Constellation Software Inc.

FINANCIAL REPORT

Fourth Quarter Fiscal Year 2024

For the three months and fiscal year ended
December 31, 2024

CONSTELLATION SOFTWARE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

The following discussion and analysis should be read in conjunction with the Annual Consolidated Financial Statements for the year ended December 31, 2024, which we prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS). Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward-Looking Statements" and "Risks and Uncertainties".

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

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

Forward Looking Statements

Certain statements in this report may contain "forward looking" statements that involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Words such as "may", "will", "expect", "believe", "plan", "intend", "should", "anticipate" and other similar terminology are intended to identify forward looking statements. These statements reflect current assumptions and expectations regarding future events and operating performance as of the date of this MD&A March 7, 2025. 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 debt, debt transaction costs, payments of lease obligations, the IRGA / TSS membership liability revaluation charge, and property and equipment purchased, and includes interest and dividends received, and the proceeds from sale of interest rate caps. The portion of this amount applicable to non-controlling interests is then deducted. We believe that FCFA2S is useful supplemental information as it provides an indication of the uncommitted cash flow that is available to shareholders if we do not make any acquisitions, or investments, and do not repay any debts. While we could use the FCFA2S to pay dividends or repurchase shares, our objective is to invest all of our FCFA2S in acquisitions which meet our hurdle rate.

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

Overview

We acquire, manage and build vertical market software (“VMS”) businesses. Generally, these businesses provide mission critical software solutions that address the specific needs of our customers in particular markets. Our focus on acquiring businesses with growth potential, managing them well and then building them, has allowed us to generate significant cash flows and revenue growth during the past several years.

Our revenue consists primarily of software license fees, maintenance and other recurring fees, professional service fees and hardware sales. Software license revenue is comprised of non-recurring license fees charged for the use of software products licensed under multiple-year or perpetual arrangements. Maintenance and other recurring revenue primarily consists of fees charged for customer support on software products post-delivery and also includes recurring fees derived from combined software/support contracts, transaction revenues, managed services associated with CSI software that has been sold to the customer, and hosted software-as-a-service products. Professional service revenue consists of fees charged for implementation services, custom programming, product training, certain managed services, and consulting. Hardware and other revenue includes the resale of third party hardware as part of customized solutions, as well as sales of hardware assembled internally and the reimbursement of travel costs. Our customers typically purchase a combination of software, maintenance, professional services and hardware, although the type, mix and quantity of each vary by customer and by product.

Expenses consist primarily of staff costs, the cost of hardware, third party licenses, maintenance and professional services to fulfill our customer arrangements, travel and occupancy costs, depreciation, and other general operating expenses.

Preferred Share Investment in Lumine

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

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

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

Results of Operations

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

Unaudited

	Three months ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2024	2023	$	%	2024	2023	$	%
Revenue	**2,703**	**2,323**	**380**	**16%**	**10,066**	**8,407**	**1,660**	**20%**
Expenses	1,980	1,712	269	16%	7,559	6,360	1,199	19%
Amortization of intangible assets	273	240	33	14%	1,044	859	184	21%
Foreign exchange (gain) loss	(42)	41	(82)	NM	(26)	43	(70)	NM
IRGA / TSS membership liability revaluation charge	61	58	4	6%	183	152	31	20%
Finance and other expense (income)	(10)	(27)	17	-63%	(60)	(34)	(25)	74%
Bargain purchase gain	(6)	(3)	(3)	97%	(10)	(54)	44	-81%
Impairment of intangible and other non-financial assets	11	22	(12)	-52%	28	26	2	7%
Redeemable preferred securities expense (income)	-	278	(278)	-100%	58	597	(539)	-90%
Finance costs	73	59	13	22%	280	192	88	46%
Income before income taxes	364	(56)	420	NM	1,011	265	746	281%
Income tax expense (recovery)								
Current income tax expense (recovery)	129	54	74	136%	525	370	155	42%
Deferred income tax expense (recovery)	(85)	(11)	(74)	659%	(281)	(166)	(114)	69%
Income tax expense (recovery)	44	43	1	2%	244	204	40	20%
Net income (loss) attributable to:								
Common shareholders of CSI	285	141	144	102%	731	565	165	29%
Non-controlling interests	35	(241)	276	NM	37	(503)	540	NM
Net income (loss)	**320**	**(100)**	**419**	**NM**	**767**	**62**	**706**	**NM**
Net cash flows from operating activities	**678**	**511**	**167**	**33%**	**2,196**	**1,779**	**417**	**23%**
Free cash flow available to shareholders	**482**	**325**	**157**	**48%**	**1,472**	**1,160**	**312**	**27%**
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	$ 13.44	$ 6.65	$ 6.78	102%	$ 34.48	$ 26.67	$ 7.81	29%
Net cash flows from operating activities per share								
Basic and diluted	$ 31.99	$ 24.09	$ 7.90	33%	$ 103.64	$ 83.94	$ 19.70	23%
Free cash flow available to shareholders per share								
Basic and diluted	$ 22.76	$ 15.33	$ 7.43	48%	$ 69.48	$ 54.75	$ 14.73	27%
Cash dividends declared per share								
Basic and diluted	$ 1.00	$ 1.00	$ -	0%	$ 4.00	$ 4.00	$ -	0%
Total assets					12,863	10,862	2,001	18%
Total long-term liabilities					4,903	3,418	1,485	43%

NM - Not meaningful

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

Comparison of the three and twelve month periods ended December 31, 2024 and 2023

Revenue:

Total revenue for the quarter ended December 31, 2024 was $2,703 million, an increase of 16%, or $380 million, compared to $2,323 million for the comparable period in 2023. For the year ended December 31, 2024 total revenues were $10,066 million, an increase of 20%, or $1,660 million, compared to $8,407 million for the comparable period in 2023. The increase for both the three and twelve 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 1% and 2% respectively, 2% for both periods after adjusting for the impact of changes in the valuation of the US dollar against most major currencies in which the Company transacts business. For acquired companies, organic growth is calculated as the difference between actual revenues achieved by each company in the financial period following acquisition compared to the estimated revenues they achieved in the corresponding financial period preceding the date of acquisition by Constellation. 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 December 31,		Period-Over-Period Change		Q423 Proforma Adj. (Note 1)	Organic Growth	Year ended December 31,		Period-Over-Period Change		2023 Proforma Adj. (Note 2)	Organic Growth
	2024	2023	$	%	$	%	2024	2023	$	%	$	%
	($ in millions, except percentages)						($ in millions, except percentages)					
Licenses	134	133	1	1%	32	-19%	393	386	6	2%	91	-18%
Professional services	524	476	48	10%	68	-4%	1,975	1,766	209	12%	278	-3%
Hardware and other	98	77	20	26%	17	4%	302	268	33	12%	50	-5%
Maintenance and other recurring	1,948	1,637	311	19%	227	5%	7,396	5,985	1,411	24%	1,023	6%
	2,703	2,323	380	16%	344	1%	10,066	8,407	1,660	20%	1,443	2%

$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 December 30, 2023 from companies acquired after September 30, 2023. (Obtained from unaudited vendor financial information.)

Note 2: Estimated pre-acquisition revenues for the twelve months ended December 31, 2023 from companies acquired after December 31, 2022. (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 Q4 2022. Note that the estimated revenues achieved by acquired companies in the corresponding financial period preceding the date of acquisition by Constellation may be updated in the quarter following the quarter they were acquired resulting in slight variances to previously reported figures.

	Quarter Ended								
	Dec. 31 2022	Mar. 31 2023	Jun. 30 2023	Sep. 30 2023	Dec. 31 2023	Mar. 31 2024	Jun. 30 2024	Sep. 30 2024	Dec. 31 2024
Licenses	-7%	-9%	-1%	-7%	15%	-8%	-23%	-20%	-19%
Professional services	-9%	0%	1%	7%	4%	-1%	-2%	-6%	-4%
Hardware and other	36%	-1%	3%	10%	-18%	-11%	-9%	-7%	4%
Maintenance and other recurring	1%	4%	6%	9%	7%	7%	5%	6%	5%
Revenue	**-1%**	**2%**	**4%**	**7%**	**6%**	**4%**	**2%**	**2%**	**1%**

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

	Quarter Ended								
	Dec. 31 2022	Mar. 31 2023	Jun. 30 2023	Sep. 30 2023	Dec. 31 2023	Mar. 31 2024	Jun. 30 2024	Sep. 30 2024	Dec. 31 2024
Licenses	-3%	-7%	-1%	-9%	13%	-9%	-22%	-20%	-18%
Professional services	-5%	3%	1%	4%	2%	-2%	-2%	-7%	-3%
Hardware and other	44%	2%	3%	6%	-20%	-12%	-8%	-8%	4%
Maintenance and other recurring	6%	6%	7%	7%	6%	6%	6%	6%	5%
Revenue	**4%**	**5%**	**5%**	**5%**	**4%**	**3%**	**3%**	**1%**	**2%**

Expenses:

The following table displays the breakdown of our expenses:

	Three months ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2024	2023	$	%	2024	2023	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Expenses								
Staff	1,366	1,202	164	14%	5,322	4,493	828	18%
Hardware	55	45	10	22%	169	158	11	7%
Third party license, maintenance and professional services	259	218	42	19%	960	810	150	19%
Occupancy	16	14	3	20%	64	51	13	25%
Travel, Telecommunications, Supplies & Software and equipment	137	113	24	21%	502	398	104	26%
Professional fees	52	44	8	19%	178	151	27	18%
Other, net	47	34	13	38%	182	138	44	32%
Depreciation	47	42	6	13%	182	162	21	13%
	1,980	1,712	269	16%	7,559	6,360	1,199	19%

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

Overall expenses for the quarter ended December 31, 2024 increased 16%, or $269 million to $1,980 million, compared to $1,712 million during the same period in 2023. As a percentage of total revenue, expenses equalled 73% for the quarter ended December 31, 2024 and 75% for the same period in 2023. During the twelve months ended December 31, 2024, expenses increased 19%, or $1,199 million to $7,559 million, compared to $6,360 million during the same period in 2023. As a percentage of total revenue, expenses equalled 75% for the twelve months ended December 31, 2024 and 76% for the same period in 2023. For the three and twelve months ended December 31, 2024 the change in valuation of the US dollar against most major currencies in which the Company transacts business resulted in an approximate 0.5% and 0.1% decrease in expenses respectively compared to the comparable periods of 2023.

Staff expense – Staff expenses increased 14% or $164 million for the quarter ended December 31, 2024 and 18% or $828 million for the twelve months ended December 31, 2024 over the same periods in 2023. Staff expense can be broken down into five key operating departments: Professional Services, Maintenance, Research and Development, Sales and Marketing, and General and Administrative. Included within staff expenses for each of the above five departments are personnel and related costs associated with providing the necessary services. The table below compares the period over period variances.

	Three months ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2024	2023	$	%	2024	2023	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Professional services	292	272	20	7%	1,155	1,043	112	11%
Maintenance	278	227	51	23%	1,069	855	215	25%
Research and development	361	328	33	10%	1,437	1,215	222	18%
Sales and marketing	164	152	12	8%	635	563	71	13%
General and administrative	270	223	48	21%	1,026	817	209	26%
	1,366	1,202	164	14%	5,322	4,493	828	18%

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

The increase in staff expenses for the three and twelve months ended December 31, 2024 was primarily due to the growth in the number of employees compared to the same periods in 2023 primarily due to acquisitions.

Hardware expenses – Hardware expenses increased 22% or $10 million for the quarter ended December 31, 2024 and 7% or $11 million for the twelve months ended December 31, 2024 over the same periods in 2023 as compared with the 26% and 12% increases in hardware and other revenue for the three and twelve month periods ending December 31, 2024 respectively over the comparable periods in 2023. Hardware margins for both the three and twelve months ended December 31, 2024 were 44% as compared to 41% for both the comparable periods in 2023.

Third party license, maintenance and professional services expenses – Third party license, maintenance and professional services expenses increased 19% or $42 million for the quarter ended December 31, 2024 and 19% or $150 million for the twelve months ended December 31, 2024 over the same periods in 2023. The increase is primarily due to third party license, maintenance and professional services expenses of acquired businesses.

Occupancy expenses – Occupancy expenses increased 20% or $3 million for the quarter ended December 31, 2024 and 25% or $13 million for the twelve months ended December 31, 2024 over the same periods in 2023. This increase is primarily due to the occupancy expenses of acquired businesses; however, excluding the impact of acquired businesses, occupancy expenses are expected to decrease in the future, as certain businesses reduce office space as a result of the increase in remote working environments.

Travel, Telecommunications, Supplies & Software and equipment expenses – Travel, Telecommunications, Supplies & Software and equipment expenses increased 21% or $24 million for the quarter ended December 31, 2024 and 26% or $104 million for the twelve months ended December 31, 2024 over the same periods in 2023. The increase in these expenses is primarily due to expenses incurred by acquired businesses.

Professional fees – Professional fees increased 19% or $8 million for the quarter ended December 31, 2024 and 18% or $27 million for the twelve months ended December 31, 2024 over the same periods in 2023. There are no individually material reasons contributing to this variance.

Other, net – Other expenses increased 38% or $13 million for the quarter ended December 31, 2024 and 32% or $44 million for the twelve months ended December 31, 2024 over the same periods in 2023. The following table provides a further breakdown of expenses within this category.

	Three months ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2024	2023	$	%	2024	2023	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Advertising and promotion	36	30	5	17%	130	111	19	17%
Recruitment and training	15	10	4	41%	47	40	6	16%
Bad debt expense	9	1	7	497%	14	9	5	50%
R&D tax credits	(29)	(24)	(5)	22%	(69)	(52)	(17)	33%
Contingent consideration	(4)	3	(8)	NM	8	(5)	12	NM
Other expense, net	22	12	9	75%	52	34	18	55%
	47	34	13	38%	182	138	44	32%

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

An expense of $7 million relating to a customer dispute was recorded to Other expense, net in the quarter ended December 31, 2024.

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

Depreciation – Depreciation of property and equipment increased 13% or $6 million for the quarter ended December 31, 2024 and 13% or $21 million for the twelve months ended December 31, 2024 over the same periods in 2023. The increases are primarily due to the depreciation expense associated with acquired businesses.

Other Income and Expenses:

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

	Three months ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2024	2023	$	%	2024	2023	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Amortization of intangible assets	273	240	33	14%	1,044	859	184	21%
Foreign exchange (gain) loss	(42)	41	(82)	NM	(26)	43	(70)	NM
IRGA / TSS membership liability revaluation charge	61	58	4	6%	183	152	31	20%
Finance and other expense (income)	(10)	(27)	17	-63%	(60)	(34)	(25)	74%
Bargain purchase gain	(6)	(3)	(3)	97%	(10)	(54)	44	-81%
Impairment of intangible and other non-financial assets	11	22	(12)	-52%	28	26	2	7%
Redeemable preferred securities expense (income)	-	278	(278)	-100%	58	597	(539)	-90%
Finance costs	73	59	13	22%	280	192	88	46%
Income tax expense (recovery)	44	43	1	2%	244	204	40	20%
	403	711	(308)	-43%	1,740	1,985	(245)	-12%

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 14% or $33 million for the quarter ended December 31, 2024 and 21% or $184 million for the twelve months ended December 31, 2024 over the same periods in 2023. The increase in amortization expense for the three and twelve months ended December 31, 2024 is primarily attributable to an increase in the carrying amount of our intangible asset balance over the twelve-month period ended December 31, 2024 as a result of acquisitions completed during this twelve-month period.

Foreign exchange – Most of our businesses are organized geographically so many of our expenses are incurred in the same currency as our revenues, which mitigates some of our exposure to currency fluctuations. For the three and twelve months ended December 31, 2024, we realized foreign exchange gains of $42 million and $26 million respectively compared to foreign exchange losses of $41 million and $43 million for the same periods in 2023. The following table provides a breakdown of these amounts.

	Three months ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2024	2023	$	%	2024	2023	$	%
	($ 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)	26	(1)	27	NM	41	5	36	721%
- 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.	(25)	10	(35)	NM	(33)	10	(43)	NM
- revaluation of the liability associated with the IRGA (Euro denominated liability)	(48)	25	(72)	NM	(40)	18	(58)	NM
Remaining foreign exchange (gain) loss	4	6	(2)	-29%	6	11	(5)	-48%
	(42)	41	(82)	NM	(26)	43	(70)	NM

NM - Not meaningful

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

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

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

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

On January 5, 2021, the Members Agreement was terminated in conjunction with the acquisition of Topicus.com B.V., the reorganization of Topicus Coop and the execution of the IRGA. The IRGA was established to create certain contractual obligations of the parties in respect of the governance of Topicus and Topicus Coop. As of December 31, 2024 the Joday Group's interest in Topicus Coop comprised 38,148,221 Topicus Coop Ordinary Units ("Topicus Coop Units") resulting in an interest of 29.38% in Topicus Coop. The IRGA provides for transfer restrictions in respect of the Topicus Coop Units. See "Liability of CSI under the terms of the IRGA" below for further details.

The valuation of the IRGA liability (previously the TSS membership liability) increased by approximately 9% or $61 million from Q3 2024, and approximately 29% or $183 million from Q4 2023. 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 9% or $57 million over the twelve month period ended December 31, 2024 from $635 million to $693 million as a result of the revaluation charge of $183 million less a distribution to the Joday Group of $63 million, a payment pursuant to an exercised call option of $22 million and a $40 million foreign exchange gain. The IRGA / TSS membership liability is denominated in Euros and the Euro depreciated 6% versus the US dollar during the twelve months ended December 31, 2024.

Finance and other expense (income) – Finance and other income for the three and twelve months ended December 31, 2024 was $10 million and $60 million respectively, compared to $27 million and $34 million respectively for the same periods in 2023. The following table provides a further breakdown of expenses (income) within this category.

