

## **Constellation Software Inc. Announces Results for the Second Quarter Ended June 30, 2009**

**TORONTO, ONTARIO (August 5, 2009)** -- Constellation Software Inc. (TSX:CSU) (“Constellation” or the “Company”) today announced its financial results for the three and six months ended June 30, 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 and six month periods ended June 30, 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](http://www.sedar.com) and on the Company’s website [www.csisoftware.com](http://www.csisoftware.com). Additional information about the Company is also available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Q2 2009 Highlights:**

- Revenue increased to \$102 million from \$78 million in Q2 2008, representing a 31% increase
- Adjusted EBITDA increased to \$22 million from \$14 million in Q2 2008, representing a 61% increase
- Adjusted Net Income increased to \$16 million (\$0.77 on a fully diluted per share basis) from \$12 million (\$0.57 on a fully diluted per share basis) in Q2 2008, representing a 36% increase
- One acquisition was completed in the quarter for net cash consideration of \$2.7 million, and holdbacks related to prior acquisitions of \$0.6 million were paid
- The Board of Directors approved the adoption of a majority voting policy for uncontested director elections

Second quarter revenue was \$102 million, an increase of 31%, or \$24 million, compared to \$78 million for the comparable period in 2008. Total revenue for the six months ended June 30, 2009 was \$199 million, an increase of 31% over last year’s revenues of \$151 million for the same period.

Adjusted EBITDA for the second quarter was \$22 million, a 61% increase compared to the prior year's second quarter Adjusted EBITDA of \$14 million. Second quarter Adjusted EBITDA per share on a fully diluted basis increased 59% to \$1.05, compared to \$0.66 for the same period last year. Adjusted EBITDA for the six month period ended June 30, 2009 was \$43 million, an increase of 62% over last year’s Adjusted EBITDA of \$26 million for the same period. Adjusted EBITDA per share on a fully diluted basis for the six month period increased 62% to \$2.02, compared to \$1.25 for the same period in 2008.

Adjusted Net Income for the second quarter was \$16 million, compared to the prior year's second quarter Adjusted Net Income of \$12 million, a 36% increase. Second quarter Adjusted Net Income per share on a fully diluted basis increased 35% to \$0.77 compared to \$0.57 for the prior year’s second quarter. Adjusted Net Income for the six month period ended June 30, 2009 was \$33 million, an increase of 44% over last year’s Adjusted Net Income of \$23 million. Adjusted Net Income per share on a fully diluted basis for the six month period ended June 30, 2009 increased 44% to \$1.57 compared to \$1.09 for the same period in 2008.

Net income for the second quarter was \$3.7 million compared to the prior year's second quarter net income of \$3.4 million. On a fully diluted per share basis, this translates into net income per share of \$0.18 for the second quarter of 2009, compared to \$0.16 in the same period of 2008. For the six months ended June 30, 2009 net income was \$7.5 million or \$0.36 per fully diluted share compared to \$7.7 million or \$0.36 per fully diluted share last year.

The following table displays our revenue by reporting segment and the percentage change for the three and six months ended June 30, 2009 compared to the same periods in 2008:

	Three months ended June 30,		Period-Over-Period Change			Six months ended June 30,		Period-Over-Period Change	
	2009	2008	\$	%		2009	2008	\$	%
	(\$000, except percentages)					(\$000, except percentages)			
<b>Public Sector</b>									
Licenses	7,130	5,950	1,180	20%	16,143	11,391	4,752	42%	
Professional services and other:									
Services	22,129	14,354	7,775	54%	43,825	26,541	17,284	65%	
Hardware and other	6,953	3,499	3,454	99%	11,983	7,586	4,397	58%	
Maintenance	41,549	28,965	12,584	43%	80,301	55,565	24,736	45%	
	77,761	52,768	24,993	47%	152,252	101,083	51,169	51%	
<b>Private Sector</b>									
Licenses	1,895	3,107	(1,212)	-39%	3,738	6,539	(2,801)	-43%	
Professional services and other:									
Services	3,215	3,903	(688)	-18%	6,131	7,825	(1,694)	-22%	
Hardware and other	881	1,063	(182)	-17%	1,679	2,133	(454)	-21%	
Maintenance	17,763	16,901	862	5%	34,967	33,765	1,202	4%	
	23,754	24,974	(1,220)	-5%	46,515	50,262	(3,747)	-7%	

