Constellation Software Inc.

INTERIM FINANCIAL REPORT

First Quarter Fiscal Year 2024

For the three month period ended
March 31, 2024
(UNAUDITED)

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 March 31,		Period-Over-Period 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
	2024	2023	$	%	$	%
	($ 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 2022	Jun. 30 2022	Sep. 30 2022	Dec. 31 2022	Mar. 31 2023	Jun. 30 2023	Sep. 30 2023	Dec. 31 2023	Mar. 31 2024
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.

	Mar. 31 2022	Jun. 30 2022	Sep. 30 2022	Dec. 31 2022	Mar. 31 2023	Jun. 30 2023	Sep. 30 2023	Dec. 31 2023	Mar. 31 2024
	Quarter Ended								
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:

	Three months ended March 31,		Period-Over-Period Change	
	2024	2023	$	%
	($ in millions, except percentages)			
Expenses				
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	
	2024	2023	$	%
	($ 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	
	2024	2023	$	%
	($ 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	
	2024	2023	$	%
	($ 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 March 31,		Period-Over-Period 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%
- 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.	(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, 2024	2023
	($ 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
	568	529
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 2022	Jun. 30 2022	Sep. 30 2022	Dec. 31 2022	Mar. 31 2023	Jun. 30 2023	Sep. 30 2023	Dec. 31 2023	Mar. 31 2024
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)

(Unaudited)	For the three months ended March 31, 2024 Constellation Software Inc. (excluding Topicus & 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)	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	Consolidated
Cash	1,890	188	2,078
Bank debt, bonds and debentures	3,047	273	3,319

Statement of Income
(Excluding intercompany activity)

	For the three months ended March 31, 2024		
(Unaudited)	Constellation Software Inc. (excluding 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	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:

	Three Months Ended March 31, 2024	
Currencies	% 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.

Condensed Consolidated Interim Financial Statements
(In U.S. dollars)

CONSTELLATION SOFTWARE INC.

For the three months ended March 31, 2024 and 2023
Unaudited

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Financial Position

(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited

	March 31, 2024	December 31, 2023	March 31, 2023
Assets			
Current assets:			
Cash	$ 2,078	$ 1,284	$ 1,010
Accounts receivable	1,205	1,145	1,012
Unbilled revenue	360	326	282
Inventories	59	51	50
Other assets (note 5)	568	542	450
	4,270	3,348	2,803
Non-current assets:			
Property and equipment	142	143	128
Right of use assets	311	312	285
Deferred income taxes	157	110	108
Other assets (note 5)	308	286	182
Intangible assets (note 6)	6,734	6,682	5,324
	7,651	7,533	6,028
Total assets	$ 11,921	$ 10,881	$ 8,831
Liabilities and Shareholders' Equity			
Current liabilities:			
Debt with recourse to Constellation Software Inc. (note 7)	$ 276	$ 861	$ 480
Debt without recourse to Constellation Software Inc. (note 8)	348	225	199
Redeemable preferred securities (note 9)	-	814	409
Accounts payable and accrued liabilities	1,298	1,433	1,117
Dividends payable (note 12)	21	21	21
Deferred revenue	2,267	1,757	1,995
Provisions (note 10)	8	9	9
Acquisition holdback payables	174	173	139
Lease obligations	113	112	98
Income taxes payable (note 11)	135	88	120
	4,640	5,493	4,585
Non-current liabilities:			
Debt with recourse to Constellation Software Inc. (note 7)	1,832	863	590
Debt without recourse to Constellation Software Inc. (note 8)	1,470	1,385	793
Deferred income taxes	633	610	496
Acquisition holdback payables	105	86	68
Lease obligations	235	236	217
Other liabilities (note 5)	255	246	236
	4,530	3,426	2,400
Total liabilities	9,169	8,919	6,986
Shareholders' equity (note 12):			
Capital stock	99	99	99
Accumulated other comprehensive income (loss)	(145)	(99)	(128)
Retained earnings	2,358	1,876	1,454
Non-controlling interests (notes 1, 9 and 18)	439	85	419
	2,752	1,961	1,845
Subsequent events (notes 12 and 19)			
Total liabilities and shareholders' equity	$ 11,921	$ 10,881	$ 8,831

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Income (loss)
(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited

	Three months ended March 31, 2024	2023
Revenue		
License	$ 88	$ 81
Professional services	470	411
Hardware and other	59	57
Maintenance and other recurring	1,737	1,369
	2,353	1,919
Expenses		
Staff	1,293	1,068
Hardware	35	35
Third party license, maintenance and professional services	215	185
Occupancy	14	13
Travel, telecommunications, supplies, software and equipment	112	89
Professional fees	38	36
Other, net	50	38
Depreciation	44	39
Amortization of intangible assets (note 6)	242	193
	2,042	1,695
Foreign exchange loss (gain)	(18)	10
IRGA/TSS Membership liability revaluation charge (note 7)	81	39
Finance and other expense (income) (note 13)	(9)	(7)
Bargain purchase gain (note 4)	(2)	(1)
Impairment of intangible and other non-financial assets (note 6)	10	2
Redeemable preferred securities expense (income) (note 9)	58	188
Finance costs (note 13)	67	36
	186	267
Income (loss) before income taxes	125	(43)
Current income tax expense (recovery) (note 11)	127	103
Deferred income tax expense (recovery) (note 11)	(75)	(62)
Income tax expense (recovery)	52	40
Net income (loss)	74	(83)
Net income (loss) attributable to:		
Common shareholders of Constellation Software Inc. (notes 1 and 18)	105	94
Non-controlling interests (notes 1, 9, and 18)	(31)	(177)
Net income (loss)	74	(83)
Earnings per common share of Constellation Software Inc.		
Basic and diluted (note 14)	$ 4.95	$ 4.44

