

Constellation Software Inc. Announces Results for the First Quarter Ended March 31, 2009

TORONTO, ONTARIO (May 6, 2009) -- Constellation Software Inc. (TSX:CSU) ("Constellation" or the "Company") today announced its financial results for the first quarter ended March 31, 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 unaudited consolidated interim financial statements for the three month period ended March 31, 2009 and the accompanying notes, and with our audited consolidated annual financial statements 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.

Q1 2009 Highlights:

- Revenue increased \$24 million or 32% to \$97 million as compared to Q1 2008
- Adjusted EBITDA increased \$8 million or 64% to \$21 million as compared to Q1 2008
- Adjusted Net Income increased \$6 million or 51% to \$17 million (\$0.79 on a fully diluted per share basis) from \$11 million (\$0.52 on a fully diluted per share basis) in Q1 2008
- \$3 million was deployed on one acquisition and \$2 million in holdbacks related to prior acquisitions was paid

First quarter revenue was \$97 million, an increase of 32%, or \$24 million, compared to \$73 million for the comparable period in 2008. The increase was entirely attributable to growth from acquisitions, as organic growth from our existing business was estimated at approximately negative 6%.

Adjusted EBITDA for the first quarter was \$21 million, a 64% increase compared to the prior year's first quarter Adjusted EBITDA of \$13 million. First quarter Adjusted EBITDA per share on a fully diluted basis increased 64% to \$0.97 compared to \$0.59 for the same period last year.

Adjusted Net Income for the first quarter was \$17 million, compared to the prior year's first quarter Adjusted Net Income of \$11 million, a 51% increase. First quarter Adjusted Net Income per share on a fully diluted basis increased 52% to \$0.79 compared to \$0.52 for the prior year's first quarter.

Net income for the first quarter was \$3.8 million compared to the prior year's first quarter net income of \$4.3 million. On a fully diluted per share basis, this translates into net income per share of \$0.18 for the first quarter of 2009, compared to \$0.20 in the same period of 2008.

The following table displays our revenue by reporting segment and the percentage change for the three months ended March 31, 2009 compared to the same period in 2008:

	Three months ended Mar. 31,		Period-Over-Period Change	
	<u>2009</u>	<u>2008</u>	\$	%
	(\$000, except percentages)			
Public Sector				
Licenses	9,014	5,441	3,573	66%
Professional services and other:				
Services	21,697	12,187	9,510	78%
Hardware and other	5,029	4,086	943	23%
Maintenance	38,751	26,601	12,150	46%
	74,491	48,315	26,176	54%
Private Sector				
Licenses	1,843	3,432	(1,589)	-46%
Professional services and other:				
Services	2,915	3,923	(1,008)	-26%
Hardware and other	798	1,071	(273)	-25%
Maintenance	17,205	16,862	343	2%
	22,761	25,288	(2,527)	-10%

Public Sector

For the quarter ended March 31, 2009, total revenue in the public sector segment increased by 54%, or \$26 million, to \$74 million, compared to \$48 million for the quarter ended March 31, 2008. The increase for the three month period was significant across all revenue types. Revenue growth from acquired businesses was significant for the three month period as we have completed fourteen acquisitions since the beginning of 2008 in our public sector segment. It is estimated that acquisitions completed since the beginning of 2008 contributed approximately \$27 million to our Q1 2009 revenues. In calculating our organic growth, we assume that the companies we've acquired continue, during the 12 months following their acquisition, to achieve revenues at a level consistent with the revenues they achieved during the 12 months preceding their acquisition by Constellation. Actual revenues achieved by each company acquired could be higher or lower than the amounts estimated, however Constellation believes that this method of calculating organic growth provides a reasonable estimate of actual organic growth achieved. Revenues decreased organically by \$1 million in Q1 2009. Organic revenue declines or increases were negligible across all operating groups.

Private Sector

For the quarter ended March 31, 2009, total revenue in the private sector segment decreased 10%, or \$2 million, to \$23 million, compared to \$25 million for the quarter ended March 31, 2008. Revenue growth from acquired businesses was not as strong as in the public sector as we have only completed eight acquisitions since the beginning of 2008 in our private sector segment. It is estimated that acquisitions completed since the beginning of 2008 contributed approximately \$1.4 million to our Q1 2009 revenues, if they had sustained their revenue run rates at the time of acquisition. Revenues decreased organically by \$4 million in Q1 2009. The organic revenue decline was primarily driven by the following:

- **Homebuilder and Friedman operating groups** (decrease of approximately \$3.6 million). 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.

