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August 2, 2023

# Management's Discussion and Analysis

For the Three and Six Months Ended June 30, 2023



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## INTRODUCTION

This Management's Discussion and Analysis ("MD&A") for Information Services Corporation ("ISC") discusses our financial and operating performance, business indicators and outlook from management's viewpoint.

This document should be read in its entirety and is intended to complement and supplement ISC's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2023, and 2022 ("Financial Statements"). Additional information, including our Annual Information Form for the year ended December 31, 2022, is available on the Company's website at [company.isc.ca](http://company.isc.ca) and in the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

This MD&A contains information from the Financial Statements, prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting, using accounting policies that are consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IAS Board"). The financial information that appears throughout our MD&A is consistent with the Financial Statements.

This MD&A also includes certain measures, which 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. Rather, these measures are provided as additional information to complement those IFRS measures. During the second quarter of 2023, ISC made the decision to add adjusted net income, adjusted earnings per share, basic, adjusted earnings per share, diluted, and adjusted free cash flow as new non-IFRS financial metrics that exclude certain items outside the normal course of business and are believed to provide useful information related to ISC's performance. Refer to section 8.8 "Non-IFRS financial measures" for discussion of why we use these measures and their most closely related IFRS measures within the Financial Statements. Refer to section 2 "Consolidated Financial Analysis" for a reconciliation of adjusted net income, EBITDA and adjusted EBITDA to net income and section 6.1 "Cash flow" for a reconciliation of free cash flow and adjusted free cash flow to net cash flow provided by operating activities.

Unless otherwise noted, or unless the context indicates otherwise, "ISC", the "Company", "we", "us" and "our" refer to Information Services Corporation and its subsidiaries. Any statements in this MD&A made by, or on behalf of, management are made in such persons' capacities as officers of ISC and not in their personal capacities. In this MD&A, *this quarter*, *the quarter*, or *second quarter* refer to the three months ended June 30, 2023, and *year-to-date* or *year-over-year* refer to the six months ended June 30, 2023 unless the context indicates otherwise. All results commentary is compared to the equivalent period in 2022 or as at December 31, 2022, as applicable, unless otherwise indicated.

The Financial Statements are presented in Canadian dollars ("CAD"). In this MD&A, all references to "\$" or "dollars" are to CAD and amounts are stated in CAD unless otherwise indicated.

This MD&A contains forward-looking information and should be read in conjunction with the "Caution Regarding Forward-Looking Information" that follows. This MD&A is current as of August 2, 2023.

A reference made in this MD&A to other documents or to information or documents available on a website does not constitute the incorporation by reference into this MD&A of such other documents or such other information or documents available on such website, unless otherwise stated.

## RESPONSIBILITY FOR DISCLOSURE

The ISC Board of Directors ("Board") carries out its responsibility for review of this disclosure primarily through the Audit Committee ("Audit Committee") of the Board, which is comprised exclusively of independent directors.

The Audit Committee reviews the fiscal year-end MD&A and recommends it to the Board for approval. Interim MD&As are reviewed and approved by the Audit Committee.

## CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements in this MD&A and certain information incorporated by reference herein contain forward-looking information within the meaning of applicable Canadian securities laws. The purpose of the forward-looking information is to provide a description of management's expectations regarding future events or developments and may not be appropriate for other purposes.

Forward-looking information that may be found in this MD&A includes, without limitation, that contained in the "Outlook" section hereof, and management's expectations, intentions, and beliefs concerning the industries in which we operate, business strategy and strategic direction, growth opportunities, integration, contingent consideration, development and completion of projects, the competitive landscape, seasonality, our future financial position and results of operations, capital and operating expectations, projected costs, the impact of certain payments to the Government of Saskatchewan, access to financing, debt levels, free cash flow, expectations for meeting future cash requirements, the economy and the real estate market, reporting currency and currency fluctuations, dividend expectations, market trends, and other plans and objectives of or involving ISC. The words *may*, *will*, *would*, *should*, *could*, *expect*, *plan*, *intend*, *anticipate*, *believe*, *estimate*, *predict*, *strive*, *strategy*, *continue*, *likely* and *potential* or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking information.

Forward-looking information is based on estimates and assumptions made by us in light of ISC's experience and perception of historical trends, current conditions and expected future developments, as well as other factors that ISC believes are appropriate and reasonable in the circumstances. There can be no assurance that such estimates and assumptions will prove to be correct. Certain assumptions with respect to our ability to implement our business strategy and compete for business (other than our exclusive service offerings to the Government of Saskatchewan) and market our technology assets and capabilities, as well as business, economic, market and other conditions, availability of financing, currency exchange rates, consumer confidence, interest rates, level of unemployment, inflation, liabilities, income taxes, and our ability to attract and retain skilled staff, are material factors in preparing forward-looking information.

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. Factors that could cause our actual results or events to differ materially from those expressed or implied by such forward-looking information include, without limitation, operational, economic, market, financial, competitive, regulatory, technological and other risks (including those arising from public health concerns such as COVID-19) detailed from time to time in the filings made by the Company, including those detailed in our Annual Information Form for the year ended December 31, 2022, and the Financial Statements, copies of which are available on our website at [company.isc.ca](http://company.isc.ca) and in the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). You should consider these factors carefully. We caution that the foregoing list is not exhaustive. Other events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by, this forward-looking information. See section 7.2 "Business risks and risk management".

Furthermore, unless otherwise stated, the forward-looking information contained in this MD&A is made as of the date of this MD&A. We have no intention and undertake no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. You should not place undue reliance on forward-looking information contained herein.

# 1 Overview

Our financial performance for the three and six-month periods ended June, 30 2023 is a reflection of the robust nature of ISC's business segments as well as the benefit of a diverse revenue stream.

While successive increases to interest rates by the Bank of Canada have affected activity in the Saskatchewan Land Registry in particular, it continues to perform well, and the steady revenue from the addition of the Ontario Property Tax Assessment Services business in Registry Operations has offset any impact to Registry Operations revenue overall. However, there was still some impact to segment adjusted EBITDA in Registry Operations as a result of the impact to the Saskatchewan Land Registry.

Services continues to be the main driver of organic revenue growth for ISC. The Regulatory Solutions division had a strong quarter, driven by many of our financial institution customers implementing stronger due diligence as a result of the higher interest rate environment. We also continue to acquire and onboard new customers, particularly with *Registry Complete*, and because of the reputation of our customer-focused approach.

Technology Solutions has been advancing the delivery of various contracts announced earlier in the year, and we are starting to see this reflected in our revenue for this segment as we hit various milestones for those and other ongoing contracts. The progress on these new contracts and focus on completion of ongoing contracts has bolstered third party revenue during the current year.

## 1.1 Consolidated highlights

### SELECT CONSOLIDATED FINANCIAL INFORMATION

<b>Revenue</b> <b>\$53.3M</b> +5% vs Q2 2022	<b>Net income</b> <b>\$8.2M</b> -29% vs Q2 2022	<b>Earnings per share, diluted</b> <b>\$0.46</b> -29% vs Q2 2022	<b>Net cash flow provided by operating activities</b> <b>\$14.3M</b> +16% vs Q2 2022
<b>Adjusted net income<sup>1,2</sup></b> <b>\$9.3M</b> -14% vs Q2 2022	<b>Adjusted EBITDA<sup>1</sup></b> <b>\$17.8M</b> -7% vs Q2 2022	<b>Adjusted free cash flow<sup>1,2</sup></b> <b>\$11.9M</b> -10% vs Q2 2022	

<sup>1</sup> Adjusted net income, adjusted EBITDA 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". Refer to section 2 "Consolidated Financial Analysis" for a reconciliation of adjusted net income and adjusted EBITDA to net income. Refer to section 6.1 "Cash flow" for a reconciliation of adjusted free cash flow to net cash flow provided by operating activities.

<sup>2</sup> During the second quarter of 2023, ISC made the decision to add adjusted net income, and adjusted free cash flow as new non-IFRS financial metrics that exclude certain items outside the normal course of business and are believed to provide useful information related to ISC's performance.

## SELECT FINANCIAL INFORMATION

The select quarterly financial information set out for the three and six months ended June 30, 2023, and 2022, is derived from the Financial Statements and has been prepared on a consistent basis. In the opinion of the Company's management, such financial data reflects all adjustments necessary for a fair presentation of the results for those periods.

(thousands of CAD)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Revenue	\$ 53,295	\$ 50,870	\$ 102,419	\$ 95,023
Net income	8,233	11,657	15,097	19,064
Net cash flow provided by operating activities	14,307	12,337	20,045	10,058
Adjusted net income <sup>1,2</sup>	\$ 9,256	\$ 10,785	\$ 16,008	\$ 18,753
Adjusted EBITDA <sup>1</sup>	17,824	19,246	32,340	33,832
Adjusted EBITDA margin (% of revenue) <sup>1</sup>	33.4%	37.8%	31.6%	35.6%
Adjusted free cash flow <sup>1,2</sup>	\$ 11,900	\$ 13,218	\$ 21,783	\$ 24,038
Dividend declared per share	\$ 0.23	\$ 0.23	\$ 0.46	\$ 0.46
Earnings per share, basic	0.47	0.66	0.85	1.09
Earnings per share, diluted	0.46	0.65	0.84	1.07
Adjusted earnings per share, basic	0.52	0.62	0.90	1.07
Adjusted earnings per share, diluted	0.51	0.60	0.89	1.05

	As at June 30, 2022	December 31, 2022
Total assets	\$ 271,506	\$ 283,454
Total non-current liabilities	\$ 70,269	\$ 88,240

<sup>1</sup> Adjusted 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". Refer to section 2 "Consolidated Financial Analysis" for a reconciliation of adjusted net income and adjusted EBITDA to net income. Refer to section 6.1 "Cash flow" for a reconciliation of adjusted free cash flow to net cash flow provided by operating activities.

<sup>2</sup> During the second quarter of 2023, ISC made the decision to add adjusted net income, adjusted earnings per share, basic, adjusted earnings per share, diluted and adjusted free cash flow as new non-IFRS financial metrics that exclude certain items outside the normal course of business and are believed to provide useful information related to ISC's performance.

## SECOND QUARTER CONSOLIDATED HIGHLIGHTS

- **Revenue** was \$53.3 million for the quarter, an increase of 5 per cent compared to the second quarter of 2022. This was primarily driven by increased revenue in Services, spurred by continued transaction and customer growth in Regulatory Solutions, and additional third-party revenue in Technology Solutions as progress is made on both ongoing and new contracts. Registry Operations also contributed to the increased revenue as a result of a full three months of results from the Ontario Property Tax Assessment Services division compared to one month in the prior year following its acquisition on June 1, 2022. This was offset by a decrease in Saskatchewan Land Registry revenue due to reduced activity in the Saskatchewan real estate sector during the quarter.
- **Net income** was \$8.2 million or \$0.47 per basic and \$0.46 per diluted share compared to \$11.7 million or \$0.66 per basic share and \$0.65 per diluted share in the second quarter of 2022. The decrease in net income compared to the prior year is the result of a decrease in Saskatchewan Land Registry revenue, an increase in share-based compensation, increased investments in people offset by income from Ontario Property Tax Assessment Services for three months in the current year compared to one month in the prior year.
- **Net cash flow provided by operating activities** was \$14.3 million for the quarter, an increase of \$2.0 million driven by changes in non-cash working capital, primarily an increase in accounts payable increasing cash flows partially offset by lower net income.
- **Adjusted net income** was \$9.3 million or \$0.52 per basic share and \$0.51 per diluted share compared to \$10.8 million or \$0.62 per basic share and \$0.60 per diluted share in the second quarter of 2022. This decrease primarily relates to a decrease in Saskatchewan Land Registry revenue, higher amortization related to



intangible assets arising from the acquisition of the Ontario Property Tax Assessment Services division in 2022, as well as higher net finance expense.

- **Adjusted EBITDA** was \$17.8 million for the quarter compared to \$19.2 million in 2022 primarily due to a reduction in Saskatchewan Land Registry revenue in the current year due to reduced activity in the Saskatchewan real estate sector and increased personnel costs in both Technology Solutions and Corporate segments. This was partially offset by a full three-month adjusted EBITDA contribution from Ontario Property Tax Assessment Services compared to one month in the prior year and additional revenue from customer and transaction growth in Regulatory Solutions. **Adjusted EBITDA margin** was 33.4 per cent compared to 37.8 per cent in the second quarter of 2022.
- **Adjusted free cash flow** for the quarter was \$11.9 million, down 10 per cent compared to \$13.2 million in the second quarter of 2022 primarily related to reduced revenue in the Saskatchewan Land Registry due to lower activity in the Saskatchewan real estate sector accompanied by increased interest expense resulting from higher interest rates and borrowings outstanding during the period when compared to the prior year.

## YEAR-TO-DATE CONSOLIDATED HIGHLIGHTS

- **Revenue** was \$102.4 million for the six months ended June 30, 2023, an increase of 8 per cent compared to \$95.0 million in the same period of 2022. Registry Operations revenue increased during the current year due to revenue from Registry Operations' new Ontario Property Tax Assessment Services division, acquired in June 2022, partially offset by a decrease in Saskatchewan Land Registry revenue due to reduced activity in the Saskatchewan real estate sector. Continued growth in transactions and customers in the Services segment and progress on new and ongoing Technology Solutions contracts also contributed to the overall revenue increase over the prior year.
- **Net income** was \$15.1 million or \$0.85 per basic share and \$0.84 per diluted share for the first half of 2023 compared to \$19.1 million or \$1.09 per basic share and \$1.07 per diluted share in the first half of 2022. Year-to-date, the decrease in net income of \$4.0 million from the prior year relates to reduced Saskatchewan Land Registry revenue, increased investments in people accompanied by increased financing costs due to increased debt outstanding during the period and higher interest rates, partially offset by contributed earnings from Ontario Property Tax Assessment Services.
- **Net cash flow provided by operating activities** was \$20.0 million for the six months ended June 30, 2023, an increase of \$10.0 million driven by changes in non-cash working capital including income tax payable, accounts receivable and prepaid expenses offset by lower net income.
- **Adjusted net income** was \$16.0 million or \$0.90 per basic share and \$0.89 per diluted share for the first half of 2023 compared to \$18.8 million or \$1.07 per basic share and \$1.05 per diluted share for the six months ended June 30, 2022. The reduction from the prior year is primarily due to the reduction in net income described above.
- **Adjusted EBITDA** was \$32.3 million for the first half of the year compared to \$33.8 million last year. The decrease relates to lower adjusted EBITDA contributed by Registry Operations related to a reduction of Land Registry revenue due to reduced activity in the Saskatchewan real estate sector largely offset by adjusted EBITDA contributions of Ontario Property Tax Assessment Services for a full six months in the current year compared to one month in the prior year. Customer and transaction growth in Regulatory Solutions were offset by reduced adjusted EBITDA in Technology Solutions and Corporate and other partly related to increased personnel costs supporting both Technology Solutions and Corporate segments. **Adjusted EBITDA margin** for the year-to-date was 31.6 per cent compared to 35.6 per cent last year.
- **Adjusted free cash flow** for the six months ended June 30, 2023, was \$21.8 million, a decrease of \$2.3 million compared to \$24.0 million in the same period of 2022. This was primarily due to reduced revenue in the Saskatchewan Land Registry following lower activity in the Saskatchewan real estate sector accompanied by increased interest expense resulting from higher interest rates and borrowings outstanding during the period when compared to the prior year.

