

Constellation Software Inc. Announces Results for the Second Quarter Ended June 30, 2012 and Declares Quarterly Dividend

TORONTO, ONTARIO (August 1, 2012) -- Constellation Software Inc. (TSX:CSU) (“Constellation” or the “Company”) today announced its financial results for the three and six months ended June 30, 2012 and declared a \$1.00 per share dividend payable on October 3, 2012 to all common shareholders of record at the close of business on September 17, 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 and six months ended June 30, 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.csissoftware.com. Additional information about the Company is also available on SEDAR at www.sedar.com.

Q2 2012 Highlights:

- Revenue grew 7% to \$209 million compared to \$195 million in Q2 2011.
- Adjusted EBITDA grew 5% to \$44 million compared to \$42 million in Q2 2011.
- Adjusted net income increased \$2 million or 8% to \$36 million (\$1.71 on a diluted per share basis) from \$34 million (\$1.58 on a diluted per share basis) in Q2 2011.
- Eleven acquisitions were completed in the quarter for aggregate cash consideration of \$47 million plus cash holdbacks of \$9 million.
- Subsequent to June 30, 2012, the Company declared a quarterly dividend of \$1.00 per share payable on October 3, 2012 to all shareholders of record as of September 17, 2012.

Second quarter 2012 revenue was \$209 million, an increase of 7%, or \$14 million, compared to \$195 million for the comparable period in 2011. For the first six months of 2012 total revenues were \$404 million, an increase of 8% or \$32 million, compared to \$373 million for the comparable period in 2011.

Net income for the second quarter 2012 was \$18 million compared to the prior year's second quarter net income of \$56 million. On a diluted per share basis, this translates into net income per share of \$0.83 for the second quarter of 2012. This compares unfavourably to \$2.64 for the same period of 2011, which included a significant deferred income tax recovery that was unique to the prior period. Excluding the deferred income tax recovery, net income increased by 3% to \$16 million in the quarter ended June 30, 2012 from \$15 million in the quarter ended June 30, 2011. Net income for the first six months 2012 was \$32 million compared to last year’s net income of \$118 million. On a diluted per share basis, this translates into net income per share of \$1.49 for the first six months of 2012. This compares unfavourably to \$5.59 for the same period of 2011, which included a significant deferred income tax recovery that was unique to the prior period. Excluding the deferred income tax recovery, net income increased by 18% to \$28 million in the first six months of 2012 from \$24 million in the first six months of 2011.

Adjusted EBITDA for the second quarter 2012 was \$44 million, a 5% increase compared to the prior year's second quarter Adjusted EBITDA of \$42 million. Second quarter 2012 Adjusted EBITDA per share on a diluted basis increased 5% to \$2.06, compared to \$1.97 for the same period last year. Adjusted EBITDA for the six month period ended June 30, 2012 was \$83 million, an 8% increase over last year’s Adjusted EBITDA of \$77 million for the same period. Adjusted EBITDA per share on a diluted basis for the six month period ended June 30, 2012 increased 8% to \$3.92, compared to \$3.62 for the same period last year.

Adjusted net income for the second quarter 2012 was \$36 million, compared to the prior year's second quarter Adjusted net income of \$34 million, an 8% increase. Second quarter 2012 Adjusted net income per share on a diluted basis increased 8% to \$1.71 compared to \$1.58 for the prior year’s second quarter. Adjusted net income for the six month period ended June 30, 2012 was \$68 million, an increase of 12% over last year’s Adjusted net income of \$61

million. Adjusted net income per share on a diluted basis for the six month period ended June 30, 2012 increased 12% to \$3.20, compared to \$2.86 for the same period in 2011.

