



ISC Reports 2023 Third Quarter Financial Results

November 7, 2023

REGINA, Saskatchewan, Nov. 07, 2023 (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, 2023.

Capitalized terms that are used but not defined in this news release have the meaning ascribed to those terms in Management's Discussion & Analysis for the period ended September 30, 2023

2023 Third Quarter Highlights

- **Revenue** was \$54.6 million for the quarter, an increase of 12 per cent compared to the third quarter of 2022. The increase was due to continued customer and transaction growth in Services combined with fee increases implemented in Registry Operations in July 2023.
- **Net income** was \$4.2 million or \$0.24 per basic share and \$0.23 per diluted share compared to \$7.8 million or \$0.44 per basic share and \$0.43 per diluted share in the third quarter of 2022. The reduction in net income during the quarter resulted from increased net finance expense due to increased interest rates, higher borrowings used to fund the Upfront Payment, interest accrued on the vendor concession liability to the Province of Saskatchewan and amortization related to the intangible asset associated with the right to operate the Saskatchewan Registries. This was partially offset by strong adjusted EBITDA contributions from Registry Operations and Services.
- **Net cash flow provided by operating activities** was \$14.6 million for the quarter, a 3 per cent reduction from \$15.1 million in the prior year due to non-cash working capital changes in accounts receivable (due to higher revenue in the current year) and timing of income tax payments, partially offset by the growth of adjusted EBITDA in Registry Operations and Services.
- **Adjusted net income** was \$8.4 million or \$0.47 per basic share and \$0.46 per diluted share compared to \$8.7 million or \$0.49 per basic share and \$0.48 per diluted share in the third quarter of 2022. The slight decrease for the quarter was driven by increased interest expense on long-term debt, largely offset by the strong performance of Registry Operations following fee adjustments introduced during the quarter and continued customer and transaction growth in Services.
- **Adjusted EBITDA** was \$19.2 million for the quarter compared to \$17.0 million in 2022 primarily due to a higher contribution from Registry Operations driven by fee adjustments implemented during the quarter and continued customer and transaction growth in Services. This increase was partially offset by lower adjusted EBITDA in Technology Solutions and Corporate due to the timing of revenue recognition and continued investments in people and technology. **Adjusted EBITDA margin** was 35.2 per cent compared to 34.9 per cent in the third quarter of 2022.
- **Adjusted free cash flow** for the quarter was \$14.4 million, up 27 per cent compared to \$11.4 million in the third quarter of 2022, primarily related to stronger results from operations in Registry Operations and Services during the quarter. This was partially offset by increased capital expenditures related to technology systems in Registry Operations and Services and increased interest expense due to higher interest rates and higher principal balance outstanding as a result of the borrowings to fund the Upfront Payment.
- On July 5, 2023, the Company entered into an extension agreement (the extension agreement together with certain related ancillary agreements are collectively referred to as the "Extension Agreement") with the Province of Saskatchewan to extend the term of its exclusive MSA until 2053. The Extension Agreement extends ISC's exclusive right to manage and operate the Saskatchewan Registries. Under the Extension Agreement, ISC was granted the right to introduce and/or enhance fees on certain transactions with applicable fee adjustments that went into effect on July 29, 2023. The consideration to be paid includes the Upfront Payment, which was paid during the quarter, five annual cash payments of \$30.0 million per year commencing in July 2024 and annual contingent payments potentially payable after 2033 if certain volume growth criteria are met.
- In addition to entering into the Extension Agreement, the MSA was also amended and restated ("Amended and Restated

MSA”) 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 Amended and Restated 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.

