

Constellation Software Inc. Announces Results for the First Quarter Ended March 31, 2015 and Declares Quarterly Dividend

TORONTO, ONTARIO (April 29, 2015) -- Constellation Software Inc. (TSX:CSU) (“Constellation” or the “Company”) today announced its financial results for the first quarter ended March 31, 2015 and declared a \$1.00 per share dividend payable on July 3, 2015 to all common shareholders of record at close of business on June 17, 2015. 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, 2015 and the accompanying notes, our Management Discussion and Analysis for the three months ended March 31, 2015 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, 2014, 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 2015 Headlines:

- Revenue grew 7% (negative 2% organic growth) to \$423 million compared to \$395 million in Q1 2014. The approximate impact of changes in foreign exchange rates to organic growth was negative 6%.
- Adjusted EBITA increased \$30 million or 49% to \$93 million as compared to \$63 million in Q1 2014.
- Adjusted Net Income increased 40% to \$75 million (\$3.52 on a diluted per share basis) from \$53 million (\$2.52 on a diluted per share basis) in Q1 2014. (See revised definition of Adjusted Net Income below.)
- Net income increased 270% to \$33 million (\$1.55 on a diluted per share basis) from \$9 million (\$0.42 on a diluted per share basis) in Q1 2014.
- Three acquisitions were completed for aggregate cash consideration of \$22 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of \$1 million.
- Cash flows from operations for the first quarter of 2015 were \$113 million, an increase of 13%, or \$13 million, compared to \$100 million for the comparable period in 2014.
- The amount drawn on the Company’s credit facilities decreased to \$204 million from \$216 million in Q4 2014.

First quarter 2015 revenue was \$423 million, an increase of 7%, or \$28 million, compared to \$395 million for the comparable period in 2014. The increase is mainly attributable to growth from acquisitions as the Company experienced negative organic growth of 2%.

Adjusted EBITA for the first quarter 2015 was \$93 million, a 49% increase compared to the prior year's first quarter Adjusted EBITA of \$63 million. First quarter 2015 Adjusted EBITA per share on a diluted basis increased 49% to \$4.41, compared to \$2.96 for the same period last year. Adjusted EBITA margin was 22% for the three months ended March 31, 2015 compared to 16% for the prior year’s first quarter.

Adjusted Net Income for the first quarter 2015 was \$75 million, compared to the prior year's first quarter Adjusted Net Income of \$53 million, a 40% increase. First quarter 2015 Adjusted Net Income per share on a diluted basis increased 40% to \$3.52 compared to \$2.52 for the prior year’s first quarter.

Net income for the first quarter 2015 was \$33 million, compared to the prior year’s first quarter Net income of \$9 million. Net income per share on a diluted per share basis for the first quarter of 2015 increased 270% to \$1.55, compared to \$0.42 for the first quarter of 2014.

Cash flows from operations for the first quarter of 2015 were \$113 million, an increase of 13%, or \$13 million, compared to \$100 million for the comparable period in 2014.

The following table displays our revenue by reportable segment and the percentage change for the three months ended March 31, 2015 compared to the same periods in 2014:

	Period ended March 31,		Period-Over-Period Change	
	2015	2014	\$	%
	(\$M, except percentages)			
Public Sector				
Licenses	19.3	16.2	3.1	19%
Professional services	74.8	75.2	(0.4)	0%
Hardware and other	25.3	28.6	(3.3)	-11%
Maintenance and other recurring	171.5	157.8	13.7	9%
	290.9	277.8	13.1	5%
Private Sector				
Licenses	11.0	10.3	0.8	8%
Professional services	17.9	16.6	1.3	8%
Hardware and other	5.7	5.2	0.5	10%
Maintenance and other recurring	97.3	84.9	12.4	15%
	132.0	117.1	14.9	13%

Public Sector

For the quarter ended March 31, 2015, total revenue in the public sector reportable segment increased 5%, or \$13 million, to \$291 million, compared to \$278 million for the quarter ended March 31, 2014. Revenue growth from acquired businesses was significant as we completed 14 acquisitions since the beginning of 2014 in our public sector segment. It is estimated that acquisitions completed since the beginning of 2014 contributed approximately \$21 million to our Q1 2015 revenues. Organic revenue growth was negative 3% in Q1 2015 compared to the same period in 2014. For the quarter ended March 31, 2015, the appreciation of the US dollar against most major currencies in which the Company transacts business resulted in an approximate 6% reduction in the public sector revenue organic growth rate compared to the first quarter of 2014.

