

Constellation Software Inc. Announces Results for the Second Quarter Ended June 30, 2008

TORONTO, ONTARIO (August 7, 2008) -- Constellation Software Inc. (TSX:CSU) (“Constellation” or the “Company”) today announced its financial results for the three and six months ended June 30, 2008. 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 six month periods ended June 30, 2008 and the accompanying notes, and with our audited consolidated annual financial statements and our annual MD&A for the year ended December 31, 2007 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.

Q2 2008 Highlights:

- Revenue increased to \$77.7 million from \$60.5 million in Q2 2007, representing a 29% increase. Organic revenue growth over the same period was 5%
- Adjusted EBITDA increased to \$13.9 million from \$10.9 million in Q2 2007, representing a 28% increase
- Adjusted Net Income increased to \$12.0 million (\$0.57 on a fully diluted per share basis) from \$8.4 million (\$0.40 on a fully diluted per share basis) in Q2 2007, representing a 43% increase
- Nine acquisitions were completed in the quarter for net cash consideration of \$13.4 million, and holdbacks related to prior acquisitions of \$0.2 million were paid

Second quarter revenue was \$77.7 million, an increase of 29%, or \$17.3 million, compared to \$60.5 million for the comparable period in 2007. Total revenue for the six months ended June 30, 2008 was \$151 million, an increase of 30% over last year’s revenues of \$116 million for the same period.

Adjusted EBITDA for the second quarter was \$13.9 million, a 28% increase compared to the prior year's second quarter Adjusted EBITDA of \$10.9 million. Second quarter Adjusted EBITDA per share on a fully diluted basis increased 29% to \$0.66, compared to \$0.51 for the same period last year. Adjusted EBITDA for the six month period ended June 30, 2008 was \$26.4 million, an increase of 37% over last year’s Adjusted EBITDA of \$19.3 million for the same period. Adjusted EBITDA per share on a fully diluted basis for the six month period increased 37% to \$1.25, compared to \$0.91 for the same period in 2007.

Adjusted Net Income for the second quarter was \$12.0 million, compared to the prior year's second quarter Adjusted Net Income of \$8.4 million, a 43% increase. Second quarter Adjusted Net Income per share on a fully diluted basis increased 43% to \$0.57 compared to \$0.40 for the prior year’s second quarter. Adjusted Net Income for the six month period ended June 30, 2008 was \$23.1 million, an increase of 51% over last year’s Adjusted Net Income of \$15.3 million. Adjusted Net Income per share on a fully diluted basis for the six month period ended June 30, 2007 increased 51% to \$1.09 compared to \$0.72 for the same period in 2007.

The method of calculating Adjusted Net Income was modified in Q1 2008. The change was a result of the large increase in “future tax expense (recovery)” in the first quarter. Future tax recovery primarily relates to the amortization of intangible assets. Adjusted Net Income was changed to exclude the impact of this non-cash amount. Management believes that excluding the impact of future tax provides a more accurate picture of the company’s results as it more closely matches the non cash future tax items with the associated amortization of intangibles. A reconciliation of net income to Adjusted Net Income and a restatement of previously reported Adjusted Net Income amounts are included in this press release.

Net income for the second quarter was \$3.4 million compared to the prior year's second quarter net income of \$3.5 million. On a fully diluted per share basis, this translates into net income per share of \$0.16 for the second quarter of 2008, compared to \$0.17 in the same period of 2007. For the six months ended June 30, 2008 net income was \$7.7 million or \$0.36 per diluted share compared to \$6.1 million or \$0.29 per share last year.

The following table displays our revenue by reporting segment and the percentage change for the three and six months ended June 30, 2008 compared to the same periods in 2007:

	Three months ended		Period-Over-Period		Six months ended		Period-Over-Period	
	Jun. 30,		Change		Jun. 30,		Change	
	2008	2007	\$	%	2008	2007	\$	%
	(\$000, except percentages)				(\$000, except percentages)			
Public Sector								
Licenses	5,950	4,557	1,393	30.6%	11,391	7,940	3,451	43.5%
Professional services and other:								
Services	14,354	11,125	3,229	29.0%	26,541	20,558	5,983	29.1%
Hardware and other	3,499	2,919	580	19.9%	7,586	5,888	1,698	28.8%
Maintenance	28,965	20,738	8,227	39.7%	55,565	39,720	15,845	39.9%
	52,768	39,339	13,429	34.1%	101,083	74,106	26,977	36.4%
Private Sector								
Licenses	3,107	2,736	371	13.5%	6,539	5,397	1,142	21.1%
Professional services and other:								
Services	3,903	3,470	433	12.5%	7,825	7,258	567	7.8%
Hardware and other	1,063	1,074	(11)	-1.0%	2,133	2,195	(62)	-2.8%
Maintenance	16,901	13,868	3,033	21.9%	33,765	27,424	6,341	23.1%
	24,974	21,148	3,826	18.1%	50,262	42,274	7,988	18.9%

