

Constellation Software Inc. and Topicus.Com Inc. Announce Results for Topicus.com Inc. for the Second Quarter Ended June 30, 2022

TORONTO, Aug. 03, 2022 -- 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 second quarter ended June 30, 2022. 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 six months ended June 30, 2022 and the accompanying notes, our Management's Discussion and Analysis for the three and six months ended June 30, 2022 and the Annual Consolidated Financial Statements of Topicus.com Inc. for the year ended December 31, 2021, 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, 2021, 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.

Q2 2022 Headlines:

- Revenue increased 24% (6% organic growth) to €220.6 million compared to €178.2 million in Q2 2021.
- Net income decreased to €20.1 million (€0.16 on a diluted per share basis) from €168.8 million (€2.97 on a basic per share basis and €0.11 on a diluted per share basis) primarily due to the €154.6 million redeemable preferred securities gain in Q2 2021.
- Acquisitions were completed for aggregate cash consideration of €94.5 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of €28.3 million resulting in total consideration of €122.8 million.
- Cash flows from operations ("CFO") increased €2.6 million to negative €32.0 million compared to negative €34.6 million in Q2 2021 representing an increase of 8%.
- Free cash flow available to shareholders¹ ("FCFA2S") decreased €1.4 million to negative €26.8 million compared to €25.4 million in Q2 2021 representing a decrease of 5%.
- Subsequent to June 30, 2022, the Company completed or entered into agreements to acquire a number of businesses for aggregate cash consideration of €29.5 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of €0.9 million resulting in total consideration of €30.4 million.

Total revenue for the quarter ended June 30, 2022 was €220.6 million, an increase of 24%, or €42.4 million, compared to €178.2 million for the comparable period in 2021. For the first six months of 2022 total revenues were €424.4 million, an increase of 19%, or €66.5 million, compared to €357.8 million for the comparable period in 2021. The increase for both the three and six-month periods compared to the same periods in the prior year is primarily attributable to growth from acquisitions as the Company experienced organic growth of 6% and 4%. Organic growth is not a standardized financial measure and might not be comparable to measures disclosed by other issuers.

Net income for the quarter ended June 30, 2022 declined €148.7 million to €20.1 million compared to €168.8 million for the same period in 2021. The decline primarily resulted from the €154.6 million redeemable preferred securities income, €163.6 million of which is non-cash related that was recorded in Q2 2021 with no similar expense in 2022. On a per share basis, this translated into net income per basic and diluted share of €0.16 in the quarter ended June 30, 2022 compared to net income per basic share of €2.97 and diluted share of €0.11 for the same period in 2021. For the six months ended June 30, 2022, net income was €40.5 million or €0.30 per basic and diluted share compared to a net loss of €2,267.4 million or €40.54 per basic and diluted share for the same period in 2021. The net loss per basic and diluted share for the six months ended June 30, 2021 primarily resulted from the €2,456.8 million redeemable preferred securities expense, €2,442.1 million of which is non-cash related. Diluted shares outstanding increased from 129.5 million to 129.8 million for the six months ended June 30, 2021.

For the quarter ended June 30, 2022, CFO were negative €32.0 million compared to negative €34.6 million for the same period in 2021. 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 six months ended June 30, 2022, CFO increased €18.8 million to €144.0 million compared to €125.2 million for the same period in 2021 representing an increase of 15%.

For the quarter ended June 30, 2022, FCFA2S was negative €26.8 million compared to negative €25.4 million for the same period in 2021. For the six months ended June 30, 2022, FCFA2S decreased €32.1 million to €34.7 million compared to €66.8 million for the same period in 2021 representing a decrease of 48%. The decline is primarily as a result of the dividend paid to the Preferred Securities holders.

