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, 2021, 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. Due to rounding, certain totals and subtotals may not foot and certain percentages may not reconcile.

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, November 4, 2021. 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 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. 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, 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.

Corporate Reorganization

On January 4, 2021 (in anticipation of the acquisition of Topicus.com B.V.), the Company's subsidiary, Constellation Software Netherlands Holding Coöperatief U.A. ("CSNH"), which principally holds the Total Specific Solutions Operating Group ("TSS"), completed a corporate reorganization. In conjunction with the reorganization, the following steps were completed on January 4, 2021:

- CSNH changed its name to Topicus.com Coöperatief U.A. ("Topicus Coop").
- The Company engaged in a series of transactions the result of which was that its then existing equity interest in Topicus Coop became an equity interest in Topicus.com Inc. ("Topicus") and Topicus became the new parent company of Topicus Coop. Topicus issued and Constellation received 39,412,385 preferred shares of Topicus (the "Topicus Preferred Shares") and 39,412,385 subordinate voting shares of Topicus (the "Topicus Subordinate Voting Shares"). CSI distributed 39,412,367 of the Topicus Subordinate Voting Shares to its common shareholders pursuant a dividend-in-kind and continues to hold 18 Topicus Subordinate Voting Shares of Topicus.
- Constellation also holds 1 super voting share of Topicus (the "Topicus Super Voting Share"). The Topicus Super Voting Share entitles Constellation to that number of votes that equals 50.1% of the aggregate number of votes attached to all the outstanding Topicus Super Voting Shares and Topicus Subordinate Voting Shares. As a result, Constellation Software Inc. controls Topicus.
- Topicus Coop issued 19,665,642 Preference Units and 19,665,642 Ordinary Units to Joday Investments II B.V. ("Joday") and certain individual investors affiliated therewith (being the previous minority owners of CSNH) (collectively known as the "Joday Group").

The Company now reflects a non-controlling interest in Topicus of 69.7% as at September 30, 2021. The equity interest of 30.3% that the Company reflects in Topicus principally comprises the ordinary units of Topicus Coop ("Topicus Coop Ordinary Units") that are currently owned by the Joday Group and subject to the terms of the investor rights and governance agreement entered into by CSI, the Joday Group, Ijssel B.V., Topicus and Topicus Coop on January 5, 2021 (the "IRGA").

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. 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 rights to certain product updates "when and if available". 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, depreciation, 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	
	2021	2020	$	%	2021	2020	$	%
Revenue	**1,299**	**1,003**	**296**	**30%**	**3,724**	**2,878**	**846**	**29%**
Expenses	943	697	246	35%	2,712	2,069	643	31%
Amortization of intangible assets	134	103	31	30%	376	293	82	28%
Foreign exchange (gain) loss	(5)	1	(7)	NM	(3)	5	(8)	NM
IRGA / TSS membership liability revaluation charge	25	20	5	26%	107	55	52	95%
Finance and other income	(4)	(2)	(2)	106%	(9)	(4)	(5)	122%
Bargain purchase gain	(1)	(0)	(1)	NM	(1)	(0)	(1)	630%
Impairment of intangible and other non-financial assets	1	3	(1)	-45%	7	11	(4)	-38%
Redeemable preferred securities expense (income)	-	-	-	NM	295	-	295	NM
Finance costs	18	13	6	45%	50	34	16	46%
Income before income taxes	188	168	20	12%	190	414	(224)	-54%
Income tax expense (recovery)								
Current income tax expense (recovery)	70	62	8	13%	209	177	32	18%
Deferred income tax expense (recovery)	(4)	(16)	12	-77%	(43)	(50)	8	-15%
Income tax expense (recovery)	67	46	20	44%	166	127	39	31%
Net income (loss) attributable to:								
Equity holders of CSI	107	122	(15)	-13%	186	288	(102)	-35%
Non-controlling interests	15	-	15	NM	(162)	-	(162)	NM
Net income (loss)	**121**	**122**	**(1)**	**-1%**	**24**	**288**	**(264)**	**-92%**
Net cash flows from operating activities	**292**	**234**	**58**	**25%**	**959**	**831**	**127**	**15%**
Free cash flow available to shareholders	**226**	**181**	**45**	**25%**	**639**	**682**	**(43)**	**-6%**
Weighted average number of shares outstanding								
Basic and diluted	21.2	21.2			21.2	21.2		
Net income (loss) per share								
Basic and diluted	$ 5.04	$ 5.76	$ (0.72)	-13%	$ 8.79	$ 13.58	$ (4.78)	-35%
Net cash flows from operating activities per share								
Basic and diluted	$ 13.78	$ 11.05	$ 2.73	25%	$ 45.24	$ 39.23	$ 6.01	15%
Free cash flow available to shareholders per share								
Basic and diluted	$ 10.68	$ 8.56	$ 2.12	25%	$ 30.13	$ 32.20	$ (2.06)	-6%
Cash dividends declared per share								
Basic and diluted	$ 1.00	$ 1.00	$ -	0%	$ 3.00	$ 3.00	$ -	0%

NM - Not meaningful

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

Comparison of the three and nine month periods ended September 30, 2021 and 2020

Revenue:

Total revenue for the quarter ended September 30, 2021 was $1,299 million, an increase of 30%, or $296 million, compared to $1,003 million for the comparable period in 2020. For the first nine months of 2021 total revenues were $3,724 million, an increase of 29%, or $846 million, compared to $2,878 million for the comparable period in 2020. The increase for both the three and nine month periods compared to the same periods in the prior year is primarily attributable to growth from acquisitions as the Company experienced organic growth of 7% and 9% respectively, and 5% for both periods 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.

