Constellation Software Inc. Announces Results for the Third Quarter Ended September 30, 2008

TORONTO, ONTARIO (November 6, 2008) -- Constellation Software Inc. **(TSX:CSU)** ("Constellation" or the "Company") today announced its financial results for the three and nine months ended September 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 nine month periods ended September 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.

Q3 2008 Highlights:

- Revenue increased to $80.8 million from $60.6 million in Q3 2007, representing a 33% increase. Organic revenue growth over the same period was 6% versus 1% in Q3 2007
- Adjusted EBITDA increased to $15.7 million from $11.4 million in Q3 2007, representing a 39% increase
- Adjusted Net Income increased to $12.3 million ($0.58 on a fully diluted per share basis) from $8.5 million ($0.40 on a fully diluted per share basis) in Q3 2007, representing a 45% increase
- Four acquisitions were completed in the quarter for net cash consideration of $43.6 million, and holdbacks related to prior acquisitions of $1.8 million were paid
- The Asset, Justice, and Education Solutions businesses were purchased from MAXIMUS, representing Constellations' largest acquisition since inception

Third quarter revenue was $80.8 million, an increase of 33%, or $20.2 million, compared to $60.6 million for the comparable period in 2007. Total revenue for the nine months ended September 30, 2008 was $232 million, an increase of 31% over last year's revenues of $177 million for the same period.

Adjusted EBITDA for the third quarter was $15.7 million, a 39% increase compared to the prior year's third quarter Adjusted EBITDA of $11.4 million. Third quarter Adjusted EBITDA per share on a fully diluted basis increased 37% to $0.74, compared to $0.54 for the same period last year. Adjusted EBITDA for the nine month period ended September 30, 2008 was $42.1 million, an increase of 38% over last year's Adjusted EBITDA of $30.6 million for the same period. Adjusted EBITDA per share on a fully diluted basis for the nine month period increased 38% to $1.99, compared to $1.44 for the same period in 2007.

Adjusted Net Income for the third quarter was $12.3 million, compared to the prior year's third quarter Adjusted Net Income of $8.5 million, a 45% increase. Third quarter Adjusted Net Income per share on a fully diluted basis increased 45% to $0.58 compared to $0.40 for the prior year's third quarter. Adjusted Net Income for the nine month period ended September 30, 2008 was $35.4 million, an increase of 49% over last year's Adjusted Net Income of $23.8 million. Adjusted Net Income per share on a fully diluted basis for the nine month period ended September 30, 2008 increased 49% to $1.67 compared to $1.12 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 third quarter was $3.3 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 $0.16 for the third quarter of 2008, compared to $0.16 in the same period of 2007. For the nine months ended September 30, 2008 net income was $11.0 million or $0.52 per fully diluted share compared to $9.5 million or $0.45 per fully diluted share last year.

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

	Three months ended Sep. 30,		Period-Over-Period Change		Nine months ended Sep. 30,		Period-Over-Period Change	
	2008	2007	$	%	2008	2007	$	%
	($000, except percentages)				($000, except percentages)			
Public Sector								
Licenses	6,204	4,643	1,561	33.6%	17,595	12,583	5,012	39.8%
Professional services and other:								
Services	15,648	10,924	4,724	43.2%	42,189	31,482	10,707	34.0%
Hardware and other	3,108	2,063	1,045	50.7%	10,695	7,950	2,745	34.5%
Maintenance	30,399	21,831	8,568	39.2%	85,963	61,552	24,411	39.7%
	55,359	39,461	15,898	40.3%	156,442	113,567	42,875	37.8%
Private Sector								
Licenses	2,860	2,436	424	17.4%	9,399	7,833	1,566	20.0%
Professional services and other:								
Services	4,102	3,471	631	18.2%	11,928	10,729	1,199	11.2%
Hardware and other	937	944	(7)	-0.7%	3,069	3,140	(71)	-2.3%
Maintenance	17,532	14,262	3,270	22.9%	51,297	41,686	9,611	23.1%
	25,431	21,113	4,318	20.5%	75,693	63,388	12,305	19.4%

