



ISC Reports 2023 First Quarter Financial Results

May 4, 2023

REGINA, Saskatchewan, May 03, 2023 (GLOBE NEWSWIRE) -- Information Services Corporation (TSX:ISV) ("ISC" or the "Company") today reported on the Company's financial results for the first quarter ended March 31, 2023.

2023 First Quarter Highlights

- **Revenue** was \$49.1 million for the quarter, an increase of \$4.9 million or 11 per cent compared to the first quarter of 2022 due to revenue from Registry Operations' new Ontario Property Tax Assessment Services division, following the acquisition of Reamined Systems Inc. ("Reamined") in June 2022. Continued growth in transactions and customers in the Services segment also contributed to the overall revenue increase over the prior year. This was partially offset by a decrease in the Saskatchewan Land Registry revenue as transaction volumes trended toward pre-pandemic levels.
- **Net income** was \$6.9 million or \$0.39 per basic and \$0.38 per diluted share compared to \$7.4 million or \$0.42 per basic share and \$0.41 per diluted share in the first quarter of 2022. The decrease in net income results from higher amortization related to intangible assets arising from acquisitions in 2022, as well as higher net finance expense.
- **EBITDA** was \$14.7 million compared to \$13.8 million in the first quarter of 2022, primarily driven by increased EBITDA in Registry Operations and Services and a decrease in share-based compensation compared to the prior year quarter. **EBITDA margin** was 29.9 per cent for the quarter compared to 31.3 per cent in the first quarter of 2022. The change in margin year-over-year was largely due to the return of the Saskatchewan Land Registry volumes to pre-pandemic levels accompanied by reduced EBITDA in Technology Solutions, as further described below, partially offset by the decrease in share-based compensation due to a decline in the Company's share price during the quarter.
- **Adjusted EBITDA** was \$14.5 million for the quarter compared to \$14.6 million in 2022. **Adjusted EBITDA margin** was 29.5 per cent compared to 33.0 per cent in the first quarter of 2022. The change in margin year-over-year is largely due to the return of the Saskatchewan Land Registry volumes to pre-pandemic levels accompanied by reduced EBITDA in Technology Solutions.
- **Free cash flow** for the quarter was \$10.1 million, flat compared to the first quarter of 2022 due to slightly higher cash provided by operating activities net of changes in working capital, offset primarily by increased interest expense. Commencing on January 1, 2023, following a review of comparative financial information and practices by other publicly traded companies, ISC elected to refine its definition of free cash flow to present ISC's free cash flow on a levered basis. ISC believes this change will provide better information for management, investors and potential investors regarding ISC's liquidity and financial strength. As such, free cash flow now includes interest received and paid, interest paid on lease obligations and principal repayments on lease obligations. The impact of this change to free cash flow in the prior year period was a \$0.9 million decrease to the previously reported amount of \$11.0 million.
- Late in the fourth quarter of 2022, ISC, through its wholly owned subsidiary, Enterprise Registry Solutions Limited ("ERS") commenced the implementation of integrated registry platforms for the Government of Cyprus ("Cyprus"), launched the States of Guernsey online Register of Charities and Non-Profit Organisations ("Guernsey"), and completed the development of corporate registry technology for Bonaire, Sint-Eustatius and Saba — all of which run on the [RegSys](#) solution.
 - The Cyprus project will deploy the [RegSys platform](#) to a complex and significant government department, the Department of Registrar of Companies and Intellectual Property, and is expected to revolutionize registry operations for the Government of Cyprus, bringing significant productivity increases, regulatory compliance and streamlined user experiences for individuals and companies who interact with the DRCIP registries. The total value of the contract (in partnership with another firm) is €10 million and ISC's portion of this contract over the life of the project is €5.7 million (approximately \$8.4 million).
 - In late 2022, the States of Guernsey launched the first phase of the online Register of Charities and Non-Profit Organisations to the public, operating on the RegSys solution, and transforming the way charities interact with the

States of Guernsey. This first phase of the project is an important milestone for Guernsey, as RegSys will be used by Guernsey to demonstrate compliance during the imminent [MONEYVAL evaluation](#) — an examination of measures taken in the financial, regulatory and criminal justice sectors to combat money laundering and terrorist financing in the European Union. The second phase of the project began in the first quarter of 2023, bringing the Corporate, Beneficial Ownership and Intellectual Property Registers onto the new RegSys platform to provide an integrated solution for the States of Guernsey. The total value of the two-phased project (including implementation and support and maintenance) is expected to be £7.7 million (approximately \$12.9 million).

- o Revenues for these projects will be recognized as milestones are achieved. Costs to ramp up and begin the projects have been recognized as incurred in the first quarter, reducing adjusted EBITDA in Technology Solutions for the quarter.

Financial Position as at March 31, 2023

- Cash of \$24.2 million compared to \$34.5 million as of December 31, 2022.
- Total debt of \$56.1 million compared to \$66.0 million as of December 31, 2022.

