

## Constellation Software Inc. Announces Results for the Three and Nine Months Ended September 30, 2007

**TORONTO, ONTARIO (November 7, 2007)** -- Constellation Software Inc. (TSX:CSU) (“Constellation” or the “Company”) today announced its financial results for the three and nine months ended September 30, 2007. Please note that all dollar amounts referred to in this press release are U.S. Dollars unless otherwise stated.

The following press release should be read in conjunction with the unaudited consolidated interim financial statements for the three and nine month periods ended September 30, 2007 and the accompanying notes, and with our consolidated annual financial statements and our annual MD&A for the year ended December 31, 2006 which can be found on the company website [www.csisoftware.com](http://www.csisoftware.com). Additional information about the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### Q3 2007 Results:

- Revenue up 13% as compared to Q3 2006
- Adjusted EBITDA up 43% as compared to Q3 2006
- Adjusted Net Income up 27% (to \$0.41 on a per share basis) as compared to Q3 2006
- Completed three acquisitions since Q2 2007

Third quarter revenue was \$60.6 million, an increase of 13%, compared to \$53.8 million reported in the same period last year. Total revenue for the nine months ended September 30, 2007 was \$177.0 million, an increase of 13% over last year’s revenues of \$157.2 million. Revenue per share on a fully diluted basis for the nine month period was \$8.35, an increase of 12% compared to the same period in 2006.

Adjusted EBITDA for the third quarter was \$11.4 million, a 43% increase compared to the prior year's third quarter Adjusted EBITDA of \$7.9 million. Third quarter Adjusted EBITDA per share on a fully diluted basis increased 46% to \$0.54, compared to \$0.37 for the same period last year. Adjusted EBITDA for the nine month period ended September 30, 2007 was \$30.6 million, an increase of 36% over last year’s Adjusted EBITDA of \$22.5 million for the same period. Adjusted EBITDA per share on a fully diluted basis for the nine month period increased 35% to \$1.44, compared to \$1.07 for the same period in 2006.

Adjusted Net Income for the third quarter was \$8.6 million, compared to the prior year's third quarter Adjusted Net Income of \$6.8 million, a 27% increase. Third quarter Adjusted Net Income per share on a fully diluted basis increased 28% to \$0.41 compared to \$0.32 for the prior year’s third quarter. Adjusted Net Income for the nine month period ended September 30, 2007 was \$24.4 million, an increase of 44% over last year’s Adjusted Net Income of \$17.0 million. Adjusted Net Income per share on a fully diluted basis for the nine month period ended September 30, 2007 increased 42% to \$1.15 compared to \$0.81 for the same period in 2006.

Net income for the third quarter was \$3.3 million compared to the prior year's third quarter net income of \$2.3 million. On a fully diluted per share basis, this translates into net income per share of \$0.16 for the third quarter of 2007, compared to \$0.11 in the same period of 2006. For the nine months ended September 30, 2007 net income was \$9.5 million or \$0.45 per diluted share compared to a net loss of \$5.1 million or \$0.24 per share last year. As previously noted, the reason for the net loss in the first nine months 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 which will not be repeated now that we have completed our initial public offering.

The following table displays revenue by reporting segment and the percentage change for the three and nine months ended September 30, 2007 compared to the same periods in 2006:

	Three months ended				Nine months ended			
	Sep. 30,		Period-Over-Period		Sep. 30,		Period-Over-Period	
	2007	2006	\$	%	2007	2006	\$	%
	(\$000, except percentages)				(\$000, except percentages)			
<b>Public Sector</b>								
Licenses	4,643	4,509	134	3.0%	12,583	13,261	(678)	-5.1%
Professional services and other:								
Services	10,924	9,941	983	9.9%	31,482	27,503	3,979	14.5%
Hardware and other	2,063	2,749	(686)	-25.0%	7,950	7,597	353	4.6%
Maintenance	21,831	16,474	5,357	32.5%	61,552	46,895	14,657	31.3%
	39,461	33,673	5,788	17.2%	113,567	95,256	18,311	19.2%
<b>Private Sector</b>								
Licenses	2,436	2,358	78	3.3%	7,833	8,036	(203)	-2.5%
Professional services and other:								
Services	3,471	3,613	(142)	-3.9%	10,729	12,273	(1,544)	-12.6%
Hardware and other	944	1,359	(415)	-30.5%	3,140	3,773	(633)	-16.8%
Maintenance	14,262	12,806	1,456	11.4%	41,686	37,902	3,784	10.0%
	21,113	20,136	977	4.9%	63,388	61,984	1,404	2.3%

