

## Constellation Software Inc. Announces Results for the First Quarter Ended March 31, 2016 and Declares Quarterly Dividend

**TORONTO, ONTARIO (April 27, 2016)** -- Constellation Software Inc. (TSX:CSU) (“Constellation” or the “Company”) today announced its financial results for the first quarter ended March 31, 2016 and declared a \$1.00 per share dividend payable on July 6, 2016 to all common shareholders of record at close of business on June 17, 2016. 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, 2016 and the accompanying notes, our Management Discussion and Analysis for the three months ended March 31, 2016 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, 2015, which can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company’s website [www.csisoftware.com](http://www.csisoftware.com). Additional information about the Company is also available on SEDAR at [www.sedar.com](http://www.sedar.com).

### Q1 2016 Headlines:

- Revenue grew 15% (negative 2% organic growth, 0% after adjusting for changes in foreign exchange rates) to \$487 million compared to \$423 million in Q1 2015.
- Adjusted EBITA increased \$15 million or 15% to \$108 million as compared to \$93 million in Q1 2015.
- Adjusted Net Income decreased 16% to \$63 million (\$2.95 on a diluted per share basis) from \$75 million (\$3.52 on a diluted per share basis) in Q1 2015.
- The Company recorded an unrealized foreign exchange loss of \$19 million (\$0.91 on a diluted per share basis) compared to an unrealized foreign exchange gain of \$2 million (\$0.08 on a diluted per share basis) in Q1 2015
- Net income decreased 43% to \$19 million (\$0.88 on a diluted per share basis) from \$33 million (\$1.55 on a diluted per share basis) in Q1 2015.
- Six acquisitions were completed for aggregate cash consideration of \$32 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of \$3 million.
- Cash flows from operations for the first quarter of 2016 was \$146 million, an increase of 30%, or \$33 million, compared to \$113 million for the comparable period in 2015.

First quarter 2016 revenue was \$487 million, an increase of 15%, or \$64 million, compared to \$423 million for the comparable period in 2015. The increase is mainly attributable to growth from acquisitions as the Company experienced negative organic growth of 2%, 0% after adjusting for the impact of the appreciation of the US dollar against most major currencies in which the Company transacts business.

Adjusted EBITA for the first quarter 2016 was \$108 million, a 15% increase compared to the prior year's first quarter Adjusted EBITA of \$93 million. First quarter 2016 Adjusted EBITA per share on a diluted basis increased 15% to \$5.08, compared to \$4.41 for the same period last year. Adjusted EBITA margin was 22% for the three months ended March 31, 2016 compared to 22% for the prior year’s first quarter. Adjusted EBITA margins in the first quarter of every year are typically lower as compared to other quarters, largely attributable to increased payroll tax costs associated with our annual bonus payments that are made in the month of March.

Adjusted Net Income for the first quarter 2016 was \$63 million, compared to the prior year's first quarter Adjusted Net Income of \$75 million, a 16% decrease. First quarter 2016 Adjusted Net Income per share on a diluted basis decreased 16% to \$2.95 compared to \$3.52 for the prior year’s first quarter. Excluding the impact of the \$19 million unrealized foreign exchange loss in Q1 2016 and the \$2 million unrealized foreign exchange gain in Q1 2015 the Adjusted Net Income per share on a diluted basis would have been \$3.86 and \$3.44 for the first quarters of 2016 and 2015 respectively, representing a 12% increase from Q1 2015 to Q1 2016.

Net income for the first quarter 2016 was \$19 million, compared to the prior year's first quarter Net income of \$33 million. Net income per share on a diluted per share basis for the first quarter of 2016 decreased 43% to \$0.88, compared to \$1.55 for the first quarter of 2015.

Cash flows from operations for the first quarter of 2016 were \$146 million, an increase of 30%, or \$33 million, compared to \$113 million for the comparable period in 2015.

The following table displays our revenue by reportable segment and the percentage change for the three months ended March 31, 2016 compared to the same periods in 2015:

	Three months ended March 31,		Period-Over- Period Change	
	2016	2015	\$	%
	(\$M, except percentages)			
<b>Public Sector</b>				
Licenses	19.9	19.3	0.6	3%
Professional services	75.6	74.8	0.8	1%
Hardware and other	23.5	25.3	(1.9)	-7%
Maintenance and other recurring	202.8	171.5	31.3	18%
	321.7	290.9	30.8	11%
<b>Private Sector</b>				
Licenses	12.9	11.0	1.8	16%
Professional services	20.8	17.9	2.9	16%
Hardware and other	7.1	5.7	1.3	23%
Maintenance and other recurring	124.5	97.3	27.2	28%
	165.2	132.0	33.2	25%

### Public Sector

For the quarter ended March 31, 2016, total revenue in the public sector reportable segment increased 11%, or \$31 million, to \$322 million, compared to \$291 million for the quarter ended March 31, 2015. For purposes of calculating organic growth, the adjustment required to March 31, 2015 revenue relating to pre-acquisition revenue earned in that period from the 19 acquisitions we completed in the previous twelve months was \$39 million. Organic revenue growth was negative 2% for the three months ended March 31, 2016 compared to the same period in 2015 and 0% after adjusting for the impact of the appreciation of the US dollar against most major currencies in which the Company transacts business.