## Public Sector

For the quarter ended June 30, 2009, total revenue in the public sector segment increased 47%, or \$25 million, to \$78 million, compared to \$53 million for the quarter ended June 30, 2008. For the six months ended June 30, 2009, total revenue increased by 51% or \$51 million, to \$152 million, compared to \$101 million for the comparable period in 2008. The increases for both the three and six month periods were significant across all revenue types. Revenue growth from acquired businesses was significant for both the three and six month periods as we completed 14 acquisitions since the beginning of 2008 in our public sector segment. It is estimated that acquisitions completed since the beginning of 2008 contributed approximately \$23 million to our Q2 2009 revenues and \$50 million to our revenues in the six months ended June 30, 2009. 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 increased organically by \$2 million in Q2 2009 and \$1 million in the six months ended June 30, 2009 compared to the same periods in 2008. Organic revenue changes were negligible across all operating groups.

## Private Sector

For the quarter ended June 30, 2009, total revenue in the private sector segment decreased 5%, or \$1 million, to \$24 million, compared to \$25 million for the quarter ended June 30, 2008. For the six months ended June 30, 2009 total revenue decreased by 7% or \$4 million, to \$47 million, compared to \$50 million for the comparable period in 2008. Revenue growth from acquired businesses was significant for both the three and six month periods as we completed nine acquisitions since the beginning of 2008 in our private sector segment. It is estimated that acquisitions completed since the beginning of 2008 contributed approximately \$2 million to our Q2 2009 revenues and \$3 million to our revenues in the six months ended June 30, 2009. Revenues decreased organically by \$4 million in Q2 2009 and \$7 million in the six months ended June 30, 2009 compared to the same periods in 2008. The organic revenue decline was primarily driven by the following:

- **Homebuilder and Friedman operating groups** (decrease of approximately \$2.5 million for Q2 and \$6 million for the first 6 months). 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 existing 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 may decrease further given the weakness in the underlying industries that they serve.

During the quarter, Constellation completed one acquisition for total net cash consideration of approximately \$2.7 million, and paid holdbacks related to prior acquisitions of \$0.6 million. At June 30, 2009, Constellation's cash position (net of borrowings on our line of credit) increased to negative \$25 million, from negative \$30 million at December 31, 2008.

Also during the quarter, a new policy in respect of voting for the Company's directors was approved by the Board of Directors. Under the policy, the Company's shareholders will be able to cast separate votes for, or withhold their support from, each candidate for election to the Board of Directors in an uncontested election, rather than voting for an entire slate of directors. If for any one candidate, more votes are withheld than are voted in favour of that candidate, that director would then be required to resign from the Board. A copy of the policy is available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **Conference Call and Webcast**

Management will host a conference call at **8:30 a.m. (ET) on Thursday, August 6, 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](http://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 August 20, 2009. To access the replay, please dial 416-695-5800 or 1-800-408-3053 followed by the passcode 3148783#.