## Public Sector

For the quarter ended September 30, 2007, total revenue in the public sector segment increased 17.2%, or \$5.8 million, to \$39.5 million, compared to \$33.7 million for the quarter ended September 30, 2006. For the nine months ended September 30, 2007 total revenue increased by 19.2% or \$18.3 million, to \$113.6 million, compared to \$95.3 million for the comparable period in 2006. The increases for both the three and nine month periods were significant in maintenance and professional services revenue. License fees increased by 3.0% in the third quarter but decreased by 5.1% for the first nine months over the comparable periods in 2006. Revenue growth from acquired businesses was significant for both the three and nine month periods as we completed 15 acquisitions since the beginning of 2006 in our public sector segment. It is estimated that these acquisitions contributed approximately \$5.5 million to our Q3 2007 revenues and \$17.4 million to our revenues in the nine months ended September 30, 2007. The remaining \$0.3 million of revenue growth for Q3 and \$0.9 million of revenue growth for the first nine months of 2006 in this sector was generated from organic sources. The organic growth was driven by the following:

- **Trapeze operating group** (decrease of approximately \$0.7 million for Q3 and \$1.4 million for the first nine months). Trapeze experienced declines in license and services revenues in both the quarter and year to date results, primarily due to the timing of bookings in our mobile computing and European businesses, offset in part by strong growth in maintenance revenues in both the quarter and year to date results of 2007.
- **Harris operating group** (increase of approximately \$0.4 million for Q3 and \$1.9 million for the first nine months). Harris' organic growth continues to be driven by upgrades under our software for life program and continued sales to new name customers.
- **Emphasys operating group** (increase of approximately \$0.5 million for Q3 and \$0.6 million for the first nine months). The Emphasys organic growth primarily results from continued sales back to existing clients and sales to new name customers.

## Private Sector:

For the quarter ended September 30, 2007, total revenue in the private sector segment increased 4.9%, or \$1.0 million, to \$21.1 million, compared to \$20.1 million for the quarter ended September 30, 2006. For the nine months ended September 30, 2007, total revenue increased by 2.3% or \$1.4 million, to \$63.4 million, compared to \$62.0 million for the comparable period in 2006. Strong growth in

maintenance revenue was offset by a decline in both professional services and hardware revenue. Revenue growth from acquired businesses was not as strong as in the public sector as we have only completed three acquisitions since the beginning of 2006 in our private sector segment. It is estimated that these acquisitions contributed approximately \$0.9 million of revenue growth to our Q3 2007 revenues and \$2.0 million of revenue growth to our revenues in the nine months ended September 30, 2007. Revenues increased organically by \$0.1 million in Q3 2007 and declined by \$0.6 million in the first nine months of 2007. The organic revenue decline was driven by the following:

- **Jonas operating group** (increase of approximately \$0.8 million for Q3 and \$1.7 million for the first nine months of 2007). The Jonas organic growth in 2007 continues to be driven by maintenance revenues as we continue to capture both market share and customer share in the private club and construction verticals.
- **Homebuilder operating group** (decrease of approximately \$0.5 million for Q3 and \$1.4 million for the first nine months of 2007). Our Homebuilder operating group continues to feel the effects of the housing slowdown in the U.S. The decline was most apparent in licenses and professional services as many of our clients and prospective clients have delayed purchasing decisions.
- **Friedman operating group** (decrease of approximately \$0.1 million for Q3 and \$0.8 million for the first nine months of 2007). Friedman (like Homebuilders) is feeling the effects of the building products and housing starts slow down. The decline at Friedman is the result of lower services as our maintenance revenues have increased period over period.

“We are pleased with our profit levels in third quarter, as we delivered \$0.41 per share in Adjusted Net Income, despite having a \$0.03 per share foreign exchange loss”, said Mark Leonard, President of Constellation. “Unfortunately, our revenue growth continues to trend below our objective. We produced just 1% organic growth in the quarter. Several of our private sector businesses that are related to the housing sector continue to experience declining revenues, which has offset good organic growth in a number of our other verticals. Despite our 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.”

