



## ISC Reports Fourth Quarter and Year-End Financial Results For 2022

March 14, 2023

REGINA, Saskatchewan, March 14, 2023 (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, 2022.

Commenting on ISC's results, Shawn Peters, President and CEO stated, "On the back of a remarkable 2021, ISC delivered another successful year with increases in revenue, EBITDA and free cash flow along with stable net income. Registry Operations continued to demonstrate how robust a business it is, and our Services segment matured in 2022 when it overtook Registry Operations revenue for the first time." Peters continued, "We have invested in our businesses throughout 2022 and are in an enviable position to capitalize on organic growth opportunities in 2023, including executing on appropriate acquisitions."

### Fourth Quarter 2022 Highlights

- **Revenue** was \$46.1 million for the quarter, an increase of \$1.9 million or 4 per cent compared to the fourth quarter of 2021. This was due to continued transaction and customer growth in Services, specifically in the Corporate Solutions division, along with \$1.5 million of revenue contributed from the UPLLevel business that was acquired in February 2022. Registry Operations' newest division, Ontario Property Tax Assessment Services, created following the acquisition of Reamined Systems, Inc. ("Remained") in June 2022, contributed \$3.8 million of revenue during the quarter. This was partially offset by lower overall transaction volumes and lower high-value transactions in the Saskatchewan Land Registry following several increases in interest rates during 2022, which has slowed economic activity. The consolidated revenue increase was partially offset by a \$1.6 million decline in Technology Solutions third-party revenue during the quarter.
- **Net income** was \$3.9 million or \$0.22 per basic and diluted share compared to \$10.3 million or \$0.59 per basic share and \$0.57 per diluted share in the fourth quarter of 2021. The reduction of \$6.4 million in net income for the quarter can be primarily attributed to a \$2.7 million increase in share-based compensation as a result of an increase in the Company's share price year-over-year, a reduction in revenues in the Saskatchewan Land Registry during the quarter of \$2.7 million due to a return of transaction volumes to more normalized pre-pandemic levels, and reduced revenue and earnings contributed by Technology Solutions during the quarter.
- **EBITDA** was \$10.8 million compared to \$17.6 million for the same quarter in 2021, due to an increase of \$2.7 million in share-based compensation during the quarter as a result of an increase in the Company's share price during the quarter compared to a decrease during the same period in the prior year, a reduction in revenues from the Saskatchewan Land Registry during the quarter of \$2.7 million due to a return of transaction volumes to more normalized pre-pandemic levels, and reduced EBITDA contributed by Technology Solutions of \$2.6 million. These reductions were offset by EBITDA in the quarter contributed from acquisitions completed during the year of \$1.0 million. **EBITDA margin** was 23.4 per cent for the quarter compared to 39.8 per cent in 2021. The change in margin year-over-year was driven by reduced EBITDA resulting from the above noted factors combined with increased Services revenue, which has a lower margin profile.
- **Adjusted EBITDA** was \$13.5 million for the quarter compared to \$17.2 million in 2021. The decrease related to lower 2022 EBITDA offset by the removal of higher share-based compensation for the quarter when compared to the prior year. As a result, **adjusted EBITDA margin** was 29.3 per cent compared to 38.9 per cent in 2021, with the change coming from the above noted factors reducing adjusted EBITDA accompanied by increased Services revenue at a lower margin.
- **Free cash flow** for the quarter was \$7.9 million, a decrease of 43 per cent compared to the fourth quarter of 2021. The decrease for the quarter primarily relates to results of operations that began to experience the effects of economic tightening that occurred throughout 2022 resulting in reduced transaction volumes in the Saskatchewan Land Registry and reduced contributions from Technology Solutions accompanied by increased people and technology costs when compared to the prior year.
- On November 2, 2022, the Board declared a quarterly cash dividend of \$0.23 per Class A Limited Voting Share ("Class A Share"), payable on or before January 15, 2023, to shareholders of record as of December 31, 2022.
- On December 20, 2022, the Company, through its wholly owned subsidiary, ISC Atlantic Services Inc., acquired all of the shares of Regulis, the Registrar designate for the International Registry for Railway Rolling Stock, for purchase

consideration of \$0.6 million (€0.4 million) with up to an additional €1.6 million to be paid in future years as certain criteria are met. The Company has included Regulis within the Corporate segment until the time it commences operations.

