Constellation Software Inc. Announces Results for the First Quarter Ended March 31, 2008

TORONTO, ONTARIO (May 7, 2008) -- Constellation Software Inc. **(TSX:CSU)** ("Constellation" or the "Company") today announced its financial results for the first quarter ended March 31, 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 month period ended March 31, 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.

Q1 2008 Highlights:

- Revenue increased to $73.6 million from $55.9 million in Q1 2007, representing a 32% increase. Organic revenue growth over the same period was 8%
- Adjusted EBITDA increased to $12.5 million or 49% from $8.4 million in Q1 2007
- Adjusted Net Income increased to $11.1 million ($0.52 on a fully diluted per share basis) or 62% from $6.9 million ($0.32 on a fully diluted per share basis) in Q1 2007
- 3 acquisitions were completed in the quarter for net cash consideration of $2.7 million, and holdbacks related to prior acquisitions of $0.5 million were paid

First quarter revenue was $73.6 million, an increase of 32%, or $17.7 million, compared to $55.9 million for the comparable period in 2007. The increase was largely attributable to growth from acquisitions, as organic growth from our existing business was estimated at approximately 8% for the first quarter.

Adjusted EBITDA for the first quarter was $12.5 million, a 49% increase compared to the prior year's first quarter Adjusted EBITDA of $8.4 million. First quarter Adjusted EBITDA per share on a fully diluted basis increased 48% to $0.59, compared to $0.40 for the same period last year.

Adjusted Net Income for the first quarter was $11.1 million, compared to the prior year's first quarter Adjusted Net Income of $6.9 million, a 62% increase. First quarter Adjusted Net Income per share on a fully diluted basis increased 63% to $0.52 compared to $0.32 for the prior year's first quarter. The method of calculating Adjusted Net Income was modified this quarter. 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 is now defined 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 first quarter was $4.3 million compared to the prior year's first quarter net income of $2.6 million. On a fully diluted per share basis, this translates into net income per share of $0.20 for the first quarter of 2008, compared to $0.12 in the same period of 2007.

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

	Three months ended Mar. 31,		Period-Over-Period Change	
	2008	2007	$	%
	($000, except percentages)			
Public Sector				
Licenses	5,441	3,384	2,057	60.8%
Professional services and other:				
Services	12,187	9,391	2,796	29.8%
Hardware and other	4,086	2,969	1,117	37.6%
Maintenance	26,601	19,023	7,578	39.8%
	48,315	34,767	13,548	39.0%
Private Sector				
Licenses	3,432	2,661	771	29.0%
Professional services and other:				
Services	3,923	3,788	135	3.6%
Hardware and other	1,071	1,122	(51)	-4.6%
Maintenance	16,862	13,555	3,307	24.4%
	25,288	21,126	4,162	19.7%

Public Sector

For the quarter ended March 31, 2008, total revenue in the public sector segment increased 39%, or $13.5 million, to $48.3 million, compared to $34.8 million for the quarter ended March 31, 2007. Revenue increased significantly across all revenue types. Revenue growth from acquired businesses was significant for the three month period as we completed 11 acquisitions since the beginning of 2007 in our public sector segment. It is estimated that acquisitions contributed approximately $8.5 million to our Q1 2008 revenue. The remaining $5.0 million of revenue growth for Q1 2008 in this sector was generated from organic sources. The organic growth was primarily driven by the following:

- **Trapeze Operating Group** (increase of approximately $3.5 million for Q1). Trapeze experienced a significant increase in maintenance revenues and an increase in license and services revenue in the quarter primarily due to improvements in their mobile computing, UK and North American businesses.

- **Harris Operating Group** (increase of approximately $1.9 million for Q1). Harris had strong sales both to existing clients and to new customers as well as a strong increase in maintenance revenues from completed implementations.

- **Emphasys Operating Group** (decrease of approximately $0.3 million for Q1). Emphasys experienced a decrease in license revenue primarily due to timing of bookings.

