CONSTELLATION SOFTWARE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

The following discussion and analysis should be read in conjunction with the Unaudited Condensed Consolidated Interim Financial Statements for the three and nine month periods ended September 30, 2013 and with our Annual Consolidated Financial Statements for the year ended December 31, 2012, which we prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward-Looking Statements" and "Risks and Uncertainties".

Unless otherwise indicated, all dollar amounts are expressed in U.S. dollars. All references to "$" are to U.S. dollars and all references to "C$" are to Canadian dollars. Certain totals, subtotals and percentages may not reconcile due to rounding.

Additional information about Constellation Software Inc. (the "Company" or "Constellation"), including our most recently filed Annual Information Form ("AIF"), is available on SEDAR at www.sedar.com.

Forward Looking Statements

Certain statements in this report may contain "forward looking" statements that involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Words such as "may", "will", "expect", "believe", "plan", "intend", "should", "anticipate" and other similar terminology are intended to identify forward looking statements. These statements reflect current assumptions and expectations regarding future events and operating performance as of the date of this MD&A, October 30, 2013. 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, including, but not limited to, the factors discussed under "Risks and Uncertainties". Although the forward looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this MD&A and the Company assumes no obligation, except as required by law, to update any forward looking statements to reflect new events or circumstances. This report should be viewed in conjunction with the Company's other publicly available filings, copies of which can be obtained electronically on SEDAR at www.sedar.com.

Non-IFRS Measures

This MD&A includes certain measures which have not been prepared in accordance with IFRS such as Adjusted EBITDA, Adjusted EBITDA margin, Adjusted net income and Adjusted net income margin.

The term ''Adjusted EBITDA'' refers to net income before adjusting for finance income, finance costs, income taxes, equity in net income or loss of equity investees, impairment of non-financial assets, depreciation, amortization, and foreign exchange gain or 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 amortization 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 adjusted for non-cash expenses (income) such as amortization of intangible assets, deferred income taxes, and certain other expenses (income). 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, deferred income taxes, and certain other non-cash expenses (income) incurred or recognized 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 IFRS and, accordingly, readers are cautioned that Adjusted EBITDA and Adjusted net income should not be construed as alternatives to net income determined in accordance with IFRS. 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. See ''Results of Operations —Adjusted EBITDA'' and ''— Adjusted net income'' for a reconciliation of Adjusted EBITDA and Adjusted net income to net income.

Overview

We acquire, manage and build vertical market software ("VMS") businesses. Generally, these businesses provide mission critical software solutions that address the specific needs of our customers in particular markets. Our focus on acquiring businesses with growth potential, managing them well and then building them, has allowed us to generate significant cash flows and revenue growth during the past several years.

Our revenue consists primarily of software license fees, maintenance and other recurring fees, professional service fees and hardware sales. Software license revenue is comprised of license fees charged for the use of our software products generally licensed under multiple-year or perpetual arrangements in which the fair value of maintenance and/or professional service fees are determinable, where applicable. Maintenance and other recurring revenue primarily consists of fees charged for customer support on our software products post-delivery and also includes, to a lesser extent, recurring fees derived from software as a service, subscriptions, combined software/support contracts, transaction-related revenues, and hosted products. Maintenance and other recurring fee arrangements generally include ongoing customer support and rights to certain product updates "when and if available" and products sold on a subscription basis. Professional service revenue consists of fees charged for implementation and integration services, customized programming, product training and consulting. Hardware sales include the resale of third party hardware that forms part of our customer solutions, as well as sales of customized hardware assembled internally. Our customers typically purchase a combination of software, maintenance, professional services and hardware, although the type, mix and quantity of each vary by customer and by product.

Expenses consist primarily of staff costs, the cost of hardware, third party licenses, maintenance and professional services to fulfill our customer arrangements, travel and occupancy costs and other general operating expenses.

Results of Operations

(In millions of dollars, except percentages and per share amounts)