#### **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, loss on held for trading investments related to mark to market adjustments, and other expenses, and before including gain (loss) on sale of short-term investments, marketable securities, other assets, and foreign exchange. 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 June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	(\$000, except percentages)			
<b>Total revenue</b>	<u>\$ 101,515</u>	<u>\$ 77,742</u>	<u>\$ 198,767</u>	<u>\$ 151,345</u>
<b>Net income</b>	3,747	3,402	7,528	7,731
<b>Add back:</b>				
Income taxes	1,821	388	3,630	40
Foreign exchange gain	(371)	(192)	(1,398)	(663)
Interest expense	686	234	1,366	397
Loss (gain) on sale of short-term investments, marketable securities and other assets	(33)	24	(33)	(24)
Other expenses	1,286	0	1,474	0
Amortization of intangible assets	14,309	9,201	28,688	17,297
Depreciation	889	841	1,639	1,626
Adjusted EBITDA	22,334	13,898	42,894	26,404
Adjusted EBITDA margin	22%	18%	22%	17%

The following table reconciles Adjusted Net Income to net income:

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	(\$000, except percentages)			
<b>Total revenue</b>	<u>\$ 101,515</u>	<u>\$ 77,742</u>	<u>\$ 198,767</u>	<u>\$ 151,345</u>
<b>Net income</b>	3,747	3,402	7,528	7,731
<b>Add back:</b>				
Amortization of intangible assets	14,309	9,201	28,688	17,297
Future income taxes (recovery)	(1,684)	(603)	(3,027)	(1,912)
Adjusted net income	16,372	12,000	33,189	23,116
Adjusted net income margin	16%	15%	17%	15%

The following provides supplemental income statement and cash flow information for assets acquired from MAXIMUS ('MAJES') in Q3 2008:

Statement of Operations

For the three and six months ended June 30, 2009

(Unaudited)	For the 3 months ended June 30, 2009			For the 6 months ended June 30, 2009		
	Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated	Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated
Revenue	\$ 82,624	\$ 18,891	\$ 101,515	\$ 161,212	\$ 37,555	\$ 198,767
Cost of revenue	30,516	6,474	36,990	58,624	14,195	72,819
Gross Profit	52,108	12,417	64,525	102,588	23,360	125,948
Total Expenses (pre amortization)	35,276	6,915	42,191	69,965	13,089	83,054
Adjusted EBITDA	16,832	5,502	22,334	32,623	10,271	42,894
EBITDA as % Total Revenue	20%	29%	22%	20%	27%	22%
Depreciation	792	97	889	1,534	105	1,639
Income before the undernoted	16,040	5,405	21,445	31,089	10,166	41,255
Amortization of intangible assets	11,909	2,400	14,309	24,239	4,449	28,688
Other expenses (income)	1,583	(15)	1,568	1,424	(15)	1,409
Income before income taxes	2,548	3,020	5,568	5,426	5,732	11,158
Income taxes	165	1,656	1,821	1,437	2,193	3,630
Net Income	\$ 2,383	\$ 1,364	\$ 3,747	\$ 3,989	\$ 3,539	\$ 7,528

Cash flow from operating activities

For the three and six months ended June 30, 2009

(Unaudited)	For the 3 months ended June 30, 2009			For the 6 months ended June 30, 2009		
	Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated	Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated
Cash flows from operating activities:						
Net income	\$ 2,383	\$ 1,364	\$ 3,747	\$ 3,989	\$ 3,539	\$ 7,528
Adjustments to reconcile net income to net cash flows from operations:						
Depreciation	792	97	889	1,534	105	1,639
Amortization of intangible assets	11,909	2,400	14,309	24,239	4,449	28,688
Future income taxes	(2,036)	352	(1,684)	(2,982)	(45)	(3,027)
Other non-cash items	521	-	521	(428)	-	(428)
Change in non-cash operating working capital	(3,601)	2,887	(714)	(17,812)	1,351	(16,461)
Cash flows from operating activities	\$ 9,968	\$ 7,100	\$ 17,068	\$ 8,540	\$ 9,399	\$ 17,939

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

Adjusted EBITDA to net income reconciliation  
For the three and six months ended June 30, 2009

