

Constellation Software Inc. and Topicus.Com Inc. Announce Results for Topicus.com Inc. for the Second Quarter Ended June 30, 2023

TORONTO, Aug. 03, 2023 -- 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, 2023. 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, 2023 and the accompanying notes, our Management's Discussion and Analysis for the three and six months ended June 30, 2023 and the Annual Consolidated Financial Statements of Topicus.com Inc. for the year ended December 31, 2022, 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, 2022, which can be found on SEDAR at www.sedarplus.ca and on Topicus.com Inc.'s website www.topicus.com. Additional information about Topicus.com Inc. is also available on SEDAR at www.sedarplus.ca.

Q2 2023 Headlines:

- Revenue increased 23% (6% organic growth) to €272.1 million compared to €220.6 million in Q2 2022.
- Net income increased to €23.5 million (€0.18 on a diluted per share basis) from €20.1 million (€0.16 on a diluted per share basis).
- Acquisitions were completed for aggregate cash consideration of €63.4 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of €7.6 million resulting in total consideration of €71.1 million.
- Cash flows from operations ("CFO") increased €16.7 million to negative €15.4 million compared to negative €32.0 million in Q2 2022 representing an increase of 52%.
- Free cash flow available to shareholders¹ ("FCFA2S") increased €13.7 million to negative €13.1 million compared to negative €26.8 million in Q2 2022 representing an increase 51%.

Total revenue for the quarter ended June 30, 2023 was €272.1 million, an increase of 23%, or €51.5 million, compared to €220.6 million for the comparable period in 2022. For the first six months of 2023 total revenues were €536.5 million, an increase of 26%, or €112.1 million, compared to €424.4 million for the comparable period in 2022. The increase for both the three and six-month periods compared to the same periods in the prior year is primarily attributable to growth from acquisitions as the Company experienced organic growth of 6% and 7%. 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, 2023 increased €3.4 million to €23.5 million compared to €20.1 million for the same period in 2022. On a per share basis, this translated into net income per basic and diluted share of €0.18 in the quarter ended June 30, 2023 compared to net income per basic and diluted share of €0.16 for the same period in 2022. For the six months ended June 30, 2023 net income increased €4.1 million to €44.6 million compared to €40.5 million for the same period in 2022. On a per share basis, this translated into net income per basic and diluted share of €0.35 in the six months ended June 30, 2023 compared to €0.30 for the same period in 2022.

For the quarter ended June 30, 2023, CFO were negative €15.4 million compared to negative €32.0 million for the same period in 2022. 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, 2023, CFO increased €14.6 million to €158.6 million compared to €144.0 million for the same period in 2022 representing an increase of 10%.

For the quarter ended June 30, 2023, FCFA2S was negative €13.1 million compared to negative €26.8 million for the same period in 2022. For the six months ended June 30, 2023, FCFA2S increased €53.3 million to €88.0 million compared to €34.7 million for the same period in 2022 representing an increase of 153%. The increase for the six month period is primarily as a result of the dividend paid to the Preferred Securities holders during the quarter ended March 31, 2022.

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, and the proceeds from sale of interest rate caps. 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>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	(€ in millions)		(€ in millions)	
Net cash flows from operating activities	(15.4)	(32.0)	158.6	144.0
Adjusted for:				
Interest paid on lease obligations	(0.3)	(0.3)	(0.7)	(0.6)
Interest paid on other facilities	(3.5)	(2.4)	(6.6)	(4.0)
Proceeds from sale of interest rate cap	5.5	-	5.5	-
Credit facility transaction costs	(0.2)	-	(0.2)	-
Payments of lease obligations	(5.5)	(5.1)	(10.8)	(9.6)
Property and equipment purchased	(1.9)	(1.6)	(3.9)	(3.6)
Dividends paid to redeemable preferred securities holders	-	-	-	(66.6)
	(21.3)	(41.4)	142.0	59.7
Less amount attributable to non-controlling interests	8.2	14.5	(54.0)	(24.9)
Free cash flow available to shareholders	(13.1)	(26.8)	88.0	34.7

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

June 30, 2023 December 31,
2022 June 30, 2022

Assets

Current assets:

Cash	172,315	136,772	159,728
Accounts receivable	130,456	95,790	92,317
Unbilled revenue	48,701	41,036	42,925
Inventories	4,268	1,419	902
Other assets	54,657	34,778	36,500
	410,396	309,795	332,372

Non-current assets:

