

Constellation Software Inc. Announces Results for the Second Quarter Ended June 30, 2013 and Declares Quarterly Dividend

TORONTO, ONTARIO (July 31, 2013) -- Constellation Software Inc. (TSX:CSU) (“Constellation” or the “Company”) today announced its financial results for the second quarter ended June 30, 2013 and declared a \$1.00 per share dividend payable on October 3, 2013 to all common shareholders of record at close of business on September 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 and six months ended June 30, 2013 and the accompanying notes, our Management’s Discussion and Analysis for the three and six months ended June 30, 2013, 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.csisoftware.com. Additional information about the Company is also available on SEDAR at www.sedar.com.

Q2 2013 Headlines:

- Cash flows from operations for the first six months of 2013 increased \$14 million or 35% to \$52 million from \$38 million for the comparable period in 2012.
- Revenue grew 43% (8% organically) to \$298 million compared to \$209 million in Q2 2012.
- Adjusted EBITDA increased \$18 million or 41% to \$62 million as compared to Q2 2012.
- Adjusted Net Income increased 39% to \$50 million (\$2.36 on a diluted per share basis) from \$36 million (\$1.71 on a diluted per share basis) in Q2 2012.
- Seven acquisitions were completed for aggregate cash consideration of \$88 million (which includes acquired cash) plus cash holdbacks of \$11 million and estimated value of contingent consideration of \$1 million.
- Net borrowings (bank indebtedness less cash) increased by \$88 million or 140% to \$151 million from \$63 million in Q1 2013.

Cash flows from operations for the second quarter of 2013 were \$18 million, a decrease of 31%, or \$8 million, compared to \$26 million for the comparable period in 2012. The decrease was caused by a negative variance in changes in non-cash operating working capital in the second quarter of 2013 versus the second quarter of 2012, and reverses the comparable positive variance in changes in non-cash operating working capital in the first quarter of 2013 versus the first quarter of 2012. The negative variance in the second quarter of 2013 primarily relates to the timing of payments associated with the Company’s bonus plan. For the first six months of 2013 cash flows from operations were \$52 million, an increase of 35%, or \$14 million, compared to \$38 million for the comparable period in 2012.

Second quarter 2013 revenue was \$298 million, an increase of 43%, or \$89 million, compared to \$209 million for the comparable period in 2012. For the first six months of 2013 total revenues were \$555 million, an increase of 37%, or \$150 million, compared to \$404 million for the comparable period in 2012. The increase for both the three and six month periods compared to the same periods in the prior year is mainly attributable to growth from acquisitions, however, the Company did experience positive organic growth of 8% and 4%, respectively. During the second quarter of 2013, a contract that was previously accounted for on a zero margin basis was completed, resulting in the recognition of previously deferred profit margin as part of professional services revenue in the amount of \$5 million. Excluding this amount, organic growth would have been 6% and 3% for the three and six month periods ended June 30, 2013 respectively.

Adjusted EBITDA for the second quarter of 2013 was \$62 million, a 41% increase compared to the prior year's second quarter Adjusted EBITDA of \$44 million. Second quarter 2013 Adjusted EBITDA per share on a diluted

basis increased 41% to \$2.91, compared to \$2.06 for the same period last year. Adjusted EBITDA for the six month period ended June 30, 2013 was \$104 million, a 26% increase over last year's Adjusted EBITDA of \$83 million for the same period. Adjusted EBITDA per share on a diluted basis for the six month period ended June 30, 2013 increased 26% to \$4.92, compared to \$3.92 for the same period last year.

Adjusted Net Income for the second quarter of 2013 was \$50 million, compared to the prior year's second quarter Adjusted Net Income of \$36 million, a 39% increase. Second quarter 2013 Adjusted Net Income per share on a diluted basis increased 39% to \$2.36 compared to \$1.71 for the prior year's second quarter. Adjusted Net Income for the six month period ended June 30, 2013 was \$83 million, an increase of 23% over last year's Adjusted Net Income of \$68 million. Adjusted Net Income per share on a diluted basis for the six month period ended June 30, 2013 increased 23% to \$3.94, compared to \$3.20 for the same period in 2012.

