

Constellation Software Inc. Announces Results for the Second Quarter Ended June 30, 2016 and Declares Quarterly Dividend

TORONTO, ONTARIO (July 27, 2016) -- Constellation Software Inc. (TSX:CSU) (“Constellation” or the “Company”) today announced its financial results for the second quarter ended June 30, 2016 and declared a \$1.00 per share dividend payable on October 5, 2016 to all common shareholders of record at close of business on September 16, 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 and six months ended June 30, 2016 and the accompanying notes, our Management’s Discussion and Analysis for the three and six months ended June 30, 2016, 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 and on the Company’s website www.csisoftware.com. Additional information about the Company is also available on SEDAR at www.sedar.com.

Q2 2016 Headlines:

- Revenue grew 19% (2% organic growth, 3% after adjusting for changes in foreign exchange rates) to \$529 million compared to \$444 million in Q2 2015.
- Adjusted EBITA increased \$32 million or 32% to \$131 million as compared to \$99 million in Q2 2015.
- Adjusted Net Income increased 13% to \$90 million (\$4.24 on a diluted per share basis) from \$80 million (\$3.76 on a diluted per share basis) in Q2 2015.
- Net income increased 68% to \$55 million (\$2.60 on a diluted per share basis) from \$33 million (\$1.54 on a diluted per share basis) in Q2 2015.
- Ten acquisitions were completed for aggregate cash consideration of \$49 million (which includes acquired cash). Deferred payments associated with these acquisitions have an estimated value of \$5 million.
- Cash flows from operations were \$73 million, an increase of 14%, or \$9 million, compared to \$64 million for the comparable period in 2015.

Second quarter 2016 revenue was \$529 million, an increase of 19%, or \$85 million, compared to \$444 million for the comparable period in 2015. For the first six months of 2016 total revenues were \$1,016 million, an increase of 17%, or \$149 million, compared to \$866 million for the comparable period in 2015. The increase for both the three and six month periods ended June 30, 2016 compared to the same periods in the prior year is mainly attributable to growth from acquisitions as the Company experienced organic growth of 2% and 0% respectively, 3% and 1% respectively 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 second quarter of 2016 was \$131 million, a 32% increase compared to the prior year's second quarter Adjusted EBITA of \$99 million. Second quarter 2016 Adjusted EBITA per share on a diluted basis increased 32% to \$6.16, compared to \$4.67 for the same period last year. Adjusted EBITA for the six month period ended June 30, 2016 was \$238 million, a 24% increase over last year's Adjusted EBITA of \$192 million for the same period. Adjusted EBITA per share on a diluted basis for the six month period ended June 30, 2016 increased 24% to \$11.24, compared to \$9.08 for the same period last year.

Adjusted Net Income for the second quarter of 2016 was \$90 million, compared to the prior year's second quarter Adjusted Net Income of \$80 million, a 13% increase. Second quarter 2016 Adjusted Net Income per share on a diluted basis increased 13% to \$4.24 compared to \$3.76 for the prior year's second quarter. Adjusted Net Income for the six month period ended June 30, 2016 was \$153 million, a decrease of 1% over last year's Adjusted Net Income of \$154 million. Adjusted Net Income per share on a diluted basis for the six month period ended June 30, 2016 decreased 1% to \$7.19, compared to \$7.29 for the same period in 2015. Adjusted net income margin was 17% for the quarter ended June 30, 2016 and 18% for the same period in 2015. Adjusted net income margin was

15% in the first six months of 2016 and 18% for the same period in 2015. Excluding the impact of the \$6.6 million and \$25.8 million unrealized foreign exchange loss recorded in the three and six months ended June 30, 2016 respectively, the margins would have been 18% for both the respective periods in 2016.

Net income for the second quarter 2016 was \$55 million compared to the prior year's second quarter net income of \$33 million. Net income per share on a diluted per share basis for the second quarter of 2016 increased 68% to \$2.60, compared to \$1.54 for the same period of 2015. Net income for the six month period ended June 30, 2016 was \$74 million, an increase of 12% over net income of \$66 million for the same period in 2015. Net income per share on a diluted basis for the six month period ended June 30, 2016 increased 12% to \$3.48, compared to \$3.09 for the same period in 2015.

Cash flows from operations for the second quarter of 2016 were \$73 million, an increase of 14%, or \$9 million, compared to \$64 million for the comparable period in 2015. For the first six months of 2016 cash flows from operations were \$219 million, an increase of 24%, or \$42 million, compared to \$177 million for the comparable period in 2015.

