

## **Constellation Software Inc. Announces Results for the Fourth Quarter and Year Ended December 31, 2020 and Declares Quarterly Dividend**

**TORONTO, ONTARIO (February 12, 2021)** -- Constellation Software Inc. (TSX:CSU) (“Constellation” or the “Company”) today announced its financial results for the fourth quarter and year ended December 31, 2020 and declared a \$1.00 per share dividend payable on April 9, 2021 to all common shareholders of record at close of business on March 16, 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 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](http://www.sedar.com) and on the Company’s website [www.csisoftware.com](http://www.csisoftware.com). Additional information about the Company is also available on SEDAR at [www.sedar.com](http://www.sedar.com).

Our board continues to applaud the efforts of our employees during the disruption caused by COVID-19. We’d like to thank those who have gone beyond the call of duty in supporting their colleagues and our customers.

### **Q4 2020 Headlines:**

- Revenue grew 14% (1% organic growth, negative 1% after adjusting for changes in foreign exchange rates) to \$1,091 million compared to \$956 million in Q4 2019.
- Net income increased 62% to \$149 million (\$7.02 on a diluted per share basis) from \$92 million (\$4.34 on a diluted per share basis) in Q4 2019.
- A number of acquisitions were completed for aggregate cash consideration of \$179 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of \$60 million resulting in total consideration of \$239 million.
- Cash flows from operations (“CFO”) was \$355 million, an increase of 39%, or \$100 million, compared to \$255 million for the comparable period in 2019.
- Free cash flow available to shareholders (“FCFA2S”) increased \$113 million to \$307 million compared to \$193 million for the same period in 2019 representing an increase of 59%.
- The Company determined that certain of its subsidiaries qualified for an estimated aggregate amount of \$11 million of grants from various government authorities, and recognized such amounts as a reduction to expenses in the quarter.
- On January 5, 2021, the Company completed its purchase of 100% of the shares of Topicus.com B.V. (“Topicus B.V.”), a Netherlands-based diversified vertical market software provider and in connection with the closing of the acquisition, the TSS operating group has been spun out of Constellation and now operates, together with Topicus, as a separate public company.

### **2020 Headlines:**

- Revenue grew 14% (negative 3% organic growth, negative 3% after adjusting for changes in foreign exchange rates) to \$3,969 million compared to \$3,490 million in 2019.
- Net income increased 31% to \$436 million (\$20.59 on a diluted per share basis) from \$333 million (\$15.73 on a diluted per share basis) in 2019.
- A number of acquisitions were completed for aggregate cash consideration of \$477 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of \$151 million resulting in total consideration of \$628 million.
- Cash flows from operations (“CFO”) was \$1,186 million, an increase of 55%, or \$419 million, compared to \$767 million for the comparable period in 2019.
- Free cash flow available to shareholders (“FCFA2S”) increased \$399 million to \$989 million compared to \$590 million for the same period in 2019 representing an increase of 68%.

- The Company determined that certain of its subsidiaries qualified for an estimated aggregate amount of \$41 million of grants from various government authorities, and recognized such amounts as a reduction to expenses in the year.

Total revenue for the quarter ended December 31, 2020 was \$1,091 million, an increase of 14%, or \$135 million, compared to \$956 million for the comparable period in 2019. For the year ended December 31, 2020 total revenues were \$3,969 million, an increase of 14%, or \$479 million, compared to \$3,490 million for the 2019 fiscal year. The increase for both the three and twelve 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 1% and negative 3% respectively, negative 1% and negative 3% after adjusting for the impact of changes in the valuation of the US dollar against most major currencies in which the Company transacts business.

Net income for the quarter ended December 31, 2020 was \$149 million compared to net income of \$92 million for the same period in 2019. On a per share basis, this translated into a net income per diluted share of \$7.02 in the quarter ended December 31, 2020 compared to net income per diluted share of \$4.34 for the same period in 2019. For the year ended December 31, 2020, net income was \$436 million or \$20.59 per diluted share compared to \$333 million or \$15.73 per diluted share for the 2019 fiscal year.

For the quarter ended December 31, 2020, CFO increased \$100 million to \$355 million compared to \$255 million for the same period in 2019 representing an increase of 39%. For the year ended December 31, 2020, CFO increased \$419 million to \$1,186 million compared to \$767 million for the 2019 fiscal year, representing an increase of 55%.

For the quarter ended December 31, 2020, FCFA2S increased \$113 million to \$307 million compared to \$193 million for the same period in 2019 representing an increase of 59%. For the year ended December 31, 2020, FCFA2S increased \$399 million to \$989 million compared to \$590 million for the 2019 fiscal year, representing an increase of 68%.