Net income for the second quarter 2013 was \$19 million compared to the prior year's second quarter net income of \$18 million. On a diluted per share basis, this translates into net income per share of \$0.91 for the second quarter of 2013 compared to \$0.83 for the same period of 2012. Net income for the six month period ended June 30, 2013 was \$28 million, a decrease of 10% over last year's Net income of \$32 million. Net income per share on a diluted basis for the six month period ended June 30, 2013 decreased 10% to \$1.34, compared to \$1.49 for the same period in 2012.

The following table displays our revenue by reportable segment and the percentage change for the three and six months ended June 30, 2013 compared to the same periods in 2012:

	Three months ended June 30,		Period-Over-Period Change		Six months ended June 30,		Period-Over-Period Change	
	2013	2012	\$	%	2013	2012	\$	%
	(\$000, except percentages)							
Public Sector								
Licenses	15,703	10,864	4,839	45%	28,878	20,654	8,224	40%
Professional services	53,180	35,489	17,691	50%	96,359	67,791	28,568	42%
Hardware and other	25,319	18,756	6,563	35%	47,490	41,045	6,445	16%
Maintenance and other recurring	107,197	82,613	24,584	30%	204,802	156,464	48,338	31%
	201,399	147,722	53,677	36%	377,529	285,954	91,575	32%
Private Sector								
Licenses	8,354	5,130	3,224	63%	15,847	10,280	5,567	54%
Professional services	13,771	10,446	3,325	32%	25,691	20,271	5,420	27%
Hardware and other	4,158	3,595	563	16%	7,795	6,661	1,134	17%
Maintenance and other recurring	70,507	42,076	28,431	68%	127,758	81,081	46,677	58%
	96,790	61,247	35,543	58%	177,091	118,293	58,798	50%

Public Sector

For the quarter ended June 30, 2013, total revenue in the public sector reportable segment increased by 36%, or \$54 million to \$201 million, compared to \$148 million for the quarter ended June 30, 2012. For the six months ended June 30, 2013, total revenue increased by 32%, or \$92 million to \$378 million, compared to \$286 million for the comparable period in 2012. Revenue growth from acquired businesses contributed approximately \$40 million to our Q2 2013 revenues and \$80 million to our six months ended June 30, 2013 revenues compared to the same periods in 2012, as we completed 26 acquisitions since the beginning of 2012. Organic revenue growth was 10% in Q2 2013 and 4% for the six months ended June 30, 2013 compared to the same periods in 2012. As mentioned above, during the quarter ended June 30, 2013, a contract that was previously accounted for on a zero margin basis due to uncertainty regarding profitability was completed, resulting in the recognition of previously deferred profit margin as part of professional services revenue in the amount of \$5 million. Excluding this amount, organic growth would have been 6% and 2% for the three and six month periods ended June 30, 2013, respectively.

Private Sector

For the quarter ended June 30, 2013, total revenue in the private sector reportable segment increased 58%, or \$36 million to \$97 million, compared to \$61 million for the quarter ended June 30, 2012. For the six months ended June 30, 2013 total revenue increased by 50%, or \$59 million to \$177 million, compared to \$118 million for the comparable period in 2012. Revenue growth from acquired businesses contributed approximately \$32 million to our Q2 2013 revenues and \$53 million to our six months ended June 30, 2013 revenues compared to the same periods in 2012, as we completed 23 acquisitions since the beginning of 2012. Revenues increased organically by 6% in Q2 2013 and 5% for the six months ended June 30, 2013 compared to the same periods in 2012.

Conference Call and Webcast

Management will host a conference call at **9:00 a.m. (ET) on Thursday, August 1, 2013** to answer questions regarding the results. The teleconference numbers are 416-695-6623 or 800-952-4972. 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 14, 2013. To access the replay, please dial 905-694-9451 or 800-408-3053 followed by the passcode 4538771.

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 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.

