



FOR IMMEDIATE RELEASE

Ultimate Reports Q1 2015 Financial Results

- **Record Recurring Revenues of \$118.9 Million, Up by 22%**
- **Record Total Revenues of \$144.9 Million, Up by 20%**

Weston, FL, April 28, 2015 — Ultimate Software (Nasdaq: ULTI), a leading provider of Human Capital Management (HCM) solutions in the cloud, announced today its financial results for the first quarter of 2015. For the quarter ended March 31, 2015, Ultimate reported recurring revenues of \$118.9 million, a 22% increase, and total revenues of \$144.9 million, a 20% increase, both compared with 2014's first quarter. GAAP net income for the first quarter of 2015 was \$4.2 million, or \$0.14 per diluted share, as compared to GAAP net income of \$6.9 million, or \$0.23 per diluted share, for the first quarter of 2014.

Non-GAAP net income for the first quarter of 2015, which excludes stock-based compensation expense and amortization of acquired intangible assets, was \$15.2 million, or \$0.52 per diluted share. Non-GAAP net income for the first quarter of 2014, on a comparable basis, was \$13.8 million, or \$0.47 per diluted share. See "Use of Non-GAAP Financial Information" below.

"We executed on all of our principal objectives as planned in the first quarter this year and laid a strong foundation for us to achieve our future goals. We increased our recurring revenues by 22% to \$119 million and increased total revenues by 20% to \$145 million, both compared with those of Q1 2014. We delivered on our targeted non-GAAP operating margin of 18%, and we continued our trend of greater than 96% customer retention, based on the trailing 12 months ending March 31, 2015," said Scott Scherr, founder, president and CEO of Ultimate.

"In March, we celebrated our 25th anniversary in business with more than 1,800 customers at our Connections conference in Las Vegas, and we announced our alliance with NetSuite to integrate our UltiPro HCM cloud solutions with NetSuite's industry-leading cloud-based financials/ERP suite. Also in March, we were honored to be ranked among the top 25 companies for the fourth consecutive year on FORTUNE's 100 Best Companies to Work For list. Culture and putting 'People First' have driven our success as a business and will continue to be at the heart of our strategic approach."

Ultimate's financial results teleconference will be held today, April 28, 2015, at 5:00 p.m. Eastern Time, through Vcall at <http://www.investorcalendar.com/IC/CEPage.asp?ID=173508>. The call will be available for replay at the same address beginning at 9:00 p.m. Eastern Time today. Windows Media Player software is required to listen to the call and can be downloaded from the site. Forward-looking information about future company performance will be discussed during the teleconference call.

Financial Highlights

- Recurring revenues grew by 22% for the first quarter of 2015 compared with the same period in 2014. The increase was primarily attributable to revenue growth from our cloud offering. Recurring revenues were 82% of total revenues for the first quarter of 2015 as compared with 80% of total revenues for 2014's first quarter.
- Ultimate's total revenues for the first quarter of 2015 increased by 20% as compared with those for the first quarter of 2014.

- Our operating income for the first quarter of 2015 was \$26.1 million, on a non-GAAP basis, as compared with \$23.5 million for the first quarter of 2014. Our GAAP operating income for the first quarter of 2015 was \$9.8 million as compared with \$12.4 million for the first quarter of 2014.
- Our non-GAAP operating margin for the first quarter of 2015 was 18.0% versus 19.4% for the first quarter of 2014. Our GAAP operating margin was 6.7% for the first quarter of 2015 versus 10.2% for the first quarter of 2014. The lower operating margin, in comparison with the same period last year, included the impact of having our Connections conference in first quarter this year versus second quarter last year.
- Ultimate's annualized retention rate, on a rolling 12-month basis, exceeded 96% for its recurring revenue cloud customer base as of March 31, 2015.
- Net income, on a non-GAAP basis, for the first quarter of 2015 was \$15.2 million as compared with \$13.8 million for the first quarter of 2014. GAAP net income for the first quarter of 2015 was \$4.2 million as compared with \$6.9 million for the first quarter of 2014.
- Cash flows from operating activities for the first quarter of 2015 were \$26.1 million, compared with \$25.6 million for the same period of 2014. The combination of cash, cash equivalents, and marketable securities was \$125.4 million as of March 31, 2015, compared with \$118.5 million as of December 31, 2014.
- Days sales outstanding were 62 days at March 31, 2015, representing a reduction of 6 days compared with days sales outstanding at December 31, 2014.

