



ISC Reports Fourth Quarter and Year-End Financial Results for 2021

March 15, 2022

REGINA, Saskatchewan, March 15, 2022 (GLOBE NEWSWIRE) -- Information Services Corporation (TSX:ISV) ("ISC" or the "Company") today reported on the Company's financial results for the fourth quarter and year ended December 31, 2021.

Commenting on ISC's results, Shawn Peters, President and CEO stated, "2021 was a remarkable year for ISC. Not only did we continue to grow our Services business in the face of a global pandemic, but we experienced outstanding results in our Saskatchewan-based registries." Peters continued, "We see continued strength across our business in 2022, and I'm looking forward to building upon that strength with expanded products and services, while putting our balance sheet to work by executing on our acquisition strategy. As always, our customers and our employees will be at the heart of everything we do, and 2022 is expected to be another exciting year for ISC."

Fourth Quarter 2021 Highlights

- Revenue was \$44.2 million for the quarter, an increase of 13 per cent compared to the fourth quarter of 2020. The increase was due to strong activity in the Saskatchewan real estate sector, which drove increased revenue in the Saskatchewan Land Registry, coupled with continued organic growth in our Services segment through integrated technology-driven product offerings.
- Net income was \$10.3 million or \$0.59 per basic share and \$0.57 per diluted share compared to \$7.9 million or \$0.45 per basic and diluted share in the fourth quarter of 2020. The increase is due to the increased revenue in Registry Operations and Services, lower professional and consulting expenses in 2021 and a reduction in share-based compensation expense in the quarter.
- EBITDA was \$17.6 million compared to \$15.7 million for the same quarter in 2020. This increase was largely driven by the same reasons as net income: increased revenue, lower professional and consulting expenses and a reduction in share-based compensation during the quarter.
- EBITDA margin was 39.8 per cent for the quarter compared to 40.2 per cent in 2020 resulting from lower EBITDA in Technology Solutions, largely due to COVID-19 impacts, and in Services with the transition of customers to the Registry Complete platform, which provides additional services, and changes our revenue recognition by accounting on a gross instead of net basis.
- Adjusted EBITDA was \$17.2 million for the quarter compared to \$17.0 million in the same quarter in 2020. The increase is due to the strong EBITDA, however, during the quarter, our total share-based compensation expense reduced, which caused adjusted EBITDA to be marginally lower than EBITDA. Adjusted EBITDA margin was 38.9 per cent compared to 43.6 per cent in 2020.
- Free cash flow for the quarter was \$13.7 million, an increase of 9 per cent compared to the fourth quarter of 2020 due to the strong free cash flow nature of the higher results of operations.
- On November 3, 2021, our Board declared a quarterly cash dividend of \$0.23 per Class A Limited Voting Share ("Class A Share"), paid on January 15, 2022, to shareholders of record as of December 31, 2021.

Year-end 2021 Highlights

- Revenue was \$169.4 million for the full year, an increase of 24 per cent compared to 2020. Much like reported for the fourth quarter, the increase was due to higher revenue in Registry Operations driven by robust activity in the Saskatchewan real estate sector, increases in personal property security registrations and new business entity registrations. This was accompanied by continued organic growth in our Services segment through new customer acquisition and the use of technology, including Registry Complete, offering an integrated suite of services to our clients and a full year of operations from our new Recovery Solutions division compared to five months in the prior year.
- Net income was \$32.1 million or \$1.83 per basic share and \$1.78 per diluted share compared to \$20.8 million or \$1.19 per basic share and \$1.18 per diluted share in 2020. The increase was the result of increased revenue in Registry Operations and Services, lower professional and consulting expenses, offset by increases in share-based compensation due to strong performance of the Company's share price during the year, and increased expenses in both cost of goods sold and financial services due to revenue growth.
- EBITDA was \$60.5 million in 2021 compared to \$43.4 million for the twelve months ended December 31, 2020, again due to increased revenue in Registry Operations and Services, lower professional and consulting expenses, offset by increases in share-based compensation, and increased costs in both cost of goods sold and financial services due to revenue

growth. Consolidated EBITDA margin was 35.7 per cent compared to 31.7 per cent in 2020.