Private Sector

For the quarter ended March 31, 2008, total revenue in the private sector segment increased 20%, or $4.2 million, to $25.3 million, compared to $21.1 million for the quarter ended March 31, 2007. Strong growth in maintenance and license revenue was offset by marginal growth in professional services revenue and a slight decline in hardware and other revenue. Revenue growth from acquired businesses was significant for the three month period as we completed 5 acquisitions since the beginning of 2007 in our private sector segment. It is estimated that acquisitions contributed approximately $5.0 million to our Q1 2008 revenue. Revenues decreased organically by $0.8 million in Q1 2008. The organic revenue decline was driven by the following:

- **Jonas Operating Group** (increase of approximately $1.3 million for Q1). The Jonas organic growth in Q1 2008 was driven by sales to new 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 $2.1 million for Q1). Our Homebuilder and Friedman operating groups continued to feel the effects of the housing slowdown in the U.S. The decline was most apparent in licenses and professional services as many of our clients and prospective clients have delayed purchasing decisions.

"We are pleased by the growth in revenue in the quarter, in particular the continued improvement in organic growth," said Mark Leonard, President of Constellation. "The improvement in organic growth combined with the deployment of over $50 million in capital on acquisitions in 2007, provides us increased comfort that we will achieve the minimum 20% revenue growth per share that we targeted for our 2006-2010 objectives."

During the quarter, Constellation completed three acquisitions for total net cash consideration of approximately $2.7 million, and paid holdbacks related to prior acquisitions of $0.5 million. At March 31, 2007, cash and cash equivalents position (net of borrowings on our line of credit) decreased to negative $11.2 million, from $0.5 million at December 31, 2007.

"We have been successful deploying capital to acquire new businesses at what we expect to be attractive rates of return for our shareholders," commented John Billowits, Chief Financial Officer of Constellation. "With six acquisitions completed to date in 2008, we increased our operating line of credit to $105 million to provide us increased capacity to take advantage of further acquisition opportunities should they arise".

Conference Call and Webcast

Management will host a conference call at **8:30 a.m. (ET)** on **Thursday, May 8, 2007** 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 until11:59 p.m. ET on May 22, 2008. To access the replay, please dial 416-695-5800 or1-800-408-3053 followed by the passcode 3259250#.

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 this quarter, 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 Mar. 31, 2008	Three months ended Mar. 31, 2007
	($000, except percentages)	
Total revenue	73,603	55,893
Net income	4,329	2,602
Add back:		
Income tax expense (recovery)	(348)	1,003
Foreign exchange loss (gain)	(471)	7
Interest expense (income)	163	(115)
(Gain) on sale of short-term investments, marketable securities and other assets	(48)	(234)
Amortization of intangible assets	8,096	4,434
Depreciation	785	692
Adjusted EBITDA	12,506	8,389
Adjusted EBITDA margin	17.0%	15.0%

The following table reconciles Adjusted Net Income to net income:

	Three months ended Mar. 31, 2008	Three months ended Mar. 31, 2007
	($000, except percentages)	
Total revenue	73,603	55,893
Net income	4,329	2,602
Add back:		
Amortization of intangible assets	8,096	4,434
Future income tax expense (recovery)	(1,309)	(154)
Adjusted net income	11,116	6,882
Adjusted net income margin	15.1%	12.3%

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

	Quarter Ended							
	June 30, 2006	**Sept 30, 2006**	**Dec 31, 2006**	**March 31, 2007**	**June 30, 2007**	**Sept 30, 2007**	**Dec 31, 2007**	**March 31, 2008**
	($000, except per share amounts)							
ANI previously reported	5,097	6,776	8,975	7,036	8,751	8,628	9,059	12,425
Future tax expense (recovery)	(688)	727	(15)	(154)	(348)	(115)	302	(1,309)
Restated ANI	4,409	7,503	8,960	6,882	8,403	8,513	9,361	11,116
ANI/share previously reported	0.24	0.32	0.42	0.33	0.41	0.41	0.43	0.59
Restated ANI/share	0.21	0.35	0.42	0.32	0.40	0.40	0.44	0.52

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)

