

Constellation Software Inc. Announces Results for the Second Quarter Ended June 30, 2021 and Declares Quarterly Dividend

TORONTO, ONTARIO (August 5, 2021) -- Constellation Software Inc. (TSX:CSU) (“Constellation” or the “Company”) today announced its financial results for the second quarter ended June 30, 2021 and declared a \$1.00 per share dividend payable on October 8, 2021 to all common shareholders of record at close of business on September 17, 2021. This dividend has been designated as an eligible dividend for the purposes of the Income Tax Act (Canada). Please note that all dollar amounts referred to in this press release are in U.S. Dollars 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, 2021 and the accompanying notes, our Management Discussion and Analysis for the three and six months ended June 30, 2021 and with our annual Consolidated Financial Statements, prepared in accordance with International Financial Reporting Standards (“IFRS”) and our annual Management’s Discussion and Analysis for the year ended December 31, 2020, which can be found on SEDAR at www.sedar.com and on the Company’s website www.csisoftware.com. Additional information about the Company is also available on SEDAR at www.sedar.com

Q2 2021 Headlines:

- Revenue grew 35% (14% organic growth, 8% after adjusting for changes in foreign exchange rates) to \$1,249 million compared to \$922 million in Q2 2020.
- Net income attributable to common shareholders increased 7% to \$88 million (\$4.16 on a diluted per share basis) from \$83 million (\$3.90 on a diluted per share basis) in Q2 2020.
- A number of acquisitions were completed for aggregate cash consideration of \$292 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of \$36 million resulting in total consideration of \$328 million.
- Cash flows from operations (“CFO”) were \$171 million, a decrease of 28%, or \$66 million, compared to \$237 million for the comparable period in 2020.
- Free cash flow available to shareholders¹ (“FCFA2S”) decreased \$46 million to \$145 million compared to \$190 million for the same period in 2020.
- The Company determined that certain of its subsidiaries qualified for an estimated aggregate amount of \$8 million of grants from various government authorities, and recognized such amounts as a reduction to expenses in the quarter.
- The holders of the Topicus Coop Preference Units (the “Preferred Securities”) elected to convert their Preferred Securities into Topicus Coop Ordinary Units, which conversion will become effective on February 1, 2022.
- Subsequent to June 30, 2021, the Company completed or entered into agreements to acquire a number of businesses for aggregate cash consideration of \$122 million. Deferred payments associated with these acquisitions have an estimated value of \$25 million resulting in total consideration of \$146 million.

Total revenue for the quarter ended June 30, 2021 was \$1,249 million, an increase of 35%, or \$327 million, compared to \$922 million for the comparable period in 2020. For the first six months of 2021 total revenues were \$2,425 million, an increase of 29%, or \$550 million, compared to \$1,875 million for the comparable period in 2020. 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 14% and 10% respectively, 8% and 5% respectively after adjusting for the impact of changes in the valuation of the US dollar against most major currencies in which the Company transacts business.

The Net income attributable to common shareholders of CSI for the quarter ended June 30, 2021 was \$88 million compared to net income of \$83 million for the same period in 2020. On a per share basis this translated into a net income per diluted share of \$4.16 in the quarter ended June 30, 2021 compared to net income per diluted share of \$3.90 for the same period in 2020. For the six months ended June 30, 2021, net income attributable to common

1. See Non-IFRS measures.

shareholders of CSI was \$80 million or \$3.76 per diluted share compared to \$166 million or \$7.81 per diluted share for the same period in 2020. There was no change in the number of shares outstanding.

For the quarter ended June 30, 2021, CFO decreased \$66 million to \$171 million compared to \$237 million for the same period in 2020 representing a decrease of 28%. For the first six months of 2021, CFO increased \$69 million to \$667 million compared to \$597 million during the same period in 2020, representing an increase of 12%.

For the quarter ended June 30, 2021, FCFA2S decreased \$46 million to \$145 million compared to \$190 million for the same period in 2020. For the first six months of 2021, FCFA2S decreased \$88 million to \$413 million compared to \$501 million during the same period in 2020, representing a decrease of 18%.

