

Constellation Software Inc. Announces Results for the First Quarter Ended March 31, 2010

TORONTO, ONTARIO (May 5, 2010) -- Constellation Software Inc. (TSX:CSU) (“Constellation” or the “Company”) today announced its financial results for the first quarter ended March 31, 2010. 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 our unaudited consolidated interim financial statements for the three month period ended March 31, 2010 and the accompanying notes, and with our audited annual Consolidated Financial Statements and our annual MD&A for the year ended December 31, 2009 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 2010 Highlights:

- Revenue grew 48% compared to Q1 2009. Organic revenue growth was negative 6% in both Q1 2010 and in Q1 2009.
- Adjusted EBITDA grew 16% compared to Q1 2009
- Adjusted Net Income grew by 11% compared to Q1 2009
- \$15 million was deployed on five acquisitions and \$1 million in holdbacks related to prior acquisitions was paid

First quarter 2010 revenue was \$144 million, an increase of 48%, or \$47 million, compared to \$97 million for the comparable period in 2009. The increase for the first quarter compared to the same period in the prior year was attributable to growth from acquisitions, as organic growth from our existing business was estimated at approximately negative 6%.

Constellation acquired the PTS business from Continental Automotive AG (‘Continental’) on November 2, 2009. Given the substantial amount of non-recurring revenue historically earned by PTS, gross revenue from PTS has fluctuated significantly in the past and may continue to do so in the future. Constellation expects revenue from PTS to decline significantly in the twelve months following acquisition compared to revenue in the twelve months preceding acquisition. Excluding PTS, organic growth for Constellation was 3% in Q1.

The following table provides a summary of the impact of PTS on Constellation’s organic revenue growth:

Organic Revenue Growth	
	Q1-10
Constellation	-6%
Constellation excluding PTS	3%

Adjusted EBITDA for the first quarter 2010 was \$24 million, compared to the prior year’s first quarter Adjusted EBITDA of \$21 million, a 16% increase. First quarter Adjusted EBITDA per share on a fully diluted basis increased 16% to \$1.13 compared to \$0.97 for the prior year’s first quarter.

Adjusted Net Income for the first quarter 2010 was \$19 million, compared to the prior year’s first quarter Adjusted Net Income of \$17 million, an 11% increase. First quarter Adjusted Net Income per share on a fully diluted basis increased 11% to \$0.88 compared to \$0.79 for the prior year’s first quarter.

Net Income for the first quarter 2010 was \$6 million, compared to the prior year's first quarter Net Income of \$4 million, a 67% increase. On a fully diluted per share basis, this translates into net income per share of \$0.30 for the first quarter of 2010, compared to \$0.18 in the same period of 2009.

The following table displays our revenue by reportable segment and the percentage change for the three months ended March 31, 2010 compared to the same period in 2009:

	Three months ended Mar. 31,		Period-Over-Period Change	
	2010	2009	\$	%
	(\$000, except percentages)			
Public Sector				
Licenses	8,323	9,014	(691)	-8%
Professional services and other:				
Services	34,039	21,697	12,342	57%
Hardware and other	15,483	5,029	10,454	208%
Maintenance	52,379	38,751	13,628	35%
	110,224	74,491	35,733	48%
Private Sector				
Licenses	2,759	1,843	916	50%
Professional services and other:				
Services	6,158	2,915	3,243	111%
Hardware and other	1,308	798	510	64%
Maintenance	23,444	17,205	6,239	36%
	33,669	22,761	10,908	48%

Public Sector

For the quarter ended March 31, 2010, total revenue in the public sector segment increased 48%, or \$36 million, to \$110 million, compared to \$74 million for the quarter ended March 31, 2009. Revenue growth from acquired businesses was significant for the three month period as we completed seven acquisitions since the beginning of 2009 in our public sector segment. It is estimated that acquisitions completed since the beginning of 2009 contributed approximately \$42 million to our Q1 2010 revenues. Revenues decreased organically by 8% or \$6 million in Q1 2010 compared to the same period in 2009. Excluding PTS, organic growth for the Public Sector increased by 3% in Q1 2010 compared to the same period in 2009.

