

SELECTED INVESTOR QUESTIONS RECEIVED THROUGH MAY 11, 2018

Question

With the different operating groups functioning as independent entities, do situations ever arise when products within the portfolio end up competing with each other? Also wondering how extensive the competition is between operating groups for acquisitions? For example, what happens if one segment head sources a deal that would fit better with another operating group? How would this get resolved?

Response

We let Operating Groups compete for a customer's business, but that is quite rare. More frequently, Business Units within one Operating Group will compete for a customer's business.

When we are dealing with acquisition prospects, we try to limit the competition between CSI-owned entities. We'd like only one manager and their staff to have responsibility for building a relationship with each prospect, since this can be a decade long process. When we buy a business and run it as a stand-alone Business Unit post acquisition, we don't expect synergies with any other CSI Business Units, so there is no economic reason for us to seek a "better fit" elsewhere within CSI.

Question

TSS has an acquisition program. Do they put up 1/3 of the capital and retain 1/3 of the acquired companies' ownership, and how is this reflected in CSI statements? Do they have non-recourse sources of capital?

Response

Constellation Software Netherlands Holding Cooperatief U.A. ("CNH"), is a subsidiary of Constellation and the indirect owner of 100% of TSS. On December 23, 2014 Constellation and the sellers of TSS along with members of TSS' executive management team (collectively, the "minority owners") entered into a Members Agreement pursuant to which the minority owners acquired 33.29% of the voting interests in CNH. In accordance with IFRS, 100% of the financial results for TSS are included in the consolidated financial results of the Company. Each of the minority owners may, at any time, exercise a put option to sell all or a portion of their interests in CNH back to Constellation for an amount calculated in accordance with a valuation methodology described within the Members Agreement. The value of the put option at March 31, 2018 was approximately \$146.5 million.

CNH entered into a credit facility on July 14, 2017. Under this facility, CNH is able to borrow up to €300 million under a multicurrency revolving loan facility and up to €50 million under an additional uncommitted term loan facility. As at March 31, 2018, \$43.1 million (€35.0 million) had been drawn from this credit facility. The CNH facility is not guaranteed by Constellation or its subsidiaries other than CNH and its subsidiaries.
