

Constellation Software Inc. and Topicus.com Inc. Announce Results for Topicus.com Inc. for the Second Quarter Ended June 30, 2024

TORONTO, Aug. 01, 2024 -- 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, 2024. 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, 2024 and the accompanying notes, our Management's Discussion and Analysis for the three and six months ended June 30, 2024 and the Annual Consolidated Financial Statements of Topicus.com Inc. for the year ended December 31, 2023, 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, 2023, which can be found on SEDAR+ at www.sedarplus.com and on Topicus.com Inc.'s website www.topicus.com. Additional information about Topicus.com Inc. is also available on SEDAR+ at www.sedarplus.com.

Q2 2024 Headlines:

- Revenue increased 14% (4% organic growth) to €311.2 million compared to €272.1 million in Q2 2023.
- Net income increased 15% to €26.9 million (€0.21 on a diluted per share basis) from €23.5 million (€0.18 on a diluted per share basis).
- Acquisitions were completed for aggregate cash consideration of €10.3 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of €6.3 million resulting in total consideration of €16.6 million.
- Cash flows from operations ("CFO") increased €24.2 million to €8.8 million compared to negative €15.4 million in Q2 2023.
- Free cash flow available to shareholders¹ ("FCFA2S") increased €12.8 million to negative €3.8 million compared to negative €16.6 million in Q2 2023.

Total revenue for the quarter ended June 30, 2024 was €311.2 million, an increase of 14%, or €39.1 million, compared to €272.1 million for the comparable period in 2023. For the first six months of 2024 total revenues were €617.8 million, an increase of 15%, or €81.2 million, compared to €536.5 million for the comparable period in 2023. 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 4% for each of the periods. 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, 2024 increased €3.5 million to €26.9 million compared to €23.5 million for the same period in 2023. On a per share basis, this translated into net income per basic and diluted share of €0.21 in the quarter ended June 30, 2024 compared to net income per basic and diluted share of €0.18 for the same period in 2023. For the six months ended June 30, 2024 net income increased €10.7 million to €55.2 million compared to €44.6 million for the same period in 2023. On a per share basis, this translated into net income per basic and diluted share of €0.43 in the six months ended June 30, 2024 compared to €0.35 for the same period in 2023.

For the quarter ended June 30, 2024, CFO were €8.8 million compared to negative €15.4 million for the same period in 2023. For the six months ended June 30, 2024, CFO increased €77.7 million to €236.3 million compared to €158.6 million for the same period in 2023 representing an increase of 49%.

For the quarter ended June 30, 2024, FCFA2S was negative €3.8 million compared to negative €16.6 million for the same period in 2023. For the six months ended June 30, 2024, FCFA2S increased €45.6 million to €130.1 million compared to €84.5 million for the same period in 2023 representing an increase of 54%.

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>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	(€ in millions)		(€ in millions)	
Net cash flows from operating activities	8.8	(15.4)	236.3	158.6
Adjusted for:				
Interest paid on lease obligations	(0.5)	(0.3)	(0.9)	(0.7)
Interest paid on other facilities	(6.7)	(3.5)	(9.9)	(6.6)
Credit facility transaction costs	(0.3)	(0.2)	(0.3)	(0.2)
Payments of lease obligations	(6.1)	(5.5)	(11.9)	(10.8)
Property and equipment purchased	(1.8)	(1.9)	(4.4)	(3.9)
	(6.6)	(26.8)	208.8	136.5
Less amount attributable to non-controlling interests	2.8	10.2	(78.7)	(52.0)
Free cash flow available to shareholders	(3.8)	(16.6)	130.1	84.5

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, 2024	December 31, 2023	June 30, 2023
Assets			
Current assets:			
Cash	233,749	179,059	172,315
Accounts receivable	121,629	134,079	130,456
Unbilled revenue	47,740	44,838	48,701

