Constellation Software Inc.

INTERIM FINANCIAL REPORT

Third Quarter Fiscal Year 2023

For the three and nine month periods ended
September 30, 2023
(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 and nine month periods ended September 30, 2023, which we prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward-Looking Statements" and "Risks and Uncertainties".

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

Additional information about Constellation Software Inc. (the "Company" or "Constellation"), including our most recently filed Annual Information Form ("AIF"), is available on SEDAR at www.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 November 9, 2023. 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.

Corporate Reorganization

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. After the reorganization was completed, the Company now owns 1 super voting share, 6 subordinate voting shares and 63,582,712 preferred shares of Lumine. Furthermore, the Company distributed 63,582,706 of the subordinate voting shares of Lumine to its common shareholders pursuant to a dividend-in-kind on February 23, 2023. The steps performed in conjunction with the reorganization consisted of the following:

- The Company exchanged its existing common shares and preferred shares in Lumine Group (Holdings) Inc. (“Lumine Group Holdings”) for 63,582,712 subordinate voting shares (“Lumine Subordinate Voting Shares”) and 55,233,745 preferred shares (“Lumine Preferred Shares”) on February 22, 2023.
- Lumine and Lumine Group Holdings amalgamated on February 22, 2023.
- The Company subscribed for 8,348,967 Lumine Preferred Shares on February 22, 2023. The Lumine Preferred Shares are convertible into Lumine Subordinate Voting Shares at a rate of 1:2.43.
- Lumine had 63,582,712 Lumine Subordinate Voting shares outstanding on February 22, 2023. The Company distributed 63,582,706 of the Lumine Subordinate Voting Shares to its common shareholders pursuant to a dividend-in-kind on February 23, 2023 and continues to hold 6 Lumine Subordinate Voting Shares.

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. The Company reflects a non-controlling interest held by other parties in Lumine of 100% as of September 30, 2023 (December 31, 2022 – 0%).

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.

Results of Operations

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

Unaudited

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2023	2022	$	%	2023	2022	$	%
Revenue	**2,126**	**1,725**	**401**	**23%**	**6,084**	**4,774**	**1,309**	**27%**
Expenses	1,585	1,344	241	18%	4,648	3,677	971	26%
Amortization of intangible assets	214	177	37	21%	620	491	129	26%
Foreign exchange (gain) loss	(23)	(57)	33	-59%	3	(98)	101	NM
IRGA / TSS membership liability revaluation charge	25	33	(8)	-25%	94	89	5	5%
Finance and other expense (income)	2	8	(6)	-71%	(7)	24	(31)	NM
Bargain purchase gain	(0)	(3)	2	NM	(1)	(4)	3	-72%
Impairment of intangible and other non-financial assets	1	-	1	NM	4	1	2	176%
Redeemable preferred securities expense (income)	37	-	37	NM	319	-	319	NM
Finance costs	50	29	21	70%	132	73	59	80%
Income before income taxes	236	193	43	22%	272	521	(249)	-48%
Income tax expense (recovery)								
Current income tax expense (recovery)	99	113	(14)	-13%	315	322	(7)	-2%
Deferred income tax expense (recovery)	(32)	(63)	32	-50%	(155)	(189)	34	-18%
Income tax expense (recovery)	67	50	17	34%	160	133	27	20%
Net income (loss) attributable to:								
Common shareholders of CSI	177	136	41	30%	375	360	15	4%
Non-controlling interests	(8)	7	(15)	NM	(263)	28	(291)	NM
Net income (loss)	**169**	**143**	**26**	**18%**	**112**	**388**	**(276)**	**-71%**
Net cash flows from operating activities	**513**	**321**	**192**	**60%**	**1,268**	**897**	**371**	**41%**
Free cash flow available to shareholders	**367**	**229**	**138**	**60%**	**835**	**563**	**272**	**48%**
Weighted average number of shares outstanding								
Basic and diluted	21.2	21.2			21.2	21.2		
Net income (loss) per share								
Basic and diluted	$ 8.36	$ 6.42	$ 1.95	30%	$ 17.68	$ 16.99	$ 0.69	4%
Net cash flows from operating activities per share								
Basic and diluted	$ 24.22	$ 15.17	$ 9.04	60%	$ 59.84	$ 42.34	$ 17.50	41%
Free cash flow available to shareholders per share								
Basic and diluted	$ 17.33	$ 10.82	$ 6.51	60%	$ 39.42	$ 26.58	$ 12.85	48%
Cash dividends declared per share								
Basic and diluted	$ 1.00	$ 1.00	$ -	0%	$ 3.00	$ 3.00	$ -	0%

NM - Not meaningful

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

Comparison of the three and nine month periods ended September 30, 2023 and 2022

Revenue:

Total revenue for the quarter ended September 30, 2023 was $2,126 million, an increase of 23%, or $401 million, compared to $1,725 million for the comparable period in 2022. For the first nine months of 2023 total revenues were $6,084 million, an increase of 27%, or $1,309 million, compared to $4,774 million for the comparable period in 2022. The increase for both the three and nine month periods compared to the same periods in the prior year is primarily attributable to growth from acquisitions as the Company experienced organic growth of 8% and 5% respectively, 6% and 5% respectively 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 September 30,		Period-Over-Period Change		Q322 Proforma Adj. (Note 1)	Organic Growth	Nine months ended September 30,		Period-Over-Period Change		Q322 Proforma Adj. (Note 2)	Organic Growth
	2023	2022	$	%	$	%	2023	2022	$	%	$	%
	($ in millions, except percentages)						($ in millions, except percentages)					
Licenses	84	79	5	6%	11	-7%	254	220	34	15%	50	-6%
Professional services	450	375	76	20%	48	7%	1,290	985	305	31%	274	2%
Hardware and other	71	54	17	31%	11	10%	191	151	40	26%	33	4%
Maintenance and other recurring	1,521	1,217	304	25%	181	9%	4,349	3,418	931	27%	675	6%
	2,126	1,725	401	23%	251	8%	6,084	4,774	1,309	27%	1,032	5%

$M - Millions of dollars

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

Note 1: Estimated pre-acquisition revenues for the three months ended September 30, 2022 from companies acquired after June 30, 2022. (Obtained from unaudited vendor financial information.)

Note 2: Estimated pre-acquisition revenues for the nine months ended September 30, 2022 from companies acquired after December 31, 2021. (Obtained from unaudited vendor financial information.)

For comparative purposes the table below shows the quarterly organic growth as compared to the same period in the prior year by revenue type since Q3 2021. 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								
	Sep. 30 2021	Dec. 31 2021	Mar. 31 2022	Jun. 30 2022	Sep. 30 2022	Dec. 31 2022	Mar. 31 2023	Jun. 30 2023	Sep. 30 2023
Licenses	3%	4%	-13%	-21%	-16%	-7%	-9%	-1%	-7%
Professional services	8%	6%	-5%	-8%	-7%	-9%	0%	1%	7%
Hardware and other	-12%	-12%	-5%	-8%	-7%	36%	-1%	3%	10%
Maintenance and other recurring	8%	5%	4%	1%	-1%	1%	4%	6%	9%
Revenue	**7%**	**4%**	**1%**	**-2%**	**-3%**	**-1%**	**2%**	**4%**	**8%**

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

	Quarter Ended								
	Sep. 30 2021	Dec. 31 2021	Mar. 31 2022	Jun. 30 2022	Sep. 30 2022	Dec. 31 2022	Mar. 31 2023	Jun. 30 2023	Sep. 30 2023
Licenses	2%	5%	-11%	-17%	-11%	-3%	-7%	-1%	-9%
Professional services	6%	7%	-2%	-3%	-2%	-5%	3%	1%	4%
Hardware and other	-13%	-11%	-3%	-4%	1%	44%	2%	3%	6%
Maintenance and other recurring	6%	6%	7%	6%	5%	6%	6%	7%	7%
Revenue	**5%**	**5%**	**4%**	**2%**	**2%**	**4%**	**5%**	**5%**	**6%**

Expenses:

The following table displays the breakdown of our expenses:

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2023	2022	$	%	2023	2022	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Expenses								
Staff	1,112	925	187	20%	3,291	2,581	710	27%
Hardware	42	31	10	33%	113	88	25	29%
Third party license, maintenance and professional services	208	167	41	25%	592	443	150	34%
Occupancy	11	12	(1)	-10%	37	35	2	7%
Travel, Telecommunications, Supplies & Software and equipment	99	80	20	24%	285	215	69	32%
Professional fees	36	26	10	38%	107	78	29	37%
Other, net	37	64	(28)	-43%	103	132	(29)	-22%
Depreciation	41	38	3	7%	120	105	14	14%
	1,585	1,344	241	18%	4,648	3,677	971	26%

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

Overall expenses for the quarter ended September 30, 2023 increased 18%, or $241 million to $1,585 million, compared to $1,344 million during the same period in 2022. As a percentage of total revenue, expenses equalled 75% for the quarter ended September 30, 2023 and 78% for the same period in 2022. During the nine months ended September 30, 2023, expenses increased 26%, or $971 million to $4,648 million, compared to $3,677 million during the same period in 2022. As a percentage of total revenue, expenses equalled 76% for the nine months ended September 30, 2023 and 77% for the same period in 2022. For the three and nine months ended September 30, 2023 the change in valuation of the US dollar against most major currencies in which the Company transacts business resulted in an approximate 2% increase and 1% decrease in expenses respectively compared to the comparable periods of 2022.

Staff expense – Staff expenses increased 20% or $187 million for the quarter ended September 30, 2023 and 27% or $710 million for the nine months ended September 30, 2023 over the same periods in 2022. Staff expense can be broken down into five key operating departments: Professional Services, Maintenance, Research and Development, Sales and Marketing, and General and Administrative. Included within staff expenses for each of the above five departments are personnel and related costs associated with providing the necessary services. The table below compares the period over period variances.

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2023	2022	$	%	2023	2022	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Professional services	257	227	30	13%	771	597	174	29%
Maintenance	213	171	41	24%	627	493	134	27%
Research and development	304	244	60	25%	887	689	198	29%
Sales and marketing	138	114	24	21%	411	331	80	24%
General and administrative	201	170	32	19%	595	470	125	27%
	1,112	925	187	20%	3,291	2,581	710	27%

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

The increase in staff expenses for the three and nine months ended September 30, 2023 was primarily due to the growth in the number of employees compared to the same periods in 2022 primarily due to acquisitions.

Hardware expenses – Hardware expenses increased 33% or $10 million for the quarter ended September 30, 2023 and 29% or $25 million for the nine months ended September 30, 2023 over the same periods in 2022 as compared with the 31% and 26% increases in hardware and other revenue for the three and nine month periods ending September 30, 2023 respectively over the comparable periods in 2022. Hardware margins for both the three and nine months ended September 30, 2023 were 41% as compared to 42% for both the comparable periods in 2022.

Third party license, maintenance and professional services expenses – Third party license, maintenance and professional services expenses increased 25% or $41 million for the quarter ended September 30, 2023 and 34% or $150 million for the nine months ended September 30, 2023 over the same periods in 2022. The increase is primarily due to third party license, maintenance and professional services expenses of acquired businesses.