The following table displays our revenue by reportable segment and the percentage change for the three and six months ended June 30, 2012 compared to the same period in 2011:

	Three months ended June 30,		Period-Over-Period Change					
	2012	2011	\$	%				
	(\$000, except percentages)							
Public Sector								
Licenses	10,864	10,607	257	2%	20,654	20,760	(106)	-1%
Professional services	35,489	39,036	(3,547)	-9%	67,791	72,494	(4,703)	-6%
Hardware and other	18,756	25,622	(6,866)	-27%	41,045	45,276	(4,231)	-9%
Maintenance and other recurring	82,613	70,975	11,638	16%	156,464	138,660	17,804	13%
	147,722	146,240	1,482	1%	285,954	277,190	8,764	3%
Private Sector								
Licenses	5,130	4,961	169	3%	10,280	9,214	1,066	12%
Professional services	10,446	8,580	1,866	22%	20,271	16,911	3,360	20%
Hardware and other	3,595	3,095	500	16%	6,661	5,828	833	14%
Maintenance and other recurring	42,076	32,223	9,853	31%	81,081	63,588	17,493	28%
	61,247	48,859	12,388	25%	118,293	95,541	22,752	24%

Public Sector

For the quarter ended June 30, 2012, total revenue in the public sector reportable segment increased by 1%, or \$2 million to \$148 million, compared to \$146 million for the quarter ended June 30, 2011. For the six months ended June 30, 2012, total revenue increased by 3%, or \$9 million to \$286 million, compared to \$277 million for the comparable period in 2011. Revenue growth from acquired businesses contributed approximately \$11 million to our Q2 2012 revenues and \$16 million to our six months ended June 30, 2012 revenues compared to the same periods in 2011, as we completed 17 acquisitions since the beginning of 2011. Organic revenues decreased by 7% in Q2 2012 and decreased by 3% in the six months ended June 30, 2012 compared to the same periods in 2011. Excluding Public Transit Solutions ("PTS"), where revenue was expected to decrease, organic revenues decreased by 4% in Q2 2012 and decreased by 2% in the six months ended June 30, 2012 respectively, compared to the same periods in 2011.

Constellation acquired the Public Transit Solutions business ("PTS") from Continental Automotive AG ("Continental") on November 2, 2009. Given the substantial amount of non-recurring revenue historically earned by PTS, gross revenue from PTS has fluctuated significantly in the past and will continue to do so in the future.

Private Sector

For the quarter ended June 30, 2012, total revenue in the private sector reportable segment increased 25%, or \$12 million to \$61 million, compared to \$49 million for the quarter ended June 30, 2011. For the six months ended June 30, 2012 total revenue increased by 24%, or \$22 million to \$118 million, compared to \$96 million for the comparable period in 2011. Revenue growth from acquired businesses contributed approximately \$10 million to our Q2 2012 revenues and \$18 million to our six months ended June 30, 2012 revenues compared to the same periods in 2011, as we completed 20 acquisitions since the beginning of 2011. Revenues increased organically by 5% in both Q2 2012 and in the six months ended June 30, 2012 compared to the same periods in 2011.

At June 30, 2012, Constellation's cash position (net of borrowings on our line of credit) decreased to net borrowings of \$6 million, from a net cash position of \$33 million at December 31, 2011. The decrease in our cash position from December 31, 2011 to June 30, 2012 is primarily due to \$47 million invested in acquisitions, \$21 million in dividends paid, offset by \$26 million in cash flow from operations.

Conference Call and Webcast

Management will host a conference call at **9:00 a.m. (ET) on Thursday, August 2, 2012** to answer questions regarding the results. The teleconference numbers are 416-695-6616 or 800-766-6630. 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 August 16, 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 amortization 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 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:

(Unaudited)

Total revenue

Net income

Adjusted for:

Income tax expense (recovery)
 Foreign exchange (gain) loss
 Equity in net loss of equity investees
 Finance income
 Finance costs
 Amortization of intangible assets
 Depreciation

Adjusted EBITDA

Adjusted EBITDA margin

Three months ended June 30,		
	2012	2011
	(\$000, except percentages)	
	<u>\$ 208,969</u>	<u>\$ 195,099</u>
	17,592	55,986
	3,666	(35,083)
	(217)	1,868
	209	0
	(394)	(3,004)
	774	1,966
	20,269	18,073
	1,803	1,956
	43,702	41,762
	21%	21%