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 Constellation 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 Constellation 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, the TSS membership liability revaluation charge, and property and equipment purchased, and includes interest and dividends received. Constellation believes that FCFA2S is useful supplemental information as it provides an indication of the uncommitted cash flow that is available to shareholders if Constellation does not make any acquisitions, or investments, and does not repay any debts. While Constellation could use the FCFA2S to pay dividends or repurchase shares, Constellation’s objective is to invest all of our FCFA2S in acquisitions which meet Constellation’s 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>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	(\$ in millions, except percentages)		(\$ in millions, except percentages)	
Net cash flows from operating activities	171	237	667	597
Adjusted for:				
Interest paid on lease obligations	(2)	(2)	(5)	(4)
Interest paid on other facilities	(9)	(5)	(18)	(14)
Credit facility transaction costs	(2)	(0)	(4)	(0)
Payments of lease obligations	(20)	(16)	(41)	(30)
IRGA / TSS membership liability revaluation charge	(22)	(17)	(82)	(35)
Property and equipment purchased	(7)	(6)	(11)	(13)
Interest and dividends received	1	0	1	0
	<hr/>	<hr/>	<hr/>	<hr/>
	110	190	507	501
Less amount attributable to Non-controlling interests	35		(94)	-
Free cash flow available to shareholders	145	190	413	501

Due to rounding, certain totals may not foot.

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: CONSTELLATION SOFTWARE INC.

CONSTELLATION SOFTWARE INC.

Consolidated Statements of Financial Position

(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited

	June 30, 2021	December 31, 2020	June 30, 2020
Assets			
Current assets:			
Cash	\$ 851	\$ 758	\$ 585
Accounts receivable	505	483	393
Unbilled revenue	137	98	103
Inventories	28	27	32
Other assets	271	219	207
	<u>1,792</u>	<u>1,585</u>	<u>1,319</u>
Non-current assets:			
Property and equipment	93	86	78
Right of use assets	263	251	241
Deferred income taxes	58	52	45
Other assets	86	75	73
Intangible assets	3,000	2,325	2,011
	<u>3,499</u>	<u>2,790</u>	<u>2,448</u>
Total assets	\$ 5,291	\$ 4,375	\$ 3,767
Liabilities and Shareholders' Equity			
Current liabilities:			
Debt with recourse to Constellation Software Inc.	\$ 131	\$ 113	\$ 192
Debt without recourse to Constellation Software Inc.	41	28	3
Redeemable preferred securities	7	-	-
Accounts payable and accrued liabilities	671	666	480
Dividends payable	21	21	21
Deferred revenue	1,222	962	938
Provisions	13	12	10
Acquisition holdback payables	78	85	72
Lease obligations	80	74	67
Income taxes payable	67	78	95
	<u>2,332</u>	<u>2,040</u>	<u>1,879</u>
Non-current liabilities:			
Debt with recourse to Constellation Software Inc.	548	421	374
Debt without recourse to Constellation Software Inc.	327	199	159
Deferred income taxes	372	285	243
Acquisition holdback payables	43	37	29
Lease obligations	209	201	193
Other liabilities	139	146	98
	<u>1,637</u>	<u>1,288</u>	<u>1,095</u>
Total liabilities	3,969	3,328	2,974
Shareholders' equity:			
Capital stock	99	99	99
Other equity	(162)	-	-
Accumulated other comprehensive income (loss)	(56)	(31)	(57)
Retained earnings	1,017	980	752
Non-controlling interests	423	-	-
	<u>1,322</u>	<u>1,048</u>	<u>794</u>
Total liabilities and shareholders' equity	\$ 5,291	\$ 4,375	\$ 3,767

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Income (loss)

(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Three and six months ended June 30, 2021