## 1.2 Subsequent events

- On July 5, 2023, the Company entered into 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”). 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”). Under the Agreements, ISC has been 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 an upfront cash payment of \$150.0 million, five annual cash payments of \$30.0 million per year commencing in July 2024 and annual contingent payments potentially payable after 2023 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 above Extension Agreement, ISC entered into an amended and restated credit agreement (“Amended and Restated Credit Facility”) with its syndicate of lenders in connection to its secured credit facility. The aggregate amount available under the Amended and Restated 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 plus a new \$100.0 million revolving credit facility.
- On July 27, 2023, ISC announced that it has expanded the lenders under the Company’s syndicated Amended and Restated Credit Facility to include the Bank of Montreal. The syndicated Amended and Restated Credit Facility now includes Royal Bank of Canada, Canadian Imperial Bank of Commerce and the Bank of Montreal. The total amount available under the Amended and Restated Credit Facility remains unchanged.
- On August 2, 2023, the Board declared a quarterly cash dividend of \$0.23 per Class A Share, payable on or before October 15, 2023, to shareholders of record as of September 30, 2023.

## 1.3 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”.*

Our long-term strategy remains centered on delivering value for shareholders through the consistent performance of our existing business and the execution of appropriate growth opportunities, including acquisition targets that are complementary to or add value to existing lines of business.

Registry Operations has performed well for the first half of 2023 despite successive increases to the interest rate by the Bank of Canada since 2022 which has impacted Saskatchewan real estate activity. The benefit of steady revenue from Ontario Property Tax Assessment Services continues to be positive, which is reflected in our year-to-date results. We expect the softness of real estate activity in Saskatchewan to persist during the last half of 2023, however, Registry Operations is expected to remain as a strong free cash flow contributor.

For Services, we expect to see customer and transaction growth remain strong in Regulatory Solutions, while volumes in Recovery Solutions will likely remain at current levels until the impact of interest rate increases begin to permeate into this part of our business. In the Corporate Solutions division, we expect to continue to mitigate any decline in revenue from the Ontario Business Registry contract through the addition of new customers across our Services divisions. Our ongoing investment in the technology supporting our Services segment, combined with our focus on our customers, is translating into robust organic growth through new customer acquisition.



In Technology Solutions, implementation work continues on existing contracts. The segment will also be supporting the registry enhancement work that has commenced for the Saskatchewan Registries. The new business pipeline also remains healthy and we are actively pursuing a number of opportunities.

Following the announcement of the extension to the MSA with the Province to 2053 on July 5, 2023, the Company conducted a review of the annual guidance metrics it publishes to ensure that it continues to provide the most appropriate metrics by which to guide for ISC's forward-looking performance. Going forward, the Company will only be using revenue and adjusted EBITDA and has ceased using net income and free cash flow.

As such, and as a result of the extension to the MSA, the Company now expects revenue to be between \$207.0 million and \$212.0 million and adjusted EBITDA<sup>1</sup> to be between \$71.0 million and \$76.0 million.

In summary, the Company remains confident in the strength and long-term potential of the business.

<sup>1</sup> *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". Refer to section 2 "Consolidated Financial Analysis" for a reconciliation of historical adjusted EBITDA to net income.*

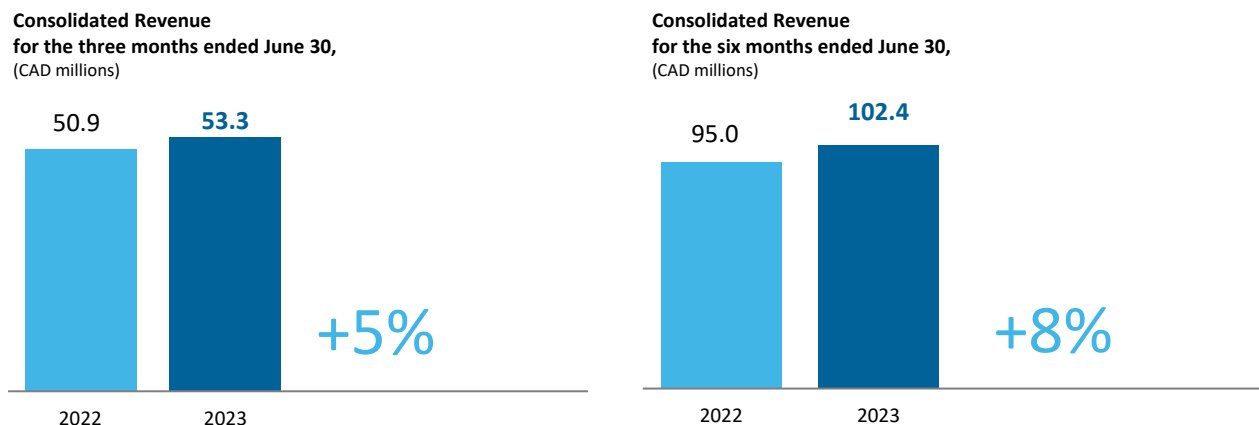
## 2 Consolidated Financial Analysis

Consolidated revenue was up 5 and 8 per cent, respectively, for the three and six-months ended June 30, 2023, compared to the same prior year periods. Services revenue grew by \$1.2 million and \$3.2 million for the three and six-months ended June 30, 2023, respectively, following customer and transaction growth in Regulatory Solutions. Registry Operations revenue increased by \$0.3 million and \$3.5 million for the three and six-month periods ended June 30, 2023, respectively, when compared to the prior year periods primarily due to a full three and six-month period of results in the current year of Ontario Property Tax Assessment Services revenue versus the one month of revenue from the date of acquisition on June 1, 2022, in the comparative periods. This incremental revenue was partially offset by reduced activity in the Saskatchewan real estate sector which resulted in a decline in Saskatchewan Land Registry revenue compared to the prior year. Net income declined 29 per cent and 21 per cent for the three and six-months ended June 30, 2023, compared to the prior year. This was related to increases in wages and salaries following acquisitions made in the prior year, increased cost of goods sold spurred by increased business in Services, information technology services associated with continued focus on security, and amortization related to intangible assets acquired in acquisitions last year. Additionally, interest expense increased related to additional borrowings made at the end of the second quarter in 2022 to fund the acquisition of Ontario Property Tax Assessment Services accompanied by higher interest rates partly offset by increased year-over-year revenue.

### 2.1 Consolidated statements of comprehensive income

(thousands of CAD)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue				
Registry Operations	\$ 24,796	\$ 24,479	\$ 47,578	\$ 44,091
Services	26,072	24,894	50,793	47,617
Technology Solutions	2,420	1,493	4,029	3,310
Corporate and other	7	4	19	5
Total revenue	53,295	50,870	102,419	95,023
Expenses				
Wages and salaries	14,705	10,745	28,939	23,209
Cost of goods sold	14,525	13,686	26,970	24,963
Depreciation and amortization	4,111	3,507	8,239	6,652
Information technology services	3,130	2,702	6,165	4,875
Occupancy costs	1,105	848	2,291	1,710
Professional and consulting services	1,481	1,215	3,127	2,786
Financial services	707	467	1,807	1,674
Other	1,201	749	1,992	1,513
Total expenses	40,965	33,919	79,530	67,382
Net income before items noted below	12,330	16,951	22,889	27,641
Finance income (expense)				
Interest income	243	42	553	64
Interest expense	(1,132)	(708)	(2,347)	(1,165)
Net finance (expense)	(889)	(666)	(1,794)	(1,101)
Income before tax	11,441	16,285	21,095	26,540
Income tax expense	(3,208)	(4,628)	(5,998)	(7,476)
Net income	8,233	11,657	15,097	19,064
Other comprehensive loss				
Unrealized gain (loss) on translation of financial statements of foreign operations	5	(310)	115	(750)
Change in fair value of marketable securities, net of tax	-	-	-	(8)
Other comprehensive income (loss) for the period	5	(310)	115	(758)
Total comprehensive income	\$ 8,238	\$ 11,347	\$ 15,212	\$ 18,306

## 2.2 Consolidated revenue



(thousands of CAD)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Registry Operations	\$ 24,796	\$ 24,479	\$ 47,578	\$ 44,091
Services	26,072	24,894	50,793	47,617
Technology Solutions	2,420	1,493	4,029	3,310
Corporate and other	7	4	19	5
<b>Total revenue</b>	<b>\$ 53,295</b>	<b>\$ 50,870</b>	<b>\$ 102,419</b>	<b>\$ 95,023</b>

Total revenue increased during the quarter by \$2.4 million compared to the prior year quarter as a result of:

- a revenue increase of \$0.3 million in Registry Operations driven by \$2.6 million of additional revenue contributed by the Ontario Property Tax Assessment Services division following its acquisition on June 1, 2022, for which there was one month of revenue in the prior year and a full quarter in the current year. This increase was largely offset by a \$2.4 million reduction in the Land Registry revenue due to reduced activity in the Saskatchewan real estate sector compared to the second quarter of 2022 following successive interest rate increases by the Bank of Canada that commenced in the first quarter of 2022.
- increased revenue in Services for the quarter of \$1.2 million due to increased Regulatory Solutions revenue driven by customer and transaction growth as new and current customers continue to find value in and realize the benefits of our *Registry Complete* platform and many of our financial institution customers are implementing stronger due diligence as a result of the higher interest rate environment.
- increases in Registry Operations and Services revenue was bolstered by Technology Solutions adding \$0.9 million in third-party revenue as progress was made and revenue was recognized on ongoing and new solution definition and implementation contracts.

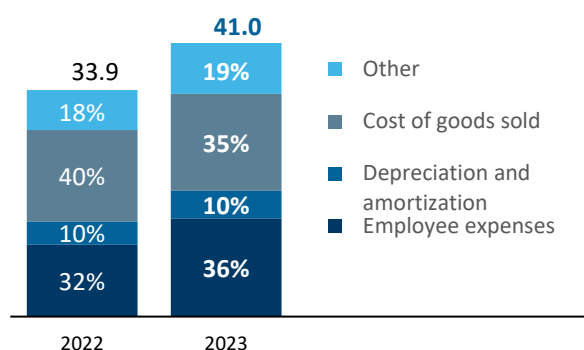
Total year-to-date revenue increased by \$7.4 million or 8 per cent compared to the prior year, again mainly due to:

- increased revenue of \$3.5 million in Registry Operations, of which \$6.5 million relates to Ontario Property Tax Assessment Services division revenue following its acquisition on June 1, 2022, for which there was one month of revenue in the prior year-to-date and a full six months in the current year. This increase was partially offset by a \$3.8 million reduction in Land Registry revenue compared to the first six months of the prior year as activity in the Saskatchewan real estate sector decreased in the current year as a result of the impact of continued increases in interest rates by the Bank of Canada since the first quarter of 2022.
- increased revenue of \$3.2 million in Services, a rise of 7 per cent, resulting from transaction and customer growth in the Regulatory Solutions division. Revenue growth continues to be driven in both Know-Your-Customer (“KYC”) and Collateral Management Services due to our strong customer service offering, competitive pricing and implementation of stronger due diligence by many of our financial institution customers as a result of the higher interest rate environment.

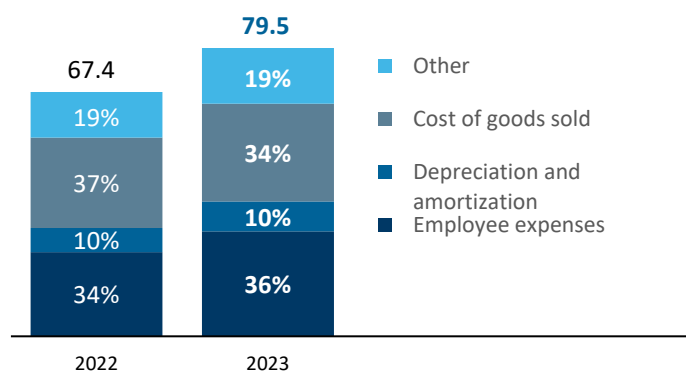
- Increased third-party revenue of \$0.7 million in Technology Solutions as revenue is recognised for ongoing and new solution definition and implementation contracts.

## 2.3 Consolidated expenses

**Consolidated Expenses**  
for the three months ended June 30,  
(CAD millions)



**Consolidated Expenses**  
for the six months ended June 30,  
(CAD millions)



Note: Values in table may not add due to rounding.

