

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 month period ended March 31, 2024, which we prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (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. Due to rounding, certain totals and subtotals may not foot and certain percentages may not reconcile.

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

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 May 10, 2024. 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.sedarplus.ca.

Non-IFRS Measures

This MD&A includes certain measures which have not been prepared in accordance with IFRS such as Free cash flow available to shareholders.

Free cash flow available to shareholders "FCFA2S" refers to net cash flows from operating activities less interest paid on lease obligations, interest paid on other facilities, credit facility transaction costs, repayments of lease obligations, the IRGA / TSS membership liability revaluation charge, and property and equipment purchased, and includes interest and dividends received, and the proceeds from sale of interest rate caps. The portion of this amount applicable to non-controlling interests is then deducted. We believe that FCFA2S is useful supplemental information as it provides an indication of the uncommitted cash flow that is available to shareholders if we do not make any acquisitions, or investments, and do not repay any debts. While we could use the FCFA2S to pay dividends or repurchase shares, our objective is to invest all of our FCFA2S in acquisitions which meet our hurdle rate.

FCFA2S is not a recognized measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. Accordingly, readers are cautioned that FCFA2S should not be construed as an alternative to net cash flows from operating activities. See “Results of Operations —Free cash flow available to shareholders” for a reconciliation of FCFA2S to net cash flows from operating activities.

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 non-recurring license fees charged for the use of software products licensed under multiple-year or perpetual arrangements. Maintenance and other recurring revenue primarily consists of fees charged for customer support on software products post-delivery and also includes recurring fees derived from combined software/support contracts, transaction revenues, managed services associated with CSI software that has been sold to the customer, and hosted software-as-a-service products. Professional service revenue consists of fees charged for implementation services, custom programming, product training, certain managed services, and consulting. Hardware and other revenue includes the resale of third party hardware as part of customized solutions, as well as sales of hardware assembled internally and the reimbursement of travel costs. 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, depreciation, and other general operating expenses.

Preferred Share Investment in Lumine

On February 22 and 23, 2023 (as part of a series of transactions relating to the acquisition of WideOrbit Inc. (“WideOrbit”)), the Company’s subsidiary, Lumine Group Inc. (“Lumine”), completed a corporate reorganization. At the beginning of the period, the Company owned 63,582,712 preferred shares (“Lumine Preferred Shares”) in the capital of the Company’s subsidiary, Lumine. The Lumine Preferred Shares were non-voting and under certain conditions were redeemable at the option of CSI for a redemption price of \$21.74 (the “Initial Face Value”) per share. The redemption price was to either be settled in cash or through the issuance of a variable number of subordinate voting shares of Lumine (“Lumine Subordinate Voting Shares”) based on the terms of the Lumine Preferred Shares, or any combination thereof. The Lumine Preferred Shares were also convertible into Lumine Subordinate Voting Shares at a conversion ratio of 1:2.4302106 at any time. The Lumine Preferred Shares entitled CSI to a fixed annual cumulative dividend of 5% per annum on the Initial Face Value.

On March 25, 2024, all of the Lumine Preferred Shares were automatically converted into Lumine Subordinate Voting Shares, and additional Lumine Subordinate Voting Shares were issued in satisfaction of the amounts owing in connection with the accrued dividends on the Lumine Preferred Shares. As of March 31, 2024, CSI holds 157,553,539 Lumine Subordinate Voting Shares.

Subsequent to the conversion, CSI continues to consolidate Lumine and now reflects an equity interest of 61.40% (December 31, 2023 – 0%) in Lumine and a non-controlling interest of 38.60% (December 31, 2023 – 100%).

Results of Operations

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

Unaudited

	Three months ended		Period-Over-Period	
	March 31,		Change	
	2024	2023	\$	%
Revenue	2,353	1,919	434	23%
Expenses	1,800	1,502	298	20%
Amortization of intangible assets	242	193	50	26%
Foreign exchange (gain) loss	(18)	10	(29)	NM
IRGA / TSS membership liability revaluation charge	81	39	42	108%
Finance and other expense (income)	(9)	(7)	(1)	20%
Bargain purchase gain	(2)	(1)	(1)	153%
Impairment of intangible and other non-financial assets	10	2	8	472%
Redeemable preferred securities expense (income)	58	188	(130)	-69%
Finance costs	67	36	30	84%
Income before income taxes	125	(43)	168	NM
Income tax expense (recovery)				
Current income tax expense (recovery)	127	103	24	23%
Deferred income tax expense (recovery)	(75)	(62)	(12)	20%
Income tax expense (recovery)	52	40	12	29%
Net income (loss) attributable to:				
Common shareholders of CSI	105	94	11	11%
Non-controlling interests	(31)	(177)	146	-82%
Net income (loss)	74	(83)	156	NM
Net cash flows from operating activities	737	632	104	16%
Free cash flow available to shareholders	446	453	(7)	-2%
Weighted average number of shares outstanding				
Basic and diluted	21.2	21.2		
Net income (loss) per share				
Basic and diluted	\$ 4.95	\$ 4.44	\$ 0.51	11%
Net cash flows from operating activities per share				
Basic and diluted	\$ 34.76	\$ 29.85	\$ 4.91	16%
Free cash flow available to shareholders per share				
Basic and diluted	\$ 21.04	\$ 21.37	\$ (0.33)	-2%
Cash dividends declared per share				
Basic and diluted	\$ 1.00	\$ 1.00	\$ -	0%

NM - Not meaningful

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

Comparison of the first quarter ended March 31, 2024 and 2023

Revenue:

Total revenue for the quarter ended March 31, 2024 was \$2,353 million, an increase of 23%, or \$434 million, compared to \$1,919 million for the comparable period in 2023. The increase is primarily attributable to growth from acquisitions as the Company experienced organic growth of 4% in the quarter, 3% after adjusting for the impact of changes in the valuation of the US dollar against most major currencies in which the Company transacts business. 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 estimated revenues they achieved in the corresponding financial period preceding the date of acquisition by Constellation. Organic growth is not a standardized financial measure and might not be comparable to measures disclosed by other issuers.

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

	Three months ended March 31,		Period-Over-Period Change		Q123 Proforma Adj. (Note 1) \$	Organic Growth %
	<u>2024</u>	<u>2023</u>	\$	%		
(\$ in millions, except percentages)						
Licenses	88	81	7	8%	15	-8%
Professional services	470	411	58	14%	65	-1%
Hardware and other	59	57	2	4%	9	-11%
Maintenance and other recurring	1,737	1,369	368	27%	255	7%
	2,353	1,919	434	23%	344	4%

\$M - Millions of dollars

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

Note 1: Estimated pre-acquisition revenues for the three months ended March 31, 2023 from companies acquired after December 30, 2023. (Obtained from unaudited vendor financial information.)