Stock Repurchases

During the three months ended March 31, 2015, we used \$6.2 million to acquire 37,000 shares of our \$0.01 par value common stock ("Common Stock") under our previously announced stock repurchase plan ("Stock Repurchase Plan"), and we used \$10.1 million to acquire 110,876 shares of our Common Stock to settle employees' tax withholding obligations associated with their restricted stock that vested during the period. We have 746,374 shares available for repurchase under our Stock Repurchase Plan.

Financial Outlook

Ultimate provides the following financial guidance for the second quarter ending June 30, 2015, and full year 2015:

For the second quarter of 2015:

- Recurring revenues of approximately \$124 million,
- Total revenues of approximately \$146 million, and
- Operating margin, on a non-GAAP basis (discussed below), of approximately 19%.

For the year 2015:

- Recurring revenues to increase by approximately 23% over 2014,
- Total revenues to increase by approximately 22% over 2014, and
- Operating margin, on a non-GAAP basis (discussed below), in excess of 20%.

Operating margin expectations were determined on a non-GAAP basis using the methodologies identified under the caption "Use of Non-GAAP Financial Information" in this press release.

Forward-Looking Statements

Certain statements in this press release are, and certain statements on the teleconference call may be, forward-looking statements within the meaning provided under the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are made only as of the date hereof. These statements involve known and unknown risks and uncertainties that may cause Ultimate's actual results to differ materially from those stated or implied by such forward-looking statements, including risks and uncertainties associated with fluctuations in Ultimate's quarterly operating results, concentration of Ultimate's product offerings, development risks involved with new products and technologies, competition, contract renewals with business partners, compliance by our customers with the terms of their contracts with us, and other factors disclosed in Ultimate's filings with the Securities and Exchange Commission. Ultimate undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

About Ultimate Software

Ultimate is a leading provider of cloud-based Human Capital Management (HCM) solutions with more than 19 million people records in the cloud. Ultimate's award-winning UltiPro delivers HR, payroll, talent, and time and labor management solutions that connect people with the information they need to work more effectively. Founded in 1990, the company is headquartered in Weston, Florida, and employs more than 2,500 professionals. In 2015, for the fourth consecutive year, Ultimate was ranked in the top 25 on FORTUNE's list of the 100 Best Companies to Work For; and recognized for the third consecutive year as one of Achievers' 50 Most Engaged Workplaces™ in North America. In 2014, Ultimate was ranked #8 on Forbes magazine's list of the 100 Most Innovative Growth Companies; and recognized as a 'Leader' in Nucleus Research's HCM Technology Value Matrix. Ultimate has more than 2,800 customers with employees in 150 countries, including Bloomin' Brands, Culligan International, Major League Baseball, Pep Boys, Texas Roadhouse, and Yamaha Corporation of America. More information on Ultimate's products and services for people management can be found at www.ultimatesoftware.com.

UltiPro is a registered trademark of The Ultimate Software Group, Inc. All other trademarks referenced are the property of their respective owners.

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THE ULTIMATE SOFTWARE GROUP, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