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Comprehensive Income (loss)
(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited

	Three months ended March 31, 2024	Three months ended March 31, 2023
Net income (loss)	$ 74	$ (83)
Items that are or may be reclassified subsequently to net income (loss):		
Foreign currency translation differences from foreign operations and other, ne	(48)	16
Other comprehensive income (loss), net of income tax	(48)	16
Total comprehensive income (loss)	$ 25	$ (67)
Total other comprehensive income (loss) attributable to:		
Common shareholders of Constellation Software Inc. (notes 1, 9 and 18)	(40)	10
Non-controlling interests (notes 1, 9 and 18)	(8)	6
Total other comprehensive income (loss)	$ (48)	$ 16
Total comprehensive income (loss) attributable to:		
Common shareholders of Constellation Software Inc. (notes 1, 9 and 18)	65	105
Non-controlling interests (notes 1, 9 and 18)	(40)	(171)
Total comprehensive income (loss)	$ 25	$ (67)

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statement of Changes in Equity
(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited

Three months ended March 31, 2024

	Equity Attributable to Common Shareholders of CSI					
	Capital stock	**Accumulated other comprehensive income (loss)**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at January 1, 2024	**$ 99**	**$ (99)**	**$ 1,876**	**$ 1,877**	**85**	**$ 1,961**
Total comprehensive income (loss):						
Net income (loss)	-	-	105	105	(31)	74
Other comprehensive income (loss)						
Foreign currency translation differences from foreign operations and other, net of tax	-	(40)	-	(40)	(8)	(48)
Total other comprehensive income (loss)	**-**	**(40)**	**-**	**(40)**	**(8)**	**(48)**
Total comprehensive income (loss)	**-**	**(40)**	**105**	**65**	**(40)**	**25**
Transactions with owners, recorded directly in equity						
Non-controlling interests arising from business combinations	-	-	-	-	(0)	(0)
Conversion of Lumine Special Shares to subordinate voting shares of Lumine and settlement of accrued dividend on Lumine Special Shares through the issuance of subordinate voting shares of Lumine (note 9)	-	-	-	-	872	872
Conversion of Lumine Preferred Shares to subordinate voting shares of Lumine and settlement of accrued dividend on Lumine Preferred Shares through the issuance of subordinate voting shares of Lumine (note 1)		(6)	400	394	(394)	-
Other movements in non-controlling interests	-	-	(1)	(1)	1	0
Dividends paid to non-controlling interests (note 18)	-	-	-	-	(85)	(85)
Dividends to shareholders of the Company (note 12)	-	-	(21)	(21)	-	(21)
Balance at March 31, 2024	**$ 99**	**$ (145)**	**$ 2,358**	**$ 2,313**	**$ 439**	**$ 2,752**

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statement of Changes in Equity
(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited
Three months ended March 31, 2023

	Equity Attributable to Common Shareholders of CSI					
	Capital stock	Accumulated other comprehensive income (loss)	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2023	**$ 99**	**$ (150)**	**$ 1,763**	**$ 1,713**	**$ 221**	**$ 1,933**
Total comprehensive income (loss):						
Net income (loss)	-	-	94	94	(177)	(83)
Other comprehensive income (loss)						
Foreign currency translation differences from foreign operations and other, net of tax	-	10	-	10	6	16
Total other comprehensive income (loss)	**-**	**10**	**-**	**10**	**6**	**16**
Total comprehensive income (loss)	**-**	**10**	**94**	**105**	**(171)**	**(67)**
Transactions with owners, recorded directly in equity						
Special dividend of Lumine Subordinate Voting Shares (note 1 and 12)	-	12	(378)	(366)	366	-
Acquisition of non-controlling interests	-	-	-	-	(1)	(1)
Conversion of Lumine Special Shares to subordinate voting shares of Lumine	-	-	-	-	1	1
Other movements in non-controlling interests	-	0	(4)	(4)	4	(0)
Dividends to shareholders of the Company (note 12)	-	-	(21)	(21)	-	(21)
Balance at March 31, 2023	**$ 99**	**$ (128)**	**$ 1,454**	**$ 1,426**	**$ 419**	**$ 1,845**

