

# TOPICUS.COM INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

The following discussion and analysis should be read in conjunction with the Unaudited Condensed Consolidated Interim Financial Statements for the three and six month periods ended June 30, 2023, which we prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain information included herein is forward looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward Looking Statements" and "Risks and Uncertainties".

Unless otherwise indicated, all amounts are expressed in Euros. All references to "€" are to Euros. Due to rounding, certain totals and subtotals may not foot and certain percentages may not reconcile.

Additional information about Topicus.com Inc. (the "Company" or "Topicus") is available on SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca).

### Forward Looking Statements

Certain statements in this report may contain "forward looking" statements that involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Words such as "may", "will", "expect", "believe", "plan", "intend", "should", "anticipate" and other similar terminology are intended to identify forward looking statements. These statements reflect current assumptions and expectations regarding future events and operating performance as of the date of this MD&A, August 3, 2023. 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, including, but not limited to, the factors discussed under "Risks and Uncertainties". Although the forward looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this MD&A and the Company assumes no obligation, except as required by law, to update any forward looking statements to reflect new events or circumstances. This report should be viewed in conjunction with the Company's other publicly available filings, copies of which can be obtained electronically on SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca).

### Non-IFRS Measures

This MD&A includes certain measures which have not been prepared in accordance with IFRS such as Free cash flow available to shareholders.

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, dividends paid to redeemable preferred securities holders, 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 may not be comparable to similar financial measures disclosed by other issuers. Accordingly, readers are cautioned that FCFA2S should not be construed as an alternative to net cash flows from operating activities. See “Results of Operations - Free cash flow available to shareholders” for a reconciliation of FCFA2S to net cash flows from operating activities.

## **Overview**

We acquire, manage and build vertical market software (“VMS”) businesses, primarily located in Europe. Generally, these businesses provide mission critical software solutions that address the specific needs of our customers in particular vertical markets. Our focus on acquiring businesses with growth potential, managing them well and then building them, has allowed us to generate significant cash flows and revenue growth during the past several years.

Our revenue consists primarily of software license fees, maintenance and other recurring fees, professional service fees and hardware sales. Software license revenue is comprised of license fees charged for the use of our software products generally licensed under multiple-year or perpetual arrangements. Maintenance and other recurring revenue primarily consists of fees charged for customer support on our software products post-delivery and also includes, to a lesser extent, recurring fees derived from software as a service, subscriptions, combined software/support contracts, transaction-related revenues, and hosted products. Maintenance and other recurring fee arrangements generally include rights to certain product updates “when and if available”. Professional service revenue consists of fees charged for implementation and integration services, customized programming, product training and consulting. Hardware sales include the resale of third party hardware that forms part of our customer solutions, as well as sales of customized hardware assembled internally. Our customers typically purchase a combination of software, maintenance, professional services and hardware, although the type, mix and quantity of each vary by customer and by product.

Expenses consist primarily of staff costs, the cost of hardware, third party licenses, maintenance and professional services to fulfill our customer arrangements, travel and occupancy costs, depreciation and other general operating expenses.

## Results of Operations

(In millions of euros, except percentages and per share amounts)

	Three months ended June 30,				Period-Over- Period Change			Six months ended June 30,				Period-Over-Period Change		
	2023	2022	€	%				2023	2022	€	%			
<b>Revenue</b>	<b>272.1</b>	<b>220.6</b>	<b>51.5</b>	<b>23%</b>				<b>536.5</b>	<b>424.4</b>	<b>112.1</b>	<b>26%</b>			
Expenses	206.2	169.8	36.5	21%				408.3	321.9	86.4	27%			
Amortization of intangible assets	30.0	26.0	4.0	15%				57.9	49.0	9.0	18%			
Finance and other expense (income)	4.4	(0.1)	4.5	NM				9.4	1.7	7.7	459%			
Income (loss) before income taxes	31.4	24.9	6.5	26%				60.9	51.8	9.1	18%			
<b>Income tax expense (recovery)</b>														
Current income tax expense (recovery)	14.9	11.0	3.9	35%				27.2	22.3	5.0	22%			
Deferred income tax expense (recovery)	(6.9)	(6.2)	(0.7)	11%				(10.9)	(10.9)	(0.0)	0%			
Income tax expense (recovery)	8.0	4.8	3.2	66%				16.3	11.4	5.0	44%			
<b>Net income (loss)</b>	<b>23.5</b>	<b>20.1</b>	<b>3.4</b>	<b>17%</b>				<b>44.6</b>	<b>40.5</b>	<b>4.1</b>	<b>10%</b>			
Equity holders of Topicus	14.6	12.5	2.0	16%				28.5	24.1	4.4	18%			
Non-controlling interests	8.9	7.6	1.3	17%				16.1	16.4	(0.3)	-2%			
<b>Net cash flows from operating activities</b>	<b>(15.4)</b>	<b>(32.0)</b>	<b>16.7</b>	<b>-52%</b>				<b>158.6</b>	<b>144.0</b>	<b>14.6</b>	<b>10%</b>			
<b>Free cash flow available to shareholders</b>	<b>(13.1)</b>	<b>(26.8)</b>	<b>13.7</b>	<b>-51%</b>				<b>88.0</b>	<b>34.7</b>	<b>53.3</b>	<b>153%</b>			
Weighted average shares outstanding														
Basic	81.9	80.1						81.9	80.0					
Diluted	129.8	129.8						129.8	129.8					
<b>Net income (loss) per share</b>														
Basic	€ 0.18	€ 0.16	€ 0.02	14%				€ 0.35	€ 0.30	€ 0.05	15%			
Diluted	€ 0.18	€ 0.16	€ 0.02	14%				€ 0.35	€ 0.30	€ 0.05	15%			
<b>Net cash flows from operating activities per share</b>														
Basic	-€ 0.19	-€ 0.40	€ 0.21	-53%				€ 1.94	€ 1.80	€ 0.14	8%			
Diluted	-€ 0.19	-€ 0.40	€ 0.21	-53%				€ 1.22	€ 1.11	€ 0.11	10%			
<b>Free cash flow available to shareholders per share</b>														
Basic	-€ 0.16	-€ 0.34	€ 0.18	-52%				€ 1.07	€ 0.43	€ 0.64	148%			
Diluted	-€ 0.16	-€ 0.34	€ 0.18	-52%				€ 1.07	€ 0.43	€ 0.64	148%			