Inventories	4,970	4,517	4,268
Other assets	62,955	55,250	54,657
	471,043	417,742	410,396
Non-current assets:			
Property and equipment	21,007	20,030	20,372
Right of use assets	62,147	61,066	57,919
Deferred income taxes	21,089	16,412	8,288
Other assets	13,130	13,824	12,161
Intangible assets	933,837	906,082	935,300
	1,051,209	1,017,415	1,034,041
Total assets	1,522,252	1,435,157	1,444,437
Liabilities and Shareholders' Equity			
Current liabilities:			
Topicus Revolving Credit Facility and current portion of term and other loans	246,155	161,077	168,228
Loan from CSI	-	-	30,281
Accounts payable and accrued liabilities	177,887	211,423	162,868
Deferred revenue	279,338	138,854	241,980
Provisions	1,638	1,708	1,682
Acquisition holdback payables	15,270	12,292	14,878
Lease obligations	21,749	20,614	19,280
Income taxes payable	20,616	20,068	16,510
	762,653	566,035	655,707
Non-current liabilities:			
Term and other loans	89,880	64,615	65,807
Deferred income taxes	145,807	137,155	140,684
Acquisition holdback payables	7,069	1,339	1,289
Lease obligations	41,478	41,524	39,684
Other liabilities	38,491	32,005	27,219
	322,726	276,639	274,682
Total liabilities	1,085,379	842,674	930,388
Shareholders' Equity:			
Capital stock	39,412	39,412	39,412
Accumulated other comprehensive income (loss)	3,667	2,390	851
Retained earnings (deficit)	208,991	297,382	255,528
Non-controlling interests	184,802	253,299	218,258
	436,873	592,483	514,048
Total liabilities and shareholders' equity	1,522,252	1,435,157	1,444,437

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,	
	2024	2023	2024	2023

Revenue

License	8,169	7,847	17,334	14,825
Professional services	79,308	71,974	154,314	141,314
Hardware and other	5,037	3,705	10,588	6,385
Maintenance and other recurring	218,674	188,557	435,522	373,989
	311,189	272,083	617,757	536,513
Expenses				
Staff	177,462	155,841	350,577	305,949
Hardware	3,570	2,545	8,190	4,123
Third party license, maintenance and professional services	23,705	21,340	47,056	41,888
Occupancy	2,679	2,560	5,389	5,026
Travel, telecommunications, supplies, software and equipment	12,904	10,703	24,887	20,267
Professional fees	5,183	4,557	10,274	8,837
Other, net	4,060	964	8,365	7,178
Depreciation	8,438	7,695	16,450	14,990
Amortization of intangible assets	33,410	29,985	65,082	57,946
	271,409	236,191	536,271	466,204
Impairment of intangible and other non-financial assets	0	-	633	-
Bargain purchase (gain)	-	-	(323)	-
Finance and other expenses (income)	6,435	4,447	11,433	9,396
	6,435	4,447	11,744	9,396
Income (loss) before income taxes	33,344	31,445	69,742	60,912
Current income tax expense (recovery)	13,447	14,898	28,530	27,226
Deferred income tax expense (recovery)	(7,041)	(6,905)	(14,039)	(10,894)
Income tax expense (recovery)	6,406	7,993	14,491	16,332
Net income (loss)	26,938	23,452	55,252	44,580
Net income (loss) attributable to:				
Equity holders of Topicus	17,018	14,572	35,107	28,472
Non-controlling interests	9,920	8,880	20,145	16,108
Net income (loss)	26,938	23,452	55,252	44,580
Weighted average shares				
Basic shares outstanding	82,883,874	81,889,764	82,539,759	81,889,764
Diluted shares outstanding	129,841,819	129,841,819	129,841,819	129,841,819
Earnings (loss) per common share of Topicus				
Basic	0.21	0.18	0.43	0.35
Diluted	0.21	0.18	0.43	0.35

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,	
	2024	2023	2024	2023
Net income (loss)	26,938	23,452	55,252	44,580

Items that are or may be reclassified subsequently to net

income (loss):

Foreign currency translation differences from foreign operations and other	1,244	2,999	3,170	2,203
Other comprehensive (loss) income for the period, net of income tax	1,244	2,999	3,170	2,203
Total comprehensive income (loss) for the period	28,182	26,451	58,422	46,784
Total other comprehensive income (loss) attributable to:				
Equity holders of Topicus	651	1,320	1,277	1,083
Non-controlling interests	593	1,679	1,894	1,120
Total other comprehensive income (loss)	1,244	2,999	3,170	2,203
Total comprehensive income (loss) attributable to:				
Equity holders of Topicus	17,670	15,892	36,383	29,555
Non-controlling interests	10,513	10,559	22,038	17,228
Total comprehensive income (loss)	28,182	26,451	58,422	46,784

