

Constellation Software Inc. Announces Results for the Third Quarter Ended September 30, 2021, Declares Quarterly Dividend, and appoints John Billowits as Chair of the Board of Directors

TORONTO, ONTARIO (November 4, 2021) -- Constellation Software Inc. (TSX:CSU) (“Constellation” or the “Company”) today announced its financial results for the third quarter ended September 30, 2021 and declared a \$1.00 per share dividend payable on January 11, 2022 to all common shareholders of record at close of business on December 20, 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 nine months ended September 30, 2021 and the accompanying notes, our Management Discussion and Analysis for the three and nine months ended September 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

Q3 2021 Headlines:

- Revenue grew 30% (7% organic growth, 5% after adjusting for changes in foreign exchange rates) to \$1,299 million compared to \$1,003 million in Q3 2020.
- Net income attributable to common shareholders decreased 13% to \$107 million (\$5.04 on a diluted per share basis) from \$122 million (\$5.76 on a diluted per share basis) in Q3 2020.
- A number of acquisitions were completed for aggregate cash consideration of \$126 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of \$47 million resulting in total consideration of \$173 million.
- Cash flows from operations (“CFO”) were \$292 million, an increase of 25%, or \$58 million, compared to \$234 million for the comparable period in 2020.
- Free cash flow available to shareholders¹ (“FCFA2S”) increased \$45 million to \$226 million compared to \$181 million for the same period in 2020.
- Subsequent to September 30, 2021, the Company completed or entered into agreements to acquire a number of businesses for aggregate cash consideration of \$329 million. Deferred payments associated with these acquisitions have an estimated value of \$41 million resulting in total consideration of \$370 million.

Total revenue for the quarter ended September 30, 2021 was \$1,299 million, an increase of 30%, or \$296 million, compared to \$1,003 million for the comparable period in 2020. For the first nine months of 2021 total revenues were \$3,724 million, an increase of 29%, or \$846 million, compared to \$2,878 million for the comparable period in 2020. The increase for both the three and nine 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 7% and 9% respectively, and 5% for both periods 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 September 30, 2021 was \$107 million compared to net income of \$122 million for the same period in 2020. On a per share basis this translated into a net income per diluted share of \$5.04 in the quarter ended September 30, 2021 compared to net income per diluted share of \$5.76 for the same period in 2020. For the nine months ended September 30, 2021, net income attributable to common shareholders of CSI was \$186 million or \$8.79 per diluted share compared to \$288 million or \$13.58 per diluted share for the same period in 2020. There was no change in the number of shares outstanding.

For the quarter ended September 30, 2021, CFO increased \$58 million to \$292 million compared to \$234 million for the same period in 2020 representing an increase of 25%. For the first nine months of 2021, CFO increased

1. See Non-IFRS measures.

\$127 million to \$959 million compared to \$831 million during the same period in 2020, representing an increase of 15%.

For the quarter ended September 30, 2021, FCFA2S increased \$45 million to \$226 million compared to \$181 million for the same period in 2020. For the first nine months of 2021, FCFA2S decreased \$43 million to \$639 million compared to \$682 million during the same period in 2020, representing a decrease of 6%.

The directors of Constellation have unanimously agreed to appoint John Billowits, a current director and former Chief Executive Officer of Constellation's Vela operating group, as the Chair of the Board of Directors of the Company. Mark Leonard will continue in his current position as the President of the Company and (apart from relinquishing his duties as Chairman) his role and responsibilities within Constellation will remain unchanged. Mr. Leonard stated: "John brings intimate knowledge of the business of Constellation and has the deep respect of all of our directors and operating group managers, and so I'm very happy to leave the duties of Chair in John's very capable hands."

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 September 30,		Nine months ended September 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	292	234	959	831
Adjusted for:				
Interest paid on lease obligations	(2)	(2)	(7)	(6)
Interest paid on other facilities	(12)	(8)	(30)	(22)
Credit facility transaction costs	(0)	(0)	(4)	(0)
Payments of lease obligations	(21)	(17)	(61)	(47)
IRGA / TSS membership liability revaluation charge	(25)	(20)	(107)	(55)
Property and equipment purchased	(7)	(5)	(18)	(19)
Interest and dividends received	1	0	1	0
	<hr/>	<hr/>	<hr/>	<hr/>
	226	181	732	682
Less amount attributable to Non-controlling interests	1		(93)	-
Free cash flow available to shareholders	226	181	639	682