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, dividends paid to redeemable preferred securities holders, 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 June 30,		Six months ended June 30,	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	(€ in millions, except percentages)		(€ in millions, except percentages)	
Net cash flows from operating activities	(32.0)	(34.6)	144.0	125.2
Adjusted for:				
Interest paid on lease obligations	(0.3)	(0.4)	(0.6)	(0.6)
Interest paid on other facilities	(2.4)	(1.0)	(4.0)	(2.5)
Credit facility transaction costs	-	(0.2)	-	(2.4)
Payments of lease obligations	(5.1)	(4.2)	(9.6)	(8.5)
Property and equipment purchased	(1.6)	(1.2)	(3.6)	(1.9)
Dividends paid to redeemable preferred securities holders	-	-	(66.6)	-
	(41.4)	(41.5)	59.7	109.2
Less amount attributable to non-controlling interests	14.5	16.1	(25.0)	(42.4)
Free cash flow available to shareholders	(26.8)	(25.4)	34.7	66.8

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

	June 30, 2022	December 31, 2021	June 30, 2021
Assets			
Current assets:			
Cash	159,728	75,326	65,218
Accounts receivable	92,317	70,725	58,595
Unbilled revenue	42,925	32,592	25,091
Inventories	902	570	583
Other assets	36,500	21,776	26,299
	<u>332,372</u>	<u>200,989</u>	<u>175,786</u>
Non-current assets:			
Property and equipment	19,582	15,326	15,532
Right of use assets	57,927	54,382	56,021
Deferred income taxes	8,307	6,831	4,831
Other assets	11,502	6,655	4,875
Intangible assets	872,887	744,136	688,088
	<u>970,205</u>	<u>827,330</u>	<u>769,348</u>
Total assets	<u>1,302,577</u>	<u>1,028,319</u>	<u>945,134</u>
Liabilities and Shareholders' Equity			
Current liabilities:			
Revolving credit facility and current portion of term loans	151,570	46,489	30,018
Loan from CSI	-	29,116	-
Redeemable preferred securities	-	66,614	66,614
Accounts payable and accrued liabilities	142,840	135,993	97,597
Deferred revenue	197,492	82,179	148,208
Provisions	1,076	1,893	1,867
Acquisition holdback payables	18,416	8,876	4,924
Lease obligations	18,927	16,234	15,863
Income taxes payable	14,457	11,400	10,333
	<u>544,779</u>	<u>398,794</u>	<u>375,424</u>
Non-current liabilities:			
Term loans	101,421	96,113	96,359
Loan from CSI	31,602	-	-
Deferred income taxes	145,731	125,004	128,150
Acquisition holdback payables	3,078	945	360
Lease obligations	40,076	38,955	40,859
Other liabilities	20,410	12,877	10,476
	<u>342,317</u>	<u>273,893</u>	<u>276,204</u>
Total liabilities	<u>887,096</u>	<u>672,687</u>	<u>651,628</u>
Shareholders' Equity:			
Preferred shares	-	2,047,473	2,047,473
Capital stock	39,412	39,412	39,412
Other equity	-	(1,009,996)	(999,460)
Accumulated other comprehensive income (loss)	1,576	(380)	(501)
Retained earnings (deficit)	192,970	(1,782,113)	(1,801,383)
Non-controlling interests	181,523	1,061,236	1,007,964

415,481

355,632

293,505

Total liabilities and shareholders' equity	1,302,577	1,028,319	945,134
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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.)