For comparative purposes the table below shows the quarterly organic growth as compared to the same period in the prior year by revenue type since Q1 2022. Note that the estimated revenues achieved by acquired companies in the corresponding financial period preceding the date of acquisition by Constellation may be updated in the quarter following the quarter they were acquired resulting in slight variances to previously reported figures.

	Quarter Ended								
	Mar. 31	Jun. 30	Sep. 30	Dec. 31	Mar. 31	Jun. 30	Sep. 30	Dec. 31	Mar. 31
	<u>2022</u>	<u>2022</u>	<u>2022</u>	<u>2022</u>	<u>2023</u>	<u>2023</u>	<u>2023</u>	<u>2023</u>	<u>2024</u>
Licenses	-13%	-21%	-16%	-7%	-9%	-1%	-7%	15%	-8%
Professional services	-5%	-8%	-7%	-9%	0%	1%	7%	4%	-1%
Hardware and other	-5%	-8%	-7%	36%	-1%	3%	10%	-18%	-11%
Maintenance and other recurring	4%	1%	-1%	1%	4%	6%	9%	7%	7%
Revenue	1%	-2%	-3%	-1%	2%	4%	7%	6%	4%

The following table shows the same information adjusting for the impact of foreign exchange movements.

	Quarter Ended									
	Mar. 31	Jun. 30	Sep. 30	Dec. 31	Mar. 31	Jun. 30	Sep. 30	Dec. 31	Mar. 31	
	<u>2022</u>	<u>2022</u>	<u>2022</u>	<u>2022</u>	<u>2023</u>	<u>2023</u>	<u>2023</u>	<u>2023</u>	<u>2024</u>	
Licenses	-11%	-17%	-11%	-3%	-7%	-1%	-9%	13%	-9%	
Professional services	-2%	-3%	-2%	-5%	3%	1%	4%	2%	-2%	
Hardware and other	-3%	-4%	1%	44%	2%	3%	6%	-20%	-12%	
Maintenance and other recurring	7%	6%	5%	6%	6%	7%	7%	6%	6%	
Revenue	4%	2%	2%	4%	5%	5%	5%	4%	3%	

Expenses:

The following table displays the breakdown of our expenses:

Expenses	Three months ended		Period-Over-Period Change	
	March 31,			
	<u>2024</u>	<u>2023</u>	\$	%
	(\$ in millions, except percentages)			
Staff	1,293	1,068	225	21%
Hardware	35	35	(0)	-1%
Third party license, maintenance and professional services	215	185	30	16%
Occupancy	14	13	1	7%
Travel, Telecommunications, Supplies & Software and equipment	112	89	23	26%
Professional fees	38	36	3	7%
Other, net	50	38	12	31%
Depreciation	44	39	5	13%
	1,800	1,502	298	20%

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

Overall expenses for the quarter ended March 31, 2024 increased 20%, or \$298 million to \$1,800 million, compared to \$1,502 million during the same period in 2023. As a percentage of total revenue, expenses equalled 76% for the quarter ended March 31, 2024 and 78% for the same period in 2023. The change in valuation of the US dollar against most major currencies in which the Company transacts business resulted in an approximate 1% increase in expenses for the three months ended March 31, 2024 compared to the first quarter of 2023.

Staff expense – Staff expenses increased 21% or \$225 million for the quarter ended March 31, 2024 over the same period in 2023. Staff expense can be broken down into five key operating departments: Professional Services, Maintenance, Research and Development, Sales and Marketing, and General and Administrative. Included within staff expenses for each of the above five departments are personnel and related costs associated with providing the necessary services. The table below compares the period over period variances.

	Three months ended March 31,		Period-Over- Period Change	
	<u>2024</u>	<u>2023</u>	<u>\$</u>	<u>%</u>
	(\$ in millions, except percentages)			
Professional services	287	254	33	13%
Maintenance	246	202	44	22%
Research and development	360	285	75	26%
Sales and marketing	156	133	23	17%
General and administrative	243	193	50	26%
	1,293	1,068	225	21%

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

The increase in staff expenses for the quarter ended March 31, 2024 was primarily due to the growth in the number of employees compared to the same period in 2023 primarily due to acquisitions. Staff expenses in the first quarter of every year are typically higher as a percentage of revenue as compared to other quarters, largely attributable to increased payroll tax costs associated with our annual bonus payments that are made in the month of March.

Hardware expenses – Hardware expenses decreased 1% or \$0.2 million for the quarter ended March 31, 2024 over the same period in 2023, as compared to the 4% increase in hardware and other revenue for the same periods. Hardware margin for the three months ended March 31, 2024 was 41% as compared to 39% for the same period in 2023.

Third party license, maintenance and professional services expenses – Third party license, maintenance and professional services expenses increased 16% or \$30 million for the quarter ended March 31, 2024 over the same period in 2023. The increase is primarily due to third party license, maintenance and professional services expenses of acquired businesses.

Occupancy expenses – Occupancy expenses increased 7% or \$1 million for the quarter ended March 31, 2024 over the same period in 2023. This increase is primarily due to the occupancy expenses of acquired businesses as certain existing businesses are reducing office space as a result of the increase in remote working environments.

Travel, Telecommunications, Supplies & Software and equipment expenses – Travel, Telecommunications, Supplies & Software and equipment expenses increased 26% or \$23 million for the quarter ended March 31, 2024 over the same period in 2023. The increase in these expenses is primarily due to expenses incurred by acquired businesses.

Professional fees – Professional fees increased 7% or \$3 million for the quarter ended March 31, 2024 over the same period in 2023. There are no individually material reasons contributing to this variance.

Other, net – Other expenses increased 31% or \$12 million for the quarter ended March 31, 2024 over the same period in 2023. The following table provides a further breakdown of expenses within this category.

	Three months ended March 31,		Period-Over-Period Change	
	<u>2024</u>	<u>2023</u>	\$	%
	(\$ in millions, except percentages)			
Advertising and promotion	31	25	7	28%
Recruitment and training	10	10	0	5%
Bad debt expense	1	4	(3)	-67%
R&D tax credits	(13)	(8)	(5)	71%
Contingent consideration	11	0	10	NM
Other expense, net	9	7	2	35%
	50	38	12	31%

NM - Not meaningful

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

The contingent consideration expense amounts recorded for the three months ended March 31, 2024 related to an increase (decrease) in anticipated acquisition earnout payment accruals primarily as a result of increases (decreases) to revenue forecasts for the associated acquisitions. Revenue forecasts are updated on a quarterly basis and the related anticipated acquisition earnout payment accruals are updated accordingly.

