Constellation Software Inc. Announces Results for the First Quarter Ended March 31, 2023 and Declares Quarterly Dividend

TORONTO, May 15, 2023 -- Constellation Software Inc. (TSX:CSU) ("Constellation" or the "Company") today announced its financial results for the first quarter ended March 31, 2023 and declared a $1.00 per share dividend payable on July 11, 2023 to all common shareholders of record at close of business on June 20, 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 Unaudited Condensed Consolidated Interim Financial Statements for the three months ended March 31, 2023 and the accompanying notes, our Management Discussion and Analysis for the three months ended March 31, 2023 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, 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

Q1 2023 Headlines:

- Revenue increased 34% (2% organic growth, 5% after adjusting for changes in foreign exchange rates) to $1,919 million compared to $1,431 million in Q1 2022.
- Net income attributable to common shareholders was $94 million for Q1 2023 ($4.44 on a diluted per share basis), compared to net income attributable to common shareholders of $98 million ($4.63 on a diluted per share basis) in Q1 2022.
- A number of acquisitions were completed for aggregate cash consideration of $452 million (which includes acquired cash). In conjunction with the acquisition of WideOrbit Inc., the Company issued 10,204,294 Special Shares to the seller for an initial subscription price of $222. Deferred payments associated with these acquisitions have an estimated value of $44 million resulting in total consideration of $718 million.
- Cash flows from operations ("CFO") were $632 million, an increase of 27%, or $134 million, compared to $498 million for the comparable period in 2022.
- Free cash flow available to shareholders[1] ("FCFA2S") increased $129 million to $453 million compared to $324 million for the same period in 2022.

Total revenue for the quarter ended March 31, 2023 was $1,919 million, an increase of 34%, or $488 million, compared to $1,431 million for the comparable period in 2022. The increase is primarily attributable to growth from acquisitions as the Company experienced organic growth of 2% in the quarter, 5% after adjusting for the impact of changes in the valuation of the US dollar against most major currencies in which the Company transacts business. For acquired companies, organic growth is calculated as the difference between actual revenues achieved by each company in the financial period following acquisition compared to the estimated revenues they achieved in the corresponding financial period preceding the date of acquisition by Constellation. 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 CSI for the quarter ended March 31, 2023 was $94 million compared to net income of $98 million for the same period in 2022. On a per share basis this translated into net income per basic and diluted share of $4.44 in the quarter ended March 31, 2023 compared to $4.63 for the same period in 2022. There was no change in the number of shares outstanding.

For the quarter ended March 31, 2023, CFO increased $134 million to $632 million compared to $498 million for the same period in 2022 representing an increase of 27%.

For the quarter ended March 31, 2023, FCFA2S increased $129 million to $453 million compared to $324 million for the same period in 2022 representing an increase of 40%.

1. See Non-IFRS measures.

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 March 31,	
	2023	2022
	($ in millions)	
Net cash flows from operating activities	632	498
Adjusted for:		
Interest paid on lease obligations	(3)	(2)
Interest paid on other facilities	(26)	(10)
Credit facility transaction costs	(2)	(1)
Payments of lease obligations	(25)	(22)
IRGA / TSS membership liability revaluation charge	(39)	(27)
Property and equipment purchased	(10)	(8)
Interest and dividends received	1	0
	529	429
Less amount attributable to Non-controlling interests	(76)	(105)
Free cash flow available to shareholders	453	324

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.

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	March 31, 2023	December 31, 2022	March 31, 2022
Assets			