Unaudited

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2013	2012	$	%	2013	2012	$	%
Revenue	**315.9**	**226.0**	**89.9**	**40%**	**870.5**	**630.2**	**240.3**	**38%**
Expenses	255.2	177.3	77.8	44%	705.5	498.6	206.9	41%
Adjusted EBITDA	**60.7**	**48.6**	**12.1**	**25%**	**165.0**	**131.6**	**33.4**	**25%**
Depreciation	2.6	2.1	0.5	24%	7.3	5.6	1.6	29%
Amortization of intangible assets	33.8	22.1	11.7	53%	90.0	61.6	28.4	46%
Foreign exchange (gain) loss	(1.6)	(0.3)	(1.3)	410%	0.5	(0.3)	0.8	NM
Equity in net (income) loss of equity investees	(0.3)	(0.2)	(0.1)	39%	(0.7)	0.9	(1.5)	NM
Finance income	(0.4)	(2.1)	1.7	-82%	(0.9)	(3.5)	2.7	-75%
Finance costs	1.7	1.1	0.6	51%	5.0	2.9	2.0	70%
Profit (loss) before income taxes	24.9	25.9	(1.0)	-4%	63.8	64.4	(0.6)	-1%
Income taxes expense (recovery)								
Current income tax expense (recovery)	4.6	5.9	(1.4)	-23%	16.2	16.1	0.1	1%
Deferred income tax expense (recovery)	(1.9)	(1.1)	(0.8)	75%	(3.1)	(4.3)	1.1	-27%
Income tax expense (recovery)	2.7	4.8	(2.2)	-45%	13.1	11.8	1.3	11%
Net income (loss)	**22.2**	**21.1**	**1.2**	**6%**	**50.7**	**52.6**	**(1.9)**	**-4%**
Adjusted net income (loss)	**54.1**	**42.1**	**12.0**	**29%**	**137.6**	**109.9**	**27.6**	**25%**
Weighted average number of shares outstanding (000's)								
Basic and diluted	21,192	21,192			21,192	21,192		
Net income (loss) per share								
Basic and diluted	$ 1.05	$ 0.99	$ 0.06	6%	$ 2.39	$ 2.48	$ (0.09)	-4%
Adjusted EBITDA per share								
Basic and diluted	$ 2.86	$ 2.30	$ 0.57	25%	$ 7.79	$ 6.21	$ 1.58	25%
Adjusted net income per share								
Basic and diluted	$ 2.55	$ 1.99	$ 0.57	29%	$ 6.49	$ 5.19	$ 1.30	25%
Cash dividends declared per share								
Basic and diluted	$ 1.00	$ 1.00	$ -	0%	$ 2.00	$ 2.00	$ -	0%

NM - Not meaningful

Comparison of the three and nine month periods ended September 30, 2013 and 2012

Revenue:

Total revenue for the quarter ended September 30, 2013 was $315.9 million, an increase of 40%, or $89.9 million, compared to $226 million for the comparable period in 2012. For the first nine months of 2013 total revenues were $870.5 million, an increase of 38%, or $240.3 million, compared to $630.2 million for the comparable period in 2012. The increase for both the three and nine month periods compared to the same periods in the prior year is mainly attributable to growth from acquisitions, however, the Company did experience positive organic growth of 4% and 3%, respectively. For acquired companies, organic growth is calculated as the difference between actual revenues achieved by each company in the financial period following acquisition compared to the revenues they achieved in the corresponding financial period preceding the date of acquisition by Constellation.

The following table displays the breakdown of our revenue according to revenue type:

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2013	2012	$	%	2013	2012	$	%
	($M, except percentages)				($M, except percentages)			
Licenses	26.8	18.8	8.0	43%	71.6	49.7	21.8	44%
Professional services	62.8	50.5	12.3	24%	184.8	138.6	46.3	33%
Hardware and other	35.0	25.7	9.2	36%	90.2	73.4	16.8	23%
Maintenance and other recurring	191.3	131.0	60.3	46%	523.9	368.5	155.3	42%
	315.9	226.0	89.9	40%	870.5	630.2	240.3	38%

$M - Millions of dollars

We aggregate our business into two distinct segments for financial reporting purposes: (i) the public sector reportable segment, which includes business units focused primarily on government and government-related customers, and (ii) the private sector reportable segment, which includes business units focused primarily on commercial customers.

The following table displays our revenue by reportable segment and the percentage change for the three and nine months ended September 30, 2013 compared to the same periods in 2012:

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2013	2012	$	%	2013	2012	$	%
	($M, except percentages)				($M, except percentages)			
Public Sector								
Licenses	17.6	12.7	5.0	39%	46.5	33.3	13.2	40%
Professional services	49.4	39.7	9.7	24%	145.7	107.5	38.3	36%
Hardware and other	31.1	22.4	8.7	39%	78.6	63.5	15.1	24%
Maintenance and other recurring	119.8	85.8	34.0	40%	324.6	242.3	82.3	34%
	217.9	160.6	57.3	36%	595.4	446.5	148.9	33%
Private Sector								
Licenses	9.2	6.1	3.1	50%	25.1	16.4	8.6	53%
Professional services	13.4	10.8	2.6	24%	39.1	31.1	8.0	26%
Hardware and other	3.9	3.3	0.6	17%	11.7	10.0	1.7	17%
Maintenance and other recurring	71.5	45.2	26.4	58%	199.3	126.2	73.0	58%
	98.0	65.4	32.6	50%	275.1	183.7	91.4	50%

Public Sector

For the quarter ended September 30, 2013, total revenue in the public sector reportable segment increased by 36%, or $57.3 million to $217.9 million, compared to $160.6 million for the quarter ended September 30, 2012. For the nine months ended September 30, 2013, total revenue increased by 33%, or $148.9 million to $595.4 million, compared to $446.5 million for the comparable period in 2012. Total revenue growth from acquired businesses contributed approximately $52 million to our Q3 2013 revenues and $131 million to our nine months ended September 30, 2013 revenues compared to the same periods in 2012, as we completed 31 acquisitions since the beginning of 2012. Organic revenue growth was 4% in Q3 2013 and 3% for the nine months ended September 30, 2013 compared to the same periods in 2012.

