



Constellation Software Inc. Announces Results for the Fourth Quarter and Twelve Months Ended December 31, 2006 and Declares its Annual Dividend

TORONTO, Ontario, March 7, 2007 -- Constellation Software Inc. (“Constellation” or the “Company”) (TSX:CSU) today announced its financial results for the fourth quarter and fiscal year ended December 31, 2006, and declared a \$0.15 per share dividend payable on March 30, 2007 to all common shareholders and class A non-voting shareholders of record at the close of business on March 19, 2007. Please note that all dollar amounts referred to in this press release are U.S. Dollars unless otherwise stated.

Fourth quarter revenue was \$53.5 million, an increase of 20% compared to \$44.6 million reported in the same period last year. Fourth quarter revenue per share on a fully diluted basis increased 16% compared to the prior year’s fourth quarter. Total revenue for the twelve months ended December 31, 2006 was \$210.8 million, an increase of 28% over last year’s revenues of \$165.4 million. Revenue per share on a fully diluted basis for the twelve month period increased 23% compared to 2005.

Adjusted EBITDA for the fourth quarter was \$8.4 million, a 28% increase compared to the prior year's fourth quarter Adjusted EBITDA of \$6.6 million. Fourth quarter Adjusted EBITDA per share on a fully diluted basis increased 24% compared to the prior year’s fourth quarter. Adjusted EBITDA for the twelve month period was \$30.8 million, an increase of 31% over last year’s Adjusted EBITDA of \$23.5 million. Adjusted EBITDA per share on a fully diluted basis for the twelve month period increased 27% compared to 2005.

Adjusted Net Income for the fourth quarter was \$9.0 million compared to the prior year's fourth quarter Adjusted Net Income of \$4.1 million, a 117% increase. Fourth quarter Adjusted Net Income per share on a fully diluted basis increased 111% compared to the prior year’s fourth quarter. Adjusted Net Income for the twelve month period was \$25.9 million, an increase of 51% over last year’s Adjusted Net Income of \$17.2 million. Adjusted Net Income per share on a fully diluted basis for the twelve month period increased 46% compared to 2005.

Net income for the fourth quarter was \$3.8 million compared to the prior year's fourth quarter net income of \$0.8 million. On a fully diluted per share basis, this translates into net income per share of \$0.18 for the fourth quarter of 2006, compared to \$0.04 in the same period of 2005. For the twelve months, we incurred a net loss of \$1.2 million or \$0.06 per diluted share vs. net income of \$0.5 million or \$0.03 per share last year. As noted in our Q1 earnings release, the reason for the net loss in 2006 is the \$10.1 million charge to net income recorded in Q1 2006, which was caused by the appreciation in common shares eligible for redemption, an expense that will not be incurred after Q1 2006.

“We were satisfied with our overall levels of profitability and cash flow generation,” said Mark Leonard, President of Constellation. “As we highlighted earlier in the year, we had expected to see a slowdown in our Private Sector segment. In Q4, our Private Sector business units produced less than 1% growth vs Q4 2005, while our Public Sector business units grew in excess of 35%. We exceeded our long range targets for the business in 2006 and reiterate our belief that we can still achieve the 5-year outlook as amended in our management discussion and analysis.”

“We are pleased to announce our first dividend as a public company,” said Barry Symons, Chief Financial Officer of Constellation. “Our \$0.15 per share dividend represents an increase of 25% over the distribution of \$0.12 per share we paid in 2005, and is consistent with our growth in Adjusted EBITDA and in line with the objectives we set out in our prospectus.”

During the quarter, Constellation made two acquisitions for total consideration of approximately \$4.3 million. Also included in the \$4.3 million are payments on holdbacks from prior acquisitions. For the twelve month period, Constellation made a total of 10 acquisitions for total consideration of approximately \$19.3 million, including payments on holdbacks from prior acquisitions. At December 31, 2006 the Company had cash, restricted cash and marketable securities of \$30.0 million, up from \$19.8 million as of September 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, March 8, 2007** to discuss the results. The teleconference numbers are **416-644-3422** or **1-800-595-8550**. 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 March 15, 2007. To access the rebroadcast, please dial 416-640-1917 or 1-877-289-8525 and quote the passcode 21219100#.