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Cash Flows

(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited

	Three months ended March 31, 2024	2023
Cash flows from (used in) operating activities:		
Net income (loss)	$ 74	$ (83)
Adjustments for:		
Depreciation	44	39
Amortization of intangible assets (note 6)	242	193
IRGA/TSS Membership liability revaluation charge (note 7)	81	39
Finance and other expense (income) (note 13)	(9)	(7)
Bargain purchase (gain) (note 4)	(2)	(1)
Impairment of intangible and other non-financial assets (note 6)	10	2
Redeemable preferred securities expense (income) (note 9)	58	188
Finance costs (note 13)	67	36
Income tax expense (recovery)	52	40
Foreign exchange loss (gain)	(18)	10
Change in non-cash operating assets and liabilities exclusive of effects of business combinations (note 17)	208	268
Income taxes paid	(68)	(91)
Net cash flows from (used in) operating activities	737	632
Cash flows from (used in) financing activities:		
Interest paid on lease obligations	(3)	(3)
Interest paid on debt	(41)	(26)
Increase (decrease) in CSI facility (note 7)	(578)	(51)
Increase (decrease) in Topicus revolving credit debt facility without recourse to CSI	114	(11)
Proceeds from issuance of Senior Notes (note 7)	1,000	-
Proceeds from issuance of debt facilities without recourse to CSI	112	180
Repayments of debt facilities without recourse to CSI	(18)	(86)
Other financing activities	(2)	2
Dividends paid to non-controlling interests (note 18)	(85)	-
Debt transaction costs	(11)	(2)
Payments of lease obligations	(29)	(25)
Distribution to the Joday Group (note 7)	(64)	-
Principal repayments to the Joday Group pursuant to the Call Notice (note 7)	(22)	-
Dividends paid to common shareholders of the Company (note 12)	(21)	(21)
Net cash flows from (used in) in financing activities	351	(43)
Cash flows from (used in) investing activities:		
Acquisition of businesses (note 4)	(223)	(452)
Cash obtained with acquired businesses (note 4)	35	45
Post-acquisition settlement payments, net of receipts	(76)	(72)
Purchases of investments and other assets	(0)	(31)
Proceeds from sales of other investments and other assets	4	119
Decrease (increase) in restricted cash	(11)	-
Interest, dividends and other proceeds received	5	3
Property and equipment purchased	(10)	(10)
Net cash flows from (used in) investing activities	(277)	(398)
Effect of foreign currency on cash	(17)	7
Increase (decrease) in cash	794	199
Cash, beginning of period	$ 1,284	$ 811
Cash, end of period	$ 2,078	$ 1,010

See accompanying notes to the condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

1. Reporting entity

Constellation Software Inc. is a company domiciled in Canada. The address of Constellation Software Inc.'s registered office is 20 Adelaide Street East, Suite 1200, Toronto, Ontario, Canada. The condensed consolidated interim financial statements of Constellation Software Inc. as at and for the three month period ended March 31, 2024 comprise Constellation Software Inc. and its subsidiaries (together referred to as “Constellation”, “CSI”, or the "Company") and the Company's interest in associates. The Company is engaged principally in the development, installation and customization of software as well as in the provisioning of related professional services and support for customers globally across over 100 diverse markets.

Preferred Share Investment in Lumine Group Inc. (“Lumine”)

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 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%).

2. Basis of presentation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies disclosed in Note 3 of the Company’s 2023 annual consolidated financial statements, available on the System for Electronic Document Analysis and Retrieval (“SEDAR+”) at www.sedarplus.com, except as disclosed herein.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors of the Company on May 10, 2024.

These condensed consolidated interim financial statements should be read in conjunction with the Company’s 2023 annual consolidated financial statements.

(b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain assets and liabilities initially recognized in connection with business combinations, derivative financial instruments and contingent consideration related to business acquisitions, which are measured at their estimated fair value.

(c) Functional and presentation of currency

The condensed consolidated interim financial statements are presented in U.S. dollars, which is Constellation's functional currency.

(d) Use of estimates and judgements

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses, consistent with those disclosed in the 2023 annual consolidated financial statements and described in these condensed consolidated interim financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with corresponding effect in profit or loss, when, and if, better information is obtained.

3. Material accounting policies

Unless otherwise noted in the condensed consolidated interim financial statements, the material accounting policies used in preparing these condensed consolidated interim financial statements are unchanged from those disclosed in the Company’s 2023 annual consolidated financial statements and have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

The accounting policies have been applied consistently by Constellation’s subsidiaries.

4. Business acquisitions

During the three-month period ended March 31, 2024, the Company completed a number acquisitions for aggregate cash consideration of $223 plus cash holdbacks of $55 and contingent consideration with an estimated acquisition date fair value of $10. The total consideration resulting from the acquisitions in the three-month period ended March 31, 2024 was $288. The contingent consideration is payable on the achievement of certain financial targets in the post-acquisition periods. The obligation for contingent consideration for acquisitions during the three-month period ended March 31, 2024 has been recorded at its estimated fair value at the various acquisition dates. The estimated fair value of the applicable contingent consideration is calculated using the estimated financial outcome and resulting expected contingent consideration to be paid and inclusion of a discount rate as appropriate. For these arrangements, which include both maximum, or capped, and unlimited contingent consideration amounts, the estimated increase to the initial consideration is not expected to exceed $19. Aggregate contingent consideration of $164 (December 31, 2023 - $192) has been reported in the condensed consolidated interim statement of financial position at its estimated fair value relating to applicable acquisitions completed in the current and prior periods. Changes made to the estimated fair value of contingent consideration are included in other, net in the condensed consolidated interim statements of income (loss). An expense of $11 has been recorded for the three months ended March 31, 2024, as a result of such changes (expense of $0 for the three months ended March 31, 2023).

No acquisitions were deemed to be individually significant. The majority of the businesses acquired during the period were acquisitions of shares and the remainder were asset acquisitions. The cash holdbacks are generally payable over a two-year period and are adjusted, as necessary, for such items as working capital or net tangible asset assessments, as defined in the agreements, and claims under the respective representations and warranties of the purchase and sale agreements.

