

# Constellation Software Inc. and Lumine Group Inc. Announce Results for Lumine Group (Holdings) Inc. for the Fourth Quarter and Year Ended December 31, 2022

March 15, 2023 - [Lumine Group Inc.](#) (“Lumine Group”) in a joint release with Constellation Software Inc. (TSX:[CSU](#)) (“Constellation”) today announced financial results for Lumine Group (Holdings) Inc. (the “Company”), an indirect wholly owned subsidiary of Constellation, for the fourth quarter and year ended December 31, 2022. Please note that all amounts referred to in this press release are in US dollars unless otherwise stated.

The following press release should be read in conjunction with the Company’s Annual Consolidated Financial Statements for the year ended December 31, 2022, prepared in accordance with International Financial Reporting Standards (“IFRS”), and the Lumine Group’s annual Management’s Discussion and Analysis for the year ended December 31, 2022, which can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on Lumine Group’s website [www.luminegroup.com](http://www.luminegroup.com). Additional information about Lumine Group is also available on SEDAR at [www.sedar.com](http://www.sedar.com). The information presented is based on the historical financial performance of the Company, as predecessor to Lumine Group, and does not take into account the transactions described under “Subsequent Events”.

## Q4 2022 Headlines:

- Revenue grew 14% to \$68.3 million compared to \$59.7 million in Q4 2021 (including -2% organic growth after adjusting for foreign exchange impacts).
- Net income decreased to a loss of \$1.1 million from income of \$6.9 million in Q4 2021.
- The acquisition of WizTivi SAS was completed in Q4 2022 for aggregate cash consideration of \$33.3 million (which includes acquired cash). Deferred payments associated with this acquisition have an estimated value of \$3.1 million resulting in total consideration of \$36.4 million.
- Cash flows from operations (“CFO”) decreased \$8.9 million to \$9.8 million compared to \$18.7 million in Q4 2021 representing a decrease of 47%.

## 2022 Headlines:

- Revenue grew 12% to \$255.7 million compared to \$228.4 million in 2021 (including -3% organic growth after adjusting for foreign exchange impacts).
- Net income stayed flat year-over-year at \$27.4 million (\$27.5 million in 2021).
- Two acquisitions were completed in 2022 for aggregate cash consideration of \$113.2 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of \$6.4 million resulting in total consideration of \$119.6 million.

- CFO decreased \$51.4 million to \$34.6 million compared to \$86.0 million in 2021 representing a decrease of 60%.

Total revenue for the quarter ended December 31, 2022 was \$68.3 million, an increase of 14%, or \$8.6 million, compared to \$59.7 million for the comparable period in 2021. For the 2022 fiscal year total revenues were \$255.7 million, an increase of 12%, or \$27.4 million, compared to \$228.4 million for the 2021 fiscal year. The increase for both the three and twelve month periods ended December 31, 2022 compared to the same periods in the prior year is primarily attributable to growth from acquisitions. The Company experienced negative organic growth of -9% for both the three and twelve month periods ended December 31, 2022, or -2% and -3%, respectively, after adjusting for foreign exchange impacts. Organic growth is not a standardized financial measure and might not be comparable to measures disclosed by other issuers.

Net loss for the quarter ended December 31, 2022 was (\$1.1) million compared to net income of \$6.9 million for the same period in 2021. Net income decreased by \$0.1 million to \$27.4 million for the year ended December 31, 2022, compared to net income of \$27.5 million for the same period in 2021. The decrease in net income for the three and twelve month periods ended December 31, 2022 compared to the same periods prior year is primarily attributable to one-time fees incurred in 2022 related to the corporate reorganization, public listing, and acquisition of WideOrbit Inc. (“WideOrbit”), which are discussed further below under Subsequent Events.