Private Sector

For the quarter ended March 31, 2015, total revenue in the private sector reportable segment increased 13%, or \$15 million, to \$132 million, compared to \$117 million for the quarter ended March 31, 2014. Revenue growth from acquired businesses was significant for the three month period as we completed 12 acquisitions since the beginning of 2014 in our private sector segment. It is estimated that acquisitions completed since the beginning of 2014 contributed approximately \$17 million to our Q1 2015 revenues. Organic revenue growth was negative 2% compared to the same period in 2014. For the quarter ended March 31, 2015, the appreciation of the US dollar against most major currencies in which the Company transacts business resulted in an approximate 5% reduction in the private sector revenue organic growth rate compared to the first quarter of 2014.

Conference Call and Webcast

Management will host a conference call at **8:00 a.m. (ET) on Thursday, April 30, 2015** to answer questions regarding the results. The teleconference numbers are 416-340-2220 or 866-225-9256. 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 13, 2015. To access the replay, please dial 905-694-9451 or 800-408-3053 followed by the passcode 8390412.

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 EBITA" refers to net income before adjusting for finance and other income, finance costs, income taxes, share in net income or loss of equity investees, impairment of non-financial assets, amortization, and foreign exchange gain or loss. The Company believes that Adjusted EBITA 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 intangible asset amortization and the other items listed above. "Adjusted EBITA margin" refers to the percentage that Adjusted EBITA for any period represents as a portion of total revenue for that period. Previously the Company has reported "Adjusted EBITDA" in certain financial disclosures, but has determined that Adjusted EBITA is a more meaningful measure going forward. Adjusted EBITDA refers to Adjusted EBITA as defined above then further excludes depreciation. The Company uses depreciation as a proxy for the cash flows used to purchase property and equipment required to support the Company's main business activities. As such, the Company believes Adjusted EBITA is a more useful measure than Adjusted EBITDA.

"Adjusted net income" means net income adjusted for non-cash expenses (income) such as amortization of intangible assets, deferred income taxes, the TSS membership liability revaluation charge, and certain other expenses (income), and excludes the portion of the adjusted net income of Total Specific Solutions (TSS) B.V. ("TSS") attributable to the minority owners of TSS. 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, the TSS membership liability revaluation charge, and certain other non-cash expenses (income) incurred or recognized by the Company from time to time, and adjusts for the portion of TSS' Adjusted net income not attributable to shareholders of Constellation. "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 EBITA and Adjusted net income are not recognized measures under IFRS and, accordingly, readers are cautioned that Adjusted EBITA 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 EBITA and Adjusted net income may differ from other issuers and, accordingly, Adjusted EBITA and Adjusted net income may not be comparable to similar measures presented by other issuers. Adjusted EBITA includes 100% of the Adjusted EBITA of TSS.

The following table reconciles Adjusted EBITA to net income:

	Three months ended March 31,	
	<u>2015</u>	<u>2014</u>
	(\$M, except percentages)	
Total revenue	<u>422.9</u>	<u>394.8</u>
Net income	32.9	8.9
Adjusted for:		
Income tax expense (recovery)	11.4	8.2
Foreign exchange (gain) loss	(1.7)	0.2
TSS membership liability revaluation charge	6.0	-
Share in net (income) loss of equity investees	(0.7)	(0.1)
Finance and other income	(0.3)	(0.5)
Finance costs	4.3	3.3
Amortization of intangible assets	41.5	42.8
Adjusted EBITA	93.4	62.8
Adjusted EBITA margin	22%	16%

The following table reconciles Adjusted net income to net income:

	Three months ended March 31,	
	<u>2015</u>	<u>2014</u>
	(\$M, except percentages)	
Total revenue	<u>422.9</u>	<u>394.8</u>
Net income	32.9	8.9
Adjusted for:		
Amortization of intangible assets	41.5	42.8
TSS membership liability revaluation charge	6.0	-
Less non-controlling interest in the Adjusted net income of TSS	(3.2)	-
Deferred income tax expense (recovery)	(2.5)	1.6
Adjusted net income	74.7	53.3
Adjusted net income margin	18%	14%

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: CONSTELLATION SOFTWARE INC.

