

Constellation Software Inc. Announces Results for the First Quarter Ended March 31, 2011

TORONTO, ONTARIO (May 4, 2011) -- Constellation Software Inc. (TSX:CSU) (“Constellation” or the “Company”) today announced its financial results for the three months ended March 31, 2011. 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 Condensed Consolidated Interim Financial Statements for the three months ended March 31, 2011 and the accompanying notes, and with our annual Consolidated Financial Statements and our annual MD&A for the year ended December 31, 2010 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.

Q1 2011 Highlights:

- Revenue grew 23% compared to Q1 2010. Organic revenue growth was 5% in Q1 2011 compared to negative 6% in Q1 2010.
- Adjusted EBITDA grew 47% compared to Q1 2010.
- Adjusted EBITDA margin was 20% in Q1 2011 compared to 16% in Q1 2010.
- Adjusted net income grew 43% compared to Q1 2010.
- Cash flow from operations grew 107% compared to Q1 2010.
- Two acquisitions, and a 50% investment in a third company, were completed in the quarter for net cash consideration of \$10 million, and holdbacks related to prior acquisitions of \$1 million were paid.
- Subsequent to March 31, 2011, the Company completed four acquisitions for aggregate cash consideration of \$10 million plus holdbacks of \$1 million.

First quarter revenue was \$178 million, an increase of 23%, or \$33 million, compared to \$145 million for the comparable period in 2010.

Adjusted EBITDA for the first quarter 2011 was \$35 million, a 47% increase compared to the prior year's first quarter Adjusted EBITDA of \$24 million. First quarter Adjusted EBITDA per share on a fully diluted basis increased 47% to \$1.65, compared to \$1.13 for the same period last year.

Adjusted net income for the first quarter 2011 was \$27 million, compared to the prior year's first quarter Adjusted net income of \$19 million, a 43% increase. First quarter Adjusted net income per share on a fully diluted basis increased 43% to \$1.28 compared to \$0.89 for the prior year’s first quarter.

Net income for the first quarter 2011 was \$64 million, compared to the prior year's first quarter net income of \$8 million. First quarter net income per share on a fully diluted basis increased 700% to \$3.03 compared to \$0.38 for the prior year’s first quarter. The significant increase in net income in the first quarter of 2011 was due to an increase in deferred income tax recovery of \$52 million compared to the same period in 2010. The increase in income tax recovery was primarily due to the transfer of certain intangible assets from one subsidiary to another during the period. A deferred tax asset was recorded on the increase in fair market value arising on the sale of intellectual property between entities within the Company at the purchaser’s tax rate notwithstanding that the gains are not otherwise recorded for financial reporting. The deferred income tax recovery being recorded through profit or loss represents the amount of these deferred income tax deductions that the Company has determined will be utilized for income tax purposes in the future. These deductions will be available to the Company over a fifteen year period and, as such, the Company expects a reduction in the current income tax rate in 2011 as a percent of Adjusted net income before tax as compared to 2010.

The following table displays our revenue by reportable segment and the percentage change for the three months ended March 31, 2011 compared to the same periods in 2010:

	Three months ended March 31,		Period-Over-Period Change	
	<u>2011</u>	<u>2010</u>	\$	%
	(\$000, except percentages)			
Public Sector				
Licenses	10,546	8,323	2,223	27%
Professional services and other:				
Services	33,458	34,992	(1,534)	-4%
Hardware and other	21,257	15,483	5,774	37%
Maintenance	65,689	52,379	13,310	25%
	130,950	111,177	19,773	18%
Private Sector				
Licenses	4,666	2,759	1,907	69%
Professional services and other:				
Services	8,330	6,158	2,172	35%
Hardware and other	2,750	1,308	1,442	110%
Maintenance	30,936	23,444	7,492	32%
	46,682	33,669	13,013	39%

Public Sector

For the quarter ended March 31, 2011, total revenue in the public sector reportable segment increased 18%, or \$20 million, to \$131 million, compared to \$111 million for the quarter ended March 31, 2010. The increase was significant across all revenue types other than professional services which decreased 4%, or \$2 million, to \$33 million, compared to \$35 million for the quarter ended March 31, 2010. Revenue growth from acquired businesses was significant as we completed eleven acquisitions since the beginning of 2010 in our public sector segment. It is estimated that acquisitions completed since the beginning of 2010 contributed approximately \$16 million to our Q1 2011 revenues. Revenues increased organically by 4% or \$5 million in Q1 2011 compared to the same period in 2010.