For the quarter ended December 31, 2022, CFO decreased \$8.9 million to \$9.8 million compared to \$18.7 million for the same period in 2021 representing a decrease of 47%. The decrease is mainly related to lower net income and higher income taxes paid during Q4 2022. For the twelve months ended December 31, 2022, CFO decreased \$51.4 million to \$34.6 million compared to \$86.0 million for the same period in 2021 representing a decrease of 60%. The primary reason for the decrease is that CFO includes the impact of changes in non-cash operating assets and liabilities exclusive of effects of business combinations or, changes in non-cash operating working capital (“NCOWC”), and income taxes paid. There are many reasons contributing to the NCOWC impact variance for the Company, none of which are indicative of an underlying concern with the overall NCOWC balance. Specifically, there are no concerns with accounts receivable or unbilled revenue aging.

## **Subsequent Events**

### **(a) Capital Reorganization**

On February 21, 2023, Lumine Group filed articles of amendment and reorganized its share capital. Subsequent to the reorganization, Lumine Group is authorized to issue one super voting share (“Super Voting Share”), an unlimited number of subordinate voting shares (“Subordinate Voting Shares”), an unlimited number of preferred shares (“Preferred Shares”), and an unlimited number of special shares (“Special Shares”). The Preferred Shares are non-voting and are entitled to a cumulative dividend of 5%

per annum and are convertible into Subordinate Voting Shares at a pre-determined ratio. The holders of the Preferred Shares are entitled to redeem some or all of their shares and receive an amount of cash equal to the initial equity value of the Preferred Shares. The Special Shares carry voting rights equivalent to Subordinate Voting Shares, with a cumulative dividend entitlement of 5% per annum and can be converted to Subordinate Voting Shares at a pre-determined ratio. The holders of the Special Shares are entitled to redeem some or all of their shares and receive an amount of cash equal to the initial equity value of the Special Shares, plus one Subordinate Voting Share for each Special Share redeemed.

Holders of Subordinate Voting Shares and the Super Voting Share are entitled to attend and vote at meetings of Lumine Group's shareholders except meetings at which only holders of a particular class are entitled to vote. Holders of Subordinate Voting Shares are entitled to one vote per share, and the holder of the Super Voting Share is entitled to that number of votes that equals 50.1% of the aggregate number of votes attached to all of the outstanding Super Voting Shares, Subordinate Voting Shares and Special Shares at such time. Other than in respect of voting rights, the Subordinate Voting Shares and the Super Voting Share have the same rights, are equal in all respects and are treated as if they were one class of shares.

As a result of the share capital reorganization, Lumine Group reclassified the one common share issued to Trapeze Software ULC ("Trapeze"), a wholly owned indirect subsidiary of Constellation, into one Super Voting Share.

**(b) Acquisition of Lumine Group (Holdings) Inc.**

On February 22, 2023, Lumine Group acquired the Company, a global portfolio of communications and media software companies and a wholly owned subsidiary of Trapeze. As consideration for the acquisition, Lumine Group issued 63,582,712 Subordinate Voting Shares and 55,233,745 Preferred Shares to Trapeze.

Immediately following the completion of the acquisition of the Company, Lumine Group amalgamated with the Company, with the resulting entity being Lumine Group (the "Amalgamation"). The Amalgamation is a business combination involving entities under common control in which all of the combining entities are ultimately controlled by Constellation, both before and after the reorganization transactions were completed. Business combinations involving entities under common control are outside the scope of IFRS 3 Business Combinations. Lumine Group will account for this common control transaction using book value accounting, based on the book values recognized in the financial statements of the underlying entities.

**(c) Acquisition of WideOrbit Inc.**

On February 22, 2023, immediately following the Amalgamation, Lumine Group completed the acquisition of 100% of the shares of WideOrbit for a purchase price of \$490.0 million which was funded through a combination of cash, repayment of WideOrbit debt, and the issuance of 10,204,294 Special Shares.

WideOrbit is a software business that primarily operates in the advertising market for cable networks, local television stations and radio stations. Lumine Group obtained the cash portion of the purchase price from Trapeze, in exchange for issuing it a further 8,348,967 Preferred Shares.