The following table displays our revenue by reportable segment and the percentage change for the three and six months ended June 30, 2016 compared to the same periods in 2015:

	Three months ended June 30,				Six months ended June 30,			
	2016	2015	Period-Over- Period Change		2016	2015	Period-Over- Period Change	
	(\$M, except percentages)				(\$M, except percentages)			
Public Sector								
Licenses	21.3	22.2	(0.9)	-4%	41.2	41.5	(0.3)	-1%
Professional services	87.2	79.2	8.0	10%	163.0	154.3	8.7	6%
Hardware and other	31.9	25.6	6.3	25%	55.4	50.9	4.4	9%
Maintenance and other recurring	213.2	182.6	30.7	17%	417.0	354.9	62.1	17%
	353.5	309.5	44.0	14%	676.5	601.6	74.9	12%
Private Sector								
Licenses	13.8	10.8	3.0	27%	26.6	21.8	4.8	22%
Professional services	24.1	17.2	6.8	40%	44.6	34.8	9.7	28%
Hardware and other	7.1	6.4	0.7	11%	14.2	12.1	2.0	17%
Maintenance and other recurring	130.2	99.5	30.6	31%	253.8	196.0	57.8	29%
	175.1	134.0	41.2	31%	339.1	264.8	74.3	28%

Public Sector

For the quarter ended June 30, 2016, total revenue in the public sector reportable segment increased by 14%, or \$44 million to \$354 million, compared to \$310 million for the quarter ended June 30, 2015. For the six months ended June 30, 2016, total revenue increased by 12%, or \$75 million to \$677 million, compared to \$602 million for the comparable period in 2015. For purposes of calculating organic growth, pre-acquisition revenues included from the 26 companies acquired since the beginning of 2015 were \$38 million and \$76 million for the three and six month periods ended June 30, 2015, respectively. Organic revenue growth was 2% and 0% respectively for the three and six months ended June 30, 2016 compared to the same periods in 2015, and 2% and 1% respectively 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 June 30, 2016, total revenue in the private sector reportable segment increased 31%, or \$41 million to \$175 million, compared to \$134 million for the quarter ended June 30, 2015. For the six months ended June 30, 2016 total revenue increased by 28%, or \$74 million to \$339 million, compared to \$265 million for

the comparable period in 2015. For purposes of calculating organic growth, pre-acquisition revenues included from the 21 companies acquired since the beginning of 2015 were \$38 million and \$72 million for the three and six month periods ended June 30, 2015, respectively. Organic revenue growth was 2% and 1% respectively for the three and six months ended June 30, 2016 compared to the same periods in 2015, and 4% and 3% respectively 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 **8:30 a.m. (ET) on Thursday, July 28, 2016** to answer questions regarding the results. The teleconference numbers are 647-788-4919 or 877-291-4570. 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 11, 2016. To access the replay, please dial 416-621-4642 or 800-585-8367 followed by the passcode 49507848.

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 June 30,		Six months ended June 30,	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	(\$M, except percentages)		(\$M, except percentages)	
Total revenue	<u>528.7</u>	<u>443.5</u>	<u>1,015.7</u>	<u>866.4</u>
Net income	55.0	32.7	73.7	65.6
Adjusted for:				
Income tax expense (recovery)	20.0	16.1	32.1	27.4
Foreign exchange (gain) loss	6.6	(0.7)	25.8	(2.5)
TSS membership liability revaluation charge	1.7	3.4	6.9	9.4
Share in net (income) loss of equity investees	(0.1)	(0.3)	(0.3)	(0.9)
Finance and other income	(0.3)	(0.1)	(0.3)	(0.3)
Finance costs	5.3	4.6	11.0	8.9
Amortization of intangible assets	42.2	43.3	89.3	84.8
Adjusted EBITA	130.5	99.0	238.2	192.4
Adjusted EBITA margin	25%	22%	23%	22%

The following table reconciles Adjusted net income to net income:

	Three months ended June 30,		Six months ended June 30,	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	(\$M, except percentages)		(\$M, except percentages)	
Total revenue	<u>528.7</u>	<u>443.5</u>	<u>1,015.7</u>	<u>866.4</u>
Net income	55.0	32.7	73.7	65.6
Adjusted for:				
Amortization of intangible assets	42.2	43.3	89.3	84.8
TSS membership liability revaluation charge	1.7	3.4	6.9	9.4
Less non-controlling interest in the Adjusted net income of TSS	(5.1)	(3.1)	(8.8)	(6.3)
Deferred income tax expense (recovery)	(3.9)	3.5	(8.6)	1.0
			-	
Adjusted net income	89.9	79.7	152.5	154.4
Adjusted net income margin	17%	18%	15%	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.