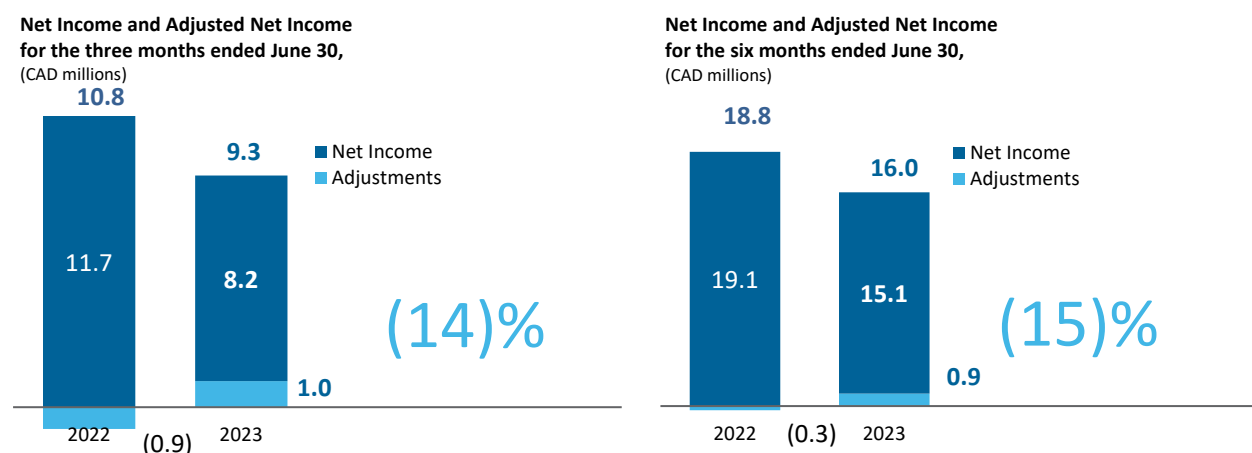
(thousands of CAD)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Wages and salaries	\$ 14,705	\$ 10,745	\$ 28,939	\$ 23,209
Cost of goods sold	14,525	13,686	26,970	24,963
Depreciation and amortization	4,111	3,507	8,239	6,652
Information technology services	3,130	2,702	6,165	4,875
Occupancy costs	1,105	848	2,291	1,710
Professional and consulting services	1,481	1,215	3,127	2,786
Financial services	707	467	1,807	1,674
Other	1,201	749	1,992	1,513
<b>Total expenses</b>	<b>\$ 40,965</b>	<b>\$ 33,919</b>	<b>\$ 79,530</b>	<b>\$ 67,382</b>

Consolidated expenses were \$41.0 million for the quarter, an increase of \$7.0 million compared to the same quarter last year. The increase in the quarter was due to:

- an increase in wages and salaries of \$4.0 million related to:
  - a full quarter of Ontario Property Tax Assessment Services during the current year compared to only one month during the prior year;
  - increased investment in people within the Technology Solutions and Corporate segments as we work to deliver on new and ongoing contracts as well as corporate growth priorities; and
  - a \$1.6 million increase in expense related to share-based compensation resulting from a change in the Company's share price during the quarter compared to the same period in the prior year.
- an increase in cost of goods sold due to an increase in Services revenue;
- an increase in depreciation and amortization related to amortization of intangible assets acquired in 2022;
- increased information technology costs to support enhanced security initiatives, including the implementation of ISO 27001, as well as supporting technology projects across all segments; and
- an increase in professional and consulting services primarily driven by increased acquisition, integration and other costs to support acquisitions and other opportunities.

The year-over-year rise in expenses for the six months ended June 30, 2023 was \$12.1 million largely driven by the same factors outlined for the three months ended June 30, 2023 with the exception of share-based compensation which was not a significant year-over-year change.

## 2.4 Consolidated net income and adjusted net income



(thousands of CAD)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Adjusted net income	\$ 9,256	\$ 10,785	\$ 16,008	\$ 18,753
Add (subtract):				
Share-based compensation expense	347	1,900	1,537	1,778
Acquisition, integration and other costs	(1,730)	(688)	(2,749)	(1,317)
Effective interest component of interest expense	(18)	(18)	(36)	(36)
Tax effect on above adjustments <sup>1</sup>	378	(322)	337	(114)
<b>Net income</b>	<b>\$ 8,233</b>	<b>\$ 11,657</b>	<b>\$ 15,097</b>	<b>\$ 19,064</b>
Weighted average # of shares	17,701,498	17,532,866	17,701,498	17,516,524
Weighted average # of diluted shares	17,977,405	17,843,060	17,997,474	17,868,829
Earnings per share, basic	\$ 0.47	\$ 0.66	\$ 0.85	\$ 1.09
Earnings per share, diluted	0.46	0.65	0.84	1.07
Adjusted earnings per share, basic	0.52	0.62	0.90	1.07
Adjusted earnings per share, diluted	0.51	0.60	0.89	1.05

<sup>1</sup> Calculated at ISC's statutory tax rate of 27.0 per cent.

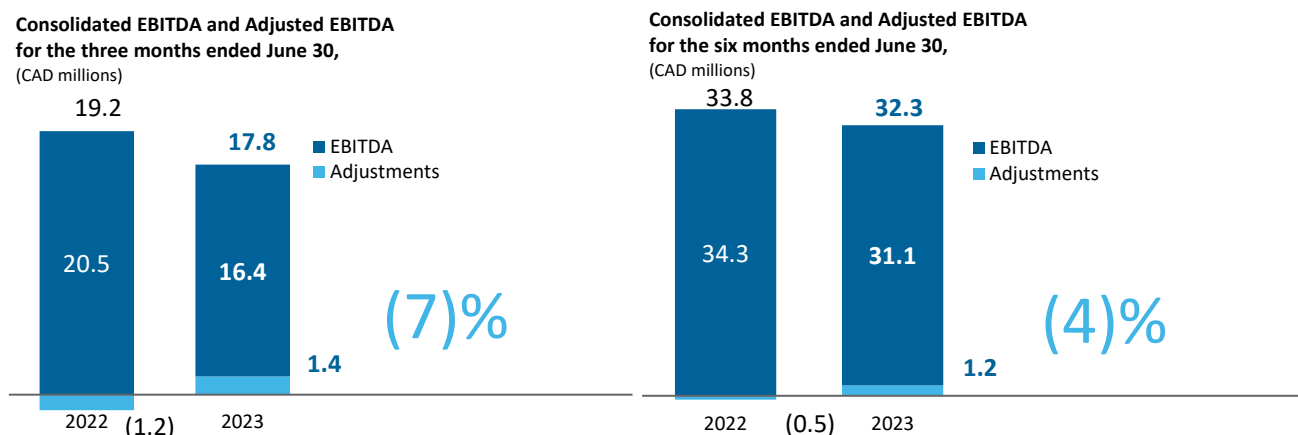
Net income for the quarter was \$8.2 million or \$0.47 per basic share and \$0.46 per diluted share, a decrease compared to \$11.7 million or \$0.66 per basic share and \$0.65 per diluted share in the second quarter of 2022 and was \$15.1 million or \$0.85 per basic share and \$0.84 per diluted share year-to-date compared to \$19.1 million or \$1.09 per basic share and \$1.07 per diluted share last year. The decrease during the three months ended June 30, 2023, relates to a decrease in Saskatchewan Land Registry revenue, increased investment in people within the Technology Solutions and Corporate segments, and an increase in share-based compensation, partially offset by contributed income of Ontario Property Tax Assessment Services results for three months in the current year compared to one month in the prior year.

Year-to-date, the decrease in net income of \$4.0 million from the prior year relates to the decrease in Saskatchewan Land Registry revenue due to reduced activity in the Saskatchewan real estate sector, increased investment in people within Technology Solutions and Corporate segments, accompanied by higher amortization related to prior year acquisitions and higher net finance expense due to higher interest rates and increased borrowings outstanding during the quarter following the acquisition in the prior year of Ontario Property Tax Assessment Services. The above noted items were partially offset by incremental adjusted EBITDA generated by Ontario Property Tax Assessment Services during the current year.

Adjusted net income for the quarter was \$9.3 million or \$0.52 per basic share and \$0.51 per diluted share a decrease

compared to \$10.8 million in the comparative quarter or \$0.62 per basic share and \$0.60 per diluted share. On a year-to-date basis, adjusted net income was \$16.0 million or \$0.90 per basic share and \$0.89 per diluted share compared to \$1.07 per basic share and \$1.05 per diluted share. The explanation for the decrease in adjusted net income is consistent with the explanation for the reduction in net income for both the three and six-months ended June 30, 2023 excluding the share-based compensation impact for the three-month period ending June 30, 2023.

## 2.5 Consolidated EBITDA and adjusted EBITDA



Note: Values in table may not add due to rounding.

(thousands of CAD)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Adjusted EBITDA	\$ 17,824	\$ 19,246	\$ 32,340	\$ 33,832
Add (subtract):				
Share-based compensation expense	347	1,900	1,537	1,778
Acquisition, integration and other costs	(1,730)	(688)	(2,749)	(1,317)
EBITDA	\$ 16,441	\$ 20,458	\$ 31,128	\$ 34,293
Add (subtract):				
Depreciation and amortization	(4,111)	(3,507)	(8,239)	(6,652)
Net finance expense	(889)	(666)	(1,794)	(1,101)
Income tax expense	(3,208)	(4,628)	(5,998)	(7,476)
Net income	\$ 8,233	\$ 11,657	\$ 15,097	\$ 19,064
EBITDA margin (% of revenue)	30.8%	40.2%	30.4%	36.1%
Adjusted EBITDA margin (% of revenue)	33.4%	37.8%	31.6%	35.6%

Consolidated adjusted EBITDA for the second quarter was \$17.8 million, a decrease of \$1.4 million from \$19.2 million in the second quarter of 2022 due to lower adjusted EBITDA contribution from Registry Operations of \$1.5 million related to lower Land Registry revenue in the current year following reduced activity in the Saskatchewan real estate sector accompanied by increased investments in people within our Technology Solutions and Corporate segments as we work to progress ongoing and new contracts and corporate growth priorities, respectively. This reduction in adjusted EBITDA was partially offset by a full three months of profitability from Ontario Property Tax Assessment Services compared to one month in the prior year.

For the first six months of the year, adjusted EBITDA was \$32.3 million, a decrease of \$1.5 million compared to the first six months of 2022 primarily driven by:

- lower adjusted EBITDA contributed by Registry Operations of \$0.3 million related to a reduction in Land Registry revenue of \$3.8 million mostly offset by a full six months of contributions from Ontario Property Tax Assessment Services in the current year compared to one month in the prior year.



- a reduction in year-to-date Technology Solutions adjusted EBITDA by \$1.0 million compared to same period in the prior year. While in the second quarter we have begun to see positive adjusted EBITDA as progress is made on both ongoing and new contracts, the reduction year-over-year primarily relates to the first quarter of 2023.

### 3 Business Segment Analysis

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 customers by providing solutions to manage, secure and administer information.

ISC currently has three operating segments:

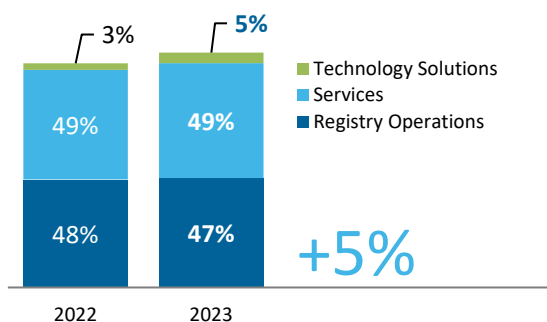
**Registry Operations** delivers registry and information services on behalf of governments and private sector organizations.

**Services** delivers products and services that utilize public records and data to provide value to customers in the financial and legal sectors.

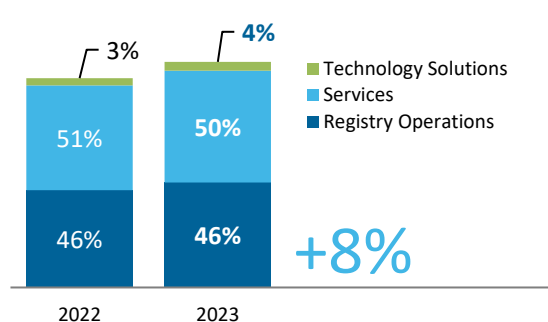
**Technology Solutions** provides the development, delivery and support of registry (and related) technology solutions.

The balance of our corporate activities and shared services are reported as Corporate and other.

Revenue by Segment<sup>1</sup>  
for the three months ended June 30,

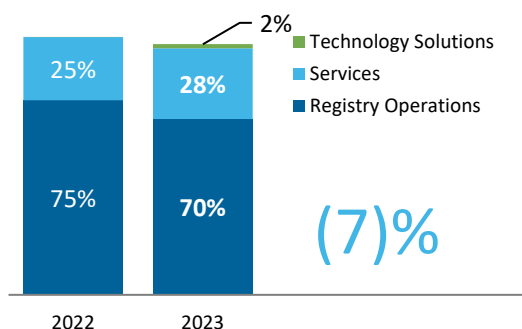


Revenue by Segment<sup>1</sup>  
for the six months ended June 30,

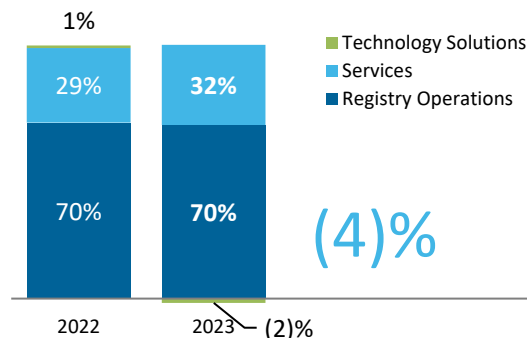


<sup>1</sup> Corporate and other and Inter-segment eliminations are excluded. Technology Solutions revenue included in the above charts is third-party revenue. Values may not add due to rounding.

Adjusted EBITDA by Segment<sup>1</sup>  
for the three months ended June 30,



Adjusted EBITDA by Segment<sup>1</sup>  
for the six months ended June 30,



<sup>1</sup> Corporate and other and Inter-segment eliminations are excluded. Values may not add due to rounding.

#### 3.1 Registry Operations

Our Registry Operations segment delivers registry and information services on behalf of governments and private sector organizations. This segment currently has two major clients with long-term agreements, one agreement

with the Province and one with the Province of Ontario.

Our offerings are generally categorized into two divisions, Saskatchewan Registries and Ontario Property Tax Assessment Services. The table below sets out the main offerings provided by Registry Operations.

A more detailed description of our Registry Operations business can be found in Management's Discussion and Analysis for the year ended December 31, 2022, which is available on our website at [company.isc.ca](http://company.isc.ca) or on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). No material changes have taken place since that date other than those described below.

### **Saskatchewan Registries**

ISC provides services on behalf of the Province under a MSA, in effect until 2053, and is the exclusive full-service solution provider of the Saskatchewan Land Registry (including the Saskatchewan Land Titles Registry ("Land Titles Registry"), the Saskatchewan Land Surveys Directory ("Land Surveys") and Saskatchewan Geomatics services ("Geomatics"), collectively the "Land Registry"), the Saskatchewan Personal Property Registry ("Personal Property Registry") and the Saskatchewan Corporate Registry ("Corporate Registry").

