

Constellation Software Inc. Announces Results for the Fourth Quarter and Year Ended December 31, 2022 and Declares Quarterly Dividend

TORONTO, ONTARIO (March 29, 2023) -- Constellation Software Inc. (TSX:CSU) (“Constellation” or the “Company”) today announced its financial results for the fourth quarter and year ended December 31, 2022 and declared a \$1.00 per share dividend payable on April 14, 2023 to all common shareholders of record at close of business on April 6, 2023. 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, 2022, 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 2022 Headlines:

- Revenue grew 34% (negative 1% organic growth, positive 4% after adjusting for changes in foreign exchange rates) to \$1,847 million compared to \$1,383 million in Q4 2021.
- Net income attributable to common shareholders increased 23% to \$152 million (\$7.19 on a diluted per share basis) from \$124 million (\$5.86 on a diluted per share basis) in Q4 2021.
- A number of acquisitions were completed for aggregate cash consideration of \$211 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of \$66 million resulting in total consideration of \$277 million.
- Cash flows from operations (“CFO”) were \$400 million, an increase of 17%, or \$59 million, compared to \$341 million for the comparable period in 2021.
- Free cash flow available to shareholders¹ (“FCFA2S”) increased \$46 million to \$290 million compared to \$244 million for the same period in 2021.

2022 Headlines:

- Revenue grew 30% (negative 1% organic growth, positive 3% after adjusting for changes in foreign exchange rates) to \$6,622 million compared to \$5,106 million in 2021.
- Net income attributable to common shareholders increased 65% to \$512 million (\$24.18 on a diluted per share basis) from \$310 million (\$14.65 on a diluted per share basis) in 2021.
- A number of acquisitions were completed for total consideration of \$1,875 million including holdbacks and contingent consideration.
- Cash flows from operations (“CFO”) was \$1,297 million, a decrease of \$2 million, compared to \$1,300 million for the comparable period in 2021.
- Free cash flow available to shareholders (“FCFA2S”) decreased \$30 million to \$853 million compared to \$883 million for the same period in 2021 representing a decrease of 3%.

Total revenue for the quarter ended December 31, 2022 was \$1,847 million, an increase of 34%, or \$465 million, compared to \$1,383 million for the comparable period in 2021. For the year ended December 31, 2022 total revenues were \$6,622 million, an increase of 30%, or \$1,515 million, compared to \$5,106 million for the comparable period in 2021. 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 negative 1% in both periods, positive 4% and 3% 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. Organic growth is not a standardized financial measure and might not be comparable to measures disclosed by other issuers.

Net income attributable to common shareholders of CSI for the quarter ended December 31, 2022 was \$152 million compared to \$124 million for the same period in 2021. On a per share basis this translated into a net income per

1. See Non-IFRS measures.

diluted share of \$7.19 in the quarter ended December 31, 2022 compared to net income per diluted share of \$5.86 for the same period in 2021. For the twelve months ended December 31, 2022, net income attributable to common shareholders of CSI was \$512 million or \$24.18 per diluted share compared to \$310 million or \$14.65 per diluted share for the same period in 2021. There was no change in the number of shares outstanding.

For the quarter ended December 31, 2022, CFO increased \$59 million to \$400 million compared to \$341 million for the same period in 2021 representing an increase of 17%. For the twelve months ended December 31, 2022, CFO decreased \$2 million to \$1,297 million compared to \$1,300 million for the same period in 2021 representing a decrease of 0.2%. The primary reasons for the decline in CFO for the twelve months ended December 31, 2022 is that CFO includes the impact of changes in non-cash operating assets and liabilities exclusive of effects of business combinations or, changes in non-cash operating working capital (“NCOWC”), and income taxes paid. For the twelve months ended December 31, 2022 there was \$71 million of cash used in NCOWC compared to \$45 million of cash generated from NCOWC for the same period in 2021. There are many reasons contributing to the NCOWC variance for the Company, none of which are indicative of an underlying concern with the overall NCOWC balance. Specifically, there are no concerns with accounts receivable or unbilled revenue aging. Income taxes paid increased 33% or \$86 million for the twelve months ended December 31, 2022 over the same periods in 2021. Approximately \$100 million in cash tax payments were made in the twelve month period ending December 31, 2022 relating to the deferral of Research and Experimentation expenses associated with the Tax Cuts and Jobs Act.