	Three months ended December 31,		Years ended December 31,	
	2024	2023	2024	2023
Interest income on cash	$ (9)	$ (2)	$ (33)	$ (3)
(Increase) decrease in the fair value of equity securities held for trading	2	(5)	0	(2)
Share in net (income) loss of equity investee	0	(5)	0	(5)
Finance and other income	(4)	(15)	(27)	(24)
Finance and other expense (income)	$ (10)	$ (27)	$ (60)	$ (34)

Finance and other income for the three months ended December 31, 2023 includes a $13 million reversal of a performance obligation that was required to be set up as part of an acquisition's purchase price accounting. The Company was able to negotiate a release of the obligation from the customer. Accounts receivable balances totalling $8 million that had been reserved for as part of the purchase accounting for an acquisition made in Q3 2023 were collected during the three months ended June 30, 2024. This income has been recorded as part of the "Finance and other income" line item above. There are no individually material reasons contributing to the remaining variances.

Bargain purchase gain – Bargain purchase gains totalling $6 million and $10 million were recorded in the three and twelve months ended December 31, 2024 respectively, compared to $3 million and $54 million for the same periods in 2023, relating to acquisitions made in the respective periods. A $49 million gain was recorded in the twelve months ended December 31, 2023 relating to an acquisition that was expected to incur operating losses in the first year of ownership, and below average margins in the following two years. In accordance with IFRS, an accrual for these investments in the business was not recorded as part of the purchase price accounting. The remaining 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 $11 million and $28 million were recorded in the three and twelve month periods ended December 31, 2024 compared to $22 million and $26 million for the same periods in 2023. The expenses relate to businesses that have been unable to achieve the goals established in their respective investment theses.

Redeemable preferred securities expense – The redeemable preferred securities expense for the three and twelve month periods ended December 31, 2024 was nil and $58 million respectively, compared to $278 million and $597 million for the same periods in 2023. In conjunction with the acquisition of WideOrbit, Lumine issued 10,204,294 special shares of Lumine (the "Lumine Special Shares" or the "Preferred Securities") to the sellers of WideOrbit for an initial subscription price of approximately $222 million. Holders of the Preferred Securities were entitled to convert some or all of their Preferred Securities into Lumine Subordinate Voting Shares on the basis of 3.4302106 Lumine Subordinate Voting Shares per Preferred Security, at any time.

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

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

Finance costs – Finance costs for the quarter ended December 31, 2024 increased $13 million to $73 million, compared to $59 million for the same period in 2023. During the twelve months ended December 31, 2024, finance costs increased $88 million to $280 million, from $192 million for the same period in 2023. The increases are primarily a result of an increase in the average debt outstanding in 2024 as compared to 2023.

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 December 31, 2024, income tax expense increased $1 million to $44 million compared to $43 million for the same period in 2023. During the twelve months ended December 31, 2024, income tax expense increased $40 million to $244 million compared to $204 million for the same period in 2023. Current tax expense has historically approximated our cash tax rate however the quarterly expense can sometimes fall outside of the annual range due to out of period adjustments. Current tax expense reflects gross taxes before the application of R&D tax credits which are classified as part of "other, net" expenses in the statement of income (loss). The Company's consolidated effective tax rate in respect of continuing operations for the three and twelve months ended December 31, 2024 was 12% and 24% respectively (-77% and 77% for the three and twelve months ended December 31, 2023 respectively). The effective tax rates are impacted by the redeemable preferred securities expense, which is not deductible for tax purposes.

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

Net Income and Earnings per Share:

Net income attributable to common shareholders of CSI for the quarter ended December 31, 2024 was $285 million compared to $141 million for the same period in 2023. On a per share basis this translated into net income per diluted share of $13.44 in the quarter ended December 31, 2024 compared to net income per diluted share of $6.65 for the same period in 2023. For the year ended December 31, 2024, net income attributable to common shareholders of CSI was $731 million or $34.48 per diluted share compared to $565 million or $26.67 per diluted share for the same period in 2023. There was no change in the number of shares outstanding.

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

For the quarter ended December 31, 2024, CFO increased $167 million to $678 million compared to $511 million for the same period in 2023 representing an increase of 33%. For the year ended December 31, 2024, CFO increased $417 million to $2,196 million compared to $1,779 million for the same period in 2023 representing an increase of 23%.

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

For the quarter ended December 31, 2024, FCFA2S increased $157 million to $482 million compared to $325 million for the same period in 2023 representing an increase of 48%. For the year ended December 31, 2024, FCFA2S increased $312 million to $1,472 million compared to $1,160 million for the same period in 2023 representing an increase of 27%.

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

	Three months ended December 31,		Year ended December 31,	
	2024	2023	2024	2023
	($ in millions)		($ in millions)	
Net cash flows from operating activities	678	511	2,196	1,779
Adjusted for:				
Interest paid on lease obligations	(4)	(3)	(14)	(11)
Interest paid on debt	(37)	(37)	(178)	(133)
Proceeds from sale of interest rate cap	-	-	-	5
Debt transaction costs	(3)	(2)	(16)	(5)
Payments of lease obligations	(29)	(31)	(118)	(109)
IRGA / TSS membership liability revaluation charge	(61)	(58)	(183)	(152)
Property and equipment purchased	(25)	(13)	(67)	(42)
Interest and dividends received	9	2	33	3
	527	369	1,653	1,333
Less amount attributable to Non-controlling interests	(45)	(44)	(180)	(173)
Free cash flow available to shareholders	482	325	1,472	1,160

Due to rounding, certain totals may not foot.

Quarterly Results

	Quarter Ended								
	Dec. 31 2022	Mar. 31 2023	Jun. 30 2023	Sep. 30 2023	Dec. 31 2023	Mar. 31 2024	Jun. 30 2024	Sep. 30 2024	Dec. 31 2024
Revenue	1,847	1,919	2,039	2,126	2,323	2,353	2,468	2,541	2,703
Net income (loss) *	152	94	103	227	141	105	177	164	285
CFO	400	632	123	513	511	737	265	517	678
FCFA2S	290	453	14	367	325	446	182	362	482
Net income per share *									
Basic & diluted	7.19	4.44	4.88	10.70	6.64	4.95	8.35	7.74	13.44
CFO per share									
Basic & diluted	18.89	29.85	5.78	24.22	24.09	34.76	12.51	24.37	31.99
FCFA2S per share									
Basic & diluted	13.68	21.37	0.68	17.33	15.33	21.04	8.61	17.06	22.76

* 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 typically the lowest. The key driver impacting this seasonality is the timing of annual maintenance contract renewals. Our quarterly results may also fluctuate as a result of the various acquisitions which may be completed by the Company in any given quarter. We may experience variations in our net income on a quarterly basis depending upon the timing of certain expenses or gains, which may include changes in provisions, acquired contract liabilities, foreign exchange gains and losses, bargain purchase gains, and gains or losses on the sale of financial and other assets.

Spin-Outs

Topicus.com Inc.

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

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

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

Lumine Group Inc.

On February 22 and 23, 2023 (as part of a series of transactions relating to the acquisition of WideOrbit Inc. ("WideOrbit")), the Company's subsidiary, Lumine Group Inc. ("Lumine"), completed a corporate reorganization. See "Preferred Share Investment in Lumine" 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 Lumine Special Shares. As a result, the Company controls Lumine and has consolidated Lumine's financial position and results of operations. As at December 31, 2024, the Company holds 157,553,539 Lumine Subordinate Voting Shares and now reflects an equity interest of 61.40% (December 31, 2023 – 0%) in Lumine and a non-controlling interest of 38.60% (December 31, 2023 – 100%).

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

Selected Balance Sheet Information
As at December 31, 2024

(Unaudited)	**Constellation Software Inc. (excluding Topicus & Lumine)**	**Topicus**	**Lumine**	**Consolidated**
Cash	1,555	214	211	1,980
Bank debt, bonds and debentures	2,910	286	279	3,474

Statement of Income
(Excluding intercompany activity)

(Unaudited)	For the three months ended December 31, 2024				For the year ended December 31, 2024			
	Constellation Software Inc. (excluding Topicus & Lumine)	Topicus	Lumine	Consolidated	Constellation Software Inc. (excluding Topicus & Lumine)	Topicus	Lumine	Consolidated
Revenue	**2,130**	**386**	**187**	**2,703**	**8,007**	**1,391**	**668**	**10,066**
Expenses	1,590	273	118	1,980	6,079	1,025	455	7,559
Amortization of intangible assets	208	39	26	273	789	147	108	1,044
Foreign exchange (gain) loss	(44)	1	1	(42)	(34)	1	6	(26)
IRGA / Membership liability revaluation charge	61	-	-	61	183	-	-	183
Finance and other income	(5)	(4)	(1)	(10)	(51)	(6)	(2)	(60)
Bargain purchase gain	(6)	(0)	-	(6)	(10)	(1)	-	(10)
Impairment of intangible and other non-financial assets	11	(0)	-	11	27	1	-	28
Redeemable preferred securities expense (income)	-	-	-	-	-	-	58	58
Finance costs	59	7	6	73	230	29	21	280
Income (loss) before income taxes	256	70	38	364	794	195	23	1,011
Income tax expense (recovery)								
Current income tax expense (recovery)	101	19	9	129	417	68	40	525
Deferred income tax expense (recovery)	(76)	(7)	(1)	(85)	(230)	(31)	(20)	(281)
Income tax expense (recovery)	25	11	8	44	187	37	20	244
Net income (loss)	**231**	**59**	**30**	**320**	**606**	**158**	**3**	**767**
Net cash flows from operating activities	**543**	**83**	**52**	**678**	**1,705**	**375**	**116**	**2,196**

Foreign Exchange Adjusted Organic Revenue Growth
(Excluding intercompany activity)

	For the three months ended December 31, 2024				For the year ended December 31, 2024			
	Constellation Software Inc. (excluding Topicus & Lumine)	Topicus	Lumine	Consolidated	Constellation Software Inc. (excluding Topicus & Lumine)	Topicus	Lumine	Consolidated
Licenses	-19%	14%	-38%	-18%	-17%	6%	-36%	-18%
Professional services	-2%	3%	-35%	-3%	-3%	-2%	-18%	-4%
Hardware and other	10%	-4%	-31%	4%	1%	-8%	-47%	-5%
Maintenance and other recurring	5%	6%	6%	5%	6%	7%	2%	6%
Revenue	2%	5%	-9%	2%	3%	4%	-9%	2%

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 twelve months ended December 31, 2024. Altera is not considered a reportable operating segment of Constellation, however, management has chosen to provide certain supplemental financial information to provide greater clarity into the operating performance and cash flow from operations of Altera considering the size of the business and its impact on the results of Constellation.

Selected Balance Sheet Information
As at December 31, 2024

(Unaudited)	Constellation Software Inc. (excluding Altera)	Altera	Consolidated
Cash	1,869	111	1,980
Bank debt, bonds and debentures	3,216	258	3,474

Statement of Income
(Excluding intercompany activity)

	For the three months ended December 31, 2024			For the year ended December 31, 2024		
(Unaudited)	Constellation Software Inc. (excluding Altera)	Altera	Consolidated	Constellation Software Inc. (excluding Altera)	Altera	Consolidated
Revenue	**2,516**	**187**	**2,703**	**9,299**	**767**	**10,066**
Expenses	1,816	164	1,980	6,925	634	7,559
Amortization of intangible assets	255	18	273	973	71	1,044
Foreign exchange (gain) loss	(46)	4	(42)	(29)	2	(26)
IRGA / Membership liability revaluation charge	61	-	61	183	-	183
Finance and other income	(14)	3	(10)	(62)	3	(60)
Bargain purchase gain	(6)	-	(6)	(10)	-	(10)
Impairment of intangible and other non-financial assets	11	-	11	28	-	28
Redeemable preferred securities expense (income)	-	-	-	58	-	58
Finance costs	68	4	73	262	18	280
Income (loss) before income taxes	370	(7)	364	971	40	1,011
Income tax expense (recovery)						
Current income tax expense (recovery)	124	5	129	497	27	525
Deferred income tax expense (recovery)	(75)	(10)	(85)	(258)	(22)	(281)
Income tax expense (recovery)	49	(5)	44	239	5	244
Net income (loss)	**322**	**(2)**	**320**	**732**	**35**	**767**
Net cash flows from operating activities	**655**	**23**	**678**	**2,081**	**116**	**2,196**
Free cash flow available to shareholders	**466**	**16**	**482**	**1,384**	**88**	**1,472**

Foreign Exchange Adjusted Organic Revenue Growth
(Excluding intercompany activity)

	For the three months ended December 31, 2024			For the year ended December 31, 2024		
	Constellation Software Inc. (excluding Altera)	Altera	Consolidated	Constellation Software Inc. (excluding Altera)	Altera	Consolidated
Licenses	-17%	-42%	-18%	-17%	-33%	-18%
Professional services	-2%	-11%	-3%	-2%	-11%	-4%
Hardware and other	5%	-289%	4%	-5%	-127%	-5%
Maintenance and other recurring	6%	-5%	5%	6%	0%	6%
Revenue	3%	-9%	2%	3%	-5%	2%

Liquidity

	December 31, 2024	December 31, 2023	Variance
Cash	**1,980**	**1,284**	**696**
Debt with recourse to Constellation Software Inc.	2,159	1,723	435
Debt without recourse to Constellation Software Inc.	2,008	1,610	398
Debt	**4,166**	**3,334**	**833**
Cash less Debt	**(2,187)**	**(2,050)**	**(137)**

Cash flows from operations exceeded the net capital deployed on acquisitions plus dividends during the twelve months ended December 31, 2024. Cash increased by $696 million to $1,980 million at December 31, 2024 compared to $1,284 million at December 31, 2023 and debt increased by $833 million to $4,166 million at December 31, 2024 compared to $3,334 million at December 31, 2023.

Total assets increased $2,001 million, from $10,862 million at December 31, 2023 to $12,863 million at December 31, 2024. The increase is primarily due to the $696 million increase in cash, the $154 million increase in accounts receivable, the $111 million increase in deferred income taxes, and the $795 million increase in intangible assets. At December 31, 2024 Topicus, Lumine and other subsidiaries with non-recourse debt facilities hold approximately $670 million of cash. As explained in the "Capital Resources and Commitments" section below, there are limitations on the ability of these subsidiaries to distribute funds to Constellation.

Current liabilities decreased $811 million, from $5,483 million at December 31, 2023 to $4,672 million at December 31, 2024. The decrease is primarily due to a decrease in redeemable preferred securities of $814 million, and a decrease in debt with recourse to Constellation of $557 million offset by an increase in accounts payable and accrued liabilities of $162 million, and an increase in deferred revenue of $210 million mainly due to acquisitions made since December 31, 2023 and the timing of maintenance and other billings versus performance and delivery under those customer arrangements.

Net Changes in Cash Flows ($ in millions)	**Year ended December 31, 2024**	**Year ended December 31, 2023**
Net cash provided by operating activities	2,196	1,779
Net cash from (used in) financing activities	114	316
Cash used in the acquisition of businesses	(1,683)	(1,847)
Cash obtained with acquired businesses	164	152
Net cash from (used in) other investing activities	(48)	56
Net cash from (used in) investing activities	(1,567)	(1,639)
Effect of foreign currency	(48)	17
Net increase (decrease) in cash and cash equivalents	**696**	**473**

The net cash flows from operating activities were $2,196 million for the twelve months ended December 31, 2024. The $2,196 million provided by operating activities resulted from net income of $767 million plus $1,934 million of adjustments to net income (primarily amortization of intangible assets, depreciation, redeemable preferred securities expense, IRGA/TSS Membership liability revaluation charge, finance costs and income tax expense), offset by $45 million of cash used in non-cash working capital and $460 million in taxes paid.

The net cash flows from financing activities for the twelve months ended December 31, 2024 were $114 million, which is mainly a result of a net increase in debt facilities of $726 million offset by dividends paid to non-controlling interests of $89 million, a distribution to the Joday group of $64 million, principal repayments to the Joday group pursuant to the exercise of a call option of $22 million, dividends paid to common shareholders of $85 million, lease obligation payments of $118 million, and interest payments of $193 million.

The net cash flows used in investing activities for the twelve months ended December 31, 2024 were $1,567 million. The cash used in investing activities was primarily due to acquisitions for an aggregate of $1,683 million (including payments for holdbacks relating to prior acquisitions), offset by $164 million of acquired cash.

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

Capital Resources and Commitments

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

	CSI Facility	Senior Notes	Liability of CSI under the IRGA	Debentures	Term Loan	Total
Principal outstanding at December 31, 2024 (and, except for debentures, equal to fair value)	$ -	$ 1,000	$ 693	$ 345	$ 81	2,119
Deduct: Unamortized transaction costs included in debt balance	-	(8)	-	-	(0)	(8)
Add: Unamortized debt premium	-	-	-	48	-	48
Carrying value at December 31, 2024	-	992	693	392	81	2,159
Current portion	-	-	303	-	-	303
Non-current portion	-	992	389	392	81	1,855

CSI Facility

On January 31, 2024, the Company completed an amendment and restatement of its existing credit facility agreement (the "CSI Facility"). The facility limit was increased from $840 million to $1,085 million, with a syndicate of existing and new institutions. The agreement has also moved from a secured to an unsecured facility structure, which continues to be available for general corporate purposes including acquisitions and working capital. The CSI Facility is guaranteed by certain subsidiaries of the Company. The CSI Facility bears a variable interest rate with no fixed repayments required over the term to maturity. Interest rates are calculated at standard U.S. and Canadian reference rates plus interest rate spreads based on a leverage table. The CSI Facility contains standard events of default which if not remedied within a cure period would trigger the repayment of any outstanding balance. As at December 31, 2024, nil had been drawn from this credit facility, and letters of credit totaling $13 million were issued, which limits the borrowing capacity on a dollar-for-dollar basis. CSI accounted for the January 31, 2024 amendment as an extinguishment under IFRS and as a result, all previously capitalized transactions costs were written-off during the three months ended March 31, 2024.