(Unaudited)	For the 3 months ended June 30, 2009			For the 6 months ended June 30, 2009		
	Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated	Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated
<b>Total revenue</b>	\$ 82,624	\$ 18,891	\$ 101,515	\$ 161,212	\$ 37,555	\$ 198,767
<b>Net income</b>	2,383	1,364	3,747	3,989	3,539	7,528
<b>Add back:</b>						
Income tax expense	165	1,656	1,821	1,437	2,193	3,630
Other expenses (income)	1,583	(15)	1,568	1,424	(15)	1,409
Amortization of intangible assets	11,909	2,400	14,309	24,239	4,449	28,688
Depreciation	792	97	889	1,534	105	1,639
Adjusted EBITDA	16,832	5,502	22,334	32,623	10,271	42,894
Adjusted EBITDA margin	20%	29%	22%	20%	27%	22%

**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.

**For further information:**

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**SOURCE: CONSTELLATION SOFTWARE INC.**

# CONSTELLATION SOFTWARE INC.

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

	June 30, 2009	December 31, 2008
	(Unaudited)	
<b>Assets</b>		
Current assets:		
Cash	\$ 12,446	\$ 30,405
Short-term investments and marketable securities available for sale	11,023	9,979
Accounts receivable	58,293	61,079
Work in progress	19,641	15,392
Inventory	2,970	2,308
Prepaid expenses and other current assets	10,211	8,395
Investment tax credits recoverable	2,274	1,504
Future income taxes	3,731	3,779
	120,589	132,841
Restricted cash	750	750
Property and equipment	9,972	9,381
Future income taxes	8,135	5,713
Notes receivable	3,707	3,643
Investment tax credits recoverable	1,817	1,808
Other long-term assets	2,973	3,656
Intangible assets	168,591	188,070
Goodwill	39,937	39,937
	\$ 356,471	\$ 385,799
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Bank indebtedness	\$ 37,000	\$ 60,200
Accounts payable and accrued liabilities	47,802	63,429
Acquisition holdback payments	8,325	10,901
Deferred revenue	123,571	115,466
Income taxes payable	1,089	3,197
	217,787	253,193
Future income taxes	25,712	26,778
Other long-term liabilities	11,754	10,446
Shareholders equity:		
Capital stock	99,283	99,283
Shareholder loans	(641)	(931)
Accumulated other comprehensive loss	(4,306)	(6,901)
Retained earnings	6,882	3,931
	101,218	95,382
	\$ 356,471	\$ 385,799

# CONSTELLATION SOFTWARE INC.

Interim Consolidated Statements of Operations

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

	Three months ended		Six months ended	
	2009	June 30, 2008	2009	June 30, 2008
	(Unaudited)		(Unaudited)	
Revenue	\$ 101,515	\$ 77,742	\$ 198,767	\$ 151,345
Cost of revenue	36,990	28,625	72,819	57,252
	64,525	49,117	125,948	94,093
Research and development	15,281	11,327	29,982	22,957
Sales and marketing	10,683	9,841	20,780	17,882
General and administration	16,227	14,051	32,292	26,850
Depreciation	889	841	1,639	1,626
	43,080	36,060	84,693	69,315
Income before the undernoted	21,445	13,057	41,255	24,778
Amortization of intangible assets	14,309	9,201	28,688	17,297
Other expenses	1,286	-	1,474	-
Loss (gain) on sale of short-term investments, marketable securities and other assets	(33)	24	(33)	(24)
Interest expense, net	686	234	1,366	397
Foreign exchange gain	(371)	(192)	(1,398)	(663)
Income before income taxes	5,568	3,790	11,158	7,771
Income taxes (recovery):				
Current	3,505	991	6,657	1,952
Future	(1,684)	(603)	(3,027)	(1,912)
	1,821	388	3,630	40
Net income	\$ 3,747	\$ 3,402	\$ 7,528	\$ 7,731
Income per share:				
Basic	\$ 0.18	\$ 0.16	\$ 0.36	\$ 0.37
Diluted	0.18	0.16	0.36	0.36
Weighted average number of shares outstanding:				
Basic	21,168	21,147	21,159	21,130
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 Retained Earnings (deficit)

