabling assets, both tangible and intangible.

Goodwill is initially recorded when the purchase price paid for an acquisition exceeds the fair value assigned to the net identifiable tangible and intangible assets acquired. Goodwill is not amortized but rather it is periodically assessed for impairment.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired. We perform an annual review in the fourth quarter of each fiscal year, or more frequently if indicators of potential impairment exist, to determine if the recorded goodwill is impaired. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee. No such losses have been recognized during the year.

The impairment test methodology is based on a comparison between the higher of fair value less costs to sell and value-in-use of each of the Company's cash generating units ("CGU") and the net asset carrying values (including goodwill). Within the Company's reporting structure, business units generally reflect the CGU. In determining the recoverable amount, the Company applies an estimated market valuation multiple to the business unit's most recent annual recurring revenues, which are generally derived from post-contract customer support revenues, transactional revenues, and hosted products revenues. Valuation multiples applied by the Company for this purpose reflect current market conditions specific to the business unit and are assessed for reasonability by comparison to the Company's current and past acquisition experience involving ranges of revenue-based multiples required to acquire representative software companies and the Company's overall revenue based-trading multiple. In addition, in certain instances, the recoverable amount is determined using a value-in-use approach which follows the same valuation process that is undertaken for the Company's business acquisitions. An impairment is recognized if the carrying amount of a CGU exceeds its estimated recoverable amount. The recoverable amount of goodwill is estimated annually on December 31 of each year or whenever events or changes in circumstances indicate that the carrying value may be impaired.

We also review the carrying value of amortizable intangible assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. Any change in estimate which causes the undiscounted expected future cash flows to be less than the carrying value, would result in an impairment loss being recognized equal to the amount by which the carrying value of the asset exceeds the fair value of the asset.

### ***Accounting for Income Taxes***

Significant management judgment is required in determining our provision for income taxes, our income tax assets and liabilities, and any valuation allowance recorded against our net income tax assets. We operate in multiple geographic jurisdictions, and to the extent that we have profits in each jurisdiction, these profits are taxed pursuant to the tax laws of their jurisdiction. Our effective tax rate may be affected by changes in, or interpretations of, tax laws in any given jurisdiction, the level of profitability, utilization of net operating losses and tax credit carry forwards, changes in geographical mix of income and expense, and changes in management's assessment of matters,

such as the ability to realize future tax assets. As a result of these considerations, we must estimate our income taxes in each of the jurisdictions in which we operate on a quarterly basis. This process involves estimating our actual current tax exposures, together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in future tax assets and liabilities, which are included in our consolidated balance sheet.

Current tax is the expected taxes payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but we intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits, difference in tax bases in the purchaser's tax jurisdiction and its cost as reported in the consolidated financial statements as a result of an intra-group transfer of assets and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

We are subject to income tax audits by various authorities in respect of prior periods that could result in additional tax expense in future periods. While the outcome of current outstanding actions and claims remains uncertain, it is expected that they will be resolved without a material impact to our financial position. However, there can be no assurances as to the final resolution of these matters and, if the final outcome is adverse to us, the amounts we will be required to pay and the loss of certain future tax deductions could be material to our financial statements.

### ***Accounts Receivable***

We evaluate the collectability of our trade receivables at both a specific and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired, together with receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

### ***Work In Progress***

For revenue arrangements that are accounted for under the percentage of completion method as well as other arrangements and contracts which limit our ability to invoice at certain milestones that do not match the timing of the actual provision of the services, we record such revenue and the related unbilled receivable in work in process. Similar to accounts receivable, we constantly have to evaluate our ability to bill and subsequently collect any amounts contained in the work in progress accounts. We review these balances on a periodic basis to ensure customer balances are prudent based upon a variety of factors, such as the financial health of the customer, macroeconomic considerations and historical experience. If circumstances related to specific customers change, our estimates of the recoverability of work in progress may be further adjusted.

## ***Provisions***

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the estimated future cash flows required to settle the present obligation, based on the most reliable evidence available at the reporting date. The estimated cash flows are discounted at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amortization of the discount is recognized as part of finance costs.

We are currently involved in various claims and legal proceedings. Quarterly, we review the status of each significant matter and assess our potential financial exposure. Because of the uncertainties related to these matters, provisions are based only on the best information available at the time. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and, if necessary, revise our provisions. Such revisions in the estimates of the potential liabilities could have a material impact on our results of operations and financial position.

## **Members' Equity of the Coop and Share Capital of Topicus**

As at December 31, 2020, there were 59,078,027 ordinary basic units of the Coop outstanding. As at February 10, 2021, there were 64,920,909 ordinary units and 64,920,909 preference units of the Coop outstanding. See "Subsequent Events".