The acquisitions during the three-month period ended March 31, 2024 include software companies catering to the following markets: agribusiness, communications, dealer, education, enterprise resource planning, facility management, financial services, hospitality, human capital, information technology, insurance, language, library, mining, performance management, retail management and distribution, revenue cycle management, software development, third party logistics warehouse management systems and healthcare all of which are software businesses similar to existing businesses operated by the Company. The acquisitions have been accounted for using the acquisition method with the results of operations included in these consolidated financial statements from the date of each acquisition.

The goodwill recognized in connection with these acquisitions is primarily attributable to the application of Constellation's best practices to improve the operations of the companies acquired, synergies with existing businesses of Constellation, and other intangible assets that do not qualify for separate recognition including assembled workforce. Goodwill in the amount of $1 is expected to be deductible for income tax purposes.

The gross contractual amounts of acquired receivables was $28; however, the Company has recorded an allowance of $1 as part of the acquisition accounting to reflect contractual cash flows that are not expected to be collected.

Due to the complexity and timing of certain acquisitions made, the Company is in the process of determining and finalizing the estimated fair value of the net assets acquired as part of the acquisitions closed during 2024 and the last three quarters of 2023. The amounts determined on a provisional basis generally relate to net asset assessments and measurement of the assumed liabilities, including acquired contract liabilities. The provisional purchase price allocations may differ from the final purchase price allocations, and these differences may be material. Revisions to the allocations will occur as additional information about the fair value of assets and liabilities becomes available. The cash consideration associated with these provisional estimates (including individually significant acquisitions) totals $1,380.

The aggregate impact of acquisition accounting applied in connection with the aggregate of business acquisitions that are not individually significant in the period ended March 31, 2024 is as follows:

(In millions of U.S. dollars, except per share amounts and as otherwise indicated)

Assets acquired:		
Cash	$	35
Accounts receivable		27
Other current assets		24
Property and equipment		7
Right of use assets		11
Other non-current assets		5
Deferred income taxes		2
Technology assets		178
Customer assets		156
		447
Liabilities assumed:		
Current liabilities		75
Deferred revenue		43
Deferred income taxes		59
Long-term debt		1
Long-term lease obligations		10
Other non-current liabilities		7
		194
Non-controlling interest		(0)
Goodwill		36
Bargain purchase gain		(0)
Total consideration	**$**	**288**

The 2024 business acquisitions did not have a material impact to either the consolidated revenue or the consolidated net income (loss) for the three months ended March 31, 2024. The materiality threshold is reviewed on a regular basis taking into account the quantitative (contribution to revenue and net income (loss)) and qualitative (size and comparability with other Constellation businesses) factors of current period acquisitions on both an individual and aggregate basis.

(b) The chart below outlines the significant measurement period adjustments and adjustments to estimated holdback payables on prior year acquisitions which have been reflected on the condensed consolidated interim statement of financial position as of December 31, 2023 and March 31, 2023.

(In millions of U.S. dollars, except per share amounts and as otherwise indicated)

	December 31, 2023	March 31, 2023
Current Assets:		
Accounts receivable	(2)	(2)
Unbilled revenue	0	(5)
Inventories	-	-
Acquisition holdback receivables	7	0
Other assets	(3)	2
	3	(5)
Non-current Assets:		
Property and equipment	0	(0)
Right of use assets	0	(0)
Deferred income taxes	3	2
Other assets	0	1
Intangible assets	(24)	(30)
	(21)	(28)
Total assets	(18)	(33)
Current liabilities:		
Accounts payable and accrued liabilities	0	0
Deferred revenue	0	0
Acquisition holdback payables	(1)	(1)
Lease obligations	-	(0)
Income taxes payable	(2)	2
	(2)	1
Non-current liabilities:		
Deferred income taxes	(15)	(32)
Acquistion holdback payables	(1)	-
Lease obligations	(0)	0
Other liabilities	(0)	(1)
	(16)	(34)
Total liabilities	(18)	(33)

(In millions of U.S. dollars, except per share amounts and as otherwise indicated)

5. Other assets and other non-current liabilities

(a) Other assets

		March 31, 2024		December 31, 2023
Prepaid expenses and other current assets	$	297	$	279
Holdback receivable		11		15
Investment tax credits recoverable		57		53
Sales tax receivable		48		40
Equity securities held for trading		11		14
Income tax and other receivables		146		141
Total other current assets	$	568	$	542
Investment tax credits recoverable	$	14	$	13
Costs to obtain a contract		75		71
Non-current trade and other receivables and other assets		211		191
Equity accounted investees		7		10
Total other non-current assets	$	308	$	286

(b) Other non-current liabilities

		March 31, 2024		December 31, 2023
Contingent consideration	$	92	$	93
Deferred revenue		86		88
Other non-current liabilities		78		65
Total other non-current liabilities	$	255	$	246

(In millions of U.S. dollars, except per share amounts and as otherwise indicated)