Occupancy expenses – Occupancy expenses decreased 10% or $1 million for the quarter ended September 30, 2023 and increased 7% or $2 million for the nine months ended September 30, 2023 over the same periods in 2022. The decrease for the quarter is a result of a $2 million eviction indemnity received by one of the Company's business units. Excluding the indemnity credit, occupancy expenses increased 4% and 12% for the three and nine months ended September 30, 2023 over the same periods in 2022. The increase is primarily due to the occupancy expenses of acquired businesses.

Travel, Telecommunications, Supplies & Software and equipment expenses – Travel, Telecommunications, Supplies & Software and equipment expenses increased 24% or $20 million for the quarter ended September 30, 2023 and 32% or $69 million for the nine months ended September 30, 2023 over the same periods in 2022. The increase in these expenses is primarily due to expenses incurred by acquired businesses.

Professional fees – Professional fees increased 38% or $10 million for the quarter ended September 30, 2023 and 37% or $29 million for the nine months ended September 30, 2023 over the same periods in 2022. There are no individually material reasons contributing to this variance.

Other, net – Other expenses decreased 43% or $28 million for the quarter ended September 30, 2023 and decreased 22% or $29 million for the nine months ended September 30, 2023 over the same periods in 2022. The following table provides a further breakdown of expenses within this category.

	Three months ended September 30, 2023	2022	Period-Over-Period Change $	%	Nine months ended September 30, 2023	2022	Period-Over-Period Change $	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Advertising and promotion	27	21	5	25%	80	62	18	29%
Recruitment and training	10	12	(2)	-14%	30	27	2	9%
Bad debt expense	1	2	(2)	-74%	8	5	3	46%
R&D tax credits	(11)	(9)	(3)	29%	(28)	(23)	(5)	21%
Contingent consideration	3	33	(30)	-92%	(8)	45	(53)	NM
Government assistance	(0)	(0)	0	-69%	(0)	(1)	1	-74%
Other expense, net	8	6	3	44%	22	16	6	35%
	37	64	(28)	-43%	103	132	(29)	-22%

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 and nine months ended September 30, 2023 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 increased 7% or $3 million for the quarter ended September 30, 2023 and 14% or $14 million for the nine months ended September 30, 2023 over the same periods in 2022. The increases are primarily due to the depreciation expense associated with acquired businesses.

Other Income and Expenses:

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

	Three months ended September 30, 2023	2022	Period-Over-Period Change $	%	Nine months ended September 30, 2023	2022	Period-Over-Period Change $	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Amortization of intangible assets	214	177	37	21%	620	491	129	26%
Foreign exchange (gain) loss	(23)	(57)	33	-59%	3	(98)	101	NM
IRGA / TSS membership liability revaluation charge	25	33	(8)	-25%	94	89	5	5%
Finance and other expense (income)	2	8	(6)	-71%	(7)	24	(31)	NM
Bargain purchase gain	(0)	(3)	2	-86%	(1)	(4)	3	-72%
Impairment of intangible and other non-financial assets	1	-	1	NM	4	1	2	176%
Redeemable preferred securities expense (income)	37	-	37	NM	319	-	319	NM
Finance costs	50	29	21	70%	132	73	59	80%
Income tax expense (recovery)	67	50	17	34%	160	133	27	20%
	372	238	134	57%	1,324	709	615	87%

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 21% or $37 million for the quarter ended September 30, 2023 and 26% or $129 million for the nine months ended September 30, 2023 over the same periods in 2022. The increase in amortization expense for the three and nine months ended September 30, 2023 is primarily attributable to an increase in the carrying amount of our intangible asset balance over the twelve-month period ended September 30, 2023 as a result of acquisitions completed during this twelve-month period.

Foreign exchange – Most of our businesses are organized geographically so many of our expenses are incurred in the same currency as our revenues, which mitigates some of our exposure to currency fluctuations. For the three and nine months ended September 30, 2023, we realized foreign exchange gains of $23 million and losses of $3 million respectively compared to gains of $57 million and $98 million for the same periods in 2022. The following table provides a breakdown of these amounts.

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2023	2022	$	%	2023	2022	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Unrealized foreign exchange (gain) loss related to:								
- revaluation of intercompany loans between entities with differing functional currencies (1)	(3)	(13)	10	-75%	6	(25)	31	NM
- 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.	(5)	(14)	8	-62%	(0)	(17)	16	-97%
- revaluation of the liability associated with the IRGA (Euro denominated liability)	(16)	(25)	9	-37%	(7)	(56)	50	-88%
Remaining foreign exchange (gain) loss	1	(5)	6	NM	4	(0)	4	NM
	(23)	(57)	33	-59%	3	(98)	101	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. The Joday Group's interest in Topicus Coop now comprises 39,331,284 Topicus Coop Ordinary Units ("Topicus Coop Units") resulting in an interest of 30.29% in Topicus Coop as of September 30, 2023. 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 5% or $25 million from Q2 2023, and approximately 20% or $94 million from Q4 2022. The increases are 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 increased by 19% or $87 million over the nine month period ended September 30, 2023 from $465 million to $553 million as a result of the revaluation charge of $94 million and a $7 million foreign exchange gain. The IRGA / TSS membership liability is denominated in Euros and the Euro depreciated 1% versus the US dollar during the nine months ended September 30, 2023.

Finance and other expense (income) – Finance and other expense (income) for the three and nine months ended September 30, 2023 was expense of $2 million and income of $7 million respectively, compared to expense of $8 million and $24 million respectively for the same periods in 2022. The decrease in fair value of equity securities held for trading for the three and nine months ended September 30, 2023 was $8 million and $3 million respectively, compared to decreases of $13 million and $38 million respectively for the same periods in 2022.

Bargain purchase gain – Bargain purchase gains totalling nil and $1 million were recorded in the three and nine months ended September 30, 2023 respectively, compared to $ 3 million and $4 million for the same periods in 2022, 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 – Impairment expenses of $1 million and $4 million were recorded in the three and nine month periods ended September 30, 2023 compared to nil and $1 million for the same periods in 2022. 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 and nine month periods ended September 30, 2023 was $37 million and $319 million respectively, with no similar expense recorded for the same periods in 2022. In conjunction with the acquisition of WideOrbit, Lumine issued 10,204,294 Lumine Special Shares (the "Preferred Securities") to the sellers of WideOrbit for an initial subscription price of approximately $222 million. Holders of the Preferred Securities are 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 will be recorded at fair value at the end of each reporting period. The change in fair value of the Preferred Securities is recorded as redeemable preferred securities expense (income) in the condensed consolidated interim statements of income (loss). Based on the Preferred Securities conversion right, the value of the Preferred Securities is primarily dependent on the price movement of Lumine's Subordinate Voting Shares. At September 30, 2023 the market price of Lumine's Subordinate Voting Shares closed at C$20.12 or approximately $14.81. The market value of the Preferred Securities was therefore approximately $519 million. The increase in value from the initial subscription price of $222 million was $297 million. The difference between $297 million and the fair value adjustment of $319 million for the nine month period ended September 30, 2023 primarily relates to the impact of share price volatility and optionality and the expected dividend of $11 million.

Further descriptions of the significant terms and conditions of the Preferred Securities are described in Note 9 to the Company's Unaudited Condensed Consolidated Interim Financial Statements for the three and nine month periods ended September 30, 2023.

Finance costs – Finance costs for the quarter ended September 30, 2023 increased $21 million to $50 million, compared to $29 million for the same period in 2022. During the nine months ended September 30, 2023, finance costs increased $59 million to $132 million, from $73 million for the same period in 2022. The increases are primarily a result of an increase in the average debt outstanding in 2023 as compared to 2022, 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 September 30, 2023, income tax expense increased $17 million to $67 million compared to $50 million for the same period in 2022. During the nine months ended September 30, 2023, income tax expense increased $27 million to $160 million compared to $133 million for the same period in 2022. Current tax expense has historically approximated our cash tax rate however the quarterly expense can sometimes fall outside of the annual range due to out of period adjustments. Current tax expense reflects gross taxes before the application of R&D tax credits which are classified as part of "other, net" expenses in the statement of income (loss). The Company's consolidated effective tax rate in respect of continuing operations for the three and nine months ended September 30, 2023 was 28% and 59% respectively (26% and 26% for the three and nine months ended September 30, 2022 respectively). The 2023 effective tax rate is impacted by the redeemable preferred securities expense, which is not deductible for tax purposes.

Effective for 2022, research and experimentation (R&E) expenditures are no longer allowed to be deducted as incurred for tax purposes by US entities. The Tax Cuts and Jobs Act (TCJA) mandates that, for tax years beginning after December 31, 2021, R&E expenditures be deferred and amortized. US-based expenditures will be amortized over a 5 year period, and non-US-based expenditures over a 15 year period. During the current quarter, new developments in the legislation resulted in a reduction to the estimated impact. The total estimated impact to current income tax expense is $70 million for the 2023 fiscal year. $2 million and $53 million was accrued and expensed in the three and nine month periods ended September 30, 2023 respectively ($43 million and $116 million for the three and nine month periods ended September 30, 2022). An offsetting amount has been booked to deferred income tax expense so there is no impact on net tax expense or the effective tax rate.

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 September 30, 2023 was $177 million compared to $136 million for the same period in 2022. On a per share basis this translated into net income per diluted share of $8.36 in the quarter ended September 30, 2023 compared to net income per diluted share of $6.42 for the same period in 2022. For the nine months ended September 30, 2023, net income attributable to common shareholders of CSI was $375 million or $17.68 per diluted share compared to $360 million or $16.99 per diluted share for the same period in 2022. There was no change in the number of shares outstanding.

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

For the quarter ended September 30, 2023, CFO increased $192 million to $513 million compared to $321 million for the same period in 2022 representing an increase of 60%. For the nine months ended September 30, 2023, CFO increased $371 million to $1,268 million compared to $897 million for the same period in 2022 representing an increase of 41%.

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

For the quarter ended September 30, 2023, FCFA2S increased $138 million to $367 million compared to $229 million for the same period in 2022 representing an increase of 60%. For the nine months ended September

30, 2023, FCFA2S increased $272 million to $835 million compared to $563 million for the same period in 2022 representing an increase of 48%.

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

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
	($ in millions)		($ in millions)	
Net cash flows from operating activities	513	321	1,268	897
Adjusted for:				
Interest paid on lease obligations	(3)	(3)	(8)	(8)
Interest paid on other facilities	(34)	(23)	(96)	(49)
Proceeds from sale of interest rate cap	(1)	-	5	-
Credit facility transaction costs	(1)	(0)	(4)	(3)
Payments of lease obligations	(25)	(24)	(78)	(69)
IRGA / TSS membership liability revaluation charge	(25)	(33)	(94)	(89)
Property and equipment purchased	(10)	(8)	(29)	(27)
Interest and dividends received	0	0	1	0
	415	230	965	652
Less amount attributable to Non-controlling interests	(47)	(1)	(129)	(89)
Free cash flow available to shareholders	367	229	835	563

Due to rounding, certain totals may not foot.