As at February 10, 2021, there were 39,412,385 subordinate voting shares, 1 super voting share and 39,412,385 preferred shares of Topicus outstanding.

The super voting share and the preferred shares are convertible into subordinate voting shares on a one-for-one basis. In addition, certain ordinary units and preference units of the Coop are, directly or indirectly, exchangeable for subordinate voting shares of Topicus on a one-for-one basis. As a result, an additional 90,429,434 subordinate voting shares of Topicus would be issuable upon the exercise of these conversion/exchange rights. On a fully-diluted basis, there would be 129,841,819 subordinate voting shares issued and outstanding.

For more information on the capital structure of Topicus, including additional details regarding the terms and conditions relevant to the subordinate voting shares, the super voting share and the preferred shares of Topicus and the ordinary units and preference units of the Coop, see Topicus' final long form prospectus dated December 18, 2020, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Risks and Uncertainties**

The Company's business is subject to a number of risk factors which are described in the final prospectus of Topicus dated December 18, 2020. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the common shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operation may suffer significantly. In that event, the trading price of the common shares could decline, and shareholders may lose all or part of their investment.

The Company is closely monitoring the impact of the 2019 novel coronavirus, or COVID-19, on all aspects of its business. COVID-19 was declared a global pandemic by the World Health Organization on March 11, 2020. The COVID-19 pandemic has had disruptive effects in countries in which the Company operates and has adversely impacted some of its business units' operations to date, including through the cancellation by certain customers of their ongoing software maintenance contracts and the suspension or cancellation of new software purchases. The pandemic may also have an adverse impact on many of the Company's customers, including their ability to satisfy ongoing payment obligations to the Company, which could increase the Company's bad debt exposure. The

COVID-19 pandemic did not materially impact the Company's results of operations, cash flows or financial position for the three and twelve-month periods ended December 31, 2020, however, the future impacts of the pandemic and any resulting economic impact are largely unknown and rapidly evolving. It is possible that the COVID-19 pandemic, the measures taken by the governments of countries affected and the resulting economic impact may adversely affect the Company's results of operations, cash flows and financial position as well as its customers in future periods, and this impact could be material. As of the date hereof, there are no known or anticipated COVID-19 related impacts on the Company's business or operations.

## **Controls and Procedures**

### ***Evaluation of disclosure controls and procedures:***

Management is responsible for establishing and maintaining disclosure controls and procedures as defined under National Instrument 52-109. At December 31, 2020, the President and Chief Financial Officer, based on the investigation and advice of those under their supervision, have concluded that the design and operation of these disclosure controls and procedures were effective and that material information relating to the Company, including its subsidiaries, was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation.

### ***Internal controls over financial reporting:***

The President and Chief Financial Officer have designed or caused to be designed by those under their supervision, disclosure controls and procedures which provide reasonable assurance that material information regarding the Company is accumulated and communicated to the Company's management, including its President and Chief Financial Officer in a timely manner.

In addition, the President and Chief Financial Officer have designed or caused it to be designed by those under their supervision internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. The President and Chief Financial Officer have been advised that the control framework the President and the Chief Financial Officer used to design the Company's ICFR is recognized by the Committee of Sponsoring Organizations of the Treadway Commission.

The President and the Chief Financial Officer have evaluated, or caused to be evaluated by those under their supervision, whether or not there were changes to its ICFR during the period ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect the Company's ICFR. No such changes were identified through their evaluation.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our disclosure controls and procedures and our internal controls over financial reporting are effective in providing reasonable, not absolute, assurance that the objectives of our control systems have been met.

## **Subsequent Events**

On January 4, 2021, (i) the Coop changed its name to Topicus.com Coöperatief U.A., (ii) Total Specific Solutions (TSS) B.V., a subsidiary of the Coop, paid a dividend in the aggregate amount of €54.6 million to its holders of ordinary membership interests at such time, (iii) the Coop reorganized its articles of association to create a new class of ordinary units and a new class of preference units, (iv) the existing ownership interests in the Coop were exchanged for new ordinary units and new preference units; (v) Topicus issued 39,412,385 subordinate voting

shares and 39,412,385 preferred shares to Constellation Software Inc. (“CSI”) in exchange (indirectly) for the ordinary units and preference units of the Coop held by CSI at such time, and (vi) CSI distributed, by way of a dividend-in-kind, 39,412,367 of the subordinate voting shares of Topicus held by CSI to CSI’s common shareholders of record on December 28, 2020.

On January 5, 2021, a subsidiary of the Coop, TPCS Holding B.V., completed the purchase of 100% of the shares of Topicus.com B.V. (“Topicus BV”), a Netherlands-based diversified vertical market software provider, from IJssel B.V. for a purchase price of €217.4 million, subject to adjustment.

The Coop now operates, together with Topicus BV, as Topicus.