

Constellation Software Inc. Announces Results for the Third Quarter Ended September 30, 2009

TORONTO, ONTARIO (November 3, 2009) -- Constellation Software Inc. (TSX:CSU) (“Constellation” or the “Company”) today announced its financial results for the three and nine months ended September 30, 2009. 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, 2009 and the accompanying notes, and with our audited consolidated annual financial statements and our annual MD&A for the year ended December 31, 2008 which can be found on SEDAR at www.sedar.com and on the Company’s website www.csisoftware.com. Additional information about the Company is also available on SEDAR at www.sedar.com.

Q3 2009 Highlights:

- Revenue increased to \$107 million from \$81 million in Q3 2008, representing a 33% increase. Organic revenue was flat over the same period
- Adjusted EBITDA increased to \$23 million from \$16 million in Q3 2008, representing a 46% increase
- Adjusted Net Income increased to \$15 million (\$0.69 on a fully diluted per share basis) from \$12 million (\$0.58 on a fully diluted per share basis) in Q3 2008, representing an 18% increase
- Eight acquisitions were completed in the quarter for net cash consideration of \$39 million, and holdbacks related to prior acquisitions of \$0.7 million were refunded to the Company

Third quarter revenue was \$107 million, an increase of 33%, or \$26 million, compared to \$81 million for the comparable period in 2008. Total revenue for the nine months ended September 30, 2009 was \$306 million, an increase of 32% over last year’s revenues of \$232 million for the same period.

Adjusted EBITDA for the third quarter was \$23 million, a 46% increase compared to the prior year's third quarter Adjusted EBITDA of \$16 million. Third quarter Adjusted EBITDA per share on a fully diluted basis increased 47% to \$1.09, compared to \$0.74 for the same period last year. Adjusted EBITDA for the nine month period ended September 30, 2009 was \$66 million, an increase of 56% over last year’s Adjusted EBITDA of \$42 million for the same period. Adjusted EBITDA per share on a fully diluted basis for the nine month period increased 56% to \$3.11, compared to \$1.99 for the same period in 2008.

Adjusted Net Income for the third quarter was \$15 million, compared to the prior year's third quarter Adjusted Net Income of \$12 million, an 18% increase. Third quarter Adjusted Net Income per share on a fully diluted basis increased 19% to \$0.69 compared to \$0.58 for the prior year’s third quarter. Adjusted Net Income for the nine month period ended September 30, 2009 was \$48 million, an increase of 35% over last year’s Adjusted Net Income of \$35 million. Adjusted Net Income per share on a fully diluted basis for the nine month period ended September 30, 2009 increased 35% to \$2.25 compared to \$1.67 for the same period in 2008.

Net income for the third quarter was \$2.7 million compared to the prior year's third quarter net income of \$3.3 million. On a fully diluted per share basis, this translates into net income per share of \$0.13. For the nine months ended September 30, 2009 net income was \$10.2 million or \$0.48 per diluted share compared to \$11.0 million or \$0.52 per share last year.

Private Sector

For the quarter ended September 30, 2009, total revenue in the private sector segment increased 3%, or \$1 million, to \$26 million, compared to \$25 million for the quarter ended September 30, 2008. For the nine months ended September 30, 2009 total revenue decreased by 4% or \$3 million, to \$73 million, compared to \$76 million for the comparable period in 2008. Revenue growth from acquired businesses was significant for both the three and nine month periods as we completed fifteen acquisitions since the beginning of 2008 in our private sector segment. It is estimated that acquisitions completed since the beginning of 2008 contributed approximately \$4 million to our Q3 2009 revenues and \$8 million to our revenues in the nine months ended September 30, 2009. Revenues decreased organically by \$4 million in Q3 2009 and \$11 million in the nine months ended September 30, 2009 compared to the same periods in 2008. The organic revenue decline was primarily driven by the following:

- **Homebuilder and Friedman operating groups** (decrease of approximately \$2.6 million for Q3 and \$8.7 million for the first nine months). These operating groups continued to feel the effects of the housing slowdown in the U.S. The decline was apparent across all revenue streams as many of our existing and prospective clients have delayed purchasing decisions. Our Homebuilding and Friedman operating groups are significantly affected by decreasing demand for new housing and building products. These groups continue to see decreased demand for their products and services and we are uncertain when demand will stop decreasing given the weakness in the underlying industries that they serve.
- **Jonas operating group** (decrease of approximately \$0.9 million for Q3 and \$2.2 million for the first nine months). Jonas experienced decreased demand in their construction, club and food services verticals. The decline was apparent in licenses and services as many existing and prospective clients delayed purchasing decisions.

During the quarter, Constellation completed eight acquisitions for total net cash consideration of approximately \$39 million, and received holdbacks related to prior acquisitions of \$0.7 million. At September 30, 2009, Constellation's cash position (net of borrowings on our line of credit) decreased to negative \$37 million, from negative \$30 million at December 31, 2008.

