

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

TORONTO, ONTARIO (November 8, 2024) -- Constellation Software Inc. (TSX:CSU) (“Constellation” or the “Company”) today announced its financial results for the third quarter ended September 30, 2024 and declared a \$1.00 per share dividend payable on January 10, 2025 to all common shareholders of record at close of business on December 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 nine months ended September 30, 2024 and the accompanying notes, our Management Discussion and Analysis for the three and nine months ended September 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.

Q3 2024 and Subsequent Headlines:

- Revenue grew 20% (2% organic growth, 1% after adjusting for changes in foreign exchange rates) to \$2,541 million compared to \$2,126 million in Q3 2023.
- Net income attributable to common shareholders decreased 28% to \$164 million (\$7.74 on a diluted per share basis) from \$227 million (\$10.70 on a diluted per share basis) in Q3 2023.
- A number of acquisitions were completed for aggregate cash consideration of \$197 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of \$70 million resulting in total consideration of \$267 million.
- Cash flows from operations (“CFO”) increased 1% or \$3 million to \$517 million compared to \$513 million for the comparable period in 2023.
- Free cash flow available to shareholders¹ (“FCFA2S”) decreased 2% or \$6 million to \$362 million compared to \$367 million for the same period in 2023.

(Due to rounding certain totals may not foot.)

Total revenue for the quarter ended September 30, 2024 was \$2,541 million, an increase of 20%, or \$415 million, compared to \$2,126 million for the comparable period in 2023. For the first nine months of 2024 total revenues were \$7,363 million, an increase of 21%, or \$1,279 million, compared to \$6,084 million for the comparable period in 2023. The increase for both the three and nine 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, 1% and 2% 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 September 30, 2024 was \$164 million compared to \$227 million for the same period in 2023. On a per share basis this translated into a net income per diluted share of \$7.74 in the quarter ended September 30, 2024 compared to net income per diluted share of \$10.70 for the same period in 2023. For the nine months ended September 30, 2024, net income attributable to common shareholders of CSI was \$446 million or \$21.04 per diluted share compared to \$424 million or \$20.02 per diluted share for the same period in 2023.

For the quarter ended September 30, 2024, CFO increased \$3 million to \$517 million compared to \$513 million for the same period in 2023 representing an increase of 1%. For the first nine months of 2024, CFO increased \$250 million to \$1,518 million compared to \$1,268 million during the same period in 2023, representing an increase of 20%.

1. See Non-IFRS measures.

For the quarter ended September 30, 2024, FCFA2S decreased \$6 million to \$362 million compared to \$367 million for the same period in 2023 representing a decrease of 2%. For the nine months ended September 30, 2024, FCFA2S increased \$155 million to \$990 million compared to \$835 million for the same period in 2023 representing an increase of 19%.

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		Nine months ended	
	September 30,		September 30,	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	(\$ in millions)		(\$ in millions)	
Net cash flows from operating activities	517	513	1,518	1,268
Adjusted for:				
Interest paid on lease obligations	(4)	(3)	(10)	(8)
Interest paid on debt	(63)	(34)	(141)	(96)
Proceeds from sale of interest rate cap	-	(1)	-	5
Debt transaction costs	(1)	(1)	(13)	(4)
Payments of lease obligations	(31)	(25)	(89)	(78)
IRGA / TSS membership liability revaluation charge	(33)	(25)	(122)	(94)
Property and equipment purchased	(19)	(10)	(42)	(29)
Interest and dividends received	10	0	25	1
	<hr/>	<hr/>	<hr/>	<hr/>
	376	415	1,125	965
Less amount attributable to Non-controlling interests	(14)	(47)	(135)	(129)
Free cash flow available to shareholders	362	367	990	835