Quarterly Results

	Quarter Ended								
	Sep. 30 2021	Dec. 31 2021	Mar. 31 2022	Jun. 30 2022	Sep. 30 2022	Dec. 31 2022	Mar. 31 2023	Jun. 30 2023	Sep. 30 2023
Revenue	1,299	1,383	1,431	1,618	1,725	1,847	1,919	2,039	2,126
Net income (loss) *	107	124	98	126	136	152	94	103	177
CFO	292	341	498	78	321	400	632	123	513
FCFA2S	226	244	324	12	229	290	453	14	367
Net income per share *									
Basic & diluted	5.04	5.86	4.63	5.94	6.42	7.19	4.44	4.88	8.36
CFO per share									
Basic & diluted	13.78	16.09	23.51	3.66	15.17	18.89	29.85	5.78	24.22
FCFA2S per share									
Basic & diluted	10.68	11.50	15.27	0.56	10.82	13.68	21.37	0.68	17.33

* 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%. 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. The Company reflects a non-controlling interest held by other parties in Lumine of 100% as of September 30, 2023 (December 31, 2022 – 0%).

The tables below provide certain supplemental balance sheet, statement of income, and net operating cash flow information of Topicus and Lumine for the three and nine months ended September 30, 2023. 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 September 30, 2023

(Unaudited)	Constellation Software Inc. (excluding Topicus & Lumine)	Topicus	Lumine	Consolidated
Cash	764	171	141	1,076
Bank debt and debentures	2,085	255	142	2,482

Statement of Income
(Excluding intercompany activity)

(Unaudited)	For the three months ended September 30, 2023 Constellation Software Inc. (excluding Topicus & Lumine)	Topicus	Lumine	Consolidated	For the nine months ended September 30, 2023 Constellation Software Inc. (excluding Topicus & Lumine)	Topicus	Lumine	Consolidated
Revenue	**1,694**	**301**	**131**	**2,126**	**4,850**	**877**	**357**	**6,084**
Expenses	1,278	221	86	1,585	3,737	659	252	4,648
Amortization of intangible assets	158	35	22	214	464	97	58	620
Foreign exchange (gain) loss	(24)	0	0	(23)	0	1	1	3
IRGA / Membership liability revaluation charge	25	-	-	25	94	-	-	94
Finance and other income	3	(1)	(0)	2	(5)	(1)	(0)	(7)
Bargain purchase gain	(0)	-	-	(0)	(1)	-	-	(1)
Impairment of intangible and other non-financial assets	1	-	-	1	4	(0)	-	4
Redeemable preferred securities expense (income)	-	-	37	37	-	-	319	319
Finance costs	40	6	3	50	107	16	9	132
Income (loss) before income taxes	213	39	(17)	236	450	105	(283)	272
Income tax expense (recovery)								
Current income tax expense (recovery)	71	16	13	99	240	45	31	315
Deferred income tax expense (recovery)	(17)	(6)	(9)	(32)	(115)	(18)	(22)	(155)
Income tax expense (recovery)	54	9	4	67	124	27	9	160
Net income (loss)	**159**	**30**	**(20)**	**169**	**326**	**78**	**(292)**	**112**
Net cash flows from operating activities	**441**	**28**	**44**	**513**	**989**	**198**	**82**	**1,268**

Foreign Exchange Adjusted Organic Revenue Growth
(Excluding intercompany activity)

	For the three months ended September 30, 2023 Constellation Software Inc. (excluding Topicus & Lumine)	Topicus	Lumine	Consolidated	For the nine months ended September 30, 2023 Constellation Software Inc. (excluding Topicus & Lumine)	Topicus	Lumine	Consolidated
Licenses	-9%	4%	-16%	-9%	-4%	-5%	-15%	-5%
Professional services	4%	4%	12%	4%	2%	5%	6%	3%
Hardware and other	6%	-24%	63%	6%	3%	-22%	42%	4%
Maintenance and other recurring	6%	12%	3%	7%	6%	10%	2%	7%
Revenue	5%	9%	4%	6%	5%	8%	2%	5%

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 and nine months ended September 30, 2023. 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 September 30, 2023

(Unaudited)	Constellation Software Inc. (excluding Altera)	Altera	Consolidated
Cash	916	160	1,076
Bank debt and debentures	2,187	295	2,482

Statement of Income
(Excluding intercompany activity)

	For the three months ended September 30, 2023			For the nine months ended September 30, 2023		
(Unaudited)	**Constellation Software Inc. (excluding Altera)**	**Altera**	**Consolidated**	**Constellation Software Inc. (excluding Altera)**	**Altera**	**Consolidated**
Revenue	**1,921**	**205**	**2,126**	**5,479**	**605**	**6,084**
Expenses	1,414	171	1,585	4,122	526	4,648
Amortization of intangible assets	196	18	214	567	53	620
Foreign exchange (gain) loss	(23)	(0)	(23)	5	(2)	3
IRGA / Membership liability revaluation charge	25	-	25	94	-	94
Finance and other income	3	(1)	2	(5)	(2)	(7)
Bargain purchase gain	(0)	-	(0)	(1)	-	(1)
Impairment of intangible and other non-financial assets	1	-	1	4	-	4
Redeemable preferred securities expense (income)	37	-	37	319	-	319
Finance costs	45	5	50	117	15	132
Income (loss) before income taxes	224	12	236	257	15	272
Income tax expense (recovery)						
Current income tax expense (recovery)	94	4	99	301	14	315
Deferred income tax expense (recovery)	(30)	(2)	(32)	(143)	(12)	(155)
Income tax expense (recovery)	64	3	67	158	3	160
Net income (loss)	**159**	**10**	**169**	**100**	**12**	**112**
Net cash flows from operating activities	**477**	**36**	**513**	**1,185**	**83**	**1,268**
Free cash flow available to shareholders	**339**	**28**	**367**	**775**	**60**	**835**

Foreign Exchange Adjusted Organic Revenue Growth
(Excluding intercompany activity)

	For the three months ended September 30, 2023			For the nine months ended September 30, 2023		
	Constellation Software Inc. (excluding Altera)	**Altera**	**Consolidated**	**Constellation Software Inc. (excluding Altera)**	**Altera**	**Consolidated**
Licenses	-7%	-51%	-9%	-3%	-41%	-5%
Professional services	7%	-7%	4%	7%	-12%	3%
Hardware and other	8%	-97%	6%	5%	-82%	4%
Maintenance and other recurring	8%	-3%	7%	8%	-3%	7%
Revenue	7%	-6%	6%	7%	-8%	5%

Liquidity

	September 30, 2023	**December 31, 2022**	**Variance**
Cash	**1,076**	**811**	**265**
Debt with recourse to Constellation Software Inc.	1,524	1,072	452
Debt without recourse to Constellation Software Inc.	1,510	902	608
Debt	**3,034**	**1,974**	**1,060**
Cash less Debt	**(1,958)**	**(1,163)**	**(794)**

The net capital deployed on acquisitions plus dividends exceeded the cash flows from operations during the nine months ended September 30, 2023. Cash increased by $265 million to $1,076 million at September 30, 2023 compared to $811 million at December 31, 2022 and debt increased by $1,060 million to $3,034 million at September 30, 2023 compared to $1,974 million at December 31, 2022.

Total assets increased $2,132 million, from $7,872 million at December 31, 2022 to $10,004 million at September 30, 2023. The increase is primarily due to the $265 million increase in cash, and the $1,697 million increase in intangible assets. At September 30, 2023 Topicus, Lumine and other subsidiaries with non-recourse debt facilities hold approximately $572 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 increased $1,326 million, from $3,772 million at December 31, 2022 to $5,098 million at September 30, 2023. The increase is primarily due to an increase in deferred revenue of $296 million mainly due to acquisitions made since December 31, 2022 and the timing of maintenance and other billings versus performance and delivery under those customer arrangements, an increase in redeemable preferred securities of $536 million, and an increase in debt with recourse to Constellation of $402 million.

Net Changes in Cash Flows
($ in millions)

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Net cash provided by operating activities	1,268	897
Net cash from (used in) financing activities	224	516
Cash used in the acquisition of businesses	(1,401)	(1,519)
Cash obtained with acquired businesses	113	190
Net cash from (used in) other investing activities	73	(116)
Net cash from (used in) investing activities	(1,216)	(1,445)
Effect of foreign currency	(10)	(67)
Net increase (decrease) in cash and cash equivalents	**265**	**(99)**

The net cash flows from operating activities were $1,268 million for the nine months ended September 30, 2023. The $1,268 million provided by operating activities resulted from net income of $112 million plus $1,444 million of adjustments to net income (primarily amortization of intangible assets, depreciation, redeemable preferred securities expense, finance costs and income tax expense) and $23 million of cash from non-cash operating working capital, offset by $310 million in taxes paid.

The net cash flows from financing activities for the nine months ended September 30, 2023 were $224 million, which is mainly a result of a net increase in debt facilities of $470 million offset by dividends paid to common shareholders of $64 million, lease obligation payments of $78 million, and interest payments of $105 million.The net cash flows used in investing activities for the nine months ended September 30, 2023 were $1,216 million. The cash used in investing activities was primarily due to acquisitions for an aggregate of $1,401 million (including payments for holdbacks relating to prior acquisitions), offset by $119 million from the net sale of other investments, and $113 million of acquired cash.

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

Capital Resources and Commitments

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, Constellation completed a further amendment to the CSI Facility that increased the revolving credit facility limit to $840 million. The CSI Facility bears a variable interest rate with no fixed repayments required over the term to maturity. Interest rates are calculated at standard U.S. and Canadian reference rates plus interest rate spreads based on a leverage table. The CSI Facility is currently collateralized by the majority of the Company's assets including the assets of certain material subsidiaries. The CSI Facility contains standard events of default which if not remedied within a cure period would trigger the repayment of any outstanding balance. As at September 30, 2023, $686 million had been drawn from this credit facility, and letters of credit totaling $12 million were issued, which limits the borrowing capacity on a dollar-for-dollar basis.

Guarantees

One of CSI's subsidiaries has entered into a $79 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 September 30, 2023 (and equal to fair value)	$ 180	$ 840	$ 500	1,520
Deduct: Carrying value of transaction costs included in debt balance	(3)	(8)	-	(10)
Carrying value at September 30, 2023	177	833	500	1,510
Current portion	177	58	-	235
Non-current portion	-	775	500	1,275

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. The proceeds were used by the Company to pay down $81 million of outstanding bank indebtedness.

On September 30, 2015, the Company issued an additional tranche of Debentures with a total principal value of C$186 million for total proceeds of C$214 million. The proceeds were used by the Company to pay down

$130 million of outstanding bank indebtedness. The September 30, 2015 issuance formed a single series with the outstanding C$96 million aggregate principal amount of Debentures, Series 1 of the Company. The Debentures have a maturity date of March 31, 2040.

The total principal value of debentures outstanding at September 30, 2023 was $208 million (C$282 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. The Joday Group's interest in Topicus Coop now comprises 39,331,284 Topicus Coop Ordinary Units resulting in an interest of 30.29% in Topicus Coop as of September 30, 2023. 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 nine month periods ended September 30, 2023 and September 30, 2022, no options were exercised. During the nine months ended September 30, 2022, a distribution in the amount of $23 million was paid to the Joday Group relating to their Topicus Preferred Securities.

