

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
	<u>2024</u>	<u>2023</u>	\$	%	\$	%		<u>2024</u>	<u>2023</u>	\$	%	\$	%
	(\$ 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 <u>2022</u>	Mar. 31 <u>2023</u>	Jun. 30 <u>2023</u>	Sep. 30 <u>2023</u>	Dec. 31 <u>2023</u>	Mar. 31 <u>2024</u>	Jun. 30 <u>2024</u>	Sep. 30 <u>2024</u>	Dec. 31 <u>2024</u>	
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	Mar. 31	Jun. 30	Sep. 30	Dec. 31	Mar. 31	Jun. 30	Sep. 30
	<u>2022</u>	<u>2023</u>	<u>2023</u>	<u>2023</u>	<u>2023</u>	<u>2024</u>	<u>2024</u>	<u>2024</u>
Licenses	-3%	-7%	-1%	-9%	13%	-9%	-22%	-20%
Professional services	-5%	3%	1%	4%	2%	-2%	-2%	-7%
Hardware and other	44%	2%	3%	6%	-20%	-12%	-8%	-8%
Maintenance and other recurring	6%	6%	7%	7%	6%	6%	6%	6%
Revenue	4%	5%	5%	5%	4%	3%	3%	1%

Expenses:

The following table displays the breakdown of our expenses:

	Three months ended				Year ended			
	December 31,		Period-Over-Period Change		December 31,		Period-Over-Period Change	
	<u>2024</u>	<u>2023</u>	<u>\$</u>	<u>%</u>	<u>2024</u>	<u>2023</u>	<u>\$</u>	<u>%</u>
	(\$ 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		Period-Over-		Year ended		Period-Over-	
	December 31,		Period Change		December 31,		Period Change	
	<u>2024</u>	<u>2023</u>	<u>\$</u>	<u>%</u>	<u>2024</u>	<u>2023</u>	<u>\$</u>	<u>%</u>
	(\$ 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	
	<u>2024</u>	<u>2023</u>	<u>\$</u>	<u>%</u>		<u>2024</u>	<u>2023</u>	<u>\$</u>	<u>%</u>
	(\$ 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
	<u>2024</u>	<u>2023</u>	<u>\$</u>	<u>%</u>		<u>2024</u>	<u>2023</u>	<u>\$</u>	<u>%</u>
	(\$ 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,				Year ended December 31,			
			Period-Over-Period Change				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%
- revaluation 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
	<u>527</u>	<u>369</u>	<u>1,653</u>	<u>1,333</u>
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

	Constellation Software Inc. (excluding Topicus & Lumine)				
(Unaudited)		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)				Constellation Software Inc. (excluding Topicus & Lumine)			
	& Lumine)	Topicus	Lumine	Consolidated	& 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)				Constellation Software Inc. (excluding Topicus & Lumine)			
	& Lumine)	Topicus	Lumine	Consolidated	& 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

	Constellation Software Inc. (excluding Altera)		
(Unaudited)	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		
	Constellation Software Inc. (excluding Altera)			Constellation Software Inc. (excluding Altera)		
(Unaudited)	Altera	Altera	Consolidated	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)			Constellation Software Inc. (excluding Altera)		
	Altera	Altera	Consolidated	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.

Debentures

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

The total principal value of debentures outstanding at 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:

Currencies	Three Months Ended December 31, 2024		Year Ended December 31, 2024	
	% 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.