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

	September 30, 2021	December 31, 2020	September 30, 2020
Assets			
Current assets:			
Cash	\$ 961	\$ 758	\$ 565
Accounts receivable	512	483	420
Unbilled revenue	144	98	102
Inventories	32	27	30
Other assets	278	219	217
	<u>1,929</u>	<u>1,585</u>	<u>1,333</u>
Non-current assets:			
Property and equipment	91	86	80
Right of use assets	252	251	239
Deferred income taxes	63	52	50
Other assets	94	75	79
Intangible assets	3,006	2,325	2,097
	<u>3,506</u>	<u>2,790</u>	<u>2,546</u>
Total assets	\$ 5,434	\$ 4,375	\$ 3,879
Liabilities and Shareholders' Equity			
Current liabilities:			
Debt with recourse to Constellation Software Inc.	\$ 137	\$ 113	\$ 104
Debt without recourse to Constellation Software Inc.	54	28	4
Redeemable preferred securities	7	-	-
Accounts payable and accrued liabilities	720	666	535
Dividends payable	21	21	21
Deferred revenue	1,168	962	917
Provisions	11	12	11
Acquisition holdback payables	92	85	71
Lease obligations	81	74	68
Income taxes payable	86	78	90
	<u>2,377</u>	<u>2,040</u>	<u>1,821</u>
Non-current liabilities:			
Debt with recourse to Constellation Software Inc.	550	421	397
Debt without recourse to Constellation Software Inc.	325	199	169
Deferred income taxes	393	285	253
Acquisition holdback payables	49	37	30
Lease obligations	195	201	191
Other liabilities	145	146	116
	<u>1,656</u>	<u>1,288</u>	<u>1,155</u>
Total liabilities	4,034	3,328	2,976
Shareholders' equity:			
Capital stock	99	99	99
Other equity	(162)	-	-
Accumulated other comprehensive income (loss)	(69)	(31)	(49)
Retained earnings	1,103	980	852
Non-controlling interests	429	-	-
	<u>1,401</u>	<u>1,048</u>	<u>902</u>
Total liabilities and shareholders' equity	\$ 5,434	\$ 4,375	\$ 3,879

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 nine months ended September 30, 2021

Unaudited

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenue				
License	\$ 69	\$ 57	\$ 206	\$ 166
Professional services	256	187	747	534
Hardware and other	45	45	127	122
Maintenance and other recurring	929	713	2,643	2,056
	1,299	1,003	3,724	2,878
Expenses				
Staff	676	504	1,982	1,493
Hardware	25	25	71	70
Third party license, maintenance and professional services	113	82	317	237
Occupancy	10	9	30	26
Travel, telecommunications, supplies, software and equipment	46	32	129	114
Professional fees	21	15	53	41
Other, net	21	5	41	10
Depreciation	31	26	90	77
Amortization of intangible assets	134	103	376	293
	1,077	800	3,087	2,362
Foreign exchange loss (gain)	(5)	1	(3)	5
IRGA/TSS Membership liability revaluation charge	25	20	107	55
Finance and other expense (income)	(4)	(2)	(9)	(4)
Bargain purchase gain	(1)	(0)	(1)	(0)
Impairment of intangible and other non-financial assets	1	3	7	11
Redeemable preferred securities expense (income)	-	-	295	-
Finance costs	18	13	50	34
	34	34	446	101
Income (loss) before income taxes	188	168	190	414
Current income tax expense (recovery)	70	62	209	177
Deferred income tax expense (recovery)	(4)	(16)	(43)	(50)
Income tax expense (recovery)	67	46	166	127
Net income (loss)	121	122	24	288
Net income (loss) attributable to:				
Common shareholders of Constellation Software Inc.	107	122	186	288
Non-controlling interests	15	-	(162)	-
Net income (loss)	121	122	24	288
Earnings per common share of Constellation Software Inc.				
Basic and diluted	\$ 5.04	\$ 5.76	\$ 8.79	\$ 13.58

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 nine months ended September 30, 2021

Unaudited

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net income (loss)	\$ 121	\$ 122	\$ 24	\$ 288
Items that are or may be reclassified subsequently to net income (loss):				
Foreign currency translation differences from foreign operations and other	(21)	8	(39)	(9)
Other comprehensive income (loss) for the period, net of income tax	(21)	8	(39)	(9)
Total comprehensive income (loss) for the period	\$ 100	\$ 130	\$ (15)	\$ 279
Total other comprehensive income (loss) attributable to:				
Common shareholders of Constellation Software Inc.	(13)	8	(19)	(9)
Non-controlling interests	(8)	-	(19)	-
Total other comprehensive income (loss)	\$ (21)	\$ 8	\$ (39)	\$ (9)
Total comprehensive income (loss) attributable to:				
Common shareholders of Constellation Software Inc.	93	130	167	279
Non-controlling interests	7	-	(182)	-
Total comprehensive income (loss)	\$ 100	\$ 130	\$ (15)	\$ 279