#### Year-end 2022 Highlights

- **Revenue** was \$189.9 million for the year ended December 31, 2022, an increase of 12 per cent compared to 2021. The revenue increase was driven by continued transaction and customer growth in Services, specifically within the Regulatory and Corporate Solutions divisions, combined with \$5.8 million contributed by UPLLevel since its acquisition in February 2022. Registry Operations' Saskatchewan business experienced a strong first half of the year, as expected, with transaction volumes beginning to trend towards pre-pandemic levels in the second half of the year. Registry Operations revenue was also bolstered by \$8.9 million of additional revenue from Ontario Property Tax Assessment Services following the acquisition of Reamined in June 2022.
- **Net income** was \$30.8 million or \$1.75 per basic share and \$1.71 per diluted share compared to \$32.1 million or \$1.83 per basic share and \$1.78 per diluted share in 2021. Current year results are relatively consistent when compared to the record high net income earned in 2021. The decline relates to a reduction in revenue in the Saskatchewan Land Registry during the year of \$3.8 million due to a return of transaction volumes to more normalized pre-pandemic levels and reduced revenue and earnings contributed by Technology Solutions during the year. Partially offsetting this decline were earnings from acquisitions made during the year and a \$4.5 million decrease in year-over-year share-based compensation due to a reduction in the Company's share price.
- **EBITDA** was \$60.9 million compared to \$60.5 million in 2021, due to increased revenue in Services and Registry Operations, a reduction in share-based compensation when compared to the prior year due to a reduction in the Company's share price, offset by investments made in people and technology across the business. **EBITDA margin** was 32.1 per cent for the year compared to 35.7 per cent in 2021.
- **Adjusted EBITDA** was \$64.4 million compared to \$67.8 million in 2021. The decrease relates to lower share-based compensation and an increase in acquisition and integration costs offset by consistent EBITDA. **Adjusted EBITDA margin** was 33.9 per cent compared to 40.0 per cent in the prior year with the change coming from increased Services revenue, specifically in Corporate Solutions, which is a lower margin division of the business, and lower revenue overall in the Saskatchewan Land Registry for the year.
- **Free cash flow** for the year ended December 31, 2022, was \$45.9 million, an increase of \$1.1 million compared to \$44.8 million in 2021. The increase was due to results contributed by both Registry Operations and Services accompanied by additional EBITDA from acquisitions made during the year as well as less capital expenditures.
- On February 14, 2022, the Company's Services segment, through its wholly owned subsidiary ESC, acquired all of the shares of a group of companies operating as UPLLevel. The total cash paid related to the acquisition was \$9.4 million.
- On June 1, 2022, the Company acquired all of the shares of Reamined, a recognized leader in providing Property Tax Assessment Services in the Province of Ontario, for total cash paid of \$45.8 million. Due to its alignment with the Registry Operations segment, Reamined is reported as part of Registry Operations.

#### Financial Position as at December 31, 2022

- Cash of \$34.5 million compared to \$40.1 million as at December 31, 2021, an decrease of \$5.6 million.
- Total debt of \$66.0 million compared to \$41.0 million as at December 31, 2021.

#### Subsequent Events

- On February 23, 2023, the Company announced the appointment of Amber Biemans, K.C., to ISC's Board of Directors by the Province of Saskatchewan, along with the reappointments of Joel Teal and Douglas Emsley, which will take effect immediately following the Company's 2023 annual general meeting.
- On March 14, 2023, our Board declared a quarterly cash dividend of \$0.23 per Class A Share, payable on or before April 15, 2023, to shareholders of record as of March 31, 2023.

