

Constellation Software Inc. and Topicus.Com Inc. Announce Results for the TSS Operating Group for the Fourth Quarter Ended and Year Ended December 31, 2020

TORONTO, ONTARIO (February 10, 2021) – Topicus.com Inc. (TSXV:TOI) in a joint release with Constellation Software Inc. (TSX:CSU) today announced financial results for the TSS Operating Group for the fourth quarter and year ended December 31, 2020. Please note that all amounts referred to in this press release are in Euros unless otherwise stated.

The following press release should be read in conjunction with the Annual Consolidated Financial Statements of Constellation Software Netherlands Holding Cooperatief U.A. (the “Coop” or the “Company”) for the year ended December 31, 2020, which we prepared in accordance with International Financial Reporting Standards (“IFRS”) and the Company’s annual Management’s Discussion and Analysis for the year ended December 31, 2020, which can be found on SEDAR at www.sedar.com and on Topicus.com Inc.’s website www.topicus.com. Additional information about Topicus.com Inc. is also available on SEDAR at www.sedar.com. The information presented is based on the historical financial performance of the Coop, as predecessor to Topicus.com Inc. (“Topicus”), and does not take into account the transactions described under “Subsequent Events”.

Our board continues to be humbled by the Company’s employees who are embracing the continued disruption caused by COVID-19, as they support each other and focus on creating value and stronger relationships with our customers.

Q4 2020 Headlines:

- Revenue grew 18% (3% organic growth) to €137.4 million compared to €116.9 million in Q4 2019.
- Net income increased 15% to €12.9 million (€0.22 on a diluted per unit basis) from €11.2 million (€0.19 on a diluted per unit basis) in Q4 2019.
- A number of acquisitions were completed for aggregate cash consideration of €39.0 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of €7.0 million resulting in total consideration of €46.0 million.
- Cash flows from operations (“CFO”) were €30.3 million, an increase of 59%, or €11.2 million, compared to €19.1 million for the comparable period in 2019.
- Free cash flow available to shareholders¹ (“FCFA2S”) increased €11.4 million to €23.9 million compared to €12.5 million for the same period in 2019.

2020 Headlines:

- Revenue grew 18% (2% organic growth) to €494.0 million compared to €417.4 million in 2019.
- Net income increased 37% to €63.7 million (€1.08 on a diluted per unit basis) from €46.5 million (€0.76 on a diluted per unit basis) in 2019.
- A number of acquisitions were completed for aggregate cash consideration of €85.4 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of €15.8 million resulting in total consideration of €101.2 million.
- Cash flows from operations (“CFO”) were €151.9 million, an increase of 25%, or €30.5 million, compared to €121.4 million for the comparable period in 2019.
- Free cash flow available to shareholders¹ (“FCFA2S”) increased €26.7 million to €130.1 million compared to €103.4 million for the same period in 2019.

Total revenue for the quarter ended December 31, 2020 was €137.4 million, an increase of 18%, or €20.5 million, compared to €116.9 million for the comparable period in 2019. For the 2020 fiscal year total revenues were €494.0 million, an increase of 18%, or €76.6 million, compared to €417.4 million for the 2019 fiscal year. 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 3% and 2% respectively.

1. See Non-IFRS measures.

Net income for the quarter ended December 31, 2020 was €12.9 million compared to net income of €11.2 million for the same period in 2019. On a per unit basis, this translated into a net income per diluted unit of €0.22 in the quarter ended December 31, 2020 compared to net income per diluted unit of €0.19 for the same period in 2019. For the fiscal year ended December 31, 2020, net income was €63.7 million or €1.08 per diluted unit compared to €46.5 million or €0.76 per diluted unit for the 2019 fiscal year. Diluted units outstanding decreased from 61.4 million to 59.1 million for the fiscal year ended December 31, 2020.

For the quarter ended December 31, 2020, CFO increased €11.2 million to €30.3 million compared to €19.1 million for the same period in 2019 representing an increase of 59%. For the fiscal year ended December 31, 2020, CFO increased €30.5 million to €151.9 million compared to €121.4 million for the 2019 fiscal year representing an increase of 25%.

For the quarter ended December 31, 2020, FCFA2S increased €11.4 million to €23.9 million compared to €12.5 million for the same period in 2019. For the fiscal year ended December 31, 2020, FCFA2S increased €26.7 million to €130.1 million compared to €103.4 million for the 2019 fiscal year representing an increase of 26%.

Subsequent Events

On January 4, 2021, (i) the Coop changed its name to Topicus.com Coöperatief U.A., (ii) Total Specific Solutions (TSS) B.V., a subsidiary of the Coop, paid a dividend in the aggregate amount of €54,600,000 to its holders of ordinary membership interests at such time, (iii) the Coop reorganized its articles of association to create a new class of ordinary units and a new class of preference units, (iv) the existing ownership interests in the Coop were exchanged for new ordinary units and new preference units; (v) Topicus issued 39,412,385 subordinate voting shares and 39,412,385 preferred shares to Constellation Software Inc. (“CSI”) in exchange (indirectly) for the ordinary units and preference units of the Coop held by CSI at such time, and (vi) CSI distributed, by way of a dividend-in-kind, 39,412,367 of the subordinate voting shares of Topicus held by CSI to CSI’s common shareholders of record on December 28, 2020.