The following table reconciles Adjusted EBITDA to net income:

(Unaudited)	Three months ended June 30,		Six months ended June 30,	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	(\$000, except percentages)		(\$000, except percentages)	
Total revenue	<u>\$298,189</u>	<u>\$ 208,969</u>	<u>\$ 554,620</u>	<u>\$ 404,247</u>
Net income	19,232	17,592	28,431	31,516
Adjusted for:				
Income tax expense	7,761	3,666	10,430	6,977
Foreign exchange loss (gain)	361	(217)	2,136	(9)
Equity in net (income) loss of equity investees	(13)	209	(357)	1,091
Finance income	(10)	(394)	(500)	(1,463)
Finance costs	2,151	774	3,267	1,792
Amortization of intangible assets	29,800	20,269	56,261	39,544
Depreciation	2,422	1,803	4,634	3,521
Adjusted EBITDA	61,704	43,702	104,302	82,969
Adjusted EBITDA margin	21%	21%	19%	21%

The following table reconciles Adjusted net income to net income:

(Unaudited)	Three months ended June 30,		Six months ended June 30,	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	(\$000, except percentages)		(\$000, except percentages)	
Total revenue	<u>\$298,189</u>	<u>\$ 208,969</u>	<u>\$ 554,620</u>	<u>\$ 404,247</u>
Net income	19,232	17,592	28,431	31,516
Adjusted for:				
Amortization of intangible assets	29,800	20,269	56,261	39,544
Deferred income tax expense (recovery)	1,074	(1,700)	(1,237)	(3,192)
Adjusted net income	50,106	36,161	83,455	67,868
Adjusted net income margin	17%	17%	15%	17%

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)

	June 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash	\$ 32,364	\$ 41,313
Equity security available-for-sale	742	470
Accounts receivable	169,665	126,987
Work in progress	54,138	36,926
Inventories	20,585	18,739
Other assets	41,980	29,178
	<u>319,474</u>	<u>253,613</u>
Non-current assets:		
Property and equipment	22,633	21,300
Deferred income taxes	55,424	104,307
Other assets	36,038	31,104
Intangible assets	550,309	402,355
	<u>664,404</u>	<u>559,066</u>
Total assets	\$ 983,878	\$ 812,679
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 183,823	\$ 44,356
Accounts payable and accrued liabilities	153,860	147,559
Dividends payable	20,552	20,945
Deferred revenue	289,128	224,049
Provisions	6,671	6,396
Acquired contract liabilities	2,260	3,535
Acquisition holdback payments	21,450	20,635
Income taxes payable	3,371	5,066
	<u>681,115</u>	<u>472,541</u>
Non-current liabilities:		
Deferred income taxes	17,584	29,283
Acquired contract liabilities	17,584	26,073
Acquisition holdback payments	5,674	5,973
Other liabilities	20,310	20,005
	<u>61,152</u>	<u>81,334</u>
Total liabilities	742,267	553,875
Shareholders' equity:		
Capital stock	99,283	99,283
Accumulated other comprehensive income	(1,619)	1,621
Retained earnings	143,947	157,900
	<u>241,611</u>	<u>258,804</u>
Total liabilities and shareholders' equity	\$ 983,878	\$ 812,679

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Revenue	\$ 298,189	\$ 208,969	\$ 554,620	\$ 404,247
Expenses				
Staff	158,243	113,689	306,347	219,320
Hardware	16,246	10,705	32,257	22,932
Third party license, maintenance and professional services	25,829	14,715	44,269	28,961
Occupancy	6,694	5,039	13,274	9,664
Travel	11,125	7,766	20,631	16,012
Telecommunications	3,334	2,553	6,427	5,050
Supplies	4,975	3,866	9,623	7,298
Professional fees	3,760	2,222	7,221	4,067
Other, net	6,279	4,712	10,269	7,974
Depreciation	2,422	1,803	4,634	3,521
Amortization of intangible assets	29,800	20,269	56,261	39,544
	268,707	187,339	511,213	364,343
Foreign exchange loss (gain)	361	(217)	2,136	(9)
Equity in net (income) loss of equity investees	(13)	209	(357)	1,091
Finance income	(10)	(394)	(500)	(1,463)
Finance costs	2,151	774	3,267	1,792
	2,489	372	4,546	1,411
Profit before income taxes	26,993	21,258	38,861	38,493
Current income tax expense	6,687	5,366	11,667	10,169
Deferred income tax expense (recovery)	1,074	(1,700)	(1,237)	(3,192)
Income tax expense	7,761	3,666	10,430	6,977
Net income	19,232	17,592	28,431	31,516
Earnings per share				
Basic and diluted	\$ 0.91	\$ 0.83	\$ 1.34	\$ 1.49