The organic revenue change was primarily driven by the following:

- **Volaris operating group (formerly the Trapeze operating group)** (increase of approximately \$4 million for the three months ended March 31, 2011). The organic growth was primarily driven by strong revenue from existing clients and new customers in its transit business unit.
- **Harris operating group** (increase of approximately \$1 million for the three months ended March 31, 2011). The organic growth was primarily driven by strong revenue from existing and new clients in its utility business unit.

Private Sector

For the quarter ended March 31, 2011, total revenue in the private sector reportable segment increased 39%, or \$13 million, to \$47 million, compared to \$34 million for the quarter ended March 31, 2010. Revenue growth from acquired businesses was significant for the three month period as we completed thirteen acquisitions since the beginning of 2010 in our private sector segment. It is estimated that acquisitions completed since the beginning of 2010 contributed approximately \$10 million to our Q1 2011 revenues. Revenues increased organically by 9% or \$3 million in Q1 2011 compared to the same period in 2010.

The organic revenue change was primarily driven by the following:

- **Jonas operating group** (increase of approximately \$2 million for the three months ended March 31, 2011). Jonas' organic growth was driven by strong sales to both existing and new customers primarily in its' fitness, construction, and food service verticals.
- **Homebuilder and Friedman operating groups** (increase of approximately \$1 million for the three months ended March 31, 2011). The organic growth was primarily driven by strong sales to both existing and new customers in Homebuilders' non-homebuilding business units.

Constellation's bank indebtedness, net of cash, increased to \$55 million at March 31, 2011 as compared to \$15 million at December 31, 2010, mainly due to a \$42 million dividend payment. Following the Board of Directors decision on April 4, 2011 to undertake a review of strategic alternatives for the Company with the objective of enhancing shareholder value, the Company suspended negotiations of a new \$250 million credit facility with a new syndicate of lenders that would have replaced the existing \$160 million facility. There is no defined timeline for this strategic review and there can be no assurance that this review will result in any specific action. The negotiations for the new credit facility will not resume until the outcome of the review is completed.

Outlook

For fiscal 2011, the Company expects gross revenue to be in the range of \$725 million to \$750 million and Adjusted EBITDA to be in the range of \$145 million to \$170 million. These statements are "forward looking statements" and are based on various assumptions which management believes are reasonable under the current circumstances. Although management believes the assumptions are reasonable in the current circumstances, they are subject to various risks and uncertainties and there are several factors that could cause actual results to differ materially from those specified above. See "Forward Looking Statements".

Conference Call and Webcast

Management will host a conference call at **8:30 a.m. (ET) on Thursday, May 5, 2011** to answer questions regarding the results. The teleconference numbers are 416-695-6616 or 800-355-4959. 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 May 19, 2011. To access the replay, please dial 905-694-9451 or 800-408-3053 followed by the passcode 6571482#.

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. Specifically, the statements included under "Outlook" above are forward looking and are based on the assumptions that revenue growth will be in the range of 15%-19% for fiscal 2011 (which includes the impact of all companies acquired to date and a moderate increase in organic growth over the recent performance of the Company), Adjusted EBITDA margins will be in the range of 20-23% for fiscal 2011 (which represents a moderate increase over the recent performance of the Company), no material acquisitions will be completed during the remainder of fiscal 2011 and general economic and market conditions will remain consistent with those in effect on May 4, 2011. Forward looking statements involve significant risks and uncertainties, and 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, including the risk that revenue can fluctuate significantly based on the demand for our software products, level of product and price competition, the geographical mix of our sales together with fluctuations in foreign currency, changes in mix and pricing of software solutions that our customers demand, our ability to successfully implement projects, order cancellations, renewal of maintenance agreements with customers, and patterns of spending and changes in budgeting cycles of our customers, and the risk that Adjusted EBITDA can fluctuate significantly based on the pricing and mix of software solutions that we sell, our customer demand, the geographical mix of our sales and cost base together with fluctuations in foreign currency exchange rates, and employee bonuses which are based on the performance of the Company. 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-IFRS Measures

This press release includes certain measures which have not been prepared in accordance with IFRS such as Adjusted EBITDA, Adjusted EBITDA margin, Adjusted net income and Adjusted net income margin.

