

Constellation Software Inc. Announces Results for the Fourth Quarter and Year Ended December 31, 2021 and Declares Quarterly Dividend

TORONTO, ONTARIO (February 10, 2022) -- Constellation Software Inc. (TSX:CSU) (“Constellation” or the “Company”) today announced its financial results for the fourth quarter and year ended December 31, 2021 and declared a \$1.00 per share dividend payable on April 12, 2022 to all common shareholders of record at close of business on March 16, 2022. 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, 2021, 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.

Q4 2021 Headlines:

- Revenue grew 27% (4% organic growth, 5% after adjusting for changes in foreign exchange rates) to \$1,383 million compared to \$1,091 million in Q4 2020.
- Net income attributable to common shareholders decreased 17% to \$124 million (\$5.86 on a diluted per share basis) from \$149 million (\$7.02 on a diluted per share basis) in Q4 2020.
- A number of acquisitions were completed for aggregate cash consideration of \$487 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of \$79 million resulting in total consideration of \$566 million.
- Cash flows from operations (“CFO”) was \$341 million, a decrease of 4%, or \$14 million, compared to \$355 million for the comparable period in 2020.
- Free cash flow available to shareholders (“FCFA2S”) decreased \$63 million to \$244 million compared to \$307 million for the same period in 2020 representing a decrease of 21%.
- Subsequent to December 31, 2021, the Company completed or entered into agreements to acquire a number of businesses for aggregate cash consideration of \$130 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of \$21 million resulting in total consideration of \$150 million.

2021 Headlines:

- Revenue grew 29% (7% organic growth, 5% after adjusting for changes in foreign exchange rates) to \$5,106 million compared to \$3,969 million in 2020.
- Net income attributable to common shareholders decreased 29% to \$310 million (\$14.65 on a diluted per share basis) from \$436 million (\$20.59 on a diluted per share basis) in Q4 2020.
- A number of acquisitions were completed for total consideration of \$1,517 million including holdbacks, contingent consideration and amounts related to Topicus.com B.V.
- Cash flows from operations (“CFO”) was \$1,300 million, an increase of 10%, or \$114 million, compared to \$1,186 million for the comparable period in 2020.
- Free cash flow available to shareholders (“FCFA2S”) decreased \$106 million to \$883 million compared to \$989 million for the same period in 2020 representing a decrease of 11%.

Total revenue for the quarter ended December 31, 2021 was \$1,383 million, an increase of 27%, or \$291 million, compared to \$1,091 million for the comparable period in 2020. For the year ended December 31, 2021 total revenues were \$5,106 million, an increase of 29%, or \$1,137 million, compared to \$3,969 million for the 2020 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 4% and 7%, respectively, 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. Organic growth is not a standardized financial measure and might not be comparable to measures disclosed by other issuers.

The net income attributable to common shareholders of the Company for the quarter ended December 31, 2021 was \$124 million compared to net income of \$149 million for the same period in 2020. On a per share basis, this translated into a net income per basic and diluted share of \$5.86 in the quarter ended December 31, 2021 compared to net income per basic and diluted share of \$7.02 for the same period in 2020. For the year ended December 31, 2021, net income attributable to common shareholders of the Company was \$310 million or \$14.65 per diluted share compared to \$436 million or \$20.59 per diluted share for the same period in 2020. There was no change in the number of shares outstanding.

For the quarter ended December 31, 2021, CFO decreased \$14 million to \$341 million compared to \$355 million for the same period in 2020 representing a decrease of 4%. For the year ended December 31, 2021, CFO increased \$114 million to \$1,300 million compared to \$1,186 million for the 2020 fiscal year, representing an increase of 10%.

For the quarter ended December 31, 2021, FCFA2S decreased \$63 million to \$244 million compared to \$307 million for the same period in 2020 representing a decrease of 21%. For the year ended December 31, 2021, FCFA2S decreased \$106 million to \$883 million compared to \$989 million for the 2020 fiscal year, representing an decrease of 11%. The increase in the IRGA / TSS membership liability revaluation charge as well as the non-controlling interests, both primarily related to the purchase of Topicus.com B.V, were the main reasons for the decrease.

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 IRGA / TSS membership liability revaluation charge, and property and equipment purchased, and includes interest and dividends received. The portion of this amount applicable to non-controlling interests is then deducted. We believe that FCFA2S is useful supplemental information as it provides an indication of the uncommitted cash flow that is available to shareholders if we do not make any acquisitions, or investments, and do not repay any debts. While we could use the FCFA2S to pay dividends or repurchase shares, our objective is to invest all of our FCFA2S in acquisitions which meet our hurdle rate.