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

	Three months ended September 30,		Period-Over-Period Change		Q320 Proforma Adj. (Note 1)	Organic Growth	Nine months ended September 30,		Period-Over-Period Change		Q320 Proforma Adj. (Note 2)	Organic Growth
	2021	2020	$	%	$	%	2021	2020	$	%	$	%
	($ in millions, except percentages)						($ in millions, except percentages)					
Licenses	69	57	11	19%	9	3%	206	166	40	24%	30	5%
Professional services	256	187	69	37%	51	8%	747	534	213	40%	144	10%
Hardware and other	45	45	(0)	0%	6	-11%	127	122	5	4%	11	-4%
Maintenance and other recurring	929	713	216	30%	149	8%	2,643	2,056	588	29%	369	9%
	1,299	1,003	296	30%	215	7%	3,724	2,878	846	29%	553	9%

$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 September 30, 2020 from companies acquired after June 30, 2020. (Obtained from unaudited vendor financial information.)

Note 2: Estimated pre-acquisition revenues for the nine months ended September 30, 2020 from companies acquired after December 31, 2019. (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 Q3 2019.

	Quarter Ended								
	Sep. 30 2019	Dec. 31 2019	Mar. 31 2020	Jun. 30 2020	Sep. 30 2020	Dec. 31 2020	Mar. 31 2021	Jun. 30 2021	Sep. 30 2021
Licenses	-14%	-10%	-8%	-30%	-10%	-6%	-4%	18%	3%
Professional services	-8%	-8%	-8%	-17%	-8%	-4%	6%	17%	8%
Hardware and other	-2%	-22%	3%	-23%	-7%	-13%	-12%	15%	-12%
Maintenance and other recurring	1%	2%	0%	-3%	2%	4%	7%	12%	8%
Revenue	**-2%**	**-3%**	**-2%**	**-8%**	**-1%**	**1%**	**6%**	**14%**	**7%**

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

	Quarter Ended								
	Sep. 30 2019	Dec. 31 2019	Mar. 31 2020	Jun. 30 2020	Sep. 30 2020	Dec. 31 2020	Mar. 31 2021	Jun. 30 2021	Sep. 30 2021
Licenses	-12%	-9%	-7%	-28%	-11%	-7%	-8%	12%	1%
Professional services	-5%	-7%	-6%	-16%	-10%	-6%	1%	10%	6%
Hardware and other	0%	-21%	4%	-22%	-10%	-15%	-16%	9%	-13%
Maintenance and other recurring	3%	3%	2%	-1%	1%	2%	3%	7%	6%
Revenue	**0%**	**-2%**	**0%**	**-7%**	**-3%**	**-1%**	**1%**	**8%**	**5%**

Expenses:

The following table displays the breakdown of our expenses:

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2021	2020	$	%	2021	2020	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Expenses								
Staff	676	504	172	34%	1,982	1,493	489	33%
Hardware	25	25	0.2	1%	71	70	0.6	1%
Third party license, maintenance and professional services	113	82	31	38%	317	237	80	34%
Occupancy	10	9	2	20%	30	26	4	14%
Travel, Telecommunications, Supplies & Software and equipment	46	32	14	43%	129	114	15	13%
Professional fees	21	15	6	41%	53	41	12	29%
Other, net	21	5	17	345%	41	10	31	308%
Depreciation	31	26	4	17%	90	77	13	17%
	943	697	246	35%	2,712	2,069	643	31%

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

Overall expenses for the quarter ended September 30, 2021 increased 35%, or $246 million to $943 million, compared to $697 million during the same period in 2020. As a percentage of total revenue, expenses equalled 73% for the quarter ended September 30, 2021 and 70% for the same period in 2020. During the nine months ended September 30, 2021, expenses increased 31%, or $643 million to $2,712 million, compared to $2,069 million during the same period in 2020. As a percentage of total revenue, expenses equalled 73% for the nine months ended September 30, 2021 and 72% for the same period in 2020. For the three and nine months ended September 30, 2021 the change in valuation of the US dollar against most major currencies in which the Company transacts business resulted in an approximate 1% and 3% increase in expenses respectively compared to the comparable periods of 2020.

