Constellation Software Inc. Announces Results for the Fourth Quarter and Year Ended December 31, 2008 and Declares Annual Dividend

TORONTO, ONTARIO (March 4, 2009) -- Constellation Software Inc. **(TSX:CSU)** ("Constellation" or the "Company") today announced its financial results for the fourth quarter and fiscal year ended December 31, 2008, and declared a $0.216 per share dividend payable on March 31, 2009 to all common shareholders and class A non-voting shareholders of record at close of business on March 17, 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 Company's audited annual Consolidated Financial Statements, prepared in accordance with Canadian GAAP 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.

2008 Highlights:

- Revenue grew 36% compared to 2007. Organic revenue growth was 5% in 2008 versus 1% in 2007
- Adjusted EBITDA increased $23 million or 56% to $64 million as compared to 2007
- Adjusted Net Income increased by 64% to $54 million ($2.57 on a fully diluted per share basis) from $33 million ($1.56 on a fully diluted per share basis) in 2007
- $62 million was deployed on 21 acquisitions and $9 million in holdbacks relating to prior acquisitions was paid
- Dividend declared of $0.216 per share, a 20% increase over 2007

Q4 2008 Highlights:

- Revenue grew 49% compared to Q4 2007. Organic revenue growth was 2% versus 4% in Q4 2007
- Adjusted EBITDA increased $12 million or 111% to $22 million as compared to Q4 2007
- Adjusted Net Income increased by 103% to $19 million ($0.90 on a fully diluted per share basis) from $9 million ($0.44 on a fully diluted per share basis) in Q4 2007
- $2.5 million was deployed on five acquisitions and $6.2 million in holdbacks related to prior acquisitions was paid
- The company's credit facility was increased from $105 million to $130 million
- A full quarter of results were included for the Asset, Justice, and Education Solutions businesses purchased from MAXIMUS (the "MAJES" acquisition) on September 30, 2008. Revenue, Adjusted EBITDA and Cashflow from Operations for the MAJES businesses were $17 million, $3 million, and ($1) million, respectively

Fourth quarter revenue was $98 million, an increase of 49%, or $32 million, compared to $66 million for the comparable period in 2007. For the 2008 fiscal year, total revenues were $331 million, an increase of 36% over 2007. The increases for both the fourth quarter and the full year compared to the same periods in the prior year, were mainly attributable to growth from acquisitions, as organic growth from our existing business was estimated at approximately 2% for the fourth quarter and 5% for the full year.

Adjusted EBITDA for the fourth quarter was $22 million, a 111% increase compared to the prior year's fourth quarter Adjusted EBITDA of $11 million. Fourth quarter Adjusted EBITDA per share on a fully diluted basis increased 110% to $1.05 compared to $0.50 for the same period last year. Adjusted EBITDA for the year ended December 31, 2008 was $64 million, an increase of 56% over last year's Adjusted EBITDA of $41 million for the comparable period. Adjusted EBITDA per share on a fully diluted basis for the year ended December 31, 2008 increased 57% to $3.04, compared to $1.94 for the same period in 2007.

Adjusted Net Income for the fourth quarter was $19 million, compared to the prior year's fourth quarter Adjusted Net Income of $9 million, an 103% increase. Fourth quarter Adjusted Net Income per share on a fully diluted basis increased 105% to $0.90 compared to $0.44 for the prior year's fourth quarter. Adjusted Net Income for the year ended December 31, 2008 was $54 million, an increase of 64% over last year's Adjusted Net Income of $33 million. Adjusted Net Income per share on a fully diluted basis for the twelve month period ended December 31, 2008 increased 65% to $2.57, compared to $1.56 for the same period in 2007.

Net income for the fourth quarter was $4 million compared to the prior year's fourth quarter net income of $2 million. On a fully diluted per share basis, this translates into net income per share of $0.19 for the fourth quarter of 2008, compared to $0.08 in the same period of 2007. For the year ended December 31, 2008 net income was $15 million or $0.71 per diluted share compared to net income of $11 million or $0.52 per share last year.

