

Constellation Software Inc. Announces Results for the Fourth Quarter and Year Ended December 31, 2013

TORONTO, ONTARIO (March 6th, 2014) -- Constellation Software Inc. (TSX:CSU) (“Constellation” or the “Company”) today announced its financial results for the fourth quarter and year ended December 31, 2013. 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 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, 2013, 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.

2013 Headlines:

- Revenue grew 36% (4% organically) to \$1,211 million compared to \$891 million in 2012.
- Adjusted EBITA increased \$56 million or 31% to \$234 million as compared to \$178 million in 2012.
- Adjusted net income increased 20% to \$207 million (\$9.76 on a diluted per share basis) from \$172 million (\$8.13 on a diluted per share basis) in 2012.
- Net income increased 1% to \$93 million (\$4.39 on a diluted per share basis) from \$93 million (\$4.37 on a diluted per share basis) in 2012.
- Thirty acquisitions were completed for aggregate upfront cash consideration of \$558 million (which includes \$57 million paid for acquired cash). Deferred payments associated with these acquisitions have an estimated value of \$31 million.
- Cash flows from operations increased \$75 million or 52% to \$220 million from \$145 million in 2012.

Q4 2013 Headlines:

- Revenue grew 30% (5% organically) to \$340 million compared to \$261 million in Q4 2012.
- Adjusted EBITA increased \$24 million or 45% to \$76 million as compared to \$52 million in Q4 2012.
- Adjusted net income increased 11% to \$69 million (\$3.26 on a diluted per share basis) from \$62 million (\$2.94 on a diluted per share basis) in Q4 2012.
- Net income increased 6% to \$43 million (\$2.00 on a diluted per share basis) from \$40 million (\$1.89 on a diluted per share basis) in 2012.
- On December 31, 2013, the Company acquired 100% of the shares of Total Specific Solutions (TSS) B.V. for aggregate upfront cash consideration of \$342 million (which includes \$31 million paid for acquired cash).
- Eight additional acquisitions were completed in the quarter for aggregate upfront cash consideration of \$46 million (which includes \$7 million paid for acquired cash). Deferred payments associated with these acquisitions have an estimated value of \$10 million.
- The amount drawn on the Company’s credit facility increased to \$479 million from \$148 million in Q3 2013.
- Cash flows from operations increased \$20 million or 33% to \$81 million from \$61 million in Q4 2012.

Additional Headlines:

- Subsequent to December 31, 2013, the Company completed five acquisitions for aggregate cash consideration of \$14 million.

Fourth quarter 2013 revenue was \$340 million, an increase of 30%, or \$79 million, compared to \$261 million for the comparable period in 2012. For fiscal year 2013, total revenue was \$1,211 million, an increase of 36%, or \$320 million, compared to \$891 million for the 2012 fiscal year. The increase for both the quarter and fiscal year ended December 31, 2013 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 5% and 4%, respectively.

Adjusted EBITA for the fourth quarter of 2013 was \$76 million, a 45% increase compared to the prior year's fourth quarter Adjusted EBITA of \$52 million. (See "Non-IFRS Measures" below for a definition of EBITA.) Fourth quarter 2013 Adjusted EBITA per share on a diluted basis increased 45% to \$3.59, compared to \$2.47 for the same period last year. Adjusted EBITA for fiscal year 2013 was \$234 million, a 31% increase over last year's Adjusted EBITA of \$178 million. Adjusted EBITA per share on a diluted basis for fiscal year 2013 increased 31% to \$11.03, compared to \$8.41 for fiscal year 2012.

Adjusted Net Income for the fourth quarter of 2013 was \$69 million, compared to the prior year's fourth quarter Adjusted Net Income of \$62 million, an 11% increase. Fourth quarter 2013 Adjusted Net Income per share on a diluted basis increased 11% to \$3.26, compared to \$2.94 for the prior year's fourth quarter. Adjusted Net Income for fiscal year 2013 was \$207 million, an increase of 20% over last year's Adjusted Net Income of \$172 million. Adjusted Net Income per share on a diluted basis for fiscal year 2013 increased 20% to \$9.76, compared to \$8.13 for fiscal year 2012.

Net income for the fourth quarter 2013 was \$43 million compared to the prior year's fourth quarter net income of \$40 million. On a diluted per share basis, this translates into net income per share of \$2.00 for the fourth quarter of 2013 compared to \$1.89 for the same period of 2012. Net income for fiscal year 2013 was \$93 million, which is consistent with last year's net income of \$93 million. Net income per share on a diluted basis for fiscal year 2013 increased 1% to \$4.39, compared to \$4.37 for fiscal year 2012.