Public Sector

For the quarter ended June 30, 2008, total revenue in the public sector segment increased 34%, or \$13.4 million, to \$52.8 million, compared to \$39.3 million for the quarter ended June 30, 2007. For the six months ended June 30, 2008 total revenue increased by 36% or \$27.0 million, to \$101.1 million, compared to \$74.1 million for the comparable period in 2007. The increases for both the three and six month periods were significant across all revenue types. Revenue growth from acquired businesses was significant for both the three and six month periods as we completed 17 acquisitions since the beginning of 2007 in our public sector segment. It is estimated that these acquisitions contributed approximately \$9.2 million to our Q2 2008 revenues and \$17.6 million to our revenues in the six months ended June 30, 2008. The remaining \$4.2 million of revenue growth for Q2 and \$9.4 million of revenue growth for the first six months of 2008 in this sector was generated from organic sources. The organic growth was primarily driven by the following:

- **Trapeze Operating Group** (increase of approximately \$2.8 million for Q2 and \$6.3 million for the first six months). Trapeze experienced a significant increase in all revenue types in the quarter and year to date in their UK, Continental Europe and North American businesses.
- **Harris Operating Group** (increase of approximately \$1.7 million for Q2 and \$3.5 million for the first six months). Harris experienced a significant increase in all revenue types in the quarter and year to date primarily due to continued strong sales to existing clients and new customers.

- **Emphasys Operating Group** (decrease of approximately \$0.2 million for Q2 and \$0.4 million for the first six months). Emphasys experienced a decrease in license and services revenue primarily due to timing of bookings.

Private Sector

For the quarter ended June 30, 2008, total revenue in the private sector segment increased 18%, or \$3.8 million, to \$25.0 million, compared to \$21.1 million for the quarter ended June 30, 2007. For the six months ended June 30, 2008 total revenue increased by 19% or \$8.0 million, to \$50.3 million, compared to \$42.3 million for the comparable period in 2007. The increases for both the three and six month periods were primarily due to license, professional services and maintenance revenues. Revenue growth from acquired businesses was significant for both the three and six month periods as we completed 10 acquisitions since the beginning of 2007 in our private sector segment. It is estimated that these acquisitions contributed approximately \$5.3 million to our Q2 2008 revenues and \$10.2 million to our revenues in the six months ended June 30, 2008. Revenue decreased organically by \$1.4 million in Q2 2008 and by \$2.3 million in the six months ended June 30, 2008. The organic revenue decline was primarily driven by the following:

- **Jonas Operating Group** (increase of approximately \$1.1 million for Q2 and \$2.4 million for the first six months). The Jonas organic growth in quarter and year to date was driven by sales to new and existing customers in the construction vertical, increasing customer share in the private club vertical through selling add on products, and by strong license and professional services revenue in the food services vertical.
- **Homebuilder and Friedman Operating Groups** (decrease of approximately \$2.5 million for Q2 and \$4.6 million for the first 6 months). These Operating Groups continued to feel the effects of the housing slowdown in the U.S. The decline was particularly apparent in licenses and services revenue as many of our clients and prospective clients have delayed purchasing decisions.

“Despite a continued slowdown in the housing and building products sector, we are pleased to see continued strong organic growth in other parts of our business,” said Mark Leonard, President of Constellation. “We also had a very active quarter of acquisitions closing nine deals and deploying over \$13.7 million in capital. The continued positive organic growth combined with our acquisitions provide us comfort that we will achieve the minimum 20% revenue growth per share that we targeted in our 2006-2010 objectives.”

During the quarter, Constellation completed nine acquisitions for total net cash consideration of approximately \$13.4 million, and paid holdbacks related to prior acquisitions of \$0.2 million. At June 30, 2008, Constellation’s cash position (net of borrowings on our line of credit) decreased to negative \$17.1 million, from \$1.2 million at December 31, 2007.

“Including two acquisitions closed after quarter end, we have deployed over \$28 million on fourteen acquisitions in 2008,” commented John Billowits, Chief Financial Officer of Constellation. “We are pleased with our deployment of capital year to date and continue to remain optimistic about the current acquisition environment.”

Conference Call and Webcast

Management will host a conference call at **8:30 a.m. (ET) on Friday, August 8, 2008** to answer questions regarding the results. The teleconference numbers are 416-641-6144 or 866-862-3931. 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 22, 2008. To access the replay, please dial 416-695-5800 or 1-800-408-3053 followed by the passcode 3267386#.

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, amortization, other expenses and foreign exchange, and before including gain on sale of short-term investments, marketable securities and other assets. 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.

