



ISC Reports 2022 Third Quarter Financial Results

November 3, 2022

REGINA, Saskatchewan, Nov. 02, 2022 (GLOBE NEWSWIRE) -- Information Services Corporation (TSX:ISV) ("ISC" or the "Company") today reported on the Company's financial results for the third quarter ended September 30, 2022.

2022 Third Quarter Highlights

- **Revenue** was \$48.8 million for the quarter, an increase of 18 per cent compared to the third quarter of 2021. This was due to continued transaction and customer growth in Services, specifically in the Corporate Solutions division, along with \$1.6 million of revenue contributed from the UPLLevel business that was acquired in February of this year. Registry Operations' newest division, Property Tax Services, acquired through the Reamined acquisition on June 1, 2022, also contributed to the increased revenue for the quarter in the amount of \$3.8 million. This was offset by a \$1.0 million decline in Land Registry revenue during the quarter as Saskatchewan real estate levels returned to more normalized, seasonal levels.
- **Net income** was \$7.8 million or \$0.44 per basic and \$0.43 per diluted share compared to \$9.7 million or \$0.56 per basic share and \$0.54 per diluted share in the third quarter of 2021. The decrease in net income is due to increases in people and technology costs, accompanied by \$1.4 million in increased share-based compensation from increases in the Company's share price during the quarter compared to a quarter over quarter decrease in the prior year. These more than offset increased revenue in Services and Registry Operations overall.
- **EBITDA** was \$15.8 million compared to \$17.5 million for the same quarter in 2021, due to increases in people and technology costs and increases in share-based compensation, partially offset by increased revenue overall and in particular, EBITDA contributed from acquisitions made earlier in the year. EBITDA margin was 32.5 per cent for the quarter compared to 42.3 per cent in 2021. The change in margin year-over-year was driven by increased Services revenue, which has a lower margin profile, and by the positive impact of the transition of Services customers to the Registry Complete platform, which drives a change in revenue recognition to accounting on a gross (lower margin) instead of a net (higher margin) basis. While the accounting change has no impact on EBITDA, it does impact the margin.
- **Adjusted EBITDA** was \$17.0 million for the quarter compared to \$17.3 million in 2021. Adjustments consist primarily of merger and acquisition and share-based compensation expenses, which when removed, show a stable quarter year-over-year, as the increases in revenue were offset by increased investments in people and technology as we scale the business for further growth and to maintain our customer service standards. As a result, adjusted EBITDA margin was 34.9 per cent compared to 41.8 per cent in 2021, with the change coming from increased Services revenue at a lower margin and lower revenue overall in the Land Registry in the quarter.
- **Free cash flow** for the quarter was \$11.6 million, a decrease of 13 per cent compared to the third quarter of 2021. This was a result of lower results of operations after the increased investments in people and technology, and increase in share-based compensation expense.
- On July 4, 2022, the Company announced the appointment of Susan Bowman as Head of ERS. For more information, please refer to our news release dated July 4, 2022 which is available on our website at company.isc.ca

Financial Position as at September 30, 2022

- Cash of \$32.9 million compared to \$40.1 million as of December 31, 2021.
- Total debt of \$76.5 million compared to \$41.0 million as of December 31, 2021.

Commenting on ISC's results, Shawn Peters, President and CEO stated, "The third quarter of 2022 performed largely as expected, and our business remains robust even in current economic conditions. In our Registry Operations business, as anticipated, we saw a return to normal, as Saskatchewan real estate levels stabilized from more normalized demand and higher interest rates. Our Services business continues to grow slightly faster than expected, driven by continued transaction and customer growth in our Corporate Solutions divisions. In Technology Solutions, we continue to complete active solution implementation projects and are focused on securing new clients from our pipeline of opportunities." Peters continued, "In consideration of these factors, we are re-iterating our annual guidance for revenue to be between \$188.0 million and \$193.0 million, net income to be between \$29.0 million and \$33.0 million, and EBITDA to be between \$59.0 million and \$64.0 million in 2022 and anticipate that we will finish the year around the middle of these ranges. Overall, the third quarter was one of ongoing operational accomplishments and financial performance that was consistent with our expectations, and which continues to demonstrate the strength and stability of our business and the benefits of the diversification we have achieved."

Management's Discussion of ISC's Summary of 2022 Third Quarter Financial Results

(thousands of CAD dollars;	Three Months	Three Months
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except earnings per share and where noted)	Ended September 30, 2022	Ended September 30, 2021
<i>Revenue</i>		
Registry Operations	\$ 25,025	\$ 21,326
Services	22,248	18,273
Technology Solutions	1,492	1,769
Corporate and other	3	1
Consolidated revenue	\$ 48,768	\$ 41,369
Consolidated expenses	\$ 36,922	\$ 27,269
Consolidated EBITDA ¹	\$ 15,829	\$ 17,500
Consolidated EBITDA margin ¹ (% of revenue)	32.5%	42.3%
Consolidated adjusted EBITDA ¹	\$ 17,034	\$ 17,298
Consolidated adjusted EBITDA margin ¹	34.9%	41.8%
Consolidated net income	\$ 7,756	\$ 9,733
Earnings per share (basic) ¹	\$ 0.44	\$ 0.56
Earnings per share (diluted) ¹	\$ 0.43	\$ 0.54
Free cash flow ¹	\$ 11,591	\$ 13,278

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 corporations. For more information, please refer to section 8.8 "Non-IFRS Financial Measures", section 6.1 "Cash Flow" for a reconciliation of free cash flow and section 2 "Consolidated Financial Analysis" for a reconciliation of EBITDA and adjusted EBITDA to net income in Management's Discussion and Analysis for the three and nine months ended September 30, 2022.