For the quarter ended December 31, 2022, FCFA2S increased \$46 million to \$290 million compared to \$244 million for the same period in 2021 representing an increase of 19%. For the twelve months ended December 31, 2022, FCFA2S decreased \$30 million to \$853 million compared to \$883 million for the same period in 2021 representing a decrease of 3%. The items negatively impacting CFO summarized above are the same items negatively impacting FCFA2S. In addition interest payments on debt facilities for the twelve months ended December 31, 2022 increased \$34 million or 88% compared to the same period in 2021. On February 1, 2022, the Topicus Preferred Shares and Topicus Coop Preference Units were converted to Topicus Subordinate Voting Shares and Topicus Coop Ordinary Units respectively. As a result of this conversion the non-controlling interest in Topicus.com Inc. decreased from approximately 70% to 39%.

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, 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>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| | (\$ in millions) | | (\$ in millions) | |
| Net cash flows from operating activities | 400 | 341 | 1,297 | 1,300 |
| Adjusted for: | | | | |
| Interest paid on lease obligations | (3) | (2) | (11) | (9) |
| Interest paid on other facilities | (26) | (10) | (74) | (40) |
| Credit facility transaction costs | (4) | (2) | (7) | (6) |
| Payments of lease obligations | (25) | (22) | (94) | (83) |
| IRGA / TSS membership liability revaluation charge | (23) | (25) | (112) | (132) |
| Property and equipment purchased | (14) | (10) | (41) | (29) |
| Interest and dividends received | 0 | 0 | 1 | 2 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 306 | 271 | 958 | 1,003 |
| Less amount attributable to Non-controlling interests | (16) | (27) | (105) | (120) |
| Free cash flow available to shareholders | 290 | 244 | 853 | 883 |

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, 2022 | December 31, 2021 |
|--|-------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 811 | \$ 763 |
| Accounts receivable | 876 | 600 |
| Unbilled revenue | 230 | 140 |
| Inventories | 48 | 35 |
| Other assets | 496 | 296 |
| | 2,461 | 1,835 |
| Non-current assets: | | |
| Property and equipment | 128 | 93 |
| Right of use assets | 283 | 245 |
| Deferred income taxes | 160 | 66 |
| Other assets | 172 | 99 |
| Intangible assets | 4,679 | 3,428 |
| | 5,422 | 3,931 |
| Total assets | \$ 7,882 | \$ 5,766 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Debt with recourse to Constellation Software Inc. | \$ 505 | \$ 143 |
| Debt without recourse to Constellation Software Inc. | 316 | 60 |
| Redeemable preferred securities | - | 7 |
| Accounts payable and accrued liabilities | 1,080 | 832 |
| Dividends payable | 21 | 22 |
| Deferred revenue | 1,484 | 1,158 |
| Provisions | 11 | 11 |
| Acquisition holdback payables | 159 | 94 |
| Lease obligations | 96 | 79 |
| Income taxes payable | 97 | 56 |
| | 3,768 | 2,461 |
| Non-current liabilities: | | |
| Debt with recourse to Constellation Software Inc. | 567 | 561 |
| Debt without recourse to Constellation Software Inc. | 586 | 354 |
| Deferred income taxes | 471 | 436 |
| Acquisition holdback payables | 77 | 68 |
| Lease obligations | 217 | 190 |
| Other liabilities | 262 | 175 |
| | 2,181 | 1,784 |
| Total liabilities | 5,949 | 4,245 |
| Shareholders' equity: | | |
| Capital stock | 99 | 99 |
| Other equity | - | (179) |
| Accumulated other comprehensive income (loss) | (150) | (66) |
| Retained earnings | 1,763 | 1,206 |
| Non-controlling interests | 221 | 460 |
| | 1,933 | 1,521 |
| Total liabilities and shareholders' equity | \$ 7,882 | \$ 5,766 |