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

Diluted Free cash flow available to shareholders per share is calculated before deducting the amount attributable to non-controlling interests.

## Comparison of the three and six month periods ended June 30, 2023 and 2022

### Revenue:

Total revenue for the quarter ended June 30, 2023 was €272.1 million, an increase of 23%, or €51.5 million, compared to €220.6 million for the comparable period in 2022. For the first six months of 2023 total revenues were €536.5 million, an increase of 26%, or €112.1 million, compared to €424.4 million for the comparable period in 2022. 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 6% and 7% respectively. 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 the Company. Organic growth is not a standardized financial measure and might not be comparable to measures disclosed by other issuers.

The following table displays the breakdown of our revenue according to revenue type:

	Three months ended June 30,		Period-Over- Period Change		Q222 Proforma Adj. (Note 1)	Organic Growth		Six months ended June 30,		Period-Over- Period Change		Q222 Proforma Adj. (Note 2)	Organic Growth
	2023	2022	€	%	€	%		2023	2022	€	%	€	%
	(€ in millions, except percentages)							(€ in millions, except percentages)					
Licenses	7.8	6.4	1.4	22%	2.0	-7%		14.8	11.9	2.9	25%	4.5	-10%
Professional services	72.0	56.5	15.5	27%	12.8	4%		141.3	106.6	34.7	33%	27.1	6%
Hardware and other	3.7	2.3	1.4	62%	2.0	-15%		6.4	4.5	1.9	41%	3.6	-21%
Maintenance and other recurring	188.6	155.4	33.1	21%	19.0	8%		374.0	301.4	72.6	24%	42.5	9%
	272.1	220.6	51.5	23%	35.8	6%		536.5	424.4	112.1	26%	77.7	7%

€M - Millions of euros

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

Note 1: Estimated pre-acquisition revenues for the three months ended June 30, 2022 from companies acquired after March 31, 2022. (Obtained from unaudited vendor financial information.)

Note 2: Estimated pre-acquisition revenues for the six months ended June 30, 2022 from companies acquired after December 31, 2021. (Obtained from unaudited vendor financial information.)

For comparative purposes the table below shows the quarterly organic growth as compared to the same period in the prior year by revenue type since Q2 2021. Note that the estimated revenues achieved by acquired companies in the corresponding financial period preceding the date of acquisition by the Company may be updated in the quarter following the quarter they were acquired resulting in slight variances to previously reported figures.

	Quarter Ended									
	Jun. 30 2021	Sep. 30 2021	Dec. 31 2021	Mar. 31 2022	Jun. 30 2022	Sep. 30 2022	Dec. 31 2022	Mar. 31 2023	Jun. 30 2023	
Licenses	23%	-20%	42%	-20%	-27%	-25%	-1%	-12%	-7%	
Professional services	9%	5%	11%	-4%	3%	3%	8%	8%	4%	
Hardware and other	0%	-36%	-22%	41%	8%	-18%	7%	-29%	-15%	
Maintenance and other recurring	7%	7%	9%	6%	9%	5%	6%	9%	8%	
<b>Revenue</b>	<b>8%</b>	<b>5%</b>	<b>10%</b>	<b>3%</b>	<b>6%</b>	<b>3%</b>	<b>6%</b>	<b>8%</b>	<b>6%</b>	