On July 5, 2023, the Company entered into the Extension to extend ISC's exclusive right to manage and operate the Saskatchewan Registries until 2053. Under the Agreements, ISC has been granted the right to introduce and/or enhance fees on certain transactions with applicable fee adjustments effective July 29, 2023.

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 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. A portion of the transaction costs associated with the Extension Agreement and the Amended and Restated MSA have been capitalized as an intangible asset associated with the right to operate the Saskatchewan Registries while the remainder of the costs have been expensed pursuant to IFRS.

The consideration to be paid by ISC to the Province with respect to the Extension Agreement consists of:

- an upfront cash payment of \$150.0 million (the "Upfront Payment"), paid in July 2023;
- five cash payments of \$30.0 million per year, totaling \$150.0 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 cumulative annual volume growth for certain Saskatchewan Land Registry transactions fall within a pre-determined range, calculated in any given year as follows:
  - 25 per cent of any revenue associated with long-term volume growth between 0 per cent to 1 per cent;
  - 50 per cent of any revenue associated with long-term volume growth between 1 per cent to 3 per cent;
  - ISC to retain unlimited upside on any incremental volume growth in excess of 3 per cent.

ISC has commenced enhancement of the registries leveraging ISC-built technology to offer best-in-class technology, security and user experience for the Saskatchewan Registries. These expenditures will be capitalized as intangible assets or expensed according to IFRS.

Additional information about the MSA is available in our Annual Information Form for the year ended December 31, 2022, on our website at [company.isc.ca](http://company.isc.ca) in the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) and in our news release dated July 5, 2023.

#### *Saskatchewan Land Registry*

The Land Titles Registry issues titles to land and registers transactions affecting titles. Land Surveys registers land survey plans and creates a representation of Saskatchewan land parcels in the cadastral parcel mapping system. Geomatics manages geographic data related to the cadastral parcel mapping system.

### Saskatchewan Personal Property Registry

The Personal Property Registry is a notice-based public registry in which security interests and certain other interests in personal property (property other than land, buildings and other property affixed to land) may be registered.

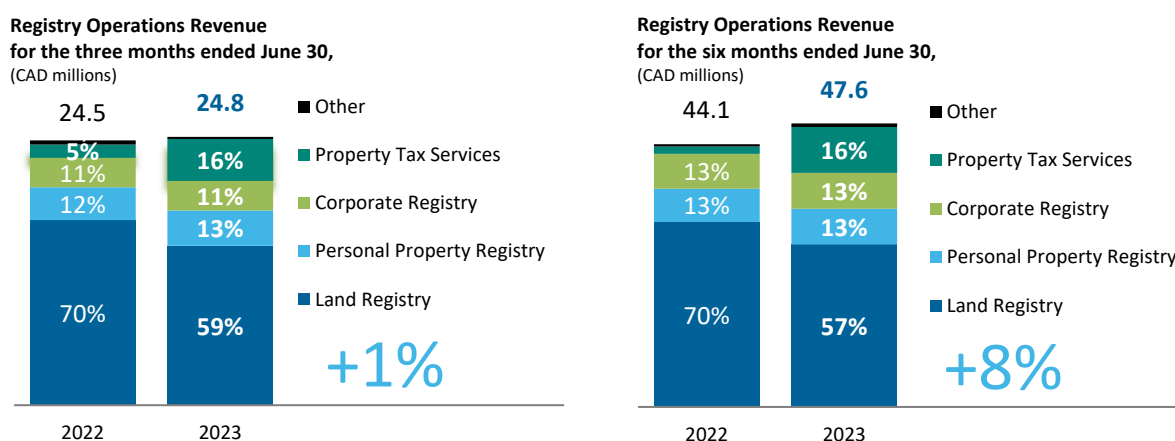
### Saskatchewan Corporate Registry

The Corporate Registry is a system for the registration of business entities, including business corporations, non-profit corporations, co-operatives, sole proprietorships, partnerships and business names.

### Ontario Property Tax Assessment Services

ISC also has an exclusive agreement with the Province of Ontario (the "OPTA Agreement") by which Ontario Property Tax Assessment Services provides online property tax assessment services to over 440 municipalities in Ontario, facilitating the management of property tax rates and distribution.

## REGISTRY OPERATIONS REVENUE



Note: Values may not add due to rounding.

(thousands of CAD)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Land Registry	\$ 14,730	\$ 17,102	\$ 27,241	\$ 31,040
Personal Property Registry	3,264	3,034	6,039	5,586
Corporate Registry	2,738	2,735	6,010	5,857
Property Tax Assessment Services	3,875	1,229	7,700	1,229
Other	189	379	588	379
<b>Registry Operations revenue</b>	<b>\$ 24,796</b>	<b>\$ 24,479</b>	<b>\$ 47,578</b>	<b>\$ 44,091</b>

Revenue for Registry Operations was \$24.8 million for the quarter, up \$0.3 million or 1 per cent compared to \$24.5 million in the second quarter of 2022. Revenue rose due to three months of Ontario Property Tax Assessment Services revenue compared to one month in the prior year quarter due to the acquisition of the division in June 2022. This increase was mostly offset by a decline in Saskatchewan Land Registry revenue which saw lower transaction volumes due to reduced activity in the Saskatchewan real estate sector during the period following successive interest rate increases by the Bank of Canada that commenced in the first quarter of 2022.

Year-to-date revenue was \$47.6 million compared to \$44.1 million during the first half of 2022. Revenue in the Saskatchewan Land Registry experienced a decline when compared to the same period last year due to reduced activity in the Saskatchewan real estate sector during the period which impacted Saskatchewan Land Registry volumes. This reduction was more than offset by the addition of new revenue from our acquisition of Ontario Property Tax Assessment Services in June 2022.

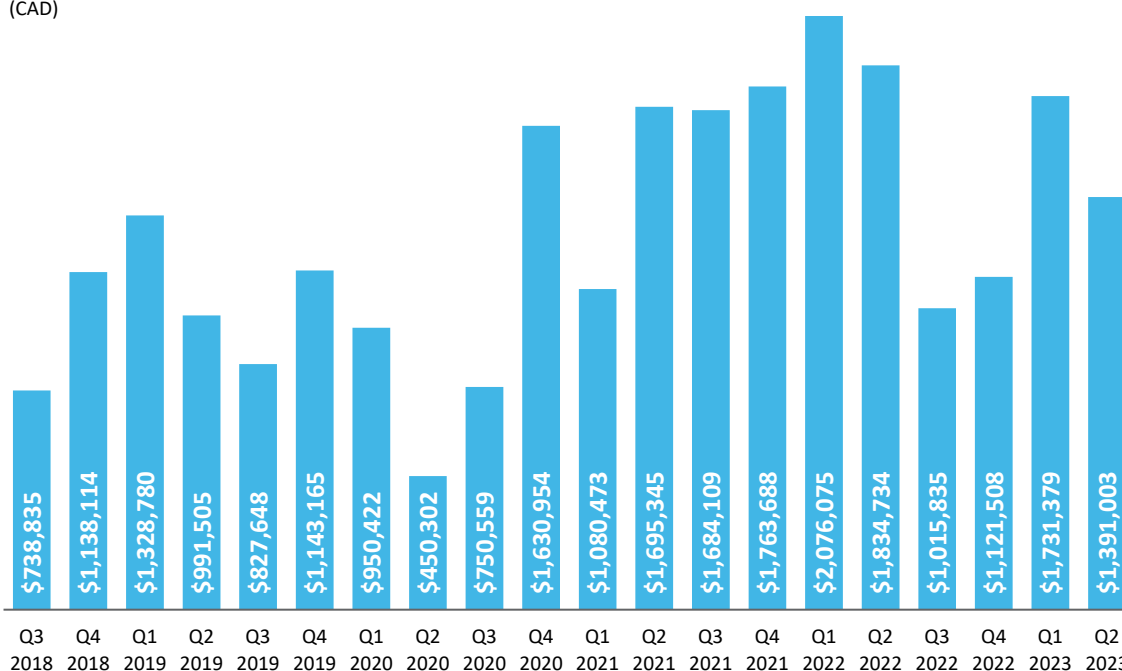
## Saskatchewan Land Registry

For the second quarter of 2023, revenue for the Land Registry was \$14.7 million, a decline of \$2.4 million or 14 per cent compared to the same period in 2022, due to lower activity in the Saskatchewan real estate sector impacting results in the Land Titles Registry following successive interest rate increases by the Bank of Canada that commenced in the first quarter of 2022. Year-to-date, revenue was \$27.2 million in 2023 compared to \$31.0 million last year-to-date, a drop of \$3.8 million or 12 per cent, again due to lower transaction volume from decreased activity in the Saskatchewan real estate sector during the first half of 2023.

Most of the revenue generated from the Land Registry is from the Land Titles Registry and is derived from value-based (ad valorem) fees. Land Titles Registry revenue for the quarter was \$14.1 million, declining \$2.4 million or 15 per cent compared to the second quarter in 2022. The contraction was due to lower Land Titles Registry transaction volume during the quarter, which decreased by 12 per cent.

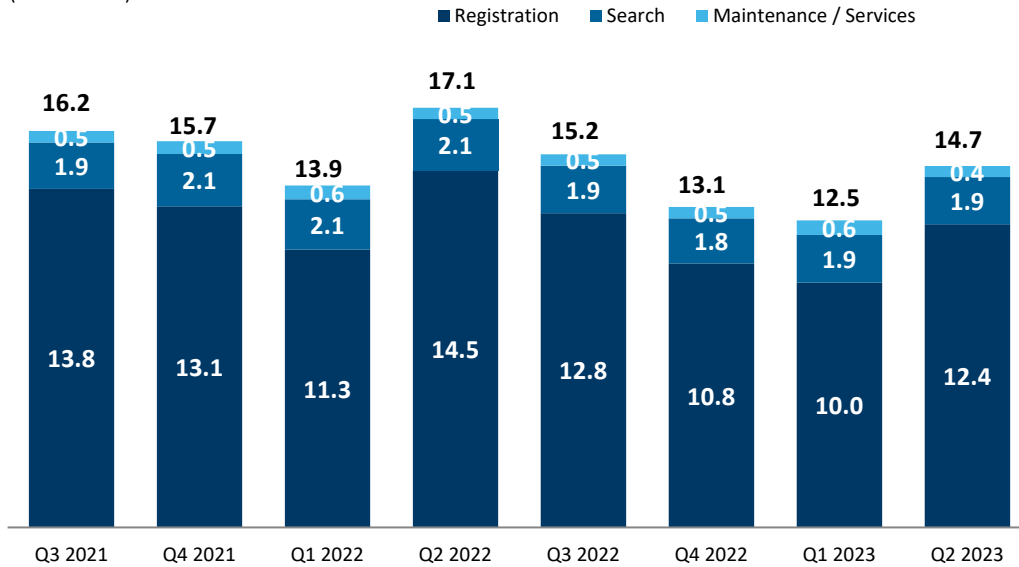
While high-value property registration revenue dropped by 24 per cent compared to a record \$1.8 million during the second quarter of 2022, the second quarter of 2023 results remained strong, finishing at \$1.4 million. This was the third-best second quarter results we have experienced and is above our pre-pandemic average for the second quarter results. Each high-value registration generates revenue of \$10,000 or more and is typically seen in both commercial and larger agricultural transactions. The graph below shows the last 20 quarters of high-value transaction revenue.

**Saskatchewan Land Titles Registry - High-Value Transaction Revenue**  
(CAD)



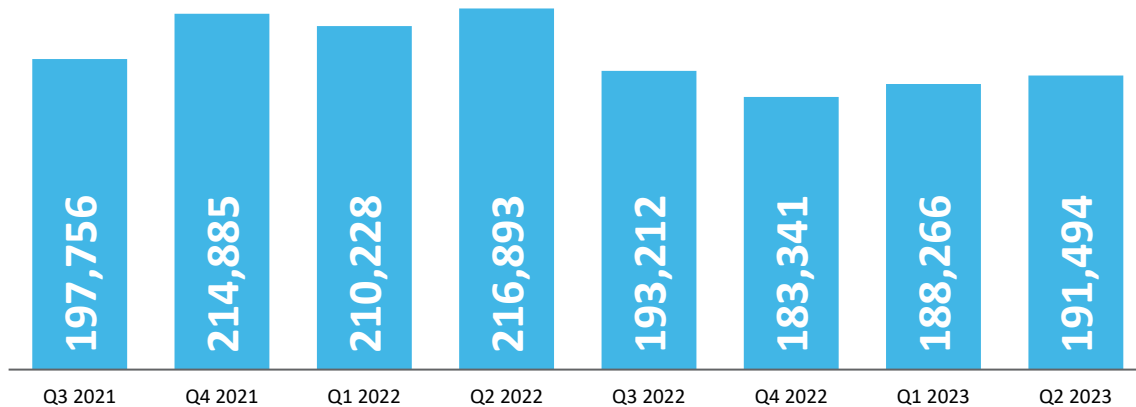
The following graphs show the Land Registry revenue by type of transaction and the overall transaction volume, respectively. Typically, the second and third quarters generate the most revenue for the Land Registry. For more information on seasonality, refer to section 4 “Summary of Consolidated Quarterly Results”.

**Saskatchewan Land Registry Revenue by Type**  
(CAD millions)



Note: Values may not add due to rounding.