The following table displays our revenue by reporting segment and the percentage change for the three and twelve months ended December 31, 2008 compared to the same periods in 2007:

	Three months ended Dec. 31,		Period-Over-Period Change		Fiscal year ended Dec. 31,		Period-Over-Period Change	
	2008	2007	$	%	2008	2007	$	%
	($000, except percentages)				($000, except percentages)			
Public Sector								
Licenses	7,433	5,122	2,311	45%	25,028	17,705	7,323	41%
Professional services and other:								
Services	23,251	11,185	12,066	108%	65,440	42,667	22,773	53%
Hardware and other	5,419	3,558	1,861	52%	16,114	11,508	4,606	40%
Maintenance	38,224	23,372	14,852	64%	124,187	84,924	39,263	46%
	74,327	43,237	31,090	72%	230,769	156,804	73,965	47%
Private Sector								
Licenses	2,570	2,327	243	10%	11,969	10,161	1,808	18%
Professional services and other:								
Services	3,516	3,704	(188)	-5%	15,443	14,433	1,010	7%
Hardware and other	775	920	(145)	-16%	3,844	4,059	(215)	-5%
Maintenance	17,209	15,880	1,329	8%	68,507	57,566	10,941	19%
	24,070	22,831	1,239	5%	99,763	86,219	13,544	16%

Public Sector

For the quarter ended December 31, 2008, total revenue in the public sector segment increased 72%, or $31 million, to $74 million, compared to $43 million for the quarter ended December 31, 2007. For the year ended December 31, 2008, total revenue increased by 47% or $74 million, to $231 million, compared to $157 million for the comparable period in 2007. The increases for both the three and twelve month periods were significant across all revenue types. Revenue growth from acquired businesses was significant for both the three and twelve month periods as we completed twenty-three acquisitions since the beginning of 2007 in our public sector segment. It is estimated that acquisitions contributed approximately $28 million to our Q4 2008 revenues and $57 million to our revenues in the year ended December 31, 2008. The remaining $3 million of revenue growth for Q4 and $17 million of revenue growth for the year ended December 31, 2008 in this sector was generated from organic sources. The organic growth was primarily driven by the following:

- **Trapeze operating group** (decrease of approximately $0.7 million for Q4 and an increase of $8 million for the full year). Trapeze experienced a significant increase in all revenue types in the year primarily due to strong bookings in their European businesses and their North American transit business. For the quarter, they experienced a slight decline in organic revenues primarily due to the weakening of non U.S. dollar denominated revenue streams in Q4 2008 versus Q4 2007. As well, Trapeze acquired certain assets from MAXIMUS Inc. on September 30, 2008 which had negative organic growth in Q4 2008 when compared to Q4 2007.

- **Harris operating group** (increase of approximately $3 million for Q4 and $9 million for the full year). For both the quarter and the year, Harris had significant increases across all revenue types primarily due to strong demand for new name and add-on licenses and services in their utility and municipal software businesses.

- **Emphasys operating group** (increase of approximately $0.4 million for Q4 and $0.2 million for the full year). The Emphasys organic growth primarily results from strong demand for new name and add-on licenses and services from their public housing and housing finance customers.

Private Sector

For the quarter ended December 31, 2008, total revenue in the private sector segment increased 5%, or $1 million, to $24 million, compared to $23 million for the quarter ended December 31, 2007. For the year ended December 31, 2008, total revenue increased by 16% or $14 million, to $100 million, compared to $86 million for the comparable period in 2007. Revenue growth from acquired businesses was not as strong as in the public sector as we have only completed thirteen acquisitions since the beginning of 2007 in our private sector segment. It is estimated that acquisitions contributed approximately $3 million of revenue growth to our Q4 2008 revenues and $19 million of revenue growth to our revenues in the year ended December 31, 2008. Revenues decreased organically by $1 million in Q4 2008 and by $5 million in the year ended December 31, 2008. The organic revenue decline was driven by the following:

- **Jonas operating group** (increase of approximately $1 million for Q4 and $5 million for the full year). The Jonas organic growth in the quarter and for the full year 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 $3 million for Q4 and $10 million for the full year). 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 clients 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 believe that demand will decrease further given the weakness in the underlying industries that they serve.

"I was pleased with the returns generated in the quarter and with the amount of capital deployed in 2008", commented Mark Leonard, President and Chairman of Constellation. "Our businesses continue to be resilient in this tough economic climate. Although we exceeded our long range targets for the business in 2008, we remain cautious about our near term prospects for organic growth."

Conference Call and Webcast
Management will host a conference call at **8:30 a.m. (ET)** on **Thursday, March 5, 2009** to answer questions regarding the results. The teleconference numbers are 416-641-6144 or 1-866-862-3931. 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 12 a.m. ET on March 19, 2009. To access the replay, please dial 416-695-5800 or 1-800-408-3053 followed by the passcode 3282931#.