6. Intangible Assets

	Technology Assets	Customer Assets	Backlog	Non-compete agreements	Trademarks	Goodwill	Total
Cost							
Balance at January 1, 2023	$ 3,934	$ 3,296	$ 17	$ 2	$ 29	$ 801	$ 8,078
Acquisitions through business combinations	1,003	1,353	(0)	-	-	460	2,817
Effect of movements in foreign exchange	67	61	0	0	1	20	149
Balance at December 31, 2023	$ 5,004	$ 4,710	$ 17	$ 2	$ 29	$ 1,281	$ 11,044
Balance at January 1, 2024	$ 5,004	$ 4,710	$ 17	$ 2	$ 29	$ 1,281	$ 11,044
Acquisitions through business combinations	178	156	-	-	-	37	371
Effect of movements in foreign exchange and other	(57)	(45)	(0)	(0)	(0)	(14)	(116)
Balance at March 31, 2024	$ 5,125	$ 4,821	$ 17	$ 2	$ 29	$ 1,304	$ 11,299
Accumulated amortization and impairment losses							
Balance at January 1, 2023	$ 2,280	$ 1,103	$ 17	$ 2	$ 6	$ 9	$ 3,416
Amortization for the period	494	364	0	0	2	-	859
Impairment charge	10	8	-	-	-	8	26
Effect of movements in foreign exchange	38	22	0	0	-	-	60
Balance at December 31, 2023	$ 2,822	$ 1,497	$ 17	$ 2	$ 7	$ 16	$ 4,361
Balance at January 1, 2024	$ 2,822	$ 1,497	$ 17	$ 2	$ 7	$ 16	$ 4,361
Amortization for the period	138	104	0	0	0	-	242
Impairment charge	3	4	-	-	-	2	10
Effect of movements in foreign exchange	(32)	(17)	(0)	(0)	-	-	(49)
Balance at March 31, 2024	$ 2,932	$ 1,587	$ 17	$ 2	$ 7	$ 19	$ 4,565
Carrying amounts							
At January 1, 2023	$ 1,654	$ 2,192	$ 0	$ (0)	$ 23	$ 792	$ 4,662
At December 31, 2023	$ 2,182	$ 3,213	$ 0	$ -	$ 22	$ 1,265	$ 6,682
At January 1, 2024	$ 2,182	$ 3,213	$ 0	$ -	$ 22	$ 1,265	$ 6,682
At March 31, 2024	$ 2,193	$ 3,234	$ 0	$ (0)	$ 21	$ 1,286	$ 6,734

(In millions of U.S. dollars, except per share amounts and as otherwise indicated)

7. Debt with recourse to CSI

	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 January 31, 2024, the Company completed an amendment and restatement of its existing credit facility agreement (the “CSI Facility”). The facility limit has been increased from $840 to $1,085, with a syndicate of existing and new institutions. The agreement has also 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 (December 31, 2023 – $578) had been drawn from this credit facility, and letters of credit totaling $13 (December 31, 2023 - $13) were issued, which limits the borrowing capacity on a dollar-for-dollar basis. CSI accounted for the January 31, 2024 amendment as an extinguishment under IFRS and as a result, all previously capitalized transactions costs were written-off during the three months ended March 31, 2024.

Senior Notes

On February 16, 2024, the Company completed a private offering of $500 aggregate principal amount of 5.158% senior notes due 2029 and $500 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.

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

On December 23, 2014, in accordance with the terms of the purchase and sale agreement for the initial acquisition of Total Specific Solutions (“TSS”) by CSI, and on the basis of the term sheets attached thereto, Constellation and the sellers of TSS along with certain members of TSS’ executive management team (collectively, the “Joday Group”) among others, entered into a Members Agreement (the “TSS 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., (“Topicus Coop”)), a subsidiary of Constellation and the indirect owner of 100% of TSS at the time of the acquisition. Total proceeds from this transaction was EUR 39.

On January 5, 2021, the TSS Members Agreement was terminated in conjunction with the acquisition of Topicus.com B.V., the reorganization of Topicus Coop and the execution of the Investors Rights and Governance Agreement ("IRGA"). The IRGA was established to create certain contractual obligations of the parties in respect of the governance of Topicus and Topicus Coop. The IRGA provides for transfer restrictions in respect of the ordinary units of Topicus Coop ("Topicus Coop Ordinary Units" or the "Topicus Coop Units").

Any time after January 5, 2021, any member of the Joday Group has the right, at their 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 their 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 their 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 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 Investments VI B.V. ("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 has continued to classify the above obligations of CSI under the terms of the IRGA as a liability. The main valuation driver in such calculation 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 redemption date. Any increase or decrease in the value of such liability is recorded as an expense or income in the condensed consolidated interim statements of income (loss) for the period.

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 EUR 30. The Company subsequently sold 589,967 of the purchased Topicus Coop Units back to certain remaining members of the Joday Group for total proceeds of EUR 10. 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 EUR 59 was paid to the Joday Group.

Debentures

On October 1, 2014 and November 19, 2014, the Company issued debentures with a total principal value of C$96 for total proceeds of C$91. On September 30, 2015, the Company issued another tranche of debentures (collectively with the 2014 issuances called the "Debentures") with a total principal value of C$186 for total proceeds of C$214.

On October 6, 2023, a total of C$213 principal amount of debentures ("2023 Debentures") were issued at a price of C$133.00 per C$100.00 principal amount of 2023 Debentures purchased representing proceeds to the Company of C$283 which was used by the Company to pay down indebtedness under its existing credit facility. The 2023 Debentures were issued as an additional tranche of, and will form a single series with, the outstanding C$282 aggregate principal amount of Debentures.

