

Constellation Software Inc. Announces Results for the First Quarter Ended March 31, 2017 and Declares Quarterly Dividend

TORONTO, ONTARIO (April 27, 2017) -- Constellation Software Inc. (TSX:CSU) (“Constellation” or the “Company”) today announced its financial results for the first quarter ended March 31, 2017 and declared a \$1.00 per share dividend payable on July 6, 2017 to all common shareholders of record at close of business on June 16, 2017. 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, 2017 and the accompanying notes, our Management Discussion and Analysis for the three months ended March 31, 2017 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, 2016, 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 2017 Headlines:

- Revenue grew 14% (1% organic growth, 3% after adjusting for changes in foreign exchange rates) to \$555 million compared to \$487 million in Q1 2016.
- Adjusted EBITA increased \$23 million or 21% to \$131 million as compared to \$108 million in Q1 2016.
- Adjusted Net Income increased 51% to \$95 million (\$4.46 on a diluted per share basis) from \$63 million (\$2.95 on a diluted per share basis) in Q1 2016.
- The Company recorded an unrealized foreign exchange loss of \$2 million (\$0.07 on a diluted per share basis) in Q1 2017 compared to an unrealized foreign exchange loss of \$19 million (\$0.91 on a diluted per share basis) in Q1 2016
- Net income increased to \$1.91 on a diluted per share basis compared to \$0.88 on a diluted per share basis in Q1 2016.
- Twelve acquisitions were completed for aggregate cash consideration of \$62 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of \$20 million.
- Cash flows from operations were \$182 million, an increase of 24%, or \$36 million, compared to \$146 million for the comparable period in 2016.
- Subsequent to March 31, 2017, the Company entered into agreements to acquire six entities for aggregate cash consideration of \$38 million on closing plus cash holdbacks of \$5 million for total consideration of \$43 million.

Total revenue for the quarter ended March 31, 2017 was \$555 million, an increase of 14%, or \$68 million, compared to \$487 million for the comparable period in 2016. The increase is primarily attributable to growth from acquisitions as the Company experienced organic growth of 1% in the quarter, 3% after adjusting for the impact of the net appreciation of the US dollar against most major currencies in which the Company transacts business.

For the quarter ended March 31, 2017, Adjusted EBITA increased to \$131 million compared to \$108 million for the same period in 2016 representing an increase of 21%. Adjusted EBITA margin was 24% for the quarter ended March 31, 2017 and 22% for the same period in 2016. For the quarter ended March 31, 2017 Adjusted EBITA per share on a diluted basis increased 21% to \$6.16, compared to \$5.08 for the same period last year.

For the quarter ended March 31, 2017, Adjusted net income increased to \$95 million from \$63 million for the same period in 2016, representing an increase of 51%. Adjusted net income margin was 17% for the quarter ended March 31, 2017 and 13% for the same period in 2016. Excluding the impact of the \$2 million unrealized foreign exchange loss in Q1 2017 and the \$19 million unrealized foreign exchange loss in Q1 2016 the margins would have been 17% for both periods. For the quarter ended March 31, 2017 Adjusted net income per share on a diluted basis increased 51% to \$4.46, compared to \$2.95 for the same period last year.

Net income for the quarter ended March 31, 2017 was \$40 million, an increase of 117% over net income of \$19 million for the same period in 2016. On a per share basis this translated into a net income per diluted share of \$1.91 in the quarter ended March 31, 2017 an increase of 117% over net income per diluted share of \$0.88 for the same period in 2016.

Cash flows from operations for the quarter ended March 31, 2017 were \$182 million, an increase of 24%, or \$36 million, compared to \$146 million for the comparable period in 2016.

The following table displays our revenue by reportable segment and the percentage change for the three months ended March 31, 2017 compared to the same period in 2016:

	Three months ended March 31,		Period-Over-Period Change		Organic Growth
	<u>2017</u>	<u>2016</u>	\$	%	%
	(\$M, except percentages)				
Public Sector					
Licenses	21.7	19.9	1.8	9%	-18%
Professional services	89.3	75.6	13.7	18%	2%
Hardware and other	24.6	23.5	1.2	5%	3%
Maintenance and other recurring	238.6	202.8	35.9	18%	3%
	374.2	321.7	52.5	16%	1%
Private Sector					
Licenses	13.4	12.9	0.6	4%	-5%
Professional services	23.2	20.8	2.4	12%	0%
Hardware and other	6.8	7.1	(0.2)	-3%	-8%
Maintenance and other recurring	137.7	124.5	13.2	11%	3%
	181.1	165.2	15.9	10%	1%

For purposes of calculating organic growth, estimated pre-acquisition revenue from the relevant companies acquired in 2016 and 2017 was added to actual reported revenue for the three months ended March 31, 2016.