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

	March 31, 2015	December 31, 2014
Assets		
Current assets:		
Cash	\$ 131,817	\$ 70,679
Accounts receivable	229,226	200,056
Work in progress	60,626	51,483
Inventories	25,426	25,246
Other assets	74,027	63,294
	<u>521,122</u>	<u>410,758</u>
Non-current assets:		
Property and equipment	35,166	37,227
Deferred income taxes	57,007	60,763
Other assets	35,292	36,942
Intangible assets	838,294	887,435
	<u>965,759</u>	<u>1,022,367</u>
Total assets	\$ 1,486,881	\$ 1,433,125
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 69,688	\$ 66,326
TSS membership liability	17,673	17,345
Accounts payable and accrued liabilities	224,008	244,996
Dividends payable	21,387	21,192
Deferred revenue	459,091	347,336
Provisions	10,191	13,399
Acquisition holdback payments	23,840	22,665
Income taxes payable	23,598	25,588
	<u>849,476</u>	<u>758,847</u>
Non-current liabilities:		
Bank indebtedness	133,798	149,654
TSS membership liability	31,087	30,515
Debentures	72,495	78,642
Deferred income taxes	99,601	107,275
Acquisition holdback payments	3,579	3,603
Other liabilities	37,369	44,758
	<u>377,929</u>	<u>414,447</u>
Total liabilities	1,227,405	1,173,294
Shareholders' equity:		
Capital stock	99,283	99,283
Accumulated other comprehensive income	(31,379)	(19,290)
Retained earnings	191,572	179,838
	<u>259,476</u>	<u>259,831</u>
Total liabilities and shareholders' equity	\$ 1,486,881	\$ 1,433,125

CONSTELLATION SOFTWARE INC.

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

Three months ended March 31, 2015 and 2014
(Unaudited)

	2015	2014
Revenue		
License	\$ 30,325	\$ 26,481
Professional services	92,706	91,810
Hardware and other	31,048	33,792
Maintenance and other recurring	268,812	242,766
	<u>422,891</u>	<u>394,849</u>
Expenses		
Staff	221,852	225,672
Hardware	17,785	18,739
Third party license, maintenance and professional services	38,800	35,319
Occupancy	10,581	9,958
Travel	11,810	11,415
Telecommunications	4,086	3,945
Supplies	9,559	8,707
Professional fees	4,807	5,039
Other, net	6,284	9,141
Depreciation	3,926	4,087
Amortization of intangible assets	41,481	42,802
	<u>370,971</u>	<u>374,824</u>
Foreign exchange loss (gain)	(1,723)	172
TSS membership liability revaluation charge	6,030	-
Share in net (income) loss of equity investee	(690)	(120)
Finance and other income	(258)	(468)
Finance costs	4,283	3,314
	<u>7,642</u>	<u>2,898</u>
Income before income taxes	44,278	17,127
Current income tax expense (recovery)	13,896	6,611
Deferred income tax expense (recovery)	(2,544)	1,620
Income tax expense (recovery)	<u>11,352</u>	<u>8,231</u>
Net income	<u>32,926</u>	<u>8,896</u>
Earnings per share		
Basic and diluted	\$ 1.55	\$ 0.42

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 2015 and 2014
(Unaudited)

	2015	2014
Net income	\$ 32,926	\$ 8,896
Items that are or may be reclassified subsequently to net income:		
Net change in fair value of available-for-sale financial asset during the period	-	93
Net change in fair value of derivatives designated as hedges during the period	(230)	-
Amounts reclassified to profit during the period related to realized gains on available-for-sale financial asset	-	(264)
Foreign currency translation differences from foreign operations	(11,929)	320
Current income tax recovery (expense)	-	35
Deferred income tax recovery (expense)	70	(12)
Other comprehensive (loss) income for the period, net of income tax	(12,089)	172
Total comprehensive income for the period	\$ 20,837	\$ 9,068