- Adjusted EBITDA was \$67.8 million compared to \$49.2 million in 2020. The increase is due to strong EBITDA and the removal through adjustments of year-to-date share-based compensation and acquisition and integration costs. Adjusted EBITDA margin was 40.0 per cent compared to 36.0 per cent in 2020.
- Free cash flow for the year ended December 31, 2021, was \$44.8 million, an increase of \$8.6 million compared to \$36.2 million in 2020 due to higher results of operations and strong cash flow conversion of the business.
- On September 20, 2021, ISC announced an extension to its existing credit agreement with a new maturity date of September 17, 2026. In addition, the amended agreement simplifies the pricing structure and offers better terms. The aggregate amount available under the Credit Facility remains \$150.0 million. During the year, ISC made voluntary prepayments of \$35.0 million against its long-term debt reducing its debt to \$41.0 million.
- On September 21, 2021, our Board announced that it had approved an increase in the expected annual dividend on its Class A Shares from \$0.80 to \$0.92 or \$0.20 to \$0.23 per quarter.

Financial Position as at December 31, 2021

- Cash of \$40.1 million compared to \$33.9 million as at December 31, 2020, an increase of \$6.2 million.
- Total debt of \$41.0 million compared to \$76.3 million as at December 31, 2020.

Subsequent Events

- On February 15, 2022, the Company announced that its Services segment, through its wholly-owned subsidiary, ESC Corporate Services Ltd., acquired all of the shares of a group of companies operating as UPLlevel. The purchase consideration is \$9.0 million, subject to working capital and other post-closing adjustments set out in the share purchase agreement.
- On March 15, 2022, our Board declared a quarterly cash dividend of \$0.23 per Class A Share, payable on or before April 15, 2022, to shareholders of record as of March 31, 2022.

Management's Discussion of ISC's Summary of Fourth Quarter and Year-end 2021 Financial Results

(thousands of CAD; except earnings per share and where noted)	Quarter Ended December 31, 2021	Quarter Ended December 31, 2020 (restated) ²	Year Ended December 31, 2021	Year Ended December 31, 2020 (restated) ²
<i>Revenue</i>				
Registry Operations	\$ 21,076	\$ 19,452	\$ 85,567	\$ 69,535
Services	20,549	15,744	75,165	56,398
Technology Solutions	2,613	3,815	8,644	10,782
Corporate and other	-	2	3	8
Consolidated revenue	\$ 44,238	\$ 39,013	\$ 169,379	\$ 136,723
Consolidated expenses	\$ 29,775	\$ 27,086	\$ 122,625	\$ 106,055
Consolidated EBITDA ¹	\$ 17,616	\$ 15,694	\$ 60,532	\$ 43,392
Consolidated EBITDA margin ¹ (% of revenue)	39.8%	40.2%	35.7%	31.7%
Consolidated adjusted EBITDA ¹	\$ 17,225	\$ 17,002	\$ 67,815	\$ 49,210
Consolidated adjusted EBITDA margin ¹	38.9%	43.6%	40.0%	36.0%
Consolidated net income	\$ 10,286	\$ 7,923	\$ 32,078	\$ 20,825
Earnings per share (basic)	\$ 0.59	\$ 0.45	\$ 1.83	\$ 1.19
Earnings per share (diluted)	\$ 0.57	\$ 0.45	\$ 1.78	\$ 1.18
Free cash flow ¹	\$ 13,732	\$ 12,651	\$ 44,800	\$ 36,235

1. EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin and free cash flow are not recognized as measures under IFRS and do not have a standardized meaning prescribed by IFRS and, therefore, they may not be comparable to similar measures reported by other companies, refer to section 8.8 "Non-IFRS financial measures" in Management's Discussion & Analysis for the year ended December 31, 2021 for further discussion. Refer to section 2 "Consolidated Financial Analysis" in Management's Discussion & Analysis for the year ended December 31, 2021 for a reconciliation of EBITDA and adjusted EBITDA to net income. Refer to section 6.1 "Cash Flow" in Management's Discussion & Analysis for the year ended December 31, 2021 for a reconciliation of free cash flow.
2. During the year, the Company revised its accounting policy related to the configuration and customization costs incurred in implementing Software-as-a-service ("SaaS") arrangements in response to the IFRIC agenda decision released in April 2021. This accounting policy change resulted in the expense of formerly capitalized financial system implementation costs incurred in 2018 through 2021. This change resulted in a retroactive adjustment to expense these costs effective January

1, 2020. This change did not result in a change in basic or diluted earnings per share for the current or prior year.