Current assets:						
Cash	$	1,010	$	811	$	996
Accounts receivable		1,014		880		660
Unbilled revenue		287		231		164
Inventories		50		48		41
Other assets		448		497		443
		2,808		2,467		2,305
Non-current assets:						
Property and equipment		129		128		98
Right of use assets		285		283		278
Deferred income taxes		106		160		66
Other assets		182		172		107
Intangible assets		5,354		4,673		3,644
		6,056		5,416		4,193
Total assets	$	8,864	$	7,883	$	6,499
Liabilities and Shareholders' Equity						
Current liabilities:						
Debt with recourse to Constellation Software Inc.	$	480	$	505	$	142
Debt without recourse to Constellation Software Inc.		199		316		124
Redeemable preferred securities		409		-		-
Accounts payable and accrued liabilities		1,117		1,083		772
Dividends payable		21		21		21
Deferred revenue		1,994		1,485		1,536
Provisions		9		11		12
Acquisition holdback payables		140		161		119
Lease obligations		98		96		85
Income taxes payable		118		104		119
		4,584		3,781		2,931
Non-current liabilities:						
Debt with recourse to Constellation Software Inc.		590		567		560
Debt without recourse to Constellation Software Inc.		793		586		443
Deferred income taxes		529		466		448
Acquisition holdback payables		68		76		60
Lease obligations		217		217		218
Other liabilities		237		257		200
		2,434		2,170		1,930
Total liabilities		7,018		5,950		4,860
Shareholders' equity:						
Capital stock		99		99		99
Other equity		-		-		-
Accumulated other comprehensive income (loss)		(128)		(150)		(62)
Retained earnings		1,454		1,763		1,410
Non-controlling interests		419		221		191
		1,845		1,933		1,638
Total liabilities and shareholders' equity	$	8,864	$	7,883	$	6,499

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.)

Unaudited

	Three months ended March 31, 2023	2022
Revenue		
License	$ 81	$ 69
Professional services	411	270
Hardware and other	57	47
Maintenance and other recurring	1,369	1,045
	1,919	1,431
Expenses		
Staff	1,068	783
Hardware	35	27
Third party license, maintenance and professional services	185	122
Occupancy	13	11
Travel, telecommunications, supplies, software and equipment	89	56
Professional fees	36	24
Other, net	38	35
Depreciation	39	32
Amortization of intangible assets	193	146
	1,695	1,236
Foreign exchange loss (gain)	10	0
IRGA/TSS Membership liability revaluation charge	39	27
Finance and other expense (income)	(7)	(2)
Bargain purchase gain	(1)	(1)
Impairment of intangible and other non-financial assets	2	1
Redeemable preferred securities expense (income)	188	-
Finance costs	36	19
	267	44
Income (loss) before income taxes	(43)	151
Current income tax expense (recovery)	103	99
Deferred income tax expense (recovery)	(62)	(58)
Income tax expense (recovery)	40	40
Net income (loss)	(83)	111
Net income (loss) attributable to:		
Common shareholders of Constellation Software Inc.	94	98
Non-controlling interests	(177)	13
Net income (loss)	(83)	111
Earnings per common share of Constellation Software Inc.		
Basic and diluted	$ 4.44	$ 4.63

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.)

Unaudited

	Three months ended March 31, 2023	2022
Net income (loss)	$ (83)	$ 111
Items that are or may be reclassified subsequently to net income (loss):		
Foreign currency translation differences from foreign operations and other, net of tax	16	6
Other comprehensive income (loss), net of income tax	16	6
Total comprehensive income (loss)	$ (67)	$ 116
Total other comprehensive income (loss) attributable to:		
Common shareholders of Constellation Software Inc.	10	9
Non-controlling interests	6	(3)
Total other comprehensive income (loss)	$ 16	$ 6
Total comprehensive income (loss) attributable to:		
Common shareholders of Constellation Software Inc.	105	107
Non-controlling interests	(171)	9
Total comprehensive income (loss)	$ (67)	$ 116

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

Three months ended March 31, 2023

	Equity Attributable to Common Shareholders of CSI						
	Capital stock	**Other equity**	**Accumulated other comprehensive income (loss)**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at January 1, 2023	**$ 99**	**$ -**	**$ (150)**	**$ 1,763**	**$ 1,713**	**221**	**$ 1,933**
Total comprehensive income (loss):							
Net income (loss)	-	-	-	94	94	(177)	(83)
Other comprehensive income (loss)							
Foreign currency translation differences from foreign operations and other, net of tax	-	-	10	-	10	6	16
Total other comprehensive income (loss)	**-**	**-**	**10**	**-**	**10**	**6**	**16**
Total comprehensive income (loss)	**-**	**-**	**10**	**94**	**105**	**(171)**	**(67)**
Transactions with owners, recorded directly in equity							
Special dividend of Lumine Subordinate Voting Shares	-	-	12	(378)	(366)	366	-
Acquisition of non-controlling interests	-	-	-	-	-	(1)	(1)

