

Constellation Software Inc. Announces Results for Third Quarter and First Nine Months of 2006

TORONTO, ONTARIO (November 8, 2006) -- Constellation Software Inc. (TSX:CSU) (“Constellation” or the “Company”) today announced its unaudited financial results for the third quarter and nine months ended September 30, 2006. Note all dollar amounts referred to in this press release are U.S. Dollars unless otherwise stated.

Third quarter revenue was \$53.8 million, an increase of 26%, compared to \$43.0 million reported in the same period last year. Third quarter revenue per share on a fully diluted basis increased 22%, compared to the prior year’s third quarter. Total revenue for the current nine month period was \$157.0 million, an increase of 30% over last year. Revenue per share on a fully diluted basis for the current nine month period increased 26% compared to 2005.

Adjusted EBITDA for the third quarter was \$7.9 million, a 12% increase compared to the prior year's third quarter Adjusted EBITDA of \$7.1 million. Third quarter Adjusted EBITDA per share on a fully diluted basis increased 8%, compared to the prior year’s third quarter. Adjusted EBITDA for the current nine month period was \$22.5 million, an increase of 33% over last year. Adjusted EBITDA per share on a fully diluted basis for the current nine month period increased 29% compared to 2005.

Adjusted Net Income for the third quarter was \$6.8 million, compared to the prior year's third quarter Adjusted Net Income of \$5.2 million, a 31% increase. Third quarter Adjusted Net Income per share on a fully diluted basis increased 26% compared to the prior year’s third quarter. Adjusted Net Income for the current nine month period was \$17.0 million, an increase of 30% over last year. Adjusted Net Income per share on a fully diluted basis for the current nine month period increased 26% compared to 2005.

Net income for the third quarter was \$2.3 million compared to the prior year's third quarter net income of \$2.1 million. On a fully diluted per share basis, this translates into net income per share of \$0.11 for the third quarter of 2006, compared to a net income per fully diluted share of \$0.10 in the same period of 2005. For the first nine months we incurred a net loss of \$5.1 million or \$0.24 per diluted share. As noted in our Q1 earnings release the reason for the net loss is the \$10.1 million charge to net income, recorded in Q1, caused by the appreciation in common shares eligible for redemption, an expense that will no longer be incurred after Q1 2006.

“We are reasonably pleased with the progress we made in the quarter,” said Mark Leonard, President of Constellation. “While our year over year revenue growth rate per share continued to track above our five year objective of 20% per year, the growth in Adjusted EBITDA per share was considerably weaker at 8%. The drop off in growth on the Adjusted EBITDA line is a reflection of the unusually strong license sales that we had in Q3 2005 which drove our Adjusted EBITDA margins in the third quarter of 2005 to the 17% range. We continue to believe that our five year 20% growth objectives, for both revenue per share growth and Adjusted EBITDA per share growth, are achievable.”

During the quarter Constellation made one acquisition for total consideration of \$2.5 million. At September 30, 2006 the Company had cash and marketable securities of \$19.8 million, up from \$10.4 million (net of bank debt) as of June 30, 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, November 9, 2006** to discuss the results. The teleconference numbers are **416-644-3432** or **1-866-250-4910**. 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 November 16, 2006. To access the rebroadcast, please dial 416-640-1917 or 1-877-289-8525 and quote the passcode 21207270#.

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 Sept. 30, | | Nine months ended Sept. 30, | |
|--|---------------------------------|--------|--------------------------------|---------|
| | 2006 | 2005 | 2006 | 2005 |
| | (\$000, except percentages) | | (\$000, except percentages) | |
| Total revenue | 53,809 | 42,648 | 157,240 | 120,810 |
| Net income (loss) | 2,287 | 2,075 | (5,068) | (294) |
| Add back: | | | | |
| Income tax expense | 543 | 1,257 | 1,560 | 2,528 |
| Foreign exchange (gain) loss | (185) | 272 | (111) | 567 |
| Interest income | (3) | (293) | (87) | (674) |
| (Gain) Loss on sale of short-term investments, marketable securities and other assets | 0 | 13 | (8) | (658) |
| Other expenses (gain) | 0 | (10) | 1,970 | 224 |
| Appreciation in common shares eligible for redemption | 0 | 0 | 10,093 | 4,528 |
| Amortization of intangible assets | 4,489 | 3,116 | 11,947 | 8,855 |
| Amortization of capital assets | 793 | 662 | 2,156 | 1,829 |
| Adjusted EBITDA | 7,924 | 7,092 | 22,452 | 16,905 |
| Adjusted EBITDA margin | 14.7% | 16.6% | 14.3% | 14.0% |

