

Constellation Software Inc. Announces Results for the First Quarter Ended March 31, 2012 and Declares Quarterly Dividend

TORONTO, ONTARIO (May 2, 2012) -- Constellation Software Inc. (TSX:CSU) (“Constellation” or the “Company”) today announced its financial results for the first quarter ended March 31, 2012 and declared a \$1.00 per share dividend payable on July 4, 2012 to all common shareholders of record at close of business on June 18, 2012. 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 months ended March 31, 2012 and the accompanying notes, 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, 2011, which can be found on SEDAR at www.sedar.com and on the Company’s website www.csisoftware.com. Additional information about the Company is also available on SEDAR at www.sedar.com.

Q1 2012 Highlights:

- Revenue grew 10% to \$195 million compared to \$178 million in Q1 2011. Organic revenue growth was 3% in Q1 2012 compared to 5% in Q1 2011.
- Adjusted EBITDA increased \$4 million or 12% to \$39 million as compared to Q1 2011.
- Adjusted Net Income increased \$5 million or 17% to \$32 million (\$1.50 on a diluted per share basis) from \$27 million (\$1.28 on a diluted per share basis) in Q1 2012.
- March 31, 2012 cash position (net of borrowings on our line of credit) increased to \$38 million, from \$33 million at December 31, 2011.
- The Company’s \$160 million credit facility was replaced with a \$300 million credit facility on more favourable terms.
- Four acquisitions were completed in the quarter for net cash consideration of \$8 million.
- Subsequent to March 31, 2012, the Company completed four acquisitions for aggregate cash consideration of \$12 million plus holdbacks of \$3 million and declared a quarterly dividend of \$1.00 per share payable on July 4, 2012 to all shareholders of record as of June 18, 2012.

First quarter 2012 revenue was \$195 million, an increase of 10%, or \$17 million, compared to \$178 million for the comparable period in 2011. The increase was mainly attributable to growth from acquisitions, as organic growth from our existing businesses increased by approximately \$5 million or 3% for the quarter.

Adjusted EBITDA for the first quarter 2012 was \$39 million, a 12% increase compared to the prior year's first quarter Adjusted EBITDA of \$35 million. First quarter 2012 Adjusted EBITDA per share on a diluted basis increased 12% to \$1.85, compared to \$1.65 for the same period last year.

Adjusted Net Income for the first quarter 2012 was \$32 million, compared to the prior year's first quarter Adjusted Net Income of \$27 million, a 17% increase. First quarter 2012 Adjusted Net Income per share on a diluted basis increased 17% to \$1.50 compared to \$1.28 for the prior year’s first quarter.

Net income for the first quarter 2012 was \$14 million compared to the prior year's first quarter net income of \$62 million. On a diluted per share basis, this translates into net income per share of \$0.66 for the first quarter of 2012. This compares unfavorably to \$2.95 for the same period of 2011, which included an unusual deferred income tax recovery. Excluding the deferred income tax recovery, net income increased by 46% to \$12 million in the quarter ended March 31, 2012 from \$8 million in the quarter ended March 31, 2011.

The following table displays our revenue by reportable segment and the percentage change for the three months ended March 31, 2012 compared to the same period in 2011:

	Three months ended March 31,		Period-Over-Period Change	
	<u>2012</u>	<u>2011</u>	\$	%
	(\$000, except percentages)			
Public Sector				
Licenses	9,790	10,545	(755)	-7%
Professional services	32,302	33,459	(1,157)	-3%
Hardware and other	22,289	21,257	1,032	5%
Maintenance and other recurring	73,851	65,689	8,162	12%
	138,232	130,950	7,282	6%
Private Sector				
Licenses	5,150	4,666	484	10%
Professional services	9,825	8,330	1,495	18%
Hardware and other	3,066	2,750	316	11%
Maintenance and other recurring	39,005	30,936	8,069	26%
	57,046	46,682	10,364	22%

Public Sector

For the quarter ended March 31, 2012, total revenue in the public sector reportable segment increased 6% or \$7 million, to \$138 million, compared to \$131 million for the quarter ended March 31, 2011. Revenue growth from acquired businesses was significant as we completed ten acquisitions since the beginning of 2011 in our public sector segment. It is estimated that acquisitions completed since the beginning of 2011 contributed approximately \$5 million to our Q1 2012 revenues. Revenues increased organically by 2% or \$2 million in Q1 2012 compared to the same period in 2011.