Senior Notes

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

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

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

On January 5, 2021, the Members Agreement was terminated in conjunction with the acquisition of Topicus.com B.V., the reorganization of Topicus Coop and the execution of the IRGA. The IRGA was established to create certain contractual obligations of the parties in respect of the governance of Topicus and Topicus Coop. As of December 31, 2024 the Joday Group's interest in Topicus Coop comprised 38,148,221 Topicus Coop Ordinary Units resulting in an interest of 29.38% in Topicus Coop. The IRGA provides for transfer restrictions in respect of the Topicus Coop Units.

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

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

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

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

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

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

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

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

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

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

The liability recorded on the balance sheet at December 31, 2024 was $693 million.

<u>Debentures</u>

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

The total principal value of debentures outstanding at December 31, 2024 was $345 million (C$495 million).

Guarantees

One of CSI's subsidiaries has entered into a $81 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 December 31, 2024 (and equal to fair value)	$ 229	$ 1,293	$ 500	2,021
Deduct: Carrying value of transaction costs included in debt balance	(3)	(11)	-	(13)
Carrying value at December 31, 2024	226	1,281	500	2,007
Current portion	226	91	-	317
Non-current portion	-	1,190	500	1,690

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 million which was included in the purchase consideration. Under certain conditions, the Lumine Special Shares were retractable at the option of the holder for a retraction price of the Initial Face Value per Lumine Special Share plus one Lumine Subordinate Voting Share for each Lumine Special Share held and had been classified as a liability on the balance sheet of the Company. The Lumine Special Shares were also convertible into Lumine Subordinate Voting Shares at a conversion ratio of 1:3.4302106 at any time. The holders of the Lumine Special Shares were also entitled to a fixed annual cumulative dividend of 5% per annum.

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

Other commitments

Commitments include operating leases for office equipment and facilities, letters of credit and performance bonds issued on our behalf by financial institutions in connection with facility leases and contracts with public sector customers. Also, occasionally we structure some of our acquisitions with contingent consideration based on the future performance of the acquired business. The fair value of contingent consideration recorded in our statement of financial position was $174 million at December 31, 2024. Aside from the aforementioned, we do not have any other business arrangements, derivative financial instruments, or any equity interests in non-consolidated entities that would have a significant effect on our assets and liabilities as at December 31, 2024.

Contractual obligations at December 31, 2024 are summarized below.

(in millions of dollars)

	Total	< 1 yr	1-5 yrs	> 5 yrs
Lease obligations	409	121	240	48
Holdbacks	359	225	134	-
Liability of CSI under the terms of the IRGA/TSS Members Agreement	693	303	389	-
Debentures	392	-	-	392
Term Loan	81	-	81	-
CSI revolving credit facility	-	-	-	-
Senior Notes	1,000	-	500	500
Topicus revolving credit facility without recourse to Constellation Software Inc.	229	229	-	-
Promissory note	500	-	7	493
Other debt facilities without recourse to Constellation Software Inc.	1,293	95	1,195	3
Total outstanding commitments	4,955	973	2,546	1,436

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 March 7, 2025. See note 10 to the Annual Consolidated Financial Statements for the year ended December 31, 2024 for a discussion on the valuation methodology utilized.

Financial Instruments

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

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

	December 31, 2024				December 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Equity securities held for trading	$ 14	$ -	$ -	$ 14	$ 14	$ -	$ -	$ 14
	14	**-**	**-**	**14**	**14**	**-**	**-**	**14**
Liabilities:								
Redeemable preferred securities	$ -	$ -	$ -	$ -	$ -	$ -	$ 814	$ 814
Contingent consideration	-	-	174	174	-	-	192	192
	-	**-**	**174**	**174**	**-**	**-**	**1,006**	**1,006**

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

Foreign Currency Exposure

We operate internationally and have foreign currency risks related to our revenue, operating expenses, assets and liabilities denominated in currencies other than the U.S. dollar. Consequently, we believe movements in the foreign currencies in which we transact will impact future revenue and net income. The impact to organic revenue growth for the three and twelve months ended December 31, 2024 was approximately negative 0.5% and negative 0.1% 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 twelve months ended December 31, 2024, the Company did not purchase any contracts of this nature.

The following table provides an approximate breakdown of our revenue and expenses by currency, expressed as a percentage of total revenue and expenses, as applicable, for the three and twelve months ended December 31, 2024:

	Three Months Ended December 31, 2024		Year Ended December 31, 2024	
Currencies	% of Revenue	% of Expenses	% of Revenue	% of Expenses
USD	52%	47%	53%	48%
EUR	19%	19%	19%	19%
GBP	8%	8%	8%	8%
CAD	5%	7%	5%	8%
AUD	4%	3%	4%	3%
BRL	2%	2%	2%	2%
CHF	1%	2%	1%	2%
SEK	1%	1%	1%	1%
Others	8%	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.

Critical Accounting Estimates

General

The preparation of our consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Our estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Our ongoing evaluation of these estimates forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of revenues and expenses, in cases where they are not readily ascertainable from other sources. Actual amounts may differ from these estimates under different assumptions or conditions.

Our significant accounting policies are fully described in Note 3 to our annual consolidated financial statements which are available on SEDAR (www.sedarplus.ca). Certain accounting policies are particularly important to the reporting of our financial position and results of operations, and require the application of significant judgment by our management. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different, estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could have a material impact on the financial statements. Management believes the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of our consolidated financial statements. We believe that there have been no significant changes in our critical accounting estimates for the years presented in our consolidated financial statements.

Revenue Recognition

Revenue represents the amount the Company expects to receive for products and services in its contracts with customers, net of discounts and sales taxes. The Company reports revenue under four revenue categories being, License, Hardware and other, Professional services, and Maintenance and other recurring revenue. Software license revenue is comprised of non-recurring license fees charged for the use of software products licensed under multiple-year or perpetual arrangements. 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. 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.

Contracts with multiple products or services

Typically, the Company enters into contracts that contain multiple products and services such as software licenses, hosted software-as-a-service, maintenance, professional services, and hardware. The Company evaluates these arrangements to determine the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the product or service is distinct from some or all of the other products or services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and Constellation's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct products and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation.

Where a contract consists of more than one performance obligation, revenue is allocated to each based on their estimated standalone selling price.

Nature of products and services

The Company sells on-premise software licenses on both a perpetual and specified-term basis. Revenue from the license of distinct software is recognized at the time that both the right-to-use the software has commenced and the software has been made available to the customer. Certain of the Company's contracts with customers contain provisions that require the customer to renew optional support and maintenance in order to maintain the active right to use a perpetual or term license. The renewal payments after the initial bundled support and maintenance term in these cases apply to both the continued right-to-use the license and the support and maintenance renewal. Where the fees payable for the initial term are incremental to the fees for the renewal terms, the excess is treated as a prepayment for expected renewals and allocated (amortized) evenly over the expected customer renewals, up to the estimated life of the software that is typically 4-6 years.

Revenue from the license of software that involves complex implementation or customization that is not distinct, and/or includes sales of hardware that is not distinct, is recognized as a combined performance obligation using the percentage-of-completion method based primarily on labour hours. The percentage-of-completion method based on labour hours requires the Company to make significant judgments to determine the estimated hours to completion which affects the timing of revenue recognized.

A portion of the Company's sales, categorized as hardware and other revenue, are accounted for as product revenue. Product revenue is recognized when control of the product has transferred under the terms of an enforceable contract.

Revenue related to the customer reimbursement of travel related expenses incurred during a project implementation where the Company is the principal in the arrangement is included in the hardware and other revenue category. Revenue is recognized as costs are incurred which is consistent with the period in which the costs are invoiced. Reimbursable travel expenses incurred for which an invoice has not been issued, are recorded as part of unbilled revenue on the statement of financial position.

Maintenance and other recurring revenue primarily consists of fees charged for customer support on software products post-delivery and also includes, to a lesser extent, recurring fees derived from software licenses that are not distinct from maintenance, transaction revenues, managed services, and hosted products.

Revenue from software-as-a-service (SaaS) arrangements, which allows customers to use hosted software over a term without taking possession of the software, are provided on a subscription basis. Revenue from the SaaS subscription, which includes the hosted software and maintenance is recognized rateably over the term of the subscription. Significant incremental payments for SaaS in an initial term are recognized rateably over the expected renewal periods, up to the estimated life of the software.

Professional services revenue including installation, implementation, training and customization of software is recognized by the stage of completion of the performance obligation determined using the percentage of completion method noted above or as such services are performed as appropriate in the circumstances. Professional services revenue also includes managed services not associated with CSI software. The revenue and profit of fixed price contracts is recognized on a percentage of completion basis when the outcome of a contract can be estimated reliably. When the outcome of the contract cannot be estimated reliably but the Company expects to recover its costs, the amount of expected costs is treated as variable consideration and the transaction price is updated as more information becomes known.

The timing of revenue recognition often differs from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts are included in unbilled revenue. Amounts billed in accordance with customer contracts, but not yet earned, are recorded and presented as part of deferred revenue.

Valuation of Identifiable Goodwill and Other Intangible Assets

Acquisitions have been accounted for using the acquisition method required by IFRS 3. Goodwill arising on acquisitions is measured as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, if any, less the net recognized amount of the estimated fair value of identifiable assets acquired and liabilities assumed (subject to certain exemptions to fair value measurement principles such as deferred tax assets or liabilities), all measured as of the acquisition date. When the excess of the consideration transferred less the assets and liabilities acquired is negative, a bargain purchase gain is recognized immediately in profit or loss. Transaction costs that the Company incurs in connection with a business combination are expensed as incurred.

We use the income approach to value acquired technology and customer related intangible assets, which are the two material intangible asset categories reported in our financial statements.

The income approach is a valuation technique that calculates the fair value of an intangible asset based on the cash flows that the asset can be expected to generate over its remaining useful life. We utilize the discounted cash flow ("DCF") methodology which is a form of the income approach that begins with a forecast of the annual cash flows a market participant would expect the subject intangible asset to generate over a discrete projection period. The forecasted cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the intangible assets' projected cash flows, again, from a market participant perspective. The present value of the forecasted cash flows are then added to the present value of the residual value of the intangible asset (if any) at the end of the discrete projection period to arrive at a conclusion with respect to the estimated fair value of the subject intangible asset.

Specifically, we rely on the relief-from-royalty method to value the acquired technology and the multiple-period excess earnings method ("MEEM") to value customer relationship assets.

The underlying premise of the relief-from-royalty method is that the fair value of the technology is equal to the costs savings (or the "royalty avoided") resulting from the ownership of the asset by the avoidance of paying royalties to license the use of the technology from another owner. Accordingly the income forecast reflects an estimate of a fair royalty that a licensee would pay, on a percentage of revenue basis, to obtain a license to utilize the technology.

The MEEM method isolates the cash flows attributable to the subject asset by utilizing a forecast of expected cash flows less the returns attributable to other enabling assets, both tangible and intangible.

Goodwill is initially recorded when the purchase price paid for an acquisition exceeds the fair value assigned to the net identifiable tangible and intangible assets acquired. Goodwill is not amortized but rather it is periodically assessed for impairment.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired. We perform an annual review in the fourth quarter of each fiscal year, or more frequently if indicators of potential impairment exist, to determine if the recorded goodwill is impaired. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee. No such losses have been recognized during the year.

The impairment test methodology is based on a comparison between the higher of fair value less costs to sell and value-in-use of each of the Company's cash generating units ("CGU") and the net asset carrying values (including goodwill). Within the Company's reporting structure, business units generally reflect the CGU and are one level below the six operating groups (Volaris, Harris, Topicus, Jonas, Perseus, and Vela Operating Groups). In determining the recoverable amount, the Company applies an estimated market valuation multiple to the business unit's most recent annual recurring revenues, which are generally derived from post-contract customer support revenues, transactional revenues, and hosted products revenues. Valuation multiples applied by the Company for this purpose reflect current market conditions specific to the business unit and are assessed for reasonability by comparison to the Company's current and past acquisition experience involving ranges of revenue-based multiples required to acquire representative software companies and the Company's overall revenue based-trading multiple. In addition, in certain instances, the recoverable amount is determined using a value-in-use approach which follows the same valuation process that is undertaken for the Company's business acquisitions. An impairment is recognized if the carrying amount of a CGU exceeds its estimated recoverable amount. The recoverable amount of goodwill is estimated annually on December 31 of each year or whenever events or changes in circumstances indicate that the carrying value may be impaired.

We also review the carrying value of amortizable intangible assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. Any change in estimate which causes the undiscounted expected future cash flows to be less than the carrying value, would result in an impairment loss being recognized equal to the amount by which the carrying value of the asset exceeds the fair value of the asset.

Accounting for Income Taxes

Significant management judgment is required in determining our provision for income taxes, our income tax assets and liabilities, and any valuation allowance recorded against our net income tax assets. We operate in multiple geographic jurisdictions, and to the extent that we have profits in each jurisdiction, these profits are taxed pursuant to the tax laws of their jurisdiction. Our effective tax rate may be affected by changes in, or interpretations of, tax laws in any given jurisdiction, the level of profitability, utilization of net operating losses and tax credit carry forwards, changes in geographical mix of income and expense, and changes in management's assessment of matters, such as the ability to realize future tax assets. As a result of these considerations, we must estimate our income taxes in each of the jurisdictions in which we operate on a quarterly basis. This process involves estimating our actual current tax exposures, together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in future tax assets and liabilities, which are included in our consolidated balance sheet.

Current tax is the expected taxes payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but we intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits, difference in tax bases in the purchaser's tax jurisdiction and its cost as reported in the consolidated financial statements as a result of an intra-group transfer of assets and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

We are subject to income tax audits by various authorities in respect of prior periods that could result in additional tax expense in future periods. While the outcome of current outstanding actions and claims remains uncertain, it is expected that they will be resolved without a material impact to our financial position. However, there can be no assurances as to the final resolution of these matters and, if the final outcome is adverse to us, the amounts we will be required to pay and the loss of certain future tax deductions could be material to our financial statements.

Accounts Receivable

We evaluate the collectability of our trade receivables at both a specific and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired, together with receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

Work In Progress

For revenue arrangements that are accounted for under the percentage of completion method as well as other arrangements and contracts which limit our ability to invoice at certain milestones that do not match the timing of the actual provision of the services, we record such revenue and the related unbilled receivable in work in process. Similar to accounts receivable, we constantly have to evaluate our ability to bill and subsequently collect any amounts contained in the work in progress accounts. We review these balances on a periodic basis to ensure customer balances are prudent based upon a variety of factors, such as the financial health of the customer, macroeconomic considerations and historical experience. If circumstances related to specific customers change, our estimates of the recoverability of work in progress may be further adjusted.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the estimated future cash flows required to settle the present obligation, based on the most reliable evidence available at the reporting date. The estimated cash flows are discounted at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amortization of the discount is recognized as part of finance costs.

We are currently involved in various claims and legal proceedings. Quarterly, we review the status of each significant matter and assess our potential financial exposure. Because of the uncertainties related to these matters, provisions are based only on the best information available at the time. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and, if necessary, revise our provisions. Such revisions in the estimates of the potential liabilities could have a material impact on our results of operations and financial position.

Share Capital

As at March 7, 2025, there were 21,191,530 common shares outstanding.

Risks and Uncertainties

The Company's business is subject to a number of risk factors which are described in our most recently filed AIF. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the common shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the common shares could decline, and shareholders may lose all or part of their investment.

Controls and Procedures

Disclosure controls and procedures:

Management is responsible for establishing and maintaining disclosure controls and procedures as defined under National Instrument 52-109. At December 31, 2024, 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.

At December 31, 2024, the President and Chief Financial Officer, based on the investigation and advice of those under their supervision, have concluded that the Company's ICFR was effective.

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 December 31, 2024 that have materially affected, or are reasonably likely to materially affect the Company's ICFR. No such changes were identified through their evaluation.

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

Subsequent Events

On March 7, 2025 the Company declared a $1.00 per share dividend that is payable on April 15, 2025 to all common shareholders of record at close of business on March 28, 2025.

On January 31, 2025, the Company purchased 8,300,029 shares in Asseco Poland S.A. ("Asseco") representing approximately 9.99% of the issued shares in Asseco. The shares were acquired at a price of 85 PLN per share. Asseco offers comprehensive, proprietary IT solutions for all sectors of the economy.

On February 4, 2025, the Company entered into a binding agreement in respect of the acquisition of 12,318,863 treasury shares of Asseco. These shares represent 14.84% of Asseco's share capital and will be purchased at a price of PLN 85 per share. The completion of the acquisition of the treasury shares remains subject to obtaining relevant regulatory and antitrust approvals.

Subsequent to December 31, 2024, the Company completed or has open commitments to acquire a number of businesses for aggregate cash consideration of $289 million on closing plus cash holdbacks of $44 million and contingent consideration with an estimated fair value of $23 million for total consideration of $357 million. The business acquisitions include companies catering primarily to the software development, maintenance, automotive, hospitality, human resources, communications, fashion, technical service provider, information technology, marketing, forestry, engineering, government, healthcare, manufacturing, travel, construction and supply chain verticals and are all software companies similar to the existing business of the Company.

Consolidated Financial Statements
(In U.S. dollars)

CONSTELLATION SOFTWARE INC.

For the years ended December 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Constellation Software Inc.

Opinion

We have audited the consolidated financial statements of Constellation Software Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2024 and December 31, 2023
- the consolidated statements of income (loss) for the years then ended
- the consolidated statements of comprehensive income (loss) for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2024 and December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matters to be communicated in our auditor's report.