The Debentures have a maturity date of March 31, 2040 (the "Maturity Date").

The interest rate from and including:

- March 31, 2021 but excluding March 31, 2022 was 7.2%
- March 31, 2022 but excluding March 31, 2023 was 9.9%
- March 31, 2023 but excluding March 31, 2024 is 13.3%
- March 31, 2024 but excluding March 31, 2025 is 10.4%

Subsequent from and including March 31, 2025 to but excluding the Maturity Date, the interest rate applicable to the Debentures will be reset on an annual basis on March 31 of each year, at a rate equal to the annual average percentage change in the All-items Consumer Price Index during the 12-month period ending on December 31 in the prior year (which amount may be positive or negative) plus 6.5%. Notwithstanding the foregoing, the interest rate applicable to the debentures will not be less than 0%. The Company may, subject to certain approvals, elect the Payment in Kind election ("PIK Election"), in lieu of paying interest in cash, to satisfy all or any portion of its interest obligation payable on an interest payment date by issuing to each Debenture holder PIK Debentures equal to the amount of the interest obligation to be satisfied. The PIK Debentures will have the same terms and conditions as the Debentures and will form part of the principal amount of the Debentures. If, on any interest payment date, the Company fails to pay the amount of interest owing on the Debentures in full in cash, the Company will not (A) declare or pay dividends of any kind on the Common Shares, nor (B) participate in any share buyback or redemption involving the Common Shares, until the date on which the Company pays such interest (or the unpaid portion thereof) in cash to holders of the Debentures; however, where the Company has issued PIK Debentures in respect of all or a portion of the amount of interest owing on the Debentures on an interest payment date, the Company may resume declaring or paying dividends of any kind on the Common Shares and participating in any share buyback or redemption involving the Common Shares beginning on the next earlier of (i) the interest payment date of which the Company pays the amount of interest owing on the Debentures in full in cash and (ii) the date on which the Company repays all amounts owing under the PIK Debenture. All payments in respect of the Debentures will be subordinated in right of payment to the prior payment in full of all senior indebtedness of the Company.

The Debentures will be redeemable in certain circumstances at the option of the Company or the holder. During the period beginning on March 16 and ending on March 31 of each year, the Company will have the right, at its option, to give notice to holders of Debentures of its intention to redeem the Debentures, in whole or in part, on March 31 in the year that is five years following the year in which notice is given, at a price equal to the principal amount thereof plus accrued and unpaid interest up to but excluding the date fixed for redemption. During the period beginning on March 1 and ending on March 15 of each year, holders of Debentures will also have the right, at their option, to give notice to the Company of their intention to require the Company to repurchase (or to “put”) the Debentures, in whole or in part, on March 31 in the year that is five years following the year in which notice is given, at a price equal to the principal amount thereof plus accrued and unpaid interest up to but excluding the date fixed for repurchase.

During the periods ended March 31, 2024 and December 31, 2023, no notices for redemption of the Debentures were received or given by the Company.

The fair value of the debentures as at March 31, 2024 was $473 (December 31, 2023 - $480).

Term Loan

One of CSI’s subsidiaries has entered into a GBP 65 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.

8. Debt without recourse to CSI

Certain of CSI’s subsidiaries have entered into term debt facilities and revolving credit facilities with various financial institutions. CSI does not guarantee the debt of these 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 Intercontinental Exchange, Inc. (“ICE”) for $500. 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.

(In millions of U.S. dollars, except per share amounts and as otherwise indicated)

Debt without recourse to CSI comprises the following:

	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

The annual minimum repayment requirements for the debt facilities without recourse to CSI (excluding the Topicus Revolving Credit Facility) are as follows:

Year	Debt Facilities
2024	60
2025	110
2026	223
2027	365
2028	283
2029	10
2030	-
	1,051

The annual minimum repayment requirements for the Promissory Note are as follows:

Year	March 31, 2024
2025 - 2029	$ 7
2030- 2063	493
Total	$ 500

(In millions of U.S. dollars, except per share amounts and as otherwise indicated)

9. Redeemable Preferred Securities

On February 22, 2023, the Company completed the acquisition of 100% of the shares of WideOrbit Inc. ("WideOrbit"). 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.

10. Provisions

At January 1, 2024	$	20
Reversal		(1)
Provisions recorded during the period		3
Provisions used during the period		(4)
Effect of movements in foreign exchange and other		(0)
At March 31, 2024	$	18
Provisions classified as current liabilities		8
Provisions classified as other non-current liabilities		11

The provisions balance is comprised of various individual provisions for onerous contracts and other estimated liabilities of the Company of uncertain timing or amount.

11. Income taxes

Income tax expense is recognized based on management's best estimate of the actual income tax rate for the interim period applied to the pre-tax income of the interim period for each entity in the consolidated group. As a result of foreign exchange fluctuations, acquisitions and ongoing changes due to intercompany transactions amongst entities operating in different jurisdictions, the Company has determined that a reasonable estimate of a weighted average annual tax rate cannot be determined on a consolidated basis. 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 2024 and 2023 year to date effective tax rate was 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 does 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 intercompany 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.