The gross purchase price is subject to customary adjustments, as a result of, but not limited to, minimum cash requirements of \$10.0 million, target net indebtedness of \$86.7 million, and claims under the representations and warranties of the acquisition agreement. Lumine Group has the ability to reduce the cash portion of the purchase consideration by \$10.0 million for net indebtedness up to \$96.7 million. If net indebtedness is greater than \$96.7 million, excess repayment would be funded by Lumine Group and added to the gross purchase price. Pursuant to the terms of the acquisition agreement, eligible shareholders of WideOrbit elected to rollover a portion of their WideOrbit common shares into Special Shares of Lumine Group.

As of the date hereof, Lumine Group has not yet completed the initial accounting for the WideOrbit acquisition, including the fair value assessment of the assets acquired and liabilities assumed, due to the proximity of the date of acquisition to the date hereof.

#### **(d) Spinout of Lumine Group**

On February 23, 2023, Trapeze declared and paid a dividend-in-kind and distributed its 63,582,712 Subordinate Voting Shares of Lumine Group to its parent, Volaris Group Inc., who further distributed these shares to its parent Constellation. Constellation then distributed 63,582,706 Subordinate Voting Shares to its shareholders pursuant to a dividend-in-kind, resulting in Lumine Group's Subordinate Voting Shares being issued to public shareholders of Constellation.

#### **(e) New Bank Facility**

On March 2, 2023, WideOrbit entered into a revolving financing facility with a syndicate of Canadian and US financial institutions amounting to \$185.0 million, to provide long-term financing in connection with the acquisition of WideOrbit. Covenants associated with this facility are monitored and reported based on the financial position and financial performance of WideOrbit. The covenants include a leverage ratio and a fixed charge coverage ratio. The loan has a maturity date of March 2, 2028 and bears an interest rate of SOFR plus applicable spreads ranging from 1.75% to 3%, based on the leverage ratio. Lumine Group does not guarantee this debt, nor are there any cross-guarantees between other subsidiaries. The credit facility is collateralized by substantially all of the assets of WideOrbit.

#### **(f) Acquisition of Titanium Software Holdings Inc**

On March 8, 2023, Lumine Group acquired 100% of the outstanding shares of Titanium Software Holdings Inc ("Titanium") for aggregate cash consideration of \$31.4 million on closing plus cash holdbacks of \$14.4 million and contingent consideration with an estimated acquisition date fair value of \$4.1 million for total

consideration of \$49.9 million. Titanium is a software company catering to the communications and media market, which is a software business similar to existing businesses operated by Lumine Group. For this arrangement, which includes a maximum, or capped, contingent consideration amount, the contingent consideration is not expected to exceed \$10.0 million. The cash holdbacks are payable over a two-year period and are adjusted, as necessary, for such items as working capital or net tangible asset assessments, as defined in the agreements, and claims under the respective representations and warranties of the purchase and sale agreements.

As of the date hereof, Lumine Group had not yet completed the initial accounting for the acquisition, including the fair value assessment of the assets acquired and liabilities assumed, due to the proximity of the date of acquisition to the date hereof.

### **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 Lumine Group 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 Lumine Group assumes no obligation, except as required by law, to update any forward looking statements to reflect new events or circumstances.

### **About Lumine Group Inc.**

Lumine Group acquires, strengthens, and grows, vertical market software businesses in the communications and media industry. Learn more at [www.luminegroup.com](http://www.luminegroup.com).

### **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  
Constellation Software Inc.

[jbaksh@csissoftware.com](mailto:jbaksh@csissoftware.com)

David Nyland  
Chief Executive Officer  
Lumine Group  
[david.nyland@luminegroup.com](mailto:david.nyland@luminegroup.com)

# Lumine Group (Holdings) Inc.

## Consolidated Statements of Financial Position

(In thousands of USD. Due to rounding, numbers presented may not foot.)