The organic revenue change was primarily driven by the following:

- **Volaris operating group** (increase of approximately \$2 million for the three months ended March 31, 2012). The organic growth was primarily driven from strong revenue in its PTS and agriculture verticals.

Private Sector

For the quarter ended March 31, 2012, total revenue in the private sector reportable segment increased by 22%, or \$10 million, to \$57 million, compared to \$47 million for the quarter ended March 31, 2011. Revenue growth from acquired businesses was significant for the three month period as we completed twelve acquisitions since the beginning of 2011 in our private sector segment. It is estimated that acquisitions completed since the beginning of 2011 contributed approximately \$7 million to our Q1 2012 revenues. Revenues increased organically by 6% or \$3 million in Q1 2012 compared to the same period in 2011.

The organic revenue change was primarily driven by the following:

- **Jonas operating group** (increase of approximately \$3 million for the three months ended March 31, 2012). Jonas' organic growth was driven by strong sales to both existing and new customers primarily in its fitness, construction, and food service verticals.

During the quarter, Constellation completed four acquisitions for total net cash consideration of approximately \$8 million, and made \$1 million in acquisition holdback payments. At March 31, 2012, Constellation's cash position (net

of borrowings on our line of credit) increased to \$38 million, from \$33 million at December 31, 2011. Subsequent to March 31, 2012, the Company completed four acquisitions for aggregate cash consideration of \$12 million.

“Q1 was a respectable quarter across all metrics. Our businesses generated high rates of return while delivering modest organic growth.” commented John Billowits, Chief Financial Officer of Constellation. “As previously noted, it was anticipated that our overall growth will slow in 2012 given the relatively small amount of capital deployed on acquisitions in 2011 and a moderation in the PTS organic revenue growth rate. However, we are optimistic about our acquisition prospects in the short term.”

Conference Call and Webcast

Management will host a conference call at **9:00 a.m. (ET) on Thursday, May 3, 2012** to answer questions regarding the results. The teleconference numbers are 416-340-8061 or 800-396-7098. The call will also be webcast live and archived on Constellation’s website at www.csisoftware.com.

A replay of the conference call will be available as of 11:30 a.m. ET the same day until 11:59 p.m. ET on May 17, 2012. To access the replay, please dial 905-694-9451 or 800-408-3053 followed by the passcode 3771898.

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

The term “Adjusted EBITDA” refers to net income before adjusting for finance income, finance costs, income taxes, equity in net loss of equity investees, impairment of non-financial assets, depreciation, amortization, and foreign exchange loss (gain). The Company believes that Adjusted EBITDA is useful supplemental information as it provides an indication of the results generated by the Company’s main business activities prior to taking into consideration how those activities are financed and taxed and also prior to taking into consideration asset depreciation and the other items listed above. “Adjusted EBITDA margin” refers to the percentage that Adjusted EBITDA for any period represents as a portion of total revenue for that period.

“Adjusted net income” means net income plus non-cash expenses (income) such as amortization of intangible assets, deferred income taxes, and certain other non-cash expenses (income). The Company believes that Adjusted net income is useful supplemental information as it provides an indication of the results generated by the Company’s main business activities prior to taking into consideration amortization of intangible assets, deferred income taxes, and certain other non-cash expenses (income) incurred by the Company from time to time. “Adjusted net income margin” refers to the percentage that Adjusted net income for any period represents as a portion of total revenue for that period.