### Private Sector

For the quarter ended March 31, 2016, total revenue in the private sector reportable segment increased 25%, or \$33 million to \$165 million, compared to \$132 million for the quarter ended March 31, 2015. For purposes of calculating organic growth, the adjustment required to March 31, 2015 revenue relating to pre-acquisition revenue earned in that period from the 18 acquisitions we completed in the previous twelve months was \$34 million. Organic revenue growth was negative 1% in the three months ended March 31, 2016 compared to the same period in 2015 and 2% after adjusting for the impact of the appreciation of the US dollar against most major currencies in which the Company transacts business.

## **Conference Call and Webcast**

Management will host a conference call at **8:00 a.m. (ET) on Thursday, April 28, 2016** to answer questions regarding the results. The teleconference numbers are 416-340-2216 or 866-225-2055. The call will also be webcast live and archived on Constellation's website at [www.csisoftware.com](http://www.csisoftware.com).

A replay of the conference call will be available as of 12:30 pm. ET the same day until 11:59 p.m. ET on May 12, 2016. To access the replay, please dial 905-694-9451 or 800-408-3053 followed by the passcode 9390982.

## **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, bargain purchase gain, finance costs, income taxes, share in net income or loss of equity investees, impairment of non-financial assets, amortization, TSS membership liability revaluation charge, 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>2016</u>	<u>2015</u>
	(\$M, except percentages)	
<b>Total revenue</b>	<u>487.0</u>	<u>422.9</u>
<b>Net income</b>	18.7	32.9
<b>Adjusted for:</b>		
Income tax expense (recovery)	12.1	11.4
Foreign exchange (gain) loss	19.2	(1.7)
TSS membership liability revaluation charge	5.2	6.0
Share in net (income) loss of equity investees	(0.2)	(0.7)
Finance and other income	(0.0)	(0.3)
Finance costs	5.8	4.3
Amortization of intangible assets	47.1	41.5
Adjusted EBITA	107.7	93.4
Adjusted EBITA margin	22%	22%

The following table reconciles Adjusted net income to net income:

	Three months ended March 31,	
	<u>2016</u>	<u>2015</u>
	(\$M, except percentages)	
<b>Total revenue</b>	<u>487.0</u>	<u>422.9</u>
<b>Net income</b>	18.7	32.9
<b>Adjusted for:</b>		
Amortization of intangible assets	47.1	41.5
TSS membership liability revaluation charge	5.2	6.0
Less non-controlling interest in the Adjusted net income of TSS	(3.7)	(3.2)
Deferred income tax expense (recovery)	(4.7)	(2.5)
		-
Adjusted net income	62.5	74.7
Adjusted net income margin	13%	18%

### 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.

**For further information:**

Jamal Baksh  
Chief Financial Officer  
(416) 861-9677  
[info@csissoftware.com](mailto:info@csissoftware.com)  
[www.csissoftware.com](http://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, 2016	December 31, 2015
<b>Assets</b>		
Current assets:		
Cash	\$ 271,096	\$ 178,471
Accounts receivable	232,194	226,771
Work in progress	63,061	59,483
Inventories	25,820	24,332
Other assets	75,676	67,246
	<u>667,847</u>	<u>556,303</u>
Non-current assets:		
Property and equipment	44,679	42,072
Deferred income taxes	52,782	56,650
Other assets	34,400	32,186
Intangible assets	966,002	952,109
	<u>1,097,863</u>	<u>1,083,017</u>
<b>Total assets</b>	<b>\$ 1,765,710</b>	<b>\$ 1,639,320</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
CSI Facility	\$ -	\$ -
CNH Facility	9,085	8,725
TSS membership liability	22,327	19,602
Accounts payable and accrued liabilities	246,109	274,981
Dividends payable	21,210	21,326
Deferred revenue	536,976	421,027
Provisions	6,809	8,420
Acquisition holdback payments	9,723	9,116
Income taxes payable	15,200	6,561
	<u>867,439</u>	<u>769,758</u>
Non-current liabilities:		
CNH Facility	131,840	126,407
TSS membership liability	39,275	34,482
Debentures	234,563	220,043
Deferred income taxes	114,584	109,795
Acquisition holdback payments	4,946	6,987
Other liabilities	34,652	34,566
	<u>559,860</u>	<u>532,280</u>
<b>Total liabilities</b>	<b>1,427,299</b>	<b>1,302,038</b>
Shareholders' equity:		
Capital stock	99,283	99,283
Accumulated other comprehensive income (loss)	(30,669)	(34,319)
Retained earnings	269,797	272,318
	<u>338,411</u>	<u>337,282</u>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,765,710</b>	<b>\$ 1,639,320</b>

# CONSTELLATION SOFTWARE INC.

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

Three months ended March 31, 2016 and 2015

(Unaudited)

