Constellation Software Inc. Announces Results for the Fourth Quarter and Year Ended December 31, 2023 and Declares Quarterly Dividend

TORONTO, March 06, 2024 -- Constellation Software Inc. (TSX:CSU) ("Constellation" or the "Company") today announced its financial results for the fourth quarter and year ended December 31, 2023 and declared a $1.00 per share dividend payable on April 15, 2024 to all common shareholders of record at close of business on March 28, 2024. 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 IFRS Accounting Standards ("IFRS") and our annual Management's Discussion and Analysis for the year ended December 31, 2023, 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 2023 Headlines:

- Revenue grew 26% (6% organic growth, 4% after adjusting for changes in foreign exchange rates) to $2,323 million compared to $1,847 million in Q4 2022.
- Net income attributable to common shareholders decreased 7% to $141 million ($6.64 on a diluted per share basis) from $152 million ($7.19 on a diluted per share basis) in Q4 2022.
- A number of acquisitions were completed for aggregate cash consideration of $376 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of $86 million resulting in total consideration of $463 million.
- Cash flows from operations ("CFO") was $511 million, an increase of 28%, or $110 million, compared to $400 million for the comparable period in 2022.
- Free cash flow available to shareholders[1] ("FCFA2S") increased $35 million to $325 million compared to $290 million for the same period in 2022 representing an increase of 12%.
- Subsequent to December 31, 2023, the Company completed or has open commitments to acquire a number of businesses for aggregate cash consideration of $513. Deferred payments associated with these acquisitions have an estimated value of $141 resulting in total consideration of $654.

2023 Headlines:

- Revenue grew 27% (5% organic growth, 5% after adjusting for changes in foreign exchange rates) to $8,407 million compared to $6,622 million in 2022.
- Net income attributable to common shareholders increased 10% to $565 million ($26.67 on a diluted per share basis) from $512 million ($24.18 on a diluted per share basis) in 2022.
- A number of acquisitions were completed for total consideration of $2,609 million including holdbacks and contingent consideration.
- Cash flows from operations ("CFO") was $1,779 million, an increase of $481 million, compared to $1,297 million for the comparable period in 2022.
- Free cash flow available to shareholders ("FCFA2S") increased $307 million to $1,160 million compared to $853 million for the same period in 2022 representing an increase of 36%.

Total revenue for the quarter ended December 31, 2023 was $2,323 million, an increase of 26%, or $475 million, compared to $1,847 million for the comparable period in 2022. For the year ended December 31, 2023 total revenues were $8,407 million, an increase of 27%, or $1,785 million, compared to $6,622 million for the comparable period in 2022. 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 6% and 5% respectively, 4% and 5% 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, 2023 was $141 million compared to $152 million for the same period in 2022. On a per share basis this translated into a net income per diluted share of $6.64 in the quarter ended December 31, 2023 compared to net income per diluted share of $7.19 for the same period in 2022. For the twelve months ended December 31, 2023, net income attributable to common shareholders of CSI was $565 million or $26.67 per diluted share compared to $512 million or $24.18 per diluted share for the same period in 2022. There was no change in the number of shares outstanding.

For the quarter ended December 31, 2023, CFO increased $110 million to $511 million compared to $400 million for the same period in 2022 representing an increase of 28%. For the twelve months ended December 31, 2023, CFO increased $481 million to $1,779 million compared to $1,297 million for the same period in 2022 representing an increase of 37%.

For the quarter ended December 31, 2023, FCFA2S increased $35 million to $325 million compared to $290 million for the same period in 2022 representing an increase of 12%. For the twelve months ended December 31, 2023, FCFA2S increased $307 million to $1,160 million compared to $853 million for the same period in 2022 representing an increase of 36%.