“Our revenues, excluding the contribution from acquisitions, were lower in Q1 than in the comparable prior year’s quarter” commented Mark Leonard, President of Constellation. “Our near term prospects for organic growth are poor. Despite the organic revenue contraction, we are pleased with our profitability.”

Conference Call and Webcast

Management will host a conference call at **8:30 a.m. (ET) on Thursday, May 7, 2009** to answer questions regarding the results. The teleconference numbers are 416-340-2218 or 866-226-1793. 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 21, 2009. To access the replay, please dial 416-695-5800 or 1-800-408-3053 followed by the passcode 7030877#.

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.

“Adjusted Net Income” means net income plus amortization of intangible assets and future income taxes. 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 decrease in economic value of acquisitions. 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 recovery with the amortization of intangibles. “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,	
	2009	2008
	(\$000, except percentages)	
Total revenue	<u>\$ 97,252</u>	<u>\$ 73,603</u>
Net income	3,781	4,329
Add back:		
Income taxes (recovery)	1,809	(348)
Foreign exchange gain	(1,027)	(471)
Interest expense	680	163
Gain on sale of short-term investments, marketable securities and other assets	0	(48)
Other expenses	188	0
Amortization of intangible assets	14,379	8,096
Depreciation	750	785
Adjusted EBITDA	20,560	12,506
Adjusted EBITDA margin	21%	17%

The following table reconciles Adjusted Net Income to net income:

	Three months ended Mar. 31,	
	2009	2008
	(\$000, except percentages)	
Total revenue	<u>\$ 97,252</u>	<u>\$ 73,603</u>
Net income	3,781	4,329
Add back:		
Amortization of intangible assets	14,379	8,096
Future income taxes (recovery)	(1,343)	(1,309)
Adjusted net income	16,817	11,116
Adjusted net income margin	17%	15%

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

Statement of Operations

For the 3 months ended March 31, 2009

(Unaudited)	Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated
Revenue	\$ 78,588	\$ 18,664	\$ 97,252
Cost of revenue	28,108	7,721	35,829
Gross Profit	50,480	10,943	61,423
Total Expenses (pre amortization)	34,689	6,174	40,863
Adjusted EBITDA	15,791	4,769	20,560
EBITDA as % Total Revenue	20%	26%	21%
Depreciation	742	8	750
Income before the undernoted	15,049	4,761	19,810
Amortization of intangible assets	12,330	2,049	14,379
Other Expenses	(159)	-	(159)
Income before income taxes	2,878	2,712	5,590
Income taxes	1,272	537	1,809
Net Income	\$ 1,606	\$ 2,175	\$ 3,781

Cash flow from operating activities

For the 3 months ended March 31, 2009

(Unaudited)	Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated
Cash flows from operating activities:			
Net income	\$ 1,606	\$ 2,175	\$ 3,781
Adjustments to reconcile net income to net cash flows from operations:			
Depreciation	742	8	750
Amortization of intangible assets	12,330	2,049	14,379
Future income taxes	(946)	(397)	(1,343)
Other non-cash items	(949)	-	(949)
Change in non-cash operating working capital	(14,211)	(1,536)	(15,747)
Cash flows from operating activities	\$ (1,428)	\$ 2,299	\$ 871

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

Adjusted EBITDA to net income reconciliation
For the 3 months ended March 31, 2009

(Unaudited)	Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated
Total revenue	\$ 78,588	\$ 18,664	\$ 97,252
Net income	1,606	2,175	3,781
Add back:			
Income tax expense	1,272	537	1,809
Other expenses	(159)	-	(159)
Amortization of intangible assets	12,330	2,049	14,379
Depreciation	742	8	750
Adjusted EBITDA	15,791	4,769	20,560
Adjusted EBITDA margin	20%	26%	21%