Organic Revenue Growth	
	Q1-10
Public Sector	-8%
Public Sector excluding PTS	3%

The organic revenue change was primarily driven by the following:

- **Trapeze operating group** (decrease of approximately \$8 million in Q1). For Q1, excluding the impact of PTS, Trapeze experienced slight positive organic growth driven from continued strong bookings in their North American transit business. This growth was offset by organic revenue shrinkage in the PTS business.

- **Harris operating group** (increase of approximately \$2 million in Q1). For Q1, Harris had continued strong sales both to existing clients and to new customers in their utility, local government, and school verticals.

Private Sector

For the quarter ended March 31, 2010, total revenue in the private sector segment increased 48%, or \$11 million, to \$34 million, compared to \$23 million for the quarter ended March 31, 2009. Revenue growth from acquired businesses was significant for the three month period as we completed eleven acquisitions since the beginning of 2009 in our private sector segment. It is estimated that acquisitions completed since the beginning of 2009 contributed approximately \$10 million to our Q1 2010 revenue. Revenues increased organically by 2% or \$0.4 million in Q1 2010 compared to the same period in 2009. The organic revenue change was negligible across each of the private sector operating groups.

According to Mark Leonard, Constellation's President, "Acquisition accounting for large acquisitions with long term customer contracts is at best confusing, and at worst misleading. I encourage shareholders to focus on our cash flows to better understand the MAJES and PTS acquisitions. To date MAJES has been a successful acquisition for us. In Q1 they suffered their first negative cash flow quarter, as penalty payments were made and receivables collections were low. We anticipate that MAJES' receivables collections will improve and the business will be cash flow positive for the remainder of the year. PTS was cash flow positive in Q4 2009, but that trend reversed in Q1 2010. We are still coming to grips with the business, but continue to have confidence in its long-term prospects. I wouldn't bet my truck that PTS will be cash flow positive this year."

During the quarter, Constellation completed five acquisitions for total net cash consideration of approximately \$15 million, and paid holdbacks related to prior acquisitions of \$1 million. At March 31, 2010, cash and cash equivalents position (net of borrowings on our line of credit) decreased to negative \$32 million, from negative \$10 million at December 31, 2009.

"Excluding the impact of PTS, we had our second quarter of positive organic growth primarily driven by a significant improvement in our private sector," commented John Billowits, Chief Financial Officer of Constellation. "Although PTS generated positive Adjusted EBITDA in Q1 2010, the business consumed a large amount of working capital resulting in negative operating cash flow. As previously mentioned, it may take some time before PTS contributes positive operating cash flow on a consistent basis."

Conference Call and Webcast

Management will host a conference call at **8:30 a.m. (ET) on Thursday, May 6, 2010** to answer questions regarding the results. The teleconference numbers are 416-695-7848 or 800-355-4959. 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 20, 2010. To access the replay, please dial 416-695-5800 or 800-408-3053 followed by the passcode 2071363#.

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, other expenses (income), amortization, and foreign exchange (gain) loss. 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 non-cash expenses (income) such as amortization of intangible assets, future income taxes, and certain other income/expenses. 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 intangible assets, future income taxes, and certain other non-cash income/expenses incurred by the Company from time to time. “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. 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,	
	<u>2010</u>	<u>2009</u>
	(\$000, except percentages)	
Total revenue	<u>\$ 143,893</u>	<u>\$ 97,252</u>
Net income (loss)	6,313	3,781
Add back:		
Income taxes	654	1,809
Foreign exchange loss (gain)	91	(1,027)
Interest expense, net	645	680
Other (income) expenses	(189)	188
Amortization of intangible assets	15,295	14,379
Depreciation	1,047	750
Adjusted EBITDA	23,856	20,560
Adjusted EBITDA margin	17%	21%

The following table reconciles Adjusted Net Income to net income:

	Three months ended Mar. 31,	
	<u>2010</u>	<u>2009</u>
	(\$000, except percentages)	
Total revenue	<u>\$ 143,893</u>	<u>\$ 97,252</u>
Net income (loss)	6,313	3,781
Add back:		
Amortization of intangible assets	15,295	14,379
Future income taxes (recovery)	(2,941)	(1,343)
Adjusted net income	18,667	16,817
Adjusted net income margin	13%	17%