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, and the proceeds from sale of interest rate caps. 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,	
	2023	2022	2023	2022
	($ in millions)		($ in millions)	
Net cash flows from operating activities	511	400	1,779	1,297
Adjusted for:				
Interest paid on lease obligations	(3)	(3)	(11)	(11)
Interest paid on other facilities	(37)	(26)	(133)	(74)
Proceeds from sale of interest rate cap	-	-	5	-
Credit facility transaction costs	(2)	(4)	(5)	(7)
Payments of lease obligations	(31)	(25)	(109)	(94)
IRGA / TSS membership liability revaluation charge	(58)	(23)	(152)	(112)
Property and equipment purchased	(13)	(14)	(42)	(41)
Interest and dividends received	2	0	3	1
	369	306	1,333	958
Less amount attributable to Non-controlling interests	(44)	(16)	(173)	(105)
Free cash flow available to shareholders	325	290	1,160	853

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, 2023	December 31, 2022
Assets		
Current assets:		
Cash	$ 1,284	$ 811
Accounts receivable	1,146	892
Unbilled revenue	326	219
Inventories	51	48
Other assets	538	497
	3,345	2,466
Non-current assets:		
Property and equipment	142	128
Right of use assets	312	283
Deferred income taxes	107	159
Other assets	286	174
Intangible assets	6,707	4,662
	7,554	5,406
Total assets	$ 10,899	$ 7,872
Liabilities and Shareholders' Equity		
Current liabilities:		
Debt with recourse to Constellation Software Inc.	$ 861	$ 505
Debt without recourse to Constellation Software Inc.	225	316
Redeemable preferred securities	814	-
Accounts payable and accrued liabilities	1,432	1,083
Dividends payable	21	21
Deferred revenue	1,757	1,482
Provisions	9	11
Acquisition holdback payables	174	159
Lease obligations	112	96
Income taxes payable	90	99
	5,495	3,772
Non-current liabilities:		
Debt with recourse to Constellation Software Inc.	863	567
Debt without recourse to Constellation Software Inc.	1,385	586
Deferred income taxes	625	465
Acquisition holdback payables	87	73
Lease obligations	236	218
Other liabilities	246	258
	3,442	2,167
Total liabilities	8,938	5,938
Shareholders' equity:		
Capital stock	99	99
Accumulated other comprehensive income (loss)	(99)	(150)
Retained earnings	1,876	1,763

Non-controlling interests	85	221
	1,961	1,933
Total liabilities and shareholders' equity	$ 10,899	$ 7,872

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,	
	2023	2022
Revenue		
License	$ 386	$ 320
Professional services	1,766	1,381
Hardware and other	268	233
Maintenance and other recurring	5,985	4,688
	8,407	6,622
Expenses		
Staff	4,493	3,539
Hardware	158	134
Third party license, maintenance and professional services	810	626
Occupancy	51	49
Travel, telecommunications, supplies, software and equipment	398	307
Professional fees	151	114
Other, net	138	154
Depreciation	162	143
Amortization of intangible assets	859	676
	7,219	5,740
Foreign exchange loss (gain)	43	(56)
IRGA/TSS Membership liability revaluation charge	152	112
Finance and other expense (income)	(34)	0
Bargain purchase gain	(54)	(16)
Impairment of intangible and other non-financial assets	26	7
Redeemable preferred securities expense (income)	597	-
Finance costs	192	110
	922	156
Income (loss) before income taxes	265	725
Current income tax expense (recovery)	370	403
Deferred income tax expense (recovery)	(166)	(228)
Income tax expense (recovery)	204	175
Net income (loss)	62	551
Net income (loss) attributable to:		
Common shareholders of Constellation Software Inc.	565	512
Non-controlling interests	(503)	38
Net income (loss)	62	551

Earnings per common share of Constellation Software Inc.