“Our businesses have responded well to the slowdown in the economy. We sell capital goods, and like most such companies, our sales to new customers and sales of new products have been depressed. Despite the economy, cost cutting combined with a growing base of recurring revenues has allowed us to generate record EBITA margins and cash flows during the last 12 months. After a weak start to fiscal 2009, we deployed capital in acquisitions at a rate that far exceeded our cash flow generation during Q3. We continue to believe that we will achieve our 2006-2010 revenue and Adjusted Net Income growth per share objectives.”

Conference Call and Webcast

Management will host a conference call at **8:00 a.m. (ET) on Wednesday, November 4, 2009** to answer questions regarding the results. The teleconference numbers are 416-340-8061 or 866-225-0198. The call will also be webcast live and archived on Constellation's web site at www.csisoftware.com.

A replay of the conference call will be available as of 11:30 a.m. ET the same day until 11:59 p.m. ET on August 20, 2009. To access the replay, please dial 416-695-5800 or 1-800-408-3053 followed by the passcode 5656462#.

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. 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 reflect current assumptions and expectations regarding future events and operating performance and are made as of the date hereof and Constellation assumes no obligation, except as required by law, 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, and amortization, and before including gain (loss) on sale of short-term investments, marketable securities, other assets, and foreign exchange. The Company 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. “Adjusted EBITDA margin” refers to the percentage that Adjusted EBITDA for any period represents as a portion of total revenue for that period.

“Adjusted Net Income” means net income plus amortization of intangible assets and future income taxes. 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 amortization of intangibles and future income taxes as these are non-cash expenses that do not necessarily reflect the decrease in economic value of acquisitions. The majority of future income taxes relate to the amortization of intangible assets, and thus are being added back to more closely match the non-cash future tax recovery with the amortization of intangibles. “Adjusted Net Income margin” refers to the percentage that Adjusted Net Income for any period represents as a portion of total revenue for that period.

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		Nine months ended	
	Sep. 30,		Sep. 30,	
	2009	2008	2009	2008
	(\$'000, except percentages)		(\$'000, except percentages)	
Total revenue	\$ 107,279	\$ 80,790	\$ 306,046	\$ 232,135
Net income	2,706	3,293	10,234	11,024
Add back:				
Income taxes	1,084	1,413	4,714	1,453
Foreign exchange loss (gain)	2,022	176	624	(487)
Interest expense	542	120	1,908	517
Loss on held for trading investments related to mark to market adjustments	0	134	0	134
Loss (gain) on sale of short-term investments, marketable securities and other assets	0	15	(33)	(9)
Other expenses	0	0	1,474	0
Amortization of intangible assets	15,583	9,709	44,271	27,006
Depreciation	1,067	883	2,706	2,509
Adjusted EBITDA	23,004	15,743	65,898	42,147
Adjusted EBITDA margin	21%	19%	22%	18%

The following table reconciles Adjusted Net Income to net income:

	Three months ended		Nine months ended	
	Sep. 30,		Sep. 30,	
	2009	2008	2009	2008
	(\$'000, except percentages)		(\$'000, except percentages)	
Total revenue	\$ 107,279	\$ 80,790	\$ 306,046	\$ 232,135
Net income	2,706	3,293	10,234	11,024
Add back:				
Amortization of intangible assets	15,583	9,709	44,271	27,006
Future income taxes (recovery)	(3,722)	(670)	(6,749)	(2,582)
Adjusted net income	14,567	12,332	47,756	35,448
Adjusted net income margin	14%	15%	16%	15%

The following provides supplemental income statement and cash flow information for assets acquired from MAXIMUS ('MAJES') in Q3 2008:

Statement of Operations

For the three and nine months ended September 30, 2009

(Unaudited)	For the 3 months ended September 30, 2009			For the 9 months ended September 30, 2009		
	Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated	Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated
Revenue	\$ 88,674	\$ 18,605	\$ 107,279	\$ 249,886	\$ 56,160	\$ 306,046
Cost of revenue	33,338	6,777	40,115	91,962	20,972	112,934
Gross Profit	55,336	11,828	67,164	157,924	35,188	193,112
Total Expenses (pre amortization)	37,416	6,744	44,160	107,381	19,833	127,214
Adjusted EBITDA	17,920	5,084	23,004	50,543	15,355	65,898
EBITDA as % Total Revenue	20%	27%	21%	20%	27%	22%
Depreciation	912	155	1,067	2,446	260	2,706
Income before the undernoted	17,008	4,929	21,937	48,097	15,095	63,192
Amortization of intangible assets	12,956	2,627	15,583	37,195	7,076	44,271
Other expenses (income)	1,895	669	2,564	3,319	654	3,973
Income before income taxes	2,157	1,633	3,790	7,583	7,365	14,948
Income taxes	861	223	1,084	2,298	2,416	4,714
Net Income	\$ 1,296	\$ 1,410	\$ 2,706	\$ 5,285	\$ 4,949	\$ 10,234