The liability recorded on the balance sheet at September 30, 2023 was $553 million.

Redeemable Preferred Securities

In conjunction with the acquisition of WideOrbit, Lumine issued 10,204,294 Lumine Special Shares (the "Preferred Securities") to the sellers of WideOrbit for an initial subscription price of approximately $222 which was included in the purchase consideration. Under certain conditions, the Preferred Securities are retractable at the option of the holder for a retraction price of $21.74 per Preferred Security plus one Lumine Subordinate Voting share for each Preferred Security held and has been classified as a liability on the balance sheet of the Company. The Preferred Securities are also convertible into Lumine Subordinate Voting shares at a conversion ratio of 1:3.43 at any time. The holders of the Preferred Securities are also entitled to a fixed annual cumulative dividend of 5% per annum.

Further descriptions of the significant terms and conditions of the Preferred Securities are described in note 9 to the Unaudited Condensed Consolidated Interim Financial Statements for the three and nine month periods ended September 30, 2023.

<u>Other commitments</u>

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 $187 million at September 30, 2023. Aside from the aforementioned, we do not have any other business arrangements, derivative financial instruments, or any equity interests in non-consolidated entities that would have a significant effect on our assets and liabilities as at September 30, 2023.

Contractual obligations at September 30, 2023 are summarized below.

(in millions of dollars)

	Total	< 1 yr	1-5 yrs	> 5 yrs
Lease obligations	339	101	196	42
Holdbacks	239	153	82	5
Liability of CSI under the terms of the IRGA/TSS Members Agreement	553	222	330	-
Debentures	208	-	-	208
Term Loan	79	-	79	-
CSI revolving credit facility	686	686	-	-
Topicus revolving credit facility without recourse to Constellation Software Inc.	180	180	-	-
Promissory note	500	-	3	497
Other debt facilities without recourse to Constellation Software Inc.	840	58	772	10
Total outstanding commitments	3,624	1,399	1,463	762

The IRGA liability commitment assumes that the Joday Group has exercised their put option to sell 100% of their interests back to Constellation. This option however has not been exercised as at November 9, 2023. See note 7 to the Unaudited Condensed Consolidated Interim Financial Statements for the three and nine month periods ended September 30, 2023 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, 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.

Financial assets and financial liabilities measured at fair value as at September 30, 2023 and December 31, 2022 in the Unaudited Condensed Consolidated Interim Financial Statements for the three and nine month periods ended September 30, 2023 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.

	September 30, 2023				December 31, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Equity securities held for trading	$ 8	$ -	$ -	$ 8	$ 115	$ -	$ -	$ 115
	8	**-**	**-**	**8**	**115**	**-**	**-**	**115**
Liabilities:								
Redeemable preferred securities	$ -	$ -	$ 536	$ 536	$ -	$ -	$ -	$ -
Contingent consideration	-	-	187	187	-	-	157	157
	-	**-**	**723**	**723**	**-**	**-**	**157**	**157**

- 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 and nine months ended September 30, 2023 was approximately positive 2% and negative 0.3% respectively. We cannot predict the effect of foreign exchange gains or losses in the future; however, if significant foreign exchange losses are experienced, they could have a material adverse effect on our business, revenues, results of operations, and financial condition. The Company enters into forward foreign exchange contracts from time to time with the objective of mitigating volatility in profit or loss in respect of financial liabilities. In entering into these forward exchange contracts, the Company is exposed to the credit risk of the counterparties to such contracts and the possibility that the counterparties will default on their payment obligations under these contracts. However, given that the counterparties are Schedule 1 banks or affiliates thereof, the Company believes these risks are not material. During the nine months ended September 30, 2023, the Company did not purchase any contracts of this nature.

The following table provides an approximate breakdown of our revenue and expenses by currency, expressed as a percentage of total revenue and expenses, as applicable, for the three and nine months ended September 30, 2023:

	Three Months Ended September 30, 2023		Nine Months Ended September 30, 2023	
Currencies	% of Revenue	% of Expenses	% of Revenue	% of Expenses
USD	53%	48%	53%	48%
EUR	18%	18%	19%	18%
GBP	8%	9%	8%	8%
CAD	6%	8%	6%	8%
AUD	4%	3%	4%	3%
BRL	2%	2%	2%	2%
CHF	1%	2%	1%	2%
SEK	1%	1%	1%	1%
Others	7%	9%	7%	9%
Total	100%	100%	100%	100%

Due to rounding, certain totals may not foot.

Off-Balance Sheet Arrangements

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

Proposed Transactions

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

Share Capital

As at November 9, 2023, 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

Evaluation of disclosure controls and procedures:

Management is responsible for establishing and maintaining disclosure controls and procedures as defined under National Instrument 52-109. At September 30, 2023, the President and Chief Financial Officer, based on the investigation and advice of those under their supervision, have concluded that the design and operation of these disclosure controls and procedures were effective and that material information relating to the Company, including its subsidiaries, was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation.

Internal controls over financial reporting:

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

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

The President and the Chief Financial Officer have evaluated, or caused to be evaluated by those under their supervision, whether or not there were changes to its ICFR during the period ended September 30, 2023 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 November 9, 2023 the Company declared a $1.00 per share dividend that is payable on January 11, 2024 to all common shareholders of record at close of business on December 20, 2023.

On October 6, 2023, a total of $157 million (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 $209 million (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 form a single series with, the outstanding $208 million (C$282 million) aggregate principal amount of Debentures.

Subsequent to September 30, 2023, the Company completed or entered into agreements to acquire a number of additional businesses for aggregate cash consideration of $85 million on closing plus cash holdbacks of $37 million and contingent consideration with an estimated fair value of $7 million for total consideration of $129 million. The business acquisitions include companies catering primarily to the not-for-profit, dealer, education, healthcare, communications, financial institutions, utilities, local government, payment solutions, workforce management, manufacturing, enterprise resource planning, hospitality, notaries and sales and distribution management 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 and nine months ended September 30, 2023 and 2022
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

	September 30, 2023	December 31, 2022	September 30, 2022
Assets			
Current assets:			
Cash	$ 1,076	$ 811	$ 665
Accounts receivable	994	892	719
Unbilled revenue	329	219	225
Inventories	56	48	46
Other assets (note 5)	497	497	474
	2,951	2,466	2,129
Non-current assets:			
Property and equipment	129	128	119
Right of use assets	282	283	266
Deferred income taxes (note 11)	84	159	149
Other assets (note 5)	199	174	160
Intangible assets (note 6)	6,358	4,662	4,407
	7,052	5,406	5,101
Total assets	$ 10,004	$ 7,872	$ 7,230
Liabilities and Shareholders' Equity			
Current liabilities:			
Debt with recourse to Constellation Software Inc. (note 7)	$ 907	$ 505	$ 364
Debt without recourse to Constellation Software Inc. (note 8)	235	316	234
Redeemable preferred securities (note 9)	536	-	-
Accounts payable and accrued liabilities	1,246	1,083	916
Dividends payable (note 12)	21	21	21
Deferred revenue	1,778	1,482	1,426
Provisions (note 10)	8	11	9
Acquisition holdback payables	153	159	150
Lease obligations	103	96	93
Income taxes payable (note 11)	112	99	103
	5,098	3,772	3,316
Non-current liabilities:			
Debt with recourse to Constellation Software Inc. (note 7)	617	567	522
Debt without recourse to Constellation Software Inc. (note 8)	1,275	586	705
Deferred income taxes (note 11)	517	465	447
Acquisition holdback payables	87	73	62
Lease obligations	216	218	204
Other liabilities (note 5)	238	258	273
	2,949	2,167	2,214
Total liabilities	8,047	5,938	5,530
Shareholders' equity (note 12):			
Capital stock	99	99	99
Accumulated other comprehensive income (loss)	(159)	(150)	(227)
Retained earnings	1,712	1,763	1,632
Non-controlling interests (notes 1, 9 and 18)	304	221	196
	1,957	1,933	1,700
Subsequent events (notes 12 and 19)			
Total liabilities and shareholders' equity	$ 10,004	$ 7,872	$ 7,230

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 September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Revenue				
License	$ 84	$ 79	$ 254	$ 220
Professional services	450	375	1,290	985
Hardware and other	71	54	191	151
Maintenance and other recurring	1,521	1,217	4,349	3,418
	2,126	1,725	6,084	4,774
Expenses				
Staff	1,112	925	3,291	2,581
Hardware	42	31	113	88
Third party license, maintenance and professional services	208	167	592	443
Occupancy	11	12	37	35
Travel, telecommunications, supplies, software and equipment	99	80	285	215
Professional fees	36	26	107	78
Other, net	37	64	103	132
Depreciation	41	38	120	105
Amortization of intangible assets (note 6)	214	177	620	491
	1,799	1,521	5,268	4,167
Foreign exchange loss (gain)	(23)	(57)	3	(98)
IRGA/TSS Membership liability revaluation charge (note 7)	25	33	94	89
Finance and other expense (income) (note 13)	2	8	(7)	24
Bargain purchase gain (note 4)	(0)	(3)	(1)	(4)
Impairment of intangible and other non-financial assets (note 6)	1	-	4	1
Redeemable preferred securities expense (income) (note 9)	37	-	319	-
Finance costs (note 13)	50	29	132	73
	91	11	544	86
Income (loss) before income taxes	236	193	272	521
Current income tax expense (recovery) (note 11)	99	113	315	322
Deferred income tax expense (recovery) (note 11)	(32)	(63)	(155)	(189)
Income tax expense (recovery)	67	50	160	133
Net income (loss)	169	143	112	388
Net income (loss) attributable to:				
Common shareholders of Constellation Software Inc. (notes 1 and 18)	177	136	375	360
Non-controlling interests (notes 1 and 18)	(8)	7	(263)	28
Net income (loss)	169	143	112	388
Earnings per common share of Constellation Software Inc.				
Basic and diluted (note 14)	$ 8.36	$ 6.42	$ 17.68	$ 16.99

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 September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net income (loss)	$ 169	$ 143	$ 112	$ 388
Items that are or may be reclassified subsequently to net income (loss):				
Foreign currency translation differences from foreign operations and other, net of tax	(58)	(93)	(27)	(184)
Other comprehensive income (loss), net of income tax	(58)	(93)	(27)	(184)
Total comprehensive income (loss)	$ 111	$ 50	$ 85	$ 204
Total other comprehensive income (loss) attributable to:				
Common shareholders of Constellation Software Inc. (notes 1 and 18)	(46)	(80)	(21)	(156)
Non-controlling interests (notes 1 and 18)	(12)	(13)	(6)	(27)
Total other comprehensive income (loss)	$ (58)	$ (93)	$ (27)	$ (184)
Total comprehensive income (loss) attributable to:				
Common shareholders of Constellation Software Inc. (notes 1 and 18)	131	56	354	204
Non-controlling interests (notes 1 and 18)	(20)	(6)	(269)	1
Total comprehensive income (loss)	$ 111	$ 50	$ 85	$ 204