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, loss on held for trading investments related to mark to market adjustments and foreign exchange, and before including gain (loss) 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 Dec. 31, 2008	Three months ended Dec. 31, 2007	Fiscal year ended Dec. 31, 2008	Fiscal year ended Dec. 31, 2007
	($000, except percentages)		($000, except percentages)	
Total revenue	$ 98,397	$ 66,068	$ 330,532	$ 243,023
Net income	3,970	1,640	14,994	11,110
Add back:				
Income tax expense	543	526	1,996	3,958
Foreign exchange (gain) loss	30	424	(455)	2,466
Interest expense (income)	598	(108)	1,115	(508)
Loss on held for trading investments related to mark to market adjustments	288	0	421	0
Gain on sale of short-term investments, marketable securities and other assets	0	(15)	(8)	(1,369)
Other (income) expenses	0	(56)	0	14
Amortization of intangible assets	15,629	7,419	42,635	22,364
Depreciation	1,133	706	3,642	3,117
Adjusted EBITDA	22,191	10,536	64,340	41,152
Adjusted EBITDA margin	23%	16%	19%	17%

The following table reconciles Adjusted Net Income to net income:

	Three months ended Dec. 31, 2008	Three months ended Dec. 31, 2007	Fiscal year ended Dec. 31, 2008	Fiscal year ended Dec. 31, 2007
	($000, except percentages)		($000, except percentages)	
Total revenue	$ 98,397	$ 66,068	$ 330,532	$ 243,023
Net income	3,970	1,640	14,994	11,110
Add back:				
Amortization of intangible assets	15,629	7,419	42,635	22,364
Future income taxes (recovery)	(603)	302	(3,185)	(315)
Adjusted net income	18,996	9,361	54,444	33,159
Adjusted net income margin	19%	14%	16%	14%

The following tables provide supplemental income statement and cash flow information of MAJES:

Statement of Operations
For the year-ended December 31, 2008

(Unaudited)	Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated
Revenue	$ 313,974	$ 16,558	$ 330,532
Cost of revenue	117,686	7,004	124,690
Gross Profit	196,288	9,554	205,842
Total Expenses (pre amortization)	135,339	6,163	141,502
Adjusted EBITDA	60,949	3,391	64,340
EBITDA as % Total Revenue	19%	20%	19%
Depreciation	3,459	183	3,642
Income before the undernoted	57,490	3,208	60,698
Amortization of intangible assets	40,568	2,067	42,635
Other Expenses	1,073	-	1,073
Income before income taxes	15,849	1,141	16,990
Income taxes	1,996	-	1,996
Net Income	$ 13,853	$ 1,141	$ 14,994

Cash flow from operating activities
For the year-ended December 31, 2008

(Unaudited)	Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated
Cash flows from operating activities:			
Net income	$ 13,853	$ 1,141	$ 14,994
Adjustments to reconcile net income to net cash flows from operations:			
Depreciation	3,459	183	3,642
Amortization of intangible assets	40,568	2,067	42,635
Future income taxes	(3,958)	773	(3,185)
Other non-cash items	(163)	-	(163)
Change in non-cash operating working capital	9,932	(5,087)	4,845
Cash flows from operating activities	$ 63,691	$ (923)	$ 62,768

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

Adjusted EBITDA to net income reconcilation
For the year-ended December 31, 2008

(Unaudited)	Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated
Total revenue	$ 313,974	$ 16,558	$ 330,532
Net income	13,853	1,141	14,994
Add back:			
Income tax expense	1,996	-	1,996
Other expenses	1,073	-	1,073
Amortization of intangible assets	40,568	2,067	42,635
Depreciation	3,459	183	3,642
Adjusted EBITDA	60,949	3,391	64,340
Adjusted EBITDA margin	19%	20%	19%

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.

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

December 31, 2008 and 2007

	2008	2007
Assets		
Current assets:		
Cash	$ 30,405	$ 19,796
Short-term investments and marketable securities available for sale	9,979	1,217
Accounts receivable	61,079	47,177
Work in progress	15,392	10,839
Inventory	2,308	2,069
Prepaid expenses and other current assets	8,395	7,608
Investment tax credits recoverable	1,504	661
Future income taxes	3,779	1,096
	132,841	90,463
Restricted cash	750	750
Property and equipment	9,381	8,025
Future income taxes	5,713	3,890
Notes receivable	3,643	3,490
Investment tax credits recoverable	1,808	1,779
Other long-term assets	3,656	1,214
Intangible assets	188,070	128,942
Goodwill	39,937	28,594
	$ 385,799	$ 267,147
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	$ 60,200	$ 19,342
Accounts payable and accrued liabilities	63,429	43,892
Acquisition holdback payments	10,901	10,442
Deferred revenue	115,466	78,870
Income taxes payable	3,197	3,426
Future income taxes	-	347
	253,193	156,319
Future income taxes	26,778	21,238
Other long-term liabilities	10,446	2,708
Shareholders equity:		
Capital stock	99,283	99,283
Shareholder loans	(931)	(1,915)
Accumulated other comprehensive loss	(6,901)	(3,237)
Retained earnings (deficit)	3,931	(7,249)
	95,382	86,882
Commitments		
Guarantees		
Subsequent events		
	$ 385,799	$ 267,147

CONSTELLATION SOFTWARE INC.