	December 31, 2022	December 31, 2021
<b>Assets</b>		
Current assets:		
Cash	\$ 67,085	\$ 27,110
Accounts receivable	63,677	45,109
Due from related parties, net	-	111,629
Unbilled revenue	9,965	7,219
Inventories	60	26
Other assets	22,967	16,679
	163,754	207,772
Non-current assets:		
Property and equipment	3,138	2,517
Right of use assets	5,349	4,503
Deferred income taxes	2,931	3,580
Other assets	8,492	6,785
Intangible assets and goodwill	216,797	103,249
	236,707	120,634
<b>Total assets</b>	<b>\$ 400,461</b>	<b>\$ 328,406</b>
<b>Liabilities and Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 63,879	\$ 51,169
Due to related parties, net	35,466	-
Current portion of bank debt	975	-
Deferred revenue	62,449	63,991
Provisions	22	27
Acquisition holdback payables	3,121	2,976
Lease obligations	2,069	2,365
Income taxes payable	9,464	5,690
	177,445	126,218
Non-current liabilities:		
Deferred income taxes	36,366	16,628
Bank debt	18,138	-
Lease obligations	4,719	2,250
Other liabilities	10,013	10,160
	69,236	29,038
<b>Total liabilities</b>	<b>246,681</b>	<b>155,257</b>
Equity:		
Capital stock	-	-
Net parent investment	-	169,920
Contributed surplus	162,692	-
Accumulated other comprehensive income (loss)	(8,912)	3,229
Retained earnings (deficit)	-	-
	153,780	173,149
Subsequent events		
<b>Total liabilities and equity</b>	<b>\$ 400,461</b>	<b>\$ 328,406</b>

# Lumine Group (Holdings) Inc.

## Consolidated Statements of Income (Loss)

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

	Years ended December 31,	
	2022	2021
Revenue		
License	\$ 38,731	\$ 36,745
Professional services	49,771	49,836
Hardware and other	7,273	8,969
Maintenance and other recurring	159,970	132,806
	255,745	228,355
Expenses		
Staff	134,316	120,092
Hardware	4,617	5,166
Third party license, maintenance and professional services	11,040	10,344
Occupancy	2,936	2,102
Travel, telecommunications, supplies, software and equipment	11,610	8,002
Professional fees	12,289	3,203
Other, net	6,334	10,484
Depreciation	5,303	5,161
Amortization of intangible assets	31,836	25,521
	220,281	190,076
Finance and other expenses (income)	(414)	744
	(414)	744
Income (loss) before income taxes	35,878	37,536
Current income tax expense (recovery)	15,742	10,829
Deferred income tax expense (recovery)	(7,266)	(759)
Income tax expense (recovery)	8,476	10,070
Net income (loss)	\$ 27,402	\$ 27,466
Earnings per share:		
Basic	\$ 0.11	N/A
Diluted	\$ 0.11	N/A

# Lumine Group (Holdings) Inc.

## Consolidated Statements of Comprehensive Income (Loss)

(In thousands of USD. Due to rounding, numbers presented may not foot.)

	Years ended December 31,	
	2022	2021
Net income (loss)	\$ 27,402	\$ 27,466
Items that are or may be reclassified subsequently to net income (loss):		
Foreign currency translation differences from foreign operations and other	(12,141)	(2,410)
Other comprehensive (loss) income for the year, net of income tax	(12,141)	(2,410)
Total comprehensive income (loss) for the year	\$ 15,261	\$ 25,056

# Lumine Group (Holdings) Inc.

## Consolidated Statement of Changes in Equity

(In thousands of USD. Due to rounding, numbers presented may not foot.)