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

Nine months ended September 30, 2023

	Equity Attributable to Common Shareholders of CSI						
	Capital stock	**Other equity**	**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)	-	-	-	375	375	(263)	112
Other comprehensive income (loss)							
Foreign currency translation differences from foreign operations and other, net of tax	-	-	(21)	-	(21)	(6)	(27)
Total other comprehensive income (loss)	**-**	**-**	**(21)**	**-**	**(21)**	**(6)**	**(27)**
Total comprehensive income (loss)	**-**	**-**	**(21)**	**375**	**354**	**(269)**	**85**
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	-	-	-	-	-	5	5
Other movements in non-controlling interests	-	-	0	16	16	(18)	(2)
Dividends to shareholders of the Company (note 12)	-	-	-	(64)	(64)	-	(64)
Balance at September 30, 2023	**$ 99**	**$ -**	**$ (159)**	**$ 1,712**	**$ 1,653**	**$ 304**	**$ 1,957**

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
Nine months ended September 30, 2022

	Equity Attributable to Common Shareholders of CSI						
	Capital stock	Other equity	Accumulated other comprehensive income (loss)	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2022	**$ 99**	**$ (179)**	**$ (66)**	**$ 1,206**	**$ 1,061**	**$ 460**	**$ 1,521**
Total comprehensive income (loss):							
Net income (loss)	-	-	-	360	360	28	388
Other comprehensive income (loss)							
Foreign currency translation differences from foreign operations and other, net of tax	-	-	(156)	-	(156)	(27)	(184)
Total other comprehensive income (loss)	**-**	**-**	**(156)**	**-**	**(156)**	**(27)**	**(184)**
Total comprehensive income (loss)	**-**	**-**	**(156)**	**360**	**204**	**1**	**204**
Transactions with owners, recorded directly in equity							
Conversion of redeemable preferred securities to subordinate voting shares of Topicus.com Inc. and ordinary units of Topicus Coop and other movements	-	305	(5)	-	301	(301)	-
Non-controlling interests arising from business combinations	-				-	41	41
Other movements in non-controlling interests	-			2	2	(5)	(2)
Dividends to shareholders of the Company (note 12)	-	-	-	(64)	(64)	-	(64)
Reclassification of other equity to retained earnings	-	(127)		127	-		-
Balance at September 30, 2022	**$ 99**	**$ -**	**$ (227)**	**$ 1,632**	**$ 1,504**	**$ 196**	**$ 1,700**

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 September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Cash flows from (used in) operating activities:				
Net income (loss)	$ 169	$ 143	$ 112	$ 388
Adjustments for:				
Depreciation	41	38	120	105
Amortization of intangible assets	214	177	620	491
IRGA/TSS Membership liability revaluation charge	25	33	94	89
Finance and other expense (income)	2	8	(7)	24
Bargain purchase (gain)	(0)	(3)	(1)	(4)
Impairment of intangible and other non-financial assets	1	-	4	1
Redeemable preferred securities expense (income) (note 9)	37	-	319	-
Finance costs	50	29	132	73
Income tax expense (recovery)	67	50	160	133
Foreign exchange loss (gain)	(23)	(57)	3	(98)
Change in non-cash operating assets and liabilities exclusive of effects of business combinations (note 17)	(7)	(8)	23	(27)
Income taxes paid	(62)	(89)	(310)	(279)
Net cash flows from (used in) operating activities	513	321	1,268	897
Cash flows from (used in) financing activities:				
Interest paid on lease obligations	(3)	(3)	(8)	(8)
Interest paid on debt	(34)	(23)	(96)	(49)
Proceeds from sale of interest rate cap	(1)	-	5	-
Increase (decrease) in CSI facility (note 7)	175	(32)	364	205
Increase (decrease) in Topicus revolving credit debt facility without recourse to CSI	5	7	43	112
Proceeds from issuance of debt facilities without recourse to CSI	35	22	290	447
Repayments of debt facilities without recourse to CSI	(100)	(17)	(227)	(30)
Other financing activities	(2)	3	(1)	4
Credit facility transaction costs	(1)	(0)	(4)	(3)
Payments of lease obligations	(25)	(24)	(78)	(69)
Distribution to the Joday Group (note 7)	-	-	-	(23)
Dividends paid to redeemable preferred security holders	-	-	-	(7)
Dividends paid to common shareholders of the Company	(21)	(21)	(64)	(64)
Net cash flows from (used in) in financing activities	28	(89)	224	516
Cash flows from (used in) investing activities:				
Acquisition of businesses (note 4)	(389)	(207)	(1,233)	(1,421)
Cash obtained with acquired businesses (note 4)	19	42	113	190
Post-acquisition settlement payments, net of receipts	(35)	(39)	(168)	(98)
Purchases of investments and other assets	(1)	(0)	(19)	(96)
Proceeds from sales of other investments and other assets	-	-	119	3
Decrease (increase) in restricted cash	(1)	-	(1)	-
Interest, dividends and other proceeds received	0	1	3	4
Property and equipment purchased	(10)	(8)	(29)	(27)
Net cash flows from (used in) investing activities	(416)	(211)	(1,216)	(1,445)
Effect of foreign currency on cash	(19)	(32)	(10)	(67)
Increase (decrease) in cash	107	(11)	265	(99)
Cash, beginning of period	$ 970	$ 676	$ 811	$ 763
Cash, end of period	$ 1,076	$ 665	$ 1,076	$ 665

See accompanying notes to the condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

1. Reporting entity
2. Basis of presentation
3. Material accounting policies
4. Business acquisitions
5. Other assets and other non-current liabilities
6. Intangible assets
7. Debt with recourse to CSI
8. Debt without recourse to CSI
9. Redeemable preferred securities
10. Provisions
11. Income taxes
12. Capital and other components of equity
13. Finance and other expense (income) and finance costs
14. Earnings per share
15. Financial instruments
16. Contingencies
17. Changes in non-cash operating assets and liabilities
18. Non-controlling interests
19. Subsequent events

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 and nine month period ended September 30, 2023 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.

On February 22 and 23, 2023 (as part of a series of transactions relating to the acquisition of WideOrbit Inc. ("WideOrbit") described further in note 4), the Company's subsidiary, Lumine Group Inc. ("Lumine"), completed a corporate reorganization. After the reorganization was completed, the Company now owns 1 super voting share, 6 subordinate voting shares and 63,582,712 preferred shares of Lumine. Furthermore, the Company distributed 63,582,706 of the subordinate voting shares of Lumine to its common shareholders pursuant to a dividend-in-kind on February 23, 2023. The steps performed in conjunction with the reorganization consisted of the following:

- The Company exchanged its existing common shares and preferred shares in Lumine Group (Holdings) Inc. ("Lumine Group Holdings") for 63,582,712 subordinate voting shares ("Lumine Subordinate Voting Shares") and 55,233,745 preferred shares ("Lumine Preferred Shares") on February 22, 2023.
- Lumine and Lumine Group Holdings amalgamated on February 22, 2023.
- The Company subscribed for 8,348,967 Lumine Preferred Shares on February 22, 2023. The Lumine Preferred Shares are convertible into Lumine Subordinate Voting Shares at a rate of 1:2.4302106.
- Lumine had 63,582,712 Lumine Subordinate Voting shares outstanding on February 22, 2023. The Company distributed 63,582,706 of the Lumine Subordinate Voting Shares to its common shareholders pursuant to a dividend-in-kind on February 23, 2023 and continues to hold 6 Lumine Subordinate Voting Shares.

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. The Company reflects a non-controlling interest held by other parties in Lumine of 100% as of September 30, 2023 (December 31, 2022 – 0%).

<u>Preferred Share Investment in Lumine</u>

As noted above, the Company owns 63,582,712 Lumine Preferred Shares. The Lumine Preferred Shares are non-voting and under certain conditions are redeemable at the option of CSI for a redemption price of $21.74 (the "Initial Face Value") per share. The redemption price may either be settled in cash or through the issuance of a variable number of Lumine Subordinate Voting Shares based on the terms of the Lumine Preferred Shares, or any combination thereof. The Lumine Preferred Shares are also convertible into Lumine Subordinate Voting Shares at a conversion ratio of 1:2.4302106 at any time. The Lumine Preferred Shares entitle CSI to a fixed annual cumulative dividend of 5% per annum on the Initial Face Value.

Further descriptions of the significant terms and conditions of the Lumine Preferred Shares are described below. The terms and conditions of the Lumine Preferred Shares should be read in conjunction with the terms and conditions of the Lumine Special Shares as outlined in note 9.

Conversion

CSI is entitled to convert some or all of its Lumine Preferred Shares into Lumine Subordinate Voting Shares on the basis of 2.4302106 Lumine Subordinate Voting Shares per Lumine Preferred Share, at any time (the "Lumine Preferred Share Conversion Right").

Upon the exercise of the Lumine Preferred Share Conversion Right, CSI will be entitled to receive all accrued but unpaid dividends accruing on the Lumine Preferred Shares to the day before the conversion date. Pursuant to the terms of the shareholders agreement entered into by Lumine, CSI, Trapeze Software ULC and the holders of the Lumine Special Shares (the "Lumine Shareholders Agreement"), the board of directors of Lumine will make a determination as to whether Lumine has sufficient cash on hand to satisfy the payment of any accrued but unpaid dividends on the Lumine Preferred Shares in cash. If the board of directors of Lumine determines that Lumine does not have sufficient cash on hand, the accrued but unpaid dividends will, subject to TSX Venture Exchange ("TSXV") approval, be satisfied by the issuance of Lumine Subordinate Voting Shares of equal value.

Redemption at the Option of CSI

At any time prior to the Mandatory Conversion Date (as defined below), upon thirty (30) days notice to Lumine, the holders of the Lumine Preferred Shares will have the right (but not the obligation) to sell some or all of their Lumine Preferred Shares (the "Lumine Preferred Share Retraction Right") back to Lumine. Upon exercise of the Lumine Preferred Share Retraction Right, the holders of the Lumine Preferred Shares will be entitled to receive an amount of cash equal to the Initial Face Value for each Lumine Preferred Share in respect of which the Lumine Preferred Share Retraction Right has been exercised, or Lumine Subordinate Voting Shares of equal value, or any combination thereof, in each case at the option of the holder of the Lumine Preferred Shares. Notwithstanding the foregoing, if the board of directors of Lumine determines that Lumine does not have sufficient cash on hand to make the payment in cash, the holders of Lumine Preferred Shares will, subject to TSXV approval, receive Lumine Subordinate Voting Shares on the terms described above.