Commenting on ISC's results, Shawn Peters, President and CEO stated, "Our start to the year has been positive and in-line with our expectations. The acquisitions we completed in 2022 have made a positive contribution to our performance, more than offsetting the expected contraction in the Saskatchewan market. Our Services business is well diversified and continues to grow organically, even in the face of changing Ontario Business Registry dynamics. I am also very pleased that our Technology Solutions segment is benefiting from increased post-COVID procurement activities as evidenced with the new contracts we've announced." Peters continued, "We continue to monitor economic conditions and have factored that into our guidance, however, as we have proven consistently over the last 10 years, ISC remains a robust business and we are investing in our people and our technology to scale for continued growth."

Management's Discussion of ISC's Summary of 2023 First Quarter Financial Results

(thousands of CAD dollars; except earnings per share and where noted)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
<i>Revenue</i>		
Registry Operations	\$22,782	\$19,612
Services	24,721	22,723
Technology Solutions	1,609	1,817
Corporate and other	12	1
Consolidated revenue	\$49,124	\$44,153
Consolidated expenses	\$38,565	\$33,463
Consolidated EBITDA ¹	\$14,687	\$13,835
Consolidated EBITDA margin ¹ (% of revenue)	29.9%	31.3%
Consolidated adjusted EBITDA ¹	\$14,516	\$14,586
Consolidated adjusted EBITDA margin ¹	29.5%	33.0%
Consolidated net income	\$6,864	\$7,407
Earnings per share (basic) ¹	\$0.39	\$0.42
Earnings per share (diluted) ¹	\$0.38	\$0.41
Free cash flow ^{1,2}	\$10,054	\$10,069

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 quarter ended March 31, 2023. see below for a reconciliation of these non-IFRS measures.

² Commencing on January 1, 2023, ISC revised the definition of free cash flow which is a non-IFRS measure to include interest received and paid as well as principal repayments on lease obligations. This is further defined in section 8.8 "Non-IFRS financial measures" and the reconciliation and rationale is provided in section 6.1 "Cash flow" in Management's Discussion and Analysis for the quarter ended March 31, 2023. This change in definition has also been reflected in the comparative period.

2023 First Quarter Results of Operations

- Total revenue was \$49.1 million, up 11 per cent compared to Q1 2022.
- Registry Operations segment revenue was \$22.8 million, up compared to \$19.6 million in Q1 2022:
 - o Land Registry revenue was \$12.5 million, down compared to \$13.9 million in Q1 2022.
 - o Personal Property Registry was \$2.8 million, up compared to \$2.6 million in Q1 2022.
 - o Corporate Registry revenue was \$3.3 million, up compared to \$3.1 million in Q1 2022.

- Property Tax Assessment Services revenue in Registry Operations was \$3.8 million with no comparison to the prior year period as Reamined was acquired in the second quarter of 2022.
- Services segment revenue was \$24.7 million, up compared to \$22.7 million in Q1 2022:
 - Regulatory Solutions was \$17.8 million up compared to \$15.4 million in Q1 2022.
 - Recovery Solutions was \$2.9 million, flat compared to the same prior year period.
 - Corporate Solutions revenue was \$4.0 million, down compared to \$4.3 million in Q1 2022.
- Technology Solutions segment revenue from external parties was \$1.6 million, down from \$1.8 million in Q1 2022.
- Consolidated expenses (all segments) were \$38.6 million, up \$5.1 million compared to \$33.5 million in Q1 2022.
- Net income was \$6.9 million or \$0.39 per basic share and \$0.38 per diluted share, down \$0.5 million compared to \$7.4 million or \$0.42 per basic and \$0.41 per diluted share for Q1 2022.

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, expenses, completion of projects, ISO 27001 and business development opportunities. Refer to "Caution Regarding Forward-Looking Information".

While the Bank of Canada has kept its key interest rate at 4.50 per cent since January 2023, we expect this to be a factor that will impact parts of our business, most notably the Saskatchewan Land Registry as Saskatchewan real estate activity continues to trend towards pre-pandemic levels. However, the robustness and diversity of our business means we are well-positioned to deliver on our expectations for 2023.

For the Registry Operations segment in Saskatchewan, the real estate sector has seen activity soften in the first quarter of this year as consumers continue to adjust to higher interest rates and higher costs of living driven by inflation. We continue to monitor interest rates and other economic conditions, which can impact real estate activity. However, provincial market publications note that Saskatchewan continues to fare better than many other regions in the country. Based on the data we use to model our own trends and forecasts, we agree with this view. The addition of the Ontario Property Tax Assessment Services division, following the acquisition of Reamined in 2022, also provides consistent revenue during the year. As such, the Registry Operations segment is anticipated to remain as a strong free cash flow contributor in 2023.