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

Years ended December 31, 2008 and 2007

	2008	2007
Revenue	$ 330,532	$ 243,023
Cost of revenue	124,690	92,113
	205,842	150,910
Research and development	48,224	36,965
Sales and marketing	37,693	28,666
General and administration	55,585	44,127
Depreciation	3,642	3,117
	145,144	112,875
Income before the undernoted	60,698	38,035
Amortization of intangible assets	42,635	22,364
Other expenses	-	14
Gain on sale of short-term investments, marketable securities and other assets	(8)	(1,369)
Loss on held for trading investments related to mark to market adjustments	421	-
Interest expense (income), net	1,115	(508)
Foreign exchange (gain) loss	(455)	2,466
Income before income taxes	16,990	15,068
Income taxes (recovery):		
Current	5,181	4,273
Future	(3,185)	(315)
	1,996	3,958
Net income	$ 14,994	$ 11,110
Income per share:		
Basic	$ 0.71	$ 0.53
Diluted	0.71	0.52
Weighted average number of shares outstanding:		
Basic	21,140	21,110
Diluted	21,192	21,192
Outstanding at the end of the period	21,192	21,192

CONSTELLATION SOFTWARE INC.

Consolidated Statements of Retained Earnings (deficit)
(In thousands of U.S. dollars)

Years ended December 31, 2008 and 2007

	2008	2007
Deficit, beginning of year	$ (7,249)	$ (15,180)
Net income	14,994	11,110
Dividends	(3,814)	(3,179)
Retained Earnings (deficit), end of year	$ 3,931	$ (7,249)

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

Years ended December 31, 2008 and 2007

	2008	2007
Net Income	$ 14,994	$ 11,110
Other comprehensive income (loss), net of tax:		
Net unrealized mark-to-market adjustment loss on available-for-sale financial assets during the period	(1,518)	(99)
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial assets during the period	(2,107)	14
Transfer of unrealized gain from prior periods upon derecognition of available-for-sale investments	(39)	-
Comprehensive income	$ 11,330	$ 11,025

CONSTELLATION SOFTWARE INC.

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

Years ended December 31, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Net income	$ 14,994	$ 11,110
Adjustments to reconcile net income to net cash flows from operations:		
Depreciation	3,642	3,117
Amortization of intangible assets	42,635	22,364
Non-cash interest	(153)	(161)
Future income taxes	(3,185)	(315)
Gain on sale of short-term investments, marketable securities, and other assets	(8)	(1,369)
Loss on held for trading investments related to mark to market adjustments	421	-
Unrealized foreign exchange (gain) loss	(423)	2,300
Change in non-cash operating working capital	4,845	(2,658)
Cash flows from operating activities	62,768	34,388
Cash flows from financing activities:		
Increase in other long-term liabilities	297	521
Increase in bank indebtedness	40,858	19,342
Credit facility financing fees	(1,268)	(549)
Dividends	(3,814)	(3,179)
Issuance of shareholder loans	-	(447)
Repayment of shareholder loans	959	869
Cash flows from financing activities	37,032	16,557
Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired	(62,134)	(48,096)
Acquisition holdback payments	(8,736)	(4,194)
Investment in VCG Inc.	(85)	(4,000)
Reduction (additions) to short-term investments, marketable securities and other assets	(12,379)	3,343
Decrease in restricted cash	-	108
Decrease (increase) in other assets	(1,442)	685
Property and equipment purchased	(2,771)	(2,997)
Cash flows used in investing activities	(87,547)	(55,151)
Effect of currency translation adjustment on cash and cash equivalents	(1,644)	(1,805)
Increase (decrease) in cash and cash equivalents	10,609	(6,011)
Cash, beginning of period	19,796	25,807
Cash, end of period	$ 30,405	$ 19,796
Supplemental cash flow information:		
Income taxes paid	$ 3,791	$ 2,649
Interest paid	1,821	517
Investment tax credits received	908	1,399
Interest received	660	1,025