Six months ended June 30,		
	2012	2011
	(\$000, except percentages)	
	<u>\$ 404,247</u>	<u>\$ 372,731</u>
	31,516	118,474
	6,977	(86,046)
	(9)	3,933
	1,091	0
	(1,463)	(3,372)
	1,792	3,127
	39,544	36,598
	3,521	4,082
	82,969	76,796
	21%	21%

The following table reconciles Adjusted net income to net income:

(Unaudited)

Total revenue

Net income

Adjusted for:

Amortization of intangible assets
 Deferred income tax expense (recovery)

Adjusted net income

Adjusted net income margin

Three months ended June 30,		
	2012	2011
	(\$000, except percentages)	
	<u>\$ 208,969</u>	<u>\$ 195,099</u>
	17,592	55,986
	20,269	18,073
	(1,700)	(40,552)
	36,161	33,507
	17%	17%

Six months ended June 30,		
	2012	2011
	(\$000, except percentages)	
	<u>\$ 404,247</u>	<u>\$ 372,731</u>
	31,516	118,474
	39,544	36,598
	(3,192)	(94,523)
	67,868	60,549
	17%	16%

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

Supplemental financial information

(Unaudited)	For the three months ended June 30, 2012			For the six months ended June 30, 2012		
	Constellation Software Inc. (excluding PTS)	PTS	Consolidated	Constellation Software Inc. (excluding PTS)	PTS	Consolidated
Revenue	\$ 179,380	\$ 29,589	\$ 208,969	\$ 341,848	\$ 62,399	\$ 404,247
Adjusted EBITDA	38,227	5,475	43,702	70,838	12,131	82,969
<i>EBITDA as % Total Revenue</i>	21%	19%	21%	21%	19%	21%
Net Income	\$ 13,207	\$ 4,385	\$ 17,592	\$ 21,385	\$ 10,131	\$ 31,516
Cash flows from operating activities:						
Net income	\$ 13,207	\$ 4,385	\$ 17,592	\$ 21,385	\$ 10,131	\$ 31,516
Adjustments to reconcile net income to net cash flows from operations, including taxes paid:	17,138	959	18,097	38,918	1,820	40,738
Change in non-cash operating working capital	(5,732)	(3,763)	(9,495)	(12,268)	(21,571)	(33,839)
Cash flows from operating activities	\$ 24,613	\$ 1,581	\$ 26,194	\$ 48,035	\$ (9,620)	\$ 38,415

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

Adjusted EBITDA to net income reconciliation

(Unaudited)	For the three months ended June 30, 2012			For the six months ended June 30, 2012		
	Constellation Software Inc. (excluding PTS)	PTS	Consolidated	Constellation Software Inc. (excluding PTS)	PTS	Consolidated
Total revenue	\$ 179,380	\$ 29,589	\$ 208,969	\$ 341,848	\$ 62,399	\$ 404,247
Net income	13,207	4,385	17,592	21,385	10,131	31,516
Adjusted for:						
Income tax expense	2,732	934	3,666	5,646	1,331	6,977
Other expenses (income)	370	2	372	1,061	350	1,411
Amortization of intangible assets	20,269	-	20,269	39,544	-	39,544
Depreciation	1,649	154	1,803	3,202	319	3,521
Adjusted EBITDA	38,227	5,475	43,702	70,838	12,131	82,969
Adjusted EBITDA margin	21%	19%	21%	21%	19%	21%

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.

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SOURCE: CONSTELLATION SOFTWARE INC.