Redemption at the Option of Lumine

Subject to the terms of the Lumine Shareholders Agreement, upon the later of (the "Mandatory Conversion Date") the date which occurs 12-months after the date the trading of the Lumine Subordinate Voting Shares commences on the TSXV, and 10 business days after the first date on which the closing trading price of the Lumine Subordinate Voting Shares is equal to or greater than C$13.243656, Lumine will redeem the Lumine Preferred Shares in exchange for the issuance of 2.4302106 Lumine Subordinate Voting Shares for each Lumine Preferred Share redeemed (the "Lumine Preferred Share Mandatory Conversion"). Notwithstanding the foregoing, if holders representing at least 95% of the Lumine Preferred Shares and Lumine Special Shares approve, each holder of Lumine Preferred Shares and Lumine Special Shares will have the option to take the amount equal to the value of the Lumine Subordinate Voting Shares such holder would have otherwise received in connection with the Lumine Preferred Share Mandatory Conversion, determined on the basis of the 60 day volume weighted average trading price of the Lumine Subordinate Voting Shares, in cash. Upon the Lumine Mandatory Conversion (as defined below), the holders of the Lumine Preferred Shares and the Lumine Special Shares will also be entitled to receive all accrued but unpaid dividends accruing to the day before the redemption date. Pursuant to the terms of the Lumine Shareholders Agreement, the board of directors of Lumine will make a determination as to whether Lumine has sufficient cash on hand to satisfy the payment of any accrued but unpaid dividends on the Lumine Preferred Shares in cash. If the board of directors of Lumine determines that Lumine does not have sufficient cash on hand, the accrued but unpaid dividends will, subject to TSXV approval, be satisfied by the issuance of Lumine Subordinate Voting Shares of equal value.

As of March 24, 2023, the closing trading price of the Lumine Subordinate Voting Shares was greater than C$13.243656. As such, the Mandatory Conversion Date for the Lumine Preferred Shares will be March 25, 2024.

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 2022 annual consolidated financial statements 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 November 9, 2023.

These condensed consolidated interim financial statements should be read in conjunction with the Company's 2022 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, redeemable preferred securties, 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 2022 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 2022 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

(a) On February 22, 2023, the Company completed the acquisition of 100% of the shares of WideOrbit Inc. ("WideOrbit") The Company paid cash of $273 plus an estimated cash holdback payable of $10. The Company (through Lumine) also issued 10,204,294 Lumine Special Shares to the seller for an initial subscription price of $222. The total consideration resulting from acquisition of WideOrbit is $505. During the three months ended June 30, 2023, the purchase consideration was finalized for customary adjustments related to net indebtedness and transaction costs, resulting in a final holdback paid of $9 and resulting total consideration of $504.

WideOrbit is a software business that primarily operates in the advertising market for cable networks, local television stations and radio stations. The acquisition has been accounted for using the acquisition method with the results of operations included in the condensed consolidated interim financial statements for the nine months ended September 30, 2023 from the date of the acquisition.

The goodwill recognized in connection with this acquisition is primarily attributable to the application of the Company's best practices to improve the operations of the companies acquired, synergies with existing businesses of the Company, and other intangible assets that do not qualify for separate recognition including assembled workforce. Goodwill in the amount of $3 is expected to be deductible for income tax purposes.

The gross contractual amounts of acquired receivables was $21; however, the Company has recorded an allowance of $0 as part of the acquisition accounting to reflect contractual cash flows that are not expected to be collected.

Due to the complexity of the acquisition, the Company is in the process of determining and finalizing the estimated fair value of the net assets acquired as part of the WideOrbit acquisition. The amounts determined on a provisional basis generally relate to net asset assessments and measurement of the assumed 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 impact of acquisition accounting applied on a provisional basis in connection with the acquisition of WideOrbit is as follows:

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

Assets acquired:		
Cash	$	25
Accounts receivable		21
Other current assets		21
Property and equipment		2
Right of use assets		8
Other non-current assets		8
Technology assets		157
Customer assets		344
		586
Liabilities assumed:		
Current liabilities		24
Deferred revenue		10
Deferred income taxes		109
Long-term lease obligations		5
Other non-current liabilities		1
		150
Goodwill		68
Total consideration	**$**	**504**

The acquisition of WideOrbit contributed revenue of $103 and net income (loss) of ($2) for the nine months ended September 30, 2023. If this acquisition had occurred on January 1, 2023, the Company estimates that pro-forma consolidated revenue and pro-forma consolidated net income (loss) would have been $6,109 and $112 compared to the actual amounts reported in the condensed consolidated interim statement of income (loss) for the actual period for the nine months ended September 30, 2023.

(b) On September 14, 2023, the Company completed the acquisition of 100% of the shares of the Optimal Blue business ("Optimal Blue") from Intercontinental Exchange, Inc. ("ICE"). The Company paid cash of $201 and assumed an estimated cash holdback payable of $1 and a long-term promissory note payable of $500. The long-term promissory note bears interest at 7% and matures in 40 years (note 8). The total consideration resulting from acquisition of Optimal Blue is $703.

Optimal Blue is a software business that primarily operates in the mortgage vertical. The acquisition has been accounted for using the acquisition method with the results of operations included in the condensed consolidated interim financial statements for the nine months ended September 30, 2023 from the date of the acquisition.

The goodwill recognized in connection with the Optimal Blue acquisition is primarily attributable to the application of the Company's best practices to improve the operations of the companies acquired, synergies with existing businesses of the Company, and other intangible assets that do not qualify for separate recognition including assembled workforce. Goodwill in the amount of $235 is expected to be deductible for income tax purposes.

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

The gross contractual amounts of acquired receivables for Optimal Blue was $20; 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 this acquisition, the Company is in the process of determining and finalizing the estimated fair value of the net assets acquired. The amounts determined on a provisional basis generally relate to net asset assessments and measurement of the assumed 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 impact of acquisition accounting applied on a provisional basis in connection with the acquisition of Optimal Blue is as follows:

Assets acquired:		
Cash	$	0
Accounts receivable		19
Other current assets		5
Property and equipment		1
Right of use assets		4
Other non-current assets		1
Technology assets		174
Customer assets		287
		492
Liabilities assumed:		
Current liabilities		15
Deferred revenue		6
Deferred income taxes		-
Long-term lease obligations		2
Other non-current liabilities		1
		24
Goodwill		235
Total consideration	**$**	**703**

The acquisition of Optimal Blue contributed revenue of $9 and a net loss of $1 for the nine months ended September 30, 2023. If this acquisition had occurred on January 1, 2023, the Company estimates that pro-forma consolidated revenue and pro-forma consolidated net income (loss) would have been $6,217 and $131 compared to the actual amounts reported in the condensed consolidated interim statement of income (loss) for the actual period for the nine months ended September 30, 2023.

(c) During the nine-month period ended September 30, 2023, the Company completed a number of additional acquisitions for aggregate cash consideration of $759 plus expected cash holdbacks payables of $130 and contingent consideration with an estimated acquisition date fair value of $51. The total consideration resulting from the additional acquisitions in the nine-month period ended September 30, 2023 was $941. 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 nine-month period ended September 30, 2023 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 $117. Aggregate contingent consideration of $187 (December 31, 2022 - $157) 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 $3 and income of $8 has been recorded for the three and nine months ended September 30, 2023, as a result of such changes (expense of $33 and $45 for the three and nine months ended September 30, 2022).

Other than WideOrbit and Optimal Blue, no other 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 additional acquisitions during the nine-month period ended September 30, 2023 include software companies catering to the following markets: financial services, mining, education, insurance, construction, forestry, metals, transit, product development, field service, legal, daycare, telecommunications, hospitality, accounting, publishing, local government, public safety, oil and gas, human capital, utilities, restaurant and retail, e-invoicing, IT services and consulting, quality management, metals, data processing, real estate brokers and agents, delivery, convenience store distribution, aviation, travel, mortgage, 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 condensed consolidated interim 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 $10 is expected to be deductible for income tax purposes.

The gross contractual amounts of acquired receivables was $120; however, the Company has recorded an allowance of $6 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 2023 and the last quarter of 2022. 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 $1,445.

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

The aggregate impact of acquisition accounting applied in connection with the aggregate of business acquisitions that are not individually significant in the nine month period ended September 30, 2023 is as follows:

Assets acquired:		
Cash	$	87
Accounts receivable		114
Other current assets		55
Property and equipment		13
Right of use assets		22
Other non-current assets		4
Deferred income taxes		3
Technology assets		501
Customer assets		467
		1,266
Liabilities assumed:		
Current liabilities		127
Deferred revenue		104
Deferred income taxes		178
Long-term debt		3
Long-term lease obligations		15
Other non-current liabilities		6
		434
Goodwill		110
Bargain purchase gain		(0)
Aggregate purchase price		942
Non-cash consideration:		
Fair value of investment in affiliate in which control was acquired		(1)
Total cash consideration	**$**	**941**

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

The 2023 additional business acquisitions did not have a material impact to either the consolidated revenue or the consolidated net income (loss) for the nine months ended September 30, 2023. 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.

(d) 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, 2022 and September 30, 2022.

	December 31, 2022	September 30, 2022
Current Assets:		
Accounts receivable	16	(25)
Unbilled revenue	(11)	6
Inventories	-	-
Other assets	1	2
	5	(17)
Non-current Assets:		
Property and equipment	(0)	(2)
Right of use assets	1	(8)
Deferred income taxes	(0)	(6)
Other assets	1	(0)
Intangible assets	(17)	(62)
	(16)	(78)
Total assets	(11)	(95)
Current liabilities:		
Accounts payable and accrued liabilities	3	(0)
Deferred revenue	(1)	(119)
Acquisition holdback payables	(0)	2
Lease obligations	-	4
Income taxes payable	2	4
	4	(110)
Non-current liabilities:		
Deferred income taxes	(6)	(18)
Acquistion holdback payables	(4)	-
Lease obligations	0	(2)
Other liabilities	(5)	34
	(14)	14
Total liabilities	(11)	(95)

(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

		September 30, 2023		December 31, 2022
Prepaid expenses and other current assets	$	266	$	222
Holdback receivable		7		1
Investment tax credits recoverable		48		39
Sales tax receivable		39		26
Equity securities held for trading		8		115
Other receivables		129		93
Total other current assets	$	497	$	497
Investment tax credits recoverable	$	16	$	18
Costs to obtain a contract		65		55
Non-current trade and other receivables and other assets		116		97
Equity accounted investees		3		3
Total other non-current assets	$	199	$	174

(b) Other non-current liabilities

		September 30, 2023		December 31, 2022
Contingent consideration	$	88	$	109
Deferred revenue		97		100
Other non-current liabilities		52		48
Total other non-current liabilities	$	238	$	258

(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, 2022	$ 3,226	$ 2,356	$ 17	$ 3	$ 30	$ 614	$ 6,245
Acquisitions through business combinations	813	1,021	0	-	0	215	2,049
Effect of movements in foreign exchange	(105)	(81)	1	(0)	(2)	(28)	(216)
Balance at December 31, 2022	$ 3,934	$ 3,296	$ 17	$ 2	$ 29	$ 801	$ 8,078
Balance at January 1, 2023	$ 3,934	$ 3,296	$ 17	$ 2	$ 29	$ 801	$ 8,078
Acquisitions through business combinations	832	1,097	-	-	-	416	2,345
Effect of movements in foreign exchange and other	(25)	(20)	0	0	(0)	(2)	(48)
Balance at September 30, 2023	$ 4,740	$ 4,373	$ 17	$ 2	$ 28	$ 1,215	$ 10,376
Accumulated amortization and impairment losses							
Balance at January 1, 2022	$ 1,941	$ 849	$ 17	$ 2	$ 4	$ 4	$ 2,817
Amortization for the period	394	280	0	0	2	-	676
Impairment charge	1	0	-	-	-	5	7
Effect of movements in foreign exchange	(56)	(27)	0	(0)	-	-	(83)
Balance at December 31, 2022	$ 2,280	$ 1,103	$ 17	$ 2	$ 6	$ 9	$ 3,416
Balance at January 1, 2023	$ 2,280	$ 1,103	$ 17	$ 2	$ 6	$ 9	$ 3,416
Amortization for the period	356	263	0	0	1	-	620
Impairment charge	1	2	-	-	-	0	4
Effect of movements in foreign exchange	(14)	(8)	(0)	0	-	-	(22)
Balance at September 30, 2023	$ 2,623	$ 1,360	$ 17	$ 2	$ 7	$ 9	$ 4,018
Carrying amounts							
At January 1, 2022	$ 1,285	$ 1,507	$ 0	$ 0	$ 26	$ 610	$ 3,428
At December 31, 2022	$ 1,654	$ 2,192	$ 0	$ -	$ 23	$ 792	$ 4,662
At January 1, 2023	$ 1,654	$ 2,192	$ 0	$ -	$ 23	$ 792	$ 4,662
At September 30, 2023	$ 2,118	$ 3,013	$ 0	$ (0)	$ 22	$ 1,206	$ 6,358