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 2009	December 31 2008
	(Unaudited)	
Assets		
Current assets:		
Cash	\$ 16,890	\$ 30,405
Short-term investments and marketable securities available for sale	8,479	9,979
Accounts receivable	65,100	61,079
Work in progress	18,340	15,392
Inventory	3,448	2,308
Prepaid expenses and other current assets	9,960	8,395
Investment tax credits recoverable	1,399	1,504
Future income taxes	3,787	3,779
	127,403	132,841
Restricted cash	750	750
Property and equipment	9,615	9,381
Future income taxes	5,868	5,713
Notes receivable	3,675	3,643
Investment tax credits recoverable	1,784	1,808
Other long-term assets	3,052	3,656
Intangible assets	179,580	188,070
Goodwill	39,937	39,937
	\$ 371,664	\$ 385,799
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 54,209	\$ 60,200
Accounts payable and accrued liabilities	42,734	63,429
Dividends payable	926	-
Acquisition holdback payments	9,076	10,901
Deferred revenue	132,711	115,466
Income taxes payable	1,347	3,197
	241,003	253,193
Future income taxes	25,554	26,778
Other long-term liabilities	11,537	10,446
Shareholders equity:		
Capital stock	99,283	99,283
Shareholder loans	(636)	(931)
Accumulated other comprehensive loss	(8,212)	(6,901)
Retained earnings	3,135	3,931
	93,570	95,382
	\$ 371,664	\$ 385,799

CONSTELLATION SOFTWARE INC.

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

	Three months ended March 31,	
	2009	2008
	(Unaudited)	
Revenue	\$ 97,252	\$ 73,603
Cost of revenue	35,829	28,627
	61,423	44,976
Research and development	14,701	11,630
Sales and marketing	10,097	8,041
General and administration	16,065	12,799
Depreciation	750	785
	41,613	33,255
Income before the undernoted	19,810	11,721
Amortization of intangible assets	14,379	8,096
Other expenses	188	-
Gain on sale of short-term investments, marketable securities and other assets	-	(48)
Interest expense, net	680	163
Foreign exchange gain	(1,027)	(471)
Income before income taxes	5,590	3,981
Income taxes (recovery):		
Current	3,152	961
Future	(1,343)	(1,309)
	1,809	(348)
Net income	\$ 3,781	\$ 4,329
Income per share:		
Basic	\$ 0.18	\$ 0.21
Diluted	0.18	0.20
Weighted average number of shares outstanding:		
Basic	21,150	21,113
Diluted	21,192	21,192
Outstanding at the end of the period	21,192	21,192

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

	Three months ended March 31,	
	2009	2008
	(Unaudited)	
Retained earnings (deficit), beginning of period	\$ 3,931	\$ (7,249)
Net income	3,781	4,329
Dividends	(4,577)	(3,814)
Retained earnings (deficit), end of period	\$ 3,135	\$ (6,734)

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

	Three months ended March 31,	
	2009	2008
	(Unaudited)	
Net Income	\$ 3,781	\$ 4,329
Other comprehensive loss, net of tax:		
Net unrealized mark-to-market adjustment loss on available-for-sale financial assets during the period	(1,425)	(1,058)
Net unrealized foreign exchange adjustment loss on available-for-sale financial assets during the period	(96)	(109)
Transfer of unrealized gain from prior periods upon derecognition of available-for-sale investments	-	(39)
Amounts reclassified to earnings during the period	210	-
Comprehensive income	\$ 2,470	\$ 3,123

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

	Three months ended March 31,	
	2009	2008
	(Unaudited)	
Cash flows from operating activities:		
Net income	\$ 3,781	\$ 4,329
Adjustments to reconcile net income to net cash flows from operations:		
Depreciation	750	785
Amortization of intangible assets	14,379	8,096
Non-cash interest	(36)	(51)
Future income taxes	(1,343)	(1,309)
Other	188	-
Gain on sale of short-term investments, marketable securities, and other assets	-	(48)
Unrealized foreign exchange (gain) loss	(1,101)	(245)
Change in non-cash operating working capital	(15,747)	(7,724)
Cash flows from operating activities	871	3,833
Cash flows from financing activities:		
Decrease in other long-term liabilities	(53)	(138)
Increase (decrease) in bank indebtedness	(5,991)	3,300
Credit facility financing fees	(16)	-
Dividends	(3,651)	(3,814)
Repayment of shareholder loans	298	456
Cash flows from financing activities	(9,413)	(196)
Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired	(2,925)	(2,689)
Acquisition holdback payments	(1,939)	(523)
Additions to short-term investments, marketable securities and other assets	-	(8,405)
Decrease in other assets	(240)	226
Property and equipment purchased	(921)	(513)
Cash flows used in investing activities	(6,025)	(11,904)
Effect of currency translation adjustment on cash and cash equivalents	1,052	(107)
Decrease in cash and cash equivalents	(13,515)	(8,374)
Cash, beginning of period	30,405	19,796
Cash, end of period	\$ 16,890	\$ 11,422