Property and equipment	20,372	19,579	19,582
Right of use assets	57,919	54,412	57,927
Deferred income taxes	7,044	19,978	8,307
Other assets	12,161	17,030	11,502
Intangible assets	942,297	874,000	872,887
	1,039,793	984,999	970,205

Total assets	1,450,189	1,294,794	1,302,577
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Liabilities and Shareholders' Equity

Current liabilities:

Topicus Revolving Credit Facility and current portion of term and other loans	168,228	201,275	151,570
Loan from CSI	30,281	30,867	-
Accounts payable and accrued liabilities	162,868	174,824	142,840
Deferred revenue	241,980	116,989	197,492
Provisions	1,682	1,884	1,076
Acquisition holdback payables	14,878	14,009	18,416
Lease obligations	19,280	18,824	18,927
Income taxes payable	16,510	11,467	14,457
	655,707	570,141	544,779

Non-current liabilities:

Term and other loans	65,807	41,280	101,421
Loan from CSI	-	-	31,602
Deferred income taxes	147,382	150,521	145,731
Acquisition holdback payables	1,289	2,316	3,078
Lease obligations	39,684	36,634	40,076
Other liabilities	26,273	26,118	20,410
	280,434	256,869	342,317

Total liabilities	936,141	827,009	887,096
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Shareholders' Equity:

Capital stock	39,412	39,412	39,412
Accumulated other comprehensive income (loss)	851	(232)	1,576
Retained earnings (deficit)	255,528	226,919	192,970
Non-controlling interests	218,258	201,685	181,523
	514,048	467,784	415,481

Total liabilities and shareholders' equity	1,450,189	1,294,794	1,302,577
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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,	
	2023	2022	2023	2022
Revenue				
License	7,847	6,418	14,825	11,885
Professional services	71,974	56,481	141,314	106,589
Hardware and other	3,705	2,293	6,385	4,534
Maintenance and other recurring	188,557	155,425	373,989	301,374
	272,083	220,616	536,513	424,383
Expenses				
Staff	155,841	123,809	305,949	235,704
Hardware	2,545	1,515	4,123	2,234
Third party license, maintenance and professional services	21,340	18,625	41,888	36,099
Occupancy	2,560	1,804	5,026	3,341
Travel, telecommunications, supplies, software and equipment	10,703	8,450	20,267	14,548
Professional fees	4,557	3,779	8,837	7,576
Other, net	964	4,762	7,178	9,182
Depreciation	7,695	7,008	14,990	13,203
Amortization of intangible assets	29,985	26,010	57,946	48,989
	236,191	195,763	466,204	370,875
Finance and other expenses (income)	4,447	(51)	9,396	1,680
	4,447	(51)	9,396	1,680
Income (loss) before income taxes	31,445	24,904	60,912	51,828
Current income tax expense (recovery)	14,898	11,041	27,226	22,263
Deferred income tax expense (recovery)	(6,905)	(6,237)	(10,894)	(10,894)
Income tax expense (recovery)	7,993	4,805	16,332	11,370
Net income (loss)	23,452	20,099	44,580	40,458
Net income (loss) attributable to:				
Equity holders of Topicus	14,572	12,526	28,472	24,097
Non-controlling interests	8,880	7,573	16,108	16,362
Net income (loss)	23,452	20,099	44,580	40,458
Weighted average shares				
Basic shares outstanding	81,889,764	80,097,017	81,889,764	80,011,366
Diluted shares outstanding	129,841,819	129,841,819	129,841,819	129,841,819
Earnings (loss) per common share of Topicus				
Basic	0.18	0.16	0.35	0.30
Diluted	0.18	0.16	0.35	0.30

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.)

Unaudited

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Net income (loss)	23,452	20,099	44,580	40,458
Items that are or may be reclassified subsequently to net income (loss):				
Foreign currency translation differences from foreign operations and other	2,999	3,444	2,203	4,871
Other comprehensive (loss) income for the period, net of income tax	2,999	3,444	2,203	4,871
Total comprehensive income (loss) for the period	26,451	23,543	46,784	45,329
Total other comprehensive income (loss) attributable to:				
Equity holders of Topicus	1,320	1,325	1,083	1,956
Non-controlling interests	1,679	2,119	1,120	2,915
Total other comprehensive income (loss)	2,999	3,444	2,203	4,871
Total comprehensive income (loss) attributable to:				
Equity holders of Topicus	15,892	13,850	29,555	26,052
Non-controlling interests	10,559	9,693	17,228	19,277
Total comprehensive income (loss)	26,451	23,543	46,784	45,329