Determination of distinct professional services performance obligation in customer contracts containing multiple performance obligations and estimation of hours to complete for certain percentage-of-completion ("POC") arrangements

Description of the matter

We draw attention to Notes 2(d) and 3(k) to the financial statements. The Entity has recognized revenue of $10,066 million. A portion of revenue is associated with customer contracts that contain multiple products and services such as software licenses, maintenance and other recurring services, professional services, and hardware. The Entity uses significant judgment to assess whether professional services sold in a customer contract are considered distinct and should be accounted for as separate performance obligations. Revenue from the license of software that involves complex implementation or customization that is not distinct, and/or includes sales of hardware that is not distinct, is recognized as a combined performance obligation using the percentage-of-completion (POC) method based primarily on labour hours. The Entity applies significant judgment to determine the estimated hours to completion which affect the timing of recognition of revenue for professional services and non-distinct license and/or hardware.

Why the matter is a key audit matter

We identified the determination of distinct professional services performance obligations in customer contracts containing multiple performance obligations and the estimation of hours to complete for certain POC arrangements, being contracts where revenue recognition is based on estimated hours to completion, as a key audit matter. Significant auditor judgment was required to evaluate the Entity's significant judgments of whether professional services are distinct or non-distinct and the estimated hours to completion for arrangements that are completed over an extended period. There was significant auditor effort, involving more senior professionals, required to address this matter.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the design, and tested the operating effectiveness of certain controls over revenue recognition including controls related to the Entity's process to identify distinct professional services performance obligations in certain customer contracts and controls over the estimation of hours to completion for POC arrangements, inclusive of executed contract amendments and change orders.

For a selection of new customer contracts, we assessed the Entity's determination of distinct/non-distinct professional services performance obligations, if any, by examining the contract source documents, comparing to the Entity's past assessments for similar contracts, and practices observed in the Entity's industry.

For a selection of POC arrangements where revenue recognition is based on the estimated hours to completion, we interviewed operational personnel responsible for the contract. We obtained an understanding of the original estimated hours to completion and any increase or decrease to the estimated hours to completion as the contract progresses and inspected correspondence such as project planning documents and change requests, if any, between the Entity and its customers.

In addition, we assessed the Entity's historical ability to accurately estimate hours to completion by performing an analysis of a selection of completed contracts to compare actual hours incurred upon completion to the initial estimated hours to completion.

Other Information

Management is responsible for the other information. Other information comprises:

- The information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

The engagement partner on the audit resulting in this auditor's report is Anuj Madan.

Vaughan, Canada

March 7, 2025

CONSTELLATION SOFTWARE INC.

Consolidated Statements of Financial Position

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

	December 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash	$ 1,980	$ 1,284
Accounts receivable (note 21)	1,292	1,138
Unbilled revenue (note 22)	369	325
Inventories (note 5)	56	51
Other assets (note 6)	597	541
	4,294	3,339
Non-current assets:		
Property and equipment (note 7)	223	142
Right of use assets (note 8)	328	312
Deferred income taxes (note 16)	219	108
Other assets (note 6)	329	286
Intangible assets (note 9)	7,470	6,675
	8,569	7,523
Total assets	$ 12,863	$ 10,862
Liabilities and Shareholders' Equity		
Current liabilities:		
Debt with recourse to Constellation Software Inc. (note 10)	$ 303	$ 861
Debt without recourse to Constellation Software Inc. (note 11)	319	225
Redeemable preferred securities (note 12)	-	814
Accounts payable and accrued liabilities	1,589	1,427
Dividends payable (note 17)	21	21
Deferred revenue (note 22)	1,967	1,757
Provisions (note 13)	22	9
Acquisition holdback payables	225	168
Lease obligations (note 14)	115	112
Income taxes payable (note 15)	111	89
	4,672	5,483
Non-current liabilities:		
Debt with recourse to Constellation Software Inc. (note 10)	1,855	863
Debt without recourse to Constellation Software Inc. (note 11)	1,689	1,385
Deferred income taxes (note 16)	673	604
Acquisition holdback payables	134	88
Lease obligations (note 14)	252	236
Other liabilities (note 6)	300	242
	4,903	3,418
Total liabilities	9,575	8,901
Shareholders' equity (note 17):		
Capital stock	99	99
Accumulated other comprehensive income (loss)	(224)	(99)
Retained earnings	2,919	1,876
Non-controlling interests (notes 1, 12 and 28)	493	85
	3,288	1,961
Subsequent events (notes 17 and 29)		
Total liabilities and shareholders' equity	$ 12,863	$ 10,862

See accompanying notes to the consolidated financial statements.

CONSTELLATION SOFTWARE INC.

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

	Years ended December 31, 2024	2023
Revenue		
License	$ 393	$ 386
Professional services	1,975	1,766
Hardware and other	302	268
Maintenance and other recurring	7,396	5,985
	10,066	8,407
Expenses		
Staff	5,322	4,493
Hardware	169	158
Third party license, maintenance and professional services	960	810
Occupancy	64	51
Travel, telecommunications, supplies, software and equipment	502	398
Professional fees	178	151
Other, net	182	138
Depreciation (note 7 and 8)	182	162
Amortization of intangible assets (note 9)	1,044	859
	8,602	7,219
Foreign exchange loss (gain)	(26)	43
IRGA/TSS Membership liability revaluation charge (note 10)	183	152
Finance and other expense (income) (note 18)	(60)	(34)
Bargain purchase gain (note 4)	(10)	(54)
Impairment of intangible and other non-financial assets (note 9)	28	26
Redeemable preferred securities expense (income) (note 12)	58	597
Finance costs (note 18)	280	192
	452	922
Income (loss) before income taxes	1,011	265
Current income tax expense (recovery) (note 15)	525	370
Deferred income tax expense (recovery) (note 16)	(281)	(166)
Income tax expense (recovery)	244	204
Net income (loss)	767	62
Net income (loss) attributable to:		
Common shareholders of Constellation Software Inc. (notes 1 and 28)	731	565
Non-controlling interests (notes 1, 12 and 28)	37	(503)
Net income (loss)	767	62
Earnings per common share of Constellation Software Inc.		
Basic and diluted (note 19)	$ 34.48	$ 26.67

See accompanying notes to the consolidated financial statements.

CONSTELLATION SOFTWARE INC.

Consolidated Statements of Comprehensive Income (loss)

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

	Years ended December 31, 2024	Years ended December 31, 2023
Net income (loss)	$ 767	$ 62
Items that are or may be reclassified subsequently to net income (loss):		
Foreign currency translation differences from foreign operations and other, net of tax	(135)	51
Other comprehensive income (loss), net of income tax	(135)	51
Total comprehensive income (loss)	$ 633	$ 113
Total other comprehensive income (loss) attributable to:		
Common shareholders of Constellation Software Inc. (notes 1 and 28)	(119)	38
Non-controlling interests (notes 1, 12 and 28)	(16)	13
Total other comprehensive income (loss)	$ (135)	$ 51
Total comprehensive income (loss) attributable to:		
Common shareholders of Constellation Software Inc. (notes 1 and 28)	612	603
Non-controlling interests (notes 1, 12 and 28)	21	(490)
Total comprehensive income (loss)	$ 633	$ 113

See accompanying notes to the consolidated financial statements.

CONSTELLATION SOFTWARE INC.

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

Year ended December 31, 2024	Equity Attributable to Common Shareholders of CSI					
	Capital stock	**Accumulated other comprehensive income (loss)**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at January 1, 2024	**$ 99**	**$ (99)**	**$ 1,876**	**$ 1,877**	**$ 85**	**$ 1,961**
Total comprehensive income (loss):						
Net income (loss)	-	-	731	731	37	767
Other comprehensive income (loss)						
Foreign currency translation differences from foreign operations and other, net of tax	-	(119)	-	(119)	(16)	(135)
Total other comprehensive income (loss)	**-**	**(119)**	**-**	**(119)**	**(16)**	**(135)**
Total comprehensive income (loss)	**-**	**(119)**	**731**	**612**	**21**	**633**
Transactions with owners, recorded directly in equity						
Non-controlling interests arising from business combinations	-	-	-	-	(0)	(0)
Conversion of Lumine Special Shares to subordinate voting shares of Lumine and settlement of accrued dividend on Lumine Special Shares through the issuance of subordinate voting shares of Lumine (note 12)	-	-	-	-	872	872
Conversion of Lumine Preferred Shares to subordinate voting shares of Lumine and settlement of accrued dividend on Lumine Preferred Shares through the issuance of subordinate voting shares of Lumine (note 1)		(6)	400	394	(394)	-
Other movements in non-controlling interests	-	-	(2)	(2)	(2)	(4)
Dividends paid to non-controlling interests (note 28)	-	-	-	-	(89)	(89)
Dividends to shareholders of the Company (note 17)	-	-	(85)	(85)	-	(85)
Balance at December 31, 2024	**$ 99**	**$ (224)**	**$ 2,919**	**$ 2,795**	**$ 493**	**$ 3,288**

See accompanying notes to the consolidated financial statements.

CONSTELLATION SOFTWARE INC.

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

Year ended December 31, 2023

	Equity Attributable to Common Shareholders of CSI					
	Capital stock	**Accumulated other comprehensive income (loss)**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at January 1, 2023	**$ 99**	**$ (150)**	**$ 1,763**	**$ 1,713**	**$ 221**	**$ 1,933**
Total comprehensive income (loss):						
Net income (loss)	-	-	565	565	(503)	62
Other comprehensive income (loss)						
Foreign currency translation differences from foreign operations and other, net of tax	-	38	-	38	13	51
Total other comprehensive income (loss)	**-**	**38**	**-**	**38**	**13**	**51**
Total comprehensive income (loss)	**-**	**38**	**565**	**603**	**(490)**	**113**
Transactions with owners, recorded directly in equity						
Special dividend of Lumine Subordinate Voting Shares	-	12	(378)	(366)	366	-
Non-controlling interests arising from business combinations					2	2
Acquisition of non-controlling interests	-	-	-	-	(2)	(2)
Conversion of Lumine Special Shares to subordinate voting shares of Lumine	-	-	-	-	5	5
Other movements in non-controlling interests	-	0	15	15	(17)	(2)
Other distributions and movements in equity		2	(4)	(3)	-	(3)
Dividends to shareholders of the Company (note 17)	-	-	(85)	(85)	-	(85)
Balance at December 31, 2023	**$ 99**	**$ (99)**	**$ 1,876**	**$ 1,877**	**$ 85**	**$ 1,961**

See accompanying notes to the consolidated financial statements.

CONSTELLATION SOFTWARE INC.

Consolidated Statements of Cash Flows

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

	Years ended December 31, 2024	2023
Cash flows from (used in) operating activities:		
Net income (loss)	$ 767	$ 62
Adjustments for:		
Depreciation (notes 7 and 8)	182	162
Amortization of intangible assets (note 9)	1,044	859
IRGA/TSS Membership liability revaluation charge (note 10)	183	152
Finance and other expense (income) (note 18)	(60)	(34)
Bargain purchase (gain) (note 4)	(10)	(54)
Impairment of intangible and other non-financial assets (note 9)	28	26
Redeemable preferred securities expense (income) (note 12)	58	597
Finance costs (note 18)	280	192
Income tax expense (recovery)	244	204
Foreign exchange loss (gain)	(26)	43
Depreciation of third party costs	12	-
Change in non-cash operating assets and liabilities exclusive of effects of business combinations (note 26)	(45)	(36)
Income taxes paid	(460)	(394)
Net cash flows from (used in) operating activities	2,196	1,779
Cash flows from (used in) financing activities:		
Interest paid on lease obligations	(14)	(11)
Interest paid on debt	(178)	(133)
Proceeds from sale of interest rate cap	-	5
Increase (decrease) in CSI facility (note 10)	(578)	256
Increase (decrease) in Topicus revolving credit debt facility without recourse to CSI	73	27
Proceeds from issuance of debentures (note 10)	-	209
Proceeds from issuance of Senior Notes (note 10)	1,000	-
Proceeds from issuance of debt facilities without recourse to CSI	381	447
Repayments of debt facilities without recourse to CSI	(149)	(282)
Other financing activities	(25)	(1)
Dividends paid to non-controlling interests (note 28)	(89)	-
Debt transaction costs	(16)	(5)
Payments of lease obligations, net of sublease receipts	(118)	(109)
Distribution to the Joday Group (note 10)	(64)	-
Principal repayments to the Joday Group pursuant to the Call Notice (note 10)	(22)	-
Dividends paid to common shareholders of the Company (note 17)	(85)	(85)
Net cash flows from (used in) in financing activities	114	316
Cash flows from (used in) investing activities:		
Acquisition of businesses (note 4)	(1,347)	(1,609)
Cash obtained with acquired businesses (note 4)	164	152
Post-acquisition settlement payments, net of receipts	(336)	(238)
Purchases of investments and other assets	(8)	(23)
Proceeds from sales of other investments and other assets	7	119
Decrease (increase) in restricted cash	(14)	(2)
Interest, dividends and other proceeds received	33	4
Property and equipment purchased	(67)	(42)
Net cash flows from (used in) investing activities	(1,567)	(1,639)
Effect of foreign currency on cash	(48)	17
Increase (decrease) in cash	696	473
Cash, beginning of period	$ 1,284	$ 811
Cash, end of period	$ 1,980	$ 1,284

See accompanying notes to the consolidated financial statements.

Notes to the consolidated financial statements

1. Reporting entity

Constellation Software Inc. is a company domiciled in Canada. The address of Constellation Software Inc.'s registered office is 66 Wellington Street West, Suite 5300, Toronto, Ontario, Canada. The consolidated financial statements of Constellation Software Inc. as at and for the years ended December 31, 2024 comprise Constellation Software Inc. and its subsidiaries (together referred to as “Constellation”, “CSI”, or the "Company") and the Company's interest in associates. The Company is engaged principally in the development, installation and customization of software as well as in the provisioning of related professional services and support for customers globally across over 100 diverse markets.

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

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

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

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

2. Basis of presentation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board, issued and outstanding as of March 7, 2025, the date the Board of Directors approved such financial statements.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain assets and liabilities initially recognized in connection with business combinations, and certain financial instruments and derivative financial instruments, which are measured at fair value.

(c) Functional and presentation currency

The consolidated financial statements are presented in U.S. dollars, which is Constellation Software Inc.’s functional currency.

(d) Use of estimates and judgements

The preparation of the consolidated 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. 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.

Information about assumptions and estimation uncertainties that have a risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 3(k) - Revenue recognition
Note 3(a)(i) - Business combinations
Note 3(m) - Income taxes
Note 3(d) - Intangible assets
Note 24 - Contingencies

Critical judgements that the Company has made in the process of applying accounting policies disclosed herein and that have a significant effect on the amounts recognized in the consolidated financial statements relate to the (i) determination of functional currencies for Constellation's subsidiaries and, most notably, in respect of businesses acquired during the period; (ii) allocating the purchase price to the fair value of acquired net assets (iii) assessment as to whether professional services in multiple-performance obligation arrangements are distinct of other performance obligations and determination of the estimated hours to complete customer contracts accounted for using the percentage of completion method; (iv) recognition of deferred tax assets; and (v) recognition of contingent consideration liabilities.

- Functional currency – the Company applies judgement in situations where primary and secondary indicators are mixed. Primary indicators such as the currency that mainly influence sales prices are given priority before considering secondary indicators.

- Business Combinations - Estimates and judgments are used when allocating the purchase price to the fair value of acquired net assets (specifically to the acquired technology assets and customer relationship assets) in business combinations. The Company estimates the fair value of technology and customer relationships acquired in a business combination based on the income approach. The income approach is a valuation technique that calculates the fair value of an intangible asset based on the present value of future cash flows that the asset can be expected to generate over its remaining useful life. For significant business combinations, significant estimates and judgments include forecasted cashflows and the discount rates used to estimate the fair value of the acquired intangible assets. Changes in these estimates and judgments could result in significant changes to the valuation of the intangible assets. Other estimates include forecasted annual customer attrition rate, royalty rates, and migration rate.

- Revenue Recognition - The Company uses significant judgment to assess whether professional services sold in a customer contract are considered distinct and should be accounted for as separate performance obligations. Non-distinct professional services are combined with other goods or services to form a single performance obligation. The Company also applies significant judgment to determine the estimated hours to completion which affects the timing of revenue recognized for professional services and non-distinct license and hardware. Estimated hours to completion are continually and routinely revised based on changes in the progress of customer contracts.

- Deferred tax assets - the recognition of deferred tax assets is based on forecasts of future taxable profit. The measurement of future taxable profit for the purposes of determining whether or not to recognize deferred tax assets depends on many factors, including the Company's ability to generate such profits and the implementation of effective tax planning strategies. The occurrence or non-occurrence of such events in the future may lead to significant changes in the measurement of deferred tax assets.

- Contingent consideration liablities - contingent consideration liabilities are initially recorded on the date of a business combination and are payable on the achievement of certain financial targets in the post-acquisition periods. The obligation for contingent consideration is recorded at its estimated fair value at the various acquisition dates and is recorded at fair value at the end of each reporting period. 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.

3. Material accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements unless otherwise indicated.

The significant accounting policies have been applied consistently by the Company‘s subsidiaries.

(a) Basis of consolidation

(i) Business combinations

Acquisitions have been accounted for using the acquisition method required by IFRS 3 Business Combinations. Goodwill arising on acquisitions is measured as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, if any, less the net recognized amount of the estimated fair value of identifiable assets acquired and liabilities assumed (subject to certain exemptions to fair value measurement principles such as deferred tax assets or liabilities), all measured as of the acquisition date. When the consideration transferred is less than the estimated fair value of assets acquired and liabilities assumed, a bargain purchase gain is recognized immediately in the consolidated statements of income (loss). Transaction costs that the Company incurs in connection with a business combination are expensed as incurred.

The Company uses its best estimates and assumptions to reasonably value assets and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, and these estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with a corresponding offset to goodwill. Upon conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to profit or loss. For a given acquisition, the Company may identify certain pre-acquisition contingencies as of the acquisition date and may extend its review and evaluation of these pre-acquisition contingencies throughout the measurement period in order to obtain sufficient information to assess these contingencies as part of acquisition accounting, as applicable.