The term “Adjusted EBITDA” refers to net income before deducting finance income, finance costs, income taxes, depreciation, amortization, and foreign exchange loss (gain). 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 non-cash expenses (income) such as amortization of intangible assets, deferred income taxes, and certain other expenses (income). 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 intangible assets, deferred income taxes, and certain other non-cash expenses (income) incurred by the Company from time to time. “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 IFRS 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 IFRS. 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 March 31,	
	2011	2010
	(\$000, except percentages)	
Total revenue	<u>\$ 177,632</u>	<u>\$ 144,846</u>
Net income	64,229	8,031
Add back:		
Income taxes	(52,704)	(482)
Foreign exchange	2,065	(579)
Finance income	(368)	(284)
Finance cost	1,161	952
Amortization of intangible assets	18,525	14,958
Depreciation	2,126	1,246
Adjusted EBITDA	35,034	23,842
Adjusted EBITDA margin	20%	16%

The following table reconciles Adjusted net income to net income:

	Three months ended March 31,	
	2011	2010
	(\$000, except percentages)	
Total revenue	<u>\$ 177,632</u>	<u>\$ 144,846</u>
Net income	64,229	8,031
Add back:		
Amortization of intangible assets	18,525	14,958
Deferred income tax recovery	(55,712)	(4,077)
Adjusted net income	27,042	18,912
Adjusted net income margin	15%	13%

The following tables provide supplemental net income and cash flow information of PTS:

Statement of Operations
For the three months ended March 31, 2011

(Unaudited)	Constellation Software Inc. (excluding PTS)	PTS	Consolidated
Revenue	\$ 145,136	\$ 32,496	\$ 177,632
Expenses	115,508	27,090	142,598
Adjusted EBITDA	29,628	5,406	35,034
<i>EBITDA as % Total Revenue</i>	20%	17%	20%
Depreciation	1,608	518	2,126
Amortization of intangible assets	18,525	-	18,525
Other expenses, net	2,204	654	2,858
	22,337	1,172	23,509
Income before income taxes	7,291	4,234	11,525
Income tax (recovery) expense	(53,311)	607	(52,704)
Net Income	\$ 60,602	\$ 3,627	\$ 64,229

Cash flow from operating activities
For the three months ended March 31, 2011

(Unaudited)	Constellation Software Inc. (excluding PTS)	PTS	Consolidated
Cash flows from operating activities:			
Net income	\$ 60,602	\$ 3,627	\$ 64,229
Adjustments to reconcile net income to net cash flows from operations:			
Depreciation	1,608	518	2,126
Amortization of intangible assets	18,525	-	18,525
Income tax (recovery) expense	(53,311)	607	(52,704)
Other non-cash items	2,220	638	2,858
Change in non-cash operating working capital	(339)	(13,037)	(13,376)
Income taxes paid	(1,718)	(661)	(2,379)
Cash flows from operating activities	\$ 27,587	\$ (8,308)	\$ 19,279

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

Adjusted EBITDA to net income reconciliation
For the three months ended March 31, 2011

(Unaudited)	Constellation Software Inc. (excluding PTS)	PTS	Consolidated
Total revenue	\$ 145,136	\$ 32,496	\$ 177,632
Net income	60,602	3,627	64,229
Add back:			
Income tax (recovery) expense	(53,311)	607	(52,704)
Other expenses, net	2,204	654	2,858
Amortization of intangible assets	18,525	-	18,525
Depreciation	1,608	518	2,126
Adjusted EBITDA	29,628	5,406	35,034
Adjusted EBITDA margin	20%	17%	20%

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
www.csisoftware.com

SOURCE: CONSTELLATION SOFTWARE INC.