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

7. Debt with recourse to CSI

	CSI Facility	Liability of CSI under the IRGA	Debentures	Term Loan		Total
Principal outstanding at September 30, 2023 (and, except for debentures, equal to fair value)	$ 686	$ 553	$ 208	$ 79		$ 1,526
Deduct: Carrying value of transaction costs included in debt balance	(1)	-	-	(0)		(1)
Carrying value at September 30, 2023	685	553	208	79	-	1,524
Current portion	685	222	-	-		907
Non-current portion	-	330	208	79		617

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, extending its maturity date to November 2026. In March 2023, the total amount on the revolver was increased from $700 to $840. The CSI Facility bears a variable interest rate with no fixed repayments required over the term to maturity. Interest rates are calculated at standard U.S. and Canadian reference rates plus interest rate spreads based on a leverage table. The CSI Facility is collateralized by the majority of the Company’s assets including the assets of certain material subsidiaries. The CSI Facility contains standard events of default which if not remedied within a cure period would trigger the repayment of any outstanding balance. As at September 30, 2023, $686 (December 31, 2022 – $322) had been drawn from this credit facility, and letters of credit totaling $12 (December 31, 2022 - $12) were issued, which limits the borrowing capacity on a dollar-for-dollar basis. Transaction costs associated with the CSI Facility are being amortized through profit or loss using the effective interest rate method. As at September 30, 2023, the carrying amount of such costs is $1 (December 31, 2022 - $1).

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 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 Joday Group’s interest in Topicus Coop comprises 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 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) 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 periods ended September 30, 2023 and December 31, 2022, no options were exercised. During the year December 31, 2022, a distribution in the amount of $23 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.

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

The interest rate from and including:

- March 31, 2020 but excluding March 31, 2021 was 8.4%
- 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%

Subsequent from and including March 31, 2024 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.

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

During the periods ended September 30, 2023 and December 31, 2022, no notices for redemption of the Debentures were received or given by the Company.

The fair value of the debentures as at September 30, 2023 was $280 (December 31, 2022 - $287).

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 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.

During 2022, the Company was in technical default of a covenant associated with one Term loan in its subsidiaries which was unresolved as of March 31, 2023. The aggregate value of the loan at March 31, 2023 was $7 and this loan was repaid during the three months ended June 30, 2023.

Debt without recourse to CSI comprises the following:

	Topicus Revolving Credit Facility	Debt Facilities	Promissory Note	Total
Principal outstanding at September 30, 2023 (and equal to fair value)	180 $	840 $	500	1,520
Deduct: Carrying value of transaction costs included in debt balance	(3)	(8)	-	(10)
Carrying value at September 30, 2023	177	833	500	1,510
Current portion	177	58	-	235
Non-current portion	-	775	500	1,275

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

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

Year	Debt Facilities
2023	31
2024	43
2025	189
2026	118
2027	279
2028	171
2029	10
2030	-
	840

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

Year		September 30, 2023
2023	$	-
2024 - 2028		3
2029- 2063		497
Total	$	500

9. 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 are 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 has been classified as a liability on the balance sheet of the Company. The Lumine Special Shares are 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 are also entitled to a fixed annual cumulative dividend of 5% per annum.

The fair value of the Lumine Special Shares owned by the sellers of WideOrbit at issuance was $222 and has been classified as a liability. The Company has determined that the conversion option associated with the Lumine Special Shares does not result in a fixed amount of cash being exchanged for a fixed amount of units (i.e. the conversion option does not meet the “fixed for fixed” requirement). As a result, the Lumine Special Shares have been recorded at fair value at the end of each reporting period. The change in fair value of the Lumine Special Shares is recorded as a redeemable preferred securities expense (income) in the condensed consolidated interim statements of income (loss).

Further descriptions of the significant terms and conditions of the Lumine Special Shares are described below. The terms and conditions of the Lumine Special Shares should be read in conjunction with the terms and conditions of the Lumine Preferred Shares held by CSI (note 1).

Dividends

Holders of the Lumine Special Shares are entitled to receive fixed preferential cumulative dividends at the rate of 5% per annum on the Initial Face Value. No dividend will at any time be declared or paid on the Lumine Subordinate Voting Shares or the Lumine Super Voting Share, or on any other shares ranking junior to the Special Shares, unless and until the accrued preferential cumulative dividends on all of the Lumine Preferred Shares and Lumine Special Shares outstanding have been declared and paid. In addition, no dividends will be paid on the Lumine Subordinate Voting Shares or the Lumine Super Voting Share for an amount that would cause Lumine to not have sufficient net assets to effect the redemption of the Lumine Preferred Shares and Lumine Special Shares on a Mandatory Conversion (as defined below). In addition to the foregoing, the holders of the Lumine Special Shares are entitled to receive dividends on a pari passu, share for share, basis at such times and in such amounts as Lumine's board of directors may from time to time determine to declare dividends on the Lumine Subordinate Voting Shares, without preference or distinction between the Lumine Subordinate Voting Shares and the Lumine Special Shares, subject to the foregoing preferential rights of the holders of the Lumine Preferred Shares and the Lumine Special Shares.

Conversion

Holders of the Lumine Special Shares are entitled to convert some or all of their Lumine Special Shares into Lumine Subordinate Voting Shares on the basis of 3.4302106 Lumine Subordinate Voting Shares per Lumine Special Share, at any time (the "Lumine Special Share Conversion Right").

Upon the exercise of the Lumine Special Share Conversion Right, the holders of the Lumine Special Shares, will be entitled to receive all accrued but unpaid dividends accruing to the day before the conversion date. Pursuant to the terms of the Lumine Shareholders Agreement, the board of directors of Lumine will make a determination as to whether Lumine has sufficient cash on hand to satisfy the payment of any accrued but unpaid dividends on the Special Shares, as applicable, in cash. If the board of directors of Lumine determines that Lumine does not have sufficient cash on hand to make the applicable payments, the accrued but unpaid dividends will, subject to TSXV approval, be satisfied by the issuance of Lumine Subordinate Voting Shares of equal value.

Redemption at the Option of the Holder

At any time prior to the Mandatory Conversion Date, upon thirty (30) days notice to Lumine, the holders of the Lumine Special Shares will have the right (but not the obligation) to sell some or all of their Lumine Special Shares (the "Lumine Special Share Retraction Right"), provided that the exercise of the Lumine Special Share Retraction Right (including the manner of exercise) must first be approved by the holders of a majority of the Lumine Special Shares, in their sole discretion. Upon exercise of the Lumine Special Share Retraction Right, the holders of the Lumine Special Shares will be entitled to receive (i) one Lumine Subordinate Voting Share for each Lumine Special Share in respect of which the Lumine Special Share Retraction Right has been exercised, and (ii) an amount of cash equal to the Initial Face Value for each Lumine Special Share in respect of which the Lumine Special Share Retraction Right has been exercised, or Lumine Subordinate Voting Shares of equal value, or any combination thereof, in each case at the option of the holder of the Lumine Special Shares. Notwithstanding the foregoing, if the board of directors of Lumine determines that Lumine does not have sufficient cash on hand to make the payment in cash, the holders of Lumine Special Shares will, subject to TSXV approval, receive Lumine Subordinate Voting Shares on the terms described above.

Upon the exercise of the Lumine Special Share Retraction Right, the holders of the Lumine Special Shares will also be entitled to receive all accrued but unpaid dividends accruing on the Lumine Special Shares in respect of which the Lumine Special Share Retraction Right has been exercised, to the day before the redemption date. The board of directors of Lumine will make a determination as to whether Lumine has sufficient cash on hand to satisfy the payment of any accrued but unpaid dividends on the Lumine Special Shares in cash. If the board of directors of Lumine determines that Lumine does not have sufficient cash on hand to make the applicable payments, the accrued but unpaid dividends will, subject to TSXV approval, be satisfied by the issuance of Lumine Subordinate Voting Shares of equal value.

Redemption at the Option of Lumine

Subject to the terms of the Lumine Shareholders Agreement, upon the Mandatory Conversion Date, Lumine will redeem the Lumine Special Shares in exchange for the issuance of 3.4302106 Lumine Subordinate Voting Shares for each Lumine Special Share redeemed (the “Lumine Special Share Mandatory Conversion” and, together with the Lumine Preferred Share Mandatory Conversion, the “Lumine Mandatory Conversion”). Notwithstanding the foregoing, if holders representing at least 95% of the Lumine Preferred Shares and Lumine Special Shares approve, each holder of Lumine Preferred Shares and Lumine Special Shares will have the option to take the amount equal to the value of the Lumine Subordinate Voting Shares such holder would have otherwise received in connection with the Lumine Mandatory Conversion, determined on the basis of the 60 day volume weighted average trading price of the Lumine Subordinate Voting Shares, in cash.

Upon the Lumine Mandatory Conversion, the holders of the Lumine Special Shares will also be entitled to receive all accrued but unpaid dividends accruing to the day before the redemption date. Pursuant to the terms of the Lumine Shareholders Agreement, the board of directors of Lumine will make a determination as to whether Lumine has sufficient cash on hand to satisfy the payment of any accrued but unpaid dividends on the Lumine Special Shares in cash. If the board of directors of the Lumine determines that Lumine does not have sufficient cash on hand, the accrued but unpaid dividends will, subject to TSXV approval, be satisfied by the issuance of Lumine Subordinate Voting Shares of equal value.

As of March 24, 2023, the closing trading price of the Lumine Subordinate Voting Shares was greater than C$13.243656. As such, the Mandatory Conversion Date for the Lumine Special Shares will be March 25, 2024.

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

10. Provisions

At January 1, 2023	$	21
Reversal		(2)
Provisions recorded during the period		9
Provisions used during the period		(12)
Effect of movements in foreign exchange and other		(0)
At September 30, 2023	$	16
Provisions classified as current liabilities		8
Provisions classified as other non-current liabilities		8

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 and nine months ended September 30, 2023 was 28% and 59% (26% and 26% for the three and nine months ended September 30, 2022). The 2023 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.