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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)

	June 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash	\$ 242,974	\$ 178,471
Equity securities available-for-sale	13,028	-
Accounts receivable, net	235,216	226,771
Work in progress	63,399	59,483
Inventories	24,261	24,332
Other assets	73,607	67,246
	<u>652,485</u>	<u>556,303</u>
Non-current assets:		
Property and equipment	46,902	42,072
Deferred income taxes	43,289	56,650
Other assets	37,006	32,186
Intangible assets	977,776	952,109
	<u>1,104,973</u>	<u>1,083,017</u>
Total assets	\$ 1,757,458	\$ 1,639,320
Liabilities and Shareholders' Equity		
Current liabilities:		
CSI Facility	\$ -	\$ -
CNH Facility	8,328	8,725
TSS membership liability	22,435	19,602
Accounts payable and accrued liabilities	243,714	274,981
Dividends payable	21,081	21,326
Deferred revenue	493,427	421,027
Provisions	6,089	8,420
Acquisition holdback payments	16,872	9,116
Income taxes payable	29,031	6,561
	<u>840,977</u>	<u>769,758</u>
Non-current liabilities:		
CNH Facility	125,243	126,407
TSS Membership Liability	39,466	34,482
Debentures	233,923	220,043
Deferred income taxes	108,048	109,795
Acquisition holdback payments	1,415	6,987
Other liabilities	36,511	34,566
	<u>544,606</u>	<u>532,280</u>
Total liabilities	1,385,583	1,302,038
Shareholders' equity:		
Capital stock	99,283	99,283
Accumulated other comprehensive income (loss)	(31,008)	(34,319)
Retained earnings	303,600	272,318
	<u>371,875</u>	<u>337,282</u>
Total liabilities and shareholders' equity	\$ 1,757,458	\$ 1,639,320

CONSTELLATION SOFTWARE INC.

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

Three and six months ended June 30, 2016 and 2015

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Revenue				
License	\$ 35,053	\$ 33,026	\$ 67,825	\$ 63,351
Professional services	111,230	96,410	207,592	189,116
Hardware and other	38,995	31,994	69,515	63,042
Maintenance and other recurring	343,390	282,080	670,718	550,892
	528,668	443,510	1,015,650	866,401
Expenses				
Staff	260,375	223,086	515,602	444,938
Hardware	21,869	18,430	40,065	36,215
Third party license, maintenance and professional services	46,990	38,412	91,584	77,212
Occupancy	12,502	10,277	24,543	20,858
Travel	15,634	13,839	29,321	25,649
Telecommunications	5,864	4,305	10,822	8,391
Supplies	2,255	2,156	4,687	4,901
Software and equipment	9,109	8,226	17,590	15,040
Professional fees	6,751	5,885	13,494	10,692
Other, net	11,735	15,644	19,766	21,928
Depreciation	5,109	4,250	9,982	8,176
Amortization of intangible assets	42,239	43,312	89,311	84,793
	440,432	387,822	866,767	758,793
Foreign exchange loss (gain)	6,598	(743)	25,804	(2,466)
TSS membership liability revaluation charge	1,687	3,378	6,867	9,408
Share in net (income) loss of equity investee	(83)	(250)	(307)	(940)
Finance and other expense (income)	(263)	(62)	(272)	(320)
Finance costs	5,266	4,643	11,021	8,926
	13,205	6,966	43,113	14,608
Income before income taxes	75,031	48,722	105,770	93,000
Current income tax expense (recovery)	23,917	12,566	40,671	26,462
Deferred income tax expense (recovery)	(3,881)	3,502	(8,567)	958
Income tax expense (recovery)	20,036	16,068	32,104	27,420
Net income	54,995	32,654	73,666	65,580
Earnings per share				
Basic and diluted	\$ 2.60	\$ 1.54	\$ 3.48	\$ 3.09

CONSTELLATION SOFTWARE INC.