- In connection with the Extension Agreement, ISC entered into an Amended and Restated Credit Agreement with its syndicate of lenders in connection to its Credit Facility. The aggregate amount available under the Credit Facility has been increased from \$150.0 million to \$250.0 million and consists of ISC’s existing \$150.0 million revolving credit facility together with a new \$100.0 million revolving credit facility. In addition, ISC maintains access to a \$100.0 million accordion option, providing the flexibility to upsize the aggregate revolving credit facility up to \$350.0 million. The Consolidated Net Funded Debt to EBITDA financial covenant was increased to provide additional balance sheet flexibility to ISC. The expiry date of the Credit Facility of September 2026 remained unchanged. During the quarter, the Company made total drawings of \$150.7 million of which \$150.0 million was used to fund the Upfront Payment required on the execution of the Extension Agreement while \$0.7 million was used to fund transaction costs.
- On July 27, 2023, ISC announced that it has expanded the lenders under the Company’s Credit Facility to include the Bank of Montreal. The syndicated Credit Facility now includes RBC, CIBC and the BMO. The total amount available under the Credit Facility remained unchanged.

Financial Position as at September 30, 2023

- Cash of \$21.4 million compared to \$34.5 million as of December 31, 2022.
- Total debt of \$187.2 million compared to \$66.0 million as of December 31, 2022. The Company is focused on continuing sustainable growth and rapidly deleveraging towards a long-term net leverage target of 2.0x – 2.5x.

Subsequent Event

- On October 31, 2023, ISC announced a new US\$3.2 million (approximately CA\$4.5 million) contract with the State of Michigan for a period of five years to be delivered through its Technology Solutions segment. This contract includes the delivery of a modern, online Uniform Commercial Code System using the Company’s RegSys platform to support service improvement and efficiencies for the State of Michigan.

Commenting on ISC’s results, Shawn Peters, President and CEO stated, “The big news of the quarter and year-to-date was our milestone announcement regarding the extension of the term of ISC’s exclusive Master Service Agreement with the Province of Saskatchewan to manage and operate the Saskatchewan Registries until 2053. This Extension has been an important priority for us and immediately enhanced the Company’s scale and financial profile.” Peters continued, “With respect to our three segments, both Registry Operations and Services performed well in difficult economic conditions with Services proving once again to be our driver of organic growth. ISC continues to prove that it can produce sustained, positive performances regardless of economic conditions and although not currently recognized by the market, ISC’s fundamentals remain stronger than ever, especially with the extension completed and a solid plan to de-lever the balance sheet in the near-term.”

Management’s Discussion of ISC’s Summary of 2023 Third Quarter Consolidated Financial Results

(thousands of CAD; except earnings per share, adjusted earnings per share and where noted)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022
<i>Revenue</i>		
Registry Operations	\$ 27,419	\$ 25,025
Services	25,551	22,248
Technology Solutions	1,635	1,492
Corporate and other	5	3
Total Revenue	\$ 54,610	\$ 48,768
Expenses	\$ 43,334	\$ 36,922
Adjusted EBITDA ¹	\$ 19,209	\$ 17,037
Adjusted EBITDA margin ¹	35.2%	34.9%
Net income	\$ 4,234	\$ 7,756
Adjusted net income ¹	\$ 8,357	\$ 8,625
Earnings per share (basic)	\$ 0.24	\$ 0.44
Earnings per share (diluted)	\$ 0.23	\$ 0.43
Adjusted earnings per share (basic) ¹	\$ 0.47	\$ 0.49

Adjusted earnings per share (diluted) ¹	\$	0.46	\$	0.48
Adjusted free cash flow ¹	\$	14,444	\$	11,357

¹Adjusted net income, adjusted earnings per share, basic, adjusted earnings per share, diluted, adjusted EBITDA, adjusted EBITDA margin and adjusted 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 the MD&A. Refer to section 2 "Consolidated Financial Analysis" in the MD&A for a reconciliation of adjusted net income and adjusted EBITDA to net income. Refer to section 6.1 "Cash flow" in the MD&A for a reconciliation of adjusted free cash flow to net cash flow provided by operating activities. See also a description of these non-IFRS measures and reconciliations of adjusted net income and adjusted EBITDA to net income and adjusted free cash flow to net cash flow provided by operating activities presented in the section of this news release titled "Non-IFRS Performance Measures".

