

Constellation Software Inc. Announces Results for the First Quarter Ended March 31, 2013 and Declares Quarterly Dividend

TORONTO, ONTARIO (May 1, 2013) -- Constellation Software Inc. (TSX:CSU) (“Constellation” or the “Company”) today announced its financial results for the first quarter ended March 31, 2013 and declared a \$1.00 per share dividend payable on July 3, 2013 to all common shareholders of record at close of business on June 17, 2013. 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, 2013 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, 2012, which can be found on SEDAR at www.sedar.com and on the Company’s website www.cssoftware.com. Additional information about the Company is also available on SEDAR at www.sedar.com.

Q1 2013 Highlights:

- Revenue grew 31% to \$256 million compared to \$195 million in Q1 2012.
- Adjusted EBITDA increased \$4 million or 8% to \$43 million as compared to Q1 2012.
- Adjusted Net Income increased 5% to \$33 million (\$1.57 on a diluted per share basis) from \$32 million (\$1.50 on a diluted per share basis) in Q1 2012.
- Seven acquisitions were completed for aggregate cash consideration of \$73 million (which includes acquired cash) plus cash holdbacks of \$3 million and estimated value of contingent consideration of \$2 million.
- Cash flows from operations increased \$22 million or 178% to \$34 million from \$12 million in Q1 2012.

First quarter 2013 revenue was \$256 million, an increase of 31%, or \$61 million, compared to \$195 million for the comparable period in 2012. The increase is solely attributed to growth from acquisitions as there was no organic growth. Excluding the decline in total revenue related to the Public Transit Solutions business the organic growth for the quarter would have been 4%.

Adjusted EBITDA for the first quarter 2013 was \$43 million, an 8% increase compared to the prior year's first quarter Adjusted EBITDA of \$39 million. First quarter 2013 Adjusted EBITDA per share on a diluted basis increased 8% to \$2.01, compared to \$1.85 for the same period last year.

Adjusted Net Income for the first quarter 2013 was \$33 million, compared to the prior year's first quarter Adjusted Net Income of \$32 million, a 5% increase. First quarter 2013 Adjusted Net Income per share on a diluted basis increased 5% to \$1.57 compared to \$1.50 for the prior year’s first quarter.

Net income for the first quarter 2013 was \$9 million compared to the prior year's first quarter net income of \$14 million. On a diluted per share basis, this translates into net income per share of \$0.43 for the first quarter of 2013 compared to \$0.66 for the same period of 2012. The decrease in net income for the quarter ended March 31, 2013 was primarily due to an increase in the amortization expense attributable to intangible assets as a result of acquisitions completed during 2012 and Q1 2013.

The following table displays our revenue by reportable segment and the percentage change for the three months ended March 31, 2013 compared to the same period in 2012:

	Three months ended March 31,		Period-Over-Period Change	
	<u>2013</u>	<u>2012</u>	\$	%
	(\$000, except percentages)			
Public Sector				
Licenses	13,175	9,790	3,385	35%
Professional services	43,179	32,302	10,877	34%
Hardware and other	22,171	22,289	(118)	-1%
Maintenance and other recurring	97,605	73,851	23,754	32%
	176,130	138,232	37,898	27%
Private Sector				
Licenses	7,493	5,150	2,343	45%
Professional services	11,920	9,825	2,095	21%
Hardware and other	3,637	3,066	571	19%
Maintenance and other recurring	57,251	39,005	18,246	47%
	80,301	57,046	23,255	41%

Public Sector

For the quarter ended March 31, 2013, total revenue in the public sector reportable segment increased 27%, or \$38 million, to \$176 million, compared to \$138 million for the quarter ended March 31, 2012. Revenue growth from acquired businesses was significant as we completed twenty-two acquisitions since the beginning of 2012 in our public sector segment. It is estimated that acquisitions completed since the beginning of 2012 contributed approximately \$40 million to our Q1 2013 revenues. Revenues decreased organically by 2% or \$2 million in Q1 2013 compared to the same period in 2012, primarily driven by a decline in hardware sales in the PTS European business from the same period in 2012.

Private Sector

For the quarter ended March 31, 2013, total revenue in the private sector reportable segment increased 41%, or \$23 million, to \$80 million, compared to \$57 million for the quarter ended March 31, 2012. Revenue growth from acquired businesses was significant for the three month period as we completed twenty acquisitions since the beginning of 2012 in our private sector segment. It is estimated that acquisitions completed since the beginning of 2012 contributed approximately \$21 million to our Q1 2013 revenues. Revenues increased organically by 3% or \$2 million in Q1 2013 compared to the same period in 2012.