Services is expected to deliver new customer and transaction growth in 2023 as we continue to implement technology that provides additional value-added product offerings. Following the introduction of Recovery Complete in the latter half of 2022, we expect to deliver similar integrated benefits for recovery clients that our search and registration clients have experienced after moving over to our Registry Complete platform. We continue to expect that further changes to the Ontario Business Registry in 2023 will have an impact but believe that the benefits of Registry Complete, our strong customer service and diversification will mitigate potential loss of business from the anticipated further opening of this registry to the public in the latter part of 2023.

In Technology Solutions, we are excited to be in the early stages of delivery of two new contracts. We also continue to complete and deliver solution implementation projects deferred from 2022. As previously reported, jurisdictions are reactivating procurement activities and we remain optimistic about our business development pipeline for Technology Solutions. The key drivers of expenses will continue to be wages and salaries, cost of goods sold, information technology, and costs associated with the pursuit of new business opportunities. We continue to progress towards completion of ISO 27001 certification in 2023 — consistent with our corporate strategy. This international certification will demonstrate our adherence to controls in the management of information security assets.

It is based on the foregoing that we continue to expect revenue to be between \$200.0 million and \$205.0 million, net income to be between \$27.0 million and \$32.0 million, adjusted EBITDA¹ to be between \$65.0 million and \$70.0 million and EBITDA¹ to be between \$58.0 million and \$63.0 million in 2023. The expected impact of the further opening of the Ontario Business Registry has been considered in our guidance.

The diversification and growth 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 business development opportunities that complement or add value to our existing lines of business.

¹ EBITDA and Adjusted EBITDA are not recognized as a measures under IFRS and does not have a standardized meaning prescribed by IFRS and, therefore, it may not be comparable to similar measures reported by other companies; refer to section 8.8 "Non-IFRS financial measures". Refer to section 2 "Consolidated Financial Analysis" for a reconciliation of historical EBITDA to net income.

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 March 31, 2023, and 2022. 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, May 4, 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 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/Ble54535f2442f41678c099c31dd2ef376>

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 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 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, 2022 and ISC’s unaudited Condensed Consolidated Interim Financial Statements and Notes and Management’s Discussion and Analysis for the first quarter ended March 31, 2023, 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.

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 EBITDA Margin	<ul style="list-style-type: none"> To evaluate performance and profitability of segments and subsidiaries as well as the conversion of revenue. 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: Net income add Depreciation and amortization, net finance expense, income tax expense EBITDA Margin: EBITDA divided by Total revenue	Net income
Adjusted EBITDA Adjusted EBITDA Margin	<ul style="list-style-type: none"> To evaluate performance and profitability of segments and subsidiaries as well as the conversion of revenue while excluding non-operational and share-based volatility. We believe that certain investors and analysts use Adjusted EBITDA to measure our ability to service debt and meet other performance obligations. 	Adjusted EBITDA: EBITDA add (remove) Share-based compensation expense, acquisition, integration and other costs Adjusted EBITDA Margin: Adjusted EBITDA divided by Total revenue	Net income
Free Cash Flow	<ul style="list-style-type: none"> To show cash available for debt repayment and reinvestment into the Company on a levered basis. 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, interest received and paid as well as interest paid on lease obligations and principal repayments on lease obligations	Net cash flow provided by operating activities

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 March 31,	
	2023	2022
Net income	\$ 6,864	\$ 7,407
Depreciation and amortization	4,128	3,145
Net finance expense	905	435
Income tax expense	2,790	2,848
EBITDA	\$ 14,687	\$ 13,835
Adjustments		
Share-based compensation expense	(1,190)	122
Acquisition, integration and other costs	1,019	629
Adjusted EBITDA	\$ 14,516	\$ 14,586
EBITDA margin (% of revenue)	29.9%	31.3%
Adjusted EBITDA margin (% of revenue)	29.5%	33.0%

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

(thousands of CAD)	Three Months Ended March 31,	
	2023	2022 ²
Net cash flow provided by operating activities	\$ 5,738	\$ (2,279)
Net change in non-cash working capital ¹	6,130	13,784
Cash provided by operating activities excluding working capital	11,868	11,505
Cash additions to property, plant and equipment	(15)	(90)
Cash additions to intangible assets	(269)	(430)
Interest received	310	22
Interest paid	(1,152)	(356)
Interest paid on lease obligations	(95)	(97)
Principal repayment on lease obligations	(593)	(485)
Consolidated free cash flow	\$ 10,054	\$ 10,069

¹ Refer to Note 15 of the Financial Statements for reconciliation.

² Commencing on January 1, 2023, ISC revised the definition of free cash flow which is a non-IFRS measure to include interest received and paid as well as principal repayments on lease obligations. This is further defined in Section 8.8 "Non-IFRS financial measures" in Management's Discussion and Analysis for the quarter ended March 31, 2023 and reconciled above. This change in definition has also been reflected in the comparative period.

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

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



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