Expenses:

The following table displays the breakdown of our expenses:

	Three months ended				Six months ended			
	June 30,		Period-Over-Period		June 30,		Period-Over-Period	
	2023	2022	€	%	2023	2022	€	%
	(€ in millions, except percentages)				(€ in millions, except percentages)			
Expenses								
Staff	155.8	123.8	32.0	26%	305.9	235.7	70.2	30%
Hardware	2.5	1.5	1.0	68%	4.1	2.2	1.9	85%
Third party license, maintenance and professional services	21.3	18.6	2.7	15%	41.9	36.1	5.8	16%
Occupancy	2.6	1.8	0.8	42%	5.0	3.3	1.7	50%
Travel, telecommunications, supplies & software and equipment	10.7	8.5	2.3	27%	20.3	14.5	5.7	39%
Professional fees	4.6	3.8	0.8	21%	8.8	7.6	1.3	17%
Other, net	1.0	4.8	(3.8)	-80%	7.2	9.2	(2.0)	-22%
Depreciation	7.7	7.0	0.7	10%	15.0	13.2	1.8	14%
	206.2	169.8	36.5	21%	408.3	321.9	86.4	27%

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

Overall expenses for the quarter ended June 30, 2023 increased 21%, or €36.5 million to €206.2 million, compared to €169.8 million during the same period in 2022. As a percentage of total revenue, expenses equalled 76% for the quarter ended June 30, 2023 and 77% for the same period in 2022. During the six months ended June 30, 2023, expenses increased 27%, or €86.4 million to €408.3 million, compared to €321.9 million during the same period in 2022. As a percentage of total revenue, expenses were 76% for the six months ended June 30, 2023 and 76% for the same period in 2022.

**Staff expense** – Staff expenses increased 26% or €32.0 million for the quarter ended June 30, 2023 and 30% or €70.2 million for the six months ended June 30, 2023 over the same periods in 2022. Staff expense can be broken down into five key operating departments: Professional Services, Maintenance, Research and Development, Sales and Marketing, and General and Administrative. Included within staff expenses for each of the above five departments are personnel and related costs associated with providing the necessary services. The table below compares the period over period variances.

	Three months ended				Six months ended			
	June 30,		Period-Over-Period		June 30,		Period-Over-Period	
	2023	2022	€	%	2023	2022	€	%
	(€ in millions, except percentages)				(€ in millions, except percentages)			
Professional services	39.9	31.7	8.2	26%	78.9	59.9	19.0	32%
Maintenance	29.3	24.1	5.2	22%	57.0	46.1	10.8	24%
Research and development	40.1	31.3	8.8	28%	79.2	61.2	18.0	29%
Sales and marketing	15.2	12.4	2.8	22%	29.8	23.8	6.0	25%
General and administrative	31.3	24.3	7.0	29%	61.1	44.7	16.4	37%
	155.8	123.8	32.0	26%	305.9	235.7	70.2	30%

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

The increase in staff expenses for the three and six months ended June 30, 2023 compared to the same periods in 2022 was primarily due to the growth in the number of employees as a result of acquisitions.

**Hardware expenses** – Hardware expenses increased 68% or €1.0 million for the quarter ended June 30, 2023 and increased 85% or €1.9 million for the six months ended June 30, 2023 over the same periods in 2022 as compared with the 62% and 41% increases in hardware and other revenue for the three and six month periods ending June 30, 2023 respectively over the comparable periods in 2022. Hardware margins for the three and six months ended June 30, 2023 were 31% and 35% respectively as compared to 34% and 51% for the comparable periods in 2022.

**Third party license, maintenance and professional services expenses** – Third party license, maintenance and professional services expenses increased 15% or €2.7 million for the quarter ended June 30, 2023 and increased 16% or €5.8 million for the six months ended June 30, 2023 over the same periods in 2022. The increase is primarily due to third party license, maintenance and professional services expenses of acquired businesses.

**Occupancy expenses** – Occupancy expenses increased 42% or €0.8 million for the quarter ended June 30, 2023 and increased 50% or €1.7 million for the six months ended June 30, 2023 over the same periods in 2022. The increase is primarily due to the occupancy expenses of acquired businesses.

**Travel, telecommunications, supplies & software and equipment expenses** – Travel, telecommunications, supplies & software and equipment expenses increased 27% or €2.3 million for the quarter ended June 30, 2023 and increased 39% or €5.7 million for the six months ended June 30, 2023 over the same periods in 2022. The increase is primarily due to expenses relating to acquired businesses.

**Professional fees** – Professional fees increased 21% or €0.8 million for the quarter ended June 30, 2023 and 17% or €1.3 million for the six months ended June 30, 2023 over the same periods in 2022. There are no individually material reasons contributing to these variances.