Staff expense – Staff expenses increased 34% or $172 million for the quarter ended September 30, 2021 and 33% or $489 million for the nine months ended September 30, 2021 over the same periods in 2020. 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 September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2021	2020	$	%	2021	2020	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Professional services	139	107	32	30%	410	319	91	29%
Maintenance	133	98	35	36%	395	295	100	34%
Research and development	185	142	43	30%	539	425	114	27%
Sales and marketing	92	69	22	32%	268	205	63	31%
General and administrative	127	88	39	45%	369	250	119	48%
	676	504	172	34%	1,982	1,493	489	33%

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

The increase in staff expenses for the three and nine months ended September 30, 2021 was primarily due to the growth in the number of employees compared to the same periods in 2020 primarily due to acquisitions.

Hardware expenses – Hardware expenses increased 1% or $0.2 million for the quarter ended September 30, 2021 and 1% or $0.6 million for the nine months ended September 30, 2021 over the same periods in 2020 as compared with the 0% and 4% increases in hardware and other revenue for the three and nine month periods ended September 30, 2021 respectively over the comparable periods in 2020. Hardware margins for the three and nine months ended September 30, 2021 were 43% and 44% respectively as compared to 44% and 43% for the comparable periods in 2020.

Third party license, maintenance and professional services expenses – Third party license, maintenance and professional services expenses increased 38% or $31 million for the quarter ended September 30, 2021 and 34% or $80 million for the nine months ended September 30, 2021 over the same periods in 2020. The increase is primarily due to third party license, maintenance and professional services expenses of acquired businesses.

Occupancy expenses – Occupancy expenses increased 20% or $2 million for the quarter ended September 30, 2021 and 14% or $4 million for the nine months ended September 30, 2021 over the same periods in 2020. The increase is primarily due to the occupancy expenses of acquired businesses.

Travel, Telecommunications, Supplies & Software and equipment expenses – Travel, Telecommunications, Supplies & Software and equipment expenses increased 43% or $14 million for the quarter ended September 30, 2021 and 13% or $15 million for the nine months ended September 30, 2021 over the same periods in 2020. The increase in these expenses relating to acquired businesses for the nine month period is partially offset by a decrease in these expenses due to travel restrictions related to COVID-19.

Professional fees – Professional fees increased 41% or $6 million for the quarter ended September 30, 2021 and 29% or $12 million for the nine months ended September 30, 2021 over the same periods in 2020. There are no individually material reasons contributing to this variance.

Other, net – Other expenses increased 345% or $17 million for the quarter ended September 30, 2021 and 308% or $31 million for the nine months ended September 30, 2021 over the same periods in 2020. The following table provides a further breakdown of expenses within this category.

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2021	2020	$	%	2021	2020	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Advertising and promotion	15	8	6	76%	37	29	9	30%
Recruitment and training	6	2	3	149%	16	8	7	88%
Bad debt expense	2	3	(1)	-35%	2	8	(6)	-72%
R&D tax credits	(7)	(6)	(1)	24%	(20)	(17)	(3)	19%
Contingent consideration	3	5	(2)	-42%	9	1	8	NM
Government assistance	(1)	(12)	11	-89%	(16)	(30)	14	-46%
Other expense, net	5	4	1	21%	13	11	2	14%
	21	5	17	364%	41	10	31	308%

NM - Not meaningful

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

The governments of various jurisdictions in which we have operations have approved legislation and taken administrative actions intended to aid businesses that have been adversely impacted by COVID-19, including making grants or credits available to eligible entities to subsidize or offset qualifying expenses, including employee wages, or to lower payroll taxes or required social insurance programs (in certain countries), in each case subject to limits and other specified criteria. During the nine months ended September 30, 2021, we determined that we qualify for an estimated aggregate amount of $16 million of grants from various government authorities, including the Canada Emergency Wage Subsidy (CEWS) announced by the Government of Canada in April 2020, and recognized such amounts as a reduction in expenses during the period. We have either submitted, or expect to submit, claims for such grants. As at September 30, 2021, the amount of grants receivable totaled $3 million. We will continue to evaluate all applicable government relief programs but currently do not anticipate applying for any significant governmental assistance in Q4 2021, or thereafter.

The contingent consideration expense amounts recorded for the three and nine months ended September 30, 2021 related to an increase in anticipated acquisition earnout payment accruals primarily as a result of increases 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. The advertising and promotion increase is primarily related to spending by acquired businesses and a gradual return to pre-COVID-19 levels of spending on trade shows and other marketing activities. Recruitment and training expenses have increased as many businesses that had a freeze on hiring as a result of COVID-19 are now starting to hire.