During the quarter, Constellation completed seven acquisitions for total net cash consideration of approximately \$70 million, and made \$5 million in acquisition holdback payments. At March 31, 2013, Constellation's net borrowings (bank indebtedness less cash) increased by \$60 million to \$65 million.

Conference Call and Webcast

Management will host a conference call at **9:00 a.m. (ET) on Thursday, May 2, 2013** 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 May 16, 2013. To access the replay, please dial 905-694-9451 or 800-408-3053 followed by the passcode 2001965.

Forward Looking Statements

Certain statements herein including those under "Outlook" above, 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 income or loss of equity investees, impairment of non-financial assets, depreciation, amortization, and foreign exchange gain or loss. 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 adjusted for 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 or recognized 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, readers 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>2013</u>	<u>2012</u>
	(\$000, except percentages)	
Total revenue	<u>\$256,431</u>	<u>\$ 195,278</u>
Net income	9,199	13,924
Adjusted for:		
Income tax expense	2,669	3,311
Foreign exchange loss	1,775	208
Equity in net (income) loss of equity investees	(344)	882
Finance income	(490)	(1,069)
Finance costs	1,116	1,018
Amortization of intangible assets	26,461	19,275
Depreciation	2,212	1,718
Adjusted EBITDA	42,598	39,267
Adjusted EBITDA margin	17%	20%

The following table reconciles Adjusted net income to net income:

	Three months ended March 31,	
	<u>2013</u>	<u>2012</u>
	(\$000, except percentages)	
Total revenue	<u>\$256,431</u>	<u>\$ 195,278</u>
Net income	9,199	13,924
Adjusted for:		
Amortization of intangible assets	26,461	19,275
Deferred income tax (recovery)	(2,311)	(1,492)
Adjusted net income	33,349	31,707
Adjusted net income margin	13%	16%

About Constellation Software Inc.

Constellation Software acquires, manages and builds vertical market software businesses that provide mission-critical software solutions.

For further information:

Jamal Baksh
Chief Financial Officer
(416) 861-9677
info@csisoftware.com
www.csisoftware.com

SOURCE: CONSTELLATION SOFTWARE INC.

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

	March 31, 2013	December 31, 2012
Assets		
Current assets:		
Cash	\$ 44,313	\$ 41,313
Equity security available-for-sale	581	470
Accounts receivable	129,673	126,987
Work in progress	39,380	36,926
Inventories	20,649	18,739
Other assets	37,707	29,178
	<u>272,303</u>	<u>253,613</u>
Non-current assets:		
Property and equipment	19,867	21,300
Deferred income taxes	95,891	104,307
Other assets	32,914	31,104
Intangible assets	443,498	402,355
	<u>592,170</u>	<u>559,066</u>
Total assets	\$ 864,473	\$ 812,679
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 107,485	\$ 44,356
Accounts payable and accrued liabilities	126,002	147,559
Dividends payable	21,265	20,945
Deferred revenue	257,684	224,049
Provisions	6,331	6,396
Acquired contract liabilities	2,844	3,535
Acquisition holdback payments	16,743	20,635
Income taxes payable	6,027	5,066
	<u>544,381</u>	<u>472,541</u>
Non-current liabilities:		
Deferred income taxes	24,056	29,283
Acquired contract liabilities	24,522	26,073
Acquisition holdback payments	5,889	5,973
Other liabilities	21,366	20,005
	<u>75,833</u>	<u>81,334</u>
Total liabilities	620,214	553,875
Shareholders' equity:		
Capital stock	99,283	99,283
Accumulated other comprehensive income	(931)	1,621
Retained earnings	145,907	157,900
	<u>244,259</u>	<u>258,804</u>
Total liabilities and shareholders' equity	\$ 864,473	\$ 812,679

CONSTELLATION SOFTWARE INC.