Adjusted EBITDA and Adjusted net income are not recognized measures under IFRS and, accordingly, shareholders are cautioned that Adjusted EBITDA and Adjusted net income should not be construed as alternatives to net income determined in accordance with IFRS. The Company’s method of calculating Adjusted EBITDA and Adjusted net income may differ from other issuers and, accordingly, Adjusted EBITDA and Adjusted net income may

not be comparable to similar measures presented by other issuers. See “Results of Operations —Adjusted EBITDA” and “— Adjusted net income” for a reconciliation of Adjusted EBITDA and Adjusted net income to net income.

The following table reconciles Adjusted EBITDA to net income:

	Three months ended March 31,	
	<u>2012</u>	<u>2011</u>
	(\$000, except percentages)	
Total revenue	<u>\$ 195,278</u>	<u>\$ 177,632</u>
Net income	13,924	62,488
Adjusted for:		
Income tax expense (recovery)	3,311	(50,963)
Foreign exchange loss	208	2,065
Equity in net loss of equity investees	882	0
Finance income	(1,069)	(368)
Finance costs	1,018	1,161
Amortization of intangible assets	19,275	18,525
Depreciation	1,718	2,126
Adjusted EBITDA	39,267	35,034
Adjusted EBITDA margin	20%	20%

The following table reconciles Adjusted net income to net income:

	Three months ended March 31,	
	<u>2012</u>	<u>2011</u>
	(\$000, except percentages)	
Total revenue	<u>\$ 195,278</u>	<u>\$ 177,632</u>
Net income	13,924	62,488
Adjusted for:		
Amortization of intangible assets	19,275	18,525
Deferred income tax recovery	(1,492)	(53,971)
Adjusted net income	31,707	27,042
Adjusted net income margin	16%	15%

The following tables provide supplemental statement of operations and cash flow information for PTS:

Supplemental financial information

For the three months ended March 31, 2012				
(Unaudited)	Constellation Software Inc. (excluding PTS)	PTS	Consolidated	
Revenue	\$ 162,468	\$ 32,810	\$ 195,278	
Adjusted EBITDA	32,611	6,656	39,267	
<i>EBITDA as % Total Revenue</i>	20%	20%	20%	
Net Income	\$ 8,178	\$ 5,746	\$ 13,924	

Cash flows from operating activities:

Net income	\$ 8,178	\$ 5,746	\$ 13,924
Adjustments to reconcile net income to net cash flows from operations, including taxes paid:	21,780	861	22,641
Change in non-cash operating working capital	(6,536)	(17,808)	(24,344)
Cash flows from operating activities	\$ 23,422	\$ (11,201)	\$ 12,221

The following table reconciles Adjusted EBITDA to net income for PTS:

Adjusted EBITDA to net income reconciliation

For the three months ended March 31, 2012			
(Unaudited)	Constellation Software Inc. (excluding PTS)	PTS	Consolidated
Total revenue	\$ 162,468	\$ 32,810	\$ 195,278
Net income	8,178	5,746	13,924
Adjusted for:			
Income tax expense	2,914	397	3,311
Other expenses	691	348	1,039
Amortization of intangible assets	19,275	-	19,275
Depreciation	1,553	165	1,718
Adjusted EBITDA	32,611	6,656	39,267
Adjusted EBITDA margin	20%	20%	20%

About Constellation Software Inc.

Constellation's common shares are listed on the Toronto Stock Exchange under the symbol "CSU". Constellation Software is an international provider of market leading software and services to a number of industries across both the public and private sectors. The Company acquires, manages and builds vertical market software businesses that provide mission-critical software solutions to address the specific needs of its customers in those industries.

For further information:

John Billowits
Chief Financial Officer
(416) 861-2279
info@csissoftware.com
www.csissoftware.com

SOURCE: CONSTELLATION SOFTWARE INC.