There are no individually material reasons contributing to the remaining variances.

Depreciation – Depreciation of property and equipment and right of use assets increased 13% or \$5 million for the quarter ended March 31, 2024 over the same period in 2023. The increases are primarily due to the depreciation expense associated with acquired businesses.

Other Income and Expenses:

The following table displays the breakdown of our other income and expenses:

	Three months ended March 31,		Period-Over- Period Change	
	<u>2024</u>	<u>2023</u>	\$	%
	(\$ in millions, except percentages)			
Amortization of intangible assets	242	193	50	26%
Foreign exchange (gain) loss	(18)	10	(29)	NM
IRGA / TSS membership liability revaluation charge	81	39	42	108%
Finance and other expense (income)	(9)	(7)	(1)	20%
Bargain purchase gain	(2)	(1)	(1)	153%
Impairment of intangible and other non-financial assets	10	2	8	472%
Redeemable preferred securities expense (income)	58	188	(130)	-69%
Finance costs	67	36	30	84%
Income tax expense (recovery)	52	40	12	29%
	480	500	(20)	-4%

NM - Not meaningful

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

Amortization of intangible assets – Amortization of intangible assets increased 26% or \$50 million for the quarter ended March 31, 2024 over the same period in 2023. The increase in amortization expense is primarily attributable to an increase in the carrying amount of our intangible asset balance over the twelve-month period ended March 31, 2024 as a result of acquisitions completed during this twelve-month 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 March 31, 2024, we realized a foreign exchange gain of \$18 million compared to a loss of \$10 million for the same period in 2023. The following table provides a breakdown of these amounts.

	Three months ended		Period-Over-Period	
	March 31,	March 31,	Change	
	2024	2023	\$	%
	(\$ in millions, except percentages)			
Unrealized foreign exchange (gain) loss related to:				
- revaluation of intercompany loans between entities with differing functional currencies ⁽¹⁾	3	3	1	23%
- revaluation of the Company's unsecured subordinated floating rate debentures as a result of the appreciation (depreciation) of the Canadian dollar against the US dollar.	(9)	0	(9)	NM
- revaluation of the liability associated with the IRGA (Euro denominated liability)	(14)	8	(23)	NM
Remaining foreign exchange (gain) loss	2	(1)	3	NM
	(18)	10	(29)	NM

NM - Not meaningful

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

(1) Offsetting amounts recorded in other comprehensive income. Net impact to Total comprehensive income for each period is nil.

The remaining foreign exchange gains and losses per the table above are primarily related to the unrealized foreign exchange translation gains and losses of certain non-US dollar denominated working capital balances to US dollars as a result of the depreciation or appreciation of the US dollar.

IRGA / TSS membership liability revaluation charge – On December 23, 2014, in accordance with the terms of the purchase and sale agreement for the initial acquisition of TSS (as defined below) by CSI, and on the basis of the term sheets attached thereto, Constellation and the Joday Group, among others, entered into a Members Agreement (the “Members Agreement”) pursuant to which the Joday Group acquired 33.29% of the voting interests in Constellation Software Netherlands Holding Coöperatief U.A. (which was renamed to Topicus.com Coöperatief U.A.), a subsidiary of Constellation and the indirect owner of 100% of TSS at the time of the acquisition. Total proceeds from this transaction was €39 million (\$49 million).

On January 5, 2021, the Members Agreement was terminated in conjunction with the acquisition of Topicus.com B.V., the reorganization of Topicus Coop and the execution of the IRGA. The IRGA was established to create certain contractual obligations of the parties in respect of the governance of Topicus and Topicus Coop. As of December 31, 2023 the Joday Group’s interest in Topicus Coop comprised 39,331,284 Topicus Coop Ordinary Units (“Topicus Coop Units”) resulting in an interest of 30.29% in Topicus Coop. The IRGA provides for transfer restrictions in respect of the Topicus Coop Units. See “Liability of CSI under the terms of the IRGA” below for further details.

The valuation of the IRGA liability (previously the TSS membership liability) increased by approximately 13% or \$81 million from Q4 2023. The increase is primarily the result of the growth in TSS’ trailing twelve month maintenance revenue on a pro-forma basis (primarily due to acquisitions). Maintenance revenue and net tangible assets are the two main drivers in the calculation of the liability. The liability recorded on the balance sheet decreased by 3% or \$19 million over the three month period ended March 31, 2024 from \$635 million to \$616 million as a result of the revaluation charge of \$81 million, less a distribution to the Joday Group of \$63 million, a payment pursuant to an exercised call option of \$22 million and a \$14 million foreign exchange gain. The IRGA /

TSS membership liability is denominated in Euros and the Euro depreciated 2% versus the US dollar during the three months ended March 31, 2024.

Finance and other expense (income) – Finance and other expense (income) for the three months ended March 31, 2024 was income of \$9 million compared to income of \$7 million for the same period in 2023. The following table provides a further breakdown of expenses (income) within this category.

	Three months ended March 31,	
	2024	2023
Interest income on cash	\$ (6)	\$ (1)
(Increase) decrease in the fair value of equity securities held for trading	3	(4)
Share in net (income) loss of equity investee	0	(0)
Finance and other income	(6)	(3)
Finance and other expense (income)	\$ (9)	\$ (7)

Bargain purchase gain – Bargain purchase gains totalling \$2 million were recorded in the three months ended March 31, 2024 compared to \$1 million for the same period in 2023 relating to acquisitions made in the respective periods. The gains resulted from the fact that the fair value of the separately identifiable assets and liabilities acquired exceeded the total consideration paid, principally due to the acquisition of certain assets that will benefit the Company that had limited value to the sellers.

Impairment of intangible and other non-financial assets – An impairment expense of \$10 million was recorded in the three month period ended March 31, 2024 compared to \$2 million for the same period in 2023. The expenses relate to businesses that have been unable to achieve the goals established in their respective investment theses.

Redeemable preferred securities expense – The redeemable preferred securities expense for the three month period ended March 31, 2024 was \$58 million compared to \$188 million for the same period in 2023. In conjunction with the acquisition of WideOrbit, Lumine issued 10,204,294 special shares of Lumine (the “Lumine Special Shares” or the “Preferred Securities”) to the sellers of WideOrbit for an initial subscription price of approximately \$222 million. Holders of the Preferred Securities were entitled to convert some or all of their Preferred Securities into Lumine Subordinate Voting Shares on the basis of 3.4302106 Lumine Subordinate Voting Shares per Preferred Security, at any time.