**Saskatchewan Land Registry Transaction Volume**  
(Number of transactions)



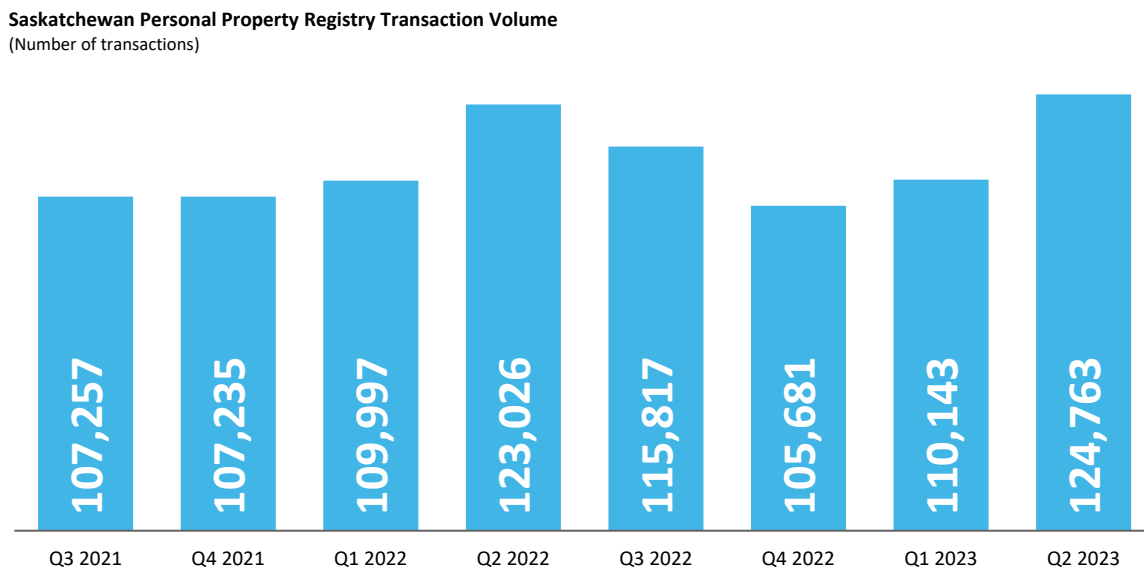
Revenue-generating transactions in the Land Titles Registry declined by 12 per cent for the second quarter of 2023 when compared to the same period in 2022. This included a decline in the volume of title searches, which decreased by 9 per cent. Title searches make up the largest component of transaction volume, comprising 75 per cent of the volume for the registry during the quarter. Regular land transfers and mortgage registrations volume also declined during the period, dropping by 16 per cent and 21 per cent, respectively, when compared to the second quarter of 2022. Year-to-date, Land Titles Registry transaction volumes were lower by 11 per cent when compared to the first half of 2022.

**Saskatchewan Personal Property Registry**

In the second quarter of 2023, revenue for the Personal Property Registry was \$3.3 million, up \$0.2 million or 8 per cent compared to the same quarter in 2022. Registration, search and maintenance revenue rose by 8 per cent, 3 per cent and 12 per cent, respectively. Registration and maintenance revenue rose due to pricing changes made in

July 2022, while search revenue improved due to an increase in volume. Revenue for the first half of 2023 was \$6.0 million compared to \$5.6 million during the first half of 2022, an increase of 8 per cent.

The following graph shows the transaction volume for the Personal Property Registry by quarter.

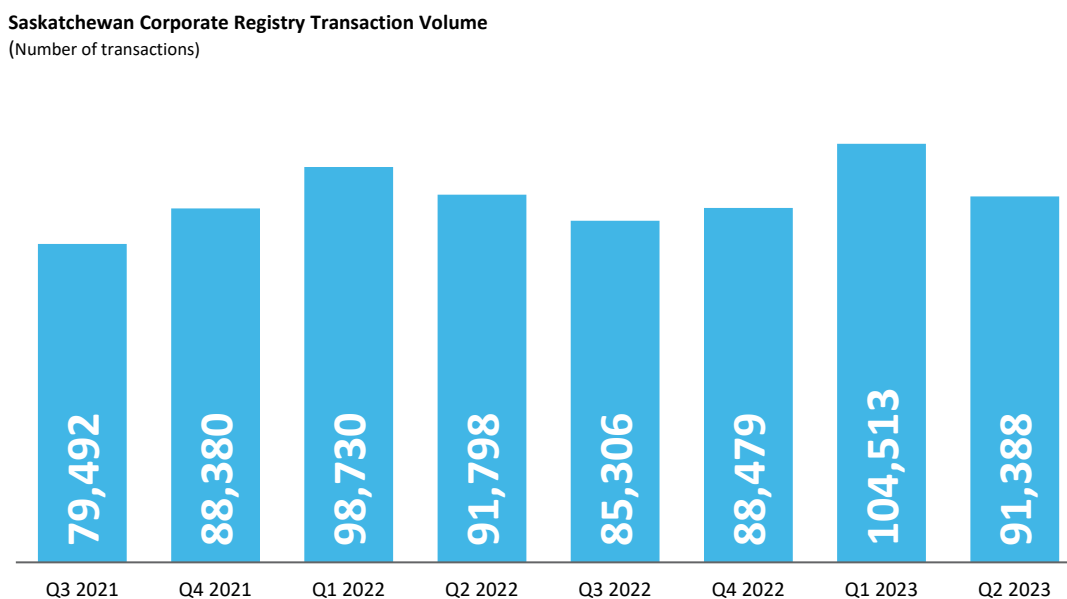


Overall volume for the quarter and year-to-date was flat when compared to the respective comparative periods.

### Saskatchewan Corporate Registry

Revenue for the Corporate Registry for the second quarter of 2023 was \$2.7 million, flat compared to the same period in 2022. Maintenance revenue, the largest of the three revenue streams, and search revenue each grew by 1 per cent while registration revenue declined by 1 per cent. Revenue for the first half of 2023 was \$6.0 million, up \$0.2 million or 3 per cent, compared to the same period last year.

The following graph shows the transaction volumes for the Corporate Registry by quarter.





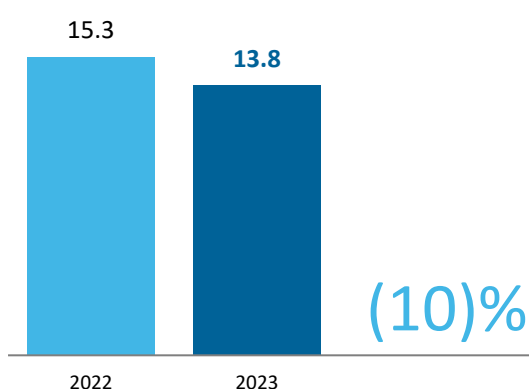
Total transaction volume was flat compared to the prior year quarter with maintenance volume declining by 4 per cent, mostly offset by search volume rising 1 per cent. Registration volume was essentially flat during the quarter. Year-to-date, volume rose 3 per cent when compared to the same period last year.

### Ontario Property Tax Assessment Services

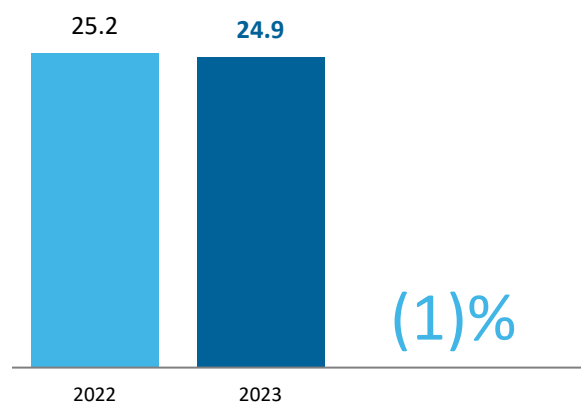
Revenue for Ontario Property Tax Assessment Services division in the second quarter of 2023 was \$3.9 million, an increase of \$2.7 million compared to the same period last year, due to a full quarter of revenue compared to the same quarter in the prior year following its acquisition on June 1, 2022. The total revenue for each year of the agreement with the Province of Ontario is determined at the time of renewal and is paid monthly. Should the province request any change orders during the term of the contract, the revenue from any change order is based on the scope of work agreed to by the parties and is in addition to regular revenue. Ontario Property Tax Assessment Services revenue for the six months ended June 30, 2023 was \$7.7 million, \$6.5 million higher than the prior year-to-date, as a result of a full six-months of revenue during the current year when compared to one month in the prior year.

### REGISTRY OPERATIONS EXPENSES, EBITDA, AND ADJUSTED EBITDA

**Registry Operations Adjusted EBITDA  
for the three months ended June 30,  
(CAD millions)**



**Registry Operations Adjusted EBITDA  
for the six months ended June 30,  
(CAD millions)**



(thousands of CAD)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue	\$ 24,796	\$ 24,479	\$ 47,578	\$ 44,091
Total expenses <sup>1</sup>	11,995	8,106	23,347	17,807
EBITDA	\$ 12,801	\$ 16,373	\$ 24,231	\$ 26,284
Adjustments <sup>2</sup>	986	(1,116)	661	(1,044)
Adjusted EBITDA	\$ 13,787	\$ 15,257	\$ 24,892	\$ 25,240

<sup>1</sup> Total expenses exclude interest, taxes, depreciation and amortization.

<sup>2</sup> As shown in section 2.5 "Consolidated EBITDA and adjusted EBITDA", adjusted EBITDA adjustments are comprised of share-based compensation and acquisition, integration and other costs applicable to each segment.

Adjusted EBITDA for Registry Operations for the second quarter was \$13.8 million, down 10 per cent compared to the same period last year. The decrease was primarily due to reduced activity in the Saskatchewan real estate sector following successive interest rate increases by the Bank of Canada that commenced in the first quarter of 2022 reducing Saskatchewan Land Registry revenue, which was partially offset by adjusted EBITDA contributions from the Ontario Property Tax Assessment Services division, where there was a full three months of earnings during the current year quarter compared to one month in 2022 following its acquisition on June 1, 2022.

On a year-to-date basis, adjusted EBITDA decreased to \$24.9 million from \$25.2 million, a drop of 1 per cent

primarily due to a reduction in Land Registry revenue of \$3.8 million offset by contributions from Ontario Property Tax Assessment Services where in the current year there was a full six months compared to only one month in the prior year.

### 3.2 Services

Services delivers solutions uniting public records data, customer authentication, corporate services, collateral management, asset recovery and accounts receivable management to support registration, due diligence and lending practices of customers across Canada.

Our offerings are generally categorized into three divisions, namely Corporate Solutions, Regulatory Solutions and Recovery Solutions. The table below sets out the various offerings provided by the Services segment.

Division	Offering	Products
Corporate Solutions	Incorporation Services	Nationwide Business Name Registration and Renewals Security Filings and Registrations
	Corporate Supplies	Minute Books Seals and Stamps Corporate Legal Packages
Regulatory Solutions	Know-Your-Customer (“KYC”) and Due Diligence	Individual Identification Legal Entity Validation Beneficial Ownership Validation Account Onboarding Services US and International Corporate Entity Validation Corporate Profile or Business Name Searches NUANS <sup>1</sup> Searches Real Estate Searches Vital Statistics Searches
	Collateral Management	PPSA <sup>2</sup> /RDPRM <sup>3</sup> Search and Registrations Bank Act Filing Notice of Security Interest (Fixture) Registrations Land Searches US UCC <sup>4</sup> Search and Filings
Recovery Solutions	Asset Recovery	Fully managed service across Canada Identification, retrieval and disposition of movable assets
	Accounts Receivable Management	Early-stage collection activities Late-stage collection activities

A more detailed description of our Services business lines can be found in Management’s Discussion and Analysis for the year ended December 31, 2022, which is available on our website at [company.isc.ca](http://company.isc.ca) or on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). No material changes to the Services segment have taken place since that period.

<sup>1</sup> A NUANS® report is a search that provides a comprehensive comparison of proposed corporate, business or trademark names with existing names already in use by other businesses and corporations. NUANS® name reports reserve the proposed name for 90 days, providing the time necessary to prepare and file incorporation, extra-provincial registrations, amalgamations or other relevant corporate filings.

<sup>2</sup> Personal Property Security Act.

<sup>3</sup> Registre des Droits Personnels et Réels Mobiliers (translated as Register of Personal and Real Movable Rights).

<sup>4</sup> Uniform Commercial Code.

## Corporate Solutions

Corporate Solutions captures revenue from nationwide search, business name registration and corporate filing services sold to legal professionals or the general public directly or indirectly through our government relationships. It also captures revenue from our corporate supplies business. Our customers include legal professionals, the consumer market and the general public.

## Regulatory Solutions

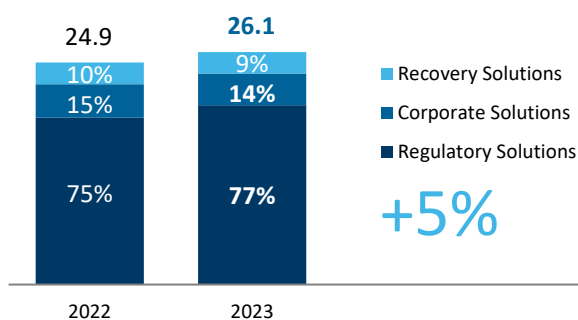
Regulatory Solutions captures revenue from our KYC, collateral management and general due diligence service offerings. The Company uses its proprietary platform to assist customers with intuitive business rules and advanced automation to deliver regulatory services to support their credit/banking and legal processes. Public registry data is leveraged to provide insights and improved customer experience through a single technology. All our technology is supplemented with deep subject-matter knowledge offered through our legal professionals in three locations (Montreal, QC, Toronto, ON, and Vernon, BC).

## Recovery Solutions

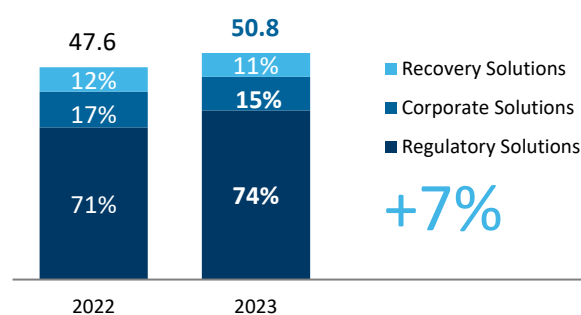
Recovery Solutions offers a fully managed asset recovery service accompanied by accounts receivable management services for our customers. Recovery Solutions allows us to offer our customers a complete solution in the credit life cycle, from origination to recovery. By connecting the registrations from our other offerings to our Recovery Solutions offering, our customers can leverage our lien registry services platform to optimize an early-stage portfolio assessment to validate the borrower's identity and ensure that their security on the asset in their portfolio is perfected.

## SERVICES REVENUE

**Services Revenue<sup>1</sup>**  
for the three months ended June 30,  
(CAD millions)



**Services Revenue<sup>1</sup>**  
for the six months ended June 30,  
(CAD millions)



<sup>1</sup> Internal related parties and other revenue not displayed in graph. Values may not add due to rounding.