Unaudited

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Revenue				
License	6,418	6,209	11,885	11,139
Professional services	56,481	47,616	106,589	96,205
Hardware and other	2,293	1,498	4,534	2,843
Maintenance and other recurring	155,425	122,915	301,374	247,648
	220,616	178,238	424,383	357,834
Expenses				
Staff	123,809	96,727	235,704	195,544
Hardware	1,515	658	2,234	1,292
Third party license, maintenance and professional services	18,625	20,068	36,099	35,789
Occupancy	1,804	1,442	3,341	2,815
Travel, telecommunications, supplies, software and equipment	8,450	4,741	14,548	8,953
Professional fees	3,779	2,447	7,576	4,967
Other, net	4,762	2,222	9,182	3,644
Depreciation	7,008	5,800	13,203	12,031
Amortization of intangible assets	26,010	20,617	48,989	41,028
	195,763	154,722	370,875	306,063
Redeemable preferred securities expense (income)	-	(154,611)	-	2,302,185
Impairment of intangible and other non-financial assets	-	1,600	-	1,600
Finance and other expenses (income)	(51)	2,890	1,680	5,908
	(51)	(150,121)	1,680	2,309,693
Income (loss) before income taxes	24,904	173,637	51,828	(2,257,922)
Current income tax expense (recovery)	11,041	8,549	22,263	18,913
Deferred income tax expense (recovery)	(6,237)	(3,693)	(10,894)	(9,481)
Income tax expense (recovery)	4,805	4,856	11,370	9,431
Net income (loss)	20,099	168,781	40,458	(2,267,353)
Net income (loss) attributable to:				
Equity holders of Topicus	12,526	161,601	24,097	(1,903,522)
Non-controlling interests	7,573	7,180	16,362	(363,831)
Net income (loss)	20,099	168,781	40,458	(2,267,353)
Weighted average shares				
Basic shares outstanding	80,097,017	54,421,997	80,011,366	46,958,654
Diluted shares outstanding	129,841,819	129,841,819	129,841,819	129,519,008

Earnings (loss) per common share of Topicus

Basic	0.16	2.97	0.30	(40.54)
Diluted	0.16	0.11	0.30	(40.54)

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 months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Net income (loss)	20,099	168,781	40,458	(2,267,353)
Items that are or may be reclassified subsequently to net income (loss):				
Foreign currency translation differences from foreign operations and other	3,444	647	4,871	1,254
Other comprehensive (loss) income for the period, net of income tax	3,444	647	4,871	1,254
Total comprehensive income (loss) for the period	23,543	169,428	45,329	(2,266,100)
Total other comprehensive income (loss) attributable to:				
Equity holders of Topicus	1,325	397	1,956	810
Non-controlling interests	2,119	250	2,915	444
Total other comprehensive income (loss)	3,444	647	4,871	1,254
Total comprehensive income (loss) attributable to:				
Equity holders of Topicus	13,850	161,999	26,052	(1,902,712)
Non-controlling interests	9,693	7,430	19,277	(363,388)
Total comprehensive income (loss)	23,543	169,428	45,329	(2,266,100)

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

Six months ended June 30, 2022

	Attributable to equity holders of Topicus							Non-controlling interests	Total equity
	Preferred Shares	Capital Stock	Other equity	Accumulated other comprehensive (loss) income	Retained earnings (Deficit)	Total			
Balance at January 1, 2022	2,047,473	39,412	(1,009,996)	(380)	(1,782,113)	(705,604)	1,061,236	355,632	
<i>Total comprehensive income (loss) for the period:</i>									
Net income (loss)	-	-	-	-	24,097	24,097	16,362	40,458	

*Other comprehensive income
(loss)*

Foreign currency translation
differences from

foreign operations and other, net of income tax	-	-	-	1,956	-	1,956	2,915	4,871
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**Total other comprehensive
income (loss)**

for the period	-	-	-	1,956	-	1,956	2,915	4,871
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**Total comprehensive income
(loss) for the period**

-	-	-	1,956	24,097	26,052	19,277	45,329
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Transactions with owners,
recorded directly in equity

Conversion of preferred shares to subordinate voting shares	(2,047,473)	-	2,047,473	-	-	-	-	-
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Conversion of non-controlling interest preferred units to ordinary units and other movements in non-controlling interests	-	-	912,788	-	-	912,788	(912,788)	-
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Net acquisition of non- controlling interest associated with business combinations and other movements	-	-	(23)	(0)	(54)	(78)	15,470	15,393
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Reductions of non-controlling interest associated with disposals	-	-	-	-	-	-	(873)	(873)
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Reclassification of other equity to retained earnings (deficit)	-	-	(1,950,242)	-	1,950,242	-	-	-
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Exchange of Topicus Coop ordinary units held by non- controlling interests to subordinate voting shares of Topicus	-	-	-	-	799	799	(799)	-
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Balance at June 30, 2022	-	39,412	-	1,576	192,970	233,958	181,523	415,481
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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

