ISC Secures Saskatchewan Registries Extension Until 2053

July 5, 2023

- **Extends a long-standing and successful public-private partnership until 2053 and re-affirms ISC's position as one of Canada's leading registry operators**
- **Unlocks value of the Saskatchewan Registries - a high-quality infrastructure asset**
- **Delivers value for Saskatchewan - ability for the Province of Saskatchewan to use the transaction consideration for the benefit of Saskatchewan**
- **Provides ISC with strong, stable, long-term cash flow**
- **New revenue meaningfully enhances ISC's scale and financial profile**
- **Attractive transaction economics create significant value for ISC's shareholders**
- **Acts as a catalyst to accelerate ISC's long-term growth strategy**

All figures are in Canadian dollars ("C$") unless noted otherwise.

REGINA, Saskatchewan, July 05, 2023 (GLOBE NEWSWIRE) -- Information Services Corporation (TSX:ISV) ("ISC" or the "Company") today announced the execution of an extension agreement (the "Extension Agreement") with the Province of Saskatchewan (the "Province") to extend the term of its exclusive Master Service Agreement (the "MSA" and, together with the Extension Agreement and certain ancillary agreements collectively the "Agreements") until 2053 (the "Extension"). This means that the MSA between ISC and the Province will continue for the next 30 years to 2053, for a total of 40 years, which is in keeping with a concession of this nature.

The Agreements extend ISC's exclusive right to manage and operate each of the Saskatchewan Land Registry, the Saskatchewan Land Surveys Directory, the Saskatchewan Corporate Registry and the Saskatchewan Personal Property Registry (collectively, the "Saskatchewan Registries").

Extension Terms

- The Agreements extend ISC's exclusive right to manage and operate the Saskatchewan Registries to 2053.
- The consideration to be paid by ISC to the Province consists of:
  - An upfront cash payment of $150 million (the "Upfront Payment"), payable on or before July 28, 2023;
  - Five cash payments of $30 million per year, totaling $150 million, commencing in July 2024 with the final payment expected to be made in 2028 (the "Subsequent Payments"); and
  - Annual contingent payments potentially payable after 2033 if volume growth for certain land registry transactions exceeds pre-defined benchmarks, subject to a maximum (further described below).

Financial Highlights

- **Immediate new revenue enhances ISC's scale and financial profile:**
  - Under the Agreements, ISC has been granted the right to introduce and/or enhance fees on certain transactions with applicable fee adjustments expected to go into effect on July 29, 2023.
  - Fee adjustments are expected to result in estimated incremental annual revenue and Adjusted EBITDA[1] to ISC of $17 million and $16 million, respectively.
  - Accordingly, the Company expects the impact to 2023 revenue to be an increase of $7 million and 2023 Adjusted EBITDA[1] to be $6 million.
  - ISC intends to formally update its annual guidance for 2023 when it reports its financial results for the second quarter of 2023.
- **The Agreements are expected to generate attractive economics to ISC's shareholders:**
  - Strong +10% unlevered internal rate of return[5] for a high-quality infrastructure asset that is already operated by ISC.
  - Compelling +30% accretion to ISC's Net Asset Value per share ("NAVPS") [2].
  - Immediately accretive to Adjusted Free Cash Flow Per Share ("Adjusted FCFPS") [1] and Adjusted Earnings Per Share ("Adjusted EPS") [1].
- **ISC will continue to maintain a prudent and flexible capital structure:**
  - Following funding of the Upfront Payment, ISC will have pro forma Net Debt / LTM Adjusted EBITDA[3] of 4.0x[4] (prior to the Extension, Net Debt / LTM Adjusted EBITDA was 0.6x as at March 31, 2023).
  - Rapid deleveraging towards long-term net leverage target of 2.0x – 2.5x.

    - ISC has a history of disciplined capital allocation and will continue to focus on deleveraging, maintaining and growing its dividend, and investing in growth.
- **ISC will make meaningful investments to enhance core registries:**
    - A registry enhancement plan will leverage ISC-built technology to offer best-in-class technology, security, and user experience.
    - ISC's continued development of world-class registry technology supports the Company's pursuit of new registry opportunities globally while also benefitting the Saskatchewan Registries.
- **The contingent payment structure allows ISC and the Province to share in volume growth:**
    - ISC and the Province to share in growth through annual contingent payments potentially payable by ISC to the Province between 2033 and 2053 if cumulative annual volume growth for certain Saskatchewan Land Registry transactions falls within a pre-determined range, calculated in any given year as follows:
        - 25% of any revenue associated with long-term volume growth between 0% - 1%
        - 50% of any revenue associated with long-term volume growth between 1% - 3%
    - ISC to retain unlimited upside on any incremental volume growth in excess of 3%.