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Financial Position
(In thousands of U.S. dollars)

(Unaudited)

	March 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash	\$ 48,813	\$ 33,492
Equity securities available-for-sale	23,382	21,222
Accounts receivable	103,100	100,398
Work in progress	29,209	26,244
Inventories	15,205	13,539
Other assets	27,702	25,633
	<u>247,411</u>	<u>220,528</u>
Non-current assets:		
Property and equipment	14,401	14,591
Deferred income taxes	101,636	99,659
Other assets	26,205	28,005
Intangible assets	262,756	267,792
	<u>404,998</u>	<u>410,047</u>
Total assets	\$ 652,409	\$ 630,575
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 11,198	\$ -
Accounts payable and accrued liabilities	80,158	114,952
Dividends payable	21,192	-
Deferred revenue	207,032	181,450
Provisions	3,162	3,555
Acquired contract liabilities	1,438	4,750
Acquisition holdback payments	13,254	11,378
Income taxes payable	7,058	4,751
	<u>344,492</u>	<u>320,836</u>
Non-current liabilities:		
Deferred income taxes	12,423	11,259
Acquired contract liabilities	29,365	28,051
Acquisition holdback payments	2,723	2,474
Other liabilities	10,725	11,675
	<u>55,236</u>	<u>53,459</u>
Total liabilities	399,728	374,295
Shareholders' equity:		
Capital stock	99,283	99,283
Accumulated other comprehensive income	10,630	6,961
Retained earnings	142,768	150,036
	<u>252,681</u>	<u>256,280</u>
Total liabilities and shareholders' equity	\$ 652,409	\$ 630,575

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Comprehensive Income
(In thousands of U.S. dollars, except per share amounts)

Three months ended March 31, 2012 and 2011
(Unaudited)

	2012	2011 (Recast)
Revenue	\$ 195,278	\$ 177,632
Expenses		
Staff	105,631	95,919
Hardware	12,227	12,121
Third party license, maintenance and professional services	14,246	12,663
Occupancy	4,625	4,588
Travel	8,246	6,268
Telecommunications	2,497	2,537
Supplies	3,432	4,163
Professional fees	1,845	2,136
Other	3,262	2,203
Depreciation	1,718	2,126
Amortization of intangible assets	19,275	18,525
	177,004	163,249
Foreign exchange loss	208	2,065
Equity in net loss of equity investees	882	-
Finance income	(1,069)	(368)
Finance costs	1,018	1,161
	1,039	2,858
Profit before income tax	17,235	11,525
Current income tax expense	4,803	3,008
Deferred income tax recovery	(1,492)	(53,971)
Income tax expense (recovery)	3,311	(50,963)
Net income	13,924	62,488
Net change in fair value on available-for-sale financial assets during the period	3,848	3,325
Net unrealized foreign exchange adjustment gain on available-for-sale financial assets during the period	121	209
Amounts reclassified to profit during the period related to realized gains on available-for-sale investments	(1,032)	(334)
Foreign currency translation differences from foreign operations	1,141	1,103
Current tax expense	(78)	-
Deferred tax expense	(331)	(480)
Other comprehensive income for the period, net of income tax	3,669	3,823
Total comprehensive income for the period	\$ 17,593	\$ 66,311
Earnings per share Basic and diluted	\$ 0.66	\$ 2.95

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Changes in Equity
(In thousands of U.S. dollars)

Three months ended March 31, 2012
(Unaudited)