Cash flow from operating activities

For the three and nine months ended September 30, 2009

(Unaudited)	For the 3 months ended September 30, 2009			For the 9 months ended September 30, 2009		
	Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated	Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated
Cash flow s from operating activities:						
Net income	\$ 1,296	\$ 1,410	\$ 2,706	\$ 5,285	\$ 4,949	\$ 10,234
Adjustments to reconcile net income to net cash flow s from operations:						
Depreciation	912	155	1,067	2,446	260	2,706
Amortization of intangible assets	12,956	2,627	15,583	37,195	7,076	44,271
Future income taxes	(1,587)	(2,135)	(3,722)	(4,569)	(2,180)	(6,749)
Other non-cash items	1,435	645	2,080	1,007	645	1,652
Change in non-cash operating working capital	8,223	3,695	11,918	(9,589)	5,046	(4,543)
Cash flow s from operating activities	\$ 23,235	\$ 6,397	\$ 29,632	\$ 31,775	\$ 15,796	\$ 47,571

The following table reconciles Adjusted EBITDA to net income for MAJES:

Adjusted EBITDA to net income reconciliation
For the three and nine months ended September 30, 2009

(Unaudited)	For the 3 months ended September 30, 2009			For the 9 months ended September 30, 2009		
	Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated	Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated
Total revenue	\$ 88,674	\$ 18,605	\$ 107,279	\$ 249,886	\$ 56,160	\$ 306,046
Net income	1,296	1,410	2,706	5,285	4,949	10,234
Add back:						
Income tax expense	861	223	1,084	2,298	2,416	4,714
Other expenses (income)	1,895	669	2,564	3,319	654	3,973
Amortization of intangible assets	12,956	2,627	15,583	37,195	7,076	44,271
Depreciation	912	155	1,067	2,446	260	2,706
Adjusted EBITDA	17,920	5,084	23,004	50,543	15,355	65,898
Adjusted EBITDA margin	20%	27%	21%	20%	27%	22%

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.

Interim Consolidated Balance Sheets

(In thousands of U.S. dollars)

	September 30, 2009	December 31, 2008
	(Unaudited)	
Assets		
Current assets:		
Cash	\$ 16,973	\$ 30,405
Short-term investments and marketable securities available for sale	16,046	9,979
Accounts receivable	64,238	61,079
Work in progress	21,111	15,392
Inventory	3,084	2,308
Prepaid expenses and other current assets	11,604	8,395
Investment tax credits recoverable	2,180	1,504
Future income taxes	4,622	3,779
	139,858	132,841
Restricted cash	800	750
Property and equipment	10,484	9,381
Future income taxes	12,970	5,713
Notes receivable	3,770	3,643
Investment tax credits recoverable	2,004	1,808
Other long-term assets	4,286	3,656
Intangible assets	199,480	188,070
Goodwill	40,790	39,937
	\$ 414,442	\$ 385,799
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 54,000	\$ 60,200
Accounts payable and accrued liabilities	58,672	63,429
Acquisition holdback payments	4,787	10,901
Deferred revenue	131,209	115,466
Income taxes payable	4,006	3,197
	252,674	253,193
Future income taxes	32,009	26,778
Other long-term liabilities	22,356	10,446
Shareholders equity:		
Capital stock	99,283	99,283
Shareholder loans	(664)	(931)
Accumulated other comprehensive loss	(804)	(6,901)
Retained earnings	9,588	3,931
	107,403	95,382
	\$ 414,442	\$ 385,799

CONSTELLATION SOFTWARE INC.

Interim Consolidated Statements of Operations

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
	(Unaudited)		(Unaudited)	
Revenue	\$ 107,279	\$ 80,790	\$ 306,046	\$ 232,135
Cost of revenue	40,115	29,722	112,934	86,974
	67,164	51,068	193,112	145,161
Research and development	16,478	11,856	46,460	34,813
Sales and marketing	10,714	8,930	31,494	26,812
General and administration	16,968	14,539	49,260	41,389
Depreciation	1,067	883	2,706	2,509
	45,227	36,208	129,920	105,523
Income before the undernoted	21,937	14,860	63,192	39,638
Amortization of intangible assets	15,583	9,709	44,271	27,006
Other expenses	-	-	1,474	-
Loss (gain) on sale of short-term investments, marketable securities and other assets	-	15	(33)	(9)
Loss on held for trading investments related to mark to market adjustments	-	134	-	134
Interest expense, net	542	120	1,908	517
Foreign exchange (gain) loss	2,022	176	624	(487)
Income before income taxes	3,790	4,706	14,948	12,477
Income taxes (recovery):				
Current	4,806	2,083	11,463	4,035
Future	(3,722)	(670)	(6,749)	(2,582)
	1,084	1,413	4,714	1,453
Net income	\$ 2,706	\$ 3,293	\$ 10,234	\$ 11,024
Income per share:				
Basic	\$ 0.13	\$ 0.16	\$ 0.48	\$ 0.52
Diluted	0.13	0.16	0.48	0.52
Weighted average number of shares outstanding:				
Basic	21,171	21,153	21,163	21,130
Diluted	21,192	21,192	21,192	21,192
Outstanding at the end of the period	21,192	21,192	21,192	21,192