FCFA2S is not a recognized measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. 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,	
	<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	341	355	1,300	1,186
Adjusted for:				
Interest paid on lease obligations	(2)	(2)	(9)	(8)
Interest paid on other facilities	(10)	(10)	(40)	(32)
Credit facility transaction costs	(2)	(1)	(6)	(2)
Payments of lease obligations	(22)	(19)	(83)	(66)
IRGA / TSS membership liability revaluation charge	(25)	(10)	(132)	(65)
Property and equipment purchased	(10)	(6)	(29)	(25)
Interest and dividends received	0	0	2	1
	<u>271</u>	<u>307</u>	<u>1,003</u>	<u>989</u>
Less amount attributable to Non-controlling interests	(27)	-	(120)	-
Free cash flow available to shareholders	244	307	883	989

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:

Jamal Baksh
 Chief Financial Officer
 (416) 861-9677
info@csissoftware.com
www.csissoftware.com

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, 2021	December 31, 2020
Assets		
Current assets:		
Cash	\$ 763	\$ 758
Accounts receivable	600	483
Unbilled revenue	140	98
Inventories	35	27
Other assets	296	219
	1,835	1,585
Non-current assets:		
Property and equipment	93	86
Right of use assets	245	251
Deferred income taxes	66	52
Other assets	99	75
Intangible assets	3,428	2,325
	3,931	2,790
Total assets	\$ 5,766	\$ 4,375
Liabilities and Shareholders' Equity		
Current liabilities:		
Debt with recourse to Constellation Software Inc.	\$ 143	\$ 113
Debt without recourse to Constellation Software Inc.	60	28
Redeemable preferred securities	7	-
Accounts payable and accrued liabilities	832	666
Dividends payable	22	21
Deferred revenue	1,158	962
Provisions	11	12
Acquisition holdback payables	94	85
Lease obligations	79	74
Income taxes payable	56	78
	2,461	2,040
Non-current liabilities:		
Debt with recourse to Constellation Software Inc.	561	421
Debt without recourse to Constellation Software Inc.	354	199
Deferred income taxes	436	285
Acquisition holdback payables	68	37
Lease obligations	190	201
Other liabilities	175	146
	1,784	1,288
Total liabilities	4,245	3,328
Shareholders' equity:		
Capital stock	99	99
Other equity	(179)	-
Accumulated other comprehensive income (loss)	(66)	(31)
Retained earnings	1,206	980
Non-controlling interests	460	-
	1,521	1,048
Total liabilities and shareholders' equity	\$ 5,766	\$ 4,375

CONSTELLATION SOFTWARE INC.

Consolidated Statements of Income (loss)

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

	Years ended December 31,	
	2021	2020
Revenue		
License	\$ 287	\$ 234
Professional services	1,033	751
Hardware and other	176	169
Maintenance and other recurring	3,611	2,815
	5,106	3,969
Expenses		
Staff	2,695	2,050
Hardware	99	97
Third party license, maintenance and professional services	433	330
Occupancy	40	35
Travel, telecommunications, supplies, software and equipment	186	152
Professional fees	79	60
Other, net	62	13
Depreciation	121	105
Amortization of intangible assets	518	403
	4,233	3,246
Foreign exchange loss (gain)	1	2
IRGA/TSS Membership liability revaluation charge	132	65
Finance and other expense (income)	(7)	(4)
Bargain purchase gain	(2)	(2)
Impairment of intangible and other non-financial assets	12	12
Redeemable preferred securities expense (income)	295	-
Finance costs	68	46
	499	120
Income (loss) before income taxes	374	603
Current income tax expense (recovery)	257	221
Deferred income tax expense (recovery)	(51)	(55)
Income tax expense (recovery)	206	167
Net income (loss)	169	436
Net income (loss) attributable to:		
Common shareholders of Constellation Software Inc.	310	436
Non-controlling interests	(142)	-
Net income (loss)	169	436
Earnings per common share of Constellation Software Inc.		
Basic and diluted	\$ 14.65	\$ 20.59

CONSTELLATION SOFTWARE INC.