12. Capital and other components of equity

	Common Shares		
	Number		Amount
September 30, 2023	21,191,530	$	99
December 31, 2022	21,191,530	$	99

Dividends and other distributions to shareholders

During the three months ended March 31, 2023, the Company declared a $1.00 per share dividend to all common shareholders of record at close of business on April 6, 2023. The dividend declared in the quarter ended March 31, 2023 representing $21 was paid and settled on April 14, 2023. During the three months ended June 30, 2023, the Company declared a $1.00 per share dividend to all common shareholders of record at close of business on June 20, 2023. The dividend declared in the quarter ended June 30, 2023 representing $21 was paid and settled on July 11, 2023. During the three months ended September 30, 2023, the Company declared a $1.00 per share dividend to all common shareholders of record at close of business on September 20, 2023. The dividend declared in the quarter ended September 30, 2023 representing $21 was paid and settled on October 11, 2023.

The dividend declared in the quarter ended December 31, 2022 representing $21 was paid and settled on January 11, 2023.

On February 6, 2023, the Company declared a special dividend pursuant to which all common shareholders of record on February 16, 2023 of the Company were entitled to receive, by way of a dividend-in-kind, 3.0003833 Lumine Subordinate Voting Shares for each Constellation Software Inc. share held. The dividend was distributed on February 23, 2023.

On September 8, 2023, the Company paid a special dividend (the “Rights Dividend”) pursuant to which all common shareholders of record as of the close of business on September 1, 2023 received, by way of a dividend-in-kind, one right of the Company (each, a “Right”) for each common share of the Company held. For every 3.03 Rights held, the holder of such Rights was entitled to subscribe for C$100.00 principal amount of Series 1 Debentures that were issued in October 2023. The Rights will be accounted for upon issuance of the Series 1 Debentures.

On August 29, 2023, the Company paid a special dividend pursuant to which all common shareholders of record on August 24, 2023 received, by way of a dividend-in-kind, one warrant of the Company (collectively, the “Warrants”). The Warrants will not be exercisable by the holders thereof unless and until the Company exercises the company redemption right in respect of the Debentures. If the Company exercises the company redemption right, each Warrant will become exercisable by the holder thereof for a period of 30 calendar days (the “Warrant Exercise Period”) starting from the date that the Company provides notice to the holders of its Debentures that the Company is exercising the company redemption right to redeem the Debentures. Following notice by the Company of the exercise of the company redemption right, each Warrant will, upon exercise, entitle the holder thereof to receive, on the 10th business day following the last date of the Warrant Exercise Period (the “Series 2 Issuance Date”) C$100.00 principal amount of unsecured subordinated floating rate debentures, Series 2 of the Company (the “Series 2 Debentures”) for each C$100.00 principal amount of Debentures tendered for repurchase by the Company. The Company will pay any accrued and unpaid interest on the Debentures tendered for repurchase up to, but excluding, the Series 2 Issuance Date. Other than tendering the Debentures for repurchase, no additional exercise price will be owing by a holder of a Warrant upon the exercise of a Warrant. The Series 2 Debentures will be identical in all material respects to the Debentures, except that the Series 2 Debentures will not include a company redemption right. All unexercised Warrants will expire on the earlier of (i) the first date on which all the outstanding Debentures have matured or have otherwise been repurchased, redeemed or cancelled, and (ii) March 31, 2040. The fair value of the warrants is not significant.

(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 September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Interest income on cash	$ (0)	$ (0)	$ (1)	$ (1)
(Increase) decrease in the fair value of equity securities held for trading	8	13	3	38
Share in net (income) loss of equity investee	0	0	0	0
Finance and other income	(5)	(5)	(9)	(14)
Finance and other expense (income)	$ 2	$ 8	$ (7)	$ 24
Interest expense on debt and debentures	$ 38	$ 22	$ 102	$ 51
Interest expense on lease obligations	3	3	9	8
Amortization of debt related transaction costs	2	1	4	2
Other finance costs	7	4	18	12
Finance costs	$ 50	$ 29	$ 132	$ 73

14. Earnings per share

Basic and diluted earnings per share

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Numerator:				
Net income (loss) attributable to common shareholders of CSI	$ 177	$ 136	$ 375	$ 360
Denominator:				
Basic and diluted shares outstanding	21,191,530	21,191,530	21,191,530	21,191,530
Earnings per share				
Basic and diluted	$ 8.36	$ 6.42	$ 17.68	$ 16.99

15. Financial instruments

Fair values versus carrying amounts

The carrying values of cash, accounts receivable, accounts payable, accrued liabilities, dividends payable, the majority of 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.

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

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 September 30, 2023 and December 31, 2022 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.

	September 30, 2023				December 31, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Equity securities held for trading	$ 8	$ -	$ -	$ 8	$ 115	$ -	$ -	$ 115
	8	**-**	**-**	**8**	**115**	**-**	**-**	**115**
Liabilities:								
Redeemable preferred securities	$ -	$ -	$ 536	$ 536	$ -	$ -	$ -	$ -
Contingent consideration	-	-	187	187	-	-	157	157
	-	**-**	**723**	**723**	**-**	**-**	**157**	**157**

There were no transfers of fair value measurement between level 1, 2 and 3 of the fair value hierarchy in the periods ended September 30, 2023 and December 31, 2022.

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, 2023	$	157
Increase from business acquisitions		51
Cash payments		(31)
Charges (recoveries) through profit or loss		(1)
Foreign exchange and other movements		11
Balance at September 30, 2023		187
Contingent consideration classified as current liabilities		99
Contingent consideration classified as other non-current liabilities		88

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 (8% 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, 2023	$	-
Issuance of Lumine Special Shares in conjunction with business acquistions		222
Redeemable preferred securities expense (income)		319
Conversions to subordinate voting shares of Lumine		(5)
Payments and other movements		(0)
Balance at September 30, 2023		536

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 September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Decrease (increase) in current accounts receivable	$ 27	$ 38	$ 20	$ 25
Decrease (increase) in current unbilled revenue	(14)	(17)	(79)	(48)
Decrease (increase) in other current assets	(39)	26	(60)	(45)
Decrease (increase) in inventories	1	(3)	(2)	(11)
Decrease (increase) in other non-current assets	(1)	(11)	(9)	(20)
Increase (decrease) in other non-current liabilities	(5)	26	(69)	32
Increase (decrease) in current accounts payable and accrued liabilities, excluding holdbacks from acquisitions	122	53	43	(31)
Increase (decrease) in current deferred revenue	(94)	(121)	183	75
Increase (decrease) in current provisions	(4)	(1)	(4)	(3)
Change in non-cash operating working capital	$ (7)	$ (8)	$ 23	$ (27)

18. Non-controlling interests

Topicus:

CSI has non-controlling interests associated with Topicus, a company whose operations are based in the Netherlands. Constellation's equity interest in Topicus is 60.65% (39.35% being non-controlling interest). 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.

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. The Company has an interest of 72.04% in Adapt IT (the remaining 27.96% represents non-controlling interest).

Lumine:

Prior to February 23, 2023, the Company reflected a 100% ownership interest in Lumine. However, as outlined in Note 1 to the condensed consolidated interim financial statements, Constellation's common equity interest in Lumine was reduced from 100% to 0% (100% being non-controlling interest) in 2023.

The following tables summarize the information relating to the Company's non-controlling interests in Topicus, Adapt IT and Lumine before and after intercompany eliminations:

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

	As at September 30, 2023		
	Topicus Coop	**Adapt-IT**	**Lumine**
Non-controlling interest	39.35%	27.96%	100.00%
Current assets	411	38	282
Non-current assets	1,069	73	788
Total assets	1,480	111	1,071
Current liabilities	611	31	3,127
Non-current liabilities	286	27	288
Total liabilities	896	58	3,415
Less: Non-controlling interest of subsidaries, including interests held by CSI	59	-	-
Net assets after allocation of non-controlling interests (including interests held by CSI)	525	54	(2,344)
Inter-group eliminations	(8)	-	2,412
Total	517	54	67
Net assets allocated to the non-controlling interests of subsidiary	203	15	67
Add: Non-controlling interest of subsidaries not owned by CSI	18	-	-
Total non-controlling interest	222	15	67

	Three months ended September 30, 2023		
	Topicus Coop	**Adapt-IT**	**Lumine**
Revenue	303	24	131
Expenses	263	24	112
Redeemable preferred securities expense (income)	-	-	195
Income (loss) before income taxes	40	0	(175)
Income tax expense	9	0	4
Net income (loss) prior to non-controlling interest allocation	31	0	(179)
Less: Non-controlling interest of subsidaries, including interests held by CSI	(0)	-	-
Net income (loss) after allocation of non-controlling interest	31	0	(179)
Inter-group eliminations	(2)	-	159
Total	30	0	(20)
Net income (loss) attributable to non-controlling interests	12	(0)	(20)
Add: Non-controlling interest of subsidaries not owned by CSI	1	-	-
Total non-controlling interest	12	(0)	(20)

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

	Nine months ended September 30, 2023		
	Topicus Coop	Adapt-IT	Lumine
Revenue	883	74	357
Expenses	777	72	322
Redeemable preferred securities expense (income)	-	-	1,346
Income (loss) before income taxes	106	2	(1,311)
Income tax expense	27	0	9
Net income (loss) prior to non-controlling interest allocation	79	2	(1,320)
Less: Non-controlling interest of subsidaries, including interests held by CSI	(1)	-	-
Net income (loss) after allocation of non-controlling interest	80	2	(1,320)
Inter-group eliminations	(4)	-	1,029
Total	76	2	(292)
Net income (loss) attributable to non-controlling interests	30	0	(293)
Add: Non-controlling interest of subsidaries not owned by CSI	0	-	-
Total non-controlling interest	30	0	(293)

The following tables summarize the statement of cash flows information relating to the Company's non-controlling interests in Topicus, Adapt IT and Lumine:

	Three months ended September 30, 2023		
	Topicus Coop	Adapt-IT	Lumine
Cash flows from (used in) operating activities	28	3	44
Cash flows from (used in) financing activities	(27)	(1)	(57)
Cash flows from (used in) investing activities	(13)	(0)	(1)

	Nine months ended September 30, 2023		
	Topicus Coop	Adapt-IT	Lumine
Cash flows from (used in) operating activities	198	15	82
Cash flows from (used in) financing activities	(54)	(6)	279
Cash flows from (used in) investing activities	(119)	(0)	(285)

19. Subsequent events

On November 9, 2023 the Company declared a $1.00 per share dividend that is payable on January 11, 2024 to all common shareholders of record at close of business on December 20, 2023.

On October 6, 2023, a total of C$213 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 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 will form a single series with, the outstanding C$282 aggregate principal amount of Debentures.

Subsequent to September 30, 2023, the Company completed or entered into agreements to acquire a number of additional businesses for aggregate cash consideration of $85 on closing plus cash holdbacks of $37 and contingent consideration with an estimated fair value of $7 for total consideration of $129. The business acquisitions include companies catering primarily to the not-for-profit, dealer, education, healthcare, communications, financial institutions, utilities, local government, payment solutions, workforce management, manufacturing, enterprise resource planning, hospitality, notaries and sales and distribution management verticals and are all software companies similar to the existing business of the Company.