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

Depreciation – Depreciation of property and equipment increased 17% or $4 million for the quarter ended September 30, 2021 and 17% or $13 million for the nine months ended September 30, 2021 over the same periods in 2020. 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 September 30, 2021	2020	Period-Over-Period Change $	%	Nine months ended September 30, 2021	2020	Period-Over-Period Change $	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Amortization of intangible assets	134	103	31	30%	376	293	82	28%
Foreign exchange (gain) loss	(5)	1	(7)	NM	(3)	5	(8)	NM
IRGA / TSS membership liability revaluation charge	25	20	5	26%	107	55	52	95%
Finance and other expense (income)	(4)	(2)	(2)	106%	(9)	(4)	(5)	122%
Bargain purchase gain	(1)	(0)	(1)	864%	(1)	(0)	(1)	630%
Impairment of intangible and other non-financial assets	1	3	(1)	-45%	7	11	(4)	-38%
Redeemable preferred securities expense (income)	-	-	-	NM	295	-	295	NM
Finance costs	18	13	6	45%	50	34	16	46%
Income tax expense (recovery)	67	46	20	44%	166	127	39	31%
	234	183	51	28%	988	521	467	90%

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 30% or $31 million for the quarter ended September 30, 2021 and 28% or $82 million for the nine months ended September 30, 2021 over the same periods in 2020. The increase in amortization expense for the three and nine months ended September 30, 2021 is primarily attributable to an increase in the carrying amount of our intangible asset balance over the twelve-month period ended September 30, 2021 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 three and nine months ended September 30, 2021, we realized foreign exchange gains of $5 million and $3 million respectively compared to losses of $1 million and $5 million for the same periods in 2020. The following table provides a breakdown of these amounts.

	Three months ended September 30, 2021	2020	Period-Over-Period Change $	%	Nine months ended September 30, 2021	2020	Period-Over-Period Change $	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Unrealized foreign exchange (gain) loss related to:								
- revaluation of intercompany loans between entities with differing functional currencies (1)	11	(9)	20	NM	11	6	5	80%
- revaulation of the Company's unsecured subordinated floating rate debentures as a result of the appreciation (depreciation) of the Canadian dollar against the US dollar.	(6)	4	(10)	NM	1	(6)	6	NM
- revaluation of the liability associated with the IRGA (Euro denominated liability)	(9)	-	(9)	NM	(16)	-	(16)	NM
Remaining foreign exchange (gain) loss	(1)	6	(7)	NM	1	5	(3)	-68%
	(5)	1	(7)	NM	(3)	5	(8)	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 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. The Joday Group's interest in Topicus Coop now comprises 19,665,642 Topicus Coop Ordinary Units and 19,665,642 Topicus Coop Preference Units (collectively the "Topicus Coop Units") resulting in an interest of 30.29% in Topicus Coop as of September 30, 2021. 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 7% or $25 million from Q2 2021, and approximately 34% or $107 million from Q4 2020. The increases are primarily the result of the growth in TSS' reported trailing twelve month maintenance revenue (primarily due to acquisitions). Maintenance revenue and net tangible assets are the two main drivers in the calculation of the liability. Also, in conjunction with the termination of the Members Agreement and the execution of the IRGA, 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. The liability recorded on the balance sheet increased by 21% or $66 million over the nine month period ended September 30, 2021 from $311 million to $378 million as a result of the revaluation charge of $107 million offset by a distribution to the Joday Group of $22 million and a $19 million foreign exchange gain. (A portion of the gain was recorded through other comprehensive income and a portion through net income.) The IRGA / TSS membership liability is denominated in Euros and the Euro depreciated 5% versus the US dollar during the first nine months of 2021.

Finance and other expense (income) – Finance and other income for the three and nine months ended September 30, 2021 was $4 million and $9 million respectively, compared to $2 million and $4 million respectively for the same periods in 2020. Interest earned on cash balances for the three and nine months ended September 30, 2021 was $0.6 million and $1.8 million respectively, compared to $0.3 million and $0.6 million respectively for the same periods in 2020.

Bargain purchase gain – Bargain purchase gains totalling $1 million were recorded in both the three and nine month periods ended September 30, 2021 relating to two acquisitions made during 2020. 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 – Impairment expenses of $1 million and $7 million were recorded in the three and nine month periods ended September 30, 2021 compared to $3 million and $11 million for the same periods in 2020. The 2021 expenses primarily relate to four business acquired in 2019 and 2020 that have been unable to achieve the goals established in their associated investment thesis and is not related to COVID-19. The Q3 2020 expense relates to a business acquired in 2012 for which a decision was made to transition focus to a business acquired in 2019 within the same vertical. The remaining 2020 expenses primarily relate to nine businesses acquired during 2018 and 2019 where the forecasted cash flows had declined significantly from the forecasted cash flows at the time of acquisition primarily due to the near-term impact, as well as the yet uncertain but probable longer-term impact of the COVID-19 pandemic.

Redeemable preferred securities expense (income) – The redeemable preferred securities expense for the nine months ended September 30, 2021 was $295 million, with no similar expense recorded for the same period in 2020. In conjunction with the acquisition of Topicus.com B.V., Topicus Coop issued 5,842,882 Topicus Coop Preference Units (the "Preferred Securities") to Ijssel B.V. The Preferred Securities are non-voting and prior to the Notification of Conversion (as defined below), were redeemable at the option of the holder for a redemption price of approximately €19.06 ($23.28) per security. The redemption price was either to be settled in cash or through the issuance of a variable number of Topicus Coop Ordinary Units of equal value. The Preferred Securities are convertible into Topicus Coop Ordinary Units at a conversion ratio of 1:1, and the Topicus Coop Ordinary Units are convertible into Subordinate Voting Shares of Topicus also at a conversion ratio of 1:1. The Preferred Securities holders will also be entitled to a fixed annual cumulative dividend of 5% per annum on the initial Preferred Securities value of approximately €19.06 ($23.28) per security.