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		Fiscal year ended	
	Dec. 31,		Dec. 31,	
	2006	2005	2006	2005
	(\$000, except percentages)		(\$000, except percentages)	
Total revenue	<u>53,519</u>	<u>44,552</u>	<u>210,759</u>	<u>165,362</u>
Net income (loss)	3,832	815	(1,236)	521
Add back:				
Income tax expense	(410)	945	1,150	3,473
Foreign exchange (gain) loss	(484)	985	(595)	1,552
Interest income	(199)	(80)	(286)	(754)
(Gain) Loss on sale of short-term investments, marketable securities and other assets	(278)	0	(286)	(658)
Other expenses (gain)	0	(115)	1,970	109
Appreciation in common shares eligible for redemption	0	0	10,093	4,528
Amortization of intangible assets	5,143	3,315	17,090	12,170
Amortization of capital assets	787	718	2,943	2,547
Adjusted EBITDA	8,391	6,583	30,843	23,488
Adjusted EBITDA margin	15.7%	14.8%	14.6%	14.2%

The following table reconciles Adjusted net income to net income:

	Three months ended		Fiscal year ended	
	Dec. 31,		Dec. 31,	
	2006	2005	2006	2005
	(\$000, except percentages)		(\$000, except percentages)	
Total revenue	<u>53,519</u>	<u>44,552</u>	<u>210,759</u>	<u>165,362</u>
Net income (loss)	3,832	815	(1,236)	521
Add back:				
Appreciation in common shares eligible for redemption	0	0	10,093	4,528
Amortization of intangible assets	5,143	3,315	17,090	12,170
Adjusted net income	8,975	4,130	25,947	17,219
Adjusted net income margin	16.8%	9.3%	12.3%	10.4%

About Constellation Software Inc.

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.

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Source: Constellation Software Inc.

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

December 31, 2006 and 2005

	2006	2005
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 25,807	\$ 18,285
Restricted cash (note 3)	858	—
Short-term investments and marketable securities (note 4)	3,320	932
Accounts receivable	32,655	27,655
Work in progress	13,189	11,535
Inventory	843	528
Prepaid expenses and other current assets	5,378	3,992
Future income taxes (note 12)	1,153	2,359
	<u>83,203</u>	<u>65,286</u>
Capital assets (note 6)	6,385	6,446
Future income taxes (note 12)	3,429	3,986
Other long-term assets	585	787
Goodwill (note 8)	26,886	23,720
Intangible assets (note 7)	66,085	58,258
	<u>\$ 186,573</u>	<u>\$ 158,483</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 41,821	\$ 34,653
Deferred revenue	56,190	44,939
Deferred compensation (note 14)	—	237
Income taxes payable	1,063	1,276
	<u>99,074</u>	<u>81,105</u>
Future income taxes (note 12)	8,048	9,267
Other long-term liabilities	635	1,464
Deferred compensation (note 14)	—	1,020
Common shares eligible for redemption (note 10(d))	—	24,182
Shareholders' equity:		
Capital stock (note 10)	99,283	57,220
Shareholder loans (note 11)	(2,135)	—
Cumulative translation adjustment	(3,152)	(3,152)
Deficit	(15,180)	(12,623)
	<u>78,816</u>	<u>41,445</u>
Commitments (note 18)		
Contingencies (note 19)		
Guarantees (note 20)		
Subsequent events (note 22)		
	<u>\$ 186,573</u>	<u>\$ 158,483</u>

CONSTELLATION SOFTWARE INC.