Consolidated Statements of Comprehensive Income (Loss)

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

	Years ended December 31,	
	2021	2020
Net income (loss)	\$ 169	\$ 436
Items that are or may be reclassified subsequently to net income (loss):		
Foreign currency translation differences from foreign operations and other, net of tax	(41)	9
Other comprehensive income (loss) for the year, net of income tax	(41)	9
Total comprehensive income (loss) for the year	\$ 128	\$ 445
Total other comprehensive income (loss) attributable to:		
Common shareholders of Constellation Software Inc.	(16)	9
Non-controlling interests	(25)	-
Total other comprehensive income (loss)	\$ (41)	\$ 9
Total comprehensive income (loss) attributable to:		
Common shareholders of Constellation Software Inc.	294	445
Non-controlling interests	(167)	-
Total comprehensive income (loss)	\$ 128	\$ 445

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, 2021

	Equity Attributable to Common 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 year:</i>							
Net income (loss)	-	-	-	310	310	(142)	169
<i>Other comprehensive income (loss)</i>							
Foreign currency translation differences from foreign operations and other, net of tax	-	-	(16)	-	(16)	(25)	(41)
Total other comprehensive income (loss) for the year	-	-	(16)	-	(16)	(25)	(41)
Total comprehensive income (loss) for the year	-	-	(16)	310	294	(167)	128
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 (note 4)	-	(21)	(2)	-	(23)	23	-
Net acquisition of non-controlling interest associated with acquisitions and other movements	-	(16)	(0)	0	(16)	17	1
Dividends to shareholders of the Company	-	-	-	(85)	(85)	-	(85)
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 December 31, 2021	\$ 99	\$ (179)	\$ (66)	\$ 1,206	\$ 1,061	\$ 460	\$ 1,521

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

	Equity Attributable to Common 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 year:</i>							
Net income (loss)	-	-	-	436	436	-	436
<i>Other comprehensive income (loss)</i>							
Foreign currency translation differences from foreign operations and other, net of tax	-	-	9	-	9	-	9
Total other comprehensive income (loss) for the year	-	-	9	-	9	-	9
Total comprehensive income (loss) for the year	-	-	9	436	445	-	445
Transactions with owners, recorded directly in equity							
Dividends to shareholders of the Company	-	-	-	(85)	(85)	-	(85)
Balance at December 31, 2020	\$ 99	\$ -	\$ (31)	\$ 980	\$ 1,048	\$ -	\$ 1,048

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,	
	2021	2020
Cash flows from (used in) operating activities:		
Net income (loss)	\$ 169	\$ 436
Adjustments for:		
Depreciation	121	105
Amortization of intangible assets	518	403
IRGA/TSS Membership liability revaluation charge	132	65
Finance and other expense (income)	(7)	(4)
Bargain purchase (gain)	(2)	(2)
Impairment of intangible and other non-financial assets	12	12
Redeemable preferred securities expense (income)	295	-
Finance costs	68	46
Income tax expense (recovery)	206	167
Foreign exchange loss (gain)	1	2
Change in non-cash operating assets and liabilities exclusive of effects of business combinations	45	117
Income taxes paid	(257)	(162)
Net cash flows from (used in) operating activities	1,300	1,186
Cash flows from (used in) financing activities:		
Interest paid on lease obligations	(9)	(8)
Interest paid on debt	(40)	(32)
Increase (decrease) in CSI facility	-	(65)
Increase (decrease) in revolving credit debt facilities without recourse to CSI	30	(31)
Proceeds from issuance of term debt facilities without recourse to CSI	176	48
Repayments of term debt facilities without recourse to CSI	(6)	(6)
Other financing activities	3	-
Credit facility transaction costs	(6)	(2)
Payments of lease obligations	(83)	(66)
Distribution to the Joday Group	(22)	-
Dividends paid	(85)	(85)
Net cash flows from (used in) in financing activities	(41)	(247)
Cash flows from (used in) investing activities:		
Acquisition of businesses	(1,224)	(477)
Cash obtained with acquired businesses	153	97
Post-acquisition settlement payments, net of receipts	(145)	(105)
Receipt of additional subscription amount from the sellers of Topicus.com B.V.	33	-
Purchases of other investments	(44)	(4)
Proceeds from sales of other investments	13	-
Interest, dividends and other proceeds received	5	2
Property and equipment purchased	(29)	(25)
Net cash flows from (used in) investing activities	(1,238)	(512)
Effect of foreign currency on cash and cash equivalents	(16)	15
Increase (decrease) in cash	5	442
Cash, beginning of year	\$ 758	\$ 316
Cash, end of year	\$ 763	\$ 758