| | For the Three Months Ended March 31, | |
|---|---|-----------------|
| | 2015 | 2014 |
| Revenues: | | |
| Recurring | \$ 118,886 | \$ 97,418 |
| Services..... | 25,768 | 23,208 |
| License..... | 223 | 452 |
| Total revenues..... | <u>144,877</u> | <u>121,078</u> |
| Cost of revenues: | | |
| Recurring | 32,740 | 26,954 |
| Services..... | 24,318 | 22,074 |
| License..... | 49 | 72 |
| Total cost of revenues..... | <u>57,107</u> | <u>49,100</u> |
| Gross profit..... | <u>87,770</u> | <u>71,978</u> |
| Operating expenses: | | |
| Sales and marketing..... | 40,763 | 28,829 |
| Research and development..... | 21,398 | 19,720 |
| General and administrative | 15,852 | 11,059 |
| Total operating expenses | <u>78,013</u> | <u>59,608</u> |
| Operating income..... | 9,757 | 12,370 |
| Other income (expense): | | |
| Interest and other expense..... | (115) | (66) |
| Other income, net | 57 | 75 |
| Total other income (expense), net | <u>(58)</u> | <u>9</u> |
| Income before income taxes | 9,699 | 12,379 |
| Provision for income taxes..... | (5,539) | (5,496) |
| Net income | <u>\$ 4,160</u> | <u>\$ 6,883</u> |
| Net income per share: | | |
| Basic | <u>\$ 0.15</u> | <u>\$ 0.24</u> |
| Diluted..... | <u>\$ 0.14</u> | <u>\$ 0.23</u> |
| Weighted average shares outstanding: | | |
| Basic | <u>28,583</u> | <u>28,196</u> |
| Diluted..... | <u>29,567</u> | <u>29,309</u> |

The following table sets forth the stock-based compensation expense resulting from stock-based arrangements (excluding the income tax effect, or “gross”) and the amortization of acquired intangibles that are recorded in Ultimate’s unaudited condensed consolidated statements of income for the periods indicated (in thousands):

| | For the Three Months Ended March 31, | |
|---|---|------------------|
| | 2015 | 2014 |
| Stock-based compensation expense: | | |
| Cost of recurring revenues | \$ 1,427 | \$ 1,240 |
| Cost of services revenues | 1,282 | 1,055 |
| Sales and marketing | 7,783 | 4,797 |
| Research and development | 1,248 | 1,270 |
| General and administrative | 4,337 | 2,476 |
| Total non-cash stock-based compensation expense | <u>\$ 16,077</u> | <u>\$ 10,838</u> |
| Amortization of acquired intangibles: | | |
| General and administrative..... | <u>264</u> | <u>289</u> |
| Total amortization of acquired intangibles | <u>\$ 264</u> | <u>\$ 289</u> |

THE ULTIMATE SOFTWARE GROUP, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

| | As of March 31, 2015 | As of December 31, 2014 |
|--|-------------------------------------|--|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 115,274 | \$ 108,298 |
| Investments in marketable securities..... | 7,447 | 7,862 |
| Accounts receivable, net..... | 99,866 | 100,218 |
| Prepaid expenses and other current assets..... | 36,666 | 34,788 |
| Deferred tax assets, net | 983 | 965 |
| Total current assets before funds held for clients..... | 260,236 | 252,131 |
| Funds held for clients..... | 847,172 | 759,087 |
| Total current assets | 1,107,408 | 1,011,218 |
| Property and equipment, net..... | 96,652 | 86,595 |
| Goodwill | 25,056 | 25,696 |
| Investments in marketable securities..... | 2,651 | 2,294 |
| Intangible assets, net..... | 6,203 | 6,774 |
| Other assets, net..... | 22,779 | 20,611 |
| Deferred tax assets, net | 40,556 | 37,110 |
| Total assets..... | \$ 1,301,305 | \$ 1,190,298 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 9,633 | \$ 7,418 |
| Accrued expenses..... | 34,645 | 30,941 |
| Deferred revenue..... | 111,282 | 109,552 |
| Capital lease obligations..... | 4,423 | 3,655 |
| Other borrowings | 569 | 567 |
| Total current liabilities before client fund obligations | 160,552 | 152,133 |
| Client fund obligations..... | 847,172 | 759,087 |
| Total current liabilities | 1,007,724 | 911,220 |
| Deferred revenue..... | 131 | 153 |
| Deferred rent | 2,609 | 2,368 |
| Capital lease obligations..... | 4,724 | 3,359 |
| Other borrowings | 300 | 400 |
| Deferred income tax liability..... | 911 | 1,049 |
| Total liabilities..... | 1,016,399 | 918,549 |
| Stockholders' equity: | | |
| Preferred Stock, \$.01 par value | — | — |
| Series A Junior Participating Preferred Stock, \$.01 par value | — | — |
| Common Stock, \$.01 par value..... | 329 | 327 |
| Additional paid-in capital | 393,810 | 376,609 |
| Accumulated other comprehensive loss..... | (5,605) | (3,590) |
| Accumulated earnings..... | 41,088 | 36,928 |
| | 429,622 | 410,274 |
| Treasury stock, at cost..... | (144,716) | (138,525) |
| Total stockholders' equity | 284,906 | 271,749 |
| Total liabilities and stockholders' equity..... | \$ 1,301,305 | \$ 1,190,298 |