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.)

| | Year ended December 31, | |
|--|-------------------------|----------|
| | 2022 | 2021 |
| Revenue | | |
| License | \$ 320 | \$ 287 |
| Professional services | 1,381 | 1,033 |
| Hardware and other | 233 | 176 |
| Maintenance and other recurring | 4,688 | 3,611 |
| | 6,622 | 5,106 |
| Expenses | | |
| Staff | 3,539 | 2,695 |
| Hardware | 134 | 99 |
| Third party license, maintenance and professional services | 626 | 433 |
| Occupancy | 49 | 40 |
| Travel, telecommunications, supplies, software and equipment | 307 | 186 |
| Professional fees | 114 | 79 |
| Other, net | 154 | 62 |
| Depreciation | 143 | 121 |
| Amortization of intangible assets | 676 | 518 |
| | 5,740 | 4,233 |
| Foreign exchange loss (gain) | (56) | 1 |
| IRGA/TSS Membership liability revaluation charge | 112 | 132 |
| Finance and other expense (income) | 0 | (7) |
| Bargain purchase gain | (16) | (2) |
| Impairment of intangible and other non-financial assets | 7 | 12 |
| Redeemable preferred securities expense (income) | - | 295 |
| Finance costs | 110 | 68 |
| | 156 | 499 |
| Income (loss) before income taxes | 725 | 374 |
| Current income tax expense (recovery) | 403 | 257 |
| Deferred income tax expense (recovery) | (228) | (51) |
| Income tax expense (recovery) | 175 | 206 |
| Net income (loss) | 551 | 169 |
| Net income (loss) attributable to: | | |
| Common shareholders of Constellation Software Inc. | 512 | 310 |
| Non-controlling interests | 38 | (142) |
| Net income (loss) | 551 | 169 |
| Earnings per common share of Constellation Software Inc. | | |
| Basic and diluted | \$ 24.18 | \$ 14.65 |

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.)

| | Year ended December 31, | |
|--|-------------------------|----------------|
| | 2022 | 2021 |
| Net income (loss) | \$ 551 | \$ 169 |
| Items that are or may be reclassified subsequently to net income (loss): | | |
| Foreign currency translation differences from foreign operations and other, net of tax | (90) | (41) |
| Other comprehensive income (loss) for the year, net of income tax | (90) | (41) |
| Total comprehensive income (loss) for the year | \$ 460 | \$ 128 |
| Total other comprehensive income (loss) attributable to: | | |
| Common shareholders of Constellation Software Inc. | (79) | (16) |
| Non-controlling interests | (12) | (25) |
| Total other comprehensive income (loss) | \$ (90) | \$ (41) |
| Total comprehensive income (loss) attributable to: | | |
| Common shareholders of Constellation Software Inc. | 433 | 294 |
| Non-controlling interests | 27 | (167) |
| Total comprehensive income (loss) | \$ 460 | \$ 128 |