The MSA has also been amended and restated to, among other things, implement certain incremental terms and conditions, the objectives of which are to enhance security features and protocols for the Saskatchewan Registries, contemplate emerging and future technology enhancements for the Saskatchewan Registries and the services provided pursuant to the MSA, refresh and clarify governance practices and structure, adjust the registry fees chargeable by the Company, and provide flexibility for change over the life of the extended term.

Shawn Peters, President & CEO commented, "The extension of our Master Service Agreement with the Province has been an important priority for us and I would like to thank our partners in the Saskatchewan Ministry of Finance and Ministry of Justice for helping us arrive at a successful conclusion today." Peters continued, "This Agreement is beneficial for all stakeholders including the Province, the people of Saskatchewan and ISC's long-standing and extremely supportive shareholders. We look forward to continuing to serve the users of the Saskatchewan Registries for the next 30 years, while executing our long-term growth strategy for the company overall."

Deputy Premier and Minister of Finance Donna Harpauer noted, "ISC's history in our province of providing quality services to people and businesses drove the extension of this Agreement. Our Government has confidence in ISC, a home-grown success story, and a company that will help our province continue to grow and move forward." Harpauer continued, "The payments we will receive from ISC and the ability to participate in the company's growth will help our Government continue to invest in the priority programs, services and infrastructure Saskatchewan people value."

Compelling Strategic Rationale

- **Reinforces ISC's position as a leading registry operator:**
    - Strategic extension of the MSA keeps a successful public-private partnership in the hands of a proven management team with a best-in-class operational track record.
- **Unlocks value of the Saskatchewan Registries:**
    - The Saskatchewan Registries are a valuable, high-quality infrastructure asset that ISC has the exclusive right to operate until 2053.
- **Provides ISC with strong, stable, long-term free cash flow:**
    - Predictable, high-margin revenue supported by an asset-light model drives substantial cash flow generation.
- **New revenue meaningfully enhances ISC's scale and financial profile:**
    - Immediate fee adjustments significantly enhance ISC's revenue, Adjusted EBITDA [1], Adjusted EBITDA margin[1], Adjusted Net Income[1], and Adjusted Free Cash Flow[1].
- **Attractive transaction economics create significant value for ISC's shareholders:**
    - Robust risk-adjusted returns[5] with low execution risk underpinned by meaningful NAVPS[2], Adjusted FCFPS[1] and Adjusted EPS[1] accretion.
- **Long-term growth catalyst:**
    - Significant incremental cash flow generation enables ISC to accelerate its long-term organic and acquisition growth strategy.

1 Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income and Adjusted Free Cash Flow are not recognized measures under IFRS and do not have a meaning prescribed by IFRS and, therefore, they may not be comparable to similar measures reported by other companies. For more information, please refer to section 8.8 "Non-IFRS Financial Measures" and section 2 "Consolidated Financial Analysis" for a reconciliation of Adjusted Net Income and Adjusted EBITDA to net income in Management's Discussion and Analysis for the quarter ended March 31, 2023. Additionally see the "Non-IFRS Performance Measures" section below for descriptions and historical reconciliation of these measures. Adjusted Earnings Per Share and Adjusted Free Cash Flow Per Share referenced in this news release are calculated by dividing Adjusted Net Income and Adjusted Free Cash Flow by the average number of shares outstanding, respectively.

2 Net Asset Value is a supplementary financial measure and represents the estimated fair value of each of ISC's business segments, less its long-term

debt, short-term and long-term lease liability, Government of Saskatchewan liabilities, plus cash. Net Asset Value per share represents the Net Asset Value divided by the number of shares outstanding

[3] This financial ratio is a non-IFRS ratio used by management to evaluate borrowing capacity and capital allocation strategies. Pro forma Net Debt/ LTM Adj. EBITDA is defined as pro forma Net Debt divided by pro forma LTM Adjusted EBITDA. Pro forma Net Debt includes total bank debt plus lease obligations and the present value of the commitments payable to the Province of Saskatchewan pursuant to the Agreements, and certain transaction-related expenses less cash. Pro forma LTM Adjusted EBITDA is calculated as ISC's net income plus net finance expense, depreciation and amortization, taxes, share-based compensation, acquisition, integration and other costs as well as an adjustment to give effect to management's estimates of the annualized EBITDA generated by fee adjustments offset by incremental expenses.