(ii) Consolidation methods

Entities over which the Company has control are consolidated from the date that control commences until the date that control ceases. Entities over which the Company has significant influence (investments in "associates") are accounted for under the equity method. Significant influence is assumed when the Company's interests are 20% or more, unless qualitative factors overcome this assumption.

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Investments in associates are recognized initially at cost, inclusive of transaction costs. The Company's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Company's share of the income and expenses and equity changes of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases.

(iii) Transactions eliminated on consolidation

Intra-company balances and transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency translation

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of subsidiaries of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-measured to the functional currency at the exchange rate at that date. Foreign currency differences arising on re-measurement are recognized through profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognized in other comprehensive income (loss). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency gains and losses are reported in profit and loss on a net basis. The effect of currency translation adjustments on cash and cash equivalents is presented separately in the statements of cash flows and separated from operating, investing and financing activities when deemed significant.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to U.S. dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to U.S. dollars using average exchange rates for the month during which the transactions occurred. Foreign currency differences are recognized in other comprehensive income (loss) in the cumulative translation account; however, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interest when applicable.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which its substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income (loss) in the cumulative amount of foreign currency translation differences. If, and when, settlement plans change or deemed likely to occur, then the accounting process in (b)(i) above is applied. When a foreign operation payable or receivable classified as a net investment is partially or fully disposed, the proportionate share of the cumulative amount in the translation reserve related to that foreign operation is transferred to profit or loss as part of the profit or loss on disposal. The Company has elected not to treat repayments of monetary items receivable or payable to a foreign operation as a disposition.

(c) Financial Instruments

The Company's financial instruments primarily comprise cash, accounts receivable, Debt with recourse to CSI, Debt without recourse to CSI, Redeemable Preferred Securities, accounts payable and accrued liabilities, dividends payable, and holdback assets or liabilities on acquisitions.

Financial assets are recognized in the consolidated statement of financial position if we have a contractual right to receive cash or other financial assets from another entity. Financial assets, including accounts receivable, are derecognized when the rights to receive cash flows from the investments have expired or were transferred to another party and the Company has transferred substantially all risks and rewards of ownership. Equity securities held for trading are recorded at fair value.

Financial liabilities include the Debt with recourse to CSI, Debt without recourse to CSI, Redeemable Preferred Securities, accounts payable and accrued liabilities, dividends payable, and holdbacks on acquisitions. Financial liabilities are generally recognized initially at fair value, typically being transaction price, plus any directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of tax.

The Company’s derivatives are carried at fair value and are reported as assets when they have a positive fair value and as liabilities when they have a negative fair value.

Changes in the fair values of derivative financial instruments are reported in the consolidated statements of income (loss), except for cash flow hedges that meet the conditions for hedge accounting. The portion of the gain or loss on the hedging instruments that are determined to be an effective hedge is recognized directly in other comprehensive income (loss), and the ineffective portion in the consolidated statements of income (loss). The gains or losses deferred in other comprehensive income (loss) in this way are subsequently recognized in the consolidated statements of income (loss) in the same period in which the hedged underlying transaction or firm commitment is recognized in the statement of income (loss). In order to qualify for hedge accounting, the Company is required to document in advance the relationship between the item being hedged and the hedging instrument. The Company is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis. This effectiveness testing is re-performed at the end of each reporting period to ensure that the hedge remains highly effective.

(d) Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. After initial recognition, goodwill is measured at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

The impairment test methodology is based on a comparison between the higher of fair value less costs to sell and value-in-use of each of the Company's cash generating units ("CGU") and the net asset carrying values (including goodwill). Within the Company's reporting structure, business units generally reflect the CGU and are one level below the six operating segments (Volaris, Harris, Topicus, Jonas, Perseus, and Vela Operating Groups). In determining the recoverable amount, the Company applies an estimated market valuation multiple to the business unit's most recent annual recurring revenues, which are generally derived from post-contract customer support revenues, transactional revenues, and hosted products revenues. Valuation multiples applied by the Company for this purpose reflect current market conditions specific to the business unit and are assessed for reasonability by comparison to the Company's current and past acquisition experience involving ranges of revenue-based multiples required to acquire representative software companies and the Company's overall revenue based-trading multiple. In addition, in certain instances, the recoverable amount is determined using a value-in-use approach which follows the same valuation process that is undertaken for the Company's business acquisitions. An impairment is recognized if the carrying amount of a CGU exceeds its estimated recoverable amount. The recoverable amount of goodwill is estimated annually on December 31 of each year or whenever events or changes in circumstances indicate that the carrying value may be impaired.

(ii) Acquired intangible assets

The Company uses the income approach to value acquired technology and customer relationship intangible assets. The income approach is a valuation technique that calculates the estimated fair value of an intangible asset based on the estimated future cash flows that the asset can be expected to generate over its remaining useful life.

The Company utilizes the discounted cash flow ("DCF") methodology which is a form of the income approach that begins with a forecast of the annual cash flows that a market participant would expect the subject intangible asset to generate over a discrete projection period. The forecasted cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the intangible assets' projected cash flows, again, from a market participant perspective. The present value of the forecasted cash flows are then added to the present value of the residual value of the intangible asset (if any) at the end of the discrete projection period to arrive at a conclusion with respect to the estimated fair value of the subject intangible assets.

Specifically, the Company relies on the relief-from-royalty method to value the acquired technology and the multiple-period excess earnings ("MEEM") method to value customer relationship assets.

The underlying premise of the relief-from-royalty method is that the fair value of the technology is equal to the cost savings (or the "royalty avoided") resulting from the ownership of the asset by the avoidance of paying royalties to license the use of the technology from another owner. Accordingly the income forecast reflects an estimate of a fair royalty that a licensee would pay, on a percentage of revenue basis, to obtain a license to utilize the technology.

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

The MEEM method isolates the cash flows attributable to the subject asset by utilizing a forecast of expected cash flows less the returns attributable to other enabling assets, both tangible and intangible.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost, being reflective of fair value, less accumulated amortization and impairment losses. Subsequent expenditures are capitalized only when it increases the future economic benefits that form part of the specific asset to which it relates and other criteria have been met. Otherwise all other expenditures are recognized in profit or loss as incurred.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are acquired and available for use, since this most closely reflects the expected usage and pattern of consumption of the future economic benefits embodied in the asset. To determine the useful life of the intangible assets, the Company considers the length of time over which it expects to earn or recover the majority of the present value of the forecasted cash flows of the related intangible assets. The estimated useful lives for the current and comparative periods are as follows:

Technology assets	2 to 12 years
Customer assets	5 to 20 years
Trademarks	20 years

Amortization methods, useful lives and the residual values are reviewed at least annually (or when there has been an indication of impairment) and are adjusted as appropriate.

(iii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized only if the product or process is technically and commercially feasible, if development costs can be measured reliably, if future economic benefits are probable, if the Company intends to use or sell the asset and the Company intends and has sufficient resources to complete development. To date, no material development expenditures have been capitalized.

For the year ended December 31, 2024, $1,489 (2023 – $1,248) of research and development costs have been expensed in profit or loss. These costs are net of estimated investment tax credits, recognized as part of other, net expenses through profit or loss of $63 for the year ended December 31, 2024 (2023 – $52).

(e) Property and equipment

(i) Recognition and measurement

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes initial and subsequent expenditures that are directly attributable to the acquisition of the related asset. When component parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment, where applicable.

(ii) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

The estimated useful lives for the current and comparative periods are as follows:

Asset	**Rate**
Computer hardware	3-5 years
Computer software	1 year
Furniture and equipment	3 – 7 years
Leasehold improvements	Shorter of the estimated useful life and the term of the lease
Building	50 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end or more frequently as deemed relevant, and adjusted where appropriate.

(f) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditures incurred in acquiring the inventories, production and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Unbilled revenue

Unbilled revenue represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses, if any.

Unbilled revenue is presented in the statement of financial position for all contracts in which costs incurred plus recognized profits exceed progress billings. If progress billings exceed costs incurred plus recognized profits, then the excess is presented as deferred revenue in the statement of financial position.

(h) Other non-current liabilities

Other non-current liabilities consists principally of certain acquired contract liabilities, deferred revenue, provisions and contingent consideration recognized in connection with business acquisitions to be settled in cash, which are discounted for measurement purposes.

(i) Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy.

The Company considers evidence of impairment for receivables at both a specific and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired, together with receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company’s non-financial assets, other than inventories (which is addressed in note 3(f)) and deferred tax assets (which is addressed in note 3(m)), are reviewed at each reporting date (or more frequently if required) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. For goodwill, the recoverable amount is estimated annually on December 31 of each fiscal year or whenever required.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the Company uses discounted cash flows which are determined using a pre-tax discount rate specific to the asset or CGU. The discount rate used reflects current market conditions including risks specific to the assets. Estimates within the cash flows include recurring revenue growth rates and operating expenses. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, which for the Company’s purposes is typically representative of the business unit level within the corporate and management structure. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets (such as intangible assets and property and equipment) in the CGU on a pro rata basis.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately and, therefore, is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been previously recognized.

(j) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the estimated future cash flows required to settle the present obligation, based on the most reliable evidence available at the reporting date. The estimated cash flows are discounted at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amortization of the discount is recognized as part of finance costs.

(k) Revenue recognition

Revenue represents the amount the Company expects to receive for products and services in its contracts with customers, net of discounts and sales taxes. The Company reports revenue under four revenue categories being, License, Hardware and other, Professional services, and Maintenance and other recurring revenue. Software license revenue is comprised of non-recurring license fees charged for the use of software products licensed under multiple-year or perpetual arrangements. 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. 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.

Contracts with multiple products or services

Typically, the Company enters into contracts that contain multiple products and services such as software licenses, hosted software-as-a-service, maintenance, professional services, and hardware. The Company evaluates these arrangements to determine the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the product or service is distinct from some or all of the other products or services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and Constellation's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct products and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation.

Where a contract consists of more than one performance obligation, revenue is allocated to each based on their estimated standalone selling price.

Nature of products and services

The Company sells on-premise software licenses on both a perpetual and specified-term basis. Revenue from the license of distinct software is recognized at the time that both the right-to-use the software has commenced and the software has been made available to the customer. Certain of the Company's contracts with customers contain provisions that require the customer to renew optional support and maintenance in order to maintain the active right to use a perpetual or term license. The renewal payments after the initial bundled support and maintenance term in these cases apply to both the continued right-to-use the license and the support and maintenance renewal. Where the fees payable for the initial term are incremental to the fees for the renewal terms, the excess is treated as a prepayment for expected renewals and allocated (amortized) evenly over the expected customer renewals, up to the estimated life of the software that is typically 4-6 years.

Revenue from the license of software that involves complex implementation or customization that is not distinct, and/or includes sales of hardware that is not distinct, is recognized as a combined performance obligation using the percentage-of-completion method based primarily on labour hours. The percentage-of-completion method based on labour hours requires the Company to make significant judgments to determine the estimated hours to completion which affects the timing of revenue recognized.

A portion of the Company's sales, categorized as hardware and other revenue, are accounted for as product revenue. Product revenue is recognized when control of the product has transferred under the terms of an enforceable contract.

Revenue related to the customer reimbursement of travel related expenses incurred during a project implementation where the Company is the principal in the arrangement is included in the hardware and other revenue category. Revenue is recognized as costs are incurred which is consistent with the period in which the costs are invoiced. Reimbursable travel expenses incurred for which an invoice has not been issued, are recorded as part of unbilled revenue on the statement of financial position.

Maintenance and other recurring revenue primarily consists of fees charged for customer support on software products post-delivery and also includes, to a lesser extent, recurring fees derived from software licenses that are both distinct and not distinct from maintenance, transaction revenues, managed services associated with CSI software, and hosted products.

Revenue from software-as-a-service (SaaS) arrangements, which allows customers to use hosted software over a term without taking possession of the software, are provided on a subscription basis. Revenue from the SaaS subscription, which includes the hosted software and maintenance is recognized rateably over the term of the subscription. Significant incremental payments for SaaS in an initial term are recognized rateably over the expected renewal periods, up to the estimated life of the software.

Professional services revenue including installation, implementation, training and customization of software is recognized by the stage of completion of the performance obligation determined using the percentage of completion method noted above or as such services are performed as appropriate in the circumstances. Professional services revenue also includes managed services not associated with CSI software. The revenue and profit of fixed price contracts is recognized on a percentage of completion basis when the outcome of a contract can be estimated reliably. When the outcome of the contract cannot be estimated reliably but the Company expects to recover its costs, the amount of expected costs is treated as variable consideration and the transaction price is updated as more information becomes known.

The timing of revenue recognition often differs from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts are included in unbilled revenue. Amounts billed in accordance with customer contracts, but not yet earned, are recorded and presented as part of deferred revenue.

Costs to Obtain a Contract

The Company allocates incremental costs to obtain a contract (which principally consists of commissions) to the various performance obligations to which they relate using the expected-based allocation (relative expected margins) for bundled costs. For those performance obligations that are expected to be renewed at the end of the initial period without a further commission (such as post-contract customer support), the Company has considered expected renewals over the life of the intellectual property when determining the expected margins from the arrangement. For performance obligations not delivered upfront, the allocated commissions are deferred and amortized over the pattern of transfer of the related performance obligation. For commissions allocated to term-based license arrangements and post-contract customer support, the amortization period is expected to be approximately 4-6 years. Capitalized costs to obtain a contract are included in other non-current assets on the consolidated balance sheet.

(l) Finance income and finance costs

Finance income comprises interest income, gains/losses on the disposal of available-for-sale financial assets, and changes in the fair value of financial assets carried at fair value through profit or loss. Interest income is recognized as it accrues through profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, interest expense associated with lease obligations, amortization of the discount on provisions, and impairment losses recognized on financial assets other than trade receivables. Transaction costs attributable to the Company's bank indebtedness are recognized in finance costs using the effective interest method.

(m) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income (loss).

Current tax is the expected taxes payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but we intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits, difference in tax bases in the purchaser's tax jurisdiction and its cost as reported in the consolidated financial statements as a result of an intra-group transfer of assets and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) Investment tax credits

The Company is entitled to both non-refundable and refundable investment tax credits for qualifying research and development activities. Investment tax credits are included within "Other, net" for items of a period expense nature or as a reduction of property and equipment for items of a capital nature when the amount is reliably estimable and the Company has reasonable assurance regarding compliance with the relevant objective conditions and that the credit will be realized.

(o) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The operating results of all operating segments are reviewed regularly by the Company's President to make decisions about resources to be allocated to the segment and assessing their performance.

The Company consists of six operating segments being, Volaris, Harris, Topicus, Vela, Jonas and Perseus. Each of the Company's operating segments operate essentially as mini Constellations, conglomerates of small vertical market software companies with similar economic characteristics. Each operating segment CEO is focused on investing capital that generates returns at or above the investment hurdle rates set by CSI's head office (primarily the President) and the Board of Directors, irrespective of whether the acquired business operates primarily in the public or private sector. The Company aggregates the six operating segments into one reportable segment, consistent with the objective and basic principles of IFRS 8.

(p) Earnings per share

The Company presents basic and diluted earnings per share data for its ordinary shares, being common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for treasury shares held. Diluted earnings per share is determined by dividing the profit or loss attributable to shareholders of ordinary shares by the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

(q) Short-term employee benefits

Short-term employee benefit obligations, including wages, benefits, incentive compensation, and compensated absences are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid and settled under the Company's employee incentive compensation plan if the Company has legal or constructive obligation to pay this amount at the time bonuses are paid as a result of past service provided by the employee, and the obligation can be estimated reliably.

(r) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset can be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

(s) Accounting Pronouncements adopted in the period:

Adoption of Amendment to IAS 1 Classification of Liabilities as Current or Non-current

The amendments to IAS 1, Presentation of Financial Statements, which are intended to clarify requirements for the classification of liabilities as non-current, became effective for the Company on January 1, 2024. There have been no material impacts to the consolidated financial statements.

(t) Recent accounting pronouncements not yet adopted:

The IASB has issued IFRS 18, Presentation and Disclosure in Financial Statements (replacing IAS 1, Presentation of Financial Statements), with an aim to improve how information is communicated in the financial statements, with a focus on information in the statement of income that will become effective on January 1, 2027. The Company is assessing the impacts IFRS 18 will have on the consolidated financial statements.

4. Business acquisitions

(a) On April 30, 2024, the Company completed the acquisition of the Public Safety Businesses from Conduent Incorporated ("Conduent"). The Company paid cash of $174 plus issued an estimated cash holdback payable of $106. The total consideration resulting from acquisition of the Public Safety Business from Conduent is $280.

The Curbside Management business, now doing business as Trellint, provides parking management systems to the public sector, while the Public Safety business, now doing business as Elovate, provides traffic management solutions such as automated photo enforcement for speed and red-light violations processing to its government clients. The acquisition has been accounted for using the acquisition method with the results of operations included in the consolidated financial statements for the year ended December 31, 2024 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 company 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 $15 is expected to be deductible for income tax purposes.

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

The gross contractual amounts of acquired receivables was $23; however, the Company has recorded an allowance of $nil 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 Public Safety Business from Conduent is as follows:

Assets acquired:		
Cash	$	1
Accounts receivable		23
Other current assets		34
Property and equipment		71
Right of use assets		11
Other non-current assets		0
Deferred income taxes		2
Technology assets		40
Customer assets		113
		294
Liabilities assumed:		
Current liabilities		21
Deferred revenue		7
Long-term lease obligations		7
Other non-current liabilities		0
		36
Goodwill		22
Total consideration	**$**	**280**

The acquisition of Public Safety Businesses contributed revenue of $105 and net income of $9 for the year ended December 31, 2024. If this acquisition had occurred on January 1, 2024, the Company estimates that pro-forma consolidated revenue and pro-forma consolidated net income would have been $10,113 and $772 compared to the actual amounts reported in the consolidated statement of income (loss) for year ended December 31, 2024.

