

## Constellation Software Inc. Announces Results for the Third Quarter Ended September 30, 2020 and Declares Quarterly Dividend

**TORONTO, ONTARIO (November 2, 2020)** -- Constellation Software Inc. (TSX:CSU) (“Constellation” or the “Company”) today announced its financial results for the third quarter ended September 30, 2020 and declared a \$1.00 per share dividend payable on January 11, 2021 to all common shareholders of record at close of business on December 18, 2020. 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, 2020 and the accompanying notes, our Management Discussion and Analysis for the three and nine months ended September 30, 2020 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, 2019, 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 remains inspired by the dedication and commitment of the Constellation employees who continue to adapt and find new ways to provide value and make a difference in support of each other and our customers by finding opportunities in the challenges created by COVID-19.

### Q3 2020 Headlines:

- Revenue grew 15% (negative 1% organic growth, negative 3% after adjusting for changes in foreign exchange rates) to \$1,003 million compared to \$870 million in Q3 2019.
- Net income increased 50% to \$122 million (\$5.76 on a diluted per share basis) from \$82 million (\$3.85 on a diluted per share basis) in Q3 2019.
- A number of acquisitions were completed for aggregate cash consideration of \$123 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of \$25 million resulting in total consideration of \$148 million.
- Cash flows from operations (“CFO”) were \$234 million, an increase of 32%, or \$57 million, compared to \$177 million for the comparable period in 2019.
- Free cash flow available to shareholders<sup>1</sup> (“FCFA2S”) increased \$47 million to \$181 million compared to \$134 million for the same period in 2019.
- The Company determined that certain of its subsidiaries qualified for an estimated aggregate amount of \$12 million of grants from various government authorities, and recognized such amounts as a reduction to expenses in the quarter.
- On May 20, 2020 the Company entered into a binding agreement with IJssel B.V. to purchase 100% of the shares of Topicus.com B.V., a Netherlands-based diversified vertical market software provider. The transaction is currently expected to close in 2020, subject to the satisfaction of certain closing conditions.
- Subsequent to September 30, 2020, the Company completed or entered into agreements to acquire a number of businesses for aggregate cash consideration of \$47 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of \$19 million resulting in total consideration of \$66 million.

Total revenue for the quarter ended September 30, 2020 was \$1,003 million, an increase of 15%, or \$133 million, compared to \$870 million for the comparable period in 2019. For the first nine months of 2020 total revenues were \$2,878 million, an increase of 14%, or \$343 million, compared to \$2,534 million for the comparable period in 2019. 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 negative 1% and negative 4% respectively, and negative 3% 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.

1. See Non-IFRS measures.

Net income for the quarter ended September 30, 2020 was \$122 million compared to net income of \$82 million for the same period in 2019. On a per share basis, this translated into a net income per diluted share of \$5.76 in the quarter ended September 30, 2020 compared to net income per diluted share of \$3.85 for the same period in 2019. For the nine months ended September 30, 2020, net income was \$288 million or \$13.58 per diluted share compared to \$241 million or \$11.39 per diluted share for the same period in 2019.

For the quarter ended September 30, 2020, CFO increased \$57 million to \$234 million compared to \$177 million for the same period in 2019 representing an increase of 32%. For the first nine months of 2020, CFO increased \$320 million to \$831 million compared to \$512 million during the same period in 2019, representing an increase of 62%.

For the quarter ended September 30, 2020, FCFA2S increased \$47 million to \$181 million compared to \$134 million for the same period in 2019. For the first nine months of 2020, FCFA2S increased \$285 million to \$682 million compared to \$397 million during the same period in 2019, representing an increase of 72%.

The Company is closely monitoring the impact of COVID-19 on all aspects of its business. COVID-19 was declared a global pandemic by the World Health Organization on March 11, 2020. The COVID-19 pandemic has had disruptive effects in countries in which the Company operates and has adversely impacted many of its business units' operations to date, including through the cancellation by certain customers of their ongoing software maintenance contracts and the suspension or cancellation of new software purchases. The pandemic may also have an adverse impact on many of the Company's customers, including their ability to satisfy ongoing payment obligations to the Company, which could increase the Company's bad debt exposure. The future impacts of the pandemic and any resulting economic impact are largely unknown and rapidly evolving. It is possible that the COVID-19 pandemic, the measures taken by the governments of countries affected and the resulting economic impact may continue to adversely affect the Company's results of operations, cash flows and financial position as well as its customers in future periods, and this impact could be material.