Private Sector

For the quarter ended September 30, 2013, total revenue in the private sector reportable segment increased 50%, or $32.6 million to $98 million, compared to $65.4 million for the quarter ended September 30, 2012. For the nine months ended September 30, 2013 total revenue increased by 50%, or $91.4 million to $275.1 million, compared to $183.7 million for the comparable period in 2012. Total revenue growth from acquired businesses contributed approximately $30 million to our Q3 2013 revenues and $83 million to our nine months ended September 30, 2013 revenues compared to the same periods in 2012, as we completed 25 acquisitions since the beginning of 2012. Revenues increased organically by 4% for both the three and nine months ended September 30, 2013 compared to the same periods in 2012.

Expenses:

The following table displays the breakdown of our expenses:

	Three months ended September 30, 2013	2012	Period-Over-Period Change $	%	Nine months ended September 30, 2013	2012	Period-Over-Period Change $	%
	($M, except percentages)				($M, except percentages)			
Expenses								
Staff	167.5	120.2	47.3	39%	473.8	339.5	134.3	40%
Hardware	20.8	14.6	6.2	43%	53.1	37.5	15.6	42%
Third party license, maintenance and professional services	27.6	15.1	12.4	82%	71.8	44.1	27.8	63%
Occupancy	7.9	5.5	2.4	45%	21.2	15.1	6.1	40%
Travel	11.2	8.6	2.6	30%	31.8	24.6	7.2	29%
Telecommunications	3.8	2.8	1.0	37%	10.3	7.8	2.4	31%
Supplies	5.8	3.5	2.3	65%	15.4	10.8	4.6	43%
Professional fees	4.0	4.0	0.0	1%	11.2	8.0	3.2	39%
Other, net	6.6	3.1	3.5	112%	16.9	11.1	5.8	52%
	255.2	177.3	77.8	44%	705.5	498.6	206.9	41%

Overall expenses for the quarter ended September 30, 2013 increased 44%, or $77.8 million to $255.2 million, compared to $177.3 million during the same period in 2012. As a percentage of total revenue, expenses increased to 81% in the quarter ended September 30, 2013 compared to 78% in the quarter ended September 30, 2012. During the nine months ended September 30, 2013, expenses increased 41%, or $206.9 million to $705.5 million, compared to $498.6 million during the same period in 2012. As a percentage of total revenue, overall expenses increased to 81% in the nine months ended September 30, 2013 compared to 79% in the same period in 2012. Our average employee headcount grew 38% in 2013 from 4,787 in the quarter ended September 30, 2012 to 6,589 in the quarter ended September 30, 2013 primarily due to acquisitions.

Staff expense – Staff expenses increased 39% or $47.3 million for the quarter ended September 30, 2013 and 40% or $134.3 million for the nine months ended September 30, 2013 over the same periods in 2012. Staff expense can be broken down into five key operating departments: Professional Services, Maintenance, Research and Development, Sales and Marketing, and General and Administrative. Professional Services staff expenses include personnel and related costs associated with our delivery of professional services. Maintenance staff expenses include personnel and related costs associated with providing maintenance services on the products we sell. Research and Development staff expenses include personnel and related costs associated with our research and development efforts. Sales and Marketing staff expenses consist primarily of the personnel and related costs associated with our sales and marketing functions. General and Administrative staff expenses consist primarily of the personnel and related costs associated with the administration of the business. The table below compares the period over period variances.

	Three months ended September 30, 2013	2012	Period-Over-Period Change $	%	Nine months ended September 30, 2013	2012	Period-Over-Period Change $	%
	($M, except percentages)				($M, except percentages)			
Professional services	37.6	27.3	10.2	37%	108.8	76.9	31.9	41%
Maintenance	30.8	24.2	6.6	27%	89.7	68.2	21.6	32%
Research and development	47.7	32.6	15.1	46%	128.9	91.2	37.7	41%
Sales and marketing	23.5	16.5	7.0	43%	68.1	46.6	21.4	46%
General and administration	27.9	19.6	8.3	42%	78.3	56.6	21.7	38%
	167.5	120.2	47.3	39%	473.8	339.5	134.3	40%

The increase in staff expenses across all of our operating departments was primarily due to the growth in the number of employees compared to the same periods in 2012 primarily due to acquisitions. The growth in maintenance staff expenses is lower than the growth in other operating departments as a result of the QuadraMed acquisition which closed on June 3, 2013. The QuadraMed business currently operates with a proportionately lower number of maintenance staff to maintenance and other recurring revenue than our typical vertical market software businesses.

Hardware expenses – Hardware expenses increased 43% or $6.2 million for the quarter ended September 30, 2013 and 42% or $15.6 million for the nine months ended September 30, 2013 over the same periods in 2012. Hardware expenses have increased in excess of the growth in hardware revenue, resulting in hardware margins for the three and nine months ended September 30, 2013 of 40% and 41% respectively, compared to 43% and 49% in the same periods in 2012. This decline in hardware margins is primarily driven by the delivery on some large contracts by the European and US PTS businesses in the first half of 2012 that included higher margins than the business typically achieves, and a change in the hardware sales mix. In addition, the QuadraMed business unit recorded a $5.4 million hardware sale during the three months ended September 30, 2013 at a margin of 18%.