**Other, net** – Other expenses decreased 80% or €3.8 million for the quarter ended June 30, 2023 and decreased 22% or €2.0 million for the six months ended June 30, 2023 over the same periods in 2022. The following table provides a further breakdown of expenses within this category.

	Three months ended June 30,				Period-Over-Period Change			
	<u>2023</u>	<u>2022</u>	€	%	<u>2023</u>	<u>2022</u>	€	%
	(€ in millions, except percentages)							
Advertising and promotion	2.9	2.4	0.5	20%	5.1	4.1	1.0	25%
Recruitment and training	2.6	2.4	0.3	11%	4.9	4.1	0.8	19%
Bad debt expense	(1.4)	0.5	(1.9)	NM	0.4	0.5	(0.1)	-29%
R&D tax credits	(1.8)	(1.4)	(0.4)	31%	(3.2)	(2.7)	(0.6)	21%
Contingent consideration	(2.1)	0.3	(2.4)	NM	(1.3)	2.1	(3.4)	NM
Other expense, net	0.7	0.6	0.1	18%	1.4	1.1	0.3	23%
	1.0	4.8	(3.8)	-80%	7.2	9.2	(2.0)	-22%

NM - Not meaningful

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

The contingent consideration expense amounts recorded for the periods above relate to an increase (decrease) in anticipated acquisition earnout payment accruals primarily as a result of increases (decreases) to revenue forecasts for the associated acquisitions. Revenue forecasts are updated on a quarterly basis and the related anticipated acquisition earnout payment accruals are updated accordingly. The bad debt expense credit for the three months ended June 30, 2023 primarily relates to a provision made in March 2023 for one invoice that had been outstanding for greater than 365 days, in accordance with the Company's policy. The customer has now paid the outstanding amount. There are no individually material reasons contributing to the remaining variances.

**Depreciation** – Depreciation of property and equipment increased 10% or €0.7 million for the quarter ended June 30, 2023 and 14% or €1.8 million for the six months ended June 30, 2023 over the same periods in 2022. The increases are primarily due to the depreciation expense associated with acquired businesses.

Other Income and Expenses:

The following table displays the breakdown of our other income and expenses:

	Three months ended				Six months ended			
	June 30,		Period-Over-Period		June 30,		Period-Over-Period	
	2023	2022	€	%	2023	2022	€	%
	(€ in millions, except percentages)				(€ in millions, except percentages)			
Amortization of intangible assets	30.0	26.0	4.0	15%	57.9	49.0	9.0	18%
Finance and other expense (income)	4.4	(0.1)	4.5	NM	9.4	1.7	7.7	459%
Income tax expense (recovery)	8.0	4.8	3.2	66%	16.3	11.4	5.0	44%
	42.4	30.8	11.7	38%	83.7	62.0	21.6	35%

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

**Amortization of intangible assets** – Amortization of intangible assets increased 15% or €4.0 million for the quarter ended June 30, 2023 and 18% or €9.0 million for the six months ended June 30, 2023 over the same periods in 2022. The increase in amortization expense for the three and six months ended June 30, 2023 is primarily attributable to an increase in the carrying amount of our intangible asset balance over the twelve-month period ended June 30, 2023 as a result of acquisitions completed during this twelve-month period.

**Finance and other expense (income)** – Finance and other expense (income) for the three and six months ended June 30, 2023 was expense of €4.4 million and €9.4 million respectively, compared to income of €0.1 million and expense of €1.7 million for the same periods in 2022. The interest expense on debt for the three and six months ended June 30, 2023 was €3.7 million and €6.8 million respectively compared to €1.9 million and €4.1 million for the same periods in 2022. Other finance expense (income) for the three and six months ended June 30, 2023 was income of €0.1 million and expense of €0.4 million respectively compared to income of €2.7 million and €3.8 million for the same periods in 2022. The other finance income for the three and six months ended June 30, 2022 primarily relates to a gain on an interest rate cap instrument.

**Income taxes** – We operate throughout Europe and we calculate our tax provision in each of the jurisdictions in which we conduct business. Our effective tax rate on a consolidated basis is, therefore, affected by the realization and anticipated relative profitability of our operations in those various jurisdictions, as well as different tax rates that apply and our ability to utilize tax losses and other credits. For the quarter ended June 30, 2023, income tax expense increased €3.2 million to €8.0 million compared to €4.8 million for the same period in 2022. During the six months ended June 30, 2023, income tax expense increased €5.0 million to €16.3 million compared to €11.4 million for the same period in 2022. Current tax expense has historically approximated our cash tax expense however the quarterly expense can sometimes fall outside of the annual range due to adjustments to prior period provisions. Current tax expense reflects gross taxes before the application of R&D tax credits which are classified as part of “Other, net” expenses in the condensed consolidated statements of income.