Six months ended June 30,
2021

Attributable to equity holders of Topicus

	Preferred Shares	Capital Stock	Other equity	Accumulated other comprehensive (loss) income	Retained earnings (deficit)	Total	Non- controlling interests	Total equity
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)	-	-	-	-	(1,903,522)	(1,903,522)	(363,831)	(2,267,353)
<i>Other comprehensive income (loss)</i>								
Foreign currency translation differences from foreign operations and other	-	-	-	810	-	810	444	1,254
Total other comprehensive income (loss) for the period	-	-	-	810	-	810	444	1,254
Total comprehensive income (loss) for the period	-	-	-	810	(1,903,522)	(1,902,712)	(363,388)	(2,266,100)
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)	(8)	(37)	2,602	2,566
Issuance of Redeemable preferred securities	-	(1,001,469)	-	-	(1,001,469)	(1,001,469)	(124,797)	(1,126,267)
Dividends to common shareholders of the Company	-	-	-	-	(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	(25,731)	-	-	-	-	(25,731)	-	(25,731)

subsequent to the
Notification of Conversion

Accrued dividends to
preference unit holders of
Topicus Coop recorded
subsequent to the
Notification of Conversion

Balance at June 30, 2021	2,047,473	39,412	(999,460)	(501)	(1,801,383)	(714,459)	1,007,964	293,505
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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.)

Unaudited

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Cash flows from (used in) operating activities:				
Net income (loss)	20,099	168,781	40,458	(2,267,353)
Adjustments for:				
Depreciation	7,008	5,800	13,203	12,031
Amortization of intangible assets	26,010	20,617	48,989	41,028
Redeemable preferred securities expense (income)	-	(154,611)	-	2,302,185
Impairment of intangible and other non-financial assets	-	1,600	-	1,600
Finance and other expenses (income)	(51)	2,890	1,680	5,908
Income tax expense (recovery)	4,805	4,856	11,370	9,431
Change in non-cash operating assets and liabilities exclusive of effects of business combinations	(79,639)	(71,468)	48,989	41,446
Income taxes (paid) received	(10,255)	(13,102)	(20,673)	(21,110)
Net cash flows from (used in) operating activities	(32,023)	(34,637)	144,014	125,167
Cash flows from (used in) financing activities:				
Interest paid on lease obligations	(277)	(395)	(556)	(599)
Interest paid on other facilities	(2,432)	(993)	(3,987)	(2,542)
Increase (decrease) in revolving credit facility	45,000	4,968	100,000	10,000
Proceeds from issuance of term loans	-	64	346	65,907
Increase (decrease) in loan from Vela Software Group	7,904	-	6,086	-
Repayments of term loans	(1,052)	-	(1,669)	-
Credit facility transaction costs	-	(151)	-	(2,397)
Payments of lease obligations	(5,063)	(4,186)	(9,574)	(8,508)
Other financing activities	(580)	-	(580)	-
Dividends paid to redeemable preferred securities holders	-	-	(66,614)	-
Dividends paid to common shareholders	-	-	-	(54,600)
Net cash flows from (used in) in financing activities	43,500	(693)	23,452	7,261
Cash flows from (used in) investing activities:				
Acquisition of businesses	(94,502)	(5,090)	(107,659)	(151,738)
Cash obtained with acquired businesses	24,935	(722)	27,612	14,246
Post-acquisition settlement payments, net of receipts	(671)	(6,339)	(2,431)	(11,008)
Receipt of additional subscription amount from the sellers of Topicus.com B.V.	-	27,589	-	27,589
Interest, dividends and other proceeds received	3,028	-	3,028	-
Property and equipment purchased	(1,587)	(1,167)	(3,613)	(1,933)
Net cash flows from (used in) investing activities	(68,798)	14,270	(83,064)	(122,844)

Effect of foreign currency on

cash and cash equivalents	(0)	0	(0)	0
Increase (decrease) in cash	(57,321)	(21,059)	84,402	9,584
Cash, beginning of period	217,049	86,278	75,326	55,635
Cash, end of period	159,728	65,218	159,728	65,218