On January 5, 2021, a subsidiary of the Coop, TPCS Holding B.V., completed the purchase of 100% of the shares of Topicus.com B.V. (“Topicus BV”), a Netherlands-based diversified vertical market software provider, from IJssel B.V. for a purchase price of €217,400,000, subject to adjustment.

The Coop now operates, together with Topicus BV, as Topicus.

As at February 10, 2021, there were 39,412,385 subordinate voting shares, 1 super voting share and 39,412,385 preferred shares of Topicus.com Inc. outstanding. The super voting share and the preferred shares are convertible into subordinate voting shares on a one-for-one basis. In addition, certain ordinary units and preference units of the Coop are, directly or indirectly, exchangeable for subordinate voting shares of Topicus.com Inc. on a one-for-one basis. As a result, an additional 90,429,434 subordinate voting shares of Topicus.com Inc. 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.

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 Topicus 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 Topicus 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, and property and equipment purchased, and includes interest and dividends received. Topicus believes that FCFA2S is useful supplemental information as it provides an indication of the uncommitted cash flow that is available to shareholders if Topicus does not make any acquisitions, or investments, and does not repay any debts. While Topicus could use the FCFA2S to pay dividends or repurchase shares, Topicus’ objective is to invest all of our FCFA2S in acquisitions which meet Topicus’ 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,	
	2020	2019	2020	2019
	(€ in millions, except percentages)		(€ in millions, except percentages)	
Net cash flows from operating activities	30.3	19.1	151.9	121.4
Adjusted for:				
Interest paid on lease obligations	(0.3)	(0.2)	(1.0)	(0.8)
Interest paid on other facilities	(1.2)	(0.7)	(4.6)	(2.5)
Credit facility transaction costs	-	(1.8)	-	(1.8)
Payments of lease obligations	(4.3)	(3.3)	(13.8)	(10.4)
Property and equipment purchased	(0.6)	(0.6)	(2.4)	(2.6)
Free cash flow available to shareholders	23.9	12.5	130.1	103.4

Due to rounding, certain totals may not foot.

About Topicus.com Inc.

Topicus’ subordinate voting shares are listed on the Toronto Venture Stock Exchange under the symbol "TOI". Topicus acquires, manages and builds vertical market software businesses.

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: TOPICUS.COM INC.

Constellation Software Netherlands Holding Coöperatief U.A.

Consolidated Statements of Financial Position

(In thousands of euros, except per unit amounts. Due to rounding, numbers presented may not foot.)

	December 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash	55,635	28,036
Accounts receivable	46,644	42,743
Unbilled revenue	12,609	9,571
Inventories	375	400
Other assets	14,461	12,551
	<u>129,724</u>	<u>93,302</u>
Non-current assets:		
Property and equipment	8,782	8,575
Right of use assets	50,517	42,635
Deferred income taxes	1,946	1,170
Other assets	3,956	4,078
Intangible assets	446,213	393,783
	<u>511,415</u>	<u>450,242</u>
Total assets	<u>641,139</u>	<u>543,543</u>
Liabilities and Members' Equity		
Current liabilities:		
Revolving credit facility	19,482	49,169
Accounts payable and accrued liabilities	97,386	84,979
Deferred revenue	59,721	43,795
Provisions	1,222	2,042
Acquisition holdback payables	12,601	5,462
Lease obligations	13,953	11,549
Income taxes payable	12,576	3,580
	<u>216,941</u>	<u>200,576</u>
Non-current liabilities:		
Term loan	32,572	32,274
Deferred income taxes	79,958	71,525
Acquisition holdback payables	608	1,012
Lease obligations	37,154	30,483
Other liabilities	9,225	5,279
	<u>159,518</u>	<u>140,572</u>
Total liabilities	<u>376,459</u>	<u>341,148</u>
Members' equity:		
Ordinary units	59,078	59,078
Accumulated other comprehensive income (loss)	(2,113)	(714)
Retained earnings	207,715	144,031
	<u>264,681</u>	<u>202,395</u>
Total liabilities and members' equity	<u>641,139</u>	<u>543,543</u>

Constellation Software Netherlands Holding Coöperatief U.A.

Consolidated Statements of Income

(In thousands of euros, except per unit amounts. Due to rounding, numbers presented may not foot.)