Year ended December 31, 2022	Capital stock	Contributed surplus	Accumulated other comprehensive (loss) income	Retained earnings (deficit)	Net parent investment	Total equity
<b>Balance at January 1, 2022</b>	-	-	3,229	-	169,920	173,149
<i>Total comprehensive income (loss) for the year:</i>						
Net income (loss)					27,402	27,402
<i>Other comprehensive income (loss):</i>						
Foreign currency translation differences from foreign operations and other			(12,141)			(12,141)
<b>Total other comprehensive income (loss) for the year</b>	-	-	(12,141)	-	27,402	15,261
<b>Total comprehensive income (loss) for the year</b>	-	-	(12,141)	-	27,402	15,261
Transactions with Parent, recorded directly in equity						
Capital contributions by Parent					76,400	76,400
Dividends to Parent					(111,030)	(111,030)
Acquisition of Lumine Portfolio entities		162,692			(162,692)	-
<b>Balance at December 31, 2022</b>	-	162,692	(8,912)	-	-	153,780

# Lumine Group (Holdings) Inc.

## Consolidated Statement of Changes in Equity

(In thousands of USD. Due to rounding, numbers presented may not foot.)

Year ended December 31, 2021	Contributed surplus	Accumulated other comprehensive (loss) income	Retained earnings (deficit)	Net parent investment	Total equity
<b>Balance at January 1, 2021</b>	-	5,639	-	141,472	147,111
<i>Total comprehensive income (loss) for the year:</i>					
Net income (loss)				27,466	27,466
<i>Other comprehensive income (loss):</i>					
Foreign currency translation differences from foreign operations and other		(2,410)			(2,410)
<b>Total other comprehensive income (loss) for the year</b>	-	<b>(2,410)</b>	-	<b>27,466</b>	<b>25,056</b>
<b>Total comprehensive income (loss) for the year</b>	-	<b>(2,410)</b>	-	<b>27,466</b>	<b>25,056</b>
Transactions with Parent, recorded directly in equity					
Non-cash capital contributions for the transfer of acquired legal entities				14,148	14,148
Dividends to Parent				(13,165)	(13,165)
<b>Balance at December 31, 2021</b>	-	<b>3,229</b>	-	<b>169,920</b>	<b>173,149</b>

# Lumine Group (Holdings) Inc.

## Consolidated Statements of Cash Flows

(In thousands of USD. Due to rounding, numbers presented may not foot.)

	Years ended December 31,	
	2022	2021
Cash flows from (used in) operating activities:		
Net income (loss)	27,402	27,466
Adjustments for:		
Depreciation	5,303	5,161
Amortization of intangible assets	31,836	25,521
Contingent consideration adjustments	(2,130)	3,983
Finance and other expenses (income)	(414)	744
Income tax expense (recovery)	8,476	10,070
Change in non-cash operating assets and liabilities exclusive of effects of business combinations	(26,755)	17,265
Income taxes (paid) received	(9,093)	(4,182)
Net cash flows from (used in) operating activities	34,625	86,027
Cash flows from (used in) financing activities:		
Interest paid on lease obligations	(204)	(153)
Interest paid on bank debt	(192)	-
Cash transferred from (to) Parent	104,871	(80,030)
Cash obtained with businesses acquired by Parent	-	3,217
Proceeds from issuance of bank debt	19,666	-
Repayments of bank debt	(244)	-
Transaction costs on bank debt	(316)	-
Payments of lease obligations	(2,781)	(2,669)
Net cash flows from (used in) in financing activities	120,800	(79,635)
Cash flows from (used in) investing activities:		
Acquisition of businesses	(113,186)	(15,926)
Cash obtained with acquired businesses	5,295	2,917
Post-acquisition settlement payments, net of receipts	(6,669)	(470)
Property and equipment purchased	(783)	(700)
Net cash flows from (used in) investing activities	(115,343)	(14,179)
Effect of foreign currency on cash and cash equivalents	(107)	(247)
Increase (decrease) in cash	39,975	(8,034)
Cash, beginning of period	27,110	35,144
Cash, end of period	67,085	27,110