2021 Results of Operations

- Total revenue was \$169.4 million, up 24 per cent compared to 2020.
- Registry Operations segment revenue was \$85.6 million, up 23 per cent compared to 2020.
 - Land Registry revenue was \$63.1 million, compared to \$48.7 million in 2020.
 - Personal Property Registry was \$11.0 million, up compared to \$10.1 million in 2020.
 - Corporate Registry revenue was \$11.2 million, up compared to \$10.5 million in 2020.
- Services segment revenue was \$75.2 million, compared to \$56.4 million in 2020.
 - Regulatory Solutions revenue was \$58.3 million compared to \$47.7 million in 2020.
 - Recovery Solutions revenue was \$9.5 million compared to \$3.7 million in 2020 (revenue for 2020 is from July 31, 2020 to December 31, 2020).
 - Corporate Solutions revenue was \$7.4 million compared to \$4.9 million in 2020.
- Consolidated expenses (all segments) were \$122.6 million compared to \$106.1 million for 2020.
- Net income for the year ended December 31, 2021, was \$32.1 million or \$1.83 per basic share and \$1.78 per diluted share. For the year ended December 31, 2020, net income was \$20.8 million or \$1.19 per basic and \$1.18 per diluted share.
- Capital expenditures for 2021 were \$2.5 million, compared to \$1.5 million in 2020.

Outlook

The following section includes forward-looking information, including statements related to the industries in which we operate, growth opportunities, our future financial position and results of operations, capital and operating expectations and the expected impact of COVID-19. Refer to "Caution Regarding Forward-Looking Information" in Management's Discussion & Analysis for the year ended December 31, 2021.

The Company expects to see continued strength in 2022 across its two largest operating segments, Registry Operations and Services. Both have benefitted from strong economic conditions in 2021, including an overall positive impact on transaction and seasonality trends during the pandemic.

While the pandemic has disrupted various sectors of the Saskatchewan economy, Registry Operations has experienced exceptional results in 2021, mainly due to the robust real estate sector in Saskatchewan. While we do not expect the strong economic activity experienced in 2021 will continue indefinitely, we believe 2022 will still exceed pre-pandemic levels. Saskatchewan's economy and registry transactions are expected to begin to return to more normalized levels midway through 2022 and finish the year just below 2021 record levels.

Consequently, we expect that Registry Operations will continue to be a robust contributor to our results in 2022, due largely to the strong cash flow this business generates on a consistent basis. Additional investments in 2022 related to people and technology will be made within this segment to ensure continued high levels of service as well as secure and efficient systems.

We expect Services to continue to deliver organic growth in 2022, driven by continuous technology advancements driving operational efficiency and new product innovation. We are deliberate in growing our business with existing customers and the acquisition and onboarding of new customers, particularly with our new cloud-based Registry Complete software. A focus on investments in people and technology to advance our growth will be important. This will allow us to expand our offering to existing customers and facilitate the acquisition of new customers throughout the year.

In Technology Solutions, we expect to see continued progress and completion of solution delivery projects where COVID-19 and other related delays have resulted in certain milestones being deferred to 2022. Governments are expected to continue directing their efforts to managing COVID-19, but we are seeing the re-commencement of early-stage procurement activity, which could translate into additional projects commencing later in 2022. An investment in our sales and technology development teams will be necessary to support these activities, as well as provide support across the organization on our technology initiatives. We have also begun the search to find an Irish-based leader for our Dublin subsidiary to support and drive their growth.

As economic trends potentially revert to pre-COVID-19 levels, we expect our results to mildly follow suit. Over the past two years, Registry Operations has delivered exceptionally strong EBITDA, which is above historical levels. This strong EBITDA has been propelled by a combination of a robust Saskatchewan real estate market driving higher average transaction values, increased 'high value transactions' and slightly higher transaction volumes in the Land Registry. While we expect continued strength in Registry Operations' EBITDA margin, we anticipate it to trend closer to pre-pandemic levels as depicted in section 3.1 of Management's Discussion & Analysis.

Based on the previous details, in 2022 we expect revenue to be between \$168.0 million and \$173.0 million, net income to be between \$23.0 million and \$27.0 million, and EBITDA to be between \$48.0 million and \$53.0 million.

Our results from the last seven quarters have demonstrated the resilience of our business to economic adversity as well as its ability to benefit from a strong economy, and we expect that to continue. The Company's diversified range of services, pursuit of growth opportunities, and strong core offerings have positioned us well for continued success in the years to come.

In keeping with our strategy, the Company will also actively explore appropriate acquisition targets in 2022 that complement or add value to our existing lines of business or provide new key service offerings that will also drive value.

Note to Readers

The Board of Directors ("Board") of ISC is responsible for review and approval of this disclosure. The Audit Committee of the Board, which is comprised exclusively of independent directors, reviews and approves the fiscal year-end Management's Discussion and Analysis and Financial Statements and recommends both to the Board for approval. The interim financial statements and MD&A are reviewed and approved by the Audit

Committee.