The Preferred Securities were recorded at fair value at the end of each reporting period. The change in fair value of the Preferred Securities was recorded as redeemable preferred securities expense (income) in the consolidated statements of income (loss). Based on the Preferred Securities conversion right, the value of the Preferred Securities was primarily dependent on the price movement of Lumine’s Subordinate Voting Shares. The holders of the Lumine Special Shares were also entitled to a fixed annual cumulative dividend of 5% per annum.

On March 25, 2024, all of the Lumine Special Shares were automatically converted into Lumine Subordinate Voting Shares, and additional Lumine Subordinate Voting Shares were issued in satisfaction of the amounts owing in connection with the accrued dividends on Lumine Special Shares. Specifically, a total of 35,076,193 Lumine Subordinate Voting Shares were issued.

Finance costs – Finance costs for the quarter ended March 31, 2024 increased \$30 million to \$67 million, compared to \$36 million for the same period in 2023 primarily a result of an increase in the average debt outstanding in Q1 2024 as compared to Q1 2023, and an increase in interest rates.

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 March 31, 2024, income tax expense increased \$12 million to \$52 million compared to \$40 million for the same period in 2023. Current tax expense has historically approximated our cash tax rate however the quarterly expense can sometimes fall outside of the annual range due to out of period adjustments. Current tax expense reflects gross taxes before the application of R&D tax credits which are classified as part of “other, net” expenses in the statement of income (loss). The Company’s consolidated effective tax rate in respect of continuing operations for the three months ended March 31, 2024 was 41% (-95% for the three months ended March 31, 2023). The Q1 2024 and 2023 effective tax rates are impacted by the redeemable preferred securities expense, which is not deductible for tax purposes.

Constellation is subject to tax audits in the countries in which the Company carries on business globally. These tax audits could result in additional tax expense in future periods relating to historical filings. Reviews by tax authorities generally focus on, but are not limited to, the validity of the Company’s inter-company transactions, including financing and transfer pricing policies which generally involve subjective areas of taxation and a significant degree of judgment. If any of these tax authorities are successful with their challenges, the Company’s income tax expense may be adversely affected and Constellation could also be subject to interest and penalty charges.

Net Income and Earnings per Share:

Net income attributable to common shareholders of CSI for the quarter ended March 31, 2024 was \$105 million compared to \$94 million for the same period in 2023. On a per share basis this translated into net income per basic and diluted share of \$4.95 in the quarter ended March 31, 2024 compared to \$4.44 for the same period in 2023. There was no change in the number of shares outstanding.

Net cash flows from operating activities (“CFO”):

For the quarter ended March 31, 2024, CFO increased \$104 million to \$737 million compared to \$632 million for the same period in 2023 representing an increase of 16%.

Free cash flow available to shareholders (“FCFA2S”):

For the quarter ended March 31, 2024, FCFA2S decreased \$7 million to \$446 million compared to \$453 million for the same period in 2023 representing a decrease of 2%.

The following table reconciles FCFA2S to net cash flows from operating activities:

	Three months ended	
	March 31,	
	<u>2024</u>	<u>2023</u>
	(\$ in millions)	
Net cash flows from operating activities	737	632
Adjusted for:		
Interest paid on lease obligations	(3)	(3)
Interest paid on other facilities	(41)	(26)
Proceeds from sale of interest rate cap	-	-
Credit facility transaction costs	(11)	(2)
Payments of lease obligations	(29)	(25)
IRGA / TSS membership liability revaluation charge	(81)	(39)
Property and equipment purchased	(10)	(10)
Interest and dividends received	6	1
	<u>568</u>	<u>529</u>
Less amount attributable to Non-controlling interests	(122)	(76)
Free cash flow available to shareholders	446	453

Due to rounding, certain totals may not foot.

Quarterly Results

	Quarter Ended								
	Mar. 31	Jun. 30	Sep. 30	Dec. 31	Mar. 31	Jun. 30	Sep. 30	Dec. 31	Mar. 31
	<u>2022</u>	<u>2022</u>	<u>2022</u>	<u>2022</u>	<u>2023</u>	<u>2023</u>	<u>2023</u>	<u>2023</u>	<u>2024</u>
Revenue	1,431	1,618	1,725	1,847	1,919	2,039	2,126	2,323	2,353
Net income (loss) *	98	126	136	152	94	103	227	141	105
CFO	498	78	321	400	632	123	513	511	737
FCFA2S	324	12	229	290	453	14	367	325	446
Net income per share *									
Basic & diluted	4.63	5.94	6.42	7.19	4.44	4.88	10.70	6.64	4.95
CFO per share									
Basic & diluted	23.51	3.66	15.17	18.89	29.85	5.78	24.22	24.09	34.76
FCFA2S per share									
Basic & diluted	15.27	0.56	10.82	13.68	21.37	0.68	17.33	15.33	21.04

* Attributable to common shareholders of CSI

We experience seasonality in our operating results in that CFO and FCFA2S in the first quarter of every year is typically the highest and CFO and FCFA2S in the second quarter of every year is the lowest. The key driver impacting this seasonality is the timing of annual maintenance contract renewals. 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, foreign exchange gains and losses, bargain purchase gains, and gains or losses on the sale of financial and other assets.

Spin-Outs

Topicus.com Inc.

Constellation (TSX:CSU) and Topicus (TSXV:TOI) announced on January 5, 2021 that Constellation, acting through its Total Specific Solutions (“TSS”) operating group and its subsidiary TPCS Holding B.V., completed the purchase of 100% of the shares of Topicus.com B.V., a Netherlands-based diversified vertical market software provider, from IJssel B.V. and that in connection with the closing of the acquisition, TSS has been spun out of Constellation and now operates, together with Topicus.com B.V., as a separate public company, Topicus.com Inc. (collectively, the “Spin-Out Transactions”).

In connection with the completion of the Spin-Out Transactions, on January 4, 2021, all of Constellation’s common shareholders of record on December 28, 2020 received, by way of a dividend-in-kind, 1.859817814 subordinate voting shares of Topicus.com (the “Spin-Out Shares”) for each common share of Constellation held.

Constellation’s equity interest in TSS prior to the Spin-Out Transactions was 66.7%. Constellation’s equity interest in Topicus after completion of the Spin-Out Transactions on a fully diluted basis was approximately 30.4%. Constellation’s equity interest on a fully diluted basis as at March 31, 2024 is approximately 31.3%. In addition, Constellation as the holder of the Topicus Super Voting Share is entitled to that number of votes that equals 50.1% of the aggregate number of votes attached to all of the outstanding voting shares at such time. As a result of the Topicus Super Voting Share Constellation consolidated the financial results of Topicus with its financial results.