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, 2022

| | 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, 2022 | \$ 99 | \$ (179) | \$ (66) | \$ 1,206 | \$ 1,061 | \$ 460 | \$ 1,521 |
| <i>Total comprehensive income (loss) for the year:</i> | | | | | | | |
| Net income (loss) | - | - | - | 512 | 512 | 38 | 551 |
| <i>Other comprehensive income (loss)</i> | | | | | | | |
| Foreign currency translation differences from foreign operations and other, net of tax | - | - | (79) | - | (79) | (12) | (90) |
| Total other comprehensive income (loss) for the year | - | - | (79) | - | (79) | (12) | (90) |
| Total comprehensive income (loss) for the year | - | - | (79) | 512 | 433 | 27 | 460 |
| Transactions with owners, recorded directly in equity | | | | | | | |
| Conversion of redeemable preferred securities to subordinate voting shares of Topicus.com Inc. and ordinary units of Topicus Coop and other related movements | | | | | | | |
| | - | 305 | (5) | - | 301 | (301) | - |
| Non-controlling interests arising from business combinations | | | | | | | |
| | - | - | - | - | - | 41 | 41 |
| Other movements in non-controlling interests | | | | | | | |
| | - | - | - | 2 | 2 | (6) | (4) |
| Dividends to shareholders of the Company | | | | | | | |
| | - | - | - | (85) | (85) | - | (85) |
| Reclassification of other equity to retained earnings | | | | | | | |
| | - | (127) | - | 127 | - | - | - |
| Balance at December 31, 2022 | \$ 99 | \$ - | \$ (150) | \$ 1,763 | \$ 1,713 | \$ 221 | \$ 1,933 |

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 Subordinated 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 Statements of Cash Flows

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

| | Year ended December 31, | |
|--|-------------------------|----------------|
| | 2022 | 2021 |
| Cash flows from (used in) operating activities: | | |
| Net income (loss) | \$ 551 | \$ 169 |
| Adjustments for: | | |
| Depreciation | 143 | 121 |
| Amortization of intangible assets | 676 | 518 |
| IRGA/TSS Membership liability revaluation charge | 112 | 132 |
| Finance and other expense (income) | 0 | (7) |
| Bargain purchase (gain) | (16) | (2) |
| Impairment of intangible and other non-financial assets | 7 | 12 |
| Redeemable preferred securities expense (income) | - | 295 |
| Finance costs | 110 | 68 |
| Income tax expense (recovery) | 175 | 206 |
| Foreign exchange loss (gain) | (56) | 1 |
| Change in non-cash operating assets and liabilities exclusive of effects of business combinations | (60) | 45 |
| Income taxes paid | (343) | (257) |
| Net cash flows from (used in) operating activities | 1,297 | 1,300 |
| Cash flows from (used in) financing activities: | | |
| Interest paid on lease obligations | (11) | (9) |
| Interest paid on debt | (74) | (40) |
| Increase (decrease) in CSI facility | 322 | - |
| Increase (decrease) in Topicus revolving credit debt facility without recourse to CSI | 91 | 30 |
| Proceeds from issuance of debt facilities without recourse to CSI | 476 | 176 |
| Repayments of debt facilities without recourse to CSI | (102) | (6) |
| Other financing activities | (3) | 3 |
| Credit facility transaction costs | (7) | (6) |
| Payments of lease obligations | (94) | (83) |
| Distribution to the Joday Group | (23) | (22) |
| Dividends paid to redeemable preferred security holders | (7) | - |
| Dividends paid to common shareholders of the Company | (85) | (85) |
| Net cash flows from (used in) in financing activities | 483 | (41) |
| Cash flows from (used in) investing activities: | | |
| Acquisition of businesses | (1,633) | (1,224) |
| Cash obtained with acquired businesses | 216 | 153 |
| Post-acquisition settlement payments, net of receipts | (149) | (145) |
| Receipt of additional subscription amount from the sellers of Topicus.com B.V. | - | 33 |
| Purchases of other investments | (97) | (44) |
| Proceeds from sales of other investments | 6 | 13 |
| Interest, dividends and other proceeds received | 5 | 5 |
| Property and equipment purchased | (41) | (29) |
| Net cash flows from (used in) investing activities | (1,694) | (1,238) |
| Effect of foreign currency on cash | (39) | (16) |
| Increase (decrease) in cash | 48 | 5 |
| Cash, beginning of period | \$ 763 | \$ 758 |
| Cash, end of period | \$ 811 | \$ 763 |