



Constellation Software Inc. Announces Results for First Quarter 2007

TORONTO, ONTARIO (May 9, 2007) -- Constellation Software Inc. (TSX: CSU) (“Constellation” or the “Company”) today announced its financial results for the first quarter ended March 31, 2007. Please note that all dollar amounts referred to in this press release are U.S. Dollars unless otherwise stated.

Q1 2007 Year over Year Results:

- Revenue up 9%
- Adjusted EBITDA up 16%
- Adjusted Net Income up 38% (to \$0.33 on a per share basis)
- Completed three acquisitions

Q1 2007 Results

First quarter revenue increased 9% to \$55.9 million compared to \$51.2 million reported in the same period last year. Revenue per share on a fully diluted basis increased 7% compared to the prior year’s first quarter.

“During the first quarter, we produced reasonable levels of profitability and late in the quarter we closed one of the largest acquisitions in our history. We had organic revenue contraction of approximately 1% but it was masked by 10% acquired growth” said Mark Leonard, President of Constellation. “Several of our private sector businesses that are related to the housing sector are experiencing shrinking revenues or are growing more slowly than previously. We also saw revenues decline in our Trapeze operating group during Q1. Despite our lower short-term performance, we continue to believe that we will achieve the 20% revenue growth per share that we targeted in our 2006-2010 objectives.”

Adjusted EBITDA for the first quarter increased 16% to \$8.4 million compared to the prior year's first quarter Adjusted EBITDA of \$7.2 million. First quarter Adjusted EBITDA per share on a fully diluted basis increased 14% compared to the prior year’s first quarter.

First quarter Adjusted Net Income increased 38% to \$7.0 million (\$0.33 on a per share basis) over the prior year's first quarter Adjusted Net Income of \$5.1 million (\$0.25 on a per share basis). First quarter Adjusted Net Income per share on a fully diluted basis increased 35% compared to the prior year’s first quarter.

Net income for the first quarter was \$2.6 million compared to the prior year's first quarter net loss of \$8.7 million. On a fully diluted per share basis, this translates into net income per share of \$0.12 for the first quarter of 2007, compared to a net loss of \$0.43 in the same period of 2006. As previously noted, the reason for the net loss in the first quarter of 2006 was the \$10.1 million charge to net income caused by the appreciation in common shares eligible for redemption (“ACSER”). ACSER was a non-cash expense which occurred during the first quarter of 2006 and will not be repeated now that we have completed our initial public offering.

During the quarter, Constellation made three acquisitions for total net cash consideration of approximately \$14.6 million. Included in the \$14.6 million are payments related to holdbacks from prior acquisitions. At March 31, 2007, the Company had cash, restricted cash and marketable securities of \$13.4 million, down from \$30.0 million as of December 31, 2006. The Company continues to seek further organic growth opportunities and acquisitions.

Conference Call and Webcast

Management will host a conference call at **8:30 a.m. (ET) on Thursday, May 10, 2007** to discuss the Company's operating results. The teleconference numbers are **416-644-3425** or **1-800-590-1817**. The call will also be webcast live and archived on Constellation's web site at www.csisoftware.com.

A taped rebroadcast will be available to listeners following the call until 12 a.m. on May 17, 2007. To access the rebroadcast, please dial 416-640-1917 or 1-877-289-8525 and quote the passcode 21228878#.

Annual General Meeting

The **Annual General Meeting of shareholders** will be held at **10 a.m. (ET) on Thursday, May 10, 2007** at McCarthy Tetrault's office located at the Dominion Centre, Suite 4700 in Toronto, Ontario. Following the formal meeting, management will provide a brief presentation and take questions from the audience.

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. These statements reflect current assumptions and expectations regarding future events and operating performance and speak only as of the date hereof. 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 are made as of the date hereof and Constellation assumes no obligation to update any forward looking statements to reflect new events or circumstances.

Non-GAAP Measures

The term "Adjusted EBITDA" refers to net income before deducting interest, taxes, depreciation, amortization, appreciation in common shares eligible for redemption, other expenses and foreign exchange, and before including gain on sale of short-term investments, marketable securities and other assets. Constellation 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 the other items listed above. The term "Adjusted Net Income" means net income plus appreciation in common shares eligible for redemption and amortization of intangible assets. 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 appreciation in common shares eligible for redemption (which will no longer be included in net income for periods following the closing of our IPO) and prior to taking into consideration amortization of intangibles as these are non-cash expenses that do not necessarily reflect the economic value of our acquisitions.

Adjusted EBITDA and Adjusted Net Income are not recognized measures under GAAP and, accordingly, shareholders are cautioned that Adjusted EBITDA and Adjusted Net Income should not be construed as alternatives to net income determined in accordance with GAAP as an indicator of the financial performance of the Company or as a measure of the Company's liquidity and cash flows. 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:

	Three months ended	
	<u>2007</u>	Mar. 31, <u>2006</u>
	(\$000, except percentages)	
Total revenue	55,893	51,220
Net income (loss)	2,602	(8,656)
Add back:		
Income tax expense	1,003	415
Foreign exchange loss	7	263
Interest expense (income)	(115)	(59)
Gain on sale of short-term investments, marketable securities and other assets	(234)	(8)
Other expenses	0	884
Appreciation in common shares eligible for redemption	0	10,093
Amortization of intangible assets	4,434	3,661
Depreciation	692	636
Adjusted EBITDA	8,389	7,229
Adjusted EBITDA margin	15.0%	14.1%

The following table reconciles Adjusted net income to net income:

	Three months ended	
	<u>2007</u>	Mar. 31, <u>2006</u>
	(\$000, except percentages)	
Total revenue	55,893	51,220
Net income (loss)	2,602	(8,656)
Add back:		
Appreciation in common shares eligible for redemption	0	10,093
Amortization of intangible assets	4,434	3,661
Adjusted net income	7,036	5,098
Adjusted net income margin	12.6%	10.0%

Constellation's common shares are listed on the Toronto Stock Exchange under the symbol "CSU". Constellation Software is an international provider of market leading software and services to a number of industries across both the public and private sectors. The Company acquires, manages and builds vertical market software businesses that provide mission-critical software solutions to address the specific needs of its customers in those industries.