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

	June 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash	\$ 21,671	\$ 33,492
Equity securities available-for-sale	24,327	21,222
Accounts receivable	107,804	100,398
Work in progress	33,156	26,244
Inventories	14,983	13,539
Other assets	27,219	25,633
	<u>229,160</u>	<u>220,528</u>
Non-current assets:		
Property and equipment	15,461	14,591
Deferred income taxes	102,719	99,659
Other assets	26,594	28,005
Intangible assets	301,153	267,792
	<u>445,927</u>	<u>410,047</u>
Total assets	\$ 675,087	\$ 630,575
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 27,535	\$ -
Accounts payable and accrued liabilities	95,287	114,952
Dividends payable	21,217	-
Deferred revenue	201,586	181,450
Provisions	3,156	3,555
Acquired contract liabilities	2,045	4,750
Acquisition holdback payments	17,832	11,378
Income taxes payable	4,280	4,751
	<u>372,938</u>	<u>320,836</u>
Non-current liabilities:		
Deferred income taxes	14,458	11,259
Acquired contract liabilities	27,044	28,051
Acquisition holdback payments	2,980	2,474
Other liabilities	9,554	11,675
	<u>54,036</u>	<u>53,459</u>
Total liabilities	426,974	374,295
Shareholders' equity:		
Capital stock	99,283	99,283
Accumulated other comprehensive income	9,662	6,961
Retained earnings	139,168	150,036
	<u>248,113</u>	<u>256,280</u>
Total liabilities and shareholders' equity	\$ 675,087	\$ 630,575

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
		(Recast)		(Recast)
Revenue	\$ 208,969	\$ 195,099	\$ 404,247	\$ 372,731
Expenses				
Staff	113,689	100,687	219,320	196,606
Hardware	10,705	16,763	22,932	28,884
Third party license, maintenance and professional services	14,715	11,949	28,961	24,612
Occupancy	5,039	4,715	9,664	9,303
Travel	7,766	7,190	16,012	13,458
Telecommunications	2,553	2,344	5,050	4,881
Supplies	3,866	4,133	7,298	8,296
Professional fees	2,222	2,584	4,067	4,720
Other	4,712	2,972	7,974	5,175
Depreciation	1,803	1,956	3,521	4,082
Amortization of intangible assets	20,269	18,073	39,544	36,598
	187,339	173,366	364,343	336,615
Foreign exchange (gain) loss	(217)	1,868	(9)	3,933
Equity in net loss of equity investees	209	-	1,091	-
Finance income	(394)	(3,004)	(1,463)	(3,372)
Finance costs	774	1,966	1,792	3,127
	372	830	1,411	3,688
Profit before income tax	21,258	20,903	38,493	32,428
Current income tax expense	5,366	5,469	10,169	8,477
Deferred income tax expense (recovery)	(1,700)	(40,552)	(3,192)	(94,523)
Income tax expense (recovery)	3,666	(35,083)	6,977	(86,046)
Net income	17,592	55,986	31,516	118,474
Net change in fair value on available-for-sale financial assets during the period	1,066	240	4,914	3,565
Net unrealized foreign exchange gain (loss) on available-for-sale financial assets during the period	(148)	9	(27)	218
Amounts reclassified to profit during the period related to realized gains on available-for-sale financial assets	(31)	(2,778)	(1,063)	(3,112)
Foreign currency translation differences from foreign operations	(1,943)	(300)	(802)	803
Current income tax recovery (expense)	70	-	(8)	-
Deferred income tax recovery (expense)	18	458	(313)	(22)
Other comprehensive income (loss) for the period, net of income tax	(968)	(2,371)	2,701	1,452
Total comprehensive income for the period	\$ 16,624	\$ 53,615	\$ 34,217	\$ 119,926
Earnings per share Basic and diluted	\$ 0.83	\$ 2.64	\$ 1.49	\$ 5.59

CONSTELLATION SOFTWARE INC.

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

Six months ended June 30, 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					31,516	31,516
<i>Other comprehensive income (loss)</i>						
Net change in fair value on available-for-sale financial assets during the period			4,914	4,914	-	4,914
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial assets during the period			(27)	(27)	-	(27)
Amounts reclassified to profit during the period related to realized gains on available-for-sale investments			(1,063)	(1,063)	-	(1,063)
Foreign currency translation differences from foreign operations		(802)		(802)	-	(802)
Current tax expense		(8)		(8)		(8)
Deferred tax expense		125	(438)	(313)		(313)
Total other comprehensive income for the period		(685)	3,386	2,701	-	2,701
Total comprehensive income for the period		(685)	3,386	2,701	31,516	34,217
Transactions with owners, recorded directly in equity						
Dividends to owners of the Company					(42,384)	(42,384)
Balance at June 30, 2012	\$ 99,283	\$ (503)	\$ 10,165	\$ 9,662	\$ 139,168	\$ 248,113

CONSTELLATION SOFTWARE INC.