Public Sector

For the quarter ended March 31, 2017, total revenue in the public sector reportable segment increased 16%, or \$52 million to \$374 million, compared to \$322 million for the quarter ended March 31, 2016. Organic revenue growth was 1% in Q1 2017 compared to the same period in 2016, and 3% after adjusting for the impact of the net appreciation of the US dollar against most major currencies in which the Company transacts business.

Private Sector

For the quarter ended March 31, 2017, total revenue in the private sector reportable segment increased 10%, or \$16 million to \$181 million, compared to \$165 million for the quarter ended March 31, 2016. Organic revenue growth was 1% in Q1 2017 compared to the same period in 2016, and 3% after adjusting for the impact of the net 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 Friday, April 28, 2017** to answer questions regarding the results. The teleconference numbers are 416-340-2218 or 800-377-0758. 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 12:30 p.m. ET the same day until 11:59 p.m. ET on May 28, 2017. To access the replay, please dial 905-694-9451 or 800-408-3053 followed by the passcode 1286858.

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.

“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>2017</u>	<u>2016</u>
	(\$M, except percentages)	
Total revenue	<u>555.3</u>	<u>487.0</u>
Net income	40.4	18.7
Adjusted for:		
Income tax expense (recovery)	18.0	12.1
Foreign exchange (gain) loss	1.5	19.2
TSS membership liability revaluation charge	13.1	5.2
Share in net (income) loss of equity investees	(0.0)	(0.2)
Finance and other income	(0.0)	(0.0)
Finance costs	5.3	5.8
Amortization of intangible assets	52.3	47.1
Adjusted EBITA	130.6	107.7
Adjusted EBITA margin	24%	22%

The following table reconciles Adjusted net income to net income:

	Three months ended March 31,	
	<u>2017</u>	<u>2016</u>
	(\$M, except percentages)	
Total revenue	<u>555.3</u>	<u>487.0</u>
Net income	40.4	18.7
Adjusted for:		
Amortization of intangible assets	52.3	47.1
TSS membership liability revaluation charge	13.1	5.2
Less non-controlling interest in the Adjusted net income of TSS	(5.2)	(3.7)
Deferred income tax expense (recovery)	(6.1)	(4.7)
Adjusted net income	94.5	62.5
Adjusted net income margin	17%	13%

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, 2017	December 31, 2016
Assets		
Current assets:		
Cash	\$ 473,889	\$ 353,499
Equity securities available-for-sale	996	4,236
Accounts receivable, net	260,468	243,554
Work in progress	63,372	56,541
Inventories	21,943	19,667
Other assets	94,045	96,181
	<u>914,713</u>	<u>773,678</u>
Non-current assets:		
Property and equipment	47,277	46,395
Deferred income taxes	47,629	49,863
Other assets	19,438	19,782
Intangible assets	1,035,546	993,743
	<u>1,149,890</u>	<u>1,109,783</u>
Total assets	\$ 2,064,603	\$ 1,883,461
Liabilities and Shareholders' Equity		
Current liabilities:		
CSI Facility	\$ -	\$ -
CNH Facility	7,477	7,361
TSS membership liability	31,603	26,435
Accounts payable and accrued liabilities	263,987	291,697
Dividends payable	21,241	21,051
Deferred revenue	621,231	460,975
Provisions	6,309	7,955
Acquisition holdback payments	26,448	17,056
Income taxes payable	41,022	40,634
	<u>1,019,318</u>	<u>873,164</u>
Non-current liabilities:		
CNH Facility	117,368	115,336
TSS Membership Liability	55,593	46,502
Debentures	225,046	223,870
Deferred income taxes	131,644	129,585
Acquisition holdback payments	5,946	855
Other liabilities	30,310	36,640
	<u>565,907</u>	<u>552,788</u>
Total liabilities	1,585,225	1,425,952
Shareholders' equity:		
Capital stock	99,283	99,283
Accumulated other comprehensive income (loss)	(33,480)	(36,108)
Retained earnings	413,575	394,334
	<u>479,378</u>	<u>457,509</u>
Total liabilities and shareholders' equity	\$ 2,064,603	\$ 1,883,461

CONSTELLATION SOFTWARE INC.