The following table displays our revenue by reportable segment and the percentage change for the three and twelve months ended December 31, 2013 compared to the same periods in 2012:

	Three months ended December 31,		Period-Over- Period Change		Fiscal Year ended December 31,		Period-Over- Period Change	
	<u>2013</u>	<u>2012</u>	\$	%	<u>2013</u>	<u>2012</u>	\$	%
	(\$M, except percentages)				(\$M, except percentages)			
Public Sector								
Licenses	21.3	15.5	5.8	37%	67.9	48.9	19.0	39%
Professional services	57.4	47.3	10.1	21%	203.1	154.8	48.3	31%
Hardware and other	33.1	34.3	(1.3)	-4%	111.7	97.8	13.9	14%
Maintenance and other recurring	125.0	92.2	32.7	36%	449.6	334.5	115.0	34%
	236.8	189.5	47.4	25%	832.2	636.0	196.2	31%
Private Sector								
Licenses	8.8	7.1	1.6	23%	33.8	23.6	10.3	44%
Professional services	14.5	11.3	3.3	29%	53.6	42.3	11.3	27%
Hardware and other	4.6	3.6	1.0	27%	16.2	13.6	2.7	20%
Maintenance and other recurring	75.6	49.5	26.1	53%	274.9	175.8	99.1	56%
	103.5	71.5	31.9	45%	378.6	255.2	123.3	48%

Public Sector

For the quarter ended December 31, 2013, total revenue in the public sector reportable segment increased by 25%, or \$47 million to \$237 million, compared to \$190 million for the quarter ended December 31, 2012. For the fiscal year ended December 31, 2013, total revenue increased by 31%, or \$196 million to \$832 million, compared to \$636 million for the comparable period in 2012. Total revenue growth from acquired businesses contributed approximately \$37 million to our Q4 2013 revenues and \$169 million to our fiscal year ended December 31, 2013 revenues compared to the same periods in 2012, as we completed 36 acquisitions since the beginning of 2012. Organic revenue growth was 5% in Q4 2013 and 4% for the fiscal year ended December 31, 2013 compared to the same periods in 2012.

Private Sector

For the quarter ended December 31, 2013, total revenue in the private sector reportable segment increased 45%, or \$32 million to \$104 million, compared to \$72 million for the quarter ended December 31, 2012. For the fiscal year ended December 31, 2013 total revenue increased by 48%, or \$123 million to \$379 million, compared to \$255 million for the comparable period in 2012. Total revenue growth from acquired businesses contributed approximately \$29 million to our Q4 2013 revenues and \$112 million to our fiscal year ended December 31, 2013 revenues compared to the same periods in 2012, as we completed 29 acquisitions since the beginning of 2012. Organic revenue growth was 4% for both the three and twelve months ended December 31, 2013 compared to the same periods in 2012.

Acquisition of Total Specific Solutions (TSS) B.V. (“TSS”)

On December 31, 2013, the Company acquired 100% of the shares of TSS for aggregate cash consideration of \$342 million (€248 million). As TSS was acquired on December 31, 2013, there was no impact of the acquisition on Constellation’s actual statement of income for the year ended December 31, 2013. Unaudited pro forma consolidated financial information for the year ended December 31, 2013 has been prepared to give effect to the acquisition of TSS as if it had occurred on January 1, 2013, and is included in the Company’s most recently filed Management’s Discussion and Analysis and Business Acquisition Report both of which are available on SEDAR at www.sedar.com.

Conference Call and Webcast

Management will host a conference call at **9:00 a.m. (ET) on Friday, March 7th, 2014** to answer questions regarding the results. The teleconference numbers are 416-340-2216 or 866-226-1792. 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 March 19, 2014. To access the replay, please dial 905-694-9451 or 800-408-3053 followed by the passcode 9393313.

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 income, finance costs, income taxes, equity 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. 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, 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 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.

The following table reconciles Adjusted EBITA to net income:

	Three months ended December 31,		Fiscal Year ended December 31,	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	(\$M, except percentages)		(\$M, except percentages)	
Total revenue	<u>340.3</u>	<u>261.0</u>	<u>1,210.8</u>	<u>891.2</u>
Net income	42.5	40.1	93.1	92.6
Adjusted for:				
Income tax expense (recovery)	12.0	6.2	25.1	18.1
Foreign exchange (gain) loss	(1.3)	1.2	(0.8)	0.8
Equity in net (income) loss of equity investees	(0.1)	(0.0)	(0.8)	0.8
Finance income	(0.2)	(19.6)	(1.0)	(23.2)
Bargain purchase gain	(8.1)	-	(8.1)	-
Finance costs	2.2	1.1	7.1	4.0
Amortization of intangible assets	29.1	23.5	119.1	85.1
Adjusted EBITA	76.1	52.3	233.8	178.3
Adjusted EBITA margin	22%	20%	19%	20%