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, 2023

	Attributable to equity holders of Topicus					Total	Non-controlling interests	Total equity
	Preferred Shares	Capital Stock	Other equity	Accumulated other comprehensive (loss) income	Retained earnings (Deficit)			
Balance at January 1, 2023	-	39,412	-	(232)	226,919	266,099	201,685	467,784
<i>Total comprehensive income (loss) for the period:</i>								
Net income (loss)	-	-	-	-	28,472	28,472	16,108	44,580
<i>Other comprehensive income (loss)</i>								
Foreign currency translation differences from foreign operations and other, net of income tax	-	-	-	1,083	-	1,083	1,120	2,203
Total other comprehensive income (loss) for the period	-	-	-	1,083	-	1,083	1,120	2,203

Total comprehensive income (loss) for the period	-	-	-	1,083	28,472	29,555	17,228	46,784
Transactions with owners, recorded directly in equity								
Other movements in non-controlling interests and equity	-	-	-	-	137	137	70	207
Dividends paid to non-controlling interests	-	-	-	-	-	-	(726)	(726)
Balance at June 30, 2023	- 39,412	-	851	255,528	295,791	218,258	514,048	

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					Total	Non-controlling interests	Total equity
	Preferred Shares	Capital Stock	Other equity	Accumulated other comprehensive (loss) income	Retained earnings (deficit)			
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
<i>Other comprehensive income (loss)</i>								
Foreign currency translation differences from foreign operations and other	-	-	-	1,956	-	1,956	2,915	4,871
Total other comprehensive income (loss) for the period	-	-	-	1,956	-	1,956	2,915	4,871
Total comprehensive income (loss) for the period	-	-	-	1,956	24,097	26,052	19,277	45,329

Transactions with owners, recorded directly in equity

Conversion of preferred shares to subordinate voting shares (2,047,473) - 2,047,473 - - - - -

Conversion of non-controlling interest preferred units to ordinary units and other movements in non-controlling interests - - 912,788 - - 912,788 (912,788) -

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

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,	
	2023	2022	2023	2022
Cash flows from (used in) operating activities:				
Net income (loss)	23,452	20,099	44,580	40,458
Adjustments for:				
Depreciation	7,695	7,008	14,990	13,203
Amortization of intangible assets	29,985	26,010	57,946	48,989
Finance and other expenses (income)	4,447	(51)	9,396	1,680
Income tax expense (recovery)	7,993	4,805	16,332	11,370
Change in non-cash operating assets and liabilities exclusive of effects of business combinations	(75,465)	(79,639)	41,134	48,989
Income taxes (paid) received	(13,474)	(10,255)	(25,752)	(20,673)
Net cash flows from (used in) operating activities	(15,367)	(32,023)	158,626	144,014
Cash flows from (used in) financing activities:				
Interest paid on lease obligations	(347)	(277)	(653)	(556)
Interest paid on other facilities	(3,505)	(2,432)	(6,565)	(3,987)
Proceeds from sale of interest rate cap	5,516	-	5,516	-
Net increase (decrease) in Topicus Revolving Credit Facility	45,000	45,000	35,000	100,000
Proceeds from issuance of term and other loans	21,941	-	26,218	346
Increase (decrease) in loan from Vela Software Group	(468)	7,904	(468)	6,086
Repayments of term and other loans	(4,497)	(1,052)	(72,941)	(1,669)
Credit facility transaction costs	(175)	-	(238)	-
Payments of lease obligations	(5,543)	(5,063)	(10,805)	(9,574)
Other financing activities	-	(580)	-	(580)
Dividends to non-controlling interests	(726)	-	(726)	-
Dividends paid to redeemable preferred securities holders	-	-	-	(66,614)
Net cash flows from (used in) in financing activities	57,197	43,500	(25,663)	23,452
Cash flows from (used in) investing activities:				
Acquisition of businesses	(63,252)	(94,502)	(88,048)	(107,659)

Cash obtained with acquired businesses	4,611	24,935	5,583	27,612
Post-acquisition settlement payments, net of receipts	(6,567)	(671)	(11,055)	(2,431)
Interest, dividends and other proceeds received	-	3,028	-	3,028
Property and equipment purchased	(1,888)	(1,587)	(3,869)	(3,613)
Net cash flows from (used in) investing activities	(67,096)	(68,798)	(97,388)	(83,064)
Effect of foreign currency on cash and cash equivalents	317	(0)	(31)	(0)
Increase (decrease) in cash	(24,950)	(57,321)	35,543	84,402
Cash, beginning of period	197,265	217,049	136,772	75,326
Cash, end of period	172,315	159,728	172,315	159,728