Lumine Group Inc.

On February 22 and 23, 2023 (as part of a series of transactions relating to the acquisition of WideOrbit Inc. (“WideOrbit”)), the Company’s subsidiary, Lumine Group Inc. (“Lumine”), completed a corporate reorganization. See “Corporate Reorganization” on page 2.

The Company holds 1 super voting share of Lumine (the “Lumine Super Voting Share”). The Lumine Super Voting Share entitles CSI to that number of votes that equals 50.1% of the aggregate number of votes attached to all the outstanding Lumine Super Voting Shares, Lumine Subordinate Voting Shares and special shares of Lumine (the “Lumine Special Shares”). As a result, the Company controls Lumine and has consolidated Lumine’s financial position and results of operations. As at March 31, 2024, the Company holds 157,553,539 Lumine Subordinate Voting Shares and now reflects an equity interest of 61.40% (December 31, 2023 – 0%) in Lumine and a non-controlling interest of 38.60% (December 31, 2023 – 100%).

The tables below provide certain supplemental balance sheet, statement of income, and net operating cash flow information of Topicus and Lumine for the three months ended March 31, 2024. Neither Topicus or Lumine are considered a reportable operating segment of Constellation, however, management has chosen to provide certain supplemental financial information to provide greater clarity into the operating performance and cash flow from operations of Topicus and Lumine considering Constellation’s equity ownership.

Selected Balance Sheet Information
As at March 31, 2024

(Unaudited)	Constellation Software Inc. (excluding Topicus & Lumine)			
	Topicus	Lumine	Consolidated	
Cash	1,544	275	260	2,078
Bank debt, bonds and debentures	2,724	354	241	3,319

Statement of Income
(Excluding intercompany activity)

	For the three months ended March 31, 2024			
	Constellation Software Inc. (excluding Topicus & Lumine)			
(Unaudited)	& Lumine)	Topicus	Lumine	Consolidated
Revenue	1,881	331	141	2,353
Expenses	1,452	252	96	1,800
Amortization of intangible assets	185	34	23	242
Foreign exchange (gain) loss	(20)	0	1	(18)
IRGA / Membership liability revaluation charge	81	-	-	81
Finance and other income	(7)	(1)	(1)	(9)
Bargain purchase gain	(2)	(0)	-	(2)
Impairment of intangible and other non-financial assets	9	1	-	10
Redeemable preferred securities expense (income)	-	-	58	58
Finance costs	57	6	4	67
Income (loss) before income taxes	127	39	(40)	125
Income tax expense (recovery)				
Current income tax expense (recovery)	102	16	8	127
Deferred income tax expense (recovery)	(63)	(8)	(4)	(75)
Income tax expense (recovery)	39	9	4	52
Net income (loss)	88	30	(44)	74
Net cash flows from operating activities	455	247	35	737

Foreign Exchange Adjusted Organic Revenue Growth
(Excluding intercompany activity)

	For the three months ended March 31, 2024			
	Constellation Software Inc. (excluding Topicus & Lumine)			
	& Lumine)	Topicus	Lumine	Consolidated
Licenses	-10%	12%	-17%	-9%
Professional services	-2%	-5%	11%	-2%
Hardware and other	-7%	-8%	-60%	-12%
Maintenance and other recurring	7%	8%	0%	6%
Revenue	4%	4%	-3%	3%

Acquisition of business segment from Allscripts Healthcare Solutions

On May 2, 2022, Constellation, through its wholly-owned subsidiary, N. Harris Computer Corporation, completed the purchase from Allscripts Healthcare Solutions (“Allscripts”) of Allscripts’ Hospitals and Large Physician Practices business segment. This business segment now operates under the name Altera.

The tables below provide certain supplemental balance sheet, statement of income, and net operating cash flow information of Altera for the three months ended March 31, 2024. Altera is not considered a reportable operating segment of Constellation, however, management has chosen to provide certain supplemental financial

information to provide greater clarity into the operating performance and cash flow from operations of Altera considering the size of the business and its impact on the results of Constellation.

Selected Balance Sheet Information
As at March 31, 2024

(Unaudited)	Constellation Software Inc. (excluding Altera)		
	Altera	Altera	Consolidated
Cash	1,890	188	2,078
Bank debt, bonds and debentures	3,047	273	3,319

Statement of Income
(Excluding intercompany activity)

(Unaudited)	For the three months ended March 31, 2024		
	Constellation Software Inc. (excluding Altera)		
	Altera	Altera	Consolidated
Revenue	2,160	193	2,353
Expenses	1,642	158	1,800
Amortization of intangible assets	224	18	242
Foreign exchange (gain) loss	(18)	0	(18)
IRGA / Membership liability revaluation charge	81	-	81
Finance and other income	(8)	(1)	(9)
Bargain purchase gain	(2)	-	(2)
Impairment of intangible and other non-financial assets	10	-	10
Redeemable preferred securities expense (income)	58	-	58
Finance costs	62	4	67
Income (loss) before income taxes	112	14	125
Income tax expense (recovery)			
Current income tax expense (recovery)	119	8	127
Deferred income tax expense (recovery)	(71)	(4)	(75)
Income tax expense (recovery)	48	4	52
Net income (loss)	64	10	74
Net cash flows from operating activities	694	42	737
Free cash flow available to shareholders	412	34	446

Foreign Exchange Adjusted Organic Revenue Growth
(Excluding intercompany activity)

	For the three months ended March 31, 2024		
	Constellation Software Inc. (excluding Altera)		
	Altera	Altera	Consolidated
Licenses	-12%	90%	-9%
Professional services	0%	-11%	-2%
Hardware and other	-11%	-65%	-12%
Maintenance and other recurring	7%	-3%	6%
Revenue	4%	-5%	3%

Liquidity

	March 31, 2024	December 31, 2023	Variance
Cash	2,078	1,284	794
Debt with recourse to Constellation Software Inc.	2,108	1,723	385
Debt without recourse to Constellation Software Inc.	1,819	1,610	209
Debt	3,927	3,334	593
Cash less Debt	(1,849)	(2,050)	201

Cash flows from operations exceeded the net capital deployed on acquisitions plus dividends during the three months ended March 31, 2024. Cash increased by \$794 million to \$2,078 million at March 31, 2024 compared to \$1,284 million at December 31, 2023 and debt increased by \$593 million to \$3,927 million at March 31, 2024 compared to \$3,334 million at December 31, 2023.