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

	September 30, 2024	December 31, 2023	September 30, 2023
Assets			
Current assets:			
Cash	\$ 2,069	\$ 1,284	\$ 1,076
Accounts receivable	1,152	1,138	986
Unbilled revenue	435	325	331
Inventories	66	51	56
Other assets	636	541	499
	4,358	3,340	2,948
Non-current assets:			
Property and equipment	220	142	129
Right of use assets	323	312	282
Deferred income taxes	202	108	85
Other assets	331	287	271
Intangible assets	7,139	6,677	6,325
	8,215	7,526	7,092
Total assets	\$ 12,573	\$ 10,866	\$ 10,039
Liabilities and Shareholders' Equity			
Current liabilities:			
Debt with recourse to Constellation Software Inc.	\$ 294	\$ 861	\$ 907
Debt without recourse to Constellation Software Inc.	414	225	235
Redeemable preferred securities	-	814	536
Accounts payable and accrued liabilities	1,421	1,428	1,239
Dividends payable	21	21	21
Deferred revenue	2,014	1,758	1,779
Provisions	10	9	8
Acquisition holdback payables	285	168	150
Lease obligations	113	112	102
Income taxes payable	116	88	113
	4,689	5,484	5,090
Non-current liabilities:			
Debt with recourse to Constellation Software Inc.	1,881	863	617
Debt without recourse to Constellation Software Inc.	1,560	1,385	1,275
Deferred income taxes	643	604	508
Acquisition holdback payables	123	88	87
Lease obligations	251	236	216
Other liabilities	290	244	240
	4,748	3,421	2,943
Total liabilities	9,437	8,905	8,033
Shareholders' equity:			
Capital stock	99	99	99
Accumulated other comprehensive income (loss)	(98)	(99)	(159)
Retained earnings	2,657	1,876	1,762
Non-controlling interests	478	85	304
	3,136	1,961	2,006
Total liabilities and shareholders' equity	\$ 12,573	\$ 10,866	\$ 10,039

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 September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Revenue				
License	\$ 84	\$ 84	\$ 259	\$ 254
Professional services	487	450	1,451	1,290
Hardware and other	78	71	204	191
Maintenance and other recurring	1,893	1,521	5,449	4,349
	2,541	2,126	7,363	6,084
Expenses				
Staff	1,336	1,112	3,956	3,291
Hardware	43	42	114	113
Third party license, maintenance and professional services	243	208	701	592
Occupancy	18	11	48	37
Travel, telecommunications, supplies, software and equipment	120	99	365	285
Professional fees	43	36	126	107
Other, net	34	37	134	103
Depreciation	46	41	135	120
Amortization of intangible assets	271	214	771	620
	2,152	1,799	6,349	5,268
Foreign exchange loss (gain)	30	(23)	16	3
IRGA/TSS Membership liability revaluation charge	33	25	122	94
Finance and other expense (income)	(18)	2	(50)	(7)
Bargain purchase gain	1	(50)	(4)	(51)
Impairment of intangible and other non-financial assets	2	1	17	4
Redeemable preferred securities expense (income)	-	37	58	319
Finance costs	72	50	207	132
	119	41	366	494
Income (loss) before income taxes	270	286	648	322
Current income tax expense (recovery)	126	99	396	315
Deferred income tax expense (recovery)	(43)	(32)	(196)	(155)
Income tax expense (recovery)	83	67	200	160
Net income (loss)	187	219	448	161
Net income (loss) attributable to:				
Common shareholders of Constellation Software Inc.	164	227	446	424
Non-controlling interests	23	(8)	2	(263)
Net income (loss)	187	219	448	161
Earnings per common share of Constellation Software Inc.				
Basic and diluted	\$ 7.74	\$ 10.70	\$ 21.04	\$ 20.02

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 September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Net income (loss)	\$ 187	\$ 219	\$ 448	\$ 161
Items that are or may be reclassified subsequently to net income (loss):				
Foreign currency translation differences from foreign operations and other, net of tax	71	(58)	8	(27)
Other comprehensive income (loss), net of income tax	71	(58)	8	(27)
Total comprehensive income (loss)	\$ 258	\$ 161	\$ 456	\$ 135
Total other comprehensive income (loss) attributable to:				
Common shareholders of Constellation Software Inc.	60	(46)	7	(21)
Non-controlling interests	11	(12)	2	(6)
Total other comprehensive income (loss)	\$ 71	\$ (58)	\$ 8	\$ (27)
Total comprehensive income (loss) attributable to:				
Common shareholders of Constellation Software Inc.	224	180	453	404
Non-controlling interests	34	(20)	3	(269)
Total comprehensive income (loss)	\$ 258	\$ 161	\$ 456	\$ 135