[4] This is pro forma as at March 31, 2023.

[5] Unlevered internal rate of return is a supplementary financial measure which represents the rate of return by considering the present value of future cash flows related to this agreement extension excluding the cost of financing.

[6] Total shares outstanding at June 30, 2023 are 17,701,498.

Transaction Financing

ISC is well-positioned to fund the Extension with its strong balance sheet, cash flow profile and access to capital. In connection with the Extension, ISC has entered into an amended and restated credit agreement (the "Amended and Restated Credit Facility") with its syndicate of lenders. The aggregate amount available under the Amended and Restated Credit Facility has been increased from $150 million to $250 million and will consist of ISC's existing $150 million revolving credit facility plus a new $100 million revolving credit facility. In addition, ISC will maintain access to a $100 million accordion option, providing the flexibility to upsize the aggregate revolving credit facility up to $350 million, and the Consolidated Net Funded Debt to EBITDA financial covenant has been increased to provide additional balance sheet flexibility to ISC. The expiry date of the Amended and Restated Credit Facility of September 2026 remains unchanged. Royal Bank of Canada acted as Administrative Agent with RBC Capital Markets and Canadian Imperial Bank of Commerce serving as Joint Lead Arrangers and Joint Bookrunners for the Amended and Restated Credit Facility.

ISC intends to fund the Upfront Payment and other related transaction costs by drawing on its Amended and Restated Credit Facility and with cash-on-hand. The Subsequent Payments are expected to be financed using internally-generated cash flow.

Special Committee of the Board of Directors and Fairness Opinion

To evaluate and approve the Agreements, the Board of Directors (the "Board") formed a special committee comprised exclusively of elected independent directors (the "Special Committee"). RBC Capital Markets provided a fairness opinion to ISC's Special Committee to the effect that, as of the date of the fairness opinion, subject to the assumptions, limitations and qualifications contained therein, the consideration to be paid by the Company pursuant to the Agreements is fair from a financial point of view to the Company. The Special Committee reviewed and unanimously approved the execution of the Agreements.

Advisors and Counsel

RBC Capital Markets acted as financial advisor to ISC. Stikeman Elliott LLP served as counsel to ISC.

Note to Readers

The Board carries out its responsibility for review and approval of this disclosure through the Special Committee, which is comprised exclusively of independent elected directors.

Conference Call and Webcast

ISC will hold an investor conference call on July 5, 2023 at 5:30 p.m. ET to discuss the transaction. 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/BI3deaa146cfac4effaef057c05ca5a254

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 statements related to payment of the transaction consideration, including the upfront payment, subsequent payments and contingent payment structure, anticipated fee adjustments, our future financial position and results of operations including anticipated changes in revenue, Adjusted EBITDA, Adjusted Net Income and Adjusted Free Cash Flow, expectations for value creation and economics to ISC's shareholders, capital structure changes and anticipated accretion of the transaction, growth opportunities, technology enhancements and continued development of registry technology and capital allocation strategy. 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 ISC's payment of the upfront or subsequent amounts, changes in the condition of the economy, 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. In connection with the Extension, management has made the decision to add Adjusted Net Income and Adjusted Free Cash Flow as new financial measures that exclude certain items outside the normal course of business and are believed to be useful to management and the market in reviewing 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.

Below, information is presented on the non-IFRS measures used by ISC, why we use them, how they are calculated, the most comparable IFRS financial measures and a reconciliation of the measures as at December 31, 2022. Where new reconciling items exist following this Extension that did not exist before, a line is included in the reconciliation however the historical values presented are nil.