(b) During the year ended December 31, 2024, the Company completed a number of additional acquisitions for aggregate cash consideration of $1,173 plus cash holdbacks of $254 and contingent consideration with an estimated acquisition date fair value of $85. The total consideration resulting from the additional acquisitions in the year ended December 31, 2024 was $1,513. 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 year ended December 31, 2024 has been recorded at its estimated fair value at the various acquisition dates. The estimated fair value of the applicable contingent consideration is calculated using the estimated financial outcome and resulting expected contingent consideration to be paid and inclusion of a discount rate as appropriate. For these arrangements, which include both maximum, or capped, and unlimited contingent consideration amounts, the estimated increase to the initial consideration is not expected to exceed $142 at the time of the acquisition. Aggregate contingent consideration of $174 (December 31, 2023 - $192) has been reported in the consolidated 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 consolidated statements of income (loss). An expense of $8 has been recorded for the year ended December 31, 2024, as a result of such changes (income of $5 for year ended December 31, 2023).

No additional 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 year ended December 31, 2024 include software companies catering to the following markets: agribusiness, communications, dealer, education, enterprise resource planning, facility management, data management, financial services, hospitality, human capital, information technology, insurance, language, library, mining, public safety, performance management, language, retail management and distribution, revenue cycle management, travel, data imaging, event management, publishing, local government, food and beverage, advertising and marketing, software development, wholesale and distribution sales automation and field services, asset management, fitness, creative agencies, contact centres, oil and gas, loyalty, manufacturing, food services, security, public sector, logistics, transit, property management, not-for-profit organizations, convenience store distribution, pharmacy, legal, associations, real estate brokers and agents, pulp and paper manufacturers, automotive, artificial intelligence, data and imaging, gaming, fleet, legal, food and beverage, marine asset management, equipment rentals, third party logistics warehouse management systems and healthcare all of which are software businesses similar to existing businesses operated by the Company. The acquisitions have been accounted for using the acquisition method with the results of operations included in these consolidated financial statements from the date of each acquisition.

The goodwill recognized in connection with these additional 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 $22 is expected to be deductible for income tax purposes for the additional acquisitions.

The gross contractual amounts of acquired receivables from the additional acquisitions was $120; however, the Company has recorded an allowance of $3 as part of the acquisition accounting to reflect contractual cash flows that are not expected to be collected.

Due to the complexity and timing of certain acquisitions made, the Company is in the process of determining and finalizing the estimated fair value of the net assets acquired as part of the acquisitions closed during 2024. 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 $1,347.

(In millions of U.S. dollars or specified currency, 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 year ended December 31, 2024 is as follows:

Assets acquired:		
Cash	$	164
Accounts receivable		116
Other current assets		100
Property and equipment		27
Right of use assets		57
Other non-current assets		6
Deferred income taxes		16
Technology assets		866
Customer assets		811
		2,162
Liabilities assumed:		
Current liabilities		239
Deferred revenue		185
Deferred income taxes		280
Long-term debt		105
Long-term lease obligations		45
Other non-current liabilities		17
		870
Non-controlling interest		(0)
Goodwill		230
Bargain purchase gain		(10)
Total consideration	**$**	**1,513**

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

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

(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 consolidated statement of financial position as of December 31, 2023.

	December 31, 2023
Current Assets:	
Accounts receivable	(9)
Unbilled revenue	(1)
Inventories	0
Acquisition holdback receivables	7
Other assets	(3)
	(6)
Non-current Assets:	
Property and equipment	(0)
Right of use assets	0
Deferred income taxes	1
Other assets	(0)
Intangible assets	(31)
	(30)
Total assets	(37)
Current liabilities:	
Accounts payable and accrued liabilities	(5)
Deferred revenue	0
Acquisition holdback payables	(6)
Lease obligations	-
Income taxes payable	(1)
	(12)
Non-current liabilities:	
Deferred income taxes	(21)
Acquistion holdback payables	1
Lease obligations	(0)
Other liabilities	(4)
	(25)
Total liabilities	(37)
Retained earnings and shareholders' equity	-

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

5. Inventories

	December 31, 2024	December 31, 2023
Raw materials	$ 13	$ 10
Work in progress	5	11
Finished goods	38	30
Total	$ 56	$ 51

No inventories were carried at fair value less cost to sell, and the carrying amount of inventories subject to retention of title clauses was $nil as at December 31, 2024 and 2023.

Raw materials (which consists primarily of hardware components) and changes in finished goods and work in progress recognized as hardware expenses in the consolidated statements of income (loss) amounted to $153 (2023: $145). The write-downs of inventories to net realizable value amounted to $1 (2023: $3). The reversals of write-downs amounted to $1 (2023: $1). Write-downs and reversals of write-downs are based on the Company's projected sales. The write-downs and reversals are included in hardware expenses.

6. Other assets and liabilities

(a) Other assets

	December 31, 2024	December 31, 2023
Prepaid expenses and other current assets	$ 319	$ 279
Holdback receivable	6	15
Investment tax credits recoverable	45	53
Sales tax receivable	62	40
Equity securities held for trading	14	14
Income tax and other receivables	151	141
Total other current assets	$ 597	$ 541
Investment tax credits recoverable	$ 21	$ 13
Costs to obtain a contract	91	71
Non-current trade and other receivables and other assets	203	191
Equity accounted investees	14	10
Total other non-current assets	$ 329	$ 286

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

(b) Other liabilities

	December 31, 2024	December 31, 2023
Contingent consideration	$ 97	$ 93
Deferred revenue	89	88
Other non-current liabilities	113	61
Total other non-current liabilities	$ 300	$ 242

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

7. Property and equipment

	Computer hardware	Computer software	Furniture and equipment	Leasehold improvements	Building and land	Total
Cost						
Balance at January 1, 2023	$ 162	$ 45	$ 55	$ 56	$ 7	$ 325
Additions	25	4	6	7	0	42
Acquisitions through business combinations	15	5	5	3	1	29
Disposals / retirements	(11)	(1)	(5)	(3)	(0)	(21)
Effect of movements in foreign exchange and other	7	3	1	0	0	12
Balance at December 31, 2023	$ 198	$ 55	$ 63	$ 63	$ 8	$ 387
Balance at January 1, 2024	$ 198	$ 55	$ 63	$ 63	$ 8	$ 387
Additions	32	4	24	6	0	67
Acquisitions through business combinations	14	0	80	4	0	98
Disposals / retirements	(9)	(4)	(6)	(5)	(1)	(24)
Effect of movements in foreign exchange and other	(8)	(2)	(7)	2	(0)	(16)
Balance at December 31, 2024	$ 227	$ 53	$ 154	$ 70	$ 7	$ 512
Depreciation and impairment losses						
Balance at January 1, 2023	$ 93	$ 38	$ 34	$ 29	$ 2	$ 197
Depreciation charge for the year	34	5	9	9	0	57
Disposals / retirements	(10)	(1)	(5)	(3)	(0)	(18)
Effect of movements in foreign exchange and other	5	3	1	1	0	9
Balance at December 31, 2023	$ 121	$ 46	$ 40	$ 36	$ 2	$ 245
Balance at January 1, 2024	$ 121	$ 46	$ 40	$ 36	$ 2	$ 245
Depreciation charge for the year	40	6	20	9	0	75
Disposals / retirements	(9)	(4)	(5)	(5)	(0)	(23)
Effect of movements in foreign exchange and other	(4)	(1)	(3)	(0)	(0)	(9)
Balance at December 31, 2024	$ 148	$ 46	$ 52	$ 41	$ 2	$ 289
Carrying amounts:						
At January 1, 2023	$ 69	$ 6	$ 21	$ 27	$ 5	$ 128
At December 31, 2023	$ 77	$ 9	$ 23	$ 27	$ 6	$ 142
At January 1, 2024	$ 77	$ 9	$ 23	$ 27	$ 6	$ 142
At December 31, 2024	$ 80	$ 7	$ 101	$ 30	$ 5	$ 223

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

8. Right of use assets

The following table presents the right-of-use assets for the Company:

	Computer hardware	Vehicles	Furniture and equipment	Building	Other	Total
Cost						
Balance at January 1, 2023	$ 26	$ 33	$ 5	$ 446	$ 4	$ 513
Additions	6	13	0	65	1	84
Acquisitions through business combinations	5	2	0	50	0	57
Disposals / retirements	(4)	(8)	(1)	(55)	(0)	(69)
Effect of movements in foreign exchange and other	1	1	0	5	0	7
Balance at December 31, 2023	$ 33	$ 40	$ 4	$ 511	$ 4	$ 592
Balance at January 1, 2024	$ 33	$ 40	$ 4	$ 511	$ 4	$ 592
Additions	3	21	3	70	1	100
Acquisitions through business combinations	3	4	5	55	0	67
Disposals / retirements	(3)	(10)	(2)	(58)	(1)	(74)
Effect of movements in foreign exchange and other	(2)	(3)	(0)	(20)	(0)	(25)
Balance at December 31, 2024	$ 34	$ 53	$ 11	$ 558	$ 5	$ 660
Depreciation and impairment losses						
Balance at January 1, 2023	$ 13	$ 18	$ 3	$ 193	$ 2	$ 229
Depreciation charge for the year	6	9	1	88	1	104
Disposals / retirements	(4)	(7)	(1)	(44)	(0)	(56)
Effect of movements in foreign exchange and other	0	1	0	2	0	3
Balance at December 31, 2023	15	21	3	239	3	280
Balance at January 1, 2024	15	21	3	239	3	280
Depreciation charge for the year	9	12	1	96	1	119
Disposals / retirements	(4)	(9)	(1)	(42)	(1)	(56)
Effect of movements in foreign exchange and other	(1)	(1)	(0)	(9)	(0)	(12)
Balance at December 31, 2024	20	23	3	283	3	332
Carrying amounts:						
At January 1, 2023	$ 13	$ 15	$ 2	$ 253	$ 2	$ 283
At December 31, 2023	$ 17	$ 19	$ 1	$ 272	$ 1	$ 312
At January 1, 2024	$ 17	$ 19	$ 1	$ 272	$ 1	$ 312
At December 31, 2024	$ 15	$ 30	$ 8	$ 274	$ 2	$ 328

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

9. Intangible assets and goodwill

	Technology Assets	Customer Assets	Backlog	Non-compete agreements	Trademarks	Goodwill	Total
Cost							
Balance at January 1, 2023	$ 3,934	$ 3,296	$ 17	$ 2	$ 29	$ 801	$ 8,078
Acquisitions through business combinations	1,003	1,349	(0)	-	-	458	2,810
Effect of movements in foreign exchange	67	61	0	0	1	20	149
Balance at December 31, 2023	$ 5,004	$ 4,705	$ 17	$ 2	$ 29	$ 1,279	$ 11,037
Balance at January 1, 2024	$ 5,004	$ 4,705	$ 17	$ 2	$ 29	$ 1,279	$ 11,037
Acquisitions through business combinations	906	924	0	-	-	254	2,084
Effect of movements in foreign exchange and other	(173)	(144)	(0)	0	(1)	(47)	(366)
Balance at December 31, 2024	$ 5,737	$ 5,485	$ 17	$ 2	$ 28	$ 1,485	$ 12,755
Accumulated amortization and impairment losses							
Balance at January 1, 2023	$ 2,280	$ 1,103	$ 17	$ 2	$ 6	$ 9	$ 3,416
Amortization for the period	494	364	0	0	2	-	859
Impairment charge	10	8	-	-	-	8	26
Effect of movements in foreign exchange	38	22	0	0	-	-	60
Balance at December 31, 2023	$ 2,822	$ 1,497	$ 17	$ 2	$ 7	$ 16	$ 4,361
Balance at January 1, 2024	$ 2,822	$ 1,497	$ 17	$ 2	$ 7	$ 16	$ 4,361
Amortization for the period	600	442	0	0	1	-	1,044
Impairment charge	10	9	-	-	-	7	26
Effect of movements in foreign exchange	(92)	(54)	(0)	0	-	-	(146)
Balance at December 31, 2024	$ 3,340	$ 1,894	$ 17	$ 2	$ 9	$ 23	$ 5,284
Carrying amounts							
At January 1, 2023	$ 1,654	$ 2,192	$ 0	$ (0)	$ 23	$ 792	$ 4,662
At December 31, 2023	$ 2,182	$ 3,209	$ 0	$ -	$ 22	$ 1,262	$ 6,675
At January 1, 2024	$ 2,182	$ 3,209	$ 0	$ -	$ 22	$ 1,262	$ 6,675
At December 31, 2024	$ 2,397	$ 3,592	$ 0	$ (0)	$ 20	$ 1,462	$ 7,470

Impairment testing for cash-generating units containing goodwill

The annual impairment test of goodwill was performed as of December 31, 2024 and 2023. During the year ended December 31, 2024, goodwill in the amount of $7 was impaired and expensed in the consolidated statement of income (loss) (2023 - $8). For the purpose of impairment testing, goodwill is allocated to the Company's business units included in each operating segment, which represent the lowest level within the Company at which goodwill is monitored for internal purposes. There was no goodwill reallocated to the Company's CGUs that was deemed to be significant in comparison to the carrying amount of goodwill as at December 31, 2024.

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

In determining the recoverable amount, the Company applied an estimated market valuation multiple to the business unit's most recent annual recurring revenues, which are derived from combined software/support contracts, transaction revenues, and hosted products. Valuation multiples, which are Level 3 inputs, applied by the Company for this purpose reflect current market conditions specific to the business unit and are assessed for reasonability by comparison to the Company's current and past acquisition experience involving ranges of revenue-based multiples required to acquire representative software companies. During 2024, the estimated market valuation multiple ranged from 1.5X to 8.0X of “Maintenance and other recurring revenue”. The Company has six CGUs whereby the total goodwill allocated is significant in comparison to the Company’s total carrying amount of goodwill. The total goodwill allocated to each of these CGUs as at December 31, 2024 is $26, $64, $53, $44, $26, and $235.

10. Debt with recourse to CSI

	CSI Facility	Senior Notes	Liability of CSI under the IRGA	Debentures	Term Loan		Total
Principal outstanding at(and, except for debentures, equal to fair value)	$ -	$ 1,000	$ 693	$ 345	$ 81		$ 2,119
Deduct: Unamortized transaction costs included in debt balance	-	(8)	-	-	(0)		(8)
Add: Unamortized debt premium	-	-	-	48	-		48
Carrying value at December 31, 2024	-	992	693	392	81	-	2,159
Current portion	-	-	303	-	-		303
Non-current portion	-	992	389	392	81		1,855

CSI Facility

On January 31, 2024, the Company completed an amendment and restatement of its existing credit facility agreement (the “CSI Facility”). The facility limit was increased from $840 to $1,085, with a syndicate of existing and new institutions. The agreement has also moved from a secured to an unsecured facility structure, which continues to be available for general corporate purposes including acquisitions and working capital. The CSI Facility is guaranteed by certain subsidiaries of the Company. The CSI Facility bears a variable interest rate with no fixed repayments required over the term to maturity. Interest rates are calculated at standard U.S. and Canadian reference rates plus interest rate spreads based on a leverage table. The CSI Facility contains standard events of default which if not remedied within a cure period would trigger the repayment of any outstanding balance. As at December 31, 2024, $nil (December 31, 2023 – $578) had been drawn from this credit facility, and letters of credit totaling $13 (December 31, 2023 - $13) were issued, which limits the borrowing capacity on a dollar-for-dollar basis. CSI accounted for the January 31, 2024 amendment as an extinguishment under IFRS and as a result, all previously capitalized transactions costs were written-off during the three months ended March 31, 2024.

Senior Notes

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

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

On December 23, 2014, in accordance with the terms of the purchase and sale agreement for the initial acquisition of Total Specific Solutions ("TSS") by CSI, and on the basis of the term sheets attached thereto, Constellation and the sellers of TSS along with certain members of TSS' executive management team (collectively, the "Joday Group") among others, entered into a Members Agreement (the "TSS Members Agreement") pursuant to which the Joday Group acquired 33.29% of the voting interests in Constellation Software Netherlands Holding Coöperatief U.A. (which was renamed to Topicus.com Coöperatief U.A., ("Topicus Coop")), a subsidiary of Constellation and the indirect owner of 100% of TSS at the time of the acquisition. Total proceeds from this transaction was EUR 39.

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

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

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

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

All of the Topicus Coop Ordinary Units held by the Joday Group and Ijssel B.V. (collectively, the "Topicus Coop Exchangeable Units") are exchangeable, directly or indirectly, for Topicus Subordinate Voting Shares. All of the above rights of members of the Joday Group apply to any Topicus Subordinate Voting Shares issued on an exchange of Topicus Coop Exchangeable Units.

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

After December 31, 2043, CSI has the same right to buy all of the Topicus Coop Units and shares of Topicus held by the remaining members of the Joday Group, including Joday.

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

The Company has continued to classify the above obligations of CSI under the terms of the IRGA as a liability. The main valuation driver in such calculation is the maintenance and other recurring revenue of Topicus. Maintenance and recurring revenue of Topicus for the trailing twelve months on a pro-forma basis determined at the end of the current reporting period was used as the basis for valuing the interests at each redemption date. Any increase or decrease in the value of such liability is recorded as an expense or income in the consolidated statements of income (loss) for the period.

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

During the three months ended March 31, 2024, a distribution in the amount of EUR 59 was paid to the Joday Group.