Third party license, maintenance and professional services expenses – Third party license, maintenance and professional services expenses increased 82% or $12.4 million for the quarter ended September 30, 2013 and 63% or $27.8 million for the nine months ended September 30, 2013 over the same periods in 2012. The increase in third party license, maintenance and professional services expenses is primarily due to an increase in maintenance and other recurring revenue for the three and nine months ended September 30, 2013 compared to the same periods in 2012. Expenses have increased at a rate in excess of the growth in revenue as a result of the payment processing business associated with the Club Solutions acquisition which closed on March 14, 2013. This business is highly dependent on the provision of services by third party payment processors.

Occupancy expenses – Occupancy expenses increased 45% or $2.4 million for the quarter ended September 30, 2013 and 40% or $6.1 million for the nine months ended September 30, 2013 over the same periods in 2012. The increase in occupancy expenses for both periods is primarily due to the occupancy expenses of acquired businesses. In addition, expenses were recorded in the three months ended September 30, 2013 related to office relocations of existing businesses.

Travel, Telecommunications and Supplies expenses – Travel, Telecommunications and Supplies expenses increased 39% or $5.9 million for the quarter ended September 30, 2013 and 33% or $14.2 million for the nine months ended September 30, 2013 over the same periods in 2012. The increase in these expenses is primarily due to expenses incurred by acquired businesses.

Professional fees – Professional fees increased 1% for the quarter ended September 30, 2013 and 39% or $3.2 million for the nine months ended September 30, 2013 over the same periods in 2012. The increase in professional fees for the nine months ended September 30, 2013 is primarily due to legal and tax advisory fees associated with acquisitions and tax planning, and fees associated with the implementation of the Company's dividend reinvestment and employee share ownership plans.

Other, net – Other expenses increased 112% or $3.5 million for the quarter ended September 30, 2013 and 52% or $5.8 million for the nine months ended September 30, 2013 over the same periods in 2012. During the three months ended September 30, 2013 a $2 million expense was recorded related to an impairment of a customer receivable. The Company is pursuing various avenues in an attempt to recover the amount. Remaining increases are primarily due to increased expenses incurred by acquired businesses.

Other Income and Expenses:

The following tables display the breakdown of our other income and expenses:

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2013	2012	$	%	2013	2012	$	%
	($M, except percentages)				($M, except percentages)			
Depreciation	2.6	2.1	0.5	24%	7.3	5.6	1.6	29%
Amortization of intangible assets	33.8	22.1	11.7	53%	90.0	61.6	28.4	46%
Foreign exchange (gain) loss	(1.6)	(0.3)	(1.3)	410%	0.5	(0.3)	0.8	NM
Equity in net (income) loss of equity investees	(0.3)	(0.2)	(0.1)	39%	(0.7)	0.9	(1.5)	NM
Finance income	(0.4)	(2.1)	1.7	-82%	(0.9)	(3.5)	2.7	-75%
Finance costs	1.7	1.1	0.6	51%	5.0	2.9	2.0	70%
Income tax expense (recovery)	2.7	4.8	(2.2)	-45%	13.1	11.8	1.3	11%
	38.5	27.6	10.9	39%	114.3	79.0	35.3	45%

NM - Not meaningful

Depreciation – Depreciation of property and equipment increased 24% or $0.5 million for the quarter ended September 30, 2013 and 29% or $1.6 million for the nine months ended September 30, 2013 over the same periods in 2012. The increases in depreciation expense are primarily attributable to an increase in the carrying amount of our property and equipment asset balance over the twelve month period ended September 30, 2013 as a result of acquisitions completed during this period.

Amortization of intangible assets – Amortization of intangible assets increased 53% or $11.7 million for the quarter ended September 30, 2013 and 46% or $28.4 million for the nine months ended September 30, 2013 over the same periods in 2012. The increases in amortization expense are attributable to an increase in the carrying amount of our intangible asset balance over the twelve month period ended September 30, 2013 as a result of acquisitions completed during this period.

Foreign exchange – Most of our businesses are organized geographically so many of our expenses are incurred in the same currency as our revenues, which mitigates some of our exposure to currency fluctuations. For the quarter ended September 30, 2013, we realized a foreign exchange gain of $1.6 million compared to a gain of $0.3 million for the quarter ended September 30, 2012. For the nine months ended September 30, 2013 the foreign exchange loss was $0.5 million compared to a foreign exchange gain of $0.3 million for the same period in 2012. The foreign exchange losses are due to realized losses on the settlement of certain non-US denominated liabilities and due to holding, or unrealized, losses on certain non-US denominated liabilities.