Effective Q1 2008, the term “Adjusted Net Income” means net income plus amortization of intangible assets and future income taxes. Prior to Q1 2008, Adjusted Net Income was reported on the basis of net income plus amortization of intangible assets. The method of adjustment has been changed to include future income taxes since 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 items with the associated amortization of intangibles. All previously reported Adjusted Net Income figures have been restated below to reflect the new method of adjustment. 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 increase or decrease in the economic value of acquisitions. “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 Jun. 30,		Six months ended Jun. 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	(\$000, except percentages)		(\$000, except percentages)	
Total revenue	<u>\$ 77,742</u>	<u>\$ 60,487</u>	<u>\$ 151,345</u>	<u>\$ 116,380</u>
Net income	3,402	3,542	7,731	6,144
Add back:				
Income tax expense	388	1,073	40	2,077
Foreign exchange (gain) loss	(192)	1,345	(663)	1,351
Interest expense (income)	234	(34)	397	(149)
(Gain) loss on sale of short-term investments, marketable securities and other assets	24	(1,119)	(24)	(1,354)
Amortization of intangible assets	9,201	5,209	17,297	9,643
Depreciation	841	855	1,626	1,548
Adjusted EBITDA	13,898	10,871	26,404	19,260
Adjusted EBITDA margin	17.9%	18.0%	17.4%	16.5%

The following table reconciles Adjusted Net Income to net income:

	Three months ended Jun. 30,		Six months ended Jun. 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	(\$000, except percentages)		(\$000, except percentages)	
Total revenue	<u>\$ 77,742</u>	<u>\$ 60,487</u>	<u>\$ 151,345</u>	<u>\$ 116,380</u>
Net income	3,402	3,542	7,731	6,144
Add back:				
Appreciation in common shares eligible for redemption	0	0	0	0
Amortization of intangible assets	9,201	5,209	17,297	9,643
Future income taxes (recovery)	(603)	(348)	(1,912)	(501)
Adjusted net income	12,000	8,403	23,116	15,286
Adjusted net income margin	15.4%	13.9%	15.3%	13.1%

The following table provides a restatement of our previously reported Adjusted net income figures to include future income taxes:

	Quarter Ended							
	Sep 30, 2006	Dec 31, 2006	Mar 31, 2007	Jun 30, 2007	Sep 30, 2007	Dec 31, 2007	Mar 31, 2008	Jun 30, 2008
	(\$000, except per share amounts)							
ANI per previous method	6,776	8,975	7,036	8,751	8,628	9,059	12,426	12,603
Future tax expense (recovery)	727	(15)	(154)	(348)	(115)	302	(1,309)	(603)
ANI per current method	7,503	8,960	6,882	8,403	8,513	9,361	11,117	12,000
Fully diluted shares	21,192	21,192	21,192	21,192	21,192	21,192	21,192	21,192
ANI/share per previous method	0.32	0.42	0.33	0.41	0.41	0.43	0.59	0.59
ANI/share per current method	0.35	0.42	0.32	0.40	0.40	0.44	0.52	0.57

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)

	June 30, 2008 (Unaudited)	December 31, 2007
Assets		
Current assets:		
Cash	\$ 9,316	\$ 19,796
Restricted cash	1,747	750
Short-term investments and marketable securities available for sale	11,535	1,217
Accounts receivable	49,358	47,177
Work in progress	14,469	10,839
Inventory	2,631	2,069
Prepaid expenses and other current assets	8,565	7,608
Investment tax credit receivable	1,130	661
Future income taxes	1,175	1,096
	<u>99,926</u>	<u>91,213</u>
Property and equipment	8,391	8,025
Future income taxes	3,330	3,890
Notes receivable	3,547	3,490
Share purchase warrants	571	571
Investment tax credit receivable	2,338	1,779
Other long-term assets	760	643
Intangible assets	131,249	128,942
Goodwill	38,661	28,594
	<u>\$ 288,773</u>	<u>\$ 267,147</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 28,200	\$ 19,342
Accounts payable and accrued liabilities	35,989	43,892
Acquisition holdback payments	12,616	10,442
Deferred revenue	91,779	78,870
Income taxes payable	2,551	3,426
Future income taxes	197	347
	<u>171,332</u>	<u>156,319</u>
Future income taxes	23,555	21,238
Acquisition holdback payments	1,195	1,000
Other long-term liabilities	2,931	1,708
Shareholders equity:		
Capital stock	99,283	99,283
Shareholder loans	(1,067)	(1,915)
Accumulated other comprehensive loss	(5,124)	(3,237)
Deficit	(3,332)	(7,249)
	<u>89,760</u>	<u>86,882</u>
	<u>\$ 288,773</u>	<u>\$ 267,147</u>

CONSTELLATION SOFTWARE INC.