	Capital stock	Other equity	Accumulated other comprehensive income (loss)	Retained earnings	Total	Non-controlling interests	Total equity
Conversion of Lumine Special Shares to subordinate voting shares of Lumine	-	-	-	-	-	1	1
Other movements in non-controlling interests	-	-	0	(4)	(4)	4	(0)
Dividends to shareholders of the Company	-	-	-	(21)	(21)	-	(21)
Balance at March 31, 2023	**$ 99**	**$ -**	**$ (128)**	**$ 1,454**	**$ 1,426**	**$ 419**	**$ 1,845**

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

Three months ended March 31, 2022

	Equity Attributable to Common Shareholders of CSI						
	Capital stock	**Other equity**	**Accumulated other comprehensive income (loss)**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at January 1, 2022	**$ 99**	**$ (179)**	**$ (66)**	**$ 1,206**	**$ 1,061**	**$ 460**	**$ 1,521**
Total comprehensive income (loss):							
Net income (loss)	-	-	-	98	98	13	111
Other comprehensive income (loss)							
Foreign currency translation differences from foreign operations and other, net of tax	-	-	9	-	9	(3)	6
Total other comprehensive income (loss)	**-**	**-**	**9**	**-**	**9**	**(3)**	**6**
Total comprehensive income (loss)	**-**	**-**	**9**	**98**	**107**	**9**	**116**
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 movements	-	305	(5)	-	301	(301)	-
Non-controlling interests arising from business combinations	-				- -	23	23
Other movements in non-controlling interests	-			(0)	- (0)	(0)	(1)
Dividends to shareholders of the Company (note 12)	-	-	-	(21)	- (21)	-	(21)
Reclassification of other equity to retained earnings	-	(127)		127	- -		-
Balance at March 31, 2022	**$ 99**	**$ -**	**$ (62)**	**$ 1,410**	**$ 1,447**	**$ 191**	**$ 1,638**

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.)

Unaudited

	Three months ended March 31, 2023	2022
Cash flows from (used in) operating activities:		
Net income (loss)	$ (83)	$ 111
Adjustments for:		
Depreciation	39	32
Amortization of intangible assets	193	146
IRGA/TSS Membership liability revaluation charge	39	27
Finance and other expense (income)	(7)	(2)
Bargain purchase (gain)	(1)	(1)
Impairment of intangible and other non-financial assets	2	1
Redeemable preferred securities expense (income)	188	-
Finance costs	36	19
Income tax expense (recovery)	40	40
Foreign exchange loss (gain)	10	0
Change in non-cash operating assets and liabilities exclusive of effects of business combinations	268	169
Income taxes paid	(91)	(44)
Net cash flows from (used in) operating activities	632	498
Cash flows from (used in) financing activities:		
Interest paid on lease obligations	(3)	(2)
Interest paid on debt	(26)	(10)
Increase (decrease) in CSI facility	(51)	-
Increase (decrease) in Topicus revolving credit debt facility without recourse to CSI	(11)	57
Proceeds from issuance of debt facilities without recourse to CSI	180	83
Repayments of debt facilities without recourse to CSI	(86)	(7)
Other financing activities	2	-
Credit facility transaction costs	(2)	(1)
Payments of lease obligations	(25)	(22)
Distribution to the Joday Group	-	(23)
Dividends paid to redeemable preferred security holders	-	(7)
Dividends paid to common shareholders of the Company	(21)	(21)
Net cash flows from (used in) in financing activities	(43)	47
Cash flows from (used in) investing activities:		
Acquisition of businesses	(452)	(214)
Cash obtained with acquired businesses	45	38
Post-acquisition settlement payments, net of receipts	(72)	(33)
Purchases of investments and other assets	(31)	(96)
Proceeds from sales of other investments	119	3
Interest, dividends and other proceeds received	3	0
Property and equipment purchased	(10)	(8)
Net cash flows from (used in) investing activities	(398)	(309)
Effect of foreign currency on cash	7	(2)
Increase (decrease) in cash	199	233
Cash, beginning of period	$ 811	$ 763
Cash, end of period	$ 1,010	$ 996