Equity in net (income) loss of equity investees – Equity in the net (income) loss of equity investees was income of $0.3 million for the quarter ended September 30, 2013 compared to income of $0.2 million for the quarter ended September 30, 2012. For the nine months ended September 30, 2013, Equity in net (income) loss of equity investees was income of $0.7 million compared to a loss of $0.9 million for the same period in 2012. The $0.9 million loss for the nine months ended September 30, 2012 primarily relates to our proportionate share of a loss recorded by an equity investee resulting from an impairment charge on goodwill, which did not repeat in the current period.

Finance income – Finance income for the quarter ended September 30, 2013 was $0.4 million compared to $2.1 million for the quarter ended September 30, 2012. During the nine months ended September 30, 2013, Finance income was $0.9 million compared to $3.5 million for the same period in 2012. The decrease in finance income for the three and nine months ended September 30, 2013 is due to reduced gains on sales of non-current assets and equity securities available-for-sale as compared to the same periods in the prior year.

Finance costs – Finance costs for the quarter ended September 30, 2013 increased $0.6 million to $1.7 million, compared to $1.1 million for the quarter ended June 30, 2012. During the nine months ended September 30, 2013, Finance costs increased $2 million to $5 million, from $2.9 million over the same period in 2012. The increase in finance costs primarily relates to increased interest expense on our revolving line of credit resulting from increased average borrowings in 2013 compared to 2012, and a mark to market loss recorded on a forward foreign exchange contract entered into on June 17, 2013 that settled on September 3, 2013.

Income taxes – We operate globally and we calculate our tax provision in each of the jurisdictions in which we conduct business. Our effective tax rate on a consolidated basis is, therefore, affected by the realization and anticipated relative profitability of our operations in those various jurisdictions, as well as different tax rates that apply and our ability to utilize tax losses and other credits. For the quarter ended September 30, 2013, income tax expense decreased $2.2 million to $2.7 million compared to $4.8 million for the quarter ended September 30, 2012. During the nine months ended September 30, 2013, income tax expense increased $1.3 million to $13.1 million, from $11.8 million over the same period in 2012.

Net Income and Earnings per Share:

Net income for the quarter ended September 30, 2013 was $22.2 million compared to net income of $21.1 million for the same period in 2012. On a per share basis this translated into a net income per diluted share of $1.05 in the quarter ended September 30, 2013 compared to net income per diluted share of $0.99 in the quarter ended September 30, 2012. For the nine months ended September 30, 2013, net income was $50.7 million or $2.39 per diluted share compared to $52.6 million or $2.48 per diluted share for the same period in 2012. The decrease in net income for the nine months ended September 30, 2013 over the same period in 2012 was primarily due to an increase in the amortization expense attributable to intangible assets as a result of acquisitions completed during 2012 and 2013. There were no changes in the number of shares outstanding.

Adjusted EBITDA:

For the quarter ended September 30, 2013, Adjusted EBITDA increased to $60.7 million compared to $48.6 million in the quarter ended September 30, 2012 representing an increase of 25%. Adjusted EBITDA margin was 19% for the quarter ended September 30, 2013, compared to 22% for the same period in 2012. For the first nine months of 2013, Adjusted EBITDA increased to $165 million compared to $131.6 million during the same period in 2012, representing an increase of 25%. Adjusted EBITDA margin was 19% in the first nine months of 2013, compared to 21% for the same period in 2012. The decrease in Adjusted EBITDA margins in the three and nine months ended September 30, 2013 is primarily attributed to North American hiring to address backlog and to staff new investments in growth initiatives, the impact of recent European acquisitions, the impact of the acquired payment processing business which operates at lower gross margins than our typical vertical market software businesses, and the impact of the $2 million expense recorded in "Other, net" related to an impairment of a customer receivable. See "Non-IFRS Measures" for a description of Adjusted EBITDA and Adjusted EBITDA margin.

The following table reconciles Adjusted EBITDA to net income:

(Unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
	($M, except percentages)		($M, except percentages)	
Total revenue	315.9	226.0	870.5	630.2
Net income (loss)	22.2	21.1	50.7	52.6
Adjusted for:				
Income tax expense (recovery)	2.7	4.8	13.1	11.8
Foreign exchange (gain) loss	(1.6)	(0.3)	0.5	(0.3)
Equity in net (income) loss of equity investees	(0.3)	(0.2)	(0.7)	0.9
Finance income	(0.4)	(2.1)	(0.9)	(3.5)
Finance costs	1.7	1.1	5.0	2.9
Amortization of intangible assets	33.8	22.1	90.0	61.6
Depreciation	2.6	2.1	7.3	5.6
Adjusted EBITDA	60.7	48.6	165.0	131.6
Adjusted EBITDA margin	19%	22%	19%	21%

Adjusted net income:

For the quarter ended September 30, 2013, Adjusted net income increased to $54.1 million from $42.1 million for the quarter ended September 30, 2012, representing an increase of 29%. Adjusted net income margin was 17% for the quarter ended September 30, 2013, compared to 19% for the same period in 2012. For the first nine months of 2013, Adjusted net income increased to $137.6 million from $109.9 million during the same period in 2012, representing an increase of 25%. Adjusted net income margin was 16% in the first nine months of 2013, compared to 17% for the same period in 2012. The decrease in Adjusted net income margins for the three and nine months ended September 30, 2012 is primarily caused by the same factors that caused the decrease in Adjusted EBITDA margins as described above. See "Non-IFRS Measures" for a description of Adjusted net income and Adjusted net income margin.