THE ULTIMATE SOFTWARE GROUP, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

| | For the Three Months Ended March 31, | |
|---|---|-------------|
| | 2015 | 2014 |
| Cash flows from operating activities: | | |
| Net income..... | \$ 4,160 | \$ 6,883 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 5,246 | 4,242 |
| Provision for doubtful accounts..... | 973 | 490 |
| Non-cash stock-based compensation expense | 16,077 | 10,838 |
| Income taxes | 5,243 | 5,261 |
| Excess tax benefit from employee stock plan..... | (8,845) | (6,558) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (621) | 2,930 |
| Prepaid expenses and other current assets | (1,878) | (2,204) |
| Other assets..... | (2,168) | (253) |
| Accounts payable | 2,215 | 2,347 |
| Accrued expenses and deferred rent..... | 3,945 | 966 |
| Deferred revenue..... | 1,708 | 638 |
| Net cash provided by operating activities..... | 26,055 | 25,580 |
| Cash flows from investing activities: | | |
| Purchases of marketable securities..... | (1,765) | (2,833) |
| Maturities of marketable securities | 1,823 | 2,675 |
| Net purchases of client funds securities..... | (88,085) | (448,926) |
| Purchases of property and equipment..... | (10,941) | (11,205) |
| Net cash used in investing activities | (98,968) | (460,289) |
| Cash flows from financing activities: | | |
| Repurchases of Common Stock | (6,191) | — |
| Net proceeds from issuances of Common Stock..... | 1,569 | 2,295 |
| Excess tax benefits from employee stock plan..... | 8,845 | 6,558 |
| Shares acquired to settle employee tax withholding liability | (10,068) | (10,216) |
| Principal payments on capital lease obligations..... | (1,184) | (919) |
| Repayments of other borrowings | (98) | (293) |
| Net increase in client fund obligations | 88,085 | 448,926 |
| Net cash provided by financing activities..... | 80,958 | 446,351 |
| Effect of exchange rate changes on cash..... | (1,069) | (356) |
| Net increase in cash and cash equivalents..... | 6,976 | 11,286 |
| Cash and cash equivalents, beginning of period..... | 108,298 | 79,794 |
| Cash and cash equivalents, end of period..... | \$ 115,274 | \$ 91,080 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest..... | \$ 91 | \$ 73 |
| Cash paid for taxes..... | \$ 215 | \$ 163 |
| Non-cash investing and financing activities: | | |
| Capital lease obligations to acquire new equipment..... | \$ 3,317 | \$ 1,709 |
| Stock consideration adjustment recorded for acquisitions | \$ — | \$ (818) |
| Stock based compensation for capitalized software | \$ 780 | \$ 238 |

THE ULTIMATE SOFTWARE GROUP, INC. AND SUBSIDIARIES
Unaudited Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures
(In thousands, except per share amounts)