The Preferred Securities had been recorded at fair value at the end of each reporting period until the Notification of Conversion (as defined below). The change in fair value of the Preferred Securities was recorded as redeemable preferred securities expense (income) in the condensed consolidated interim statements of income (loss) up to the date of the Notification of Conversion (as defined below).

During the three months ended June 30, 2021, the Preferred Securities reached the Mandatory Conversion Moment (as described in note 9 to the Unaudited Condensed Consolidated Interim Financial Statements for the three and nine months ended September 30, 2021). As a result of reaching the Mandatory Conversion Moment, the Preferred Securities holders notified Topicus that they were electing to convert their Preferred Securities into Topicus Coop Ordinary Units, which conversion would become effective on February 1, 2022 ("**Notification of Conversion**"). On the date that Topicus received the Notification of Conversion from the Preferred Securities holders, the Preferred Securities were re-classified from a liability to equity (non-controlling interest) because the Preferred Securities were no longer redeemable for cash or through the issuance of Topicus Coop Ordinary Units of equal value, or any combination thereof. Following receipt of the Notice of Conversion, the Preferred Securities holders are required to convert their Preferred Securities to Topicus Coop Ordinary Units on February 1, 2022, however, they may choose to convert prior to February 1, 2022 pursuant to the Topicus Coop Preference Unit Conversion Right (as described in note 9 to the Unaudited Condensed Consolidated Interim Financial Statements for the three and nine months ended September 30, 2021). On the Notification of Conversion date, the Company also accrued the expected dividend to be paid relating to the period from the Notification of Conversion date to the expected conversion date of February 1, 2022. The dividend to be paid relating to this period has been recorded directly in equity (non-controlling interest).

As noted above, the fair value of the Preferred Securities had been recorded at fair value at the end of each reporting period until the Notification of Conversion. Based on the Preferred Securities conversion right, the fair value of the Preferred Securities was primarily dependent on the price movement of Topicus' Subordinate Voting Shares. The Notification of Conversion was received from the Preferred Securities holders on May 17, 2021. The closing market price of Topicus' Subordinate Voting Shares on that date was C$89.87 or approximately $74.28. The increase in value from $23.28 to $74.28 multiplied by the 5.8 million Preferred Securities outstanding equalled approximately $298 million. The difference between the increase of $298 million and the fair value adjustment of $295 million for the nine month period ended September 30, 2021 primarily relates to the accrued dividend of $3 million for the period.

Further descriptions of the significant terms and conditions of the Preferred Securities are described in Note 9 to the Company's Unaudited Condensed Consolidated Interim Financial Statements for the three and nine month periods ended September 30, 2021.

Finance costs – Finance costs for the quarter ended September 30, 2021 increased $6 million to $18 million, compared to $13 million for the same period in 2020. During the nine months ended September 30, 2021, finance costs increased $16 million to $50 million, from $34 million for the same period in 2020. The increases are primarily a result of an increase in the average debt outstanding in 2021 as compared to 2020.

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, 2021, income tax expense increased $20 million to $67 million compared to $46 million for the same period in 2020. During the nine months ended September 30, 2021, income tax expense increased $39 million to $166 million compared to $127 million for the same period in 2020. 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 and nine months ended September 30, 2021 was 35% and 87% respectively (27% and 31% respectively for the three and nine months ended September 30, 2020). The 2021 effective tax rate is 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 (Loss) and Earnings (Loss) per Share:

The net income attributable to common shareholders of CSI for the quarter ended September 30, 2021 was $107 million compared to net income of $122 million for the same period in 2020. On a per share basis this translated into a net income per diluted share of $5.04 in the quarter ended September 30, 2021 compared to net income per diluted share of $5.76 for the same period in 2020. For the nine months ended September 30, 2021, net income attributable to common shareholders of CSI was $186 million or $8.79 per diluted share compared to $288 million or $13.58 per diluted share for the same period in 2020. There was no change in the number of shares outstanding.

Net cash flows from operating activities ("CFO"):

For the quarter ended September 30, 2021, CFO increased $58 million to $292 million compared to $234 million for the same period in 2020 representing an increase of 25%. For the nine months ended September 30, 2021, CFO increased $127 million to $959 million compared to $831 million for the same period in 2020 representing an increase of 15%.

Free cash flow available to shareholders ("FCFA2S"):

For the quarter ended September 30, 2021, FCFA2S increased $45 million to $226 million compared to $181 million for the same period in 2020 representing an increase of 25%. For the nine months ended September 30, 2021, FCFA2S decreased $43 million to $639 million compared to $682 million for the same period in 2020 representing a decrease of 6%.