The following table reconciles Adjusted net income to net income:

	Three months ended December 31,		Fiscal Year ended December 31,	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	(\$M, except percentages)		(\$M, except percentages)	
Total revenue	<u>340.3</u>	<u>261.0</u>	<u>1,210.8</u>	<u>891.2</u>
Net income	42.5	40.1	93.1	92.6
Adjusted for:				
Amortization of intangible assets	29.1	23.5	119.1	85.1
Bargain purchase gain	(8.1)	-	(8.1)	-
Deferred income tax expense (recovery)	5.7	(1.3)	2.6	(5.6)
Adjusted net income	69.2	62.3	206.8	172.2
Adjusted net income margin	20%	24%	17%	19%

About Constellation Software Inc.

Constellation Software acquires, manages and builds vertical market software businesses that provide mission-critical software solutions.

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SOURCE: CONSTELLATION SOFTWARE INC.

CONSTELLATION SOFTWARE INC.

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

	December 31, 2013	December 31, 2012
Assets		
Current assets:		
Cash	\$ 77,967	\$ 41,313
Equity security available-for-sale	780	470
Accounts receivable	191,446	126,987
Work in progress	53,682	36,926
Inventories	21,145	18,739
Other assets	67,161	29,178
	<u>412,181</u>	<u>253,613</u>
Non-current assets:		
Property and equipment	36,017	21,300
Deferred income taxes	71,673	104,307
Other assets	36,171	31,104
Intangible assets	981,662	402,355
	<u>1,125,523</u>	<u>559,066</u>
Total assets	\$ 1,537,704	\$ 812,679
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 477,170	\$ 44,356
Accounts payable and accrued liabilities	260,585	147,559
Dividends payable	21,031	20,945
Deferred revenue	306,213	227,584
Provisions	11,887	6,396
Acquisition holdback payments	26,496	20,635
Income taxes payable	5,474	5,066
	<u>1,108,856</u>	<u>472,541</u>
Non-current liabilities:		
Deferred income taxes	112,780	29,283
Acquisition holdback payments	4,203	5,973
Other liabilities	45,866	46,078
	<u>162,849</u>	<u>81,334</u>
Total liabilities	1,271,705	553,875
Shareholders' equity:		
Capital stock	99,283	99,283
Accumulated other comprehensive income	449	1,621
Retained earnings	166,267	157,900
	<u>265,999</u>	<u>258,804</u>
Total liabilities and shareholders' equity	\$ 1,537,704	\$ 812,679

CONSTELLATION SOFTWARE INC.

Consolidated Statements of Income

(In thousands of U.S. dollars, except per share amounts)

	Year ended December 31	
	2013	2012
Revenue	\$ 1,210,776	\$ 891,226
Expenses		
Staff	643,672	469,677
Hardware	73,475	61,446
Third party license, maintenance and professional services	102,377	61,469
Occupancy	29,309	21,023
Travel	44,724	35,967
Telecommunications	14,208	10,996
Supplies	22,023	15,308
Professional fees	17,633	15,031
Other, net	19,593	14,358
Depreciation	9,944	7,643
Amortization of intangible assets	119,144	85,142
	1,096,102	798,060
Foreign exchange loss (gain)	(768)	822
Equity in net (income) loss of equity investees	(780)	839
Finance income	(1,041)	(23,178)
Bargain purchase gain	(8,111)	-
Finance costs	7,124	4,001
	(3,576)	(17,516)
Profit before income taxes	118,250	110,682
Current income tax expense (recovery)	22,528	23,626
Deferred income tax expense (recovery)	2,587	(5,576)
Income tax expense (recovery)	25,115	18,050
Net income	93,135	92,632
Earnings per share		
Basic and diluted	\$ 4.39	\$ 4.37

CONSTELLATION SOFTWARE INC.

Consolidated Statements of Comprehensive Income

(In thousands of U.S. dollars, except per share amounts)

	Year ended December 31,	
	2013	2012
Net income	\$ 93,135	\$ 92,632
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 year	310	13,968
Net unrealized foreign exchange gain (loss) on available-for-sale financial asset during the year	-	45
Amounts reclassified to profit during the year related to realized gains on available-for-sale financial asset	-	(21,735)
Foreign currency translation differences from foreign operations	(1,535)	1,164
Current income tax recovery (expense)	53	104
Deferred income tax recovery (expense)	-	1,114
Other comprehensive (loss) income for the year, net of income tax	(1,172)	(5,340)
Total comprehensive income for the year	\$ 91,963	\$ 87,292

CONSTELLATION SOFTWARE INC.