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

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
	(Unaudited)		(Unaudited)	
Revenue	\$ 77,742	\$ 60,487	\$ 151,345	\$ 116,380
Cost of revenue	28,625	23,020	57,252	44,537
	49,117	37,467	94,093	71,843
Research and development	11,327	8,862	22,957	17,772
Sales and marketing	9,841	7,324	17,882	14,365
General and administration	14,051	10,410	26,850	20,446
Depreciation	841	855	1,626	1,548
	36,060	27,451	69,315	54,131
Income before the undernoted	13,057	10,016	24,778	17,712
Amortization of intangible assets	9,201	5,209	17,297	9,643
(Gain) loss on sale of short-term investments, marketable securities and other assets	24	(1,119)	(24)	(1,354)
Interest expense (income), net	234	(34)	397	(149)
Foreign exchange (gain) loss	(192)	1,345	(663)	1,351
Income before income taxes	3,790	4,615	7,771	8,221
Income taxes (recovery)				
Current	991	1,421	1,952	2,578
Future	(603)	(348)	(1,912)	(501)
	388	1,073	40	2,077
Net Income	\$ 3,402	\$ 3,542	\$ 7,731	\$ 6,144
Income per share:				
Basic	\$ 0.16	\$ 0.17	\$ 0.37	\$ 0.29
Diluted	0.16	0.17	0.36	0.29
Weighted average number of shares outstanding:				
Basic	21,147	21,111	21,130	21,102
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 Deficit
(In thousands of U.S. dollars)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
	(Unaudited)		(Unaudited)	
Deficit, beginning of period	\$ (6,734)	\$ (15,757)	\$ (7,249)	\$ (15,180)
Net income	3,402	3,542	7,731	6,144
Dividends	-	-	(3,814)	(3,179)
Deficit, end of period	\$ (3,332)	\$ (12,215)	\$ (3,332)	\$ (12,215)

Interim Consolidated Statements of Comprehensive Income
(In thousands of U.S. dollars)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
	(Unaudited)		(Unaudited)	
Net Income	\$ 3,402	\$ 3,542	\$ 7,731	\$ 6,144
Other comprehensive income (loss)	(680)	(746)	(1,972)	86
Comprehensive income	\$ 2,722	\$ 2,796	\$ 5,759	\$ 6,230

CONSTELLATION SOFTWARE INC.

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
	(Unaudited)		(Unaudited)	
Cash flows from operating activities:				
Net income	\$ 3,402	\$ 3,542	\$ 7,731	\$ 6,144
Adjustments to reconcile net income to net cash flows from operations:				
Increase in investment tax credit receivable	(724)	(49)	(1,028)	(158)
Depreciation	841	855	1,626	1,548
Amortization of intangible assets	9,201	5,209	17,297	9,643
Accretion interest	28	-	57	-
Interest on shareholder loans	(15)	(24)	(37)	(49)
Future income taxes	(603)	(348)	(1,912)	(501)
(Gain) loss on sale of short-term investments, marketable securities, and other assets	24	(1,119)	(24)	(1,354)
Unrealized foreign exchange (gain) loss	(128)	1,300	(373)	1,283
Change in non-cash operating working capital	(710)	(3,228)	(7,921)	(12,041)
Cash flows from operating activities	11,316	6,138	15,416	4,515
Cash flows from financing activities:				
(Decrease) increase in long-term liabilities	361	21	223	(209)
Increase in bank indebtedness	5,558	1,171	8,858	3,593
Credit facility financing fees	(354)	-	(354)	-
Dividends	-	-	(3,814)	(3,179)
Issuance of shareholder loans	-	-	-	(447)
Repayment of shareholder loans, net	416	-	885	809
Cash flows used in financing activities	5,981	1,192	5,798	567
Cash flows from investing activities:				
Acquisition of businesses, net of cash acquired	(13,400)	(1,590)	(16,089)	(15,407)
Acquisition holdback payments	(217)	(2,608)	(740)	(3,408)
Reduction (additions) to short-term investments, marketable securities and other assets	(3,753)	3,151	(12,158)	3,952
Decrease (increase) in restricted cash	(997)	-	(997)	858
Decrease (increase) in other assets	(268)	(3,914)	(309)	(4,224)
Property and equipment purchased	(998)	(768)	(1,511)	(1,285)
Cash flows used in investing activities	(19,633)	(5,729)	(31,804)	(19,514)
Effect of currency translation adjustment on cash and cash equivalents	230	(785)	110	(751)
Increase (decrease) in cash and cash equivalents	(2,106)	816	(10,480)	(15,183)
Cash, beginning of period	11,422	9,808	19,796	25,807
Cash, end of period	\$ 9,316	\$ 10,624	\$ 9,316	\$ 10,624