Unaudited

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Revenue				
License	\$ 71	\$ 51	\$ 137	\$ 108
Professional services	254	170	491	347
Hardware and other	43	35	82	77
Maintenance and other recurring	880	666	1,714	1,342
	1,249	922	2,425	1,875
Expenses				
Staff	665	480	1,306	990
Hardware	23	22	45	45
Third party license, maintenance and professional services	109	77	205	156
Occupancy	10	8	19	17
Travel, telecommunications, supplies, software and equipment	44	31	83	82
Professional fees	17	13	32	26
Other, net	14	0	19	5
Depreciation	30	25	59	51
Amortization of intangible assets	124	96	242	190
	1,035	752	2,010	1,562
Foreign exchange loss (gain)	15	10	2	4
IRGA/TSS Membership liability revaluation charge	22	17	82	35
Finance and other expense (income)	(2)	(1)	(4)	(2)
Bargain purchase gain	0	(0)	0	(0)
Impairment of intangible and other non-financial assets	2	4	5	8
Redeemable preferred securities expense (income)	32	-	295	-
Finance costs	17	10	32	22
	86	39	413	67
Income (loss) before income taxes	128	131	2	246
Current income tax expense (recovery)	75	70	138	115
Deferred income tax expense (recovery)	(25)	(22)	(39)	(34)
Income tax expense (recovery)	50	48	99	80
Net income (loss)	78	83	(97)	166
Net income (loss) attributable to:				
Equity holders of Constellation Software Inc.	88	83	80	166
Non-controlling interests	(11)	-	(177)	-
Net income (loss)	78	83	(97)	166
Earnings per common share of Constellation Software Inc.				
Basic and diluted	\$ 4.16	\$ 3.90	\$ 3.76	\$ 7.81

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Three and six months ended June 30, 2021

Unaudited

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Net income (loss)	\$ 78	\$ 83	\$ (97)	\$ 166
Items that are or may be reclassified subsequently to net income (loss):				
Foreign currency translation differences from foreign operations and other	5	13	(18)	(17)
Other comprehensive income (loss) for the period, net of income tax	5	13	(18)	(17)
Total comprehensive income (loss) for the period	\$ 83	\$ 96	\$ (115)	\$ 149
Total other comprehensive income (loss) attributable to:				
Equity holders of Constellation Software Inc.	11	13	(6)	(17)
Non-controlling interests	(6)	-	(11)	-
Total other comprehensive income (loss)	\$ 5	\$ 13	\$ (18)	\$ (17)
Total comprehensive income (loss) attributable to:				
Equity holders of Constellation Software Inc.	99	96	73	149
Non-controlling interests	(16)	-	(188)	-
Total comprehensive income (loss)	\$ 83	\$ 96	\$ (115)	\$ 149

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statement of Changes in Equity

(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited

Six months ended June 30, 2021

	Equity Attributable to Shareholders of CSI					Non-controlling interests	Total equity
	Capital stock	Other equity	Accumulated other comprehensive income (loss)	Retained earnings	Total		
Balance at January 1, 2021	\$ 99	\$ -	\$ (31)	\$ 980	\$ 1,048	-	\$ 1,048
<i>Total comprehensive income (loss) for the period:</i>							
Net income (loss)	-	-	-	80	80	(177)	(97)
<i>Other comprehensive income (loss)</i>							
Foreign currency translation differences from foreign operations and other	-	-	(6)	-	(6)	(11)	(18)
Total other comprehensive income (loss) for the period	-	-	(6)	-	(6)	(11)	(18)
Total comprehensive income (loss) for the period	-	-	(6)	80	73	(188)	(115)
Transactions with owners, recorded directly in equity							
Special dividend of Topicus Subordinate Voting Shares	-	(141)	(16)	-	(157)	157	-
Issuance of Topicus Coop Ordinary Units to non-controlling interests	-	(21)	(2)	-	(23)	23	-
Net acquisition of non-controlling interest associated with acquisitions and other movements	-	1	-	0	1	2	3
Dividends to shareholders of the Company	-	-	-	(42)	(42)	-	(42)
Reclassification of Redeemable preferred securities of Topicus Coop from liabilities to non-controlling interest	-	-	-	-	-	434	434
Accrued dividends to preference unit holders of Topicus Coop	-	-	-	-	-	(5)	(5)
Balance at June 30, 2021	\$ 99	\$ (162)	\$ (56)	\$ 1,017	\$ 899	\$ 423	\$ 1,322