During the quarter, Constellation made three acquisitions for total net cash consideration of approximately \$2.6 million, and paid holdbacks related to prior period acquisitions of \$0.5million. At September 30, 2007, the Company had cash and marketable securities of \$18.6 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, November 8, 2007** to answer questions regarding the results. The teleconference numbers are **416-695-9712** or **1-888-818-4097**. The call will also be webcast live and archived on Constellation’s web site at [www.csisoftware.com](http://www.csisoftware.com).

A replay of the conference call will be available as of 11:30 a.m. ET the same day until 12 a.m. ET on November 22, 2007. To access the replay, please dial 416-695-5800 or 1-800-408-3053 followed by the passcode 3238889#.

#### **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 Sep. 30,		Nine months ended Sep. 30,	
	2007	2006	2007	2006
	(\$000, except percentages)		(\$000, except percentages)	
<b>Total revenue</b>	<u>60,574</u>	<u>53,809</u>	<u>176,955</u>	<u>157,240</u>
<b>Net income (loss)</b>	3,326	2,287	9,470	(5,068)
<b>Add back:</b>				
Income tax expense	1,356	543	3,433	1,560
Foreign exchange loss (gain)	690	(185)	2,042	(111)
Interest income	(249)	(3)	(398)	(87)
Gain on sale of short-term investments, marketable securities and other assets	0	0	(1,354)	(8)
Other expenses	70	0	70	1,970
Appreciation in common shares eligible for redemption	0	0	0	10,093
Amortization of intangible assets	5,302	4,489	14,945	11,947
Depreciation	863	793	2,411	2,156
Adjusted EBITDA	11,358	7,924	30,619	22,452
Adjusted EBITDA margin	18.8%	14.7%	17.3%	14.3%

The following table reconciles Adjusted Net Income to net income:

	Three months ended Sep. 30,		Nine months ended Sep. 30,	
	2007	2006	2007	2006
	(\$000, except percentages)		(\$000, except percentages)	
<b>Total revenue</b>	60,574	53,809	176,955	157,240
<b>Net income (loss)</b>	3,326	2,287	9,470	(5,068)
<b>Add back:</b>				
Appreciation in common shares eligible for redemption	0	0	0	10,093
Amortization of intangible assets	5,302	4,489	14,945	11,947
Adjusted net income	8,628	6,776	24,415	16,972
Adjusted net income margin	14.2%	12.6%	13.8%	10.8%

### 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.

### For further information:

John Billowits  
Chief Financial Officer  
(416) 861-2279  
[info@csisoftware.com](mailto:info@csisoftware.com)  
[www.csisoftware.com](http://www.csisoftware.com)

**SOURCE: CONSTELLATION SOFTWARE INC.**

# CONSTELLATION SOFTWARE INC.

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

	September 30, 2007	December 31, 2006
(Unaudited)		
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 18,977	\$ 25,807
Restricted cash	-	858
Short-term investments and marketable securities - available for sale	1,366	3,320
Accounts receivable	39,623	32,655
Work in progress	13,398	13,189
Inventory	2,061	1,434
Prepaid expenses and other current assets	9,813	4,787
Future income taxes	911	1,153
	86,149	83,203
Property and equipment	7,079	6,385
Future income taxes	3,320	3,429
Notes receivable	3,461	-
Share purchase warrants	571	-
Other long-term assets	2,092	585
Goodwill	30,130	26,886
Intangible assets	77,937	66,085
	\$ 210,739	\$ 186,573
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Bank indebtedness	\$ 1,712	\$ -
Accounts payable and accrued liabilities	34,540	37,024
Acquisition holdback payments	6,378	4,797
Deferred revenue	66,618	56,190
Income taxes payable	5,109	1,063
Future income taxes	37	-
	114,394	99,074
Future income taxes	9,501	8,048
Acquisition holdback payments	231	231
Other long-term liabilities	1,287	404
Shareholders' equity:		
Capital stock	99,283	99,283
Shareholder loans	(1,887)	(2,135)
Accumulated other comprehensive loss	(3,181)	(3,152)
Deficit	(8,889)	(15,180)
	85,326	78,816
Subsequent event		
	\$ 210,739	\$ 186,573