2023 Third Quarter Results of Operations

- Total revenue was \$54.6 million, up 12 per cent compared to Q3 2022.
- Registry Operations segment revenue was \$27.4 million, up compared to \$25.0 million in Q3 2022:
 - Land Registry revenue was \$17.8 million, up compared to \$15.2 million in Q3 2022.
 - Personal Property Registry revenue was \$3.0 million, flat compared to the same prior year period.
 - Corporate Registry revenue was \$2.8 million, up compared to \$2.6 million in Q3 2022.
 - Property Tax Assessment Services revenue in Registry Operations was \$3.9 million, flat compared to the same prior year period.
- Services segment revenue was \$25.6 million, up compared to \$22.2 million in Q3 2022:
 - Regulatory Solutions revenue was \$19.4 million, up compared to \$16.3 million in Q3 2022.
 - Recovery Solutions revenue was \$2.9 million, up compared to \$2.4 million in Q3 2022.
 - Corporate Solutions revenue was \$3.3 million, down compared to \$3.5 million in Q3 2022.
- Technology Solutions revenue from third parties was \$1.6 million, up from \$1.5 million in Q3 2022.
- Consolidated expenses (all segments) were \$43.3 million, up \$6.4 million compared to \$36.9 million in Q3 2022.
- Net income was \$4.2 million or \$0.24 per basic share and \$0.23 per diluted share, down \$3.6 million compared to \$7.8 million or \$0.44 per basic and \$0.43 per diluted share for Q3 2022.

Outlook

The following section includes forward-looking information, including statements related to our strategy, future results, including revenue and adjusted EBITDA, segment performance, the industries in which we operate, economic activity, growth opportunities, investments, and business development opportunities. Refer to "Caution Regarding Forward-Looking Information" in Management's Discussion & Analysis for the three and nine months ended September 30, 2023.

For the balance of 2023, we expect continued organic growth in our Services segment, while the Registry Operations segment will continue to be a strong contributor to adjusted EBITDA and free cash flow generation. Our year-to-date results continue our history of positive quarter-after-quarter performance and stability; we expect that to continue.

We also expect to execute on our plan to de-lever the balance sheet to realize a long-term net leverage target of 2.0x – 2.5x; a plan which commenced immediately following the announcement of the Extension in July, as evidenced by our third quarter 2023 payment against our outstanding debt.

At the end of October, the Bank of Canada held interest rates at 5 per cent, noting that it was prepared to raise interest rates again if inflation remains high. We therefore expect economic conditions in Canada to remain in line with our expectations for the remainder of 2023. As a result, we expect volumes in the Saskatchewan Land Registry within Registry Operations to remain at current (seasonally adjusted) levels, as well as a continuing positive impact in the Regulatory and Recovery Solutions divisions in Services due to increased due diligence searches and Asset Recovery revenue, respectively. Overall, we believe our performance will remain strong for the balance of the year, being steady in our core products and services, well positioned with certain counter-cyclical businesses and ready to benefit positively from any improvements to market conditions in the future.

With the above factors in mind, we are pleased to reiterate our updated annual guidance provided in August 2023 with revenue for 2023 expected to be between \$207.0 million and \$212.0 million and adjusted EBITDA¹ to be between \$71.0 million and \$76.0 million. Given the strength of the business to date, we expect revenue to be at the top end of our guidance range and adjusted EBITDA to be towards the lower end of the guidance range, as we continue to invest in people and technology to position ourselves for the growth ahead.

In summary, we are proud of the year-to-date work we have done in 2023 to realize our short-term objectives for the year while pursuing our long-term goals for growth. Although the capital markets are currently challenging, and are presently not recognizing ISC's extremely strong fundamentals, the Company is stronger than ever, especially with the Extension completed, a robust plan to de-lever in the near term and a management team focused on long-term growth.

¹ Adjusted EBITDA is not recognized as a measure under IFRS and does not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures reported by other companies; refer to section 8.8 "Non-IFRS financial measures" in the MD&A. Refer to section 2 "Consolidated Financial Analysis" in the MD&A for a reconciliation of historical adjusted 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 September 30, 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 company.isc.ca.

Copies can also be obtained SEDAR+ at www.sedarplus.ca 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 Wednesday, November 8, 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 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/BI4f3923462cbc454c9aa5458ff6b3a7eb>

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 third quarter ended September 30, 2023, copies of which are filed on SEDAR+ at www.sedarplus.ca.

