

Constellation Software Inc. Announces Results for the Second Quarter Ended June 30, 2024 and Declares Quarterly Dividend

TORONTO, ONTARIO (August 9, 2024) -- Constellation Software Inc. (TSX:CSU) (“Constellation” or the “Company”) today announced its financial results for the second quarter ended June 30, 2024 and declared a \$1.00 per share dividend payable on October 10, 2024 to all common shareholders of record at close of business on September 20, 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 Unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2024 and the accompanying notes, our Management Discussion and Analysis for the three and six months ended June 30, 2024 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, 2023, which can be found on SEDAR+ at www.sedarplus.com and on the Company’s website www.csisoftware.com. Additional information about the Company is also available on SEDAR+ at www.sedarplus.com.

Q2 2024 and Subsequent Headlines:

- Revenue grew 21% (2% organic growth, 3% after adjusting for changes in foreign exchange rates) to \$2,468 million compared to \$2,039 million in Q2 2023.
- Net income attributable to common shareholders increased 71% to \$177 million (\$8.35 on a diluted per share basis) from \$103 million (\$4.88 on a diluted per share basis) in Q2 2023.
- A number of acquisitions were completed for aggregate cash consideration of \$451 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of \$173 million resulting in total consideration of \$624 million.
- Cash flows from operations (“CFO”) were \$265 million, an increase of 116%, or \$143 million, compared to \$123 million for the comparable period in 2023.
- Free cash flow available to shareholders¹ (“FCFA2S”) increased \$168 million to \$182 million compared to \$14 million for the same period in 2023.

Total revenue for the quarter ended June 30, 2024 was \$2,468 million, an increase of 21%, or \$430 million, compared to \$2,039 million for the comparable period in 2023. For the first six months of 2024 total revenues were \$4,822 million, an increase of 22%, or \$864 million, compared to \$3,958 million for the comparable period in 2023. The increase for both the three and six 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 2% and 3% respectively, 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. 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 June 30, 2024 was \$177 million compared to \$103 million for the same period in 2023. On a per share basis this translated into a net income per diluted share of \$8.35 in the quarter ended June 30, 2024 compared to net income per diluted share of \$4.88 for the same period in 2023. For the six months ended June 30, 2024, net income attributable to common shareholders of CSI was \$282 million or \$13.31 per diluted share compared to \$198 million or \$9.32 per diluted share for the same period in 2023.

For the quarter ended June 30, 2024, CFO increased \$143 million to \$265 million compared to \$123 million for the same period in 2023 representing an increase of 116%. For the first six months of 2024, CFO increased \$247 million to \$1,002 million compared to \$755 million during the same period in 2023, representing an increase of 33%.

1. See Non-IFRS measures.

For the quarter ended June 30, 2024, FCFA2S increased \$168 million to \$182 million compared to \$14 million for the same period in 2023. For the six months ended June 30, 2024, FCFA2S increased \$161 million to \$628 million compared to \$467 million for the same period in 2023 representing an increase of 34%.

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 debt, debt transaction costs, payments 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 June 30,		Six months ended June 30,	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	(\$ in millions)		(\$ in millions)	
Net cash flows from operating activities	265	123	1,002	755
Adjusted for:				
Interest paid on lease obligations	(3)	(3)	(7)	(5)
Interest paid on debt	(37)	(36)	(78)	(62)
Proceeds from sale of interest rate cap	-	6	-	6
Debt transaction costs	(2)	(1)	(13)	(3)
Payments of lease obligations	(29)	(28)	(58)	(53)
IRGA / TSS membership liability revaluation charge	(8)	(31)	(89)	(69)
Property and equipment purchased	(13)	(9)	(23)	(19)
Interest and dividends received	9	0	15	1
	<u>182</u>	<u>21</u>	<u>749</u>	<u>550</u>
Less amount attributable to Non-controlling interests	1	(7)	(121)	(83)
Free cash flow available to shareholders	182	14	628	467