	Years ended December 31,	
	2020	2019
Revenue		
License	14,395	8,068
Professional services	119,522	111,915
Hardware and other	6,192	4,677
Maintenance and other recurring	353,877	292,740
	493,986	417,399
Expenses		
Staff	254,694	217,197
Hardware	2,986	3,193
Third party license, maintenance and professional services	45,515	39,962
Occupancy	3,298	3,156
Travel, telecommunications, supplies, software and equipment	12,888	14,643
Professional fees	9,485	7,006
Other, net	4,675	7,546
Depreciation	18,703	15,210
Amortization of intangible assets	50,381	46,301
	402,626	354,213
Finance costs and other	6,347	4,480
	6,347	4,480
Income before income taxes	85,013	58,707
Current income tax expense (recovery)	28,961	20,555
Deferred income tax expense (recovery)	(7,632)	(8,314)
Income tax expense (recovery)	21,329	12,241
Net income (loss)	63,684	46,466
Weighted average units		
Basic units outstanding	59,078,027	59,078,027
Diluted units outstanding	59,078,027	61,438,835
Earnings per unit		
Basic	1.08	0.79
Diluted	1.08	0.76

Constellation Software Netherlands Holding Coöperatief U.A.

Consolidated Statements of Comprehensive Income

(In thousands of euros, except per unit amounts. Due to rounding, numbers presented may not foot.)

	Years ended December 31,	
	2020	2019
Net income	63,684	46,466
Items that are or may be reclassified subsequently to net income:		
Foreign currency translation differences from foreign operations and other	(1,398)	(207)
Other comprehensive (loss) income for the period, net of income tax	(1,398)	(207)
Total comprehensive income (loss) for the period	62,285	46,258

Constellation Software Netherlands Holding Coöperatief U.A.

Consolidated Statement of Changes in Members' Equity

(In thousands of euros, except per unit amounts. Due to rounding, numbers presented may not foot.)

Year ended December 31, 2020	Ordinary units	Accumulated other comprehensive (loss) income Cumulative translation account and other	Retained earnings	Total
Balance at January 1, 2020	59,078	(714)	144,031	202,395
<i>Total comprehensive income for the period:</i>				
Net income	-	-	63,684	63,684
<i>Other comprehensive income (loss)</i>				
Foreign currency translation differences from foreign operations and other	-	(1,398)	-	(1,398)
Total other comprehensive income (loss) for the period	-	(1,398)	-	(1,398)
Total comprehensive income (loss) for the period	-	(1,398)	63,684	62,285
Balance at December 31, 2020	59,078	(2,113)	207,715	264,681

Constellation Software Netherlands Holding Coöperatief U.A.

Consolidated Statement of Changes in Members' Equity

(In thousands of euros, except per unit amounts. Due to rounding, numbers presented may not foot.)

Year ended December 31, 2019

	Ordinary Units	Accumulated other comprehensive (loss) income Cumulative translation account and other	Retained earnings	Total
Balance at January 1, 2019	59,078	(507)	97,236	155,806
<i>Total comprehensive income for the period:</i>				
Net income	-	-	46,466	46,466
<i>Other comprehensive income (loss)</i>				
Foreign currency translation differences from foreign operations and other	-	(207)	-	(207)
Total other comprehensive income (loss) for the period	-	(207)	-	(207)
Total comprehensive income (loss) for the period	-	(207)	46,466	46,258
Capital contribution			330	330
Balance at December 31, 2019	59,078	(714)	144,031	202,395

Constellation Software Netherlands Holding Coöperatief U.A.

Consolidated Statements of Cash Flows

(In thousands of euros, except per unit amounts. Due to rounding, numbers presented may not foot.)

	Years ended December 31,	
	2020	2019
Cash flows from operating activities:		
Net income	63,684	46,466
Adjustments for:		
Depreciation	18,703	15,210
Amortization of intangible assets	50,381	46,301
Finance costs and other	6,347	4,480
Income tax expense (recovery)	21,329	12,241
Change in non-cash operating assets and liabilities exclusive of effects of business combinations (note 24)	11,209	8,290
Income taxes (paid) received	(19,787)	(11,620)
Net cash flows from operating activities	151,866	121,366
Cash flows from (used in) financing activities:		
Interest paid on lease obligations	(952)	(777)
Interest paid on other facilities	(4,643)	(2,450)
Increase (decrease) in Revolving credit facility	(30,000)	5,000
Proceeds from issuance of term loan	-	34,000
Repayments of other debt facilities	-	(749)
Credit facility transaction costs	-	(1,775)
Payments of lease obligations	(13,776)	(10,389)
Repayment of preferred units classified as a liability	-	(9,723)
Repayment of unitholder loans	(647)	(19,487)
Net cash flows from (used in) in financing activities	(50,018)	(6,350)
Cash flows from (used in) investing activities:		
Acquisition of businesses (note 4)	(85,390)	(114,876)
Cash obtained with acquired businesses (note 4)	19,690	21,737
Post-acquisition settlement payments, net of receipts	(7,011)	(5,787)
Purchases of other investments	-	(480)
Interest, dividends and other proceeds received	870	-
Property and equipment purchased	(2,408)	(2,565)
Net cash flows from (used in) investing activities	(74,249)	(101,970)
Effect of foreign currency on cash and cash equivalents	0	0
Increase (decrease) in cash	27,599	13,046
Cash, beginning of period	28,036	14,990
Cash, end of period	55,635	28,036