The following tables provide supplemental statement of operations and cash flow information of PTS and certain assets and liabilities acquired from MAXIMUS Inc.'s Asset, Justice, and Education businesses ('MAJES') MAJES:

Statement of Operations
For the three months ended March 31, 2010

(Unaudited)	For the 3 months ended March 31, 2010			
	Constellation Software Inc. (excluding MAJES and PTS)	MAJES	PTS	Consolidated
Revenue	\$ 98,615	\$18,271	\$27,007	\$ 143,893
Cost of revenue	36,340	6,734	17,476	60,550
Gross Profit	62,275	11,537	9,531	83,343
Total Expenses (excluding amortization)	45,112	6,969	7,406	59,487
Adjusted EBITDA	17,163	4,568	2,125	23,856
<i>EBITDA as % Total Revenue</i>	17%	25%	8%	17%
Depreciation	897	108	42	1,047
Income before the undernoted	16,266	4,460	2,083	22,809
Amortization of intangible assets	13,844	1,451	-	15,295
Other expenses, net	219	79	249	547
Income before income taxes	2,203	2,930	1,834	6,967
Income taxes	(77)	25	705	654
Net Income	\$ 2,280	\$ 2,905	\$ 1,129	\$ 6,313

Cash flow from operating activities
For the three months ended March 31, 2010

(Unaudited)	For the 3 months ended March 31, 2010			
	Constellation Software Inc. (excluding MAJES and PTS)	MAJES	PTS	Consolidated
Cash flows from operating activities:				
Net income	\$ 2,280	\$ 2,905	\$ 1,129	\$ 6,313
Adjustments to reconcile net income to net cash flows from operations:				
Depreciation	897	108	42	1,047
Amortization of intangible assets	13,844	1,451	-	15,295
Future income taxes	(3,371)	279	151	(2,941)
Other non-cash items	456	2	(627)	(169)
Change in non-cash operating working capital	410	(6,920)	(4,666)	(11,176)
Cash flows from operating activities	\$ 14,515	\$ (2,175)	\$ (3,972)	\$ 8,369

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

Adjusted EBITDA to net income reconciliation
For the three months ended March 31, 2010

For the 3 months ended March 31, 2010				
(Unaudited)	Constellation Software Inc. (excluding MAJES and PTS)			
	PTS	MAJES	PTS	Consolidated
Total revenue	\$ 98,615	\$ 18,271	\$ 27,007	\$ 143,893
Net income	2,280	2,905	1,129	6,313
Add back:				
Income tax expense	(77)	25	705	654
Other expenses, net	219	79	249	547
Amortization of intangible assets	13,844	1,451	-	15,295
Depreciation	897	108	42	1,047
Adjusted EBITDA	17,163	4,568	2,125	23,856
Adjusted EBITDA margin	17%	25%	8%	17%

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, 2010	December 31, 2009
(Unaudited)		
Assets		
Current assets:		
Cash	\$ 26,397	\$ 33,249
Short-term investments and marketable securities available for sale	21,230	22,323
Accounts receivable	103,669	99,742
Work in progress	23,074	21,349
Inventory	14,167	12,702
Prepaid expenses and other current assets	21,318	19,606
Notes receivable	3,896	3,833
Investment tax credits recoverable	2,215	2,250
Future income taxes	3,860	4,445
	<u>219,826</u>	<u>219,499</u>
Restricted cash	2,686	2,229
Property and equipment	11,627	10,539
Future income taxes	11,494	10,155
Investment tax credits recoverable	2,415	2,133
Other long-term assets	14,804	7,169
Intangible assets	193,714	187,788
Goodwill	41,268	40,977
	<u>\$ 497,834</u>	<u>\$ 480,489</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 58,565	\$ 43,100
Accounts payable and accrued liabilities	85,936	111,307
Acquisition holdback payments	5,718	3,587
Deferred revenue	159,476	136,857
Income taxes payable	3,280	3,751
	<u>312,975</u>	<u>298,602</u>
Future income taxes	28,353	28,121
Other long-term liabilities	46,746	45,708
Shareholders equity:		
Capital stock	99,283	99,283
Shareholder loans	(538)	(646)
Accumulated other comprehensive loss	634	(157)
Retained earnings	10,381	9,578
	<u>109,760</u>	<u>108,058</u>
	<u>\$ 497,834</u>	<u>\$ 480,489</u>

CONSTELLATION SOFTWARE INC.