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, 2024

	Capital Stock	Accumulated other comprehensive (loss) income	Retained earnings (Deficit)	Total	Non-controlling interests	Total equity
Balance at January 1, 2024	39,412	2,390	297,382	339,185	253,299	592,483
<i>Total comprehensive income (loss) for the period:</i>						
Net income (loss)	-	-	35,107	35,107	20,145	55,252
<i>Other comprehensive income (loss)</i>						
Foreign currency translation differences from foreign operations and other, net of income tax	-	1,277	-	1,277	1,894	3,170
Total other comprehensive income (loss) for the period	-	1,277	-	1,277	1,894	3,170
Total comprehensive income (loss) for the period	-	1,277	35,107	36,383	22,038	58,422

Transactions with owners, recorded directly in equity

Other movements in non-controlling interests and equity	-	-	(91)	(91)	(64)	(155)
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Exchange of Topicus Coop ordinary units held by non-controlling interests to subordinate voting shares of Topicus	-	-	4,235	4,235	(4,235)	-
Dividends paid to shareholders of the Company	-	-	(127,641)	(127,641)	-	(127,641)
Return of capital to non-controlling interests					(9,048)	(9,048)
Dividends paid to non-controlling interests	-	-	-	-	(77,188)	(77,188)
Balance at June 30, 2024	39,412	3,667	208,991	252,071	184,802	436,873

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

	Capital Stock	Accumulated other comprehensive (loss) income	Retained earnings (deficit)	Total	Non-controlling interests	Total equity
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
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Dividends paid to non-controlling interests

-	-	-	-	(726)	(726)
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Balance at June 30, 2023	39,412	851	255,528	295,791	218,258	514,048
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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,	
	2024	2023	2024	2023
Cash flows from (used in) operating activities:				
Net income (loss)	26,938	23,452	55,252	44,580
Adjustments for:				
Depreciation	8,438	7,695	16,450	14,990
Amortization of intangible assets	33,410	29,985	65,082	57,946
Impairment of intangible and other non-financial assets	0	-	633	-
Bargain purchase (gain)	-	-	(323)	-
Finance and other expenses (income)	6,435	4,447	11,433	9,396
Income tax expense (recovery)	6,406	7,993	14,491	16,332
Change in non-cash operating assets and liabilities exclusive of effects of business combinations	(58,970)	(75,465)	96,038	41,134
Income taxes (paid) received	(13,849)	(13,474)	(22,749)	(25,752)
Net cash flows from (used in) operating activities	8,809	(15,367)	236,306	158,626
Cash flows from (used in) financing activities:				
Interest paid on lease obligations	(481)	(347)	(937)	(653)
Interest paid on other facilities	(6,727)	(3,505)	(9,888)	(6,565)
Proceeds from sale of interest rate cap	-	5,516	-	5,516
Net increase (decrease) in Topicus Revolving Credit Facility	(20,000)	45,000	85,000	35,000
Proceeds from issuance of term and other loans	28,917	21,941	29,733	26,218
Increase (decrease) in loan from Vela Software Group	-	(468)	-	(468)
Return of capital to non-controlling interests	(9,048)	-	(9,048)	-
Repayments of term and other loans	(1,983)	(4,497)	(5,667)	(72,941)
Credit facility transaction costs	(314)	(175)	(314)	(238)
Payments of lease obligations	(6,116)	(5,543)	(11,933)	(10,805)
Dividends paid to non-controlling interests	(2,649)	(726)	(77,188)	(726)
Dividends paid to shareholders of the Company	-	-	(127,641)	-
Net cash flows from (used in) in financing activities	(18,401)	57,197	(127,884)	(25,663)
Cash flows from (used in) investing activities:				
Acquisition of businesses	(10,289)	(63,252)	(46,831)	(88,048)
Cash obtained with acquired businesses	5,095	4,611	12,119	5,583
Post-acquisition settlement payments, net of receipts	(5,019)	(6,567)	(9,233)	(11,055)
(Increase) decrease in restricted cash	-	-	(6,000)	-
Property and equipment purchased	(1,751)	(1,888)	(4,406)	(3,869)
Net cash flows from (used in) investing activities	(11,964)	(67,096)	(54,350)	(97,388)
Effect of foreign currency on cash and cash equivalents	706	317	618	(31)
Increase (decrease) in cash	(20,850)	(24,950)	54,690	35,543
Cash, beginning of period	254,599	197,265	179,059	136,772
Cash, end of period	233,749	172,315	233,749	172,315