The following table reconciles Adjusted net income to net income:

(Unaudited)	Three months ended September 30, 2013	2012	Nine months ended September 30, 2013	2012
	($M, except percentages)		($M, except percentages)	
Total revenue	315.9	226.0	870.5	630.2
Net income (loss)	22.2	21.1	50.7	52.6
Adjusted for:				
Amortization of intangible assets	33.8	22.1	90.0	61.6
Deferred income tax expense (recovery)	(1.9)	(1.1)	(3.1)	(4.3)
Adjusted net income (loss)	54.1	42.1	137.6	109.9
Adjusted net income margin	17%	19%	16%	17%

Quarterly Results (unaudited)

	Quarter Ended Dec. 31 2011	Mar. 31 2012	Jun. 30 2012	Sep. 30 2012	Dec. 31 2012	Mar. 31 2013	Jun. 30 2013	Sep. 30 2013
	($M, except per share amounts)							
Revenue	198.4	195.3	209.0	226.0	261.0	256.4	298.2	315.9
Net Income (loss)	19.4	13.9	17.6	21.1	40.1	9.2	19.2	22.2
Adjusted Net Income	40.2	31.7	36.2	42.1	62.3	33.3	50.1	54.1
Net Income (loss) per share								
Basic & diluted	0.92	0.66	0.83	0.99	1.89	0.43	0.91	1.05
Adjusted Net Income (loss) per share								
Basic & diluted	1.90	1.50	1.71	1.99	2.94	1.57	2.36	2.55

We do experience seasonality in our operating results in that Adjusted Net Income margins in the first quarter of every year are typically lower than margins achieved in the second, third and fourth quarters. The key drivers for the lower margins are increased payroll tax costs associated with our annual bonus payments that are made in the month of March, and the fact that historically there has been a consistent focus at year end to complete sales implementation projects which generally translates into increased professional services revenue in the fourth quarter and decreased professional services in the first quarter. Our quarterly results may also fluctuate as a result of the various acquisitions which may be completed by the Company in any given quarter. We may experience variations in our net income on a quarterly basis depending upon the timing of certain expenses or gains, which may include changes in provisions, acquired contract liabilities, bargain purchase gains and gains or losses on the sale of financial and other assets.

Acquisition of certain software assets and liabilities from MAXIMUS Inc.

On September 30, 2008, Constellation acquired certain assets and liabilities of Maximus Inc.'s Asset, Justice, and Education Solutions businesses ("MAJES") including certain long-term contracts that contained contingent liabilities that the Company believed were unlikely to exceed $16 million in the aggregate. The contingent liabilities related to liquidated damages contractually available to customers for breaches of contracts by MAJES and for estimated damages available to customers for breaches of such contracts by MAJES where such contracts did not contain specified penalties. The contingent liabilities represent the difference between the maximum financial liabilities potentially due to customers less the amounts accrued in connection with the contracts assumed on acquisition. Beginning in February 2011, MAXIMUS Inc. ("Maximus") and a subsidiary of Constellation, as a result of receiving a letter from a customer, initiated the dispute resolution process under the customer's contract. The customer alleged that the subsidiary of Constellation and Maximus failed to provide the services and products required to be delivered under the contract. In December 2012, the subsidiary of Constellation obtained a favorable arbitration ruling in the amount of $10 million which was subsequently reduced in July 2013 to $6 million by a court judgment. The July 2013 court ruling also resolved an additional claim filed by the customer alleging no contract existed between the parties. In September 2013 the customer initiated the appeals process in relation to the July 2013 court ruling. The gains based on this ruling have been deemed to be contingent in nature and, accordingly, have not been recognized in the condensed consolidated interim financial statements. The contract with the customer has a $9 million limitation of liability clause that the Company believes applies to all claims.

Liquidity

Our net borrowings (bank indebtedness excluding capitalized transaction costs less cash) increased by $98.6 million to $103.3 million in the nine months ended September 30, 2013 resulting from acquisitions. The amount drawn on our credit facility increased to $148.3 million from $46 million at the end of 2012, and cash increased by $3.7 million to $45 million at September 30, 2013 compared to $41.3 million at December 31, 2012.

Total assets increased $172.8 million, from $812.7 million at December 31, 2012 to $985.5 million at September 30, 2013. The increase is primarily due to an increase in accounts receivable of $39.6 million, work in progress of $16 million, other current assets of $13.5 million and intangible assets of $120.5 million primarily arising from acquisitions made in 2013, offset by a decrease in deferred income tax assets of $31 million also arising from acquisitions made in 2013.