### **Spin-Out of Topicus.com Inc.**

On January 5, 2021, the Company completed its purchase of 100% of the shares of Topicus.com B.V. ("Topicus B.V."), a Netherlands-based diversified vertical market software provider and in connection with the closing of the acquisition, the TSS operating group has been spun out of Constellation and now operates, together with Topicus, as a separate public company. (collectively, the "Spin-Out Transactions").

In connection with the completion of the Spin-Out Transactions, on January 4, 2021, all of Constellation's common shareholders of record on December 28, 2020 received, by way of a dividend-in-kind, 1.859817814 subordinate voting shares of Topicus.com (the "Spin-Out Shares") for each common share of Constellation held.

Constellation's equity interest in TSS prior to the Spin-Out Transactions was 66.7%. Constellation's equity interest in Topicus.com after completion of the Spin-Out Transactions on a fully diluted basis is approximately 30.4%. In addition, Constellation as the holder of a 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 voting shares at such time. As a result of the super voting share Constellation will consolidate Topicus.com.

### **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 December 31,		Year ended December 31,	
	2020	2019	2020	2019
	(\$ in millions, except percentages)		(\$ in millions, except percentages)	
<b>Net cash flows from operating activities</b>	355	255	1,186	767
<b>Adjusted for:</b>				
Interest paid on lease obligations	(2)	(2)	(8)	(7)
Interest paid on other facilities	(10)	(8)	(32)	(31)
Credit facility transaction costs	(1)	(2)	(2)	(3)
Payments of lease obligations	(19)	(17)	(66)	(51)
TSS membership liability revaluation charge	(10)	(22)	(65)	(52)
Property and equipment purchased	(6)	(10)	(25)	(34)
Interest and dividends received	0	0	1	3
Free cash flow available to shareholders	307	193	989	590

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.)

	December 31, 2020	December 31, 2019
<b>Assets</b>		
Current assets:		
Cash	\$ 758	\$ 316
Accounts receivable	483	422
Unbilled revenue	98	110
Inventories	27	31
Other assets	219	184
	1,585	1,062
Non-current assets:		
Property and equipment	86	78
Right of use assets	251	234
Deferred income taxes	52	45
Other assets	75	72
Intangible assets	2,325	1,997
	2,790	2,425
<b>Total assets</b>	<b>\$ 4,375</b>	<b>\$ 3,488</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
CSI facility	\$ -	\$ 63
Debt without recourse to Constellation Software Inc.	28	57
TSS membership liability	113	86
Accounts payable and accrued liabilities	666	529
Dividends payable	21	21
Deferred revenue	962	788
Provisions	12	13
Acquisition holdback payables	85	76
Lease obligations	74	62
Income taxes payable	78	36
	2,040	1,732
Non-current liabilities:		
Debt without recourse to Constellation Software Inc.	199	153
TSS membership liability	198	136
Debentures	223	222
Deferred income taxes	285	246
Acquisition holdback payables	37	25
Lease obligations	201	187
Other liabilities	146	101
	1,288	1,069
<b>Total liabilities</b>	<b>3,328</b>	<b>2,800</b>
Shareholders' equity:		
Capital stock	99	99
Accumulated other comprehensive income (loss)	(31)	(40)
Retained earnings	980	628
	1,048	687
<b>Total liabilities and shareholders' equity</b>	<b>\$ 4,375</b>	<b>\$ 3,488</b>

# CONSTELLATION SOFTWARE INC.

## Consolidated Statements of Income

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

	Years ended December 31,	
	2020	2019
<b>Revenue</b>		
License	\$ 234	\$ 226
Professional services	751	673
Hardware and other	169	173
Maintenance and other recurring	2,815	2,417
	<u>3,969</u>	<u>3,490</u>
<b>Expenses</b>		
Staff	2,050	1,797
Hardware	97	101
Third party license, maintenance and professional services	330	300
Occupancy	35	35
Travel, telecommunications, supplies, software and equipment	152	201
Professional fees	60	49
Other, net	13	73
Depreciation	105	92
Amortization of intangible assets	403	331
	<u>3,246</u>	<u>2,979</u>
Foreign exchange loss (gain)	2	11
TSS membership liability revaluation charge	65	52
Finance and other expense (income)	(4)	(4)
Bargain purchase gain	(2)	(45)
Impairment of intangible and other non-financial assets	12	-
Finance costs	46	42
	<u>120</u>	<u>55</u>
Income before income taxes	603	456
Current income tax expense (recovery)	221	164
Deferred income tax expense (recovery)	(55)	(41)
Income tax expense (recovery)	<u>167</u>	<u>123</u>
Net income	<u>436</u>	<u>333</u>
<b>Earnings per share</b>		
Basic and diluted	\$ 20.59	\$ 15.73