Basic and diluted	$ 26.67	$ 24.18

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, 2023	2022
Net income (loss)	$ 62	$ 551
Items that are or may be reclassified subsequently to net income (loss):		
Foreign currency translation differences from foreign operations and other, net of tax	51	(90)
Other comprehensive income (loss), net of income tax	51	(90)
Total comprehensive income (loss)	$ 113	$ 460
Total other comprehensive income (loss) attributable to:		
Common shareholders of Constellation Software Inc.	38	(79)
Non-controlling interests	13	(12)
Total other comprehensive income (loss)	$ 51	$ (90)
Total comprehensive income (loss) attributable to:		
Common shareholders of Constellation Software Inc.	603	433
Non-controlling interests	(490)	27
Total comprehensive income (loss)	$ 113	$ 460

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, 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)	-	-	-	565	565	(503)	62
Other comprehensive income (loss)							
Foreign currency translation differences from foreign operations and other, net of tax	-	-	38	-	38	13	51
Total other comprehensive income (loss)	**-**	**-**	**38**	**-**	**38**	**13**	**51**

Total comprehensive income (loss)	**-**	**-**	**38**	**565**	**603**	**(490)**	**113**
Transactions with owners, recorded directly in equity							
Special dividend of Lumine Subordinate Voting Shares	-	-	12	(378)	(366)	366	-
Non-controlling interests arising from business combinations	-	-	-	-	-	2	2
Acquisition of non-controlling interests	-	-	-	-	-	(2)	(2)
Conversion of Lumine Special Shares to subordinate voting shares of Lumine	-	-	-	-	-	5	5
Other movements in non-controlling interests	-	-	0	15	15	(17)	(2)
Other distributions and movements in equity	-	-	2	(4)	(3)	-	(3)
Dividends to shareholders of the Company	-	-	-	(85)	(85)	-	(85)
Balance at December 31, 2023	**$ 99**	**$ -**	**$ (99)**	**$ 1,876**	**$ 1,877**	**$ 85**	**$ 1,961**

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						
	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)	-	-	-	512	512	38	551
Other comprehensive income (loss)							
Foreign currency translation differences from foreign operations and other, net of tax	-	-	(79)	-	(79)	(12)	(90)
Total other comprehensive income (loss)	**-**	**-**	**(79)**	**-**	**(79)**	**(12)**	**(90)**
Total comprehensive income (loss)	**-**	**-**	**(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 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 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, 2023	2022
Cash flows from (used in) operating activities:		
Net income (loss)	$ 62	$ 551
Adjustments for:		
Depreciation	162	143
Amortization of intangible assets	859	676
IRGA/TSS Membership liability revaluation charge	152	112
Finance and other expense (income)	(34)	0
Bargain purchase (gain)	(54)	(16)
Impairment of intangible and other non-financial assets	26	7
Redeemable preferred securities expense (income)	597	-
Finance costs	192	110
Income tax expense (recovery)	204	175
Foreign exchange loss (gain)	43	(56)
Change in non-cash operating assets and liabilities exclusive of effects of business combinations	(36)	(60)
Income taxes paid	(394)	(343)
Net cash flows from (used in) operating activities	1,779	1,297
Cash flows from (used in) financing activities:		
Interest paid on lease obligations	(11)	(11)
Interest paid on debt	(133)	(74)
Proceeds from sale of interest rate cap	5	-
Increase (decrease) in CSI facility	256	322
Increase (decrease) in Topicus revolving credit debt facility without recourse to CSI	27	91
Proceeds from issuance of debentures	209	-
Proceeds from issuance of debt facilities without recourse to CSI	447	476
Repayments of debt facilities without recourse to CSI	(282)	(102)
Other financing activities	(1)	(3)
Credit facility transaction costs	(5)	(7)
Payments of lease obligations	(109)	(94)
Distribution to the Joday Group	-	(23)
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	316	483
Cash flows from (used in) investing activities:		
Acquisition of businesses	(1,609)	(1,633)

Cash obtained with acquired businesses		152		216
Post-acquisition settlement payments, net of receipts		(238)		(149)
Purchases of investments and other assets		(23)		(97)
Proceeds from sales of other investments and other assets		119		6
Decrease (increase) in restricted cash		(2)		-
Interest, dividends and other proceeds received		4		5
Property and equipment purchased		(42)		(41)
Net cash flows from (used in) investing activities		(1,639)		(1,694)
Effect of foreign currency on cash		17		(39)
Increase (decrease) in cash		473		48
Cash, beginning of period	$	811	$	763
Cash, end of period	$	1,284	$	811