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

Three months ended March 31, 2015

	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 derivatives designed as hedges	Amounts related to gains/losses on available- for-sale financial assets			
Balance at January 1, 2015	\$ 99,283	\$ (18,880)	\$ (410)	\$ -	\$ (19,290)	\$ 179,838	\$ 259,831
<i>Total comprehensive income for the year</i>							
Net income	-	-	-	-	-	32,926	32,926
<i>Other comprehensive income (loss)</i>							
Net change in fair value of available-for-sale financial asset during the year	-	-	-	-	-	-	-
Net change in fair value of derivatives designated as hedges during the year	-	-	(230)	-	(230)	-	(230)
Amounts reclassified to profit during the year related to realized gains on available-for-sale financial assets	-	-	-	-	-	-	-
Foreign currency translation differences from foreign operations	-	(11,929)	-	-	(11,929)	-	(11,929)
Current tax recovery (expense)	-	-	-	-	-	-	-
Deferred tax recovery (expense)	-	-	70	-	70	-	70
Total other comprehensive income (loss) for the year	-	(11,929)	(160)	-	(12,089)	-	(12,089)
Total comprehensive income (loss) for the year	-	(11,929)	(160)	-	(12,089)	32,926	20,837
Transactions with owners, recorded directly in equity Dividends to shareholders of the Company	-	-	-	-	-	(21,192)	(21,192)
Balance at March 31, 2015	\$ 99,283	\$ (30,809)	\$ (570)	\$ -	\$ (31,379)	\$ 191,572	\$ 259,476

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

Three months ended March 31, 2014

	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 derivatives designed as hedges	Amounts related to gains/losses on available- for-sale financial assets			
Balance at January 1, 2014	\$ 99,283	\$ (32)	\$ -	\$ 481	\$ 449	\$ 166,267	\$ 265,999
<i>Total comprehensive income for the year</i>							
Net income	-	-	-	-	-	8,896	8,896
<i>Other comprehensive income (loss)</i>							
Net change in fair value of available-for-sale financial assets during the year	-	-	-	93	93	-	93
Amounts reclassified to profit during the year related to realized gains on available-for-sale financial assets	-	-	-	(264)	(264)	-	(264)
Foreign currency translation differences from foreign operations	-	320	-	-	320	-	320
Current tax recovery (expense)	-	35	-	-	35	-	35
Deferred tax recovery (expense)	-	(12)	-	-	(12)	-	(12)
Total other comprehensive income for the year	-	343	-	(171)	172	-	172
Total comprehensive income for the year	-	343	-	(171)	172	8,896	9,068
Transactions with owners, recorded directly in equity Dividends to shareholders of the Company	-	-	-	-	-	(21,192)	(21,192)
Balance at March 31, 2014	\$ 99,283	\$ 311	\$ -	\$ 310	\$ 621	\$ 153,971	\$ 253,875

CONSTELLATION SOFTWARE INC.

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

Three months ended March 31, 2015 and 2014
(Unaudited)

	2015	2014
Cash flows from operating activities:		
Net income	\$ 32,926	\$ 8,896
Adjustments for:		
Depreciation	3,926	4,087
Amortization of intangible assets	41,481	42,802
TSS membership liability revaluation charge	6,030	-
Share in net (income) loss of equity investee	(690)	(120)
Finance and other income	(258)	(468)
Finance costs	4,283	3,314
Income tax expense (recovery)	11,352	8,231
Foreign exchange loss (gain)	(1,723)	172
Change in non-cash operating working capital exclusive of effects of business combinations	29,939	37,896
Income taxes paid	(14,618)	(5,285)
Net cash flows from operating activities	112,648	99,525
Cash flows from (used in) financing activities:		
Interest paid	(3,591)	(2,215)
Increase (decrease) in bank indebtedness, net	3,500	6,601
Dividends paid	(21,192)	(21,192)
Net cash flows from (used in) in financing activities	(21,283)	(16,806)
Cash flows from (used in) investing activities:		
Acquisition of businesses, net of cash acquired	(20,511)	(10,834)
Post-acquisition settlement payments, net of receipts	(1,681)	(2,344)
Proceeds from sale of available-for-sale equity securities	-	404
Interest and dividends received	41	130
Property and equipment purchased	(2,138)	(4,218)
Net cash flows used in investing activities	(24,289)	(16,862)
Effect of foreign currency on cash and cash equivalents	(5,938)	(1,380)
Increase (decrease) in cash and cash equivalents	61,138	64,477
Cash, beginning of period	70,679	77,967
Cash, end of period	\$ 131,817	\$ 142,444