(In millions of U.S. dollars, except per share amounts and as otherwise indicated)

12. Capital and other components of equity

	Common Shares	
	Number	Amount
March 31, 2024	21,191,530	$ 99
December 31, 2023	21,191,530	$ 99

Dividends and other distributions to shareholders

During the three months ended March 31, 2024, the Company declared a $1.00 per share dividend to all common shareholders of record at close of business on March 28, 2024. The dividend declared in the quarter ended March 31, 2024 representing $21 was paid and settled on April 15, 2024.

The dividend declared in the quarter ended December 31, 2023 representing $21 was paid and settled on January 11, 2024.

(In millions of U.S. dollars, except per share amounts and as otherwise indicated)

13. Finance and other expense (income) and finance costs

	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)
Interest expense on debt and debentures	$ 55	$ 27
Interest expense on lease obligations	3	3
Amortization of debt related transaction costs	2	1
Amortization of debenture discount (premium)	(1)	-
Other finance costs	7	6
Finance costs	$ 67	$ 36

14. Earnings per share

Basic and diluted earnings per share

	Three months ended March 31, 2024	2023
Numerator:		
Net income (loss) attributable to common shareholders of CSI	$ 105	$ 94
Denominator:		
Basic and diluted shares outstanding	21,191,530	21,191,530
Earnings per share		
Basic and diluted	$ 4.95	$ 4.44

(In millions of U.S. dollars, except per share amounts and as otherwise indicated)

15. Financial instruments

Fair values versus carrying amounts

The carrying values of cash, accounts receivable, accounts payable, accrued liabilities, dividends payable, acquisition holdbacks, and the CSI Facility, approximate their fair values 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.

Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by valuation method.

- 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).

In the table below, the Company has segregated all financial assets and liabilities that are measured at fair value into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date.

Financial assets and financial liabilities measured at fair value as at March 31, 2024 and December 31, 2023 in the condensed consolidated interim financial statements 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**

There were no transfers of fair value measurement between level 1, 2 and 3 of the fair value hierarchy in the periods ended March 31, 2024 and December 31, 2023.

The following tables shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy.

(In millions of U.S. dollars, except per share amounts and as otherwise indicated)

Contingent Consideration

Balance at January 1, 2024	$	192
Increase from business acquisitions		10
Cash payments		(48)
Charges (recoveries) through profit or loss		14
Foreign exchange and other movements		(4)
Balance at March 31, 2024		164
Contingent consideration classified as current liabilities		72
Contingent consideration classified as other non-current liabilities		92

Estimates of the fair value of contingent consideration are performed by the Company on a quarterly basis. Key unobservable inputs include revenue/profitability growth rates and the discount rates applied (7% to 11%). The estimated fair value increases as the annual revenue/profitability growth rate increases and as the discount rate decreases and vice versa.

Redeemable Preferred Securities

Balance at January 1, 2024	$	814
Redeemable preferred securities expense (income)		58
Conversions to subordinate voting shares of Lumine		(860)
Issuance of Subordinate Voting Shares of Lumine in consideration for accrued dividend		(12)
Payments and other movements		(0)
Balance at March 31, 2024		-

Estimates of the fair value of the Redeemable Preferred Securities are performed by the Company on a quarterly basis. Key unobservable inputs include expected volatility and credit spread of the Lumine Special Shares. The estimated fair value increases as the expected volatility increases. The estimated fair value decreases as the credit spread increases. The key observable input is the subordinated voting share price of Lumine. As the Lumine subordinate voting share price increases, the fair value of the Redeemable Preferred Securities increases.

16. Contingencies

In the normal course of operations, the Company is subject to litigation and claims from time to time. The Company may also be subject to lawsuits, investigations and other claims, including environmental, labour, income and sales tax, product, customer disputes and other matters. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not always possible to estimate the extent of potential costs, if any, management believes that the ultimate resolution of such contingencies will not have a material adverse impact on the results of operations, financial position or liquidity of the Company.

(In millions of U.S. dollars, except per share amounts and as otherwise indicated)

17. Changes in non-cash operating assets and liabilities

	Three months ended March 31, 2024	Three months ended March 31, 2023
Decrease (increase) in current accounts receivable	$ (52)	$ (86)
Decrease (increase) in current unbilled revenue	(33)	(32)
Decrease (increase) in other current assets	(25)	(13)
Decrease (increase) in inventories	(5)	(1)
Decrease (increase) in other non-current assets	(21)	2
Increase (decrease) in other non-current liabilities	(12)	(34)
Increase (decrease) in current accounts payable and accrued liabilities, excluding holdbacks from acquisitions	(132)	(8)
Increase (decrease) in current deferred revenue	489	443
Increase (decrease) in current provisions	(1)	(2)
Change in non-cash operating working capital	$ 208	$ 268

18. Non-controlling interests

Topicus:

Constellation's equity interest in Topicus, a company based in the Netherlands, is 60.65% (39.35% being non-controlling interest) as at March 31, 2024. On May 16, 2022, Topicus also acquired a controlling interest of 72.68% in Sygnity S.A. ("Sygnity"), a Company based in Poland. The remaining 27.32% represents non-controlling interest.

During the three months ended March 31, 2024, the Company paid a dividend of $85 to the non-controlling shareholders of Topicus.

Adapt IT:

On January 3, 2022, the Company acquired a controlling interest in Adapt IT Holdings Limited ("Adapt IT"), a Company based in South Africa. As of March 31, 2024, the Company has an interest of 72.04% in Adapt IT(the remaining 27.96% represents non-controlling interest).