The following table reconciles Adjusted net income to net income:

| | Three months ended Sept. 30, | | Nine months ended Sept. 30, | |
|--|---------------------------------|--------|--------------------------------|---------|
| | 2006 | 2005 | 2006 | 2005 |
| | (\$000, except percentages) | | (\$000, except percentages) | |
| Total revenue | 53,809 | 42,648 | 157,240 | 120,810 |
| Net income (loss) | 2,287 | 2,075 | (5,068) | (294) |
| Add back: | | | | |
| Appreciation in common shares eligible for redemption | 0 | 0 | 10,093 | 4,528 |
| Amortization of intangible assets | 4,489 | 3,116 | 11,947 | 8,855 |
| Adjusted net income | 6,776 | 5,191 | 16,972 | 13,089 |
| Adjusted net income margin | 12.6% | 12.2% | 10.8% | 10.8% |

About Constellation

Constellation acquires, manages and builds vertical market software businesses that provide mission critical software solutions. Constellation's common shares are listed on the Toronto Stock Exchange under the symbol "CSU". Further information about Constellation may be obtained from the Company's web site at www.csisoftware.com.

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Source: Constellation Software Inc.

CONSTELLATION SOFTWARE INC.

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

| | September 30, 2006 (unaudited) | December 31, 2005 |
|---|--------------------------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 16,548 | \$ 18,285 |
| Short-term investments (note 2) | 3,241 | 932 |
| Accounts receivable | 32,742 | 27,655 |
| Work in progress | 13,490 | 11,535 |
| Inventory | 2,204 | 528 |
| Prepaid expenses and other current assets | 4,445 | 3,992 |
| Future income taxes | 1,789 | 2,359 |
| | <u>74,459</u> | <u>65,286</u> |
| Capital assets | 6,857 | 6,446 |
| Future income taxes | 2,139 | 3,986 |
| Other long-term assets | 665 | 787 |
| Goodwill | 23,720 | 23,720 |
| Intangible assets (note 4) | 67,335 | 58,258 |
| | <u>\$ 175,175</u> | <u>\$ 158,483</u> |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 38,544 | \$ 34,653 |
| Deferred revenue | 52,991 | 44,939 |
| Deferred compensation (note 9) | — | 237 |
| Income taxes payable | 1,727 | 1,276 |
| | <u>93,262</u> | <u>81,105</u> |
| Future income taxes | 6,694 | 9,267 |
| Other long-term liabilities | 736 | 1,464 |
| Deferred compensation (note 9) | — | 1,020 |
| Common shares eligible for redemption (note 6a) | — | 24,182 |
| Shareholders' equity: | | |
| Capital stock (note 6(a)) | 99,283 | 57,220 |
| Shareholder loans | (2,636) | — |
| Cumulative translation adjustment | (3,152) | (3,152) |
| Deficit | (19,012) | (12,623) |
| | <u>74,483</u> | <u>41,445</u> |
| | <u>\$ 175,175</u> | <u>\$ 158,483</u> |

CONSTELLATION SOFTWARE INC.