(In thousands of U.S. dollars)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	(Unaudited)		(Unaudited)	
Retained earnings (deficit), beginning of period	\$ 3,135	\$ (6,734)	\$ 3,931	\$ (7,249)
Net income	3,747	3,402	7,528	7,731
Dividends	-	-	(4,577)	(3,814)
Retained earnings (deficit), end of period	\$ 6,882	\$ (3,332)	\$ 6,882	\$ (3,332)

## Interim Consolidated Statements of Comprehensive Income

(In thousands of U.S. dollars)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	(Unaudited)		(Unaudited)	
Net Income	\$ 3,747	\$ 3,402	\$ 7,528	\$ 7,731
Other comprehensive loss, net of tax:				
Net unrealized mark-to-market adjustment gain (loss) on available-for-sale financial assets during the period (taxes - nil)	1,779	(682)	379	(1,740)
Net unrealized foreign exchange adjustment gain on available-for-sale financial assets during the period (taxes - nil)	841	1	742	(108)
Transfer of unrealized gain from prior periods upon derecognition of available-for-sale investments (taxes - nil)	-	-	-	(39)
Amounts reclassified to earnings during the period (taxes - nil)	1,286	-	1,474	-
Comprehensive income	\$ 7,653	\$ 2,721	\$ 10,123	\$ 5,844

# CONSTELLATION SOFTWARE INC.

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

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	(Unaudited)		(Unaudited)	
<b>Cash flows from operating activities:</b>				
Net income	\$ 3,747	\$ 3,402	\$ 7,528	\$ 7,731
Adjustments to reconcile net income to net cash flows from operations:				
Depreciation	889	841	1,639	1,626
Amortization of intangible assets	14,309	9,201	28,688	17,297
Non-cash interest	(35)	(43)	(71)	(94)
Future income taxes	(1,684)	(603)	(3,027)	(1,912)
Other	1,286	-	1,474	-
Loss (gain) on sale of short-term investments, marketable securities, and other assets	(33)	24	(33)	(24)
Unrealized foreign exchange gain	(697)	(128)	(1,798)	(373)
Change in non-cash operating working capital	(714)	(666)	(16,461)	(8,390)
Cash flows from operating activities	17,068	12,028	17,939	15,861
<b>Cash flows from (used in) financing activities:</b>				
Increase (decrease) in other long-term liabilities	(6)	361	(59)	223
Increase (decrease) in bank indebtedness	(17,209)	5,558	(23,200)	8,858
Credit facility financing fees	(12)	(354)	(28)	(354)
Dividends	(926)	-	(4,577)	(3,814)
Repayment of shareholder loans	29	424	327	880
Cash flows from financing activities	(18,124)	5,989	(27,537)	5,793
<b>Cash flows from (used in) investing activities:</b>				
Acquisition of businesses, net of cash acquired	(2,669)	(13,400)	(5,594)	(16,089)
Acquisition holdback payments	(633)	(217)	(2,572)	(740)
Disposition of (additions to) short-term investments, marketable securities and other assets	110	(3,753)	110	(12,158)
Increase in restricted cash	-	(997)	-	(997)
Decrease (increase) in other assets	111	(980)	(129)	(754)
Property and equipment purchased	(1,008)	(998)	(1,929)	(1,511)
Cash flows used in investing activities	(4,089)	(20,345)	(10,114)	(32,249)
Effect of currency translation adjustment on cash and cash equivalents	701	222	1,753	115
Decrease in cash and cash equivalents	(4,444)	(2,106)	(17,959)	(10,480)
Cash, beginning of period	16,890	11,422	30,405	19,796
Cash, end of period	\$ 12,446	\$ 9,316	\$ 12,446	\$ 9,316
<b>Supplemental cash flow information:</b>				
Income taxes paid	\$ 3,692	\$ -	\$ 8,814	\$ -
Interest paid	799	451	1,647	894
Investment tax credits received	130	-	205	-
Interest received	23	569	45	749