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,	
	2013	2012	2013	2012
Net income	\$ 19,232	\$ 17,592	\$ 28,431	\$ 31,516
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	161	1,066	272	4,914
Net unrealized foreign exchange gain (loss) on available-for-sale financial asset during the period	-	(148)	-	(27)
Amounts reclassified to profit during the period related to realized gains on available-for-sale financial asset	-	(31)	-	(1,063)
Foreign currency translation differences from foreign operations	(822)	(1,943)	(3,433)	(802)
Current income tax recovery (expense)	(27)	70	(79)	(8)
Deferred income tax recovery (expense)	-	18	-	(313)
Other comprehensive (loss) income for the period, net of income tax	(688)	(968)	(3,240)	2,701
Total comprehensive income for the period	\$ 18,544	\$ 16,624	\$ 25,191	\$ 34,217

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

Six months ended June 30, 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	-	-	-		-	28,431	28,431
<i>Other comprehensive income (loss)</i>							
Net change in fair value of available-for-sale financial asset during the period	-	-	272		272	-	272
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial asset during the period	-	-	-		-	-	-
Amounts reclassified to profit during the period related to realized gains on available-for-sale investment	-	-	-		-	-	-
Foreign currency translation differences from from foreign operations	-	(3,433)	-		(3,433)	-	(3,433)
Current tax recovery	-	(79)	-		(79)	-	(79)
Deferred tax recovery	-	-	-		-	-	-
Total other comprehensive income (loss) for the period	-	(3,512)	272		(3,240)	-	(3,240)
Total comprehensive income (loss) for the period	-	(3,512)	272		(3,240)	28,431	25,191
Transactions with owners, recorded directly in equity							
Dividends to shareholders of the Company	-	-	-		-	(42,384)	(42,384)
Balance at June 30, 2013	\$ 99,283	\$ (2,062)	\$ 443		\$ (1,619)	\$ 143,947	\$ 241,611

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

Six months ended June 30, 2012

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

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Cash flows from operating activities:				
Net income	\$ 19,232	\$ 17,592	\$ 28,431	\$ 31,516
Adjustments for:				
Depreciation	2,422	1,803	4,634	3,521
Amortization of intangible assets	29,800	20,269	56,261	39,544
Equity in net (income) loss of equity investees	(13)	209	(357)	1,091
Finance income	(10)	(394)	(500)	(1,463)
Finance costs	2,151	774	3,267	1,792
Income tax expense	7,761	3,666	10,430	6,977
Foreign exchange loss (gain)	361	(217)	2,136	(9)
Change in non-cash operating working capital exclusive of effects of business combinations	(34,125)	(9,495)	(38,249)	(33,839)
Income taxes paid	(9,607)	(8,013)	(14,169)	(10,715)
Net cash flows from operating activities	17,972	26,194	51,884	38,415
Cash flows from (used in) financing activities:				
Interest paid	(776)	(501)	(1,281)	(837)
Decrease in other non current liabilities	144	322	121	122
Increase in bank indebtedness, net	76,251	16,342	139,251	29,342
Credit facility transaction costs	-	(46)	-	(1,886)
Dividends paid	(21,192)	(21,192)	(42,384)	(21,192)
Net cash flows from (used in) in financing activities	54,427	(5,075)	95,707	5,549
Cash flows from (used in) investing activities:				
Acquisition of businesses, net of cash acquired	(75,158)	(42,830)	(145,051)	(50,637)
Post-acquisition settlement payments, net of receipts	(5,464)	(4,132)	(10,685)	(4,633)
Purchases of available-for-sale financial assets	-	(80)	-	(80)
Proceeds from sale of available-for-sale equity securities	-	55	-	1,863
Proceeds from sale of intangible assets	-	101	-	101
Interest received	-	41	-	79
Proceeds from sale of assets	121	-	5,544	-
Property and equipment purchased	(3,186)	(1,251)	(5,297)	(2,541)
Net cash flows used in investing activities	(83,687)	(48,096)	(155,489)	(55,848)
Effect of foreign currency on cash and cash equivalents	(661)	(165)	(1,051)	63
Decrease in cash and cash equivalents	(11,949)	(27,142)	(8,949)	(11,821)
Cash, beginning of period	44,313	48,813	41,313	33,492
Cash, end of period	\$ 32,364	\$ 21,671	\$ 32,364	\$ 21,671