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

	June 30, 2024	December 31, 2023	June 30, 2023
Assets			
Current assets:			
Cash	\$ 1,873	\$ 1,284	\$ 970
Accounts receivable	1,117	1,144	976
Unbilled revenue	429	326	308
Inventories	60	51	57
Other assets	618	544	460
	<u>4,097</u>	<u>3,349</u>	<u>2,770</u>
Non-current assets:			
Property and equipment	210	142	129
Right of use assets	315	312	286
Deferred income taxes	191	107	91
Other assets	312	286	189
Intangible assets	6,992	6,675	5,703
	<u>8,019</u>	<u>7,523</u>	<u>6,399</u>
Total assets	\$ 12,116	\$ 10,873	\$ 9,169
Liabilities and Shareholders' Equity			
Current liabilities:			
Debt with recourse to Constellation Software Inc.	\$ 274	\$ 861	\$ 734
Debt without recourse to Constellation Software Inc.	342	225	283
Redeemable preferred securities	-	814	500
Accounts payable and accrued liabilities	1,308	1,433	1,083
Dividends payable	21	21	21
Deferred revenue	2,079	1,757	1,869
Provisions	11	9	11
Acquisition holdback payables	277	172	148
Lease obligations	113	112	98
Income taxes payable	104	88	79
	<u>4,528</u>	<u>5,492</u>	<u>4,827</u>
Non-current liabilities:			
Debt with recourse to Constellation Software Inc.	1,834	863	614
Debt without recourse to Constellation Software Inc.	1,604	1,385	795
Deferred income taxes	622	603	503
Acquisition holdback payables	112	86	104
Lease obligations	240	236	217
Other liabilities	272	246	240
	<u>4,685</u>	<u>3,420</u>	<u>2,474</u>
Total liabilities	9,213	8,911	7,300
Shareholders' equity:			
Capital stock	99	99	99
Accumulated other comprehensive income (loss)	(158)	(99)	(112)
Retained earnings	2,517	1,876	1,547
Non-controlling interests	445	85	335
	<u>2,903</u>	<u>1,961</u>	<u>1,868</u>
Total liabilities and shareholders' equity	\$ 12,116	\$ 10,873	\$ 9,169

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 June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Revenue				
License	\$ 87	\$ 89	\$ 175	\$ 170
Professional services	495	428	964	840
Hardware and other	68	63	127	121
Maintenance and other recurring	1,819	1,459	3,556	2,828
	2,468	2,039	4,822	3,958
Expenses				
Staff	1,328	1,112	2,620	2,179
Hardware	37	36	72	71
Third party license, maintenance and professional services	243	199	458	384
Occupancy	16	13	30	26
Travel, telecommunications, supplies, software and equipment	133	97	245	185
Professional fees	44	36	83	71
Other, net	51	29	101	67
Depreciation	45	40	89	79
Amortization of intangible assets	258	213	500	406
	2,155	1,774	4,197	3,469
Foreign exchange loss (gain)	4	16	(15)	26
IRGA/TSS Membership liability revaluation charge	8	31	89	69
Finance and other expense (income)	(23)	(2)	(32)	(9)
Bargain purchase gain	(2)	0	(5)	(1)
Impairment of intangible and other non-financial assets	6	1	16	3
Redeemable preferred securities expense (income)	-	94	58	282
Finance costs	69	46	136	82
	61	186	247	453
Income (loss) before income taxes	252	79	378	36
Current income tax expense (recovery)	143	114	270	217
Deferred income tax expense (recovery)	(78)	(61)	(153)	(123)
Income tax expense (recovery)	65	53	117	93
Net income (loss)	187	26	261	(57)
Net income (loss) attributable to:				
Common shareholders of Constellation Software Inc.	177	103	282	198
Non-controlling interests	10	(78)	(21)	(255)
Net income (loss)	187	26	261	(57)
Earnings per common share of Constellation Software Inc.				
Basic and diluted	\$ 8.35	\$ 4.88	\$ 13.31	\$ 9.32

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 June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Net income (loss)	\$ 187	\$ 26	\$ 261	\$ (57)
Items that are or may be reclassified subsequently to net income (loss):				
Foreign currency translation differences from foreign operations and other, net of tax	(14)	15	(62)	31
Other comprehensive income (loss), net of income tax	(14)	15	(62)	31
Total comprehensive income (loss)	\$ 173	\$ 41	\$ 198	\$ (26)
Total other comprehensive income (loss) attributable to:				
Common shareholders of Constellation Software Inc.	(13)	15	(53)	26
Non-controlling interests	(1)	0	(9)	6
Total other comprehensive income (loss)	\$ (14)	\$ 15	\$ (62)	\$ 31
Total comprehensive income (loss) attributable to:				
Common shareholders of Constellation Software Inc.	164	118	229	223
Non-controlling interests	9	(77)	(30)	(249)
Total comprehensive income (loss)	\$ 173	\$ 41	\$ 198	\$ (26)

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

Six months ended June 30, 2024

	Equity Attributable to Common Shareholders of CSI			Total	Non-controlling interests	Total equity
	Capital stock	Accumulated other comprehensive income (loss)	Retained earnings			
Balance at January 1, 2024	\$ 99	\$ (99)	\$ 1,876	\$ 1,877	\$ 85	\$ 1,961
<i>Total comprehensive income (loss):</i>						
Net income (loss)	-	-	282	282	(21)	261
<i>Other comprehensive income (loss)</i>						
Foreign currency translation differences from foreign operations and other, net of tax	-	(53)	-	(53)	(9)	(62)
Total other comprehensive income (loss)	-	(53)	-	(53)	(9)	(62)
Total comprehensive income (loss)	-	(53)	282	229	(30)	198
Transactions with owners, recorded directly in equity						
Non-controlling interests arising from business combinations	-	-	-	-	(0)	(0)
Conversion of Lumine Special Shares to subordinate voting shares of Lumine and settlement of accrued dividend on Lumine Special Shares through the issuance of subordinate voting shares of Lumine	-	-	-	-	872	872
Conversion of Lumine Preferred Shares to subordinate voting shares of Lumine and settlement of accrued dividend on Lumine Preferred Shares through the issuance of subordinate voting shares of Lumine	-	(6)	400	394	(394)	-
Other movements in non-controlling interests	-	-	1	1	(1)	(0)
Dividends paid to non-controlling interests	-	-	-	-	(86)	(86)
Dividends to shareholders of the Company	-	-	(42)	(42)	-	(42)
Balance at June 30, 2024	\$ 99	\$ (158)	\$ 2,517	\$ 2,458	\$ 445	\$ 2,903

