

Constellation Software Inc. Announces Results for First Quarter of 2006

TORONTO, ONTARIO (May 23, 2006) -- Constellation Software Inc. (TSX:CSU) (“Constellation” or the “Company”) today announced its unaudited first quarter financial results for the quarter ended March 31, 2006.

First quarter revenue was \$51.2 million, an increase of 37% compared to \$37.5 million reported in the same period last year. First quarter revenue per share on a fully diluted basis increased 34% compared to the prior year’s first quarter.

Adjusted EBITDA for the first quarter was \$7.2 million, a 57% increase compared to the prior year's first quarter Adjusted EBITDA of \$4.6 million. First quarter Adjusted EBITDA per share on a fully diluted basis increased 54% compared to the prior year’s first quarter.

Adjusted Net income for the first quarter was \$5.1 million compared to the prior year's first quarter Adjusted Net Income of \$3.8 million, a 34% increase. First quarter Adjusted Net Income per share on a fully diluted basis increased 31% compared to the prior year’s first quarter.

Net loss for the first quarter was \$8.7 million compared to the prior year's first quarter net income of \$1.1 million. On a fully diluted per share basis this translates into a net loss per share of \$0.43 for the first quarter of 2006 compared to a net income per fully diluted share of \$0.05 in the same period of 2005. The principal reason for the net loss was a charge relating to the appreciation of common shares eligible for redemption of \$10.1 million, as detailed in our first quarter report this charge will no longer occur in the future.

“During the quarter we delivered good results and progress across a number of financial metrics,” said Mark Leonard, President of Constellation. “It should be noted that both our revenue growth and Adjusted EBITDA growth rates during the quarter exceeded our five year objective of 20% per annum average growth. In the future, we expect these growth rates to trend closer to the five year average targets.”

During the quarter Constellation made three acquisitions for cash consideration of \$3.4 million, and made an annual distribution to shareholders of \$2.5 million. At March 31, 2006 the Company had cash and marketable securities net of bank debt of \$16.3 million, down from \$19.2 million as of December 31, 2005. The Company continues to seek further organic growth opportunities and acquisitions.

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.

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.

CONSTELLATION SOFTWARE INC.

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

	March 31 2006 (unaudited)	December 31 2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,348	\$ 18,285
Short-term investments	2,096	932
Accounts receivable	29,606	27,655
Work in progress	12,930	11,535
Prepaid expenses and other current assets	5,328	4,520
Future income taxes	2,004	2,359
	<u>67,312</u>	<u>65,286</u>
Capital assets	6,655	6,446
Future income taxes	2,936	3,986
Other long-term assets	768	787
Goodwill	23,720	23,720
Intangible assets	59,842	58,258
	<u>\$ 161,233</u>	<u>\$ 158,483</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 1,100	\$ —
Accounts payable and accrued liabilities	26,088	34,653
Deferred revenue	52,112	44,939
Deferred compensation	331	237
Income taxes payable	1,821	1,276
	<u>81,452</u>	<u>81,105</u>
Future income taxes	7,557	9,267
Other long term liabilities	1,468	1,464
Deferred compensation	1,326	1,020
Common shares eligible for redemption	38,599	24,182
Shareholders' equity:		
Capital stock	56,583	57,220
Cumulative translation adjustment	(3,152)	(3,152)
Deficit	<u>(22,600)</u>	<u>(12,623)</u>
	<u>30,831</u>	<u>41,445</u>
	<u>\$ 161,233</u>	<u>\$ 158,483</u>

CONSTELLATION SOFTWARE INC.

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

	Three months ended	
	March 31,	
	2006	2005
Revenue	\$ 51,220	\$ 37,463
Cost of revenue	20,338	14,726
	30,882	22,737
Research and development	8,192	6,266
Sales and marketing	6,408	4,889
General and administration	9,053	6,979
Amortization of capital assets	636	554
	24,289	18,688
Income before the undernoted	6,593	4,049
Appreciation in common shares eligible for redemption	10,093	—
Amortization of intangible assets	3,661	2,722
Other expenses	884	—
Gain on sale of short-term investments, marketable securities and other assets	(8)	(228)
Interest income	(59)	(260)
Foreign exchange loss	263	24
Income (loss) before income taxes	(8,241)	1,791
Income taxes (recovery):		
Current	710	593
Future	(295)	111
	415	704
Net income (loss)	\$ (8,656)	\$ 1,087
Net income (loss) per share:		
Basic	\$ (0.43)	\$ 0.06
Diluted	(0.43)	0.05

CONSTELLATION SOFTWARE INC.

Consolidated Statements of Cash Flows

(In thousands of U.S. dollars)

Unaudited

	Three months ended	
	March 31,	
	2006	2005
Cash flows from operating activities:		
Net income (loss)	\$ (8,656)	\$ 1,087
Adjustments to reconcile net income to net cash flows from operations:		
Amortization of capital assets	636	554
Amortization of intangible assets	3,661	2,722
Loss on common shares eligible for redemption	10,093	—
Deferred compensation	400	—
Future income taxes	(295)	111
Gain on sale of short term investments and marketable securities	(8)	(228)
Unrealized exchange loss (gain)	243	24
Change in non-cash operating working capital	(5,871)	3,112
Cash flows from operating activities	203	7,383
Cash flows from (used in) financing activities:		
Increase (decrease) in long term liabilities	4	(65)
Dividends	(1,381)	—
Distributions to common shares eligible for redemption	(471)	—
Issue of common shares eligible for redemption	2,899	192
Redemption of common shares eligible for redemption	(14)	(65)
Repayment of shareholder loans	1,910	87
Return of capital	(637)	—
Cash flows from (used in) financing activities	2,310	149
Cash flows from (used in) investing activities:		
Acquisition of businesses, net of cash acquired	(3,433)	(12,954)
Additions (reductions) to short-term investments, marketable securities and other assets	(1,156)	833
Other assets	19	—
Capital asset purchases	(687)	(911)
Cash flows from (used in) investing activities	(5,257)	(13,031)
Effect of currency translation adjustment on cash and cash equivalents	(193)	(11)
Increase (decrease) in cash and cash equivalents	(2,937)	(5,510)
Cash and cash equivalents, beginning of year	18,285	25,445
Cash and cash equivalents, end of year	\$ 15,348	\$ 19,935

Constellation Software Inc. (TSX:CSU)

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