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Financial Position
(In thousands of U.S. dollars)

(Unaudited)

	March 31, 2011	December 31, 2010	January 1, 2010
Assets			
Current assets:			
Cash	\$ 30,143	\$ 30,911	\$ 33,249
Equity securities available for sale	27,866	23,723	22,323
Accounts receivable	96,827	92,097	95,992
Work in progress	26,033	24,408	22,516
Inventories	18,155	15,945	14,320
Other assets	26,568	26,463	26,261
	225,592	213,547	214,661
Non-current assets:			
Property and equipment	14,320	13,469	8,226
Deferred income taxes	82,004	27,170	15,765
Other assets	25,469	23,548	13,879
Intangible assets	268,187	269,987	222,239
	389,980	334,174	260,109
Total assets	\$ 615,572	\$ 547,721	\$ 474,770
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank indebtedness	\$ 85,616	\$ 46,041	\$ 41,153
Accounts payable and accrued liabilities	81,544	104,905	86,639
Deferred revenue	188,305	158,025	135,299
Provisions	2,339	2,253	8,312
Acquired contract liabilities	6,859	10,908	7,652
Acquisition holdback payments	8,503	6,920	3,587
Income taxes payable	1,596	1,424	3,757
	374,762	330,476	286,399
Non-current liabilities:			
Deferred income taxes	29,649	29,611	27,307
Acquired contract liabilities	33,707	35,633	41,482
Acquisition holdback payments	2,402	2,744	2,537
Other liabilities	6,333	6,206	4,018
	72,091	74,194	75,344
Total liabilities	446,853	404,670	361,743
Shareholders' equity			
Capital stock	99,283	99,283	99,283
Accumulated other comprehensive income	11,398	7,575	3,004
Retained earnings	58,038	36,193	10,740
	168,719	143,051	113,027
Total liabilities and shareholders' equity	\$ 615,572	\$ 547,721	\$ 474,770

CONSTELLATION SOFTWARE INC.

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

Three months ended March 31, 2011 and 2010

(Unaudited)

	2011	2010
Revenue	\$ 177,632	\$ 144,846
Expenses		
Staff	95,919	86,319
Hardware	12,121	9,337
Third party license, maintenance and professional services	12,663	7,662
Occupancy	4,588	3,936
Travel	6,268	5,259
Telecommunications	2,537	2,351
Supplies	4,163	2,684
Professional fees	2,136	1,250
Other	2,203	2,206
Income before the undernoted	35,034	23,842
Depreciation	2,126	1,246
Amortization of intangible assets	18,525	14,958
Foreign exchange	2,065	(579)
Finance income	(368)	(284)
Finance costs	1,161	952
	23,509	16,293
Profit before income tax	11,525	7,549
Current income tax expense	3,008	3,595
Deferred income tax recovery	(55,712)	(4,077)
Income tax recovery	(52,704)	(482)
Net income	64,229	8,031
Net change in fair value on available-for-sale financial assets during the period	3,325	2,074
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial assets during the period	209	(351)
Reclassification of unrealized gain upon derecognition of available-for-sale investments	-	(696)
Amounts reclassified to profit during the period related to realized gains on available-for-sale investments	(334)	-
Deferred tax expense on unrealized net gains noted above	(480)	(604)
Foreign currency translation differences from foreign operations	1,103	(10)
Other comprehensive income for the period, net of income tax	3,823	413
Total comprehensive income for the period	\$ 68,052	\$ 8,444
Earnings per share Basic and diluted	\$ 3.03	\$ 0.38

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Statements of Changes in Equity
(In thousands of U.S. dollars)

(Unaudited)