Consolidated Statements of Operations

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

Unaudited

| | Three months ended | | Nine months ended | |
|--|--------------------|--------|-------------------|---------|
| | September 30, | | September 30, | |
| | 2006 | 2005 | 2006 | 2005 |
| Revenue | 53,809 | 42,648 | 157,240 | 120,810 |
| Cost of revenue | 21,060 | 16,475 | 61,674 | 47,223 |
| | 32,749 | 26,173 | 95,566 | 73,587 |
| Research and development | 8,489 | 6,186 | 24,877 | 18,739 |
| Sales and marketing | 6,488 | 5,149 | 19,634 | 15,778 |
| General and administration | 9,848 | 7,746 | 28,603 | 22,165 |
| Amortization of capital assets | 793 | 662 | 2,156 | 1,829 |
| | 25,618 | 19,743 | 75,270 | 58,511 |
| Income before the undernoted | 7,131 | 6,430 | 20,296 | 15,076 |
| Appreciation in common shares eligible for redemption (note 6(b)) | – | – | 10,093 | 4,528 |
| Amortization of intangible assets | 4,489 | 3,116 | 11,947 | 8,855 |
| Other expenses (income) | – | (10) | 1,970 | 224 |
| (Gain) loss on sale of short-term investments, marketable securities and other assets | – | 13 | (8) | (658) |
| Interest income, net | (3) | (293) | (87) | (674) |
| Foreign exchange (gain) loss | (185) | 272 | (111) | 567 |
| Income (loss) before income taxes | 2,830 | 3,332 | (3,508) | 2,234 |
| Income tax expense (recovery) (note 7): | | | | |
| Current | (184) | 1,430 | 1,816 | 2,507 |
| Future | 727 | (173) | (256) | 21 |
| | 543 | 1,257 | 1,560 | 2,528 |
| Net income (loss) | 2,287 | 2,075 | (5,068) | (294) |
| Net income (loss) per share (note 8): | | | | |
| Basic | 0.11 | 0.10 | (0.24) | (0.01) |
| Diluted | 0.11 | 0.10 | (0.24) | (0.01) |
| Weighted average number of shares Outstanding (in thousands) (note 8): | | | | |
| Basic | 21,039 | 20,081 | 20,726 | 19,884 |
| Diluted | 21,192 | 20,428 | 21,021 | 20,340 |
| Outstanding at the end of the period | 21,192 | 20,501 | 21,192 | 20,501 |

CONSTELLATION SOFTWARE INC.

Consolidated Statements of Cash Flows

(In thousands of U.S. dollars)

Unaudited

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|-------------------------------------|-----------|------------------------------------|-----------|
| | 2006 | 2005 | 2006 | 2005 |
| Cash flows from operating activities: | | | | |
| Net income (loss) | \$ 2,287 | \$ 2,075 | \$ (5,068) | \$ (294) |
| Adjustments to reconcile net income to net cash flows from operations: | | | | |
| Amortization of capital assets | 793 | 662 | 2,156 | 1,829 |
| Amortization of intangible assets | 4,489 | 3,116 | 11,947 | 8,855 |
| Loss on common shares eligible for redemption | — | — | 10,093 | 4,528 |
| Deferred compensation | — | — | 400 | 232 |
| Future income taxes | 727 | (173) | (256) | 21 |
| (Gain) loss on sale of short term investments, marketable securities and other assets | — | 13 | (8) | (658) |
| Unrealized exchange loss (gain) | (241) | 274 | (480) | 572 |
| Change in non-cash operating working capital (note 11) | 3,546 | (609) | (3,276) | 661 |
| Cash flows from operating activities | 11,601 | 5,358 | 15,508 | 15,746 |
| Cash flows from (used in) financing activities: | | | | |
| Decrease in long term liabilities | (819) | (106) | (802) | (189) |
| Decrease in bank debt | (2,600) | — | — | — |
| Dividends | — | — | (1,381) | (1,150) |
| Distributions to common shares eligible for redemption | — | — | (471) | (346) |
| Issue of common shares eligible for redemption | — | 1,844 | 3,805 | 2,042 |
| Redemption of common shares eligible for redemption | — | (244) | (20) | (446) |
| Repayment of shareholder loans | 262 | 162 | 2,474 | 931 |
| Repurchase of phantom shares (note 9) | — | (62) | (1,657) | (62) |
| Return of capital | — | — | (637) | (531) |
| Cash flows from (used in) financing activities | (3,157) | 1,594 | 1,311 | 249 |
| Cash flows from (used in) investing activities: | | | | |
| Acquisition of businesses, net of cash acquired (note 3) | (1,298) | (220) | (15,025) | (15,428) |
| Additions (reductions) to short-term investments, marketable securities and other assets | (831) | (13) | (2,309) | 2,111 |
| Other assets | (31) | — | 130 | — |
| Capital asset purchases | (483) | (845) | (1,992) | (2,699) |
| Cash flows used in investing activities | (2,643) | (1,078) | (19,196) | (16,016) |
| Effect of currency translation adjustment on cash and cash equivalents | 198 | (330) | 640 | (731) |
| Increase (decrease) in cash and cash equivalents | 5,999 | 5,544 | (1,737) | (752) |
| Cash and cash equivalents, beginning of period | 10,549 | 19,149 | 18,285 | 25,445 |
| Cash and cash equivalents, end of period | \$ 16,548 | \$ 24,693 | \$ 16,548 | \$ 24,693 |