	2016	2015
Revenue		
License	\$ 32,772	\$ 30,325
Professional services	96,362	92,706
Hardware and other	30,520	31,048
Maintenance and other recurring	327,328	268,812
	486,982	422,891
Expenses		
Staff	255,227	221,852
Hardware	18,196	17,785
Third party license, maintenance and professional services	44,594	38,800
Occupancy	12,041	10,581
Travel	13,687	11,810
Telecommunications	4,958	4,086
Supplies	2,432	2,745
Software and equipment	8,481	6,814
Professional fees	6,743	4,807
Other, net	8,031	6,284
Depreciation	4,873	3,926
Amortization of intangible assets	47,072	41,481
	426,335	370,971
Foreign exchange loss (gain)	19,206	(1,723)
TSS membership liability revaluation charge	5,180	6,030
Share in net (income) loss of equity investee	(224)	(690)
Finance and other expense (income)	(9)	(258)
Finance costs	5,755	4,283
	29,908	7,642
Income before income taxes	30,739	44,278
Current income tax expense (recovery)	16,754	13,896
Deferred income tax expense (recovery)	(4,686)	(2,544)
Income tax expense (recovery)	12,068	11,352
Net income	18,671	32,926
Earnings per share		
Basic and diluted	\$ 0.88	\$ 1.55

# 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, 2016 and 2015

(Unaudited)

		2016	2015
Net income	\$	18,671	\$ 32,926
Items that are or may be reclassified subsequently to net income:			
Net change in fair value of derivatives designated as hedges during the period		(107)	(230)
Foreign currency translation differences from foreign operations		3,729	(11,929)
Current income tax recovery (expense)		-	-
Deferred income tax recovery (expense)		28	70
Other comprehensive (loss) income for the period, net of income tax		3,650	(12,089)
Total comprehensive income for the period	\$	22,321	\$ 20,837



# CONSTELLATION SOFTWARE INC.

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

(Unaudited)

Three months ended March 31, 2016

	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			
<b>Balance at January 1, 2016</b>	<b>\$ 99,283</b>	<b>\$ (33,614)</b>	<b>\$ (705)</b>	<b>\$ (34,319)</b>	<b>\$ 272,318</b>	<b>\$ 337,282</b>
<i>Total comprehensive income for the period</i>						
Net income	-	-	-	-	18,671	18,671
<i>Other comprehensive income (loss)</i>						
Net change in fair value of derivatives designated as hedges during the period	-	-	(107)	(107)	-	(107)
Foreign currency translation differences from foreign operations	-	3,729	-	3,729	-	3,729
Current tax recovery (expense)	-	-	-	-	-	-
Deferred tax recovery (expense)	-	-	28	28	-	28
<b>Total other comprehensive income (loss) for the period</b>	<b>-</b>	<b>3,729</b>	<b>(79)</b>	<b>3,650</b>	<b>-</b>	<b>3,650</b>
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>3,729</b>	<b>(79)</b>	<b>3,650</b>	<b>18,671</b>	<b>22,321</b>
Transactions with owners, recorded directly in equity						
Dividends to shareholders of the Company	-	-	-	-	(21,192)	(21,192)
<b>Balance at March 31, 2016</b>	<b>\$ 99,283</b>	<b>\$ (29,885)</b>	<b>\$ (784)</b>	<b>\$ (30,669)</b>	<b>\$ 269,797</b>	<b>\$ 338,411</b>

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

# CONSTELLATION SOFTWARE INC.

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

Three months ended March 31, 2016 and 2015  
(Unaudited)

	2016	2015
Cash flows from operating activities:		
Net income	\$ 18,671	\$ 32,926
Adjustments for:		
Depreciation	4,873	3,926
Amortization of intangible assets	47,072	41,481
TSS membership liability revaluation charge	5,180	6,030
Share in net (income) loss of equity investee	(224)	(690)
Finance and other income	(9)	(258)
Finance costs	5,755	4,283
Income tax expense (recovery)	12,068	11,352
Foreign exchange loss (gain)	19,206	(1,723)
Change in non-cash operating working capital exclusive of effects of business combinations	41,896	29,939
Income taxes paid	(8,045)	(14,618)
Net cash flows from operating activities	146,443	112,648
Cash flows from (used in) financing activities:		
Interest paid	(6,105)	(3,591)
Increase (decrease) in revolving credit facility, net	-	3,500
Credit facility transaction costs	(1,212)	-
Dividends paid	(21,192)	(21,192)
Net cash flows from (used in) in financing activities	(28,509)	(21,283)
Cash flows from (used in) investing activities:		
Acquisition of businesses, net of cash acquired	(23,828)	(20,511)
Post-acquisition settlement payments, net of receipts	(1,545)	(1,681)
Interest and dividends received	5	41
Property and equipment purchased	(3,170)	(2,138)
Net cash flows from (used in) investing activities	(28,538)	(24,289)
Effect of foreign currency on cash and cash equivalents	3,229	(5,938)
Increase (decrease) in cash and cash equivalents	92,625	61,138
Cash, beginning of period	178,471	70,679
Cash, end of period	\$ 271,096	\$ 131,817