Three months ended March 31, 2011

	Capital stock	Accumulated other comprehensive income/(loss)		Accumulated other comprehensive income/(loss)	Retained earnings	Total
		Cumulative translation account	Unrealized gains/losses on available-for-sale financial assets			
Balance at January 1, 2011	\$ 99,283	\$ 432	\$ 7,143	\$ 7,575	\$ 36,193	\$ 143,051
<i>Total comprehensive income for the period</i>						
Net income					64,229	64,229
<i>Other comprehensive income (loss)</i>						
Net change in fair value on available-for-sale financial assets during the period			3,325	3,325		3,325
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial assets during the period			209	209		209
Amounts reclassified to profit during the period related to realized gains on available-for-sale investments			(334)	(334)		(334)
Deferred tax expense on unrealized net gains			(480)	(480)		(480)
Foreign currency translation adjustment		1,103		1,103		1,103
Total other comprehensive income (loss) for the period		1,103	2,720	3,823	-	3,823
Total comprehensive income for the period		1,103	2,720	3,823	64,229	68,052
Transactions with owners, recorded directly in equity						
Dividends to owners of the Company					(42,384)	(42,384)
Balance at March 31, 2011	\$ 99,283	\$ 1,535	\$ 9,863	\$ 11,398	\$ 58,038	\$ 168,719

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Statements of Changes in Equity
(In thousands of U.S. dollars)

(Unaudited)

Three months ended March 31, 2010	Capital stock	Accumulated other comprehensive income/(loss)		Accumulated other comprehensive income/(loss)	Retained earnings	Total
		Cumulative translation account	Unrealized gains/losses on available-for-sale financial assets			
Balance at January 1, 2010	\$ 99,283	\$ -	\$ 3,004	\$ 3,004	\$ 10,740	\$ 113,027
<i>Total comprehensive income for the period</i>						
Net income					8,031	8,031
<i>Other comprehensive income (loss)</i>						
Net change in fair value on available-for-sale financial assets during the period			2,074	2,074	-	2,074
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial assets during the period			(351)	(351)	-	(351)
Reclassification of unrealized gain from prior periods upon derecognition of available-for-sale investments			(696)	(696)	-	(696)
Deferred tax expense on unrealized net gains			(604)	(604)	-	(604)
Foreign currency translation adjustment		(10)	-	(10)	-	(10)
Total other comprehensive income (loss) for the period		(10)	423	413	-	413
Total comprehensive income for the period		(10)	423	413	8,031	8,444
Transactions with owners, recorded directly in equity						
Dividends to owners of the Company					(5,510)	(5,510)
Balance at March 31, 2010	\$ 99,283	\$ (10)	\$ 3,427	\$ 3,417	\$ 13,261	\$ 115,961

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Statements of Cash Flows

(In thousands of U.S. dollars)

Three months ended March 31, 2011 and 2010

(Unaudited)

	2011	2010
Cash flows from operating activities:		
Net income	\$ 64,229	\$ 8,031
Adjustments for:		
Depreciation	2,126	1,246
Amortization of intangible assets	18,525	14,958
Finance income	(368)	(284)
Finance costs	1,161	952
Income tax expense	(52,704)	(482)
Foreign exchange gain	2,065	(579)
Change in non-cash operating working capital	(13,376)	(10,445)
Income taxes paid	(2,379)	(4,068)
Net cash flows from operating activities	19,279	9,329
Cash flows from financing activities:		
Interest paid	(887)	(882)
Decrease (increase) in other non current liabilities	87	53
Increase in bank indebtedness, net	38,644	15,465
Dividends paid	(42,384)	(5,510)
Net cash flows from financing activities	(4,540)	9,126
Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired	(10,391)	(15,261)
Post acquisition settlement payments, net	(1,052)	(1,018)
Purchases of equity securities	(1,249)	(7,217)
Proceeds from sale of equity securities	643	-
Decrease (increase) in restricted cash	450	(457)
Interest received	37	43
Decrease in other non-current assets	-	305
Property and equipment purchased	(2,599)	(1,590)
Cash flows used in investing activities	(14,161)	(25,195)
Effect of currency translation adjustment on cash and cash equivalents	(1,346)	(112)
Increase (decrease) in cash and cash equivalents	(768)	(6,852)
Cash, beginning of period	30,911	33,249
Cash, end of period	\$ 30,143	\$ 26,397