Non-IFRS Performance Measure	**Why we use it**	**How we calculate it**	**Most comparable IFRS financial measure**
Adjusted Net Income Adjusted Earnings Per Share, Basic Adjusted Earnings Per Share, Diluted	• To evaluate performance and profitability while excluding non-operational and share-based volatility. • We believe that certain investors and analysts will use Adjusted Net Income and Adjusted Earnings Per share to evaluate performance while excluding items that management believes do not contribute to our ongoing operations.	Adjusted Net Income; Net Income Add Share-based compensation expense, acquisitions, integration and other costs, effective interest component of interest expense, debt finance costs expensed to professional and consulting, amortization of the intangible asset related to the Extension and amortization of registry enhancements required by the Agreements, accretion on the liability to Government of Saskatchewan and the tax effect of these adjustments at ISC's statutory tax rate. Adjusted Earnings Per Share, Basic; Adjusted Net Income divided by weighted average number of common shares outstanding Adjusted Earnings Per Share, Diluted; Adjusted Net Income divided by diluted weighted average number of common shares outstanding	Net Income Earnings Per Share, Basic Earnings Per Share, Diluted
Adjusted EBITDA Adjusted EBITDA Margin	• 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: Net Income add (remove) Depreciation and amortization, net finance expense, income tax expense, share-based compensation expense, and acquisition, integration and other costs Adjusted EBITDA Margin: Adjusted EBITDA divided by Total revenue	Net Income
Free Cash Flow	• 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
Adjusted Free Cash Flow Adjusted Free Cash Flow Per Share	• To show cash available for debt repayment and reinvestment into the Company on a levered basis from continuing operations while excluding non-operational and share-based volatility. • We believe that certain investors and analysts use this measure to value a business and its underlying assets based on continuing operations while excluding short term non-operational items.	Free Cash Flow deduct (add) Share-based compensation expense, acquisition, integration and other costs and registry enhancement capital expenditures required by the Extension	Net cash flow provided by operating activities

Reconciliation of Adjusted EBITDA to Net Income

(thousands of CAD)	Year Ended December 31, 2022	2021
Adjusted EBITDA	**$ 64,390**	$ 67,815
Adjust:		
Depreciation and amortization	**(14,735)**	(13,778)
Net finance expense[1]	**(3,177)**	(2,673)
Income tax expense	**(12,249)**	(12,003)
Share-based compensation expense	**(1,483)**	(6,060)
Acquisition, integration and other costs	**(1,981)**	(1,225)
Gain on disposal of property, plant and equipment assets	**4**	2
Net income	**$ 30,769**	$ 32,078

[1] Net finance expense includes interest income net of interest expense and includes interest on lease obligations and the effective interest component of interest expense.

Reconciliation of Adjusted Net Income to Net Income

(thousands of CAD)	Year Ended December 31, 2022	2021
Adjusted Net Income	**$ 33,350**	$ 37,409
Adjust:		
Share-based compensation expense	**(1,483)**	(6,060)
Acquisition, integration and other costs	**(1,981)**	(1,225)
Effective interest component of interest expense[2]	**(72)**	(18)
Amortization of the intangible assets related to the extension of the MSA with GoS	**-**	-
Debt finance costs expensed to professional and consulting	**-**	-
Accretion on Liability to Government of Saskatchewan[2]	**-**	-
Amortization of Registry Transformation Intangible Assets	**-**	-
Tax effect on above adjustments[3]	**955**	1,972
Net Income	**$ 30,769**	$ 32,078

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

(thousands of CAD)	Year Ended December 31, 2022	2021
Adjusted Free Cash Flow	**$ 44,394**	$ 47,310
Adjustments:		
Share-based compensation expense	**(1,483)**	(6,060)
Acquisition, integration, and other costs	**(1,981)**	(1,225)
Registry enhancement capital expenditures required by extension[2]	**-**	-
Free Cash Flow	**$ 40,930**	$ 40,025
Adjustments:		
Cash additions to property, plant and equipment	**574**	10
Cash additions to intangible assets	**890**	2,217
Interest received	**(463)**	(140)
Interest paid	**2,902**	2,547
Interest paid on lease obligations	**403**	354
Principal repayment on lease obligations	**2,137**	2,014
Net change in non-cash working capital	**(3,837)**	14,185
Net Cash Flow provided by operating activities	**$ 43,536**	$ 61,212

[2] This Extension will result in new adjustments that have not occurred historically. These new non-IFRS adjustments, are expected to be incurred in the future and have therefore been included with nil values in these historical reconciliations.

[3] Calculated at ISC's statutory tax rate of 27.0 per cent.

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