## **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		Nine months ended	
	September 30,		September 30,	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	(\$ in millions, except percentages)		(\$ in millions, except percentages)	
<b>Net cash flows from operating activities</b>	234	177	831	512
<b>Adjusted for:</b>				
Interest paid on lease obligations	(2)	(2)	(6)	(5)
Interest paid on other facilities	(8)	(8)	(22)	(23)
Credit facility transaction costs	(0)	(0)	(0)	(0)
Payments of lease obligations	(17)	(12)	(47)	(35)
TSS membership liability revaluation charge	(20)	(12)	(55)	(30)
Property and equipment purchased	(5)	(9)	(19)	(24)
Interest and dividends received	0	0	1	3
Free cash flow available to shareholders	181	134	682	397

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.

#### **For further information:**

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**SOURCE: CONSTELLATION SOFTWARE INC.**

# CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim 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, 2020	December 31, 2019	September 30, 2019
<b>Assets</b>			
Current assets:			
Cash	\$ 565	\$ 316	\$ 235
Accounts receivable	420	422	390
Unbilled revenue	102	110	106
Inventories	30	31	43
Other assets	217	184	182
	1,333	1,062	956
Non-current assets:			
Property and equipment	80	78	70
Right of use assets	239	234	220
Deferred income taxes	50	45	38
Other assets	79	72	71
Intangible assets	2,097	1,997	1,882
	2,546	2,425	2,281
<b>Total assets</b>	<b>\$ 3,879</b>	<b>\$ 3,488</b>	<b>\$ 3,237</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
CSI facility	\$ -	\$ 63	\$ 21
Debt without recourse to Constellation Software Inc.	4	57	99
TSS membership liability	104	86	84
Accounts payable and accrued liabilities	535	529	454
Dividends payable	21	21	21
Deferred revenue	917	788	790
Provisions	11	13	14
Acquisition holdback payables	71	76	77
Lease obligations	68	62	57
Income taxes payable	90	36	30
	1,821	1,732	1,646
Non-current liabilities:			
Debt without recourse to Constellation Software Inc. (note 8)	169	153	115
TSS membership liability	184	136	110
Debentures	213	222	219
Deferred income taxes	253	246	241
Acquisition holdback payables	30	25	22
Lease obligations	191	187	179
Other liabilities	116	101	93
	1,155	1,069	978
<b>Total liabilities</b>	<b>2,976</b>	<b>2,800</b>	<b>2,624</b>
Shareholders' equity:			
Capital stock	99	99	99
Accumulated other comprehensive income (loss)	(49)	(40)	(44)
Retained earnings	852	628	558
	902	687	613
<b>Total liabilities and shareholders' equity</b>	<b>\$ 3,879</b>	<b>\$ 3,488</b>	<b>\$ 3,237</b>

# CONSTELLATION SOFTWARE INC.

## Condensed Consolidated Interim Statements of Income

(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, 2020 and 2019

Unaudited

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
<b>Revenue</b>				
License	\$ 57	\$ 51	\$ 166	\$ 165
Professional services	187	164	534	485
Hardware and other	45	45	122	122
Maintenance and other recurring	713	609	2,056	1,762
	1,003	870	2,878	2,534
<b>Expenses</b>				
Staff	504	434	1,493	1,316
Hardware	25	25	70	68
Third party license, maintenance and professional services	82	75	237	218
Occupancy	9	9	26	26
Travel, telecommunications, supplies, software and equipment	32	50	114	143
Professional fees	15	12	41	34
Other, net	5	18	10	53
Depreciation	26	23	77	65
Amortization of intangible assets	103	84	293	234
	800	730	2,362	2,158
Foreign exchange loss (gain)	1	6	5	20
TSS membership liability revaluation charge	20	12	55	30
Finance and other expense (income)	(2)	1	(4)	(2)
Bargain purchase gain	(0)	(7)	(0)	(36)
Impairment of intangible and other non-financial assets	3	-	11	-
Finance costs	13	11	34	29
	34	22	101	41
Income before income taxes	168	117	414	335
Current income tax expense (recovery)	62	44	177	121
Deferred income tax expense (recovery)	(16)	(8)	(50)	(28)
Income tax expense (recovery)	46	36	127	94
Net income	122	82	288	241
<b>Earnings per share</b>				
Basic and diluted	\$ 5.76	\$ 3.85	\$ 13.58	\$ 11.39

## CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Comprehensive Income

(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, 2020 and 2019

Unaudited

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net income	\$ 122	\$ 82	\$ 288	\$ 241
Items that are or may be reclassified subsequently to net income:				
Foreign currency translation differences from foreign operations	8	(12)	(9)	(7)
Deferred income tax recovery (expense)	-	-	-	-
Other comprehensive income (loss) for the period, net of income tax	8	(12)	(9)	(7)
Total comprehensive income (loss) for the period	\$ 130	\$ 70	\$ 279	\$ 234

# CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements 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

	Capital stock	Accumulated other comprehensive income (loss)	Retained earnings	Total
		Cumulative translation account		
<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	-	-	288	288
<i>Other comprehensive income (loss)</i>				
Foreign currency translation differences from foreign operations	-	(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>288</b>	<b>279</b>
Transactions with owners, recorded directly in equity				
Dividends to shareholders of the Company	-	-	(64)	(64)
<b>Balance at September 30, 2020</b>	<b>\$ 99</b>	<b>\$ (49)</b>	<b>\$ 852</b>	<b>902</b>

# CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements 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, 2019

	Capital stock	Accumulated other comprehensive income (loss) Cumulative translation account	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	-		241	241
<i>Other comprehensive income (loss)</i>				
Foreign currency translation differences from foreign operations	-	(7)	-	(7)
<b>Total other comprehensive income (loss) for the period</b>	<b>-</b>	<b>(7)</b>	<b>-</b>	<b>(7)</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(7)</b>	<b>241</b>	<b>234</b>
Transactions with owners, recorded directly in equity				
Dividends to shareholders of the Company	-		(487)	(487)
<b>Balance at September 30, 2019</b>	<b>\$ 99</b>		<b>\$(44)</b>	<b>\$ 558</b>



# 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, 2020 and 2019

Unaudited

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
<b>Cash flows from operating activities:</b>				
Net income	\$ 122	\$ 82	\$ 288	\$ 241
Adjustments for:				
Depreciation	26	23	77	65
Amortization of intangible assets	103	84	293	234
TSS membership liability revaluation charge	20	12	55	30
Finance and other expense (income)	(2)	1	(4)	(2)
Bargain purchase (gain)	(0)	(7)	(0)	(36)
Impairment of intangible and other non-financial assets	3	-	11	-
Finance costs	13	11	34	29
Income tax expense (recovery)	46	36	127	94
Foreign exchange loss (gain)	1	6	5	20
Change in non-cash operating assets and liabilities exclusive of effects of business combinations	(32)	(37)	69	(44)
Income taxes paid	(66)	(32)	(123)	(119)
<b>Net cash flows from (used in) operating activities</b>	<b>234</b>	<b>177</b>	<b>831</b>	<b>512</b>
<b>Cash flows from (used in) financing activities:</b>				
Interest paid on lease obligations	(2)	(2)	(6)	(5)
Interest paid on other facilities	(8)	(8)	(22)	(23)
Increase (decrease) in CSI facility	(100)	22	(65)	22
Increase (decrease) in revolving credit under debt facilities without recourse to CSI	-	89	(55)	49
Proceeds from issuance of term debt under facilities without recourse to CSI	7	11	22	11
Repayments of term debt under facilities without recourse to CSI	(1)	(0)	(5)	(2)
Credit facility transaction costs	(0)	(0)	(0)	(0)
Payments of lease obligations	(17)	(12)	(47)	(35)
Distribution to TSS minority owners	-	-	-	(11)
Dividends paid	(21)	(21)	(64)	(487)
<b>Net cash flows from (used in) in financing activities</b>	<b>(143)</b>	<b>79</b>	<b>(242)</b>	<b>(481)</b>
<b>Cash flows from (used in) investing activities:</b>				
Acquisition of businesses	(123)	(278)	(298)	(408)
Cash obtained with acquired businesses	31	68	55	103
Post-acquisition settlement payments, net of receipts	(24)	(8)	(79)	(45)
Purchases of other investments	-	(4)	(2)	(9)
Interest, dividends and other proceeds received	1	2	2	5
Property and equipment purchased	(5)	(9)	(19)	(24)
<b>Net cash flows from (used in) investing activities</b>	<b>(120)</b>	<b>(228)</b>	<b>(340)</b>	<b>(378)</b>
Effect of foreign currency on cash and cash equivalents	8	(7)	(1)	(6)
Increase (decrease) in cash	(21)	21	249	(354)
Cash, beginning of period	585	214	316	589
<b>Cash, end of period</b>	<b>\$ 565</b>	<b>\$ 235</b>	<b>565</b>	<b>235</b>