Current liabilities increased $199.9 million, from $472.5 million at December 31, 2012 to $672.4 million at September 30, 2013. The increase is primarily due to an increase in borrowings on our line of credit of $103.3 million, an increase in accounts payable and accrued liabilities of $35 million, and an increase in deferred revenue of $69 million mainly due to acquisitions and the timing of maintenance and other billings versus performance and delivery under those customer arrangements.

Net Changes in Cash Flows
(in $M's)

	Three months ended September 30, 2013	Nine months ended September 30, 2013
Net cash provided by operating activities	87.6	139.5
Net cash from (used in) financing activities	(59.4)	36.3
Net cash from (used in) acquisition activities	(13.1)	(168.8)
Net cash from (used in) other investing activities	(2.9)	(2.7)
Net cash from (used in) investing activities	(16.0)	(171.5)
Effect of foreign currency	0.4	(0.6)
Net increase (decrease) in cash and cash equivalents	**12.6**	**3.6**

The net cash flows from operating activities were $139.5 million for the nine months ended September 30, 2013. The $139.5 million provided by operating activities resulted from $50.7 million in net income, plus $114.3 million of non-cash adjustments to net income, offset by $5.9 million of cash used by an increase in our non-cash operating working capital and $19.6 million in taxes paid.

The net cash flows from financing activities in the nine months ended September 30, 2013 was $36.3 million, which is mainly a result of an increase in bank indebtedness of $102.3 million, which is offset by dividends paid in the period of $63.6 million.

The net cash flows used in investing activities in the nine months ended September 30, 2013 was $171.5 million. The cash used in investing activities was primarily due to acquisitions for an aggregate of $168.8 million (including payments for holdbacks relating to prior acquisitions).

We believe we have sufficient cash and available credit capacity to continue to operate for the foreseeable future. Generally our VMS businesses operate with negative working capital as a result of the collection of maintenance payments and other revenues in advance of the performance of the related services. As such, management anticipates that it can continue to grow the business organically without any additional funding. If we continue to acquire VMS businesses we may need additional external funding depending upon the size and timing of the potential acquisitions.

Capital Resources and Commitments

On March 13, 2012, we entered into a new credit facility with a syndicate of Canadian chartered banks and U.S. banks in the amount of $300 million which replaced our previous $160 million facility. The credit facility is collateralized by substantially all of our assets including the assets of the majority of our material Canadian and U.S. subsidiaries. The credit facility contains standard events of default which if not remedied within a cure period would trigger the repayment of any outstanding balance. Certain other subsidiaries also guarantee this facility. The facility is available for acquisitions, working capital needs, and other general corporate purposes and for the needs of our subsidiaries until 2016. As at September 30, 2013, we had drawn $148.3 million on this facility. Transaction costs associated with this facility have been included as part of the carrying amount of the liability and are being amortized through profit or loss using the effective interest rate method. As at September 30, 2013, the carrying amount of such costs relating to this facility totalling $1.3 million has been classified as part of bank indebtedness in the statement of financial position.

Commitments include operating leases for office equipment and facilities, letters of credit and performance bonds issued on our behalf by financial institutions in connection with facility leases and contracts with public sector customers. Also, occasionally we structure some of our acquisitions with contingent consideration, or earn out obligations, based on the future performance of the acquired business. Aside from the aforementioned, we do not have any other business arrangements, derivative financial instruments, or any equity interests in non-consolidated entities that would have a significant effect on our assets and liabilities as at September 30, 2013.

Foreign Currency Exposure

We operate internationally and have foreign currency risks related to our revenue, operating expenses, assets and liabilities denominated in currencies other than the U.S. dollar. Consequently, we believe movements in the foreign currencies in which we transact could significantly affect future net earnings. We cannot predict the effect of foreign exchange gains or losses in the future; however, if significant foreign exchange losses are experienced, they could have a material adverse effect on our business, results of operations, and financial condition. The Company enters into forward foreign exchange contracts from time to time with the objective of mitigating volatility in profit or loss in respect of financial liabilities. In entering into these forward exchange contracts, the Company is exposed to the credit risk of the counterparties to such contracts and the possibility that the counterparties will default on their payment obligations under these contracts. However, given that the counterparties are Schedule 1 banks or affiliates thereof, the Company believes these risks are not material. During the nine month period ending September 30, 2013, the Company purchased two contracts of this nature totaling approximately $42 million. At September 30, 2013 one contract remains unsettled and the Company has recorded its fair value at September 30, 2013 based on foreign exchange rates relative to the stated rate in the contract. The fair value loss of $0.04 million has been recorded in interest expense as part of finance costs. The contract was settled on October 1, 2013.

The following table provides an approximate breakdown of our revenue and expenses by currency, expressed as a percentage of total revenue and expenses, as applicable, for the three and nine month periods ended September 30, 2013:

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2013	
Currencies	% of Revenue	% of Expenses	% of Revenue	% of Expenses
USD	71%	62%	69%	60%
CAD	7%	14%	8%	16%
GBP	8%	8%	8%	9%
EURO	7%	7%	7%	7%
CHF	2%	3%	2%	4%
Others	5%	6%	6%	4%
Total	100%	100%	100%	100%

Off-Balance Sheet Arrangements

As a general practice, we have not entered into off-balance sheet financing arrangements. Except for operating leases and letters of credit, all of our liabilities and commitments are reflected as part of our statement of financial position.