#### Management's Discussion of ISC's Summary of Fourth Quarter and Year-end 2022 Financial Results

(thousands of CAD; except earnings per share and where noted)	Quarter Ended December 31, 2022	Quarter Ended December 31, 2021	Year Ended December 31, 2022	Year Ended December 31, 2021
<i>Revenue</i>				
Registry Operations	\$ 22,605	\$ 21,076	\$ 91,721	\$ 85,567

Services	22,441	20,549	92,306	75,165
Technology Solutions	1,047	2,613	5,849	8,644
Corporate and other	11	-	19	3
Consolidated revenue	\$ 46,104	\$ 44,238	\$ 189,895	\$ 169,379
Consolidated expenses	\$ 39,396	\$ 29,775	\$ 143,700	\$ 122,625
Consolidated EBITDA <sup>1</sup>	\$ 10,808	\$ 17,616	\$ 60,930	\$ 60,532
Consolidated EBITDA margin <sup>1</sup> (% of revenue)	23.4%	39.8%	32.1%	35.7%
Consolidated adjusted EBITDA <sup>1</sup>	\$ 13,524	\$ 17,225	\$ 64,390	\$ 67,815
Consolidated adjusted EBITDA margin <sup>1</sup>	29.3%	38.9%	33.9%	40.0%
Consolidated net income	\$ 3,949	\$ 10,286	\$ 30,769	\$ 32,078
Earnings per share (basic)	\$ 0.22	\$ 0.59	\$ 1.75	\$ 1.83
Earnings per share (diluted)	\$ 0.22	\$ 0.57	\$ 1.71	\$ 1.78
Free cash flow <sup>1</sup>	\$ 7,876	\$ 13,732	\$ 45,909	\$ 44,800

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, 2022 for further discussion. Refer to section 2 “Consolidated Financial Analysis” in Management’s Discussion & Analysis for the year ended December 31, 2022 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, 2022 for a reconciliation of free cash flow.

## 2022 Results of Operations

- Total revenue was \$189.9 million, up 12 per cent compared to 2021.
- Registry Operations segment revenue was \$91.7 million, up 7 per cent compared to 2021.
  - Land Registry revenue was \$59.3 million, compared to \$63.1 million in 2021.
  - Personal Property Registry revenue was \$11.3 million, up compared to \$11.0 million in 2021.
  - Corporate Registry revenue was \$11.2 million, compared to \$11.2 million in 2021.
  - Ontario Property Tax Assessment Services (“OPTA”) year-to-date revenue since the acquisition of Reamined in June 2022, was \$8.9 million.
- Services segment revenue was \$92.3 million, compared to \$75.2 million in 2021.
  - Regulatory Solutions revenue was \$65.9 million, up compared to \$58.3 million in 2021.
  - Recovery Solutions revenue was \$10.9 million, up compared to \$9.5 million in 2021.
  - Corporate Solutions revenue was \$15.3 million, up compared to \$7.4 million in 2021.
- Consolidated expenses were \$143.7 million compared to \$122.6 million for 2021.
- Net income for the year ended December 31, 2022, was \$30.8 million or \$1.75 per basic share and \$1.71 per diluted share. For the year ended December 31, 2021, net income was \$32.1 million or \$1.83 per basic and \$1.78 per diluted share.
- Capital expenditures for 2022 were \$2.5 million, compared to \$2.5 million in 2021.

## Outlook

*The following section includes forward-looking information, including statements related to future results, including revenue, net income, EBITDA and adjusted EBITDA, segment performance, the industries in which we operate, economic activity, growth opportunities, investments, completion of projects, ISO 27001 and acquisitions. Refer to “Caution Regarding Forward-Looking Information”.*

As the world begins to navigate post-pandemic conditions, including a higher interest rate environment, we continue to believe that ISC is positioned for success, given the proven robustness of our business. The Company anticipates revenue consistency in 2023, driven by its two core segments, Registry Operations and Services, through the addition of Ontario Property Tax Assessment Services revenue and the continuing expansion of our Services suite of products and services to existing customers.