# CONSTELLATION SOFTWARE INC.

## Consolidated Statements of Comprehensive Income

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

	Years ended December 31,	
	2020	2019
Net income	\$ 436	\$ 333
Items that are or may be reclassified subsequently to net income:		
Foreign currency translation differences from foreign operations and other	9	(4)
Other comprehensive income (loss) for the period, net of income tax	9	(4)
Total comprehensive income (loss) for the period	\$ 445	\$ 330

# CONSTELLATION SOFTWARE INC.

Consolidated Statement of Changes in Equity

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

Year ended December 31, 2020	Capital stock	Accumulated other comprehensive income (loss)	Retained earnings	Total
		Cumulative translation account and other		
<b>Balance at January 1, 2020</b>	<b>\$ 99</b>	<b>\$ (40)</b>	<b>\$ 628</b>	<b>687</b>
<i>Total comprehensive income for the period:</i>				
Net income	-	-	436	436
<i>Other comprehensive income (loss)</i>				
Foreign currency translation differences from foreign operations and other	-	9	-	9
<b>Total other comprehensive income (loss) for the period</b>	<b>-</b>	<b>9</b>	<b>-</b>	<b>9</b>
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>9</b>	<b>436</b>	<b>445</b>
Transactions with owners, recorded directly in equity				
Dividends to shareholders of the Company	-	-	(85)	(85)
<b>Balance at December 31, 2020</b>	<b>\$ 99</b>	<b>\$ (31)</b>	<b>\$ 980</b>	<b>1,048</b>

# CONSTELLATION SOFTWARE INC.

Consolidated Statement of Changes in Equity

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

Year ended December 31, 2019

	Capital stock	Accumulated other comprehensive income (loss) Cumulative translation account and other	Retained earnings	Total
<b>Balance at January 1, 2019</b>	<b>\$ 99</b>		<b>\$(37)</b>	<b>\$ 804</b>
<i>Total comprehensive income for the period:</i>				
Net income	-		333	333
<i>Other comprehensive income (loss)</i>				
Foreign currency translation differences from foreign operations and other	-	(4)	-	(4)
<b>Total other comprehensive income (loss) for the period</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>(4)</b>
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>(4)</b>	<b>333</b>	<b>330</b>
Transactions with owners, recorded directly in equity				
Dividends to shareholders of the Company	-		(509)	(509)
<b>Balance at December 31, 2019</b>	<b>\$ 99</b>		<b>\$(40)</b>	<b>\$ 628</b>



# CONSTELLATION SOFTWARE INC.

## Consolidated Statements of Cash Flows

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

	Years ended December 31,	
	2020	2019
Cash flows from operating activities:		
Net income	\$ 436	\$ 333
Adjustments for:		
Depreciation	105	92
Amortization of intangible assets	403	331
TSS membership liability revaluation charge	65	52
Finance and other expense (income)	(4)	(4)
Bargain purchase (gain)	(2)	(45)
Impairment of intangible and other non-financial assets	12	-
Finance costs	46	42
Income tax expense (recovery)	167	123
Foreign exchange loss (gain)	2	11
Change in non-cash operating assets and liabilities exclusive of effects of business combinations	117	(28)
Income taxes paid	(162)	(140)
Net cash flows from (used in) operating activities	1,186	767
Cash flows from (used in) financing activities:		
Interest paid on lease obligations	(8)	(7)
Interest paid on other facilities	(32)	(31)
Increase (decrease) in CSI facility	(65)	65
Increase (decrease) in revolving credit under debt facilities without recourse to CSI	(31)	5
Proceeds from issuance of term debt under facilities without recourse to CSI	48	49
Repayments of term debt under facilities without recourse to CSI	(6)	(2)
Credit facility transaction costs	(2)	(3)
Payments of lease obligations	(66)	(51)
Distribution to TSS minority owners	-	(11)
Dividends paid	(85)	(509)
Net cash flows from (used in) in financing activities	(247)	(496)
Cash flows from (used in) investing activities:		
Acquisition of businesses	(477)	(549)
Cash obtained with acquired businesses	97	118
Post-acquisition settlement payments, net of receipts	(105)	(74)
Purchases of other investments	(4)	(11)
Interest, dividends and other proceeds received	2	6
Property and equipment purchased	(25)	(34)
Net cash flows from (used in) investing activities	(512)	(544)
Effect of foreign currency on cash and cash equivalents	15	1
Increase (decrease) in cash	442	(273)
Cash, beginning of period	316	589
Cash, end of period	\$ 758	\$ 316