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

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
	($ in millions, except percentages)		($ in millions, except percentages)	
Net cash flows from operating activities	292	234	959	831
Adjusted for:				
Interest paid on lease obligations	(2)	(2)	(7)	(6)
Interest paid on other facilities	(12)	(8)	(30)	(22)
Credit facility transaction costs	(0)	(0)	(4)	(0)
Payments of lease obligations	(21)	(17)	(61)	(47)
IRGA / TSS membership liability revaluation charge	(25)	(20)	(107)	(55)
Property and equipment purchased	(7)	(5)	(18)	(19)
Interest and dividends received	1	0	1	0
	226	181	732	682
Less amount attributable to Non-controlling interests	1		(93)	-
Free cash flow available to shareholders	226	181	639	682

Due to rounding, certain totals may not foot.

Quarterly Results

	Jun. 30 2019	Sep. 30 2019	Dec. 31 2019	Mar. 31 2020	Jun. 30 2020	Sep. 30 2020	Dec. 31 2020	Mar. 31 2021	Jun. 30 2021	Sep. 30 2021
	Quarter Ended									
Revenue	846	870	956	953	922	1,003	1,091	1,176	1,249	1,299
Net income (loss) *	73	82	92	83	83	122	149	(9)	88	107
CFO	50	177	255	361	237	234	355	495	171	292
FCFA2S	12	134	193	311	190	181	307	269	145	226
Net income per share * Basic & diluted	3.45	3.85	4.34	3.91	3.90	5.78	7.02	-0.41	4.16	5.04
CFO per share Basic & diluted	2.36	8.37	12.02	17.01	11.17	11.05	16.73	23.38	8.07	13.78
FCFA2S per share Basic & diluted	0.58	6.35	9.12	14.66	8.99	8.56	14.47	12.67	6.84	10.68

* Attributable to equity holders 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-Out of 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 is approximately 30.4%. 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.

The tables below provide certain supplemental balance sheet, statement of income, and net operating cash flow information of Topicus for the three and nine months ended September 30, 2021. Topicus 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 Topicus considering Constellation's equity ownership.

Selected Balance Sheet Information
As at September 30, 2021

(Unaudited)	Constellation Software Inc. (excluding Topicus)	Topicus	Consolidated
Cash	884	77	961
Bank debt	530	158	688

Statement of Income
(Excluding intercompany activity)

	For the three months ended September 30, 2021			For the nine months ended September 30, 2021		
(Unaudited)	**Constellation Software Inc. (excluding Topicus)**	**Topicus**	**Consolidated**	**Constellation Software Inc. (excluding Topicus)**	**Topicus**	**Consolidated**
Revenue	**1,091**	**207**	**1,299**	**3,087**	**636**	**3,724**
Expenses	789	155	943	2,238	474	2,712
		-	-			
Amortization of intangible assets	109	25	134	302	74	376
Foreign exchange (gain) loss	(5)	0	(5)	(3)	0	(3)
IRGA / Membership liability revaluation charge	25	-	25	107	-	107
Finance and other income	(3)	(1)	(4)	(8)	(1)	(9)
Bargain purchase gain	(1)	-	(1)	(1)	-	(1)
Impairment of intangible and other non-financial assets	1	-	1	5	2	7
Redeemable preferred securities expense (income)	-	-	-	-	295	295
Finance costs	14	4	18	40	10	50
Income before income taxes	162	26	188	408	(218)	190
Income tax expense (recovery)						
Current income tax expense (recovery)	59	11	70	175	34	209
Deferred income tax expense (recovery)	2	(6)	(4)	(26)	(17)	(43)
Income tax expense (recovery)	61	6	67	149	17	166
Net income	**101**	**20**	**121**	**259**	**(235)**	**24**
Net cash flows from operating activities	**282**	**10**	**292**	**795**	**164**	**959**

Foreign Exchange Adjusted Organic Revenue Growth
(Excluding intercompany activity)

	For the three months ended September 30, 2021			For the nine months ended September 30, 2021		
	Constellation Software Inc. (excluding Topicus)	**Topicus**	**Consolidated**	**Constellation Software Inc. (excluding Topicus)**	**Topicus**	**Consolidated**
Licenses	4%	-21%	1%	2%	-5%	1%
Professional services	6%	5%	6%	5%	9%	6%
Hardware and other	-12%	-36%	-13%	-7%	-19%	-8%
Maintenance and other recurring	6%	7%	6%	5%	7%	5%
Revenue	5%	5%	5%	4%	7%	5%

Liquidity

Our net cash position (cash less bank indebtedness excluding capitalized transaction costs) decreased by $38 million to $487 million in the nine months ended September 30, 2021 resulting from the net capital deployed on acquisitions plus dividends exceeding cash flows from operations. Cash increased by $203 million to $961 million at September 30, 2021 compared to $758 million at December 31, 2020 and bank indebtedness increased by $241 million to $474 million at September 30, 2021 compared to $233 million at December 31, 2020.