The Registry Operations segment is expected to remain a strong free cash flow contributor and a direct beneficiary of any future upswing in economic conditions in Saskatchewan. We will continue to monitor economic conditions, particularly any further increases to interest rates in 2023, which can have a temporary dampening effect on transaction volumes. However, provincial market publications suggest the housing market is changing as consumers adjust to higher lending rates and higher costs of living. Saskatchewan continues to fare better than many other regions in the country, and this is expected to persist in 2023. Based on the data we use to model our own trends and forecasts, we agree with this view. In addition, following the acquisition of Reamined in June 2022, and the addition of Property Tax Assessment Services to our Registry Operations segment, we expect additional, consistent revenue from that division – adding to the segment’s overall revenue in 2023.

In Services, we expect to work on new opportunities with our customers and continue our investment in *Registry Complete* and *Recovery Complete* in 2023. With the addition of accounts receivable management complementing asset recovery within our Recovery Solutions suite of services, we have expanded our product offerings in this division to support our customers all the way through to the end of the lending life cycle. With the introduction of *Recovery Complete*, our customers across all our divisions will have access to our entire suite of products and services, improving our revenue potential from our existing customer base. Despite expected changes to the Ontario Business Registry in 2023, we believe Services is sufficiently diversified for any industry, market or economic challenges that might present in 2023. Additionally, our investments in people, technology and new opportunities will further expand and diversify the business.

In Technology Solutions in 2023, we expect to complete and deliver solution implementation projects deferred from 2022. Although active projects decreased during the pandemic, there is refreshed interest in new and deferred projects as customers look to reactivate initiatives paused due to COVID-19. We are optimistic about the current state of our new business pipeline due to the ongoing need to update technology solutions. We are in a unique position to provide solutions that are aligned with our customers' needs.

The key drivers of expenses will continue to be wages and salaries, cost of goods sold, information technology costs, and costs associated with the pursuit of new business opportunities. With current inflationary pressures, we continue to look at the appropriateness of our pricing across the business (except for the Saskatchewan Registries, where pricing is governed by the Master Services Agreement) to maintain margins while remaining competitive. During 2023 and as part of our corporate strategy related to information security, we also expect to complete certification for ISO 27001. This international certification will demonstrate our adherence to controls in the management of information security assets.

With these factors in mind, we expect revenue growth well over 2022 levels between \$200.0 million and \$205.0 million, net income to be between \$27.0 million and \$32.0 million, and EBITDA<sup>1</sup> to be between \$58.0 million and \$63.0 million in 2023. Considering the evolution of the business over the last two years, we believe adding adjusted EBITDA to our guidance metrics will help provide a better understanding about the performance of our business by removing the impact from share-based compensation, acquisition expenses or any other non-recurring costs. In 2023, we expect adjusted EBITDA<sup>1</sup> to be between \$65.0 million and \$70.0 million.

The diversification of our business remains a key part of our strategy. As such, we will continue to look for efficiencies across the business, drive organic growth in our Services and Technology Solutions segments by winning new business, and explore appropriate acquisition targets that complement or add value to our existing lines of business.

#### **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, 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](http://www.company.isc.ca).

Copies can also be obtained at [www.sedar.com](http://www.sedar.com) by searching Information Services Corporation's profile or by contacting Information Services Corporation at [investor.relations@isc.ca](mailto:investor.relations@isc.ca).

All figures are in Canadian dollars unless otherwise noted.

#### **Conference Call and Webcast**

An investor conference call will be held on Wednesday, March 15, 2023 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 ISC's website at [www.company.isc.ca/investor-relations/events](http://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 at:

<https://register.vevent.com/register/BI0a5c63938f44486ab79653959281e5a9>

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.

While not required, it is recommended that participants join 10 minutes before the start time. A replay of the webcast will be available approximately 24 hours after the event on ISC's website at [www.company.isc.ca](http://www.company.isc.ca). Media are invited to attend on a listen-only basis.