Consolidated Statements of Operations

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

	Three months ended December 31,		Twelve months ended December 31,	
	2006	2005	2006	2005
	(Unaudited)			
Revenue	53,519	44,552	210,759	165,362
Cost of revenue	20,296	16,993	81,970	64,216
	33,223	27,559	128,789	101,146
Research and development	7,944	6,304	32,821	25,043
Sales and marketing	6,308	6,229	25,942	22,007
General and administration	10,580	8,443	39,183	30,608
Amortization of capital assets	787	718	2,943	2,547
	25,619	21,694	100,889	80,205
Income before the undernoted	7,604	5,865	27,900	20,941
Appreciation in common shares eligible for redemption (note 6(b))	–	–	10,093	4,528
Amortization of intangible assets	5,143	3,315	17,090	12,170
Other expenses (income)	–	(115)	1,970	109
(Gain) loss on sale of short-term investments, marketable securities and other assets	(278)	–	(286)	(658)
Interest income, net	(199)	(80)	(286)	(754)
Foreign exchange (gain) loss	(484)	985	(595)	1,552
Income (loss) before income taxes	3,422	1,760	(86)	3,994
Income tax expense (recovery) (note 7):				
Current	(395)	828	1,421	3,335
Future	(15)	117	(271)	138
	(410)	945	1,150	3,473
Net income (loss)	3,832	815	(1,236)	521
Net income (loss) per share (note 8):				
Basic	0.18	0.04	(0.06)	0.03
Diluted	0.18	0.04	(0.06)	0.03
Weighted average number of shares Outstanding (in thousands) (note 8):				
Basic	21,056	20,152	20,810	19,952
Diluted	21,192	20,544	20,810	20,392
Outstanding at the end of the period	21,192	20,740	21,192	20,740

CONSTELLATION SOFTWARE INC.

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

	Three months ended		Twelve months ended	
	December 31,		December 31,	
	2006	2005	2006	2005
	(Unaudited)			
Cash flows from operating activities:				
Net income (loss)	\$ 3,832	\$ 815	\$ (1,236)	\$ 521
Adjustments to reconcile net income to net cash flows from operations:				
Amortization of capital assets	787	718	2,943	2,547
Write off of capital assets	–	123	–	123
Amortization of intangible assets	5,143	3,315	17,090	12,170
Appreciation in common shares eligible for redemption	–	–	10,093	4,528
Deferred compensation	–	–	400	232
Future income taxes	(15)	117	(271)	138
(Gain) loss on sale of short term investments, marketable securities and other assets	(278)	–	(286)	(658)
Unrealized exchange loss (gain)	(180)	1,049	(660)	1,621
Change in non-cash operating working capital (note 11)	3,832	2,806	556	3,467
Cash flows from operating activities	13,121	8,943	28,629	24,689
Cash flows from (used in) financing activities:				
Increase (decrease) in long term liabilities	525	1,653	(278)	1,464
Dividends	–	–	(1,381)	(1,150)
Distributions to common shares eligible for redemption	–	–	(471)	(346)
Issue of common shares eligible for redemption, net of shareholder loans	–	3	3,806	2,045
Redemption of common shares eligible for redemption	–	(86)	(20)	(532)
Repayment of shareholder loans	501	24	2,975	955
Repurchase of phantom shares (note 9)	–	–	(1,657)	(62)
Return of capital	–	–	(637)	(531)
Cash flows from (used in) financing activities	1,026	1,594	2,337	1,843
Cash flows from (used in) investing activities:				
Acquisition of businesses, net of cash acquired (note 3)	(4,306)	(13,481)	(19,331)	(28,909)
Additions to short-term investments, marketable securities and other assets	(541)	(932)	(2,850)	(932)
Proceeds on sale of short-term investments, marketable securities and other assets	748	–	748	2,111
Restricted cash	(858)	–	(858)	–
Other assets	72	(773)	202	(773)
Capital asset purchases	(263)	(764)	(2,255)	(3,463)
Cash flows used in investing activities	(5,148)	(15,950)	(24,344)	(31,966)
Effect of currency translation adjustment on cash and cash equivalents	260	(995)	900	(1,726)
Increase (decrease) in cash and cash equivalents	9,259	(6,408)	7,522	(7,160)
Cash and cash equivalents, beginning of period	16,548	24,693	18,285	25,445
Cash and cash equivalents, end of period	\$ 25,807	\$ 18,285	\$ 25,807	\$ 18,285