Public Sector

For the quarter ended September 30, 2008, total revenue in the public sector segment increased 40%, or $15.9 million, to $55.4 million, compared to $39.5 million for the quarter ended September 30, 2007. For the nine months ended September 30, 2008 total revenue increased by 38% or $42.9 million, to $156.4 million, compared to $113.6 million for the comparable period in 2007. The increases for both the three and nine month periods were significant across all revenue types. Revenue growth from acquired businesses was significant for both the three and nine month periods as we have completed 20 acquisitions since the beginning of 2007 in our public sector segment. It is estimated that these acquisitions contributed approximately $10.7 million to our Q3 2008 revenues and $28.4 million to our revenues in the nine months ended September 30, 2008. The remaining $5.2 million of revenue growth for Q3 and $14.5 million of revenue growth for the first nine 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 $2.2 million for Q3 and $8.5 million for the first nine 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 $2.6 million for Q3 and $6.1 million for the first nine months). Harris experienced a significant increase in all revenue types in the quarter and year to date primarily from its utility and municipal government segments.

Private Sector

For the quarter ended September 30, 2008, total revenue in the private sector segment increased 21%, or $4.3 million, to $25.4 million, compared to $21.1 million for the quarter ended September 30, 2007. For the nine months ended September 30, 2008 total revenue increased by 19% or $12.3 million, to $75.7 million, compared to $63.4 million for the comparable period in 2007. The increases for both the three and nine month periods were primarily due to license, professional services and maintenance revenues. Revenue growth from acquired businesses was significant for both the three and nine month periods as we completed 11 acquisitions since the beginning of 2007 in our private sector segment. It is estimated that these acquisitions contributed approximately $5.8 million to our Q3 2008 revenues and $16.0 million to our revenues in the nine months ended September 30, 2008. Revenue decreased organically by $1.5 million in Q3 2008 and by $3.7 million in the nine months ended September 30, 2008. The organic revenue decline was primarily driven by the following:

- **Homebuilder and Friedman Operating Groups** (decrease of approximately $3.0 million for Q3 and $7.6 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 particularly apparent in licenses and services revenue as many of our clients and prospective clients have delayed purchasing decisions.

- **Jonas Operating Group** (increase of approximately $1.5 million for Q3 and $3.9 million for the first nine 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.

"We are very pleased with our performance this quarter, having achieved our third successive quarter of organic growth in excess of 5% and having completed our largest acquisition since inception," commented Mark Leonard, President of Constellation. "Although our business model is resilient, we are not comfortable with the current economic environment so we are paying particular attention to cost control and working capital management. Good acquisitions are available at attractive prices, but we don't see continuing to acquire in 2009 at the rate we have experienced in 2008, unless we are able to raise more capital at attractive rates."

During the quarter, Constellation completed four acquisitions for total net cash consideration of approximately $44 million, and paid holdbacks related to prior acquisitions of $1.8 million. At September 30, 2008, Constellation's cash position (net of borrowings on our line of credit) decreased to negative $41 million, from $1 million at December 31, 2007. The decrease in cash over the nine month period was largely attributable to cash deployed on acquisitions and holdbacks of $62 million and cash invested in marketable securities of $12 million offset by cash generated from operating activities.

Conference Call and Webcast

Management will host a conference call at **8:30 a.m. (ET)** on **Friday, November 7, 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 **November 21, 2008**. To access the replay, please dial 416-695-5800 or 1-800-408-3053 followed by the passcode **3273389#**.

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 Sep. 30, 2008	Three months ended Sep. 30, 2007	Nine months ended Sep. 30, 2008	Nine months ended Sep. 30, 2007
	($000, except percentages)		($000, except percentages)	
Total revenue	$ 80,790	$ 60,574	$ 232,135	$ 176,955
Net income	3,293	3,326	11,024	9,470
Add back:				
Income tax expense	1,413	1,356	1,453	3,433
Foreign exchange (gain) loss	176	690	(487)	2,042
Interest expense (income)	120	(249)	517	(398)
Loss on held for trading investments related to mark to market adjustments	134	0	134	0
(Gain) loss on sale of short-term investments, marketable securities and other assets	15	0	(9)	(1,354)
Other expenses	0	70	0	70
Amortization of intangible assets	9,709	5,302	27,006	14,945
Depreciation	883	863	2,509	2,411
Adjusted EBITDA	15,743	11,358	42,147	30,619
Adjusted EBITDA margin	19.5%	18.8%	18.2%	17.3%