#### **About ISC®**

Headquartered in Canada, ISC is a 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, 2022 and ISC's audited Consolidated Financial Statements and Notes and Management's Discussion and Analysis for the fourth quarter and year ended December 31, 2022, copies of which are filed on SEDAR at [www.sedar.com](http://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-IFRS Performance Measures

Included within this news release is reference to the following non-IFRS performance measures. These measures, which are reconciled below 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 IFRS and do not have a standardized meaning under IFRS, so may not be reliable ways to compare us to other companies.

Non-IFRS Performance Measure	Why we use it	How we calculate it	Most comparable IFRS financial measure
EBITDA	<ul style="list-style-type: none"> <li>To evaluate performance and profitability of segments and subsidiaries as well as conversion of revenues.</li> <li>We believe that certain investors and analysts use EBITDA to measure our ability to service debt and meet other performance obligations.</li> <li>EBITDA is also used as a component of determining short-term incentive compensation for employees.</li> </ul>	EBITDA: Net income add Depreciation and amortization, net finance expense, income tax expense	Net income
Adjusted EBITDA	<ul style="list-style-type: none"> <li>To evaluate performance and profitability of segments and subsidiaries as well as the conversion of revenue while excluding non-operational share-based volatility.</li> <li>We believe that certain investors and analysts use adjusted EBITDA to measure our ability to service debt and meet other performance obligations.</li> </ul>	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

The following presents a reconciliation of net income to EBITDA and adjusted EBITDA and a reconciliation of net cash flow provided by operating activities to free cash flow:

#### Reconciliation of Net Income to EBITDA and adjusted EBITDA

(thousands of CAD)	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Net income	\$ 3,949	\$ 10,286	\$ 30,769	\$ 32,078
Depreciation and amortization	4,100	3,153	14,735	13,778
Net finance expense	1,038	482	3,177	2,673
Income tax expense	1,721	3,695	12,249	12,003
EBITDA	\$ 10,808	\$ 17,616	\$ 60,930	\$ 60,532
Adjustments				
Share-based compensation expense	2,180	(553)	1,490	5,972
Stock option expense (recovery)	-	13	(7)	88
Acquisition and integration costs	537	150	1,981	1,225
Gain on disposal of property, plant and equipment assets	(1)	(1)	(4)	(2)
Adjusted EBITDA	\$ 13,524	\$ 17,225	\$ 64,390	\$ 67,815
EBITDA margin (% of revenue)	23.4%	39.8%	32.1%	35.7%
Adjusted EBITDA margin (% of revenue)	29.3%	38.9%	33.9%	40.0%

#### Reconciliation of Net Cash Flow Provided by Operating Activities to Free Cash Flow

(thousands of CAD)	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Net cash flow provided by operating activities	\$ 18,420	\$ 17,471	\$ 43,536	\$ 61,212
Net change in non-cash working capital <sup>1</sup>	(10,224)	(3,142)	3,837	(14,185)
Cash provided by operating activities excluding working capital	\$ 8,196	\$ 14,329	\$ 47,373	\$ 47,027

Cash additions to property, plant and equipment		<b>(163)</b>	(10)	<b>(574)</b>	(10)
Cash additions to intangible assets		<b>(157)</b>	(587)	<b>(890)</b>	(2,217)
Consolidated free cash flow	<b>\$</b>	<b>7,876</b>	<b>\$</b>	<b>13,732</b>	<b>\$</b>
				<b>45,909</b>	<b>\$</b>
					44,800

<sup>1</sup> Refer to Note 23 of the Financial Statements for the year ended December 31 ,2022 for reconciliation.

#### Investor Contact

Jonathan Hackshaw  
Senior Director, Investor Relations & Capital Markets  
Toll Free: 1-855-341-8363 in North America or 1-306-798-1137  
[investor.relations@isc.ca](mailto:investor.relations@isc.ca)

#### Media Contact

Jodi Bosnjak  
External Communications Specialist  
Toll Free: 1-855-341-8363 in North America or 1-306-798-1137  
[corp.communications@isc.ca](mailto:corp.communications@isc.ca)



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