For further information:

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SOURCE: CONSTELLATION SOFTWARE INC.

CONSTELLATION SOFTWARE INC.

Interim Consolidated Balance Sheets
(In thousands of U.S. dollars)

	March 31, 2007	December 31, 2006
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,808	\$ 25,807
Restricted cash	—	858
Short-term investments and marketable securities		
- available for sale	3,587	3,320
Accounts receivable	42,673	32,655
Work in progress	13,168	13,189
Inventory	1,594	1,434
Prepaid expenses and other current assets	10,521	4,787
Future income taxes	1,914	1,153
	<hr/> 83,265	<hr/> 83,203
Property and equipment	8,855	6,385
Future income taxes	2,600	3,429
Other long-term assets	895	585
Goodwill	28,752	26,886
Intangible assets	81,991	66,085
	<hr/> \$ 206,358	<hr/> \$ 186,573
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 2,422	\$ —
Accounts payable and accrued liabilities	32,262	37,024
Acquisition holdback payments	8,716	4,797
Deferred revenue	69,405	56,190
Income taxes payable	3,965	1,063
	<hr/> 116,770	<hr/> 99,074
Future income taxes	8,985	8,048
Acquisition holdback payments	231	231
Other long-term liabilities	956	404
Shareholders' equity:		
Capital stock	99,283	99,283
Shareholder loans	(1,790)	(2,135)
Accumulated other comprehensive income	(2,320)	(3,152)
Deficit	(15,757)	(15,180)
	<hr/> 79,416	<hr/> 78,816
Subsequent event		
	<hr/> \$ 206,358	<hr/> \$ 186,573

CONSTELLATION SOFTWARE INC.

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

	Three months ended March 31,	
	2007	2006
	(Unaudited)	
Revenue	\$ 55,893	\$ 51,220
Cost of revenue	21,516	20,338
	34,377	30,882
Research and development	8,910	8,192
Sales and marketing	7,042	6,408
General and administration	10,036	9,053
Depreciation	692	636
	26,680	24,289
Income before the undernoted	7,697	6,593
Appreciation in common shares eligible for redemption	—	10,093
Amortization of intangible assets	4,434	3,661
Other expenses	—	884
Gain on sale of short-term investments, marketable securities and other assets	(234)	(8)
Interest expense (income)	(115)	(59)
Foreign exchange loss	7	263
Income (loss) before income taxes	3,605	(8,241)
Income taxes (recovery):		
Current	1,157	710
Future	(154)	(295)
	1,003	415
Net income (loss)	\$ 2,602	\$ (8,656)
Income (loss) per share:		
Basic	\$ 0.12	\$ (0.43)
Diluted	0.12	(0.43)
Weighted average number of shares outstanding:		
Outstanding (in thousands):		
Basic	21,093	20,232
Diluted	21,192	20,232
Outstanding at the end of the period	21,192	21,036

CONSTELLATION SOFTWARE INC.

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

	Three months ended March 31,	
	2007	2006
	(Unaudited)	
Cash flows from operating activities:		
Net income (loss)	\$ 2,602	\$ (8,656)
Adjustments to reconcile net income to net cash flows from operations:		
Depreciation	692	636
Amortization of intangible assets	4,434	3,661
Loss on appreciation of common shares eligible for redemption	—	10,093
Deferred compensation	—	400
Future income taxes	(154)	(295)
Gain on sale of short-term investments, marketable securities and other assets	(234)	(8)
Unrealized exchange loss (gain)	(16)	243
Change in non-cash operating working capital	(8,922)	(6,971)
Cash flows from (used) in operating activities	(1,598)	(897)
Cash flows from financing activities:		
Increase (decrease) in long-term liabilities	(230)	4
Increase in bank indebtedness	2,422	1,100
Dividends	(3,179)	(1,381)
Distributions to common shares eligible for redemption	—	(471)
Issue of common shares eligible for redemption, net of shareholder loans	—	2,899
Redemption of common shares eligible for redemption	—	(14)
Issuance of shareholder loans	(447)	—
Repayment of shareholder loans	792	1,910
Return of capital	—	(637)
Cash flows from (used in) financing activities	(642)	3,410
Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired	(14,617)	(3,433)
Reduction (increase) to short-term investments, marketable securities and other assets	801	(1,156)
Decrease in restricted cash	858	—
Decrease (increase) in other assets	(310)	19
Property and equipment purchased	(517)	(687)
Cash flows from (used) in investing activities	(13,785)	(5,257)
Effect of currency translation adjustment on cash and cash equivalents	26	(193)
Increase (decrease) in cash and cash equivalents	(15,999)	(2,937)
Cash and cash equivalents, beginning of period	25,807	18,285
Cash and cash equivalents, end of period	\$ 9,808	\$ 15,348