

Memo to: MCJ Capital Partners

From: M. Carter Johnson

Re: Constellation Software Update 2022

Date: 3/10/2022

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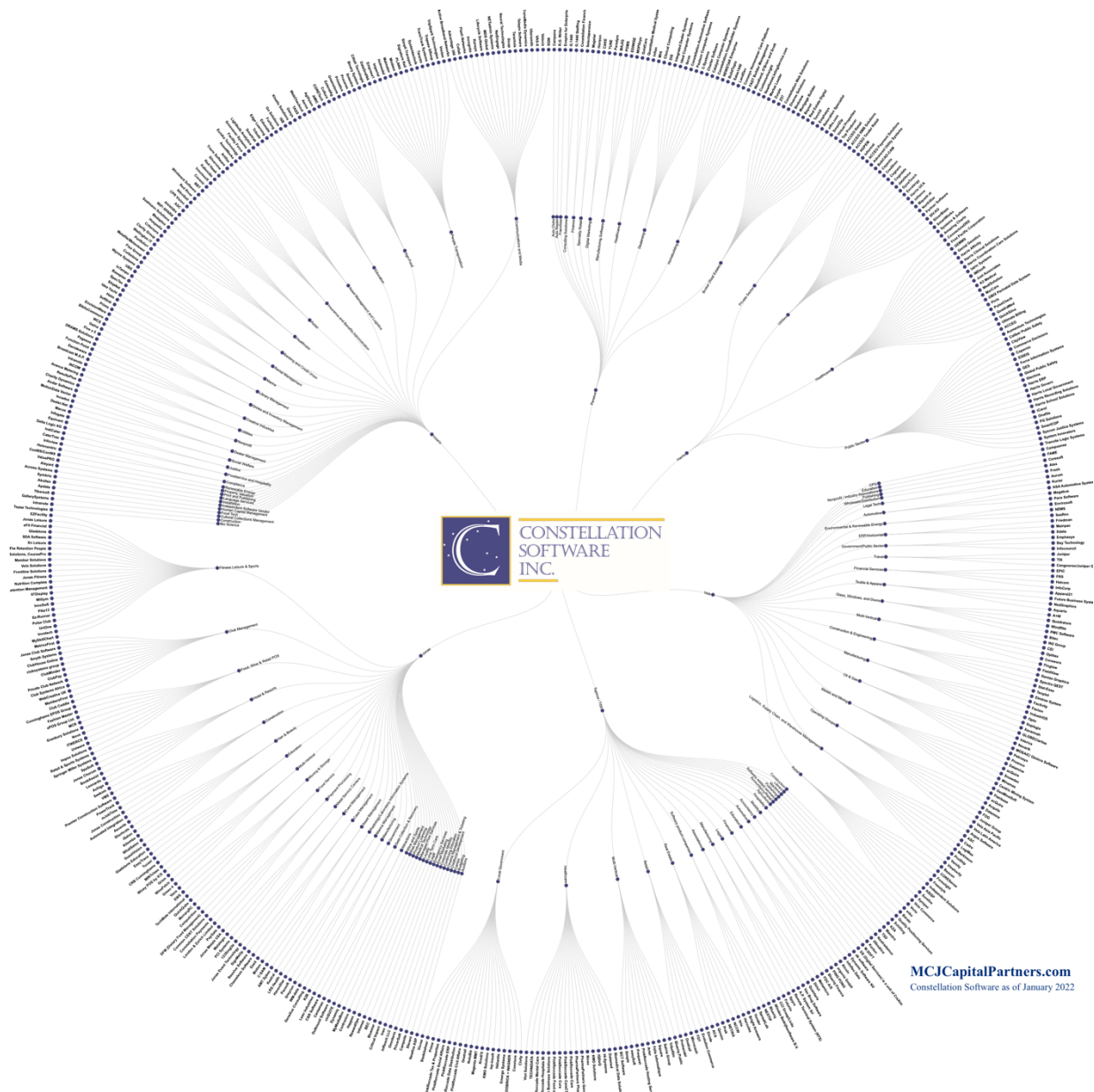
A short note regarding Constellation Software (CSU.TO)...

In Mark Leonard's 2012 letter, he mentioned a key question regarding CSI's growth posed by the Board:

*One of the issues that the CSI Board, in particular, worries about as CSI gets larger, is the complexity created by our continued growth. We totted up the numbers this quarter, and we had approximately 125 business units which were competing in approximately 50 verticals. We tend to add 10-15 business units and 3-5 verticals each year. The Board rightly asks how they (and CSI management) can expect to understand and manage an ever larger number of business units and verticals.* – Mark Leonard, [2012 President's Letter](#)

It was a fair question. At the time, CSI had about 125 business units that spanned across 50 verticals all under five operating groups. Anyone adept at studying base rates of conglomerates recognized that CSI was pushing against levels even the best serial acquirers find hard to surpass. And yet here we are, 10 years later, and Constellation Software has eclipsed over 600 acquisitions while still redeploying capital well above average rates of return. In time I'll write a memo detailing more of why CSI is able to do this (and the runway it still has ahead). For now, this memo is simply to share an update on a visual we previously produced highlighting the collective businesses of CSI.

A few items regarding the visual below... The visual shows Constellation Software as of January 2022 organized by its six main Operating Groups, followed by verticals and then the actual Business Unit itself. For simplicity (and aesthetics) we didn't include Vela's eight operating groups, any acquisitions that are strictly IP / Product related, or acquisitions being completed at the Business Unit level (for example TSD IT's recent acquisition of Passfield Data Systems). In addition, for simplicity we group TSS and Topicus as "TSS/Topicus" despite the spinoff and new precedent of referring to the collective unit as just Topicus. Finally, we refrained from updating the image with any Business Units that aren't yet listed on one of CSI's operating group websites. While we track all acquisitions across our database, even before they appear on their respective CSI operating group website, this is just a way we have found to keep us patiently in step with CSI's categorization of verticals. Overall, as Constellation Software continues to expand we will certainly have to adjust the aesthetics of the image to maintain greater accuracy. For now, here's what the company looks like at the start of 2022.



All the best,

M. Carter Johnson

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