Debentures

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

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

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

The interest rate from and including:

- March 31, 2022 but excluding March 31, 2023 was 9.9%
- March 31, 2023 but excluding March 31, 2024 is 13.3%
- March 31, 2024 but excluding March 31, 2025 is 10.4%
- March 31, 2025 but excluding March 31, 2026 is 8.9%

Subsequent from and including March 31, 2026 to but excluding the Maturity Date, the interest rate applicable to the Debentures will be reset on an annual basis on March 31 of each year, at a rate equal to the annual average percentage change in the All-items Consumer Price Index during the 12-month period ending on December 31 in the prior year (which amount may be positive or negative) plus 6.5%. Notwithstanding the foregoing, the interest rate applicable to the debentures will not be less than 0%. The Company may, subject to certain approvals, elect the Payment in Kind election ("PIK Election"), in lieu of paying interest in cash, to satisfy all or any portion of its interest obligation payable on an interest payment date by issuing to each Debenture holder PIK Debentures equal to the amount of the interest obligation to be satisfied. The PIK Debentures will have the same terms and conditions as the Debentures and will form part of the principal amount of the Debentures. If, on any interest payment date, the Company fails to pay the amount of interest owing on the Debentures in full in cash, the Company will not (A) declare or pay dividends of any kind on the Common Shares, nor (B) participate in any share buyback or redemption involving the Common Shares, until the date on which the Company pays such interest (or the unpaid portion thereof) in cash to holders of the Debentures; however, where the Company has issued PIK Debentures in respect of all or a portion of the amount of interest owing on the Debentures on an interest payment date, the Company may resume declaring or paying dividends of any kind on the Common Shares and participating in any share buyback or redemption involving the Common Shares beginning on the next earlier of (i) the interest payment date of which the Company pays the amount of interest owing on the Debentures in full in cash and (ii) the date on which the Company repays all amounts owing under the PIK Debenture. All payments in respect of the Debentures will be subordinated in right of payment to the prior payment in full of all senior indebtedness of the Company.

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

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

The fair value of the debentures as at December 31, 2024 was $410 (December 31, 2023 - $480).

Term Loan

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

11. 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.

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

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 had entered into a promissory note agreement ("Promissory Note"). 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:

	Topicus Revolving Credit Facility	Debt Facilities	Promissory Note	Total
Principal outstanding (and equal to fair value)	$ 229	$ 1,293	$ 500	$ 2,021
Deduct: Carrying value of transaction costs included in debt balance	(3)	(11)	-	(13)
Carrying value at December 31, 2024	226	1,282	500	2,008
Current portion	226	93	-	319
Non-current portion	-	1,189	500	1,689

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:

Year	Debt Facilities
2025	95
2026	166
2027	617
2028	278
2029	135
2030	2
2031	1
2032	-
	1,293

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

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

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

12. Redeemable Preferred Securities

On February 22, 2023, the Company completed the acquisition of 100% of the shares of WideOrbit Inc. ("WideOrbit"). In conjunction with the acquisition of WideOrbit, Lumine issued 10,204,294 Lumine Special Shares to the sellers of WideOrbit for an initial subscription price of approximately $222 which was included in the purchase consideration. Under certain conditions, the Lumine Special Shares were retractable at the option of the holder for a retraction price of the Initial Face Value per Lumine Special Share plus one Lumine Subordinate Voting Share for each Lumine Special Share held and had been classified as a liability on the balance sheet of the Company. The Lumine Special Shares were also convertible into Lumine Subordinate Voting Shares at a conversion ratio of 1:3.4302106 at any time. The holders of the Lumine Special Shares were also entitled to a fixed annual cumulative dividend of 5% per annum.

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

13. Provisions

At January 1, 2024	$	20
Reversal		(4)
Provisions recorded during the period		31
Provisions used during the period		(14)
Effect of movements in foreign exchange and other		(1)
At December 31, 2024	$	32
Provisions classified as current liabilities		22
Provisions classified as other non-current liabilities		10

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

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

14. Lease obligations

The following table presents the expected maturity of the undiscounted cash flows for lease obligations as at December 31, 2024:

		December 31, 2024
Less than 1 year	$	121
Between 1 and 5 years		240
More than 5 years		48
Total	$	409
Less: Impact of discounting		(41)
Leases obligation recorded on balance sheet	$	367

The expense relating to variable lease payments not included in the measurement of lease obligations was $8 (2023 - $8). This consists primarily of variable lease payments for property taxes. Expenses relating to short-term leases were $11 (2023 - $8), expenses relating to leases of low value assets were $2 (2023 - $2) and sublease income was $3 (2023 - $4). Total cash outflow for leases was $153 (2023 - $138).

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

15. Income taxes

(a) Tax recognized in profit or loss

	2024	2023
Income tax recognized in profit or loss		
Current income tax expense (recovery)		
Current year	537	371
Pillar 2 Top-Up Tax	5	-
Adjustment for prior years	(17)	(1)
	525	370
Deferred income tax expense (recovery)		
Origination and reversal of temporary differences	(281)	(172)
Effect of change in future tax rates	(1)	1
Change in recognized temporary differences and unrecognized tax losses	20	20
Adjustment for prior years	(19)	(15)
	(281)	(166)
Income tax expense (recovery)	**244**	**204**

(b) Reconciliation of effective tax rate

	2024	2023
Net income for the year	767	62
Income tax expense	244	204
Income before income taxes	1,011	265
Income tax expense using the Company's statutory tax rate of 26.5% (2023 - 26.5%)	268	70
Impact on taxes from:		
Foreign tax rate differential	(36)	(33)
Other, including non-deductible expenses and non-taxable income	8	4
Pillar 2 Top-Up Tax	5	-
Redeemable preferred securities expense which is not deductible for tax purposes	15	158
Change in recognized temporary differences and unrecognized tax losses	20	20
Effect of change in future tax rates	(1)	1
Adjustment for prior years	(36)	(16)
	244	204

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

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 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.

Pillar 2 – Global minimum top-up tax

The Base Erosion and Profit Shifting (BEPS) 2.0 initiative is a significant reform of the international tax system led by the Inclusive Framework and the Organisation for Economic Co-operation and Development (OECD). This initiative includes a substantial change for large multinational groups with the "Pillar Two" proposal of a global minimum tax of 15%. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Company operates. The legislation was effective for the Company's financial year beginning January 1, 2024. The impact as a result of the Pillar Two legislation was an increase to current income tax expense of $5.

In accordance with the amendments to IAS 12 Income Taxes, the Company has applied the mandatory temporary exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar 2 income taxes. Consequently, no deferred tax liabilities or assets associated with these top-up taxes have been recognized in these financial statements.

16. Deferred tax assets and liabilities

(a) Unrecognized deferred tax liabilities

The aggregate amount of temporary differences associated with investments in subsidiaries for which we have not recognized deferred tax liabilities is $1,992 (2023: $1,613) as the Company ultimately controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future. The temporary differences relate to undistributed earnings of the Company's subsidiaries. Dividends declared would be subject to withholding tax in the range of 0-15% depending on the jurisdiction of the subsidiary.

(b) Unrecognized deferred tax assets

		2024		2023
Deductible temporary differences, including capital losses	$	178	$	176
Non-capital tax losses	$	620	$	553
Foreign Tax Credits	$	3	$	0

Non-capital tax losses of $324 expire between 2025 and 2044 and $296 can be carried forward indefinitely. Included in the non-capital tax losses expiring between 2025 and 2044 is $141 of losses that are not expected to be used to offset future taxable profit as a result of legislative restrictions in the jurisdiction where those losses exist. The deductible temporary differences and capital losses do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of those items because it is not probable that future taxable profit will be available in those jurisdictions against which the Company can utilize these benefits.

As of December 31, 2024 the Company had a $3 in unused Foreign Tax Credits. The Company is unlikely to use these unless the Canadian corporate tax rate increases far above the US corporate tax rate.

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

(c) Recognized deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2024	2023	2024	2023	2024	2023
Property, plant and equipment	10	10	(17)	(13)	(7)	(3)
Intangible assets	172	145	(1,020)	(953)	(848)	(808)
Reserves	72	64	(6)	(8)	66	56
Non-capital loss carryforwards	122	106	-	-	122	106
Research and development expenditures	214	145	-	-	214	145
Deferred revenue	29	30	(1)	(1)	28	29
Foreign and other tax credits	-	-	(6)	(7)	(6)	(7)
Other, including capital losses, withholding tax and foreign exchange	27	14	(51)	(50)	(24)	(36)
Tax assets (liabilities)	646	514	(1,101)	(1,032)	(455)	(518)
Reclassification	(428)	(408)	428	408	-	-
Net tax assets (liabilities)	219	107	(673)	(625)	(455)	(518)

This reclassification relates to the offsetting of deferred tax assets and deferred tax liabilities to the extent that they relate to the same taxing authorities and there is a legally enforceable right to do so.

(d) Movement in deferred tax balances during the year

	Balance January 1, 2024	Recognized in profit or loss	Recognized in other comprehensive income	Acquired in business combinations	Other	Balance December 31, 2024
Property, plant and equipment	(3)	3	-	(6)	-	(7)
Intangible assets	(808)	279	-	(341)	22	(848)
Reserves	56	6	-	4	-	66
Non-capital loss carryforwards	106	(12)	-	27	-	122
Research and development expenditures	145	56	-	13	-	214
Deferred revenue	29	(4)	-	3	-	28
Tax credits	(7)	1	-	-	-	(6)
Other, including capital losses and withholding tax	(36)	(49)	-	60	1	(24)
	(518)	281	-	(241)	23	(455)

	Balance January 1, 2023	Recognized in profit or loss	Recognized in other comprehensive income	Acquired in business combinations	Other	Balance December 31, 2023
Property, plant and equipment	(2)	3	-	(4)	-	(3)
Intangible assets	(551)	165	-	(412)	(9)	(808)
Reserves	46	13	-	(2)	-	56
Non-capital loss carryforwards	81	(17)	-	42	-	106
Research and development expenditures	108	20	-	17	-	145
Deferred revenue	28	1	-	-	-	29
Tax credits	1	(7)	-	(1)	-	(7)
Other, including capital losses and withholding tax	(23)	(12)	-	(1)	(1)	(36)
	(312)	166	-	(361)	(10)	(518)

17. Capital and other components of equity

Capital Stock

At December 31, 2024 and December 31, 2023, the authorized share capital of Constellation consisted of an unlimited number of voting common shares and a limited number of non-voting preferred shares (there are no preferred shares outstanding).

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

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

Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) is comprised of the following separate components of equity:

Cumulative translation account

The cumulative translation account comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as foreign exchange gains and losses arising from monetary items that form part of the net investment in the foreign operation.

Amounts related to derivatives designated as hedges

The portion of the gain or loss on derivatives designated as hedges that are determined to be an effective hedge is recognized directly in other comprehensive income (loss), and the ineffective portion in the statement of income (loss). The gains or losses deferred in other comprehensive income (loss) in this way are subsequently recognized in the statement of income (loss) in the same period in which the hedged underlying transaction or firm commitment is recognized in the statement of income (loss).

Dividends

During the three months ended September 30, 2024, the Company declared a $1.00 per share dividend to all common shareholders of record at close of business on September 20, 2024. The dividend declared in the quarter ended September 30, 2024 representing $21 was paid and settled on October 10, 2024.

During the three months ended June 30, 2024, the Company declared a $1.00 per share dividend to all common shareholders of record at close of business on June 20, 2024. The dividend declared in the quarter ended June 30, 2024 representing $21 was paid and settled on July 11, 2024.

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

During the three months ended December 31, 2024, the Company declared a $1.00 per share dividend to all common shareholders of record at close of business on December 20, 2024. The dividend delcared in the quarter ended December 31, 2024 was settled on January 10, 2025.

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

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

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

	Years ended December 31, 2024	2023
Interest income on cash	$ (33)	$ (3)
(Increase) decrease in the fair value of equity securities held for trading	0	(2)
Share in net (income) loss of equity investee	0	(5)
Finance and other income	(27)	(24)
Finance and other expense (income)	$ (60)	$ (34)
Interest expense on debt and debentures	$ 234	$ 152
Interest expense on lease obligations	14	11
Amortization of debt related transaction costs	7	5
Amortization of debenture discount (premium)	(3)	(1)
Other finance costs	28	24
Finance costs	$ 280	$ 192

19. Earnings per share

Basic and diluted earnings per share

	Years ended December 31, 2024	2023
Numerator:		
Net income (loss) attributable to common shareholders of CSI	$ 731	$ 565
Denominator:		
Basic and diluted shares outstanding	21,191,530	21,191,530
Earnings per share		
Basic and diluted	$ 34.48	$ 26.67

20. Capital risk management

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. The Company manages its capital with the objective of ensuring that there are adequate capital resources while maximizing the return to shareholders through the optimization of the debt and equity balance. The capital structure of the Company consists of cash, Debt with recourse to CSI, Debt without recourse to CSI, and components of shareholders' equity including retained earnings and capital stock.

The Company is subject to certain covenants on its CSI facility and Senior Notes. The covenants primarily include a leverage ratio and an interest coverage ratio. The Debt without recourse to CSI is also subject to certain covenants. The Company monitors the ratios on a quarterly basis. As at December 31, 2024, the Company is in compliance with its debt covenants. Other than the covenants required for the CSI facility, Senior Notes, and the Debt without recourse to CSI, the Company is not subject to any externally imposed capital requirements.

The Board of Directors determine if and when dividends should be declared and paid based on all relevant circumstances, including the desirability of financing further growth of the Company and its financial position at the relevant time. The Board of Directors has adopted a policy to pay quarterly dividends, which commenced in 2012. Constellation intends to declare a regular quarterly dividend to allow shareholders to participate in its free cash flow, while retaining sufficient capital to invest in acquisitions and organic growth. There is no guarantee that dividends will continue to be declared and paid in the future.

The Company makes adjustments to its capital structure in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may increase or decrease dividends, increase or decrease the line of credit or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions not in the ordinary course of business, as well as significant acquisitions and other major investments above pre-determined quantitative thresholds.

21. Financial risk management and financial instruments

Overview

The Company is exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal financial risks to which the Company is exposed are described below.

Market risk

Market risk is the risk that changes in market prices, such as fluctuations in foreign exchange rates and interest rates, will affect the Company's income or the value of its financial instruments.

The Company is exposed to interest rate risk on the utilized portion of its CSI facility and its Debentures and does not currently hold any financial instruments that mitigate this risk. If there was a 1% increase in the interest rate on the Debentures, there would be a corresponding decrease in income before tax of $3. There would be an equal and opposite impact if there was a 1% decrease in the interest rate.

The Company operates internationally, giving rise to exposure to market risks from changes in foreign exchange rates which impact sales and purchases that are denominated in a currency other than the respective functional currencies of certain of its subsidiaries. The Company currently does not typically use derivative instruments to hedge its exposure to those risks. Most of the Company's businesses are organized geographically so that many of its expenses are incurred in the same currency as its revenues thus mitigating some of its exposure to currency fluctuations.

Foreign currency sensitivity analysis:

Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company's primary exposure with respect to foreign currencies is through the Canadian dollar denominated Debentures (note 10) and the Euro denominated IRGA Liability (note 10). The principal outstanding on the Debentures at December 31, 2024 is $345 (C$495). If there was a 1% strengthening of the Canadian dollar against the U.S. dollar, there would be a corresponding decrease in income before income taxes of $3. There would be an equal and opposite impact if there was a 1% weakening of the Canadian dollar against the U.S. dollar. The carrying value of the IRGA Liability as at December 31, 2024 is $693 (EUR 667). If there was a 1% strengthening of the EUR against the U.S. dollar, there would be a corresponding decrease in income before income taxes of $7. There would be an equal and opposite impact if there was a 1% weakening of the EUR dollar against the U.S. dollar.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in note 20 to the consolidated financial statements. The Company's growth is financed through a combination of cash flows from operations and borrowing under the Debt with recourse to CSI and Debt without recourse to CSI. One of the Company's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows from operations. The details of the Company's Debt with recourse to CSI and Debt without recourse to CSI are disclosed in note 10 and note 11 to the consolidated financial statements. As at December 31, 2024, available credit in respect of the Company's CSI facility was $1,072.

The majority of the Company's financial liabilities recorded in accounts payable and accrued liabilities are due within 60 days. The Company also has payment processing liabilities which are settled within a few days of year-end. Included in cash is an equivalent cash balance of $56 (December 31, 2023 - $35) that is held to settle these payment processing liabilities as they become due. Holdbacks payable related to business acquisitions are generally payable within six months to two years.

Given the Company's available liquid resources and credit capacity as compared to the timing of the payments of liabilities, the Company assesses its liquidity risk to be low.

Credit risk

Credit risk represents the financial loss that the Company would experience if a counterparty to a financial instrument, in which the Company has an amount owing from the counterparty failed to meet its obligations in accordance with the terms and conditions of its contracts with the Company. The carrying amount of the Company's financial assets, including receivables from customers, represents the Company's maximum credit exposure.

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

The majority of the accounts receivable balance relates to maintenance invoices to customers that have a history of payment. In addition, a large proportion of the Company's accounts receivable are with public sector government agencies where the credit risk has historically been assessed to be low. Furthermore, the Company generally does not provide significant financing arrangements to our customers and many of the Company's invoices are paid in advance of providing services. During the year ended December 31, 2024, the Company recognized a bad debt expense arising from credit loss of $14 (December 31, 2023 – $9).

An allowance account for accounts receivable is used to record impairment losses arising from credit risk unless the Company is satisfied that no recovery of the amount owing is possible; at which point the amounts are considered to be uncollectible and are written off against the specific accounts receivable amount attributable to a customer. The number of days outstanding of an individual receivable balance is the key indicator for determining whether an account is at risk of being impaired. If an accounts receivable balance has aged more than 365 days, a provision of 100% of the outstanding balance is normally applied. If an accounts receivable balance has aged more than 270 days, a minimum provision of 50% for non-government customers is normally applied. The Company would also record a provision for any known or estimated amounts that are not collectible over and above the minimum provision requirements regardless of aging.