(thousands of CAD)	Three Months Ended June 30,		Six months ended June 30,	
	2023	2022 <sup>1</sup>	2023	2022 <sup>1</sup>
Regulatory Solutions	\$ 20,107	\$ 18,708	\$ 37,920	\$ 34,121
Recovery Solutions	2,414	2,439	5,342	5,476
Corporate Solutions	3,551	3,747	7,531	8,020
Internal related parties and other	-	-	-	-
<b>Services revenue</b>	<b>\$ 26,072</b>	<b>\$ 24,894</b>	<b>\$ 50,793</b>	<b>\$ 47,617</b>

<sup>1</sup> In the third quarter of 2022, a change was made to the categorization of revenue between Regulatory and Recovery Solutions resulting in previously reported values for the quarter ended June 30, 2022 being reclassified. Total revenue was unchanged.

Revenue for Services was \$26.1 million for the second quarter of 2023, an increase of 5 per cent, or \$1.2 million compared to the same period in 2022. The Regulatory Solutions division had a strong quarter as many of our

financial institution customers are implementing stronger due diligence as a result of the higher interest rate environment. Additionally, the growth in Regulatory Solutions revenue was due to our strong service offering as well as competitive pricing as we continue to acquire and onboard new customers, particularly with *Registry Complete*, and because of the reputation of our customer-focused approach. For the first half of 2023, revenue grew by 7 per cent to \$50.8 million compared to \$47.6 million during the same period in 2022, again due to strength from Regulatory Solutions.

### **Regulatory Solutions**

Revenue in Regulatory Solutions for the second quarter of 2023 was \$20.1 million, an increase of \$1.4 million or 7 per cent compared to \$18.7 million for the same period of 2022. Revenue grew during the current year quarter due to customer and transaction growth in KYC and Collateral Management services. We have seen continued growth due to our strong customer service offering, competitive pricing and implementation of stronger due diligence by many of our financial institution customers as a result of the higher interest rate environment.

For the first half of 2023, revenue was \$37.9 million, an improvement of \$3.8 million or 11 per cent compared to \$34.1 million for the same period of 2022. Similar to the second quarter, year-to-date revenue grew due to transaction and customer growth in KYC and Collateral Management services.

### **Recovery Solutions**

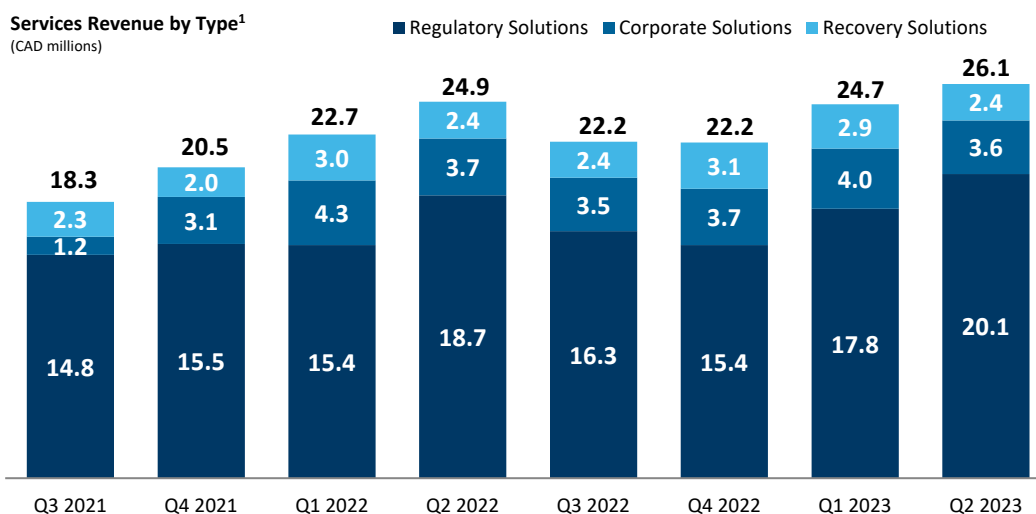
Revenue in Recovery Solutions for the second quarter of 2023 was \$2.4 million, flat compared to the same prior year period. Year-to-date revenue was \$5.3 million, lower by \$0.1 million or 2 per cent compared to \$5.5 million for the same period of 2022. Following successive interest rate increases by the Bank of Canada, we have begun to see individual customer assignments increase on a year-to-date basis.

### **Corporate Solutions**

Corporate Solutions revenue for the quarter was \$3.6 million, a decline of 5 per cent or \$0.2 million compared to \$3.7 million in the second quarter of 2022. This decline for the quarter was due to reduced Ontario corporate filing transactions as a result of the further opening of the Ontario Business Registry in March 2023. However, this was partially offset by increased Corporate Supplies revenue and onboarding of new Incorporation Services clients.

For the first six months of 2023, revenue was \$7.5 million, a decrease of \$0.5 million or 6 per cent compared to \$8.0 million for the same period of 2022. This decrease from the first six months of the prior year relates primarily to reduced transaction volumes following the further opening of the Ontario Business Registry in March 2023. Similar to the quarter, this was partially offset by growth in corporate filing transactions outside of Ontario, new customer growth and increased Corporate Supplies revenue.

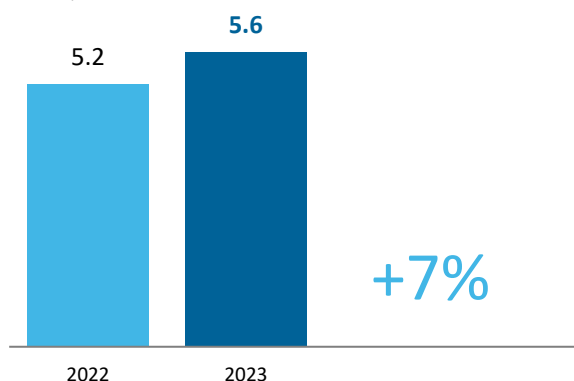
Our Services segment revenue by solution is shown in the following graph.



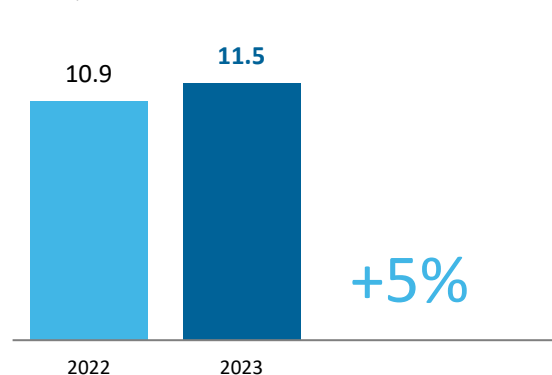
<sup>1</sup> Internal related parties and other revenue not displayed in graph. Values may not add due to rounding.

## SERVICES EXPENSES, EBITDA, AND ADJUSTED EBITDA

**Services Adjusted EBITDA  
for the three months ended June 30,**  
(CAD millions)



**Services Adjusted EBITDA  
for the six months ended June 30,**  
(CAD millions)



(thousands of CAD)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue	\$ 26,072	\$ 24,894	\$ 50,793	\$ 47,617
Total expenses <sup>1</sup>	20,494	19,801	39,183	36,804
EBITDA	\$ 5,578	\$ 5,093	\$ 11,610	\$ 10,813
Adjustments <sup>2</sup>	(25)	96	(108)	105
Adjusted EBITDA	\$ 5,553	\$ 5,189	\$ 11,502	\$ 10,918

<sup>1</sup> Total expenses exclude interest, taxes, depreciation and amortization.

<sup>2</sup> As shown in section 2.5 "Consolidated EBITDA and adjusted EBITDA", adjusted EBITDA adjustments are comprised of share-based compensation and acquisition, integration and other costs applicable to each segment.

Adjusted EBITDA for Services was \$5.6 million for the second quarter compared to \$5.2 million for the same period last year. The increase was primarily due to increased transactions and customer growth in Regulatory Solutions accompanied by a reduction in salaries partially offset by an increase in the cost of goods sold as well as occupancy costs. Year-to-date adjusted EBITDA for Services was \$11.5 million compared to \$10.9 million in the same period in the prior year, also driven by revenue growth in Regulatory Solutions revenue offset by increased cost of goods sold, technology and occupancy costs.

### 3.3 Technology Solutions

Technology Solutions provides the development, delivery and support of registry (and related) technology solutions, generating revenue through the following:

- sale of software licences related to our technology platforms;
- provision of technology solution definition and implementation services; and
- provision of monthly hosting, support and maintenance services.

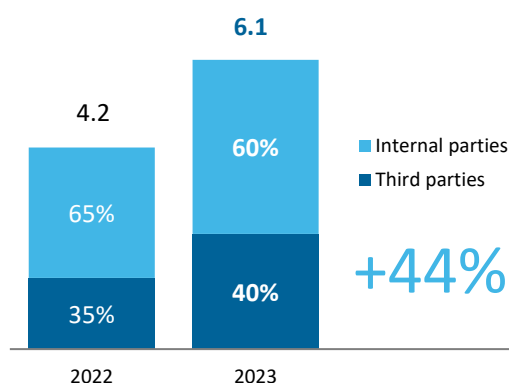
We offer RegSys — a complete registry solution that provides a readily transferable technology platform capable of serving a wide range of registry needs. RegSys is a multi-register platform that delivers the flexibility, scalability and features that enable public sector organizations to deliver enhanced services to businesses and citizens.

With a full suite of integrated modules that provide core functionality for submission, enforcement and inquiry processing, RegSys delivers solutions enabling the provision of core services to citizens in a user-friendly, efficient manner across multiple access points. The RegSys solution has also been used to manage other legal registers such as intellectual property, securities, licenses, charities, UCC and pension schemes.

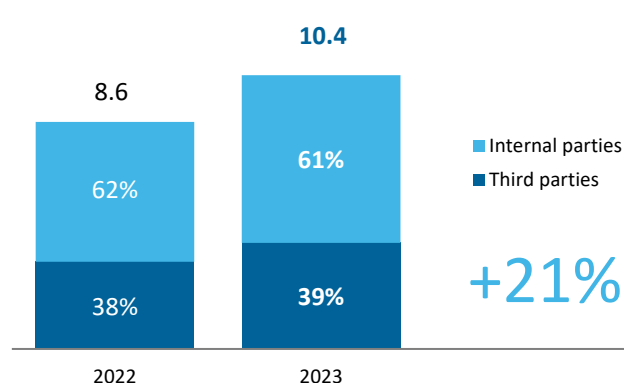
A more detailed description of our Technology Solutions business can be found in Management’s Discussion and Analysis for the year ended December 31, 2022, which is available on our website at [company.isc.ca](http://company.isc.ca) or on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). No material changes have taken place since that date.

#### TECHNOLOGY SOLUTIONS REVENUE

**Technology Solutions Revenue  
for the three months ended June 30,**  
(CAD millions)



**Technology Solutions Revenue  
for the six months ended June 30,**  
(CAD millions)



(thousands of CAD)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Third parties	\$ 2,420	\$ 1,493	\$ 4,029	\$ 3,310
Internal related parties	3,658	2,742	6,384	5,325
Technology Solutions revenue	\$ 6,078	\$ 4,235	\$ 10,413	\$ 8,635

Revenue in Technology Solutions was \$6.1 million for the quarter, an increase of \$1.8 million compared to \$4.2 million for the same period in 2022. Year-to-date revenue was \$10.4 million, an increase of \$1.8 million from \$8.6 million for the same period in 2022.

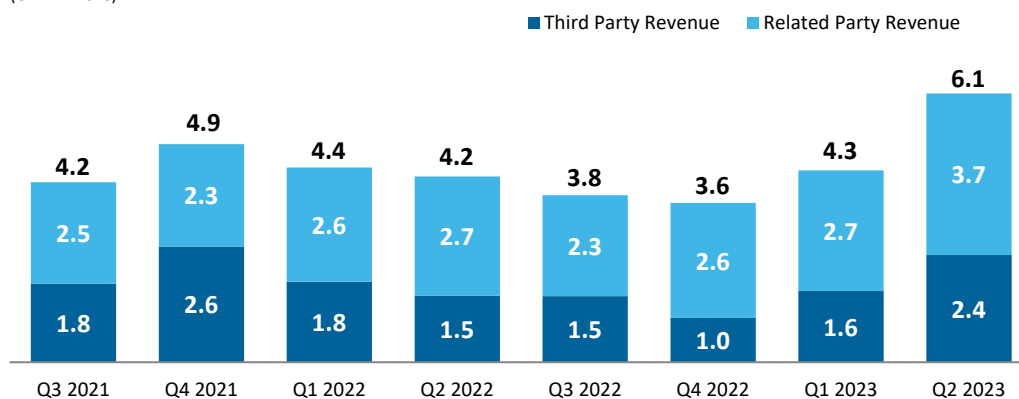
Revenue from third parties for the quarter increased by \$0.9 million compared to the second quarter of 2022 driven by continued progress on delivery of contracts for the States of Guernsey and the Department of Registrar of Companies and Intellectual Property in Cyprus disclosed in the prior quarter, accompanied by progress on ongoing contracts. Year-to-date, revenue from third parties increased by \$0.7 million largely driven by the same



reasons outlined for the quarter.

Technology Solutions has commenced delivery of registry enhancements for Registry Operations and is currently delivering a registry solution to support operation of the International Registry for Railway Rolling Stock that will be operated by Regulis S.A. (“Regulis”), currently reported under our Corporate segment. Internal related party revenue in any quarter is dependent on resources used or consumed internally, particularly in Registry Operations. Our intent is to continue to service the needs of internal customers as efficiently and effectively as possible, including the provision of service via related party resources; therefore, this figure may continue to fluctuate over time, particularly as we pursue additional third-party revenue.

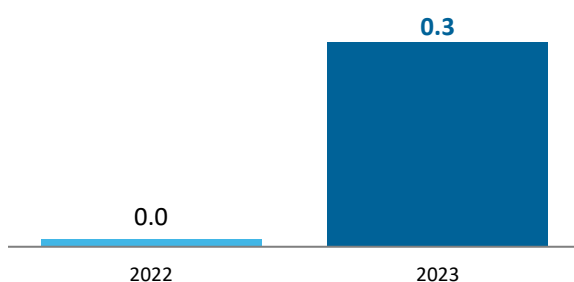
**Technology Solutions Revenue by Type**  
(CAD millions)



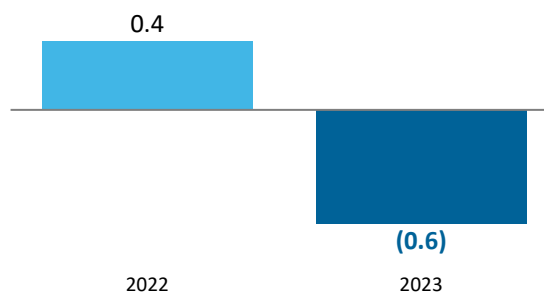
Note: Values may not add due to rounding.