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

Six months ended June 30, 2011
(Unaudited)

	Capital stock	Accumulated other comprehensive income/(loss)	Cumulative translation account	Amounts related to gains/losses on available- for-sale financial assets	Total accumulated other comprehensive income/(loss)	Retained earnings (Recast)	Total
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						118,474	118,474
<i>Other comprehensive income (loss)</i>							
Net change in fair value on available-for-sale financial assets during the period				3,565	3,565	-	3,565
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial assets during the period				218	218	-	218
Amounts reclassified to profit during the period related to realized gains on available-for-sale investments				(3,112)	(3,112)	-	(3,112)
Foreign currency translation differences from foreign operations		803		-	803	-	803
Deferred tax expense				(22)	(22)	-	(22)
Total other comprehensive income (loss) for the period		803		649	1,452	-	1,452
Total comprehensive income for the period		803		649	1,452	118,474	119,926
Transactions with owners, recorded directly in equity							
Dividends to owners of the Company						(42,384)	(42,384)
Balance at June 30, 2011	\$ 99,283	\$ 1,235		\$ 7,792	\$ 9,027	\$ 112,283	\$ 220,593

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
		(Recast)		(Recast)
Cash flows from operating activities:				
Net income	\$ 17,592	\$ 55,986	\$ 31,516	\$ 118,474
Adjustments for:				
Depreciation	1,803	1,956	3,521	4,082
Amortization of intangible assets	20,269	18,073	39,544	36,598
Equity in net loss of equity investees	209	-	1,091	-
Finance income	(394)	(3,004)	(1,463)	(3,372)
Finance costs	774	1,966	1,792	3,127
Income tax expense (recovery)	3,666	(35,083)	6,977	(86,046)
Foreign exchange loss	(217)	1,868	(9)	3,933
Change in non-cash operating working capital	(9,495)	(29,572)	(33,839)	(42,948)
Income taxes paid	(8,013)	(4,349)	(10,715)	(6,728)
Net cash flows from operating activities	26,194	7,841	38,415	27,120
Cash flows from financing activities:				
Interest paid	(501)	(1,576)	(837)	(2,463)
Increase in other non current liabilities	322	(246)	122	(159)
Increase in bank indebtedness, net	16,342	17,071	29,342	55,715
Credit facility transaction costs	(46)	-	(1,886)	-
Dividends paid	(21,192)	-	(21,192)	(42,384)
Net cash flows from (used in) financing activities	(5,075)	15,249	5,549	10,709
Cash flows from investing activities:				
Acquisition of businesses, net of cash acquired	(42,830)	(21,153)	(50,637)	(31,544)
Post-acquisition settlement payments, net of receipts	(4,132)	(47)	(4,633)	(1,099)
Purchases of available-for-sale financial assets	(80)	(4,695)	(80)	(5,944)
Proceeds from sale of available-for-sale financial assets	55	5,845	1,863	6,488
Proceeds from sale of intangible assets	101	-	101	-
Increase in restricted cash	-	-	-	450
Interest received	41	117	79	154
Property and equipment purchased	(1,251)	(1,465)	(2,541)	(4,064)
Cash flows provided from (used in) investing activities	(48,096)	(21,398)	(55,848)	(35,559)
Effect of foreign currency translation adjustment on cash and cash equivalents				
	(165)	(1,623)	63	(2,969)
Increase (decrease) in cash and cash equivalents	(27,142)	69	(11,821)	(699)
Cash, beginning of period	48,813	30,143	33,492	30,911
Cash, end of period	\$ 21,671	\$ 30,212	\$ 21,671	\$ 30,212