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

Year ended December 31, 2013	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, 2013	\$ 99,283	\$ 1,450	\$ 171	\$ 1,621	\$ 157,900	\$ 258,804
<i>Total comprehensive income for the year</i>						
Net income	-	-	-	-	93,135	93,135
<i>Other comprehensive income (loss)</i>						
Net change in fair value of available-for-sale financial asset during the year	-	-	310	310	-	310
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial asset during the year	-	-	-	-	-	-
Amounts reclassified to profit during the year related to realized gains on available-for-sale investment	-	-	-	-	-	-
Foreign currency translation differences from foreign operations	-	(1,535)	-	(1,535)	-	(1,535)
Current tax recovery (expense)	-	53	-	53	-	53
Deferred tax recovery (expense)	-	-	-	-	-	-
Total other comprehensive income (loss) for the year	-	(1,482)	310	(1,172)	-	(1,172)
Total comprehensive income (loss) for the year	-	(1,482)	310	(1,172)	93,135	91,963
Transactions with owners, recorded directly in equity						
Dividends to shareholders of the Company	-	-	-	-	(84,768)	(84,768)
Balance at December 31, 2013	\$ 99,283	\$ (32)	\$ 481	\$ 449	\$ 166,267	\$ 265,999

CONSTELLATION SOFTWARE INC.

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

Year ended December 31, 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 year</i>						
Net income	-	-	-	-	92,632	92,632
<i>Other comprehensive income (loss)</i>						
Net change in fair value of available-for-sale financial assets during the year	-	-	13,968	13,968	-	13,968
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial assets during the year	-	-	45	45	-	45
Amounts reclassified to profit during the year related to realized gains on available-for-sale financial assets	-	-	(21,735)	(21,735)	-	(21,735)
Foreign currency translation differences from foreign operations	-	1,164	-	1,164	-	1,164
Current tax recovery (expense)	-	104	-	104	-	104
Deferred tax recovery (expense)	-	-	1,114	1,114	-	1,114
Total other comprehensive income for the year	-	1,268	(6,608)	(5,340)	-	(5,340)
Total comprehensive income for the year	-	1,268	(6,608)	(5,340)	92,632	87,292
Transactions with owners, recorded directly in equity						
Dividends to shareholders of the Company	-	-	-	-	(84,768)	(84,768)
Balance at December 31, 2012	\$ 99,283	\$ 1,450	\$ 171	\$ 1,621	\$ 157,900	\$ 258,804

CONSTELLATION SOFTWARE INC.

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

	Year ended December 31,	
	2013	2012
Cash flows from operating activities:		
Net income	\$ 93,135	\$ 92,632
Adjustments for:		
Depreciation	9,944	7,643
Amortization of intangible assets	119,144	85,142
Equity in net (income) loss of equity investees	(780)	839
Finance income	(1,041)	(23,178)
Finance costs	7,124	4,001
Bargain purchase gain	(8,111)	-
Income tax expense	25,115	18,050
Foreign exchange loss (gain)	(768)	822
Change in non-cash operating working capital exclusive of effects of business combinations	519	(17,390)
Income taxes paid	(23,988)	(23,770)
Net cash flows from operating activities	220,293	144,791
Cash flows from (used in) financing activities:		
Interest paid	(3,428)	(1,761)
Increase (decrease) in other non current liabilities	-	(973)
Increase (decrease) in bank indebtedness, net	432,645	41,052
Credit facility transaction costs	(343)	(2,077)
Dividends paid	(84,768)	(63,576)
Net cash flows from (used in) in financing activities	344,106	(27,335)
Cash flows from (used in) investing activities:		
Acquisition of businesses, net of cash acquired	(501,095)	(121,154)
Post-acquisition settlement payments, net of receipts	(21,771)	(17,445)
Purchases of available-for-sale financial assets	-	(211)
Proceeds from sale of available-for-sale equity securities	-	34,977
Proceeds from sale of intangible assets	-	101
Interest and dividends received	348	5
Proceeds from sale of assets	5,690	-
Property and equipment purchased	(11,100)	(6,100)
Net cash flows used in investing activities	(527,928)	(109,827)
Effect of foreign currency on cash and cash equivalents	183	192
Increase (decrease) in cash and cash equivalents	36,654	7,821
Cash, beginning of year	41,313	33,492
Cash, end of year	\$ 77,967	\$ 41,313