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

Three months ended March 31, 2013 and 2012

(Unaudited)

	2013	2012
Revenue	\$ 256,431	\$ 195,278
Expenses		
Staff	148,104	105,631
Hardware	16,011	12,227
Third party license, maintenance and professional services	18,440	14,246
Occupancy	6,580	4,625
Travel	9,506	8,246
Telecommunications	3,093	2,497
Supplies	4,648	3,432
Professional fees	3,461	1,845
Other, net	3,990	3,262
Depreciation	2,212	1,718
Amortization of intangible assets	26,461	19,275
	242,506	177,004
Foreign exchange loss	1,775	208
Equity in net (income) loss of equity investees	(344)	882
Finance income	(490)	(1,069)
Finance costs	1,116	1,018
	2,057	1,039
Profit before income taxes	11,868	17,235
Current income tax expense	4,980	4,803
Deferred income tax recovery	(2,311)	(1,492)
Income tax expense	2,669	3,311
Net income	9,199	13,924
Earnings per share		
Basic and diluted	\$ 0.43	\$ 0.66

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, 2013 and 2012

(Unaudited)

	2013	2012
Net income	9,199	13,924
Items that are or may be reclassified subsequently to profit or loss:		
Net change in fair value of available-for-sale financial asset during the period	111	3,848
Net unrealized foreign exchange gain (loss) on available-for-sale financial asset during the period	-	121
Amounts reclassified to profit during the period related to realized gains on available-for-sale financial asset	-	(1,032)
Foreign currency translation differences from foreign operations	(2,611)	1,141
Current income tax recovery (expense)	(52)	(78)
Deferred income tax recovery (expense)	-	(331)
Other comprehensive (loss) income for the period, net of income tax	(2,552)	3,669
Total comprehensive income for the period	\$ 6,647	\$ 17,593

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

Three months ended March 31, 2013

	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	Total
Balance at January 1, 2013	\$ 99,283	\$ 1,450	\$ 171		\$ 1,621	\$ 157,900	\$ 258,804
<i>Total comprehensive income for the period</i>							
Net income	-	-	-	-	-	9,199	9,199
<i>Other comprehensive income (loss)</i>							
Net change in fair value of available-for-sale financial assets during the period	-	-	111		111	-	111
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial assets during the period	-	-	-		-	-	-
Amounts reclassified to profit during the period related to realized gains on available-for-sale investments	-	-	-		-	-	-
Foreign currency translation differences from foreign operations	-	(2,611)	-		(2,611)	-	(2,611)
Current tax recovery	-	(52)	-		(52)	-	(52)
Deferred tax recovery	-	-	-		-	-	-
Total other comprehensive income (loss) for the period	-	(2,663)	111		(2,552)	-	(2,552)
Total comprehensive income (loss) for the period	-	(2,663)	111		(2,552)	9,199	6,647
Transactions with owners, recorded directly in equity							
Dividends to shareholders of the Company	-	-	-		-	(21,192)	(21,192)
Balance at March 31, 2013	\$ 99,283	\$ (1,213)	\$ 282		\$ (931)	\$ 145,907	\$ 244,259

CONSTELLATION SOFTWARE INC.

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

Three months ended March 31, 2012

	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	Total
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 of 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 financial assets	-	-		(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 shareholders 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 Cash Flows
(In thousands of U.S. dollars)

Three months ended March 31, 2013 and 2012
(Unaudited)

	2013	2012
Cash flows from operating activities:		
Net income	\$ 9,199	\$ 13,924
Adjustments for:		
Depreciation	2,212	1,718
Amortization of intangible assets	26,461	19,275
Equity in net (earnings) loss of equity investees	(344)	882
Finance income	(490)	(1,069)
Finance costs	1,116	1,018
Income tax expense	2,669	3,311
Foreign exchange loss	1,775	208
Change in non-cash operating working capital exclusive of effects of business combinations	(4,124)	(24,344)
Income taxes paid	(4,562)	(2,702)
Net cash flows from operating activities	33,912	12,221
Cash flows from (used in) financing activities:		
Interest paid	(505)	(336)
Decrease in other non current liabilities	(23)	(200)
Increase in bank indebtedness, net	63,000	13,000
Credit facility transaction costs	-	(1,840)
Dividends paid	(21,192)	-
Net cash flows used in financing activities	41,280	10,624
Cash flows from (used in) investing activities:		
Acquisition of businesses, net of cash acquired	(69,893)	(7,807)
Post-acquisition settlement payments, net of receipts	(5,221)	(501)
Proceeds from sale of available-for-sale equity securities	-	1,808
Interest received	-	38
Proceeds from sale of assets	5,423	-
Property and equipment purchased	(2,111)	(1,290)
Net cash flows used in investing activities	(71,802)	(7,752)
Effect of foreign currency on cash and cash equivalents	(390)	228
Increase in cash and cash equivalents	3,000	15,321
Cash, beginning of period	41,313	33,492
Cash, end of period	\$ 44,313	\$ 48,813