2022 Third Quarter Results of Operations

- Total revenue was \$48.8 million, up 18 per cent compared to Q3 2021.
- Registry Operations segment revenue was \$25 million, up compared to \$21.3 million in Q3 2021:
 - Land Registry revenue was \$15.2 million, down compared to \$16.2 million in Q3 2021.
 - Personal Property Registry was \$3.1 million, up compared to \$2.7 million in Q3 2021.
 - Corporate Registry revenue was \$2.6 million, up compared to \$2.5 million in Q3 2021.
 - Three months of new Property Tax Services revenue in Registry Operations totaling \$3.8 million contributed by the acquisition of Reamined in the current year.
- Services segment revenue was \$22.2 million, up compared to \$18.3 million in Q3 2021:
 - Regulatory Solutions was \$16.3 million up compared to \$14.8 million in Q3 2021
 - Recovery Solutions was \$2.4 million, up compared to \$2.3 million in Q3 2021
 - Corporate Solutions revenue was \$3.5 million, up compared to \$1.2 million in Q3 2021
- Technology Solutions segment revenue from external parties was \$1.5 million, down from \$1.8 million in Q3 2021.
- Consolidated expenses (all segments) were \$36.9 million, up \$9.6 million compared to \$27.3 million in Q3 2021.
- Net income was \$7.8 million or \$0.44 per basic share and \$0.43 per diluted share, down \$1.9 million compared to \$9.7 million or \$0.56 per basic and \$0.54 per diluted share for Q3 2021.

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, and capital and operating expectations. Refer to "Cautionary Note Regarding Forward-Looking Information" in Management's Discussion & Analysis for the three and six months ended September 30, 2022.

Both our Registry Operations and Services segments have performed very well in the first nine months of 2022.

In Registry Operations, as expected, Land Titles transactions appear to be returning towards more normalized pre-pandemic levels. Currently, we expect the resiliency of the Saskatchewan real estate sector, compared to other markets, to continue in the near-term, with milder corrections to pricing due to existing housing supply issues. Based on the performance of the Saskatchewan Land Registry year to date, we would echo comments made by the Saskatchewan Realtors Association that Saskatchewan residents are not immune to the impacts of interest rate increases and ongoing inflationary pressures, but that our housing market continues to fare better than many other regions in the country. Therefore, we expect the Land Registry will continue on its route to pre-pandemic levels during the balance of 2022 but is still expected to finish above 2019 levels. Revenue from Property Tax Services is expected to remain consistent for the last quarter of 2022 and the balance of the contract.

We expect Services to continue to deliver transaction and customer growth for the remainder of 2022, supported by our initiatives to bring all our customers and services onto a single platform. Services has expanded its product offerings through its recent Recovery Solution acquisitions (asset recovery and account receivable management) to support our customers through the back end of the lending life cycle. Following the introduction of *Recovery Complete* in the third quarter, we expect similar integrated benefits for recovery clients that our search and registration clients have experienced after moving over to our previously launched *Registry Complete* platform. Consistent with ISC as a whole, Services will continue to focus on investments in people, technology and new opportunities, including potential acquisitions to facilitate the continued growth of our business.

In Technology Solutions, we expect to complete and deliver solution implementation projects that had been deferred from 2021 into 2022 and beyond. Although active projects have lessened during the pandemic, we are seeing a revived and refreshed interest as jurisdictions and authorities are returning to initiatives not previously advanced due to COVID-19. We are optimistic about the current state of the pipeline as we believe we are uniquely positioned to provide solutions that align with our innovative offerings.

With these factors in mind, we are reiterating our annual guidance for revenue to be between \$188.0 million and \$193.0 million, net income to be between \$29.0 million and \$33.0 million, and EBITDA¹ to be between \$59.0 million and \$64.0 million in 2022 and anticipate that we will finish the year around the middle of these ranges.

Overall, the third quarter and year-to-date have progressed in line with assumptions factored into our guidance for 2022, as updated in August 2022. We are actively monitoring the impact of interest rates and inflation on our current business as we have begun to see these emerge in salaries and certain other costs, however, the full extent of this impact is not yet known. Regardless, to facilitate our continued organic growth, we will remain focused on offering new products as well as customer-tailored product offerings, coupled with acquisition and partnership opportunities that drive value.

Note to Readers

The Board of Directors ("Board") carries out its responsibility for review of this disclosure primarily through the Audit Committee, which is comprised exclusively of independent directors. The Audit Committee reviews and approves the fiscal year-end Management's Discussion and Analysis ("MD&A") 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 quarters ended September 30, 2022, and 2021. 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

We will hold an investor conference call on Thursday, November 3, 2022 at 11:00 a.m. ET to discuss the results. Those joining the call on a listen-only basis are encouraged to join the live audio webcast which will be available on our website at www.company.isc.ca/investor-relations/events. Participants who wish to ask a question on the live call may do so through the ISC website or by registering through the following live call URL: <https://register.vevent.com/register/B193a8a0533bc5416fa73d2aa25f82cbf8>

Once registered, participants will receive the dial-in numbers and their unique PIN number. When dialing in, participants will input their PIN and be placed into the call. The audio file with a replay of the webcast will be available about 24 hours after the event on our website at the link above. We invite media 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 laws 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. 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, 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 unaudited Condensed Consolidated Interim Financial Statements and Notes and Management's Discussion and Analysis for the second quarter ended September 30, 2022, 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 laws, ISC assumes no obligation to update or revise such information to reflect new events or circumstances.

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