The Company is subject to tax audits in the countries in which it carries on business. These tax audits could result in additional tax expense in future periods relating to historical filings. Reviews by tax authorities generally focus on, but are not limited to, the validity of the Company’s inter-company transactions, including financing and transfer pricing policies which generally involve subjective areas of taxation and a significant degree of judgement. If any of these tax authorities are successful with their challenges, the Company’s income tax expense may be adversely affected and the Company could also be subject to interest and penalty charges.

Net Income (Loss) per Share:

Net income for the quarter ended June 30, 2023 increased €3.4 million to €23.5 million compared to €20.1 million for the same period in 2022. On a per share basis, this translated into net income per basic and diluted share of €0.18 in the quarter ended June 30, 2023 compared to €0.16 for the same period in 2022. For the six months ended June 30, 2023 net income increased €4.1 million to €44.6 million compared to €40.5 million for the same period in 2022. On a per share basis, this translated into net income per basic and diluted share of €0.35 in the six months ended June 30, 2023 compared to €0.30 for the same period in 2022.

Net cash flows from operating activities ("CFO"):

For the quarter ended June 30, 2023, CFO were negative €15.4 million compared to negative €32.0 million for the same period in 2022. Many of the businesses invoice customers for annual software maintenance fees in Q1 each year resulting in a disproportionate amount of cash being received in the first quarter as compared to the remaining three quarters. For the six months ended June 30, 2023, CFO increased €14.6 million to €158.6 million compared to €144.0 million for the same period in 2022 representing an increase of 10%. An increase in aged accounts receivable at June 30, 2023 compared to the same period in 2022 had a negative impact on CFO for both the three and six months ended June 30, 2023.

Free cash flow available to shareholders ("FCFA2S"):

For the quarter ended June 30, 2023, FCFA2S was negative €13.1 million compared to negative €26.8 million for the same period in 2022. For the six months ended June 30, 2023, FCFA2S increased €53.3 million to €88.0 million compared to €34.7 million for the same period in 2022 representing an increase of 153%. The increase for the six month period is primarily as a result of the dividend paid to the Preferred Securities holders during the quarter ended March 31, 2022.

The following table reconciles FCFA2S to net cash flows from operating activities:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	(€ in millions)		(€ in millions)	
<b>Net cash flows from operating activities</b>	(15.4)	(32.0)	158.6	144.0
<b>Adjusted for:</b>				
Interest paid on lease obligations	(0.3)	(0.3)	(0.7)	(0.6)
Interest paid on other facilities	(3.5)	(2.4)	(6.6)	(4.0)
Proceeds from sale of interest rate cap	5.5	-	5.5	-
Credit facility transaction costs	(0.2)	-	(0.2)	-
Payments of lease obligations	(5.5)	(5.1)	(10.8)	(9.6)
Property and equipment purchased	(1.9)	(1.6)	(3.9)	(3.6)
Dividends paid to redeemable preferred securities holders	-	-	-	(66.6)
	(21.3)	(41.4)	142.0	59.7
Less amount attributable to non-controlling interests	8.2	14.5	(54.0)	(24.9)
<b>Free cash flow available to shareholders</b>	(13.1)	(26.8)	88.0	34.7

Due to rounding, certain totals may not foot.



## Quarterly Results

	Quarter Ended								
	Jun. 30 2021	Sep. 30 2021	Dec. 31 2021	Mar. 31 2022	Jun. 30 2022	Sep. 30 2022	Dec. 31 2022	Mar. 31 2023	Jun. 30 2023
Revenue	178.2	177.1	207.6	203.8	220.6	228.6	263.7	264.4	272.1
Net income	168.8	18.1	27.0	20.4	20.1	18.4	28.7	21.1	23.5
CFO	(34.6)	8.5	42.8	176.0	(32.0)	10.9	48.1	174.0	(15.4)
FCFA2S	(25.4)	(0.5)	21.3	61.4	(26.8)	(0.5)	18.6	101.1	(13.1)
Net income per share									
Basic	€ 2.97	€ 0.09	-€ 0.17	€ 0.14	€ 0.16	€ 0.15	€ 0.21	€ 0.17	€ 0.18
Diluted	€ 0.11	€ 0.09	-€ 0.17	€ 0.14	€ 0.16	€ 0.15	€ 0.21	€ 0.17	€ 0.18
CFO per share									
Basic	-€ 0.64	€ 0.11	€ 0.54	€ 2.20	-€ 0.40	€ 0.14	€ 0.59	€ 2.12	-€ 0.19
Diluted	-€ 0.64	€ 0.07	€ 0.33	€ 1.36	-€ 0.40	€ 0.08	€ 0.37	€ 1.34	-€ 0.19
FCFA2S per share									
Basic	-€ 0.47	-€ 0.01	€ 0.27	€ 0.77	-€ 0.34	-€ 0.01	€ 0.23	€ 1.23	-€ 0.16
Diluted	-€ 0.47	-€ 0.01	€ 0.26	€ 0.77	-€ 0.34	-€ 0.01	€ 0.23	€ 1.23	-€ 0.16
In millions of euros, except per share amounts									
Weighted average shares (in millions)									
Basic	54.4	79.3	79.5	79.9	80.1	80.5	81.4	81.9	81.9
Diluted	129.8	129.8	129.8	129.8	129.8	129.8	129.8	129.8	129.8