	Capital stock	Accumulated other comprehensive income/(loss)		Total accumulated other comprehensive income/(loss)	Retained earnings	Total
		Cumulative translation account	Amounts related to gains/losses on available-for-sale financial assets			
Balance at January 1, 2012	\$ 99,283	\$ 182	\$ 6,779	\$ 6,961	\$ 150,036	\$ 256,280
<i>Total comprehensive income for the period</i>						
Net income					13,924	13,924
<i>Other comprehensive income (loss)</i>						
Net change in fair value on available-for-sale financial assets during the period			3,848	3,848	-	3,848
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial assets during the period			121	121	-	121
Amounts reclassified to profit during the period related to realized gains on available-for-sale investments			(1,032)	(1,032)	-	(1,032)
Foreign currency translation differences from foreign operations		1,141		1,141	-	1,141
Current tax expense		(78)		(78)		(78)
Deferred tax expense		(11)	(320)	(331)	-	(331)
Total other comprehensive income for the period		1,052	2,617	3,669	-	3,669
Total comprehensive income for the period		1,052	2,617	3,669	13,924	17,593
Transactions with owners, recorded directly in equity						
Dividends to owners of the Company					(21,192)	(21,192)
Balance at March 31, 2012	\$ 99,283	\$ 1,234	\$ 9,396	\$ 10,630	\$ 142,768	\$ 252,681

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Changes in Equity
(In thousands of U.S. dollars)

Three months ended March 31, 2011
(Unaudited)

	Capital stock	Accumulated other comprehensive income/(loss)		Total accumulated other comprehensive income/(loss)	Retained earnings (Recast)	Total
		Cumulative translation account	Amounts related to gains/losses on available-for-sale financial assets			
Balance at January 1, 2011	\$ 99,283	\$ 432	\$ 7,143	\$ 7,575	\$ 36,193	\$ 143,051
<i>Total comprehensive income for the period</i>						
Net income					62,488	62,488
<i>Other comprehensive income (loss)</i>						
Net change in fair value on available-for-sale financial assets during the period			3,325	3,325	-	3,325
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial assets during the period			209	209	-	209
Amounts reclassified to profit during the period related to realized gains on available-for-sale investments			(334)	(334)	-	(334)
Foreign currency translation differences from foreign operations		1,103	-	1,103	-	1,103
Deferred tax expense			(480)	(480)	-	(480)
Total other comprehensive income (loss) for the period		1,103	2,720	3,823	-	3,823
Total comprehensive income for the period		1,103	2,720	3,823	62,488	66,311
Transactions with owners, recorded directly in equity						
Dividends to owners of the Company					(42,384)	(42,384)
Balance at March 31, 2011	\$ 99,283	\$ 1,535	\$ 9,863	\$ 11,398	\$ 56,297	\$ 166,978

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Cash Flows
(In thousands of U.S. dollars)

Three months ended March 31, 2012 and 2011
(Unaudited)

	2012	2011
		(Recast)
Cash flows from operating activities:		
Net income	\$ 13,924	\$ 62,488
Adjustments for:		
Depreciation	1,718	2,126
Amortization of intangible assets	19,275	18,525
Equity in net earnings of equity investees	882	-
Finance income	(1,069)	(368)
Finance costs	1,018	1,161
Income tax expense (recovery)	3,311	(50,963)
Foreign exchange loss	208	2,065
Change in non-cash operating working capital	(24,344)	(13,376)
Income taxes paid	(2,702)	(2,379)
Net cash flows from operating activities	12,221	19,279
Cash flows from financing activities:		
Interest paid	(336)	(887)
Increase in other non current liabilities	(200)	87
Increase in bank indebtedness, net	13,000	38,644
Credit facility financing fees	(1,840)	-
Dividends paid	-	(42,384)
Net cash flows from financing activities	10,624	(4,540)
Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired	(7,807)	(10,391)
Post-acquisition settlement payments, net of receipts	(501)	(1,052)
Purchases of available-for-sale equity securities	-	(1,249)
Proceeds from sale of available-for-sale equity securities	1,808	643
Increase in restricted cash	-	450
Interest received	38	37
Property and equipment purchased	(1,290)	(2,599)
Cash flows provided for (used in) investing activities	(7,752)	(14,161)
Effect of currency translation adjustment on cash and cash equivalents	228	(1,346)
Increase (decrease) in cash and cash equivalents	15,321	(768)
Cash, beginning of period	33,492	30,911
Cash, end of period	\$ 48,813	\$ 30,143