The maximum exposure to credit risk for accounts receivable at the reporting date by geographic region was:

	December 31, 2024	December 31, 2023
United States	$ 670	$ 555
Canada	54	80
United Kingdom	114	111
Europe	320	264
Other	134	128
	$ 1,292	$ 1,138

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

The aging of accounts receivables at the reporting date was:

	December 31, 2024	December 31, 2023
Current		
Gross	$ 1,084	$ 943
Impairment	(5)	(10)
Net	1,079	933
90-180 days		
Gross	147	143
Impairment	(4)	(10)
Net	143	133
More than 180 days		
Gross	172	161
Impairment	(102)	(90)
Net	70	71
Total accounts receivable		
Gross	$ 1,403	$ 1,248
Impairment	(111)	(110)
Net	1,292	1,138

An allowance account for accounts receivable is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at which point the amounts are considered to be uncollectible and are written off against the specific accounts receivable amount attributable to a customer. The number of days outstanding of an individual receivable balance is the key indicator for determining whether an account is at risk of being impaired.

The movement in the allowance for impairment in respect of accounts receivable during the year ended:

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

	2024	2023
Aggregate balance at January 1	$ 110	$ 67
Increase (decrease) from business acquisitions	5	11
Impairment loss recognized	73	76
Impairment loss reversed	(42)	(24)
Amounts written off	(34)	(21)
Other movements	(1)	1
Aggregate balance at December 31	$ 111	$ 110
Allowance for doubtful accounts arising from business combinations	$ 21	$ 29

There is no concentration of credit risk because of the Company's diverse and disparate number of customers with individual receivables that are not significant to the Company on a consolidated basis. In addition, the Company typically requires up front deposits from customers to protect against credit risk.

The Company manages credit risk related to cash by maintaining the majority of the Company's bank accounts with Schedule 1 banks.

In the ordinary course of business, the Company and its subsidiaries have provided performance bonds and other guarantees for the completion of certain customer contracts. The Company has not experienced a loss to date and future losses are not anticipated; therefore, no liability has been recorded in the consolidated statements of financial position related to these types of indemnifications or guarantees at December 31, 2024.

Fair values versus carrying amounts

The carrying values of cash, accounts receivable, accounts payable, accrued liabilities, dividends payable, the majority of the 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 Senior Notes, IRGA liability and the Term Loan with recourse to CSI approximates fair value.

Reconciliation of cash flows from financing activities

The following table reconciles the changes in cash flows from financing activities for certain liabilities that are outstanding as at December 31:

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

	Debt with recourse to CSI	Debt without recourse to CSI	Lease liability	Dividends
Balance at January 1, 2024	$ 1,723	$ 1,610	$ 348	$ 21
Increase (decrease) in Topicus revolving credit debt facility without recourse to CSI	-	73	-	-
Proceeds from issuance of debt under facilities without recourse to CSI	-	381	-	-
Repayments of debt under facilities without recourse to CSI	-	(149)	-	-
Increase (decrease) in the CSI facility	(578)	-	-	-
Issuance of senior notes	1,000	-	-	-
Payments of lease obligations	-	-	(122)	-
Other financing activities	-	(2)	-	-
Dividends paid	-	-	-	(85)
Distribution to the Joday Group	(64)	-	-	-
Principal repayments to the Joday Group pursuant to the Call Notice	(22)	-	-	-
Credit facility transaction costs	(9)	(6)	-	-
Total financing cash flow activities	328	296	(122)	(85)
Liabilities assumed in conjunction with acquisitions	-	125	-	-
Amortization of debt related transaction costs	2	5	-	-
Amortization of debenture premium	(3)	-	-	-
IRGA liability revaluation charge	183	-	-	-
New and assumed leases, net of terminations and modifications	-	-	157	-
Dividends declared	-	-	-	85
Foreign exchange loss (gain) and other movements	(73)	(0)	(3)	(0)
Foreign currency translation differences from foreign operations	(1)	(27)	(13)	-
Total financing non-cash activities	107	103	141	85
Balance at December 31, 2024	$ 2,159	$ 2,009	$ 367	$ 21

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

	Debt with recourse to CSI	Debt without recourse to CSI	Lease liability	Dividends
Balance at January 1, 2023	$ 1,072	$ 902	$ 313	$ 21
Increase (decrease) in Topicus revolving credit debt facility without recourse to CSI	-	27	-	-
Proceeds from issuance of debt under facilities without recourse to CSI	-	447	-	-
Repayments of debt under facilities without recourse to CSI	-	(282)	-	-
Increase (decrease) in the CSI facility	256	-	-	-
Issuance of debentures	209	-	-	-
Payments of lease obligations	-	-	(109)	-
Other financing activities	-	1	-	-
Dividends paid	-	-	-	(85)
Distribution to the Joday Group	-	-	-	-
Credit facility transaction costs	-	(5)	-	-
Total financing cash flow activities	465	187	(109)	(85)
Liabilities assumed in conjunction with acquisitions and issuance of Promissory Note	-	505	-	-
Amortization of debt related transaction costs	0	5	-	-
Amortization of debenture premium	(1)	-	-	-
IRGA liability revaluation charge	152	-	-	-
New and assumed leases, net of terminations and modifications	-	-	131	-
Dividends declared	-	-	-	85
Foreign exchange loss (gain) and other movements	31	(0)	10	0
Foreign currency translation differences from foreign operations	4	12	3	-
Total financing non-cash activities	186	521	144	85
Balance at December 31, 2023	$ 1,723	$ 1,610	$ 348	$ 21

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 December 31, 2024 and December 31, 2023 in the financial statements are summarized below. The Company has no additional financial liabilities measured at fair value initially other than those recognized in connection with business combinations.

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

	December 31, 2024				December 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Equity securities held for trading	$ 14	$ -	$ -	$ 14	$ 14	$ -	$ -	$ 14
	14	**-**	**-**	**14**	**14**	**-**	**-**	**14**
Liabilities:								
Redeemable preferred securities	$ -	$ -	$ -	$ -	$ -	$ -	$ 814	$ 814
Contingent consideration	-	-	174	174	-	-	192	192
	-	**-**	**174**	**174**	**-**	**-**	**1,006**	**1,006**

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

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

Contingent Consideration

Balance at January 1, 2024	$ 192
Increase from business acquisitions	85
Cash payments	(106)
Charges (recoveries) through profit or loss	18
Foreign exchange and other movements	(17)
Balance at December 31, 2024	174
Contingent consideration classified as current liabilities	76
Contingent consideration classified as other non-current liabilities	97

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

Redeemable Preferred Securities

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

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

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

22. Revenue

The following tables provide information about unbilled revenue (contract asset) and deferred revenue (contract liability).

Unbilled Revenue:

	2024	2023
At January 1	$ 449	$ 264
Increase from business acquisitions	56	126
Decrease from transfers to accounts receivable	(1,736)	(1,346)
Increase from changes as a result of the measure of progress	1,743	1,401
Foreign exchange and other movements	(9)	5
At December 31	$ 503	$ 449
Unbilled revenue classified as a current asset	$ 369	$ 325
Unbilled revenue classified as a other non-current asset	133	124

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

Deferred Revenue:

	2024	2023
At January 1	$ 1,845	$ 1,583
Increase from business acquisitions	195	185
Decrease from revenue recognized that was included in the deferred revenue balance at the beginning of the period	(1,737)	(1,503)
Decrease from revenue recognized that arose from acquired deferred revenue balances in the current year	(182)	(135)
Increase due to cash received (or billed), excluding amounts recognized as revenue during the period	1,971	1,692
Foreign exchange and other movements	(36)	24
At December 31	$ 2,057	$ 1,845
Deferred revenue classified as a current liability	1,967	1,757
Deferred revenue classified as a other non-current liability	89	88

The amount of revenue recognized in the year ended December 31, 2024 from performance obligations satisfied in previous periods was $5 (December 31, 2023 - $4).

Revenue allocated to remaining performance obligations represents contracted revenue that has not yet been recognized (“contracted not yet recognized”) and includes unearned revenue and amounts that will be invoiced and recognized as revenue in future periods. Contracted not yet recognized revenue was approximately $6,800 as of December 31, 2024, of which we expect to recognize an estimated 60% of the revenue over the next 12 months and the remainder thereafter.

Costs to obtain a contract with a customer:

The Company has capitalized and amortized incremental commission costs on a systematic basis, consistent with the pattern of transfer of the good(s) or service(s) to which the commission relates as the Company believes these costs are recoverable. The total capitalized commission costs as of December 31, 2024 is $197 (December 31, 2023 - $161). The amount of amortization expense for the year ended December 31, 2024 was $31 (December 31, 2023 - $24) and there was no impairment loss in relation to the costs capitalized.

23. Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company’s other components. The operating results of all operating segments are reviewed regularly by the Company’s President to make decisions about resources to be allocated to the segment and assessing their performance.

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

The Company consists of six operating segments being, Volaris, Harris, Topicus, Vela, Jonas and Perseus. Each of the Company's operating segments operate essentially as mini Constellations, conglomerates of small vertical market software companies with similar economic characteristics. Each operating segment CEO is focused on investing capital that generates returns at or above the investment hurdle rates set by CSI's head office (primarily the President) and the Board of Directors, irrespective of whether the acquired business operates primarily in the public or private sector. The Company aggregates the six operating segments into one reportable segment, consistent with the objective and basic principles of IFRS 8.

Geographical information

The Company is managed on a worldwide basis, but operates in three principal geographical areas, Canada, USA, and UK/Europe.

In presenting the geographical information, revenue is based on the region in which the revenue is transacted, and intellectual property is located. Assets are based on the geographic locations of the assets.

Year ended December 31, 2024	Canada	USA	UK/Europe	Other	Total
Revenue	$ 929	$ 4,504	$ 3,293	$ 1,341	$ 10,066
Non-current assets	764	4,098	2,654	1,053	8,569

Year ended December 31, 2023	Canada	USA	UK/Europe	Other	Total
Revenue	$ 795	$ 3,791	$ 2,713	$ 1,107	$ 8,407
Non-current assets	586	3,756	2,221	960	7,523

Major customers

No customer represents revenue in excess of 5% of total revenue in both the years ended December 31, 2024 and 2023.

24. 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. The Company 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, the Company 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 or specified currency, except per share amounts and as otherwise indicated.)

25. Guarantees

(a) In the ordinary course of business the Company and its subsidiaries have provided performance bonds, letters of credit issued that do not limit the borrowing capacity of the CSI Facility, and other guarantees for the completion of certain customer contracts and other contracts in the normal course of operations. The total obligations of the Company pursuant to such bonds and related contingencies total $82 (2023 - $63). No liability has been recorded in the consolidated financial statements.

(b) As at December 31, 2024, in the normal course of business, the Company has outstanding letters of credit under the CSI Facility totalling $13 (2023 - $13) which limits the borrowing capacity of the CSI Facility on a dollar-for-dollar basis.

(c) In the normal course of business, some of the Company's subsidiaries entered into lease agreements for facilities. As the joint lessees, the subsidiaries agree to indemnify the lessor for liabilities that may arise from the use of the leased facility. The maximum amount potentially payable under the foregoing indemnity cannot be reasonably estimated. The subsidiaries have liability insurance that relates to the indemnifications.

(d) The Company and its subsidiaries have provided routine indemnifications to some of its customers against liability if the Company's product infringes on a third party's intellectual property rights. The maximum exposure from the indemnifications cannot be reasonably estimated.

26. Changes in non-cash operating working capital

	Year ended December 31, 2024	Year ended December 31, 2023
Decrease (increase) in current accounts receivable	$ (67)	$ (62)
Decrease (increase) in current unbilled revenue	0	(52)
Decrease (increase) in other current assets	(70)	(53)
Decrease (increase) in inventories	6	4
Decrease (increase) in other non-current assets	(36)	(15)
Increase (decrease) in other non-current liabilities	(64)	(80)
Increase (decrease) in current accounts payable and accrued liabilities, excluding holdbacks from acquisitions	109	151
Increase (decrease) in current deferred revenue	66	75
Increase (decrease) in current provisions	11	(4)
Change in non-cash operating working capital	$ (45)	$ (36)

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

27. Related parties

Transactions with companies associated with key management personnel

The Company has entered into certain agreements primarily for the provision of hosting services with companies that are affiliated with Robin van Poelje, the CEO of the Topicus Operating Group. For the year ended December 31, 2024, the Company expensed $3 (December 31, 2023 - $2) relating to these agreements, included primarily included within "Third party license, maintenance and professional services" expenses. The payable as at December 31, 2024 relating to these amounts was $1 (included within "Accounts payable and accrued liabilities") (December 31, 2023 - $0).

Key management personnel compensation

The key management personnel of the Company, inclusive of the operating segments, are the members of the Company's executive management team at the Company's operating segments and head office and Board of Directors.

	Years ended December 31,	
	2024	2023
Salaries, bonus and employee benefits	$ 20	$ 14
Total	$ 20	$ 14

There were no significant post-employment benefits, other long-term benefits, or share-based payments attributed to the key management personnel in 2024 and 2023.

28. Non-controlling interests

Topicus:

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

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

Adapt IT:

On January 3, 2022, the Company acquired a controlling interest in Adapt IT Holdings Limited ("Adapt IT"), a company based in South Africa. As of December 31, 2024, the Company has an interest of 73.93% in Adapt IT (the remaining 26.07% represents non-controlling interest).

Lumine:

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

On March 25, 2024, the Lumine Preferred Shares and Lumine Special Shares were converted to Lumine Subordinate Voting Shares and the accrued dividend associated with the Lumine Preferred Shares and Lumine Special Shares was settled through the issuance of Lumine Subordinate Voting Shares. The Company now reflects an equity interest of 61.40% (December 31, 2023 – 0%) in Lumine, a company based in Canada, and a non-controlling interest in Lumine of 38.60% (December 31, 2023 – 100%).

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

	As at December 31, 2024		
	Topicus Coop	**Adapt-IT**	**Lumine**
Non-controlling interest	39.35%	26.07%	38.60%
Current assets	472	36	453
Non-current assets	1,123	59	835
Total assets	1,595	94	1,288
Current liabilities	727	27	218
Non-current liabilities	316	23	391
Total liabilities	1,043	50	610
Less: Non-controlling interest of subsidaries, including interests held by CSI	47	-	-
Net assets after allocation of non-controlling interests (including interests held by CSI)	505	44	679
Inter-group eliminations	(16)	-	8
Total	489	44	686
Net assets allocated to the non-controlling interests of subsidiary	192	12	265
Add: Non-controlling interest of subsidaries not owned by CSI	23	-	-
Total non-controlling interest	215	12	265

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

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

The following tables summarizes the information on the consolidated statement of income (loss) relating to Topicus, Adapt-IT and Lumine for the year ended December 31, 2024 and 2023:

	Year ended December 31, 2024		
	Topicus Coop	Adapt-IT	Lumine
Revenue	1,400	101	668
Expenses	1,202	96	589
Redeemable preferred securities expense (income)	-	-	317
Income (loss) before income taxes	198	4	(238)
Income tax expense	37	2	20
Net income (loss) prior to non-controlling interest allocation	161	3	(258)
Less: Non-controlling interest of subsidaries, including interests held by CSI	6	-	-
Net income (loss) after allocation of non-controlling interest	155	3	(258)
Inter-group eliminations	(6)	-	262
Total	150	3	4
Net income (loss) attributable to non-controlling interests	59	1	(25)
Add: Non-controlling interest of subsidaries not owned by CSI	3	-	-
Total non-controlling interest	62	1	(25)

	Year ended December 31, 2023		
	Topicus Coop	Adapt-IT	Lumine
Revenue	1,216	99	500
Expenses	1,060	95	447
Redeemable preferred securities expense (income)	-	-	2,871
Income (loss) before income taxes	157	3	(2,819)
Income tax expense	32	1	8
Net income (loss) prior to non-controlling interest allocation	125	2	(2,826)
Less: Non-controlling interest of subsidaries, including interests held by CSI	2	-	-
Net income (loss) after allocation of non-controlling interest	123	2	(2,826)
Inter-group eliminations	(5)	-	2,276
Total	118	2	(550)
Net income (loss) attributable to non-controlling interests	46	1	(552)
Add: Non-controlling interest of subsidaries not owned by CSI	1	-	-
Total non-controlling interest	48	1	(552)

Financial information on the statement of cash flows for Topicus, Adapt-IT and Lumine for the year ended December 31, 2024:

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

	Year ended December 31, 2024		
	Topicus Coop	Adapt-IT	Lumine
Cash flows from (used in) operating activities	375	19	116
Cash flows from (used in) financing activities	(228)	(16)	100
Cash flows from (used in) investing activities	(119)	0	(149)

	Year ended December 31, 2023		
	Topicus Coop	Adapt-IT	Lumine
Cash flows from (used in) operating activities	265	15	108
Cash flows from (used in) financing activities	(84)	(6)	287
Cash flows from (used in) investing activities	(138)	(0)	(318)

29. Subsequent events

On March 7, 2025, the Company declared a $1.00 per share dividend payable on April 15, 2025 to all common shareholders of record at close of business on March 28, 2025.

On January 31, 2025, the Company purchased 8,300,029 shares in Asseco Poland S.A. (“Asseco”) representing approximately 9.99% of the issued shares in Asseco. The shares were acquired at a price of 85 PLN per share. Asseco offers comprehensive, proprietary IT solutions for all sectors of the economy.

On February 4, 2025, the Company entered into a binding agreement in respect of the acquisition of 12,318,863 treasury shares of Asseco. These shares represent 14.84% of Asseco’s share capital and will be purchased at a price of PLN 85 per share. The completion of the acquisition of the treasury shares remains subject to obtaining relevant regulatory and antitrust approvals.

Subsequent to December 31, 2024, the Company completed or has open commitments to acquire a number of businesses for aggregate cash consideration of $289 on closing plus cash holdbacks of $44 and contingent consideration with an estimated fair value of $23 for total consideration of $357. The business acquisitions include companies catering primarily to the software development, maintenance, automotive, hospitality, human resources, communications, fashion, technical service provider, information technology, marketing, forestry, engineering, government, healthcare, manufacturing, travel, construction and supply chain verticals and are all software companies similar to the existing business of the Company.