

Constellation Software Inc. and Topicus.Com Inc. Announce Results for Topicus.com Inc. for the First Quarter Ended March 31, 2023

TORONTO, May 04, 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 first quarter ended March 31, 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 months ended March 31, 2023 and the accompanying notes, our Management's Discussion and Analysis for the three months ended March 31, 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.sedar.com and on Topicus.com Inc.'s website www.topicus.com. Additional information about Topicus.com Inc. is also available on SEDAR at www.sedar.com.

Q1 2023 Headlines:

- Revenue increased 30% (8% organic growth) to €264.4 million compared to €203.8 million in Q1 2022.
- Net income increased to €21.1 million (€0.17 on a diluted per share basis) from €20.4 million (€0.14 on a diluted per share basis).
- Acquisitions were completed for aggregate cash consideration, net of an expected vendor holdback receivable, of €22.7 million, (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of €1.1 million resulting in total consideration of €23.8 million.
- Cash flows from operations ("CFO") decreased €2.0 million to €174 million compared to €176 million in Q1 2022 representing a decrease of 1%.
- Free cash flow available to shareholders¹ ("FCFA2S") increased €39.7 million to €101.1 million compared to €61.4 in Q1 2022.

Total revenue for the quarter ended March 31, 2023 was €264.4 million, an increase of 30%, or €60.7 million, compared to €203.8 million for the comparable period in 2022. The increase for the three-month period compared to the same period in the prior year is primarily attributable to growth from acquisitions as the Company experienced organic growth of 8%. 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 March 31, 2023 increased €0.8 million to €21.1 million compared to €20.4 million for the same period in 2022. On a per share basis, this translated into net income per basic and diluted share of €0.17 in the quarter ended March 31, 2023 compared to net income per basic and diluted share of €0.14 for the same period in 2022.

For the quarter ended March 31, 2023, CFO decreased €2.0 million to €174 million compared to €176 million for the same period in 2022 representing a decrease of 1%. Contributing to the decrease in CFO was an increase in aged accounts receivable at March 31, 2023 compared to the same period in 2022.

For the quarter ended March 31, 2023, FCFA2S increased €39.7 million to €101.1 million compared to €61.4 million for the same period in 2022 representing an increase of 65%. The increase 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. The portion of this amount applicable to non-controlling interests is then deducted. Topicus believes that FCFA2S is useful supplemental information as it provides an indication of the uncommitted cash flow that is available to shareholders if Topicus does not make any acquisitions, or investments, and does not repay any debts. While Topicus could use the FCFA2S to pay dividends or repurchase shares, Topicus' objective is to invest all of our FCFA2S in acquisitions which meet Topicus' hurdle rate.

FCFA2S is not a recognized measure under IFRS and, accordingly, readers are cautioned that FCFA2S should not be construed as an alternative to net cash flows from operating activities.

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

	Three months ended March 31,	
	<u>2023</u>	<u>2022</u>
	(€ in millions)	
Net cash flows from operating activities	174.0	176.0
Adjusted for:		
Interest paid on lease obligations	(0.3)	(0.3)
Interest paid on other facilities	(3.1)	(1.6)
Credit facility transaction costs	(0.1)	-
Payments of lease obligations	(5.3)	(4.5)
Property and equipment purchased	(2.0)	(2.0)
Dividends paid to redeemable preferred securities holders	-	(66.6)
	163.3	101.1
Less amount attributable to non-controlling interests	(62.2)	(39.6)
Free cash flow available to shareholders	101.1	61.4

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.

For further information:

Jamal Baksh
Chief Financial Officer
(416) 861-9677
info@topicus.com
www.topicus.com

SOURCE: TOPICUS.COM INC.

Topicus.com Inc.

Condensed Consolidated Interim Statements of Financial Position

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

Unaudited

	March 31, 2023	December 31, 2022	March 31, 2022
Assets			
Current assets:			
Cash	197,265	136,772	217,049
Accounts receivable	143,923	95,790	89,916
Unbilled revenue	47,210	41,036	35,124
Inventories	1,481	1,419	687
Other assets	49,574	34,778	35,068
	439,453	309,795	377,844

Non-current assets:			
Property and equipment	19,685	19,579	15,776
Right of use assets	53,933	54,412	54,203
Deferred income taxes	21,133	19,978	7,064
Other assets	17,021	17,030	8,250
Intangible assets	878,286	874,000	741,528
	990,057	984,999	826,820
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Total assets	1,429,510	1,294,794	1,204,665

Liabilities and Shareholders' Equity

Current liabilities:

Topicus Revolving Credit Facility and current portion of term and other loans	123,871	201,275	101,688
Loan from CSI	30,361	30,867	-
Accounts payable and accrued liabilities	190,889	174,824	153,174
Deferred revenue	288,188	116,989	223,851
Provisions	1,081	1,884	1,444
Acquisition holdback payables	10,293	14,009	11,365
Lease obligations	18,384	18,824	16,747
Income taxes payable	14,041	11,467	12,687
	677,109	570,141	520,957

Non-current liabilities:

Term and other loans	44,935	41,280	95,446
Loan from CSI	-	-	29,713
Deferred income taxes	154,430	150,521	125,378
Acquisition holdback payables	1,958	2,316	1,531
Lease obligations	36,635	36,634	38,279
Other liabilities	26,300	26,118	16,185
	264,258	256,869	306,532

Total liabilities	941,367	827,009	827,490
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Shareholders' Equity:

Capital stock	39,412	39,412	39,412
Accumulated other comprehensive income (loss)	(469)	(232)	261
Retained earnings (deficit)	240,820	226,919	179,646
Non-controlling interests	208,380	201,685	157,855
	488,143	467,784	377,175

Total liabilities and shareholders' equity	1,429,510	1,294,794	1,204,665
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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 March 31,	
	2023	2022
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Revenue		
License	6,977	5,467
Professional services	69,340	50,108
Hardware and other	2,680	2,242
Maintenance and other recurring	185,432	145,949

	264,430	203,767
Expenses		
Staff	150,108	111,895
Hardware	1,578	719
Third party license, maintenance and professional services	20,548	17,475
Occupancy	2,466	1,537
Travel, telecommunications, supplies, software and equipment	9,564	6,098
Professional fees	4,280	3,797
Other, net	6,214	4,419
Depreciation	7,296	6,195
Amortization of intangible assets	27,960	22,978
	230,014	175,112
Finance and other expenses (income)	4,950	1,731
	4,950	1,731
Income (loss) before income taxes	29,467	26,924
Current income tax expense (recovery)	12,328	11,222
Deferred income tax expense (recovery)	(3,989)	(4,657)
Income tax expense (recovery)	8,338	6,565
Net income (loss)	21,128	20,359
Net income (loss) attributable to:		
Equity holders of Topicus	13,900	11,571
Non-controlling interests	7,229	8,788
Net income (loss)	21,128	20,359
Weighted average shares		
Basic shares outstanding	81,889,764	79,924,764
Diluted shares outstanding	129,841,819	129,841,819
Earnings (loss) per common share of Topicus		
Basic	0.17	0.14
Diluted	0.17	0.14

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 March 31,	
	2023	2022
Net income (loss)	21,128	20,359
Items that are or may be reclassified subsequently to net income (loss):		
Foreign currency translation differences from foreign operations and other	(796)	1,427
Other comprehensive (loss) income for the period, net of income tax	(796)	1,427
Total comprehensive income (loss) for the period	20,332	21,786

Total other comprehensive income (loss) attributable to:

Equity holders of Topicus	(237)	631
Non-controlling interests	(559)	796
Total other comprehensive income (loss)	(796)	1,427
Total comprehensive income (loss) attributable to:		
Equity holders of Topicus	13,663	12,202
Non-controlling interests	6,669	9,584
Total comprehensive income (loss)	20,332	21,786

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

Three months ended March 31, 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)	-	-	-	-	13,900	13,900	7,229	21,128
<i>Other comprehensive income (loss)</i>								
Foreign currency translation differences from foreign operations and other, net of income tax	-	-	-	(237)	-	(237)	(559)	(796)
Total other comprehensive income (loss) for the period	-	-	-	(237)	-	(237)	(559)	(796)
Total comprehensive income (loss) for the period	-	-	-	(237)	13,900	13,663	6,669	20,332
Transactions with owners, recorded directly in equity								
Other movements in non-controlling interests and equity	-	-	-	-	1	1	25	26
Balance at March 31, 2023	- 39,412	-	-	(469)	240,820	279,763	208,380	488,143

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

Three months ended March

Cash flows from (used in) operating activities:		
Net income (loss)	21,128	20,359
Adjustments for:		
Depreciation	7,296	6,195
Amortization of intangible assets	27,960	22,978
Finance and other expenses (income)	4,950	1,731
Income tax expense (recovery)	8,338	6,565
Change in non-cash operating assets and liabilities exclusive of effects of business combinations	116,599	128,627
Income taxes (paid) received	(12,279)	(10,418)
Net cash flows from (used in) operating activities	173,993	176,037
Cash flows from (used in) financing activities:		
Interest paid on lease obligations	(306)	(280)
Interest paid on other facilities	(3,060)	(1,555)
Net increase (decrease) in Topicus Revolving Credit Facility	(10,000)	55,000
Proceeds from issuance of term and other loans	4,277	346
Increase (decrease) in loan from Vela Software Group	-	(1,817)
Repayments of term and other loans	(68,445)	(617)
Credit facility transaction costs	(63)	-
Payments of lease obligations	(5,263)	(4,511)
Dividends paid to redeemable preferred securities holders	-	(66,614)
Net cash flows from (used in) in financing activities	(82,860)	(20,048)
Cash flows from (used in) investing activities:		
Acquisition of businesses	(24,796)	(13,158)
Cash obtained with acquired businesses	972	2,677
Post-acquisition settlement payments, net of receipts	(4,487)	(1,760)
Property and equipment purchased	(1,981)	(2,026)
Net cash flows from (used in) investing activities	(30,292)	(14,267)
Effect of foreign currency on cash and cash equivalents	(348)	(0)
Increase (decrease) in cash	60,493	141,722
Cash, beginning of period	136,772	75,326
Cash, end of period	197,265	217,049