Total assets increased \$1,040 million, from \$10,881 million at December 31, 2023 to \$11,921 million at March 31, 2024. The increase is primarily due to the \$794 million increase in cash, the \$60 million increase in accounts receivable, the \$52 million increase in intangible assets, and the \$47 million increase in deferred income taxes. At March 31, 2024 Topicus, Lumine and other subsidiaries with non-recourse debt facilities hold approximately \$822 million of cash. As explained in the “Capital Resources and Commitments” section below, there are limitations on the ability of these subsidiaries to distribute funds to Constellation.

Current liabilities decreased \$853 million, from \$5,493 million at December 31, 2023 to \$4,640 million at March 31, 2024. The decrease is primarily due to a decrease in redeemable preferred securities of \$814 million, and a decrease in debt with recourse to Constellation of \$584 million offset by an increase in deferred revenue of \$510 million mainly due to acquisitions made since December 31, 2023 and the timing of maintenance and other billings versus performance and delivery under those customer arrangements.

Net Changes in Cash Flows

(\$ in millions)

	Three months ended March 31, 2024	Three months ended March 31, 2023
Net cash provided by operating activities	737	632
Net cash from (used in) financing activities	351	(43)
Cash used in the acquisition of businesses	(299)	(524)
Cash obtained with acquired businesses	35	45
Net cash from (used in) other investing activities	(13)	81
Net cash from (used in) investing activities	(277)	(398)
Effect of foreign currency	(17)	7
Net increase (decrease) in cash and cash equivalents	794	199

The net cash flows from operating activities were \$737 million for the three months ended March 31, 2024. The \$737 million provided by operating activities resulted from net income of \$74 million plus \$524 million of adjustments to net income (primarily amortization of intangible assets, depreciation, redeemable preferred securities expense, finance costs and income tax expense) and \$208 million of cash from non-cash working capital, offset by \$68 million in taxes paid.

The net cash flows from financing activities for the three months ended March 31, 2024 were \$351 million, which is mainly a result of a net increase in debt facilities of \$630 million offset by dividends paid to non-controlling interests of \$85 million, a distribution to the Joday group of \$64 million, principal repayments to the Joday group pursuant to the exercise of a call option of \$22 million, dividends paid to common shareholders of \$21 million, lease obligation payments of \$29 million, and interest payments of \$44 million. The net cash flows used in investing activities for the three months ended March 31, 2024 were \$277 million. The cash used in investing activities was primarily due to acquisitions for an aggregate of \$299 million (including payments for holdbacks relating to prior acquisitions), offset by \$35 million of acquired cash.

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 (see “Subsequent Events” below).

Capital Resources and Commitments

Debt with recourse to CSI comprises the following (\$ in millions):

	CSI Facility	Senior Notes	Liability of CSI under the IRGA	Debentures	Term Loan	Total
Principal outstanding at March 31, 2024 (and, except for debentures, equal to fair value)	\$ -	\$ 1,000	\$ 616	\$ 364	\$ 82	2,062
Deduct: Unamortized transaction costs included in debt balance	-	(8)	-	-	(0)	(9)
Add: Unamortized debt premium	-	-	-	55	-	55
Carrying value at March 31, 2024	-	992	616	419	82	2,108
Current portion	-	-	276	-	-	276
Non-current portion	-	992	340	419	82	1,832

CSI Facility

On November 5, 2021, Constellation completed an amendment and restatement of its revolving credit facility agreement (the “CSI Facility”), with a syndicate of Canadian chartered banks and U.S. banks in the amount of \$700 million, extending its maturity date to November 2026. On March 3, 2023 and January 31, 2024, Constellation completed further amendments to the CSI Facility that increased the revolving credit facility limit to \$840 million and \$1,085 million respectively, with a syndicate of existing and new institutions. As part of the most recent amendment, the agreement has moved from a secured to an unsecured facility structure, which continues to be available for general corporate purposes including acquisitions and working capital. The CSI Facility is guaranteed by certain subsidiaries of the Company. The CSI Facility bears a variable interest rate with no fixed repayments required over the term to maturity. Interest rates are calculated at standard U.S. and Canadian reference rates plus interest rate spreads based on a leverage table. The CSI Facility contains standard events of default which if not remedied within a cure period would trigger the repayment of any outstanding balance. As at March 31, 2024, nil had been drawn from this credit facility, and letters of credit totaling \$13 million were issued, which limits the borrowing capacity on a dollar-for-dollar basis.

Senior Notes

On February 16, 2024, the Company completed a private offering of \$500 million aggregate principal amount of 5.158% senior notes due 2029 and \$500 million aggregate principal amount of 5.461% senior notes due 2034 (collectively, the “Senior Notes”). The Senior Notes are senior unsecured obligations of the Company and rank equally in right of payment to all of the Company’s existing and future senior unsecured indebtedness, including the CSI Facility. The Senior Notes are guaranteed by certain subsidiaries of the Company on the same basis as such subsidiaries have guaranteed the CSI Facility. Transaction costs associated with the Senior Notes are being amortized through profit or loss using the effective interest rate method. As at March 31, 2024, the carrying amount of such costs is \$8 million.

Liability of CSI under the terms of the IRGA / TSS Membership Agreement

On December 23, 2014, in accordance with the terms of the purchase and sale agreement for the initial acquisition of TSS by CSI, and on the basis of the term sheets attached thereto, Constellation and the Joday Group, among others, entered into a Members Agreement (the “Members Agreement”) pursuant to which the Joday Group acquired 33.29% of the voting interests in Constellation Software Netherlands Holding Coöperatief U.A. (which was renamed to Topicus.com Coöperatief U.A.), a subsidiary of Constellation and the indirect owner of 100% of TSS at the time of the acquisition. Total proceeds from this transaction was €39 million (\$49 million).

On January 5, 2021, the Members Agreement was terminated in conjunction with the acquisition of Topicus.com B.V., the reorganization of Topicus Coop and the execution of the IRGA. The IRGA was established to create certain contractual obligations of the parties in respect of the governance of Topicus and Topicus Coop. As of December 31, 2023 the Joday Group’s interest in Topicus Coop comprised 39,331,284 Topicus Coop Ordinary Units resulting in an interest of 30.29% in Topicus Coop. The IRGA provides for transfer restrictions in respect of the Topicus Coop Units.

Any time after January 5, 2021, any member of the Joday Group has the right, at his or its option, to sell any number of its Topicus Coop Units to CSI at a cash price per Topicus Coop Unit determined in accordance with the IRGA. Upon the exercise of such option by a member of the Joday Group, CSI will be obligated to purchase 33.33% of such Topicus Coop Units within 30 days, and an additional 33.33% on each of the first and the second anniversary of such initial purchase. Notwithstanding the foregoing, CSI can offer Topicus the right to purchase such Topicus Coop Units in lieu of CSI.