## TECHNOLOGY SOLUTIONS EXPENSES, EBITDA, AND ADJUSTED EBITDA

**Technology Solutions Adjusted EBITDA for the three months ended June 30,**  
(CAD millions)



**Technology Solutions Adjusted EBITDA for the six months ended June 30,**  
(CAD millions)



(thousands of CAD)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue	\$ 6,078	\$ 4,235	\$ 10,413	\$ 8,635
Total expenses <sup>1</sup>	5,726	4,034	10,879	8,082
EBITDA	\$ 352	\$ 201	\$ (466)	\$ 553
Adjustments <sup>2</sup>	(35)	(190)	(154)	(178)
Adjusted EBITDA	\$ 317	\$ 11	\$ (620)	\$ 375

<sup>1</sup> Total expenses exclude interest, taxes, depreciation and amortization.

<sup>2</sup> As shown in section 2.5 “Consolidated EBITDA and adjusted EBITDA”, adjusted EBITDA adjustments are comprised of share-based compensation and acquisition, integration and other costs applicable to each segment.

Adjusted EBITDA for Technology Solutions was \$0.3 million for the quarter compared to break even adjusted EBITDA in the second quarter of 2022. Positive results have been driven by progress on both ongoing solution definition and implementation contracts and work on the two new opportunities that commenced in the current year as discussed previously partially offset by increased wages and salaries to support this progress.

Adjusted EBITDA for Technology Solutions decreased to a loss of \$0.6 million for the year-to-date compared to \$0.4 million for the first six months of 2022. Timing of revenue recognition on solution definition and implementation contracts deferred from the prior year combined with increased wages and salaries to support progress on new and ongoing contracts has driven the negative year-to-date results.

### 3.4 Corporate and other

Corporate and other includes expenses related to our corporate activities and shared services functions. Eliminations of inter-segment revenue and costs are presented separately in the Financial Statements and therefore excluded below. Management believes this format provides a transparent representation of the Corporate and other activities.

Following the acquisition of Regulis on December 20, 2022, the Company has included Regulis within the Corporate segment until it commences operations. Regulis holds a contract under the Luxembourg Rail Protocol of the Cape Town Convention, which provides it the exclusive right and obligation to develop, deliver and operate the International Registry for Railway Rolling Stock for a period of 10 years from the date the registry goes live, as defined in the Luxembourg Rail Protocol. The acquisition will continue to expand the Company's portfolio of services and solutions to help improve the delivery of modern registry services by and for governments, as well as intergovernmental and private organizations.

(thousands of CAD)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Third parties	\$ 7	\$ 4	\$ 19	\$ 5
Internal related parties	37	36	75	72
Corporate and other revenue	\$ 44	\$ 40	\$ 94	\$ 77
Total expenses <sup>1</sup>	(2,334)	(1,249)	(4,341)	(3,434)
EBITDA	\$ (2,290)	\$ (1,209)	\$ (4,247)	\$ (3,357)
Adjustments <sup>2</sup>	662	(2)	1,093	656
Adjusted EBITDA	\$ (1,628)	\$ (1,211)	\$ (3,154)	\$ (2,701)

<sup>1</sup> Total expenses exclude interest, taxes, depreciation and amortization.

<sup>2</sup> As shown in section 2.5 "Consolidated EBITDA and adjusted EBITDA", adjusted EBITDA adjustments are comprised of share-based compensation and acquisition, integration and other costs applicable to each segment.

Adjusted EBITDA decreased for the three months ended June 30, 2023 by \$0.4 million following an increase in corporate costs related to investments in people, technology and ISC's continued focus on growth initiatives. Year-to-date, adjusted EBITDA decreased by \$0.5 million, also driven by investments in people, technology and continued focus on growth including continued work on Regulis.

## 4 Summary of Consolidated Quarterly Results

The following table sets out select quarterly results for the past eight quarters. Registry Operations experiences moderate seasonality, primarily because Saskatchewan Land Registry revenue fluctuates in line with real estate transaction activity in Saskatchewan. Typically, the second and third quarters of the fiscal year generate higher revenue, as that is when real estate activity is traditionally highest. Ontario Property Tax Assessment Services revenue does not experience seasonality, as revenue is recognized evenly throughout the year as per the agreement with the Province of Ontario.

In Services, our Corporate Solutions and Regulatory Solutions revenue is relatively diversified and has little seasonality; instead, it fluctuates in line with general economic drivers. Some smaller categories of products or services can have some seasonal variation, increasing slightly during the second and fourth quarters. In particular, our collateral management services experience seasonality aligned to vehicle and equipment financing cycles, which are generally stronger in the second and fourth quarters. Our Recovery Solutions revenue also does not have specific seasonality, but is counter-cyclical to our other business, in that it can perform better in poor economic conditions.

Technology Solutions does not experience seasonality; however, this segment is impacted by the timing of procurement activities largely undertaken by governments around the world.

The balance of our corporate activities and shared services functions do not experience seasonality. Expenses are generally consistent from quarter to quarter but can fluctuate due to the timing of project-related or acquisition activities. As a result, our EBITDA and adjusted EBITDA margin fluctuates in line with the cumulative impact of the above factors.

(thousands of CAD)	2023		2022				2021	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	\$ 53,295	\$ 49,124	\$ 46,104	\$ 48,768	\$ 50,870	\$ 44,153	\$ 44,238	\$ 41,369
Expenses	40,965	38,565	39,396	36,922	33,919	33,463	29,775	27,269
Net income before items noted below	12,330	10,559	6,708	11,846	16,951	10,690	14,463	14,100
Net finance (expense)	(889)	(905)	(1,038)	(1,038)	(666)	(435)	(482)	(661)
Income before tax	11,441	9,654	5,670	10,808	16,285	10,255	13,981	13,439
Income tax expense	(3,208)	(2,790)	(1,721)	(3,052)	(4,628)	(2,848)	(3,695)	(3,706)
Net income	\$ 8,233	\$ 6,864	\$ 3,949	\$ 7,756	\$ 11,657	\$ 7,407	\$ 10,286	\$ 9,733
Other comprehensive income (loss)	5	110	688	48	(310)	(448)	(262)	(4)
Total comprehensive income	\$ 8,238	\$ 6,974	\$ 4,637	\$ 7,804	\$ 11,347	\$ 6,959	\$ 10,024	\$ 9,729
EBITDA margin	30.8%	29.9%	23.4%	32.5%	40.2%	31.3%	39.8%	42.3%
Adjusted EBITDA margin	33.4%	29.5%	29.3%	34.9%	37.8%	33.0%	38.9%	41.8%
Earnings per share, basic	\$ 0.47	\$ 0.39	\$ 0.22	\$ 0.44	\$ 0.66	\$ 0.42	\$ 0.59	\$ 0.56
Earnings per share, diluted	\$ 0.46	\$ 0.38	\$ 0.22	\$ 0.43	\$ 0.65	\$ 0.41	\$ 0.57	\$ 0.54

## 5 Business Strategy

### STRATEGIC PRIORITIES

ISC's strategy focuses on delivering value to shareholders through the consistent performance of its existing business and the execution of appropriate growth opportunities. The Company's strategy is delivered through three key segments:

- Registry Operations, which delivers registry and information services on behalf of governments and private sector organizations;
- Services, which delivers products and services that utilize public records and data to provide value to customers in the financial and legal sectors; and
- Technology Solutions, which provides the development, delivery and support of registry (and related) technology solutions.

Through our segments, ISC's strategy is executed with the intent to:

- deliver leading registry and regulatory services and solutions to customers around the world through existing lines of business and potential extension into adjacent opportunities through innovation and/or acquisition;
- ensure an exceptional customer experience for those interacting with ISC's systems, people and information; and
- meaningfully grow revenue with continued emphasis on corresponding EBITDA and adjusted EBITDA growth.

ISC's strategy is influenced by a set of principles:



#### Long-term Orientation

Strategic focus on the sustainability of the business and the services we deliver



#### Growth

Attainable organic and inorganic growth available in the near-term



#### Innovation

Innovation for growth/competitiveness and extension into new verticals is key given Canadian and global market limitations



#### Values and Differentiation

Laser focus on quality of service delivery and how we treat our customers and employees remains at the core

We regularly review and adjust our strategy to ensure that the Company remains well positioned in the long term, while being adaptable to near-term factors. Our objective is to consistently execute transactions that fulfil our fundamental acquisition criteria for opportunities that add products, services or competencies that align with our strengths and where we can add value while augmenting our strong adjusted free cash flow and adjusted EBITDA profile.

## 6 Financial and Capital Management

### 6.1 Cash flow

Our primary source of operating cash flow is generated from revenue related to the Registry Operations and Services segments. Our primary uses of funds are operational expenses, capital and other growth-related expenditures, and the payment of dividends.

Historically, ISC has financed its operations and met its capital and finance expenditure requirements through cash provided from operating activities. The Company has also used borrowing to supplement cash generated from operations to finance acquisition activities. The Company believes that internally generated cash flow, supplemented by additional borrowing that may be available to us through our existing Credit Facility, will be sufficient to meet cash requirements, capital expenditures, merger and acquisition activity, and anticipated dividend payments (refer to Note 16 in the December 31, 2022 Financial Statements, which are available on our website at [company.isc.ca](http://company.isc.ca) and in the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) for our existing Credit Facility). In connection with the Extension Agreement, ISC entered into the Amended and Restated Credit Facility with its syndicate of lenders discussed further in section 6.3 "Debt".

Liquidity risk is managed based on financial forecasts and anticipated cash flow. The majority of cash is held with Canadian chartered banks and the risk of loss is believed to be minimal. As at June 30, 2023, the Company held \$26.6 million in cash compared to \$34.5 million as at December 31, 2022, a decrease of \$7.9 million.

The Company expects to be able to meet its cash requirements, including being able to settle current liabilities of \$38.6 million (December 31, 2022 – \$39.6 million) and meet any unanticipated cash requirements due to changes in working capital commitments. Such changes that would affect our liquidity may arise from, among other factors, general economic conditions and the failure of one or more customers to pay their obligations. Deficiencies arising from short-term working capital requirements and capital expenditures may be financed on a short-term basis with bank indebtedness or on a permanent basis with offerings of securities.

### CONSOLIDATED FREE CASH FLOW & ADJUSTED FREE CASH FLOW

(thousands of CAD)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Adjusted Free Cash Flow	\$ 11,900	\$ 13,218	\$ 21,783	\$ 24,038
Add (subtract):				
Share-based compensation expense	347	1,900	1,537	1,778
Acquisition, integration, and other costs	(1,730)	(688)	(2,749)	(1,317)
Registry enhancement capital expenditures	(375)	-	(375)	-
Free cash flow	\$ 10,142	\$ 14,430	\$ 20,196	\$ 24,499
Add (subtract):				
Cash additions to property, plant and equipment	164	138	179	228
Cash additions to intangible assets	1,206	181	1,475	611
Interest received	(243)	(42)	(553)	(64)
Interest paid	1,043	435	2,195	791
Interest paid on lease obligations	94	98	189	195
Principal repayment on lease obligations	574	536	1,167	1,021
Net change in non-cash working capital <sup>1</sup>	1,327	(3,439)	(4,803)	(17,223)
Net cash flow provided by operating activities	\$ 14,307	\$ 12,337	\$ 20,045	\$ 10,058

<sup>1</sup> Refer to Note 15 of the Financial Statements for reconciliation.

<sup>2</sup> 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", reconciled above 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 \$1.0 million decrease for the three months ended June 30, 2022, and a decrease of \$1.9 million for the six months ended June 30, 2022.

Free cash flow for the second quarter of 2023 was \$10.1 million compared to \$14.4 million in the prior year quarter due to lower results from operations during the current year primarily related to reduced revenue from the Saskatchewan Land Registry accompanied by increased cash additions to intangible assets as ISC has commenced registry enhancement work for the Saskatchewan Registries, expenditures related to the Extension Agreement in addition to continued investments in *Registry Complete* and *Recovery Complete*. Free cash flow for the current quarter is also reduced due to increased interest paid on debt obligations during the quarter due to a combination of higher interest rates and increased principal outstanding throughout the period.

Year-to-date free cash flow was \$20.2 million, down from \$24.5 million in the prior year due to similar reasons as the three months ended June 30, 2023, including lower Land Registry revenue, increased additions to intangible assets related to the Saskatchewan Registries' enhancement work and capitalized expenditures related to the Extension Agreement as well as higher interest expense due to higher interest rates and principal balance outstanding during the period when compared to the first six months of 2022.

Adjusted free cash flow for the quarter was \$11.9 million, down 10 per cent compared to \$13.2 million in the second quarter of 2022 and was \$21.8 million year-to-date compared to \$24.0 million in the first six months of 2022, a decrease of 9 per cent. While certain amounts have been removed from adjusted free cash flow, including the commencement of registry enhancement work for Registry Operations, the remainder of the explanation for the decrease from the prior year for both the quarter and year-to-date are consistent with the explanation for free cash flow which includes reduced activity in the Saskatchewan real estate impacting Land Registry revenue and higher interest costs.

The following table summarizes our sources and uses of funds for the three and six months ended June 30, 2023, and 2022:

(thousands of CAD)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net cash flow provided by operating activities	\$ 14,307	\$ 12,337	\$ 20,045	\$ 10,058
Net cash flow used in investing activities	(1,127)	(45,634)	(1,256)	(54,884)
Net cash flow (used in) provided by financing activities	(10,783)	36,891	(26,694)	31,928
Effects of exchange rate changes on cash held in foreign currencies	(60)	115	(18)	(99)
Increase (decrease) in cash	\$ 2,337	\$ 3,709	\$ (7,923)	\$ (12,997)
Cash, beginning of period	24,219	23,398	34,479	40,104
Cash, end of period	\$ 26,556	\$ 27,107	\$ 26,556	\$ 27,107

## NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES

Net cash flow associated with operating activities was an inflow of \$14.3 million for the quarter compared to an inflow of \$12.3 million for the same period last year. The increase of \$2.0 million relates to a reduction in net income more than offset by cash flow provided by changes in non-cash working capital mainly due to an increase in accounts payable during the current quarter of \$2.4 million whereas in the prior year there was a decrease of \$1.9 million. The primary driver of this \$4.3 million variance relates to the timing of payments as well the impact of the share price on share-based compensation.