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

	Three months ended	
	2010	2009
	March 31,	
	(Unaudited)	
Revenue	\$ 143,893	\$ 97,252
Cost of revenue	60,550	35,829
	83,343	61,423
Research and development	22,190	14,701
Sales and marketing	13,621	10,097
General and administration	23,676	16,065
Depreciation	1,047	750
	60,534	41,613
Income before the undernoted	22,809	19,810
Amortization of intangible assets	15,295	14,379
Other (income) expenses	(189)	188
Interest expense, net	645	680
Foreign exchange loss (gain)	91	(1,027)
Income before income taxes	6,967	5,590
Income taxes (recovery):		
Current	3,595	3,152
Future	(2,941)	(1,343)
	654	1,809
Net income	\$ 6,313	\$ 3,781
Income per share:		
Basic	\$ 0.30	\$ 0.18
Diluted	0.30	0.18
Weighted average number of shares		
outstanding:		
Basic	21,175	21,150
Diluted	21,192	21,192
Outstanding at the end of the period	21,192	21,192

CONSTELLATION SOFTWARE INC.

Interim Consolidated Statements of Retained Earnings (deficit)

(In thousands of U.S. dollars)

		Three months ended March 31,	
		2010	2009
		(Unaudited)	
Retained earnings, beginning of period	\$	9,578	\$ 3,931
Net income		6,313	3,781
Dividends		(5,510)	(4,577)
Retained earnings, end of period	\$	10,381	\$ 3,135

Interim Consolidated Statements of Comprehensive Income

(In thousands of U.S. dollars)

		Three months ended March 31,	
		2010	2009
		(Unaudited)	
Net Income	\$	6,313	\$ 3,781
Other comprehensive net income, net of tax:			
Net unrealized mark-to-market adjustment gain (loss) on available-for-sale financial assets during the period		2,074	(1,425)
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial assets during the period		(351)	(96)
Reclassification of unrealized gain from prior periods upon derecognition of available-for-sale investments		(696)	-
Amounts reclassified to earnings during the period		-	210
Future tax expense on unrealized gains		(604)	-
Foreign currency translation adjustment		368	-
Comprehensive income	\$	7,104	\$ 2,470

CONSTELLATION SOFTWARE INC.

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

	Three months ended March 31,	
	2010	2009
	(Unaudited)	
Cash flows from operating activities:		
Net income	\$ 6,313	\$ 3,781
Adjustments to reconcile net income to net cash flows from operations:		
Depreciation	1,047	750
Amortization of intangible assets	15,295	14,379
Non-cash interest	(71)	(36)
Future income taxes	(2,941)	(1,343)
Other	(189)	188
Foreign exchange gain	91	(1,101)
Change in non-cash operating working capital	(11,176)	(15,747)
Cash flows from operating activities	8,369	871
Cash flows from (used in) financing activities:		
Increase (decrease) in other long-term liabilities	53	(53)
Increase (decrease) in bank indebtedness	15,465	(5,991)
Credit facility financing fees	-	(16)
Dividends paid	(5,510)	(3,651)
Repayment of shareholder loans	121	298
Cash flows from (used in) financing activities	10,129	(9,413)
Cash flows from (used in) investing activities:		
Acquisition of businesses, net of cash acquired	(15,261)	(2,925)
Acquisition holdback payments	(947)	(1,939)
Earnout payments	(71)	-
Additions to short-term investments, marketable securities and other assets	(7,217)	-
Increase in restricted cash	(457)	-
Decrease (increase) in other assets	305	(240)
Property and equipment purchased	(1,590)	(921)
Cash flows used in investing activities	(25,238)	(6,025)
Effect of currency translation adjustment on cash and cash equivalents	(112)	1,052
Decrease in cash and cash equivalents	(6,852)	(13,515)
Cash, beginning of period	33,249	30,405
Cash, end of period	\$ 26,397	\$ 16,890
Supplemental cash flow information:		
Income taxes paid	\$ 3,627	\$ 5,122
Interest paid	882	848
Investment tax credits received	479	75
Interest received	43	22