In the event of a change of control of CSI, any member of the Joday Group has the right, at his or its option, to sell all of its Topicus Coop Units to CSI at a cash price per Topicus Coop Unit determined in accordance with the IRGA. Upon the exercise of such option by a member of the Joday Group, CSI will be obligated to purchase all such Topicus Coop Units. Notwithstanding the foregoing, CSI can offer Topicus the right to purchase such Topicus Coop Units in lieu of CSI.

If CSI reduces its economic interest in Topicus by a sale or transfer of its economic interest (and not due to any additional issuance of any shares or equity by Topicus) by more than one-third (calculated on a fully converted basis in accordance with the IRGA), any member of the Joday Group has the right, at his or its option, to sell to CSI one-third of its Topicus Coop Units at a cash price per Topicus Coop Unit determined in accordance with the IRGA. Upon the exercise of such put option by a member of the Joday Group, CSI will be obligated to purchase all such put Topicus Coop Units. Notwithstanding the foregoing, CSI can offer Topicus the right to purchase such Topicus Coop Units in lieu of CSI. Any member of the Joday Group has a similar right to sell one-half or all of its remaining Topicus Coop Units, respectively, at its option, if CSI further reduces its remaining fully-diluted economic interest in Topicus by a sale or transfer of its economic interest by one-half and again if CSI sells its entire remaining economic interest in Topicus.

All of the Topicus Coop Ordinary Units and Topicus Coop Preference Units held by the Joday Group and Ijssel B.V. (collectively, the “Topicus Coop Exchangeable Units”) are exchangeable, directly or indirectly, for

Topicus Subordinate Voting Shares. All of the above rights of members of the Joday Group apply to any Topicus Subordinate Voting Shares issued on an exchange of Topicus Coop Exchangeable Units.

At any time after December 31, 2023, CSI has the right, at its option, to buy all of the Topicus Coop Units and shares of Topicus held by certain members of the Joday Group (excluding Joday) at a cash price per Topicus Coop Unit (or share of Topicus, as applicable) determined in accordance with the IRGA. After December 31, 2043, CSI has the same right to buy all of the Topicus Coop Units and shares of Topicus held by the remaining members of the Joday Group, including Joday.

In addition, if certain individuals affiliated with Joday are terminated from their employment with Topicus Coop or an affiliate thereof for urgent cause (as defined in the Dutch Civil Code), CSI has the right, at its option, to buy all of Topicus Coop Units held by such individuals at a cash price per Topicus Coop Unit determined in accordance with the IRGA.

The Company classified the above obligations of CSI under the terms of the IRGA as a liability consistent with the classification of similar obligations under the Members Agreement. The main valuation driver in the calculation of the liability is the maintenance and other recurring revenue of Topicus. Maintenance and recurring revenue of Topicus for the trailing twelve months on a pro-forma basis determined at the end of the current reporting period was used as the basis for valuing the interests at each purchase date. Any increase or decrease in the value of such liability is recorded as an expense or income in the consolidated statement of income for the period. In conjunction with the termination of the Members Agreement and the execution of the IRGA, the Company recognized an expense of \$19 million as the formula associated with the calculation of the obligation has changed from the use of actual trailing twelve months maintenance and other recurring revenue of Topicus to a calculation which includes the revenue increase from acquired companies on a pro-forma basis.

During the three months ended March 31, 2024, the Company exercised its call option (“Call Notice”) to buy certain Topicus Coop Units from certain members of the Joday Group. The Company exercised its call option to purchase 1,773,030 Topicus Coop Units for a total purchase price of \$33 million (€30 million). The Company subsequently sold 589,967 of the purchased Topicus Coop Units back to certain remaining members of the Joday Group for proceeds of \$11 million (€10 million). The Joday Group’s interest in Topicus Coop now comprises 38,148,221 Topicus Coop Ordinary Units resulting in an interest of 29.38% in Topicus Coop. CSI subsequently exchanged 994,110 Topicus Coop Ordinary Units for 994,110 Topicus Subordinate Voting Shares and as of March 31, 2024, CSI holds 188,953 Topicus Coop Ordinary Units and 40,406,513 Topicus Subordinate Voting Shares.

During the three months ended March 31, 2024, a distribution in the amount of \$64 million (€59 million) was paid to the Joday Group.

The liability recorded on the balance sheet at March 31, 2024 was \$616 million.

Debentures

On October 1, 2014 and November 19, 2014, the Company issued unsecured subordinated debentures (the “Debentures”) with a total principal value of C\$96 million for total proceeds of C\$91 million. On September 30, 2015, the Company issued an additional tranche of Debentures with a total principal value of C\$186 million for total proceeds of C\$214 million. On October 6, 2023, a total of C\$213 million principal amount of Debentures were issued at a price of C\$133.00 per C\$100.00 principal amount of Debentures purchased representing proceeds to the Company of C\$283 million which was used by the Company to pay down indebtedness under its existing credit facility. The Debentures were issued as an additional tranche of, and formed a single series with, the outstanding C\$282 aggregate principal amount of Debentures.

The total principal value of debentures outstanding at March 31, 2024 was \$364 million (C\$495 million).

Guarantees

One of CSI's subsidiaries has entered into a \$82 million (£65 million) term debt facility with a financial institution for which CSI has guaranteed the debt. The facility bears a fixed rate of interest. The term loan contains events of default that, if not remedied, allow the loan note holder to require repayment of the loan principal and interest. The loan is due in 2028.

Debt without recourse to CSI

Certain of CSI's subsidiaries have entered into term debt facilities and revolving credit facilities with various financial institutions. Except as noted above, CSI does not guarantee the debt of its subsidiaries, nor are there any cross-guarantees between subsidiaries. The credit facilities are collateralized by substantially all of the assets of the borrowing entity and its subsidiaries. The credit facilities typically bear interest at a rate calculated using an interest rate index plus a margin. The financing arrangements for each subsidiary typically contain certain restrictive covenants, which may include limitations or prohibitions on additional indebtedness, payment of cash dividends, redemption of capital, capital spending, making of acquisitions and sales of assets. In addition, certain financial covenants must be met by those subsidiaries that have outstanding debt.

In conjunction with the acquisition of Optimal Blue, the Company entered into a promissory note agreement ("Promissory Note") with the seller, Intercontinental Exchange, Inc. for \$500 million. The promissory note accrues interest at a rate of 7% per annum, is compounded annually and is payable in arrears. The first cash interest and principal payment under the Promissory Note is due on the day prior to the fifth anniversary and thereafter interest and principal payments will be due annually on the subsequent anniversaries of that date. The promissory note matures in 2063, subject to earlier optional prepayment.