For the six-month period ended June 30, 2023, cash provided by operating activities was \$20.0 million compared to \$10.1 million last year. This variance is largely explained by a reduction in net income of \$4.0 million offset by changes in net non-cash working capital of \$12.4 million. The working capital variance is primarily attributable to the following:

- \$7.3 million related to the timing of income tax payments which included the payment in 2022 of increased 2021 taxes due to strong 2021 results combined with increased instalment payments in 2022;
- \$3.5 million related to a decrease of accounts receivable and prepaid expenses.



## NET CASH FLOW USED IN INVESTING ACTIVITIES

Net cash used in investing activities for the quarter was \$1.1 million compared to \$45.6 million in the same period last year. While additions to intangible assets have increased related to enhancements for Registry Operations and intangibles related to the Extension Agreement, this increase is more than offset by the acquisition of Ontario Property Tax Assessment Services in the comparative period.

Net cash used in investing activities for the year-to-date was \$1.3 million compared to \$54.9 million in the comparative period primarily due to increased intangible asset additions related to enhancements for Registry Operations more than offset by the cash spent related to the acquisitions of Ontario Property Tax Assessment Services and UPLLevel in the comparative period.

## NET CASH FLOW USED IN FINANCING ACTIVITIES

Net cash flow used in financing activities for the quarter was \$10.8 million, compared to cash provided of \$36.9 million for the same period in 2022 driven by \$40.0 million of borrowings related to the acquisition of Ontario Property Tax Assessment Services in the comparative quarter and debt repayments during the current year quarter of \$5.0 million.

Net cash flow used in financing activities for the year-to-date was \$26.7 million, compared to cash provided of \$31.9 million for the same period of 2022. The decrease in cash flow was due to \$40.0 million of proceeds on debt for the financing of the Ontario Property Tax Assessment Services acquisition in the comparative period contrasted with debt prepayments in the current year of \$15.0 million. Also contributing to the decrease in cash flow from financing activities was interest paid increasing to \$2.2 million from \$0.8 million as a result of higher interest rates and higher borrowings outstanding during the year-to-date following the acquisition in the prior year of Ontario Property Tax Assessment Services.

## 6.2 Capital expenditures

Capital expenditures were \$1.6 million for the quarter, compared to \$0.7 million last year and were \$2.2 million year-to-date compared to \$1.2 million last year. In both periods, capital expenditures were primarily related to system development work across our business segments. Additionally, in the first quarter, Registry Operations completed updates to the Corporate Registry to accommodate new legislation that commenced in the prior year.

(thousands of CAD)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Registry Operations <sup>1</sup>	\$ 847	\$ 349	\$ 1,252	\$ 349
Services	248	102	490	238
Technology Solutions	447	247	482	631
Corporate and other	17	-	18	-
Total capital expenditures	\$ 1,559	\$ 698	\$ 2,242	\$ 1,218

<sup>1</sup> Registry Operations includes consideration for Service concession arrangements.

## 6.3 Debt

At June 30, 2023, the Company's debt was \$51.1 million compared to \$66.0 million at December 31, 2022.

During the first six months of 2023, the Company made voluntary prepayments of \$15.0 million (2022 – nil) against its revolving credit facility to minimize interest expense. \$5.0 million (2022 – nil) of the total voluntary prepayments were made in the quarter ended June 30, 2023. In the comparable period last year, the Company advanced \$40.0 million to finance the acquisition of the Ontario Property Tax Services division.

The Company was in compliance with all covenants throughout the period. The amount of borrowing costs capitalized during 2023 and 2022 was nil.

Subsequent to June 30, 2023, and in connection with the Extension Agreement, ISC entered into 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 \$150.0 million to \$250.0 million and consists of ISC's existing \$150.0 million revolving credit facility plus 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, 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. ISC funded the Upfront Payment of \$150.0 million and other related transaction costs by drawing on its Amended and Restated Credit Facility and with cash-on-hand.

For further information on our Credit Facility, refer to Note 16 in the December 31, 2022, Financial Statements, which are available on our website at [company.isc.ca](http://company.isc.ca) and in the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) and our news release dated July 5, 2023.

## 6.4 Total assets

Total assets were \$271.5 million at June 30, 2023, compared to \$283.5 million at December 31, 2022. Total assets decreased during the first six months of the year largely as a result of reduced cash due to voluntary prepayments of \$15.0 million by ISC against its revolving credit facility, payment of \$8.1 million of dividends, accompanied by reduction in intangible assets due to amortization during the six months ended June 30, 2023.

(thousands of CAD)	Registry Operations	Services	Technology Solutions	Corporate and other	As at June 30, 2023
Total assets excluding					
intangibles, goodwill and cash	\$ 24,101	\$ 17,520	\$ 4,211	\$ 13,595	\$ 59,427
Intangibles	31,904	47,095	4,668	639	84,306
Goodwill	21,098	71,537	8,582	-	101,217
Cash	-	-	-	26,556	26,556
<b>Total assets</b>	<b>\$ 77,103</b>	<b>\$ 136,152</b>	<b>\$ 17,461</b>	<b>\$ 40,790</b>	<b>\$ 271,506</b>

(thousands of CAD)	Registry Operations	Services	Technology Solutions	Corporate and other	As at December 31, 2022
Total assets excluding					
intangibles, goodwill and cash	\$ 23,667	\$ 15,838	\$ 4,408	\$ 14,829	\$ 58,742
Intangibles	32,301	51,383	4,638	671	88,993
Goodwill	21,098	71,537	8,605	-	101,240
Cash	-	-	-	34,479	34,479
<b>Total assets</b>	<b>\$ 77,066</b>	<b>\$ 138,758</b>	<b>\$ 17,651</b>	<b>\$ 49,979</b>	<b>\$ 283,454</b>

## 6.5 Working capital

At June 30, 2023, working capital was \$14.0 million compared to \$17.6 million at December 31, 2022.

(thousands of CAD)	As at June 30, 2023	As at December 31, 2022
Current assets	\$ 52,574	\$ 57,216
Current liabilities	(38,580)	(39,626)
<b>Working capital</b>	<b>\$ 13,994</b>	<b>\$ 17,590</b>

The main drivers of the \$3.6 million decrease in working capital compared to December 31, 2022, are as follows:

(thousands of CAD)	
Free cash flow for the first six months of 2023	20,196
Financing and other items:	
Repayment of long-term debt	(15,000)
Dividends paid	(8,143)
All other	(649)
<b>Total change in working capital</b>	<b>\$ (3,596)</b>

## 6.6 Outstanding share data

The number of issued and outstanding Class A Shares as at June 30, 2023, was 17,701,498 and the number of issued and outstanding share options as of June 30, 2023, was 1,332,017. As of August 2, 2023, the date of filing, the number of issued and outstanding Class A Shares was 17,701,498 and the number of issued and outstanding share options were 1,332,017.

## 6.7 Common share dividend

On May 3, 2023, the Board declared a quarterly cash dividend of \$0.23 per Class A Share, paid on July 14, 2023, to shareholders of record as of June 30, 2023.

# 7 Business Risks

## 7.1 Financial instruments and financial risks

Financial instruments held in the normal course of business included in our consolidated statements of financial position as at June 30, 2023, consist of cash, trade and other receivables, accounts payable and accrued liabilities excluding share-based accrued liabilities, and long-term debt.

The Company does not currently use any form of derivative financial instruments to manage our exposure to credit risk, interest rate risk, market risk or foreign currency exchange risk. Refer to Note 12 of the Financial Statements for information pertaining to financial instruments and related risk management.

## 7.2 Business risks and risk management

ISC faces certain risks that can impact its business and its financial and operational performance. For the information on the risk management approach, business risks and risk management, refer to the Management's Discussion and Analysis and Annual Information Form for the year ended December 31, 2022, which are available on the Company's website at [company.isc.ca](http://company.isc.ca) and in the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). The main risks and uncertainties that could affect our future business results and associated risk mitigation activities have not materially changed since the release of our Management's Discussion and Analysis for the year ended December 31, 2022.

The global outbreak of COVID-19 continues to evolve. The ultimate long-term impact of COVID-19 on the Company and its business is uncertain and cannot be predicted with confidence.

# 8 Accounting Policies, Financial Measures and Controls

## 8.1 Off-balance sheet arrangements

The Company had no off-balance sheet arrangements as at June 30, 2023.

## 8.2 Related party transactions

Routine operating transactions with related parties are settled at agreed upon exchange amounts under normal trade terms. Refer to Note 22 in the December 31, 2022 Financial Statements, which are available on our website at [company.isc.ca](http://company.isc.ca) and in the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) for information about transactions with related parties.

## 8.3 Critical accounting estimates

ISC's critical accounting estimates are contained in Note 2 of the Financial Statements under the summary of use of estimates and judgments and include references to:

- the carrying value, impairment and estimated useful lives of property, plant and equipment;

- the carrying value, impairment and estimated useful lives of intangible assets and goodwill;
- the recoverability of deferred tax assets; and
- the amount and timing of revenue from contracts from customers recognized over time.

The preparation of the Financial Statements, in conformity with IFRS, requires management to make estimates and underlying assumptions and judgments that affect the accounting policies and reported amounts of assets, liabilities, revenue and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Critical accounting estimates and judgments are those that have a significant risk of causing material adjustment.

#### 8.4 Changes in accounting policies

For details on future accounting policy changes, refer to section 8.4 “Changes in accounting policies” of our December 31, 2022 MD&A included in our 2022 Annual Report. We are continuing to evaluate the impact of standards that are effective for us after Fiscal 2023.

#### 8.5 Financial measures and key performance indicators

Revenue, expenses and net income are key performance indicators the Company uses to manage its business and evaluate its financial results and operating performance. In addition to these results, which are reported in accordance with IFRS, certain non-IFRS measures are supplemental indicators of operating performance and financial position as well as for internal planning purposes. The Company evaluates its performance against these metrics by comparing actual results to management budgets, forecasts and prior period results. These non-IFRS financial measures include adjusted net income, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, free cash flow and adjusted free cash flow. Refer to section 8.8 “Non-IFRS financial measures”.

#### 8.6 Internal controls over financial reporting

The Company’s management, including the President and Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining appropriate internal controls over financial reporting. Internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

No changes in our internal controls over financial reporting that have occurred during the three and six-month period ended June 30, 2023, have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

It should be noted that all internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

#### 8.7 Disclosure controls and procedures

The Company’s management, including the President and Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining appropriate disclosure controls and procedures. Disclosure controls and procedures are designed to provide reasonable assurance that relevant information is gathered and reported to senior management, including the President and Chief Executive Officer and the Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosures.

## 8.8 Non-IFRS financial measures

This MD&A includes 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. Rather, 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 our 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	<ul style="list-style-type: none"> <li>To evaluate performance and profitability while excluding non-operational and share-based volatility.</li> <li>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.</li> </ul>	Adjusted net income;	Net income
Adjusted earnings per share, basic		Net income	Earnings per share, basic
Adjusted earnings per share, diluted		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, 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	Earnings per share, diluted

<p>EBITDA</p> <p>EBITDA Margin</p>	<ul style="list-style-type: none"> <li>To evaluate performance and profitability of segments and subsidiaries as well as the conversion of revenue.</li> <li>We believe that certain investors and analysts use EBITDA to measure our ability to service debt and meet other performance obligations.</li> </ul>	<p>EBITDA:</p> <p>Net income</p> <p>add (remove)</p> <p>Depreciation and amortization, net finance expense, income tax expense</p> <p>EBITDA Margin:</p> <p>EBITDA</p> <p>divided by</p> <p>Total revenue</p>	<p>Net income</p>
<p>Adjusted EBITDA</p> <p>Adjusted EBITDA Margin</p>	<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 and 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> <li>Adjusted EBITDA is also used as a component of determining short-term incentive compensation for employees.</li> </ul>	<p>Adjusted EBITDA:</p> <p>EBITDA</p> <p>add (remove)</p> <p>share-based compensation expense, acquisition, integration and other costs, gain/loss on disposal of assets if significant</p> <p>Adjusted EBITDA Margin:</p> <p>Adjusted EBITDA</p> <p>divided by</p> <p>Total revenue</p>	<p>Net income</p>
<p>Free Cash Flow</p>	<ul style="list-style-type: none"> <li>To show cash available for debt repayment and reinvestment into the Company on a levered basis.</li> <li>We believe that certain investors and analysts use this measure to value a business and its underlying assets.</li> <li>Free cash flow is also used as a component of determining short-term incentive compensation for employees.</li> </ul>	<p>Net cash flow provided by operating activities</p> <p>deduct (add)</p> <p>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</p>	<p>Net cash flow provided by operating activities</p>
<p>Adjusted Free Cash Flow</p>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	<p>Free Cash Flow</p> <p>deduct (add)</p> <p>Share-based compensation expense, acquisition, integration and other costs and registry enhancement capital expenditures</p>	<p>Net cash flow provided by operating activities</p>

## 8.9 Non-IFRS financial measures definition

Adjusted net income is defined as net income adjusted for share-based compensation expense or income, acquisition, integration and other costs, the effective interest component of interest expense, amortization of the intangible asset related to the Extension and amortization of registry enhancement capital expenditures, accretion on the liability to the Province of Saskatchewan and the tax effect of these adjustments at ISC's statutory tax rate. We believe this measure provides useful information to evaluate earnings while excluding non-operational and share-based volatility.

EBITDA is defined as earnings before interest, taxes, depreciation and amortization expense. Adjusted EBITDA adjusts EBITDA for share-based compensation expense or income, transactional gains or losses on assets, asset impairment charges, and acquisition, integration and other costs. These measures, in addition to net income and income from operations, removes fluctuations caused by the above adjustments. EBITDA margin and adjusted EBITDA margin are calculated as a percentage of overall revenue.

Free cash flow is used as a financial measure of liquidity and financial strength. Adjusting for the swings in non-cash working capital items due to seasonality or other timing issues, cash additions to property, plant and equipment and intangible assets, as well as interest received and paid including interest paid on lease obligations and principal repayments on lease obligations, free cash flow assists in the long-term assessment of liquidity and financial strength. Adjusted free cash flow adjusts free cash flow for share-based compensation expense or income, acquisition, integration and other costs and registry enhancement capital expenditures. Adjusted free cash flow does not represent residual cash flow available for discretionary expenditures.