| | For the Three Months Ended March 31, | |
|---|---|-----------|
| | 2015 | 2014 |
| Non-GAAP operating income reconciliation: | | |
| Operating income | 9,757 | 12,370 |
| <i>Operating income, as a % of total revenues</i> | 6.7% | 10.2% |
| Add back: | | |
| Non-cash stock-based compensation expense | 16,077 | 10,838 |
| Non-cash amortization of acquired intangible assets | 264 | 289 |
| Non-GAAP operating income | \$ 26,098 | \$ 23,497 |
| <i>Non-GAAP operating income, as a % of total revenues</i> | 18.0% | 19.4% |
| Non-GAAP net income reconciliation: | | |
| Net income | \$ 4,160 | \$ 6,883 |
| Add back: | | |
| Non-cash stock-based compensation expense | 16,077 | 10,838 |
| Non-cash amortization of acquired intangible assets | 264 | 289 |
| Income tax effect of above two items | (5,267) | (4,258) |
| Non-GAAP net income | \$ 15,234 | \$ 13,752 |
| Non-GAAP net income, per diluted share, reconciliation: (1) | | |
| Net income, per diluted share | \$ 0.14 | \$ 0.23 |
| Add back: | | |
| Non-cash stock-based compensation expense | 0.54 | 0.37 |
| Non-cash amortization of acquired intangible assets | 0.01 | 0.01 |
| Income tax effect of above two items | (0.17) | (0.14) |
| Non-GAAP net income, per diluted share | \$ 0.52 | \$ 0.47 |
| Shares used in calculation of GAAP and non-GAAP net income per share: | | |
| Basic | 28,583 | 28,196 |
| Diluted | 29,567 | 29,309 |

(1) The non-GAAP net income per diluted share reconciliation is calculated on a diluted weighted average share basis for GAAP net income periods.

Use of Non-GAAP Financial Information

This press release contains non-GAAP financial measures. Ultimate believes that non-GAAP measures of financial results provide useful information to management and investors regarding certain financial and business trends relating to Ultimate's financial condition and results of operations. Ultimate's management uses these non-GAAP results to compare Ultimate's performance to that of prior periods for trend analyses, for purposes of determining executive incentive compensation, and for budget and planning purposes. These measures are used in monthly financial reports prepared for management and in quarterly financial reports presented to Ultimate's Board of Directors. These measures may be different from non-GAAP financial measures used by other companies.

These non-GAAP measures should not be considered in isolation or as an alternative to such measures determined in accordance with generally accepted accounting principles in the United States (GAAP). The principal limitation of these non-GAAP financial measures is that they exclude significant expenses that are required by GAAP to be recorded. In addition, they are subject to inherent limitations as they reflect the exercise of judgment by management about which expenses are excluded from the non-GAAP financial measures.

To compensate for these limitations, Ultimate presents its non-GAAP financial measures in connection with its GAAP results. Ultimate strongly urges investors and potential investors in Ultimate's securities to review the reconciliation of its non-GAAP financial measures to the comparable GAAP financial measures that are included in this press release (under the caption "Unaudited Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures") and not to rely on any single financial measure to evaluate its business.

Ultimate presents the following non-GAAP financial measures in this press release: non-GAAP operating income, non-GAAP operating income, as a percentage of total revenues (or non-GAAP operating margin), non-GAAP net income and non-GAAP net income, per diluted share. We exclude the following items from these non-GAAP financial measures as appropriate:

Stock-based compensation expense. Ultimate's non-GAAP financial measures exclude stock-based compensation expense, which consists of expenses for stock options and stock and stock unit awards recorded in accordance with Accounting Standards Codification 718, "Compensation – Stock Compensation." For the three months ended March 31, 2015, stock-based compensation expense was \$16.1 million, on a pre-tax basis. For the three months ended March 31, 2014, stock-based compensation expense was \$10.8 million, on a pre-tax basis. Stock-based compensation expense is excluded from the non-GAAP financial measures because it is a non-cash expense that Ultimate does not consider part of ongoing operations when assessing its financial performance. Ultimate believes that such exclusion facilitates the comparison of results of ongoing operations for current and future periods with such results from past periods. For GAAP net income periods, non-GAAP reconciliations are calculated on a diluted weighted average share basis.

Amortization of acquired intangible assets. In accordance with GAAP, operating expenses include amortization of acquired intangible assets over the estimated useful lives of such assets. For the three months ended March 31, 2015, the amortization of acquired intangible assets was \$0.3 million. For the three months ended March 31, 2014, the amortization of acquired intangible assets was \$0.3 million. Amortization of acquired intangible assets is excluded from Ultimate's non-GAAP financial measures because it is a non-cash expense that Ultimate does not consider part of ongoing operations when assessing its financial performance. Ultimate believes that such exclusion facilitates comparisons to its historical operating results and to the results of other companies in the same industry, which have their own unique acquisition histories.

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