This news release provides a general summary of ISC's results for the years ended December 31, 2021 and 2020. Readers are encouraged to download the Company's complete financial disclosures. Links to ISC's financial statements and related notes and MD&A for the period are available on our website in the Investor Relations section at www.company.isc.ca

Copies can also be obtained at www.sedar.com by searching Information Services Corporation's profile or by contacting Information Services Corporation at investor.relations@isc.ca.

All figures are in Canadian dollars unless otherwise noted.

Conference Call and Webcast

The Company will hold an investor conference call on Wednesday, March 16, 2022 at 11:00 a.m. ET to discuss the results. Participants may join the call by dialing toll-free 1-844-419-1765 or 1-216-562-0470 for calls outside North America. It is recommended that participants dial in 5 to 10 minutes prior to the scheduled start time. Simultaneously, an audio webcast of the conference call will also be available at the following link www.company.isc.ca/investor-relations/events. The audio file with a replay of the webcast will be available about 24 hours after the event on ISC's website at the link above. Media are invited to attend on a listen-only basis.

About ISC®

Headquartered in Canada, ISC is the leading provider of registry and information management services for public data and records. Throughout our history, we have delivered value to our clients by providing solutions to manage, secure and administer information through our Registry Operations, Services and Technology Solutions segments. ISC is focused on sustaining its core business while pursuing new growth opportunities. The Class A Shares of ISC trade on the Toronto Stock Exchange under the symbol ISV.

Cautionary Note Regarding Forward-Looking Information

This news release contains forward-looking information within the meaning of applicable Canadian securities legislation including, without limitation, those contained in the "Outlook" section hereof and statements related to the industries in which we operate, growth opportunities and our future financial position and results of operations and the expected impact of COVID-19. Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those expressed or implied by such forward-looking information. Important factors that could cause actual results to differ materially from the Company's plans or expectations include risks relating to changes in the condition of the economy, including those arising from public health concerns such as COVID-19, reliance on key customers and licences, dependence on key projects and clients, securing new business and fixed-price contracts, identification of viable growth opportunities, implementation of our growth strategy, competition and other risks detailed from time to time in the filings made by the Company including those detailed in ISC's Annual Information Form for the year ended December 31, 2021 and ISC's audited Consolidated Financial Statements and Notes and Management's Discussion and Analysis for the fourth quarter and year ended December 31, 2021, copies of which are filed on SEDAR at www.sedar.com.

The forward-looking information in this release is made as of the date hereof and, except as required under applicable securities legislation, ISC assumes no obligation to update or revise such information to reflect new events or circumstances.

Non-GAAP Performance Measures

Included within this news release is reference to the following non-GAAP performance measures. These measures are reviewed regularly by management and the Board of Directors in assessing our performance and making decisions regarding the ongoing operations of our business and its ability to generate returns. These measures may also be used by external parties in decision making related to ISC's performance. They are not recognized measures under GAAP and do not have a standardized meaning under IFRS, so may not be reliable ways to compare us to other companies.

Non-GAAP Performance Measure	Why we use it	How we calculate it	Most comparable IFRS financial measure
EBITDA	-- To evaluate performance and profitability of segments and subsidiaries as well as conversion of revenues.	EBITDA: Net income add Depreciation and amortization, net finance expense, income tax expense	Net income
EBITDA Margin	-- We believe that certain investors and analysts use EBITDA to measure our ability to service debt and meet other performance obligations. -- EBITDA is also used as a component of determining short-term incentive compensation for employees.	EBITDA Margin: EBITDA divided by Total revenue	
Adjusted EBITDA	-- To evaluate performance and profitability of segments and subsidiaries as well as the conversion of revenue while excluding non-operational and share-based volatility.	Adjusted EBITDA: EBITDA Add (remove) Share-based compensation expense, stock option expense, acquisition and integration costs, gain on disposal of property, plant and equipment assets	Net income
Adjusted EBITDA Margin	-- We believe that certain investors and analysts use Adjusted EBITDA to measure our ability to service debt and meet other performance obligations.	Adjusted EBITDA Margin:	

		Adjusted EBITDA Divided by Total revenue	
Free Cash Flow	-- To show cash available for debt repayment and reinvestment into the Company. -- We believe that certain investors and analysts use this measure to value a business and its underlying assets.	Net cash flow provided by operating activities Deduct (add) Net change in non-cash working capital, cash additions to property, plant and equipment, cash additions to intangible assets	Net cash flow provided by operating activities

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Source: Information Services Corporation