The following table reconciles Adjusted Net Income to net income:

	Three months ended Sep. 30, 2008	Three months ended Sep. 30, 2007	Nine months ended Sep. 30, 2008	Nine months ended Sep. 30, 2007
	($000, except percentages)		($000, except percentages)	
Total revenue	$ 80,790	$ 60,574	$ 232,135	$ 176,955
Net income	3,293	3,326	11,024	9,470
Add back:				
Amortization of intangible assets	9,709	5,302	27,006	14,945
Future income taxes (recovery)	(670)	(115)	(2,582)	(617)
Adjusted net income	12,332	8,513	35,448	23,798
Adjusted net income margin	15.3%	14.1%	15.3%	13.4%

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

	Quarter Ended							
	Dec 31, 2006	Mar 31, 2007	Jun 30, 2007	Sep 30, 2007	Dec 31, 2007	Mar 31, 2008	Jun 30, 2008	Sep 30, 2008
	($000, except per share amounts)							
ANI per previous method	8,975	7,036	8,751	8,628	9,059	12,425	12,603	13,002
Future tax expense (recovery)	(15)	(154)	(348)	(115)	302	(1,309)	(603)	(670)
ANI per current method	8,960	6,882	8,403	8,513	9,361	11,116	12,000	12,332
Fully diluted shares	21,192	21,192	21,192	21,192	21,192	21,192	21,192	21,192
ANI/share per previous method	0.42	0.33	0.41	0.41	0.43	0.59	0.59	0.61
ANI/share per current method	0.42	0.32	0.40	0.40	0.44	0.52	0.57	0.58

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, 2008 (Unaudited)	December 31, 2007
Assets		
Current assets:		
Cash	$ 11,914	$ 19,796
Restricted cash	1,658	750
Short-term investments and marketable securities available for sale	11,327	1,217
Accounts receivable	59,588	47,177
Work in progress	18,083	10,839
Inventory	2,491	2,069
Prepaid expenses and other current assets	9,702	7,608
Investment tax credit recoverable	975	661
Future income taxes	1,233	1,096
	116,971	91,213
Property and equipment	9,895	8,025
Future income taxes	3,377	3,890
Notes receivable	3,611	3,490
Share purchase warrants	487	571
Investment tax credit recoverable	2,108	1,779
Other long-term assets	2,083	643
Intangible assets	181,429	128,942
Goodwill	40,908	28,594
	$ 360,869	$ 267,147
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	$ 54,700	$ 19,342
Accounts payable and accrued liabilities	51,675	43,892
Acquisition holdback payments	17,029	10,442
Deferred revenue	114,478	78,870
Income taxes payable	2,778	3,426
Future income taxes	327	347
	240,987	156,319
Future income taxes	22,802	21,238
Acquisition holdback payments	928	1,000
Other long-term liabilities	3,295	1,708
Shareholders equity:		
Capital stock	99,283	99,283
Shareholder loans	(1,055)	(1,915)
Accumulated other comprehensive loss	(5,332)	(3,237)
Deficit	(39)	(7,249)
	92,857	86,882
	$ 360,869	$ 267,147

CONSTELLATION SOFTWARE INC.

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

	Three months ended September 30, 2008	Three months ended September 30, 2007	Nine months ended September 30, 2008	Nine months ended September 30, 2007
	(Unaudited)		(Unaudited)	
Revenue	$ 80,790	$ 60,574	$ 232,135	$ 176,955
Cost of revenue	29,722	22,368	86,974	66,904
	51,068	38,206	145,161	110,051
Research and development	11,856	9,127	34,813	26,899
Sales and marketing	8,930	6,727	26,812	21,093
General and administration	14,539	10,994	41,389	31,440
Depreciation	883	863	2,509	2,411
	36,208	27,711	105,523	81,843
Income before the undernoted	14,860	10,495	39,638	28,208
Amortization of intangible assets	9,709	5,302	27,006	14,945
Other expenses	-	70	-	70
(Gain) loss on sale of short-term investments, marketable securities and other assets	15	-	(9)	(1,354)
Loss on held for trading investments related to mark to market adjustments	134	-	134	-
Interest expense (income), net	120	(249)	517	(398)
Foreign exchange (gain) loss	176	690	(487)	2,042
Income before income taxes	4,706	4,682	12,477	12,903
Income taxes (recovery):				
Current	2,083	1,471	4,035	4,050
Future	(670)	(115)	(2,582)	(617)
	1,413	1,356	1,453	3,433
Net Income	$ 3,293	$ 3,326	$ 11,024	$ 9,470
Income per share:				
Basic	$ 0.16	$ 0.16	$ 0.52	$ 0.45
Diluted	0.16	0.16	0.52	0.45
Weighted average number of shares outstanding:				
Basic	21,153	21,119	21,130	21,107
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 September 30, 2008	Three months ended September 30, 2007	Nine months ended September 30, 2008	Nine months ended September 30, 2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Deficit, beginning of period	$ (3,332)	$ (12,215)	$ (7,249)	$ (15,180)
Net income	3,293	3,326	11,024	9,470
Dividends	-	-	(3,814)	(3,179)
Deficit, end of period	$ (39)	$ (8,889)	$ (39)	$ (8,889)