# CONSTELLATION SOFTWARE INC.

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

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
	(Unaudited)		(Unaudited)	
Revenue	\$ 60,574	\$ 53,809	\$ 176,955	\$ 157,240
Cost of revenue	22,368	21,060	66,904	61,674
	38,206	32,749	110,051	95,566
Research and development	9,127	8,489	26,899	24,877
Sales and marketing	6,727	6,488	21,093	19,634
General and administration	10,994	9,848	31,440	28,603
Depreciation	863	793	2,411	2,156
	27,711	25,618	81,843	75,270
Income before the undernoted	10,495	7,131	28,208	20,296
Appreciation in common shares eligible for redemption	—	—	—	10,093
Amortization of intangible assets	5,302	4,489	14,945	11,947
Other expenses	70	—	70	1,970
Gain on sale of short-term investments, marketable securities and other assets	—	—	(1,354)	(8)
Interest income	(249)	(3)	(398)	(87)
Foreign exchange loss (gain)	690	(185)	2,042	(111)
Income (loss) before income taxes	4,682	2,830	12,903	(3,508)
Income taxes (recovery):				
Current	1,471	(184)	4,050	1,816
Future	(115)	727	(617)	(256)
	1,356	543	3,433	1,560
Net income (loss)	\$ 3,326	\$ 2,287	\$ 9,470	\$ (5,068)
Income (loss) per share:				
Basic	\$ 0.16	\$ 0.11	\$ 0.45	\$ (0.24)
Diluted	0.16	0.11	0.45	(0.24)
Weighted average number of shares outstanding (in thousands):				
Basic	21,119	21,039	21,107	20,726
Diluted	21,192	21,192	21,192	20,726
Outstanding at the end of the period	21,192	21,192	21,192	21,192

# CONSTELLATION SOFTWARE INC.

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

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
	(Unaudited)		(Unaudited)	
Cash flows from operating activities:				
Net income (loss)	\$ 3,326	\$ 2,287	\$ 9,470	\$ (5,068)
Adjustments to reconcile net income to net cash flows from operations:				
Depreciation	863	793	2,411	2,156
Amortization of intangible assets	5,302	4,489	14,945	11,947
Loss on common shares eligible for redemption	—	—	—	10,093
Deferred compensation	—	—	—	400
Future income taxes	(115)	727	(617)	(256)
Gain on sale of short-term investments, marketable securities and other assets	—	—	(1,354)	(8)
Unrealized exchange loss (gain)	713	(241)	1,996	(480)
Change in non-cash operating working capital	5,439	3,546	(6,760)	(3,276)
Cash flows from operating activities	15,528	11,601	20,091	15,508
Cash flows from financing activities:				
Increase (decrease) in long-term liabilities	310	(819)	101	(802)
Increase in bank indebtedness	(1,881)	(2,600)	1,712	—
Dividends	—	—	(3,179)	(1,381)
Distributions to common shares eligible for redemption	—	—	—	(471)
Issue of common shares eligible for redemption, net of shareholder loans	—	—	—	3,805
Redemption of common shares eligible for redemption	—	—	—	(20)
Issuance of shareholder loans	—	—	(447)	—
Repayment of shareholder loans	(65)	262	695	2,474
Repurchase of phantom shares	—	—	—	(1,657)
Return of capital	—	—	—	(637)
Cash flows from financing activities	(1,636)	(3,157)	(1,118)	1,311
Cash flows from investing activities:				
Acquisition of businesses, net of cash acquired	(3,103)	(1,298)	(21,918)	(15,025)
Reduction (increase) to short-term investments, marketable securities and other assets	(869)	(831)	3,082	(2,309)
Decrease in restricted cash	—	—	858	—
Decrease (increase) in other assets	(25)	(31)	(4,249)	130
Property and equipment purchased	(544)	(483)	(1,829)	(1,992)
Cash flows (used in) investing activities	(4,541)	(2,643)	(24,056)	(19,196)
Effect of currency translation adjustment on cash and cash equivalents	(998)	198	(1,747)	640
Increase (decrease) in cash and cash equivalents	8,353	5,999	(6,830)	(1,737)
Cash and cash equivalents, beginning of period	10,624	10,549	25,807	18,285
Cash and cash equivalents, end of period	\$ 18,977	\$ 16,548	\$ 18,977	\$ 16,548