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

Nine months ended September 30, 2021

	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, 2021	\$ 99	\$ -	\$ (31)	\$ 980	\$ 1,048	-	\$ 1,048
<i>Total comprehensive income (loss) for the period:</i>							
Net income (loss)	-	-	-	186	186	(162)	24
<i>Other comprehensive income (loss)</i>							
Foreign currency translation differences from foreign operations and other	-	-	(19)	-	(19)	(19)	(39)
Total other comprehensive income (loss) for the period	-	-	(19)	-	(19)	(19)	(39)
Total comprehensive income (loss) for the period	-	-	(19)	186	167	(182)	(15)
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	-	1	1	1	3
Dividends to shareholders of the Company	-	-	-	(64)	(64)	-	(64)
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 September 30, 2021	\$ 99	\$ (162)	\$ (69)	\$ 1,103	\$ 972	\$ 429	\$ 1,401

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

Nine months ended September 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)	-	-	-	288	288	-	288
<i>Other comprehensive income (loss)</i>							
Foreign currency translation differences from foreign operations and other	-	-	(9)	-	(9)	-	(9)
Total other comprehensive income (loss) for the period	-	-	(9)	-	(9)	-	(9)
Total comprehensive income (loss) for the period	-	-	(9)	288	279	-	279
Transactions with owners, recorded directly in equity							
Dividends to shareholders of the Company	-	-	-	(64)	(64)	-	(64)
Balance at September 30, 2020	\$ 99	\$ -	\$ (49)	\$ 852	\$ 902	\$ -	\$ 902

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 nine months ended September 30, 2021

Unaudited

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Cash flows from (used in) operating activities:				
Net income (loss)	\$ 121	\$ 122	\$ 24	\$ 288
Adjustments for:				
Depreciation	31	26	90	77
Amortization of intangible assets	134	103	376	293
IRGA/TSS Membership liability revaluation charge	25	20	107	55
Finance and other expense (income)	(4)	(2)	(9)	(4)
Bargain purchase (gain)	(1)	(0)	(1)	(0)
Impairment of intangible and other non-financial assets	1	3	7	11
Redeemable preferred securities expense (income)	-	-	295	-
Finance costs	18	13	50	34
Income tax expense (recovery)	67	46	166	127
Foreign exchange loss (gain)	(5)	1	(3)	5
Change in non-cash operating assets and liabilities exclusive of effects of business combinations	(47)	(32)	53	69
Income taxes paid	(48)	(66)	(196)	(123)
Net cash flows from (used in) operating activities	292	234	959	831
Cash flows from (used in) financing activities:				
Interest paid on lease obligations	(2)	(2)	(7)	(6)
Interest paid on debt	(12)	(8)	(30)	(22)
Increase (decrease) in CSI facility	-	(100)	-	(65)
Increase (decrease) in revolving credit debt facilities without recourse to CSI	12	-	24	(55)
Proceeds from issuance of term debt facilities without recourse to CSI	6	7	140	22
Repayments of term debt facilities without recourse to CSI	(2)	(1)	(4)	(5)
Credit facility transaction costs	(0)	(0)	(4)	(0)
Payments of lease obligations	(21)	(17)	(61)	(47)
Distribution to the Joday Group	-	-	(22)	-
Dividends paid	(21)	(21)	(64)	(64)
Net cash flows from (used in) financing activities	(41)	(143)	(29)	(242)
Cash flows from (used in) investing activities:				
Acquisition of businesses	(130)	(123)	(736)	(298)
Cash obtained with acquired businesses	28	31	112	55
Post-acquisition settlement payments, net of receipts	(16)	(24)	(101)	(79)
Receipt of additional subscription amount from the sellers of Topicus.com B.V.	-	-	33	-
Purchases of other investments	(14)	-	(15)	(2)
Proceeds from sales of other investments	8	-	8	-
Interest, dividends and other proceeds received	1	1	4	2
Property and equipment purchased	(7)	(5)	(18)	(19)
Net cash flows from (used in) investing activities	(131)	(120)	(713)	(340)
Effect of foreign currency on cash and cash equivalents	(10)	8	(13)	(1)
Increase (decrease) in cash	110	(21)	203	249
Cash, beginning of period	\$ 851	\$ 585	\$ 758	\$ 316
Cash, end of period	961	565	961	565