

CONSTELLATION SOFTWARE INC.

TO OUR SHAREHOLDERS

Constellation had record revenues of \$107 million in Q3 2009. EBITA was also at record levels (\$22 million), as our businesses continued to manage expenses and margins well despite Organic Net Revenue Growth of minus 3%. We are forecasting much improved Organic Net Revenue Growth in the coming year, but not counting on it.

We had a flurry of acquisitions (i.e. 8) during Q3 2009, with capital deployed totalling in excess of \$38 million. On November 2nd our Trapeze Operating Group acquired Continental Automotive AG's Public Transit Solutions business ("PTS"). The PTS business will be a significant contributor to Net Revenue growth in Q4 and in 2010, but is unlikely to be a significant contributor to EBITA growth for quite some time.

Q3 Adjusted Net Income and ROIC (Annualized) at \$15 million and 22% respectively, slipped markedly vs the last 3 quarters' results. Foreign exchange losses (\$2 million in Q3 2009 vs \$0 million in Q3 2008) and current taxes (\$5 million in Q3 2009 vs \$2 million in Q3 2008) played a large role in these decreases.

The Maximus Asset Justice and Education solutions ("MAJES") businesses that we acquired in Q3 of 2008 continued to generate strong cash flows from operating activities (\$6 million in Q3 2009). As you'll see in the MD&A, the purchase price allocation for this acquisition has been finalised, but a number of contracts that we assumed at the time of the acquisition continue to have significant economic risk. We will report supplementary financial information regarding the MAJES acquisition until such time as we believe that the business is unlikely to have major cash flow swings.

This is the last quarterly letter to shareholders that I'll be writing, although I still anticipate producing the annual letter to shareholders. We plan to incorporate the table that appears in this letter into our future MD&A documents.

At the time of our initial public offering we established an objective of generating in excess of 20% average annual revenue growth per share and EBITDA growth per share for the period January 1, 2006 through December 31, 2010. We continue to believe that the employees of Constellation will deliver this remarkable performance despite the constant (well intentioned) reminders of shareholders and analysts that we will inevitably revert to the mean and be subject to the law of large numbers.

Mark Leonard
President
Constellation Software Inc.

November 3rd, 2009

	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009
(\$ millions, except percentages)									
Revenue	61	66	74	78	81	98	97	102	107
Net Income	3.3	1.6	4.3	3.4	3.3	4.0	3.8	3.7	2.7
Net Revenue	55	60	67	71	75	89	89	91	96
Net Maintenance Revenue	35	38	42	44	46	53	54	57	60
Adjusted Net Income ⁽¹⁾	8.5	9.4	11.1	12.0	12.3	19.0	16.8	16.4	14.6
Average Invested Capital	158	167	176	188	201	216	234	247	263
Net Revenue Growth (Y/Y)	14%	24%	31%	29%	35%	47%	34%	28%	28%
Organic Net Revenue Growth (Y/Y)	2%	3%	6%	5%	7%	0%	-5%	-4%	-3%
Net Maintenance Growth (Y/Y)	23%	28%	34%	32%	34%	40%	29%	29%	30%
Adjusted Net Income Growth (Y/Y)	13%	5%	62%	43%	45%	103%	51%	36%	18%
Average Invested Capital Growth (Y/Y)	26%	24%	24%	26%	27%	29%	33%	31%	31%
Tangible Net Assets / Net Revenue	-53%	-74%	-58%	-58%	-84%	-102%	-80%	-78%	-95%
ROIC (Annualized)	22%	22%	25%	26%	25%	35%	29%	27%	22%
ROIC + Organic Net Revenue Growth	24%	26%	32%	31%	32%	35%	24%	23%	19%

(1) Historical figures restated to comply with revised definition.

Performance Metrics Glossary

“Net Revenue” means Revenue for GAAP purposes less third party and flow-through expenses. We use Net Revenue since it captures 100% of the license, maintenance and services revenues associated with Constellation’s own products, but only includes the margin on our lower value-added revenues such as commodity hardware or third party software.

“Net Maintenance Revenue” is derived from GAAP Maintenance Revenue by subtracting third party maintenance costs. We believe that Net Maintenance Revenue is one of the best indicators of the intrinsic value of a software company and that the operating profitability of a low growth software business should correlate tightly to Net Maintenance Revenues.

Effective Q1 2008, the term “Adjusted Net Income” is derived by adjusting GAAP net income for the non-cash amortization of intangibles, future income taxes, and charges related to appreciation in common shares eligible for redemption (a charge that we no longer incur now that Constellation’s common shares are publicly traded). Prior to Q1 2008, Adjusted Net Income was derived by adjusting GAAP net income for the non-cash amortization of intangibles and charges related to appreciation in common shares eligible for redemption. The computation was 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 recovery with the amortization of intangibles. All previously reported Adjusted Net Income figures have been restated in the table above to reflect the new method of computations. We use Adjusted Net Income because it is generally a better measure of cash flow than GAAP net income and it is closely aligned with the calculation of net income that we use for bonus purposes.

“Average Invested Capital” is based on the Company’s estimate of the amount of money that our shareholders had invested in Constellation. Subsequent to that estimate, each period we have kept a running tally, adding Adjusted Net Income, subtracting any dividends, adding any amounts related to share issuances and making some small adjustments, including adjustments relating to our use of certain incentive programs and the amortization of impaired intangibles.

“Tangible Net Assets / Quarterly Net Revenue” provides a measure of our Tangible Net Assets as a proportion of Quarterly Net Revenue. Tangible Net Assets is calculated by taking Total Assets for GAAP purposes, and subtracting (i) intangible assets and goodwill, (ii) cash and short term investments, (iii) future income tax assets, (iv) all customer, trade and government liabilities that do not bear a coupon, excluding future income tax liabilities and acquisition holdbacks.

“ROIC (Annualized)” represents a ratio of Adjusted Net Income to Average Invested Capital. “ROIC + Organic Net Revenue Growth” provides a historical measure of the effectiveness of our capital allocation.

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. These statements reflect current assumptions and expectations regarding future events and operating performance and speak only as of the date hereof. 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 are made as of the date hereof and Constellation assumes no obligation to update any forward looking statements to reflect new events or circumstances except as required by law.

Non-GAAP Measures

Net Revenue, Net Maintenance Revenue, Adjusted Net Income, Adjusted EBITDA and Organic Net Revenue Growth are not recognized measures under GAAP and, accordingly, shareholders are cautioned that Net Revenue, Net Maintenance Revenue, Adjusted Net Income, Adjusted EBITDA and Organic Net Revenue Growth should not be construed as alternatives to revenue or 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 Net Revenue, Net Maintenance Revenue, Adjusted Net Income, Adjusted EBITDA and Organic Net Revenue Growth may differ from other issuers and, accordingly, may not be comparable to similar measures presented by other issuers. Please refer to Constellation’s most recently filed Management Discussion and Analysis for a reconciliation, where applicable, between the GAAP and non-GAAP measures referred to above.