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 are certain measures that have not been prepared in accordance with IFRS, such as adjusted net income, adjusted earnings per share, basic, adjusted earnings per share, diluted, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, free cash flow and adjusted free cash flow. These measures are provided as additional information to complement those IFRS measures by providing further understanding of our financial performance from management's perspective, to provide investors with supplemental measures of our operating performance and, thus, highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures.

Management also uses non-IFRS measures to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess our ability to meet future capital expenditure and working capital requirements.

Accordingly, these non-IFRS measures should not be considered in isolation or as a substitute for analysis of our financial information reported under IFRS. Such measures do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies.

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	<ul style="list-style-type: none"> 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 extension of the MSA with the Province of Saskatchewan, amortization of registry enhancements, interest on the vendor concession liability and the tax effect of these adjustments at ISC's statutory tax rate. Adjusted earnings per share, basic;	Net income Earnings per share, basic Earnings per share, diluted

		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	
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: Net income add (remove) 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 is also used as a component of determining short-term incentive compensation for employees. 	Adjusted EBITDA: EBITDA add (remove) share-based compensation expense, acquisition, integration and other costs, gain/loss on disposal of assets if significant 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. Free cash flow is also used as a component of determining short-term incentive compensation for employees. 	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	<ul style="list-style-type: none"> 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	Net cash flow provided by operating activities

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

Reconciliation of Adjusted Net Income to Net Income

(thousands of CAD)	Three Months Ended	
	2023	2022
Adjusted net income	\$ 8,357	\$ 8,652

Add (subtract):			
Share-based compensation expense		(1,513)	(1,081)
Acquisition, integration and other costs		(796)	(127)
Effective interest component of interest expense		(64)	(18)
Interest on vendor concession liability		(1,733)	-
Amortization of right to operate the Saskatchewan Registries		(1,543)	-
Tax effect on above adjustments ¹		1,526	330
Net income	\$	4,234	\$ 7,756

¹ Calculated at ISC's statutory tax rate of 27.0 per cent.

Reconciliation of Adjusted EBITDA to EBITDA to Net Income

(thousands of CAD)		Three Months Ended September 30,	
		2023	2022
Adjusted EBITDA	\$	19,209	\$ 17,037
Add (subtract):			
Share-based compensation expense		(1,513)	(1,081)
Acquisition, integration and other costs		(796)	(127)
EBITDA	\$	16,900	\$ 15,829
Add (subtract):			
Depreciation and amortization		(5,624)	(3,983)
Net finance expense		(5,171)	(1,038)
Income tax expense		(1,871)	(3,052)
Net income	\$	4,234	\$ 7,756

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

(thousands of CAD)		Three Months Ended September 30,	
		2023	2022 ²
Adjusted Free Cash Flow	\$	14,444	\$ 11,357
Add (subtract):			
Share-based compensation expense		(1,513)	(1,081)
Acquisition, integration, and other costs		(796)	(127)
Registry enhancement capital expenditures		(157)	-
Free cash flow ²	\$	11,978	\$ 10,149
Add (subtract):			
Cash additions to property, plant and equipment		71	183
Cash additions to intangible assets ³		382	122
Interest received		(347)	(130)
Interest paid		2,498	949
Interest paid on lease obligations		88	107
Principal repayment on lease obligations		579	516
Net change in non-cash working capital ¹		(676)	3,162
Net cash flow provided by operating activities	\$	14,573	\$ 15,058

¹ Refer to Note 16 of ISC's Consolidated Financial Statements for the three and nine months ended September 30, 2023 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 the MD&A section 8.8 "Non-IFRS financial measures", and has been reflected in the comparative period. The impact of the change to free cash flow to include interest received and paid, interest paid on lease obligations and principal repayments on lease obligations on the previously stated prior year results was a \$1.4 million decrease for the three months ended September 30, 2022.

³ During the third quarter of 2023, ISC entered into the Extension Agreement which resulted in the acquisition of an intangible asset related to the right to manage and operate the Saskatchewan Registries. While this material transaction has been excluded from the above free cash flow calculation, the asset has been presented in Section 6.2 "Capital expenditures" of the MD&A.

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