Debt without recourse to CSI comprises the following (\$ in millions):

	Topicus Revolving Credit Facility	Debt Facilities	Promissory Note	Total
Principal outstanding at March 31, 2024 (and equal to fair value)	\$ 281	\$ 1,051	\$ 500	1,831
Deduct: Carrying value of transaction costs included in debt balance	(2)	(10)	-	(13)
Carrying value at March 31, 2024	278	1,040	500	1,819
Current portion	278	70	-	348
Non-current portion	-	970	500	1,470

Redeemable Preferred Securities

In conjunction with the acquisition of WideOrbit, Lumine issued 10,204,294 Lumine Special Shares to the sellers of WideOrbit for an initial subscription price of approximately \$222 which was included in the purchase consideration. Under certain conditions, the Lumine Special Shares were retractable at the option of the holder for a retraction price of the Initial Face Value per Lumine Special Share plus one Lumine Subordinate Voting Share for each Lumine Special Share held and had been classified as a liability on the balance sheet of the Company. The Lumine Special Shares were also convertible into Lumine Subordinate Voting Shares at a conversion ratio of

1:3.4302106 at any time. The holders of the Lumine Special Shares were also entitled to a fixed annual cumulative dividend of 5% per annum.

On March 25, 2024, all of the Lumine Special Shares were converted into Lumine Subordinate Voting Shares, and additional Lumine Subordinate Voting Shares were issued in satisfaction of the amounts owing in connection with the accrued dividends on Lumine Special Shares. Specifically, a total of 35,076,193 Lumine Subordinate Voting Shares were issued.

Other commitments

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 based on the future performance of the acquired business. The fair value of contingent consideration recorded in our statement of financial position was \$164 million at March 31, 2024. 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 March 31, 2024.

Contractual obligations at March 31, 2024 are summarized below.

(in millions of dollars)

	Total	< 1 yr	1-5 yrs	> 5 yrs
Lease obligations	377	111	226	41
Holdbacks	279	174	105	-
Liability of CSI under the terms of the IRGA/TSS Members Agreement	616	276	340	-
Debentures	419	-	-	419
Term Loan	82	-	82	-
CSI revolving credit facility	-	-	-	-
Senior Notes	1,000	-	500	500
Topicus revolving credit facility without recourse to Constellation Software Inc.	281	281	-	-
Promissory note	500	-	3	497
Other debt facilities without recourse to Constellation Software Inc.	1,051	70	970	10
Total outstanding commitments	4,604	911	2,226	1,466

The IRGA liability commitment assumes that the Joday Group has exercised their put option to sell 100% of their interests back to Constellation. This option however has not been exercised as at May 10, 2024. See note 7 to the Unaudited Condensed Consolidated Interim Financial Statements for the three month period ended March 31, 2024 for a discussion on the valuation methodology utilized.

Financial Instruments

The carrying values of cash, accounts receivable, accounts payable, accrued liabilities, dividends payable, the majority of acquisition holdbacks, and the CSI Facility, approximates fair value due to the short-term nature of these instruments. The carrying value of the debt without recourse to CSI approximate their fair values as the debt is subject to market interest rates. The carrying value of the IRGA liability and the term loan with recourse to CSI approximates fair value.

Financial assets and financial liabilities measured at fair value as at March 31, 2024 and December 31, 2023 in the Unaudited Condensed Consolidated Interim Financial Statements for the three month period ended March 31, 2024 are summarized below. The Company has no additional financial liabilities measured at fair value after initial recognition other than those recognized in connection with business combinations and the redeemable preferred securities.

	March 31, 2024				December 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Equity securities held for trading	\$ 11	\$ -	\$ -	\$ 11	\$ 14	\$ -	\$ -	\$ 14
	11	-	-	11	14	-	-	14
Liabilities:								
Redeemable preferred securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 814	\$ 814
Contingent consideration	-	-	164	164	-	-	192	192
	-	-	164	164	-	-	1,006	1,006

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3 inputs are inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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 will impact future revenue and net income. The impact to organic revenue growth for the three months ended March 31, 2024 was approximately 1%. 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, revenues, 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 three months ended March 31, 2024, the Company did not purchase any contracts of this nature.

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 months ended March 31, 2024:

Currencies	Three Months Ended March 31, 2024	
	% of Revenue	% of Expenses
USD	53%	48%
EUR	19%	19%
GBP	8%	8%
CAD	5%	8%
AUD	4%	3%
BRL	2%	2%
CHF	1%	2%
SEK	1%	1%
Others	7%	9%
Total	100%	100%

Due to rounding, certain totals may not foot.

Off-Balance Sheet Arrangements

As a general practice, we have not entered into off-balance sheet financing arrangements. Except for insignificant and short-term 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.

Share Capital

As at May 10, 2024, there were 21,191,530 common shares outstanding.

Risks and Uncertainties

The Company's business is subject to a number of risk factors which are described 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 operations 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.

Controls and Procedures

Disclosure controls and procedures:

Management is responsible for establishing and maintaining disclosure controls and procedures as defined under National Instrument 52-109. The President and Chief Financial Officer have designed or caused to be designed by those 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.

Internal controls over financial reporting:

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 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 by those under their supervision, whether or not there were changes to its ICFR during the period ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect the Company's ICFR. No such changes were identified through their evaluation.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our disclosure controls and procedures and our internal controls over financial reporting are effective in providing reasonable, not absolute, assurance that the objectives of our control systems have been met.

Subsequent Events

On May 10, 2024 the Company declared a \$1.00 per share dividend that is payable on July 11, 2024 to all common shareholders of record at close of business on June 20, 2024.

Subsequent to March 31, 2024, the Company completed acquisitions, that were disclosed as open commitments in the Company's Annual Consolidated Financial Statements for the year ended December 31, 2023, for aggregate cash consideration of \$287 million on closing plus cash holdbacks of \$108 million and contingent consideration with an estimated fair value of \$nil for total consideration of \$395 million. Furthermore, subsequent to March 31, 2024 the Company has completed additional acquisitions or has open commitments to acquire a number of businesses for aggregate cash consideration of \$110 million on closing plus cash holdbacks of \$30 million and contingent consideration with an estimated fair value of \$19 million for total consideration of \$158 million. Total consideration of \$32 million relating to these commitments was also disclosed as open commitments in the Company's Annual Consolidated Financial Statements for the year ended December 31, 2023. The business acquisitions include companies catering primarily to the data management, communications and media, healthcare, financial services, transit, language, public sector, fitness, travel, enterprise resource management, agriculture, mining, education, public safety, human resources, and logistics verticals and are all software companies similar to the existing business of the Company.