Total assets increased $1,059 million, from $4,375 million at December 31, 2020 to $5,434 million at September 30, 2021. The increase is primarily due to a $203 million increase in cash, $29 million increase in accounts receivable, $46 million increase in unbilled revenue, $59 million increase in other current assets, and $681 million increase in intangible assets. At September 30, 2021 six subsidiaries holding cash totalling $125 million maintained debt facilities, which facilities are without recourse to Constellation. 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 increased $338 million, from $2,040 million at December 31, 2020 to $2,377 million at September 30, 2021. The increase is primarily due to an increase in deferred revenue of $206 million mainly due to acquisitions made since December 31, 2020 and the timing of maintenance and other billings versus performance and delivery under those customer arrangements, a $49 million increase in the current portion of debt, and $54 million increase in accounts payable and accrued liabilities.

Net Changes in Cash Flows

($ in millions)	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Net cash provided by operating activities	959	831
Net cash from (used in) financing activities	(29)	(242)
Cash used in the acquisition of businesses	(804)	(376)
Cash obtained with acquired businesses	112	55
Net cash from (used in) other investing activities	(21)	(19)
Net cash from (used in) investing activities	(713)	(340)
Effect of foreign currency	(13)	(1)
Net increase (decrease) in cash and cash equivalents	**203**	**249**

The net cash flows from operating activities were $959 million for the nine months ended September 30, 2021. The $959 million provided by operating activities resulted from net income of $24 million plus $1,078 million of non-cash adjustments to net income and $53 million of cash from non-cash operating working capital, offset by $196 million in taxes paid.

The net cash flows used in financing activities in the nine months ended September 30, 2021 were $29 million, which is mainly a result of dividends paid of $64 million, a distribution to the Joday Group of $22 million, lease obligation payments of $61 million, and interest payments of $37 million, offset by $159 million from the net increase in debt facilities.

The net cash flows used in investing activities in the nine months ended September 30, 2021 were $713 million. The cash used in investing activities was primarily due to acquisitions for an aggregate of $804 million (including payments for holdbacks relating to prior acquisitions, less the additional subscription amount of $33 million received by Ijssel related to the acquisition of Topicus.com B.V.) offset by $112 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.

Capital Resources and Commitments

<u>CSI Facility</u>

On December 13, 2019, Constellation completed an amendment and restatement of its revolving credit facility agreement (the "CSI Facility"), with a syndicate of Canadian chartered banks, U.S. banks, and a Japanese bank in the amount of $700 million, extending its maturity date to December 2024. 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 is currently collateralized by the majority of the Company's assets including the assets of certain material subsidiaries. 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 September 30, 2021, $nil had been drawn from this credit facility, and letters of credit totaling $84 million were issued, which limits the borrowing capacity on a dollar-for-dollar basis.

<u>Guarantees</u>

One of CSI's subsidiaries has entered into a $87 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.

<u>Debt without recourse to CSI</u>

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.

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

	Revolving Credit Facilities	**Term Debt Facilities**	**Total**
Principal outstanding at September 30, 2021 (and equal to fair value)	$ 46	$ 341	387
Deduct: Carrying value of transaction costs included in debt balance	(0)	(8)	(9)
Carrying value at September 30, 2021	46	333	378
Current portion	46	8	54
Non-current portion	-	325	325

<u>Debentures</u>

On October 1, 2014 and November 19, 2014, the Company issued unsecured subordinated debentures (the "Debentures") with a total principal value of C$96.0 million for total proceeds of C$91.2 million. The proceeds were used by the Company to pay down $81.2 million of outstanding bank indebtedness.

On September 30, 2015, the Company issued an additional tranche of Debentures with a total principal value of C$186.2 million for total proceeds of C$214.2 million. The proceeds were used by the Company to pay down $130.4 million of outstanding bank indebtedness. The September 30, 2015 issuance formed a single series with the outstanding C$96.0 million aggregate principal amount of Debentures, Series 1 of the Company. The Debentures have a maturity date of March 31, 2040.

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 ($49).

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. The Joday Group's interest in Topicus Coop now comprises 19,665,642 Topicus Coop Ordinary Units and 19,665,642 Topicus Coop Preference Units (collectively the "Topicus Coop Units") resulting in an interest of 30.29% in Topicus Coop as of September 30, 2021. 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 periods ended September 30, 2021 and December 31, 2020, no options were exercised.

Redeemable Preferred Securities

In conjunction with the acquisition of Topicus.com B.V., Topicus Coop issued 5,842,882 Topicus Coop Preference Units (the “Preferred Securities”) to Ijssel B.V. The Preferred Securities are non-voting and prior to the Notification of Conversion were redeemable at the option of the holder for a redemption price of approximately €19.06 per unit. The redemption price would have been either settled in cash or through the issuance of a variable number of Topicus Coop Ordinary Units of equal value. The Preferred Securities are convertible into Topicus Coop Ordinary Units at a conversion ratio of 1:1. The Preferred Securities holders will also be entitled to a fixed annual cumulative dividend of 5% per annum on the initial Preferred Securities value of approximately €19.06 per unit.