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

Six months ended June 30, 2023

	Equity Attributable to Common Shareholders of CSI				Non-controlling interests	Total equity
	Capital stock	Accumulated other comprehensive income (loss)	Retained earnings	Total		
Balance at January 1, 2023	\$ 99	\$ (150)	\$ 1,763	\$ 1,713	\$ 221	\$ 1,933
<i>Total comprehensive income (loss):</i>						
Net income (loss)	-	-	198	198	(255)	(57)
<i>Other comprehensive income (loss)</i>						
Foreign currency translation differences from foreign operations and other, net of tax	-	26	-	26	6	31
Total other comprehensive income (loss)	-	26	-	26	6	31
Total comprehensive income (loss)	-	26	198	223	(249)	(26)
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)
Conversion of Lumine Special Shares to subordinate voting shares of Lumine	-	-	-	-	4	4
Other movements in non-controlling interests	-	0	6	6	(6)	0
Dividends to shareholders of the Company	-	-	(42)	(42)	-	(42)
Balance at June 30, 2023	\$ 99	\$ (112)	\$ 1,547	\$ 1,533	\$ 335	\$ 1,868

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 June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Cash flows from (used in) operating activities:				
Net income (loss)	\$ 187	\$ 26	\$ 261	\$ (57)
Adjustments for:				
Depreciation	45	40	89	79
Amortization of intangible assets	258	213	500	406
IRGA/TSS Membership liability revaluation charge	8	31	89	69
Finance and other expense (income)	(23)	(2)	(32)	(9)
Bargain purchase (gain)	(2)	0	(5)	(1)
Impairment of intangible and other non-financial assets	6	1	16	3
Redeemable preferred securities expense (income)	-	94	58	282
Finance costs	69	46	136	82
Income tax expense (recovery)	65	53	117	93
Foreign exchange loss (gain)	4	16	(15)	26
Change in non-cash operating assets and liabilities exclusive of effects of business combinations	(174)	(238)	34	30
Income taxes paid	(177)	(158)	(245)	(249)
Net cash flows from (used in) operating activities	265	123	1,002	755
Cash flows from (used in) financing activities:				
Interest paid on lease obligations	(3)	(3)	(7)	(5)
Interest paid on debt	(37)	(36)	(78)	(62)
Proceeds from sale of interest rate cap	-	6	-	6
Increase (decrease) in CSI facility	-	240	(578)	189
Increase (decrease) in Topicus revolving credit debt facility without recourse to CSI	(21)	49	92	38
Proceeds from issuance of Senior Notes	-	-	1,000	-
Proceeds from issuance of debt facilities without recourse to CSI	164	75	276	254
Repayments of debt facilities without recourse to CSI	(14)	(42)	(32)	(128)
Other financing activities	(24)	(2)	(27)	1
Dividends paid to non-controlling interests	(0)	-	(86)	-
Debt transaction costs	(2)	(1)	(13)	(3)
Payments of lease obligations	(29)	(28)	(58)	(53)
Distribution to the Joday Group	-	-	(64)	-
Principal repayments to the Joday Group pursuant to the Call Notice	-	-	(22)	-
Dividends paid to common shareholders of the Company	(21)	(21)	(42)	(42)
Net cash flows from (used in) in financing activities	12	238	363	195
Cash flows from (used in) investing activities:				
Acquisition of businesses	(452)	(393)	(675)	(845)
Cash obtained with acquired businesses	31	48	66	93
Post-acquisition settlement payments, net of receipts	(54)	(61)	(130)	(133)
Purchases of investments and other assets	(0)	(16)	(1)	(18)
Proceeds from sales of other investments and other assets	2	-	5	119
Decrease (increase) in restricted cash	2	29	(9)	(0)
Interest, dividends and other proceeds received	8	0	13	3
Property and equipment purchased	(13)	(9)	(23)	(19)
Net cash flows from (used in) investing activities	(476)	(402)	(753)	(800)
Effect of foreign currency on cash	(5)	1	(22)	8
Increase (decrease) in cash	(205)	(40)	590	159
Cash, beginning of period	\$ 2,078	\$ 1,010	\$ 1,284	\$ 811
Cash, end of period	\$ 1,873	\$ 970	\$ 1,873	\$ 970