Lumine:

On March 25, 2024, the Lumine Preferred Shares and Lumine Special Shares were converted to Lumine Subordinate Voting Shares and the accrued dividend associated with the Lumine Preferred Shares and Lumine

(In millions of U.S. dollars, except per share amounts and as otherwise indicated)

Special Shares was settled through the issuance of Lumine Subordinate Voting Shares. The Company now reflects an equity interest of 61.40% (December 31, 2023 – 0%) in Lumine, a Company based in Canada, and a non-controlling interest in Lumine of 38.60% (December 31, 2023 – 100%).

The following tables summarize the information relating to the Company's non-controlling interests in Topicus, Adapt-IT and Lumine as at March 31, 2024 and December 31, 2023:

	As at March 31, 2024		
	Topicus Coop	**Adapt-IT**	**Lumine**
Non-controlling interest	39.35%	27.96%	38.60%
Current assets	592	43	448
Non-current assets	1,150	68	770
Total assets	1,742	111	1,218
Current liabilities	966	30	205
Non-current liabilities	321	26	375
Total liabilities	1,288	56	580
Less: Non-controlling interest of subsidaries, including interests held by CSI	57	-	-
Net assets after allocation of non-controlling interests (including interests held by CSI)	397	55	637
Inter-group eliminations	(5)	-	4
Total	392	55	641
Net assets allocated to the non-controlling interests of subsidiary	154	15	248
Add: Non-controlling interest of subsidaries not owned by CSI	20	-	-
Total non-controlling interest	174	15	248

	As at December 31, 2023		
	Topicus Coop	**Adapt-IT**	**Lumine**
Non-controlling interest	39.35%	27.96%	100.00%
Current assets	461	37	332
Non-current assets	1,123	73	816
Total assets	1,584	110	1,148
Current liabilities	625	27	4,684
Non-current liabilities	305	26	306
Total liabilities	930	53	4,991
Less: Non-controlling interest of subsidaries, including interests held by CSI	60	-	-
Net assets after allocation of non-controlling interests (including interests held by CSI)	594	57	(3,843)
Inter-group eliminations	(9)	-	3,661
Total	585	57	(182)
Net assets allocated to the non-controlling interests of subsidiary	230	16	(182)
Add: Non-controlling interest of subsidaries not owned by CSI	20	-	-
Total non-controlling interest	250	16	(182)

The following tables summarizes the information on the condensed consolidated interim statement of income (loss) relating to Topicus, Adapt-IT and Lumine for the three months ended March 31 2024 and 2023.

(In millions of U.S. dollars, except per share amounts and as otherwise indicated)

	Three months ended March 31, 2024		
	Topicus Coop	**Adapt-IT**	**Lumine**
Revenue	331	24	141
Expenses	291	23	123
Redeemable preferred securities expense (income)	-	-	317
Income (loss) before income taxes	40	1	(299)
Income tax expense	9	1	4
Net income (loss) prior to non-controlling interest allocation	31	1	(303)
Less: Non-controlling interest of subsidaries, including interests held by CSI	(0)	-	-
Net income (loss) after allocation of non-controlling interest	31	1	(303)
Inter-group eliminations	(1)	-	260
Total	30	1	(43)
Net income (loss) attributable to non-controlling interests	12	0	(43)
Add: Non-controlling interest of subsidaries not owned by CSI	0	-	-
Total non-controlling interest	12	0	(43)

	Three months ended March 31, 2023		
	Topicus Coop	**Adapt-IT**	**Lumine**
Revenue	284	27	95
Expenses	251	25	90
Redeemable preferred securities expense (income)	-	-	655
Income (loss) before income taxes	33	2	(650)
Income tax expense	9	0	2
Net income (loss) prior to non-controlling interest allocation	24	2	(652)
Less: Non-controlling interest of subsidaries, including interests held by CSI	(0)	-	-
Net income (loss) after allocation of non-controlling interest	24	2	(652)
Inter-group eliminations	(1)	-	467
Total	23	2	(185)
Net income (loss) attributable to non-controlling interests	9	0	(186)
Add: Non-controlling interest of subsidaries not owned by CSI	(0)	-	-
Total non-controlling interest	9	0	(186)

Financial information on the statement of cash flows for Topicus, Adapt-IT and Lumine for the three months ended March 31, 2024 and 2023:

(In millions of U.S. dollars, except per share amounts and as otherwise indicated)

	Three months ended March 31, 2024		
	Topicus Coop	Adapt-IT	Lumine
Cash flows from (used in) operating activities	247	7	35
Cash flows from (used in) financing activities	(119)	(1)	82
Cash flows from (used in) investing activities	(46)	0	(1)

	Three months ended March 31, 2023		
	Topicus Coop	Adapt-IT	Lumine
Cash flows from (used in) operating activities	187	8	15
Cash flows from (used in) financing activities	(89)	(4)	349
Cash flows from (used in) investing activities	(32)	(0)	(281)

19. 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 on closing plus cash holdbacks of $108 and contingent consideration with an estimated fair value of $nil for total consideration of $395. 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 on closing plus cash holdbacks of $30 and contingent consideration with an estimated fair value of $19 for total consideration of $158. Total consideration of $32 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.