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

Nine months ended September 30, 2024

	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, 2024	\$ 99	\$ (99)	\$ 1,876	\$ 1,877	\$ 85	\$ 1,961	
<i>Total comprehensive income (loss):</i>							
Net income (loss)	-	-	446	446	2	448	
<i>Other comprehensive income (loss)</i>							
Foreign currency translation differences from foreign operations and other, net of tax	-	7	-	7	2	8	
Total other comprehensive income (loss)	-	7	-	7	2	8	
Total comprehensive income (loss)	-	7	446	453	3	456	
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)	(3)	(4)	
Dividends paid to non-controlling interests	-	-	-	-	(86)	(86)	
Dividends to shareholders of the Company	-	-	(64)	(64)	-	(64)	
Balance at September 30, 2024	\$ 99	\$ (98)	\$ 2,657	\$ 2,658	\$ 478	\$ 3,136	

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

Nine months ended September 30, 2023

	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, 2023	\$ 99	\$ (150)	\$ 1,763	\$ 1,713	\$ 221	\$ 1,933
<i>Total comprehensive income (loss):</i>						
Net income (loss)	-	-	424	424	(263)	161
<i>Other comprehensive income (loss)</i>						
Foreign currency translation differences from foreign operations and other, net of tax	-	(21)	-	(21)	(6)	(27)
Total other comprehensive income (loss)	-	(21)	-	(21)	(6)	(27)
Total comprehensive income (loss)	-	(21)	424	404	(269)	135
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	-	-	-	-	5	5
Other movements in non-controlling interests	-	0	16	16	(18)	(2)
Dividends to shareholders of the Company	-	-	(64)	(64)	-	(64)
Balance at September 30, 2023	\$ 99	\$ (159)	\$ 1,762	\$ 1,703	\$ 304	\$ 2,006

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 September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Cash flows from (used in) operating activities:				
Net income (loss)	\$ 187	\$ 219	\$ 448	\$ 161
Adjustments for:				
Depreciation	46	41	135	120
Amortization of intangible assets	271	214	771	620
IRGA/TSS Membership liability revaluation charge	33	25	122	94
Finance and other expense (income)	(18)	2	(50)	(7)
Bargain purchase (gain)	1	(50)	(4)	(51)
Impairment of intangible and other non-financial assets	2	1	17	4
Redeemable preferred securities expense (income)	-	37	58	319
Finance costs	72	50	207	132
Income tax expense (recovery)	83	67	200	160
Foreign exchange loss (gain)	30	(23)	16	3
Change in non-cash operating assets and liabilities exclusive of effects of business combinations	(72)	(7)	(38)	23
Income taxes paid	(118)	(62)	(363)	(310)
Net cash flows from (used in) operating activities	517	513	1,518	1,268
Cash flows from (used in) financing activities:				
Interest paid on lease obligations	(4)	(3)	(10)	(8)
Interest paid on debt	(63)	(34)	(141)	(96)
Proceeds from sale of interest rate cap	-	(1)	-	5
Increase (decrease) in CSI facility	-	175	(578)	364
Increase (decrease) in Topicus revolving credit debt facility without recourse to	55	5	147	43
Proceeds from issuance of Senior Notes	-	-	1,000	-
Proceeds from issuance of debt facilities without recourse to CSI	37	35	313	290
Repayments of debt facilities without recourse to CSI	(81)	(100)	(113)	(227)
Other financing activities	(4)	(2)	(31)	(1)
Dividends paid to non-controlling interests	-	-	(86)	-
Debt transaction costs	(1)	(1)	(13)	(4)
Payments of lease obligations	(31)	(25)	(89)	(78)
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)	(64)	(64)
Net cash flows from (used in) financing activities	(113)	28	250	224
Cash flows from (used in) investing activities:				
Acquisition of businesses	(196)	(389)	(871)	(1,233)
Cash obtained with acquired businesses	23	19	89	113
Post-acquisition settlement payments, net of receipts	(53)	(35)	(183)	(168)
Purchases of investments and other assets	(4)	(1)	(5)	(19)
Proceeds from sales of other investments and other assets	2	-	7	119
Decrease (increase) in restricted cash	(4)	(1)	(13)	(1)
Interest, dividends and other proceeds received	12	0	25	3
Property and equipment purchased	(19)	(10)	(42)	(29)
Net cash flows from (used in) investing activities	(240)	(416)	(993)	(1,216)
Effect of foreign currency on cash	33	(19)	11	(10)
Increase (decrease) in cash	195	107	785	265
Cash, beginning of period	\$ 1,873	\$ 970	\$ 1,284	\$ 811
Cash, end of period	\$ 2,069	\$ 1,076	\$ 2,069	\$ 1,076