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

	Three months ended September 30, 2008	Three months ended September 30, 2007	Nine months ended September 30, 2008	Nine months ended September 30, 2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net Income	$ 3,293	$ 3,326	$ 11,024	$ 9,470
Other comprehensive income (loss), net of tax:				
Net unrealized mark-to-market adjustment gain (loss) on available-for-sale financial assets during the period	438	(121)	(1,401)	(42)
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial assets during the period	(646)	5	(740)	12
Transfer of unrealized gain from prior periods upon derecognition of available-for-sale investments	-	-	(39)	-
Comprehensive income	$ 3,085	$ 3,210	$ 8,844	$ 9,440

CONSTELLATION SOFTWARE INC.

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

	Three months ended September 30, 2008	Three months ended September 30, 2007	Nine months ended September 30, 2008	Nine months ended September 30, 2007
	(Unaudited)		(Unaudited)	
Cash flows from operating activities:				
Net income	$ 3,293	$ 3,326	$ 11,024	$ 9,470
Adjustments to reconcile net income to net cash flows from operations:				
Decrease (increase) in investment tax credit recoverable	158	(35)	(870)	(193)
Depreciation	883	863	2,509	2,411
Amortization of intangible assets	9,709	5,302	27,006	14,945
Accretion interest	(29)	-	(86)	-
Interest on shareholder loans	(14)	(25)	(51)	(74)
Future income taxes	(670)	(115)	(2,582)	(617)
(Gain) loss on sale of short-term investments, marketable securities, and other assets	15	-	(9)	(1,354)
Loss on held for trading investments related to mark to market adjustments	134	-	134	-
Unrealized foreign exchange loss	307	713	(66)	1,996
Change in non-cash operating working capital	10,070	5,474	2,149	(6,567)
Cash flows from operating activities	23,856	15,503	39,158	20,017
Cash flows from financing activities:				
Increase in long-term liabilities	172	310	395	101
Increase (decrease) in bank indebtedness	26,500	(1,881)	35,358	1,712
Credit facility financing fees	-	-	(354)	-
Dividends	-	-	(3,814)	(3,179)
Issuance of shareholder loans	-	-	-	(447)
Repayment of shareholder loans, net	-	-	885	869
Cash flows from (used in) financing activities	26,672	(1,571)	32,470	(944)
Cash flows from investing activities:				
Acquisition of businesses, net of cash acquired	(43,590)	(2,783)	(59,679)	(18,190)
Acquisition holdback payments	(1,831)	(320)	(2,571)	(3,728)
Investment in VCG Inc.	(85)	-	(85)	(4,000)
Reduction (additions) to short-term investments, marketable securities and other assets	-	(869)	(12,158)	3,082
Decrease (increase) in restricted cash	89	-	(908)	858
Increase in other assets	(1,096)	(25)	(1,291)	(249)
Property and equipment purchased	(874)	(544)	(2,385)	(1,829)
Cash flows used in investing activities	(47,387)	(4,541)	(79,077)	(24,056)
Effect of currency translation adjustment on cash and cash equivalents	(543)	(1,038)	(433)	(1,847)
Increase (decrease) in cash and cash equivalents	2,598	8,353	(7,882)	(6,830)
Cash, beginning of period	9,316	10,624	19,796	25,807
Cash, end of period	$ 11,914	$ 18,977	$ 11,914	$ 18,977