The fair value of the Preferred Securities owned by Ijssel B.V. at issuance was $136 million and was classified as a liability. The Company had determined that the conversion option associated with the Preferred Securities did not result in a fixed amount of cash being exchanged for a fixed amount of units (e.g. the conversion option does not meet the “fixed for fixed” requirement). As a result, the Preferred Securities had been recorded at fair value at the end of each reporting period up to the Notification of Conversion date. The change in fair value of the Preferred Securities owned by Ijssel B.V. was recorded as redeemable preferred securities expense (income) in the condensed consolidated interim statements of income up to the Notification of Conversion date.

During the three months ended June 30, 2021, the Preferred Securities reached the Mandatory Conversion Moment (as described in note 9 to the Unaudited Condensed Consolidated Interim Financial Statements for the three and nine months ended September 30, 2021). As a result of reaching the Mandatory Conversion Moment, the Preferred Securities holders notified Topicus that they were electing to convert their Preferred Securities into Topicus Coop Ordinary Units, which conversion would become effective on February 1, 2022. On the date that Topicus received the Notification of Conversion from the Preferred Securities holders, the Preferred Securities were re-classified from a liability to equity (non-controlling interest) because the Preferred Securities were no longer redeemable for cash or through the issuance of Topicus Coop Ordinary Units of equal value, or any combination thereof. Following receipt of the Notification of Conversion, the holders of the Preferred Securities are required to convert their Preferred Securities to Topicus Coop Ordinary Units on February 1, 2022, however, they may choose to convert prior to February 1, 2022 pursuant to the Topicus Coop Preference Unit Conversion Right (as defined in note 9 to the Company's Unaudited Condensed Consolidated Interim Financial Statements for the three and nine month periods ended September 30, 2021). On the Notification of Conversion date, the Company also accrued the expected divided to be paid relating to the period from the Notification of Conversion date to the expected conversion date of February 1, 2022. The dividend to be paid relating to this period has been recorded directly in equity (non-controlling interest).

Further descriptions of the significant terms and conditions of these Topicus Coop Preference Units are described in note 9 to the Unaudited Condensed Consolidated Interim Financial Statements for the three and nine months ended September 30, 2021.

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 $85 million at September 30, 2021. Aside from the aforementioned and the redeemable Preferred Securities, 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, 2021.

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 November 4, 2021. See note 7 to the Unaudited Condensed Consolidated Interim Financial Statements for the three and nine months ended September 30, 2021 for a discussion on the valuation methodology utilized.

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 and nine months ended September 30, 2021 was approximately positive 2% and 4% respectively. 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 nine months ended September 30, 2021, 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 and nine months ended September 30, 2021:

	Three Months Ended September 30, 2021		Nine Months Ended September 30, 2021	
Currencies	% of Revenue	% of Expenses	% of Revenue	% of Expenses
USD	47%	42%	47%	42%
EUR	24%	24%	25%	25%
GBP	10%	10%	9%	10%
CAD	6%	10%	7%	10%
AUD	5%	5%	5%	5%
BRL	1%	2%	1%	1%
CHF	1%	2%	1%	2%
SEK	1%	1%	1%	1%
Others	5%	5%	5%	5%
Total	100%	100%	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 November 4, 2021, 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.

The Company is closely monitoring the impact of COVID-19 on all aspects of its business. COVID-19 was declared a global pandemic by the World Health Organization on March 11, 2020. The COVID-19 pandemic has had disruptive effects in countries in which the Company operates and has adversely impacted many of its business units' operations to date, including through the cancellation by certain customers of their ongoing software maintenance contracts and the suspension or cancellation of new software purchases. The pandemic may also have an adverse impact on many of the Company's customers, including their ability to satisfy ongoing payment obligations to the Company, which could increase the Company's bad debt exposure. The future impacts of the pandemic and any resulting economic impact are largely unknown and rapidly evolving. It is possible that the COVID-19 pandemic, the measures taken by the governments of countries affected and the resulting economic impact may continue to adversely affect the Company's results of operations, cash flows and financial position as well as its customers in future periods, and this impact could be material.

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, 2021, the President and Chief Financial Officer, based on the investigation and advice of those under their supervision, have 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 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.

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 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 September 30, 2021 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

Subsequent to September 30, 2021, the Company completed or entered into agreements to acquire a number of businesses for aggregate cash consideration of $329 million on closing plus cash holdbacks of $35 million and contingent consideration with an estimated fair value of $6 million for total consideration of $370 million. The business acquisitions include companies catering primarily to the oil and gas, advertising and marketing, communications, financial services, legal, property management, public safety, healthcare, education, life insurance, student information systems, publishing, and enterprise resource planning verticals and are all software companies similar to the existing business of the Company.