CONSTELLATION SOFTWARE INC.

Interim Consolidated Statements of Retained Earnings (deficit)

(In thousands of U.S. dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	(Unaudited)		(Unaudited)	
Retained earnings (deficit), beginning of period	\$ 6,882	\$ (3,332)	\$ 3,931	\$ (7,249)
Net income	2,706	3,293	10,234	11,024
Dividends	-	-	(4,577)	(3,814)
Retained earnings (deficit), end of period	\$ 9,588	\$ (39)	\$ 9,588	\$ (39)

Interim Consolidated Statements of Comprehensive Income

(In thousands of U.S. dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	(Unaudited)		(Unaudited)	
Net Income	\$ 2,706	\$ 3,293	\$ 10,234	\$ 11,024
Other comprehensive net income, net of tax:				
Net unrealized mark-to-market adjustment gain (loss) on available-for-sale financial assets during the period (taxes - nil)	3,720	438	4,099	(1,401)
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial assets during the period (taxes - nil)	(218)	(646)	524	(740)
Transfer of unrealized gain from prior periods upon derecognition of available-for-sale investments (taxes - nil)	-	-	-	(39)
Amounts reclassified to earnings during the period (taxes - nil)	-	-	1,474	-
Comprehensive income	\$ 6,208	\$ 3,085	\$ 16,331	\$ 8,844

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,	
	2009	2008	2009	2008
	(Unaudited)		(Unaudited)	
Cash flows from operating activities:				
Net income	\$ 2,706	\$ 3,293	\$ 10,234	\$ 11,024
Adjustments to reconcile net income to net cash flows from operations:				
Depreciation	1,067	883	2,706	2,509
Amortization of intangible assets	15,583	9,709	44,271	27,006
Non-cash interest	(30)	(43)	(101)	(137)
Future income taxes	(3,722)	(670)	(6,749)	(2,582)
Other	-	-	1,474	-
Loss (gain) on sale of short-term investments, marketable securities, and other assets	-	15	(33)	(9)
Loss on held for trading investments related to mark to market adjustments	-	134	-	134
Unrealized foreign exchange (gain) loss	2,110	307	312	(66)
Change in non-cash operating working capital	11,918	10,226	(4,543)	1,836
Cash flows from operating activities	29,632	23,854	47,571	39,715
Cash flows from (used in) financing activities:				
Increase (decrease) in other long-term liabilities	(135)	172	(194)	395
Increase (decrease) in bank indebtedness	17,000	26,500	(6,200)	35,358
Credit facility financing fees	(26)	-	(54)	(354)
Dividends	-	-	(4,577)	(3,814)
Repayment of shareholder loans	2	-	329	880
Cash flows from (used in) financing activities	16,841	26,672	(10,696)	32,465
Cash flows from (used in) investing activities:				
Acquisition of businesses, net of cash acquired	(38,701)	(43,590)	(44,295)	(59,679)
Acquisition holdback (payments) refunds	701	(1,831)	(1,871)	(2,571)
Investment in VCG Inc.	-	(85)	-	(85)
Additions to short-term investments, marketable securities and other assets	(1,521)	-	(1,411)	(12,158)
Decrease (increase) in restricted cash	(50)	89	(50)	(908)
Increase in other assets	(177)	(1,094)	(306)	(1,848)
Property and equipment purchased	(978)	(874)	(2,907)	(2,385)
Cash flows used in investing activities	(40,726)	(47,385)	(50,840)	(79,634)
Effect of currency translation adjustment on cash and cash equivalents	(1,220)	(543)	533	(428)
Increase (decrease) in cash and cash equivalents	4,527	2,598	(13,432)	(7,882)
Cash, beginning of period	12,446	9,316	30,405	19,796
Cash, end of period	\$ 16,973	\$ 11,914	\$ 16,973	\$ 11,914
Supplemental cash flow information:				
Income taxes paid	\$ 1,103	\$ 3,791	\$ 9,917	\$ 3,791
Interest paid	684	326	2,331	1,220
Investment tax credits received	55	908	260	908
Interest received	-	-	46	749