Many of the businesses invoice customers for annual software maintenance fees in Q1 each year resulting in a disproportionate amount of cash being received in the first quarter as compared to the remaining three quarters, otherwise we do not generally experience significant seasonality in our operating results from quarter to quarter. Our quarterly results may however fluctuate as a result of the various acquisitions which may be completed by the Company in any given quarter. We may experience variations in our net income on a quarterly basis depending upon the timing of certain expenses or gains, which may include changes in provisions, acquired contract liabilities, and gains or losses on the sale of financial and other assets.

## Liquidity

	June 30, 2023	December 31, 2022	Variance
<b>Cash</b>	<b>172.3</b>	<b>136.8</b>	<b>35.5</b>
Topicus Revolving Credit Facility and current portion of term loans	168.2	201.3	(33.0)
Term and other loans	65.8	41.3	24.5
Loan from Constellation Software Inc. ("CSI") <sup>1</sup>	30.3	30.9	(0.6)
<b>Debt</b>	<b>264.3</b>	<b>273.4</b>	<b>(9.1)</b>
<b>Cash less Debt</b>	<b>(92.0)</b>	<b>(136.7)</b>	<b>44.7</b>

1. See "Related Parties" below.

Cash flows from operations exceeded the net capital deployed on acquisitions plus dividends during the six months ended June 30, 2023. Cash increased by €35.5 million to €172.3 million at June 30, 2023 compared to €136.8 million at December 31, 2022 and debt decreased by €9.1 million to €264.3 million at June 30, 2023 compared to €273.4 million at December 31, 2022.

Total assets increased €155.4 million, from €1,294.8 million at December 31, 2022 to €1,450.2 million at June 30, 2023. The increase is primarily due to the €35.5 million increase in cash, €34.7 million increase in accounts receivable, and €68.3 million increase in intangible assets.

Current liabilities increased €85.6 million, from €570.1 million at December 31, 2022 to €655.7 million at June 30, 2023. The increase is primarily due to the €125.0 million increase in deferred revenue offset by the €33.0 million decrease in the revolving credit facility and current portion of term loans.

#### Net Changes in Cash Flows

(€ in millions)

	Six months ended June 30, 2023	Six months ended June 30, 2022
Net cash provided by operating activities	158.6	144.0
Net cash from (used in) financing activities	(25.7)	23.5
Cash used in the acquisition of businesses	(99.1)	(110.1)
Cash obtained with acquired businesses	5.6	27.6
Net cash from (used in) other investing activities	(3.9)	(0.6)
Net cash from (used in) investing activities	(97.4)	(83.1)
Effect of foreign currency	(0.0)	(0.0)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>35.5</b>	<b>84.4</b>

The net cash flows from operating activities were €158.6 million for the six months ended June 30, 2023. The €158.6 million provided by operating activities resulted from net income of €44.6 million plus €98.7 million of non-cash adjustments to net income and €41.1 million generated from non-cash operating working capital offset by €25.8 million in taxes paid.

The net cash flows used in financing activities for the six months ended June 30, 2023 were €25.7 million, which is mainly a result of the €12.2 million net decrease in bank indebtedness and €10.8 million of lease payments.

The net cash flows used in investing activities in the six months ended June 30, 2023 were €97.4 million. The cash used in investing activities was primarily due to acquisitions for an aggregate of €99.1 million (including payments for holdbacks relating to prior acquisitions) offset by €5.6 million of acquired cash.

We believe we have sufficient cash and available credit capacity to continue to operate for the foreseeable future. Generally, our VMS businesses operate with negative working capital as a result of the collection of maintenance payments and other revenues in advance of the performance of the related services. As such, management anticipates that it can continue to grow the business organically without any additional funding. If we continue to acquire VMS businesses we may need additional external funding depending upon the size and timing of the potential acquisitions.

## Related Parties

Transactions with related parties are assumed when a relationship exists between the Company and a natural person or entity that is affiliated with the Company. This includes, amongst others, the relationship between the Company and its subsidiaries, significant shareholders, directors, key management personnel, certain companies affiliated with key management personnel, and companies that are under common control of our controlling shareholder, CSI. Transactions are transfers of resources, services or obligations, regardless whether anything has been charged. There have been no transactions with related parties that were not on a commercial basis, except for financing obtained from the shareholders of the Company, as explained below.