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

Three months ended March 31, 2017 and 2016

Unaudited

	2017	2016
Revenue		
License	\$ 35,132	\$ 32,772
Professional services	112,413	96,362
Hardware and other	31,426	30,520
Maintenance and other recurring	376,355	327,328
	555,326	486,982
Expenses		
Staff	289,315	255,227
Hardware	16,320	18,196
Third party license, maintenance and professional services	50,003	44,594
Occupancy	13,436	12,041
Travel	15,824	13,687
Telecommunications	5,068	4,958
Supplies	3,872	2,432
Software and equipment	9,537	8,481
Professional fees	6,925	6,743
Other, net	9,172	8,031
Depreciation	5,299	4,873
Amortization of intangible assets	52,285	47,072
	477,056	426,335
Foreign exchange loss (gain)	1,494	19,206
TSS membership liability revaluation charge	13,115	5,180
Share in net (income) loss of equity investee	(49)	(224)
Finance and other expense (income)	(21)	(9)
Finance costs	5,258	5,755
	19,797	29,908
Income before income taxes	58,473	30,739
Current income tax expense (recovery)	24,108	16,754
Deferred income tax expense (recovery)	(6,068)	(4,686)
Income tax expense (recovery)	18,040	12,068
Net income	40,433	18,671
Earnings per share		
Basic and diluted	\$ 1.91	\$ 0.88

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, 2017 and 2016

Unaudited

	2017	2016
Net income	\$ 40,433	\$ 18,671
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	(1,314)	-
Net change in fair value of derivatives designated as hedges during the period	164	(107)
Amounts reclassified to profit during the period related to realized losses (gains) on available-for-sale financial assets	879	-
Foreign currency translation differences from foreign operations	2,891	3,729
Deferred income tax recovery (expense)	8	28
Other comprehensive (loss) income for the period, net of income tax	2,628	3,650
Total comprehensive income (loss) for the period	\$ 43,061	\$ 22,321

CONSTELLATION SOFTWARE INC.

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

Unaudited

Three months ended March 31, 2017

	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	Amounts related to gains/(losses) on derivatives designed as hedges			
Balance at January 1, 2017	\$ 99,283	\$ (35,748)	\$ 17	\$ (377)	\$ (36,108)	\$ 394,334	\$ 457,509
<i>Total comprehensive income for the period:</i>							
Net income	-	-	-	-	-	40,433	40,433
<i>Other comprehensive income (loss)</i>							
Net change in fair value of available-for-sale financial asset during the period	-	-	(1,314)	-	(1,314)	-	(1,314)
Net change in fair value of derivatives designated as hedges during the period	-	-	-	164	164	-	164
Amounts reclassified to profit during the period related to realized losses (gains) on available-for-sale financial assets	-	-	879	-	879	-	879
Foreign currency translation differences from foreign operations	-	2,891	-	-	2,891	-	2,891
Deferred tax recovery (expense)	-	-	57	(49)	8	-	8
Total other comprehensive income (loss) for the period	-	2,891	(378)	115	2,628	-	2,628
Total comprehensive income (loss) for the period	-	2,891	(378)	115	2,628	40,433	43,061
Transactions with owners, recorded directly in equity							
Dividends to shareholders of the Company	-	-	-	-	-	(21,192)	(21,192)
Balance at March 31, 2017	\$ 99,283	\$ (32,857)	\$ (361)	\$ (262)	\$ (33,480)	\$ 413,575	\$ 479,378

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

CONSTELLATION SOFTWARE INC.

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

Three months ended March 31, 2017 and 2016
Unaudited

	2017	2016
Cash flows from operating activities:		
Net income	\$ 40,433	\$ 18,671
Adjustments for:		
Depreciation	5,299	4,873
Amortization of intangible assets	52,285	47,072
TSS membership liability revaluation charge	13,115	5,180
Share in net (income) loss of equity investee	(49)	(224)
Finance and other income	(21)	(9)
Finance costs	5,258	5,755
Income tax expense (recovery)	18,040	12,068
Foreign exchange loss (gain)	1,494	19,206
Change in non-cash operating working capital exclusive of effects of business combinations	71,217	41,896
Income taxes paid	(25,097)	(8,045)
Net cash flows from operating activities	181,974	146,443
Cash flows from (used in) financing activities:		
Interest paid	(5,451)	(6,105)
Credit facility transaction costs	-	(1,212)
Dividends paid	(21,192)	(21,192)
Net cash flows from (used in) in financing activities	(26,643)	(28,509)
Cash flows from (used in) investing activities:		
Acquisition of businesses, net of cash acquired	(48,837)	(23,828)
Post-acquisition settlement payments, net of receipts	(5,355)	(1,545)
Proceeds from sale of available-for-sale equity securities	2,013	-
Interest, dividends and other proceeds received	19,553	5
Property and equipment purchased	(4,410)	(3,170)
Net cash flows from (used in) investing activities	(37,036)	(28,538)
Effect of foreign currency on cash and cash equivalents	2,095	3,229
Increase (decrease) in cash and cash equivalents	120,390	92,625
Cash, beginning of period	353,499	178,471
Cash, end of period	\$ 473,889	\$ 271,096