	March 31, 2008	December 31, 2007
	(Unaudited)	
Assets		
Current assets:		
Cash	$ 11,422	$ 19,796
Restricted cash	750	750
Short-term investments and marketable securities available for sale	8,462	1,217
Accounts receivable	53,270	47,177
Work in progress	9,812	10,839
Inventory	2,292	2,069
Prepaid expenses and other current assets	8,652	7,608
Investment tax credit receivable	1,232	661
Future income taxes	1,128	1,096
	97,020	91,213
Property and equipment	7,835	8,025
Future income taxes	3,646	3,890
Notes receivable	3,518	3,490
Share purchase warrants	571	571
Investment tax credit receivable	1,512	1,779
Other long-term assets	627	643
Intangible assets	121,314	128,942
Goodwill	33,975	28,594
	$ 270,018	$ 267,147
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	$ 22,642	$ 19,342
Accounts payable and accrued liabilities	34,544	43,892
Acquisition holdback payments	9,898	10,442
Deferred revenue	89,230	78,870
Income taxes payable	2,430	3,426
Future income taxes	201	347
	158,945	156,319
Future income taxes	21,671	21,238
Acquisition holdback payments	1,195	1,000
Other long-term liabilities	1,570	1,708
Shareholders' equity:		
Capital stock	99,283	99,283
Shareholder loans	(1,468)	(1,915)
Accumulated other comprehensive loss	(4,444)	(3,237)
Deficit	(6,734)	(7,249)
	86,637	86,882
	$ 270,018	$ 267,147

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

	Three months ended March 31, 2008	Three months ended March 31, 2007
	(Unaudited)	
Revenue	$ 73,603	$ 55,893
Cost of revenue	28,627	21,516
	44,976	34,377
Research and development	11,630	8,910
Sales and marketing	8,041	7,042
General and administration	12,799	10,036
Depreciation	785	692
	33,255	26,680
Income before the undernoted	11,721	7,697
Amortization of intangible assets	8,096	4,434
Gain on sale of short-term investments, marketable securities and other assets	(48)	(234)
Interest expense (income), net	163	(115)
Foreign exchange (gain) loss	(471)	7
Income before income taxes	3,981	3,605
Income taxes (recovery):		
Current	961	1,157
Future	(1,309)	(154)
	(348)	1,003
Net income	$ 4,329	$ 2,602
Income per share:		
Basic	$ 0.21	$ 0.12
Diluted	0.20	0.12
Weighted average number of shares outstanding:		
Basic	21,113	21,093
Diluted	21,192	21,192
Outstanding at the end of the period	21,192	21,192

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

	Three months ended March 31, 2008	2007
	(Unaudited)	
Deficit, beginning of period	$ (7,249)	$ (15,180)
Net income	4,329	2,602
Dividends	(3,814)	(3,179)
Deficit, end of period	$ (6,734)	$ (15,757)

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

	Three months ended March 31, 2008	2007
	(Unaudited)	
Net income	$ 4,329	$ 2,602
Other comprehensive income (loss)	(1,292)	832
Comprehensive income	$ 3,037	$ 3,434

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

	Three months ended March 31, 2008	2007
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 4,329	$ 2,602
Adjustments to reconcile net income to net cash flows from operations:		
Depreciation	785	692
Amortization of intangible assets	8,096	4,434
Accretion interest	29	–
Future income taxes	(1,309)	(154)
Gain on sale of short-term investments, marketable securities and other assets	(48)	(234)
Unrealized foreign exchange gain	(245)	(16)
Change in non-cash operating working capital	(7,782)	(8,922)
Cash flows from (used in) operating activities	3,855	(1,598)
Cash flows from financing activities:		
Decrease in long-term liabilities	(138)	(230)
Increase in bank indebtedness	3,300	2,422
Dividends	(3,814)	(3,179)
Issuance of shareholder loans	–	(447)
Repayment of shareholder loans, net	447	792
Cash flows used in financing activities	(205)	(642)
Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired	(3,212)	(14,617)
Reduction (additions) to short-term investments, marketable securities and other assets	(8,405)	801
Decrease in restricted cash	–	858
Decrease (increase) in other assets	226	(310)
Property and equipment purchased	(513)	(517)
Cash flows used in investing activities	(11,904)	(13,785)
Effect of currency translation adjustment on cash and cash equivalents	(120)	26
Decrease in cash and cash equivalents	(8,374)	(15,999)
Cash, beginning of period	19,796	25,807
Cash, end of period	$ 11,422	$ 9,808