### *Transactions with CSI*

The Company pays management fees to CSI (included within “Other, net” expenses) and reimburses CSI for certain expenses paid on behalf of the Company. The aggregate payments made by the Company to CSI for management fees and reimbursements of expenses during the three and six months ended June 30, 2023 was €6.1 million and €6.7 million respectively (€6.9 million and €8.0 million respectively for the three and six months ended June 30, 2022). The Company expensed management fees of €0.5 million and €1.0 million for the three and six months ended June 30, 2023 (€0.5 million and €1.0 million for the three and six months ended June 30, 2022).

The ending payable balance to CSI (included within “Accounts payable and accrued liabilities”) as at June 30, 2023 was €1.1 million (December 31, 2022 – €0.6 million).

### *Transactions with other entities under the control of CSI*

The Company also provides professional services to other entities under the control of CSI. The total amount of revenue recognized during the three and six months ended June 30, 2023 (included within “Professional services revenue”) relating to such arrangements was €1.9 million and €3.9 million respectively (€1.7 million and €3.0 million respectively for the three and six months ended June 30, 2022). The ending receivable balance (included within “Accounts receivable”) as at June 30, 2023 relating to these arrangements was €0.8 million (December 31, 2022 – €0.8 million).

### *Transactions with Vela Software Group and CSI in conjunction with the acquisition of GeoSoftware and Geoactive*

On October 1, 2021, the Company acquired the assets of GeoSoftware and at that time, CSI provided a non-interest bearing loan to the Company in the amount of US\$33.0 million (€30.4 million). The loan was provided in US dollars (the functional currency of GeoSoftware) and is temporary financing until permanent financing is arranged. The loan was originally due on December 31, 2022 and could be repaid by the Company at any time. During the period ended March 31, 2022, the loan agreement was amended to change the due date to July 1, 2023, with the loan becoming interest-bearing at an annual rate of 2% starting July 1, 2022. During the three and six months ended June 30, 2023, the Company recognized interest expense of €0.2 million and €0.3 million respectively relating to this loan. The interest payable as at June 30, 2023 is €0.6 million and has been included within “Accounts payable and accrued liabilities”. The loan was repaid in July 2023.

On July 1, 2022, the Company acquired Subsurface and its two interactive software solutions (“Geoactive”) for the oil and gas vertical from Lloyd’s Register. In conjunction with the acquisition of Geoactive, Vela contributed €7.9 million to acquire a 40% interest in Geoactive, the remaining 60% is owned by the Company.

During the six months ended June 30, 2023, the Company repaid, net of advancements, €0.4 million of the working capital loan which had previously been provided by the Vela Software Group (“Vela”), an operating group that is owned and controlled by CSI. The ending balance at June 30, 2023 was nil (included within “Accounts payable and accrued liabilities”) (December 31, 2022 - €0.3 million).

During the six months ended June 30, 2023, GeoSoftware and Geoactive reimbursed Vela and CSI for certain expenses primarily related to salaries and benefits incurred by Vela and CSI on behalf of GeoSoftware and Geoactive. The total expenses reimbursed for the six months ended June 30, 2023 was €2.3 million (€1.0 million for the six months ended June 30, 2022). The amount payable as at June 30, 2023 relating to these amounts was €0.4 million (included within “Accounts payable and accrued liabilities”) (December 31, 2022 - €1.8 million).

During the six months ended June 30, 2023, the Company paid a pro-rata dividend to the shareholders of Geoactive resulting in a dividend of €0.7 million being paid to Vela.

## **Non-controlling interests**

The Company’s non-controlling interest at June 30, 2023 is associated with Topicus Coop, an entity domiciled in the Netherlands. Topicus Coop’s equity consists of Topicus Coop Ordinary Units. As at June 30, 2023 there were 129,841,818 Topicus Coop Ordinary Units outstanding, which were held by Topicus Coop’s unitholders as follows:

- Topicus: 81,889,763 Topicus Coop Ordinary Units, representing 63.07% equity ownership.
- Joday Group: 39,331,284 Topicus Coop Ordinary Units, representing 30.29% equity ownership.
- Ijssel Group: 8,620,771 Topicus Coop Ordinary Units, representing 6.64% equity ownership.

All of the Topicus Coop Ordinary Units held by the Joday Group and the Ijssel Group (collectively the “Topicus Coop Exchangeable Units”) are exchangeable, directly or indirectly, for Subordinate Voting Shares. The Topicus Coop Exchangeable Units comprise non-controlling interests in Topicus Coop.

Topicus Coop also has certain subsidiaries that are not owned 100% by Topicus Coop and have a non-controlling interest. In 2021, the Company acquired a 60% interest in GeoSoftware, the remaining 40% is owned by the Vela Software Group. GeoSoftware is domiciled primarily in Europe and North America. On May 16, 2022, the Company also acquired a controlling interest of 72.68% in Sygnity S.A. (“Sygnity”), a company based in Poland. The remaining 27.32% represents non-controlling interest. On July 1, 2022, the Company acquired a controlling interest of 60% in Geoactive, the remaining 40% is owned by the Vela Software Group. Geoactive is domiciled in Scotland.