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

Three and six months ended June 30, 2016 and 2015

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Net income	\$ 54,995	\$ 32,654	\$ 73,666	\$ 65,580
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	334	-	334	-
Net change in fair value of derivatives designated as hedges during the period	84	215	(23)	(15)
Foreign currency translation differences from foreign operations	(692)	1,073	3,037	(10,856)
Deferred income tax recovery (expense)	(65)	(64)	(37)	6
Other comprehensive (loss) income for the period, net of income tax	(339)	1,224	3,311	(10,865)
Total comprehensive income for the period	\$ 54,656	\$ 33,878	\$ 76,977	\$ 54,715

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

Six months ended June 30, 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	-	-	-	-	-	73,666	73,666
<i>Other comprehensive income (loss)</i>							
Net change in fair value of available-for-sale financial asset during the period	-	-	334	-	334	-	334
Net change in fair value of derivatives designated as hedges during the period	-	-	-	(23)	(23)	-	(23)
Foreign currency translation differences from foreign operations	-	3,037	-	-	3,037	-	3,037
Deferred tax recovery (expense)	-	-	(44)	7	(37)	-	(37)
Total other comprehensive income (loss) for the period	-	3,037	290	(16)	3,311	-	3,311
Total comprehensive income (loss) for the period	-	3,037	290	(16)	3,311	73,666	76,977
Transactions with owners, recorded directly in equity Dividends to shareholders of the Company	-	-	-	-	-	(42,384)	(42,384)
Balance at June 30, 2016	\$ 99,283	\$ (30,577)	\$ 290	\$ (721)	\$ (31,008)	\$ 303,600	\$ 371,875

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

Six months ended June 30, 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 available- for-sale financial assets	Amounts related to gains/(losses) on derivatives designed as hedges			
Balance at January 1, 2015	\$ 99,283	\$ (18,880)	\$ -	\$ (410)	\$ (19,290)	\$ 179,838	\$ 259,831
<i>Total comprehensive income for the period</i>							
Net income	-	-	-	-	-	65,580	65,580
<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	-	-	-	(15)	(15)	-	(15)
Foreign currency translation differences from foreign operations	-	(10,856)	-	-	(10,856)	-	(10,856)
Deferred tax recovery (expense)	-	-	-	6	6	-	6
Total other comprehensive income for the period	-	(10,856)	-	(9)	(10,865)	-	(10,865)
Total comprehensive income for the period	-	(10,856)	-	(9)	(10,865)	65,580	54,715
Transactions with owners, recorded directly in equity Dividends to shareholders of the Company	-	-	-	-	-	(42,384)	(42,384)
Balance at June 30, 2015	\$ 99,283	\$ (29,736)	\$ -	\$ (419)	\$ (30,155)	\$ 203,034	\$ 272,162

CONSTELLATION SOFTWARE INC.

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

Three and six months ended June 30, 2016 and 2015
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Cash flows from operating activities:				
Net income	\$ 54,995	\$ 32,654	\$ 73,666	\$ 65,580
Adjustments for:				
Depreciation	5,109	4,250	9,982	8,176
Amortization of intangible assets	42,239	43,312	89,311	84,793
TSS membership liability revaluation charge	1,687	3,378	6,867	9,408
Share in net (income) loss of equity investee	(83)	(250)	(307)	(940)
Finance and other income	(263)	(62)	(272)	(320)
Finance costs	5,266	4,643	11,021	8,926
Income tax expense (recovery)	20,036	16,068	32,104	27,420
Foreign exchange loss (gain)	6,598	(743)	25,804	(2,466)
Change in non-cash operating working capital exclusive of effects of business combinations	(53,144)	(21,450)	(11,248)	8,489
Income taxes paid	(9,553)	(17,632)	(17,598)	(32,250)
Net cash flows from operating activities	72,887	64,168	219,330	176,816
Cash flows from (used in) financing activities:				
Interest paid	(5,743)	(3,838)	(11,848)	(7,429)
Increase (decrease) in revolving credit facility, net	-	85,891	-	89,391
Repayments of CNH facility	(4,495)	-	(4,495)	-
Credit facility transaction costs	-	-	(1,212)	-
Dividends paid	(21,192)	(21,192)	(42,384)	(42,384)
Net cash flows from (used in) in financing activities	(31,430)	60,861	(59,939)	39,578
Cash flows from (used in) investing activities:				
Acquisition of businesses, net of cash acquired	(42,870)	(109,168)	(66,698)	(129,679)
Post-acquisition settlement payments, net of receipts	(4,688)	(13,955)	(6,233)	(15,636)
Purchases of available-for-sale equity securities	(12,694)	-	(12,694)	-
Interest and dividends received	145	2	150	43
Property and equipment purchased	(6,517)	(3,406)	(9,687)	(5,544)
Net cash flows from (used in) investing activities	(66,624)	(126,527)	(95,162)	(150,816)
Effect of foreign currency on cash and cash equivalents	(2,955)	1,687	274	(4,251)
Increase (decrease) in cash and cash equivalents	(28,122)	189	64,503	61,327
Cash, beginning of period	271,096	131,817	178,471	70,679
Cash, end of period	\$ 242,974	\$ 132,006	\$ 242,974	\$ 132,006