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statement of Changes in Equity

(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited

Six months ended June 30, 2020

	Equity Attributable to Shareholders of CSI				Total	Non-controlling interests	Total equity
	Capital stock	Other equity	Accumulated other comprehensive income (loss)	Retained earnings			
Balance at January 1, 2020	\$ 99	\$ -	\$ (40)	\$ 628	\$ 687	\$ -	\$ 687
<i>Total comprehensive income (loss) for the period:</i>							
Net income (loss)	-	-	-	166	166	-	166
<i>Other comprehensive income (loss)</i>							
Foreign currency translation differences from foreign operations and other	-	-	(17)	-	(17)	-	(17)
Total other comprehensive income (loss) for the period	-	-	(17)	-	(17)	-	(17)
Total comprehensive income (loss) for the period	-	-	(17)	166	149	-	149
Transactions with owners, recorded directly in equity							
Dividends to shareholders of the Company	-	-	-	(42)	(42)	-	(42)
Balance at June 30, 2020	\$ 99	\$ -	\$ (57)	\$ 752	\$ 794	\$ -	\$ 794

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Cash Flows

(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Three and six months ended June 30, 2021

Unaudited

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Cash flows from (used in) operating activities:				
Net income (loss)	\$ 78	\$ 83	\$ (97)	\$ 166
Adjustments for:				
Depreciation	30	25	59	51
Amortization of intangible assets	124	96	242	190
IRGA/TSS Membership liability revaluation charge	22	17	82	35
Finance and other expense (income)	(2)	(1)	(4)	(2)
Bargain purchase (gain)	0	(0)	0	(0)
Impairment of intangible and other non-financial assets	2	4	5	8
Redeemable preferred securities expense (income)	32	-	295	-
Finance costs	17	10	32	22
Income tax expense (recovery)	50	48	99	80
Foreign exchange loss (gain)	15	10	2	4
Change in non-cash operating assets and liabilities exclusive of effects of business combinations	(99)	(35)	100	100
Income taxes paid	(97)	(19)	(149)	(57)
Net cash flows from (used in) operating activities	171	237	667	597
Cash flows from (used in) financing activities:				
Interest paid on lease obligations	(2)	(2)	(5)	(4)
Interest paid on debt	(9)	(5)	(18)	(14)
Increase (decrease) in CSI facility	-	100	-	35
Increase (decrease) in revolving credit debt facilities without recourse to CSI	6	-	12	(55)
Proceeds from issuance of term debt facilities without recourse to CSI	55	15	134	15
Repayments of term debt facilities without recourse to CSI	(1)	(3)	(2)	(4)
Credit facility transaction costs	(2)	(0)	(4)	(0)
Payments of lease obligations	(20)	(16)	(41)	(30)
Distribution to the Joday Group	-	-	(22)	-
Dividends paid	(21)	(21)	(42)	(42)
Net cash flows from (used in) financing activities	6	67	12	(100)
Cash flows from (used in) investing activities:				
Acquisition of businesses	(292)	(68)	(606)	(175)
Cash obtained with acquired businesses	40	10	85	24
Post-acquisition settlement payments, net of receipts	(39)	(23)	(85)	(55)
Receipt of additional subscription amount from the sellers of Topicus.com B.V.	33	-	33	-
Purchases of other investments	-	(1)	(0)	(2)
Interest, dividends and other proceeds received	1	1	3	1
Property and equipment purchased	(7)	(6)	(11)	(13)
Net cash flows from (used in) investing activities	(263)	(87)	(582)	(220)
Effect of foreign currency on cash and cash equivalents	5	5	(4)	(9)
Increase (decrease) in cash	(81)	221	94	269
Cash, beginning of period	\$ 932	\$ 364	\$ 758	\$ 316
Cash, end of period	851	585	851	585