Proposed Transactions

We seek potential acquisition targets on an ongoing basis and may complete several acquisitions in any given fiscal year.

Disposal of Assets

During the nine months ended September 30, 2013, the Company sold the Technology and Cloud solution assets of the previously acquired Computer Software Innovations, Inc. to Encore Technology Group for total proceeds of $4 million (which included a hold-back receivable of $0.5 million). No significant gain or loss arose on the transaction.

Recent Accounting Pronouncements

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ending December 31, 2013, and have not been applied in preparing our interim consolidated financial statements. The relevant standards and the anticipated impact are highlighted below.

IFRS 9 Financial Instruments

IFRS 9 (2009) replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable.

Financial assets will be classified into one of two categories on initial recognition:

- financial assets measured at amortized cost; or
- financial assets measured at fair value.

Gains and losses on remeasurement of financial assets measured at fair value will be recognized in profit or loss, except that for an investment in an equity instrument which is not held-for-trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. Amounts presented in OCI will not be reclassified to profit or loss at a later date.

IFRS 9 (2010) supersedes IFRS 9 (2009) and is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. For annual periods beginning before January 1, 2015, either IFRS 9 (2009) or IFRS 9 (2010) may be applied.

The Company intends to adopt IFRS 9 (2010) in its consolidated financial statements for the annual period beginning on January 1, 2015. The extent of the impact of adoption of IFRS 9 (2010) has not yet been determined.

Amendments to IAS 32, Offsetting Financial Assets and Liabilities

IAS 32 has been amended to include additional presentation requirements for financial assets and liabilities that can be offset in the statement of financial position. Amendments to IAS 32 are effective for periods beginning on or after January 1, 2014 with early adoption permitted.

The Company intends to adopt the amendments to IAS 32 in its consolidated financial statements for the annual period beginning January 1, 2014. The Company does not expect the amendments to have a material impact on its financial statements.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

In May 2013, the IASB issued Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36). The amendments apply retrospectively for annual periods beginning on or after January 1, 2014. The IASB has issued amendments to reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2014. As the amendments impact certain disclosure requirements only, the Company does not expect the amendments to have a material impact on the financial statements.

Share Capital

As at September 30, 2013, there were 21,191,530 common shares outstanding.

Risks and Uncertainties

The Company's business is subject to a number of risk factors, including those set forth below and also those included in our most recently filed AIF. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the common shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operation may suffer significantly. In that event, the trading price of the common shares could decline, and shareholders may lose all or part of their investment.

Canada Revenue Agency Reassessment and Other Tax Uncertainties

In July 2012, a subsidiary of Constellation received a notice of reassessment for the 2004 taxation year from the Canadian tax authorities ("CRA") which increased taxable income of the subsidiary by approximately $20 million relating to a gain on the sale of property between entities under common control. As a result of the notice of reassessment, the CRA has determined that the subsidiary owes approximately $6 million in federal tax and interest and approximately $5 million in provincial tax and interest. In order to appeal the reassessment, the subsidiary paid $8 million in September 2012 representing 50% of the amount owing from the federal reassessment and 100% of the amount owing from the provincial reassessment. At this stage, the Company believes the proposed reassessment is without merit and is challenging the reassessment. During the period, the Company filed an appeal with the Tax Court of Canada. The Company believes that it has adequately provided for the probable outcome in respect of this matter and as such no additional provision has been recorded in these financial statements during the period. There is no assurance, however, that the Company's appeal will be successful and, if unsuccessful, the Company's future financial results and tax expense could be adversely affected. The $8 million payment made in September 2012 has been recorded in other non-current assets, representative of the deposit on account.

The Company is subject to various other income tax audits by various authorities in respect of prior periods that could result in additional tax expense in future periods. While the outcome of such other outstanding audits and claims remains uncertain, it is expected that they will be resolved without a material impact to the Company's financial position.

Controls and Procedures

Evaluation of disclosure controls and procedures:

Management is responsible for establishing and maintaining disclosure controls and procedures as defined under National Instrument 52-109. At September 30, 2013, the President and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective and that material information relating to the Company, including its subsidiaries, was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation.

Internal controls over financial reporting:

The President and Chief Financial Officer have designed or caused to be designed under their supervision, disclosure controls and procedures which provide reasonable assurance that material information regarding the Company is accumulated and communicated to the Company's management, including its President and Chief Financial Officer in a timely manner.

In addition, the President and Chief Financial Officer have designed or caused it to be designed under their supervision internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. The President and Chief Financial Officer have been advised that the 1992 control framework the President and the Chief Financial Officer used to design the Company's ICFR is recognized by the Committee of Sponsoring Organizations of the Treadway Commission.

The President and the Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, whether or not there were changes to its ICFR during the nine month period ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect the Company's ICFR. No such changes were identified through their evaluation.