Summarized balance sheet and financial information relating to the non-controlling interest is included in Note 18 to the Company’s Unaudited Condensed Consolidated Interim Financial Statements for the three and six month periods ended June 30, 2023.

## **Capital Resources and Commitments**

### Credit Facility

On October 28, 2022, a subsidiary of the Company amended the existing credit facility (the “Credit Facility”) with a number of European financial institutions. Under the amended facility, the Company is able to borrow up to €550 million under a multicurrency revolving loan facility and up to €150 million under an additional uncommitted incremental facility. The Credit Facility has an initial term of five years until October 28, 2027 with an extension option for two additional one year periods. The Credit Facility bears interest at a rate calculated at EURIBOR plus interest rate spreads based on a leverage table. The Credit Facility is collateralized by some of the more material assets owned by the Company and its subsidiaries, except for the entities securing amounts outstanding under the “Term Loans” defined below. The Credit Facility contains standard events of default which if not remedied within a cure period would trigger the repayment of any outstanding balance. As at June 30, 2023, €165.0 million had been drawn from the Credit Facility. Transaction costs associated with the Credit Facility are being amortized through profit or loss using the effective interest rate method.

## Term Loans

Certain of the Company's subsidiaries have entered into term debt facilities ("Term Loans") with various financial institutions. Topicus does not guarantee the debt of these subsidiaries, nor are there any cross-guarantees between subsidiaries. The credit facilities are collateralized by substantially all of the assets of the borrowing entity and its subsidiaries. The credit facilities typically bear interest at a rate calculated using an interest rate index plus a margin. The financing arrangements for each subsidiary typically contain certain restrictive covenants, which may include limitations or prohibitions on additional indebtedness, payment of cash dividends, redemption of capital, capital spending, making of acquisitions and sales of assets. In addition, certain financial covenants must be met by those subsidiaries that have outstanding debt.

The Term Loans comprise the following:

(€ in millions)	
Principal outstanding at June 30, 2023 (and equal to fair value)	72.8
Deduct: Carrying value of transaction costs included in debt balance	(1.0)
Carrying value at June 30, 2023	71.7
Current portion	5.9
Non-current portion	65.8

The annual minimum repayment requirements for the Term Loans are as follows:

(€ in millions)	
Year	Amount
2023	2.7
2024	5.4
2025	38.4
2026	7.0
2027	1.8
2028	8.5
2029	9.0
	72.8

## Other Commitments

Commitments include leases for office equipment and facilities, letters of credit and performance bonds issued on our behalf by financial institutions in connection with facility leases and contracts with public sector customers. Also, occasionally we structure some of our acquisitions with contingent consideration based on the future performance of the acquired business. The fair value of contingent consideration recorded in our statement of financial position was €19.5 million at June 30, 2023. Aside from the aforementioned, we do not have any other business arrangements, derivative financial instruments, or any equity interests in non-consolidated entities that would have a significant effect on our assets and liabilities as at June 30, 2023.

## **Off-Balance Sheet Arrangements**

As a general practice, we have not entered into off-balance sheet financing arrangements. Except for short term leases, leases of low value assets, and letters of credit, all of our liabilities and commitments are reflected as part of our statement of financial position.

## **Proposed Transactions**

We seek potential acquisition targets on an ongoing basis and may complete several acquisitions in any given fiscal year.

### **Members' Equity of Topicus Coop and Share Capital of Topicus**

As at August 3, 2023, there were 129,841,818 ordinary units of Topicus Coop outstanding.

As at August 3, 2023, there were 81,889,763 subordinate voting shares and 1 super voting share of Topicus outstanding.

The super voting share is convertible into a subordinate voting share on a one-for-one basis. In addition, certain ordinary units of Topicus Coop are, directly or indirectly, exchangeable for subordinate voting shares of Topicus on a one-for-one basis. As a result, an additional 47,952,055 subordinate voting shares of Topicus would be issuable upon the exercise of these conversion/exchange rights. On a fully-diluted basis, there would be 129,841,819 subordinate voting shares issued and outstanding.

For more information on the capital structure of Topicus, including additional details regarding the terms and conditions relevant to the subordinate voting shares, the super voting share and the preferred shares of Topicus and the ordinary units and preference units of Topicus Coop, see Topicus' final long form prospectus dated December 18, 2020, which is available on SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca).

## **Risks and Uncertainties**

The Company's business is subject to a number of risk factors which are described in the final prospectus of Topicus dated December 18, 2020. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the common shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the common shares could decline, and shareholders may lose all or part of their investment.