



## ISC Reports Third Quarter 2017 Financial Results

REGINA, Saskatchewan, Nov. 07, 2017 -- Information Services Corporation (TSX:ISV) ("ISC" or the "Company") today reported on the Company's financial results for the third quarter ended September 30, 2017.

### Third Quarter 2017 Highlights

- Revenue of \$23.9 million compared to \$22.9 million in Q3 2016, up 4.4%.
- EBITDA (earnings before interest, taxes, depreciation and amortization) of \$7.6 million compared to \$7.3 million in Q3 2016, up 4.1%.
- EBITDA margin of 31.8% compared to 32.1% in Q3 2016, down 0.3%.
- Net income of \$1.9 million or \$0.11 per basic and diluted share compared to \$3.8 million or \$0.22 per basic and diluted share in Q3 2016, down 50.0%. The decrease in the net income and earnings per share was mainly due to the impact of a one per cent reduction in substantively enacted future corporate tax rates by the Saskatchewan government during 2017. This reduced the carrying value of deferred tax assets and liabilities and resulted in a charge to the current period. Without this reduction, net income would have been \$3.3 million or \$0.19 per basic and diluted share.
- Free cash flow of \$8.0 million compared to \$5.6 million as at September 30, 2016, up 42.9%.

### Financial Position as at September 30, 2017

- Cash of \$38.6 million compared to \$33.5 million as at December 31, 2016, up 15.2%.
- Total debt of \$32.3 million compared to \$23.4 million as at December 31, 2016, up 38.0%.

Commenting on ISC's results, Jeff Stusek, President and CEO stated, "The first nine months of 2017 have been productive for ISC. Our consolidated performance has been good overall. We continue to execute on our strategy of focusing on our core business while examining opportunities for growth." Stusek continued, "Economic conditions in Saskatchewan are still expected to remain flat in 2017 and into 2018 but I continue to remain positive that we will weather these conditions due to the robust nature of our Registries business."

### Management's Discussion of ISC's Summary of Third Quarter 2017 Financial Results

(thousands of CAD dollars; except earnings per share and where noted)	Three Months Ended Sep 30, 2017	Three Months Ended Sep 30, 2016	Nine Months Ended Sep 30, 2017	Nine Months Ended Sep 30, 2016
<i>Revenue - Registries</i>				
Land Registry	\$14,335	\$15,015	\$41,031	\$41,882
Personal Property Registry	2,531	2,670	7,659	7,675
Corporate Registry	2,237	1,860	7,675	6,828
<b>Total</b>	<b>\$19,103</b>	<b>\$19,545</b>	<b>\$56,365</b>	<b>\$56,385</b>
<i>Revenue - Services</i>	3,561	3,316	10,867	10,211
<i>Revenue - Other</i>	1,198	33	2,772	578
<b>TOTAL Revenue</b>	<b>\$23,862</b>	<b>\$22,894</b>	<b>\$70,004</b>	<b>\$67,174</b>
<b>Expenses</b>	<b>\$18,168</b>	<b>\$16,854</b>	<b>\$54,157</b>	<b>\$49,681</b>
<b>EBITDA<sup>1</sup></b>	<b>\$7,579</b>	<b>\$7,338</b>	<b>\$22,171</b>	<b>\$22,697</b>
EBITDA margin <sup>1</sup> (% of revenue)	31.8%	32.1%	31.7%	33.8%
Adjusted EBITDA <sup>1</sup>	\$8,673	\$9,512	\$24,447	\$26,117
Adjusted EBITDA margin <sup>1</sup>	36.4%	41.5%	34.9%	38.9%
<b>Net income</b>	<b>\$1,856</b>	<b>\$3,810</b>	<b>\$9,015</b>	<b>\$12,584</b>
Earnings per share (basic) <sup>2</sup>	\$0.11	\$0.22	\$ 0.52	\$0.72
Earnings per share, (diluted) <sup>2</sup>	\$0.11	\$0.22	\$ 0.51	\$0.72

Free cash flow <sup>1</sup>	\$8,013	\$5,641	\$21,362	\$15,254
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1. EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin and free cash flow are not recognized as measures under IFRS and do not have a standardized meaning prescribed by IFRS and therefore, are not comparable to similar measures reported by other corporations. Refer to section "Non-IFRS Measures" in the Management's Discussion & Analysis for the three and nine months ended September 30, 2017.
2. We base the calculation of earnings per share on net income after tax and the weighted average number of shares outstanding during the period.

### Third Quarter 2017 Results of Operations

- Total revenue was \$23.9 million, up \$1.0 million (+4.2%) compared to Q3 2016. The increase is mainly attributable to our subsidiary ERS that contributed \$1.0 million in revenue for the Q3 2017, included in Corporate.
- Registries segment revenue was \$19.1 million, down \$0.4 million (-2.3%) compared to Q3 2016. Our third quarter results were lower due to decreased revenue from the Land Registry, which was partially offset by an increase in revenue from the Corporate Registry.
  - Land Registry revenue was \$14.3 million, down \$0.7 million (-4.5%) versus Q3 2016.
  - Personal Property Registry was \$2.5 million, down \$0.2 million (-5.2%) compared to Q3 2016.
  - Corporate Registry revenue was \$2.2 million, up \$0.4 million (+ 20.2%) compared to Q3 2016.
- Services segment revenue was \$3.6 million, up \$0.2 million (+7.4%) compared to Q3 2016.
- Consolidated expenses (all segments) were \$18.2 million (+7.8%) compared to \$16.9 million for Q3 2016.
- Net income for the three months ended September 30, 2017, was \$1.9 million or \$0.11 per basic and diluted share. In the third quarter of 2016, net income was \$3.8 million or \$0.22 per basic and diluted share. The decrease in the net income and earnings per share was mainly due to the impact of a one per cent reduction in substantively enacted future corporate tax rates by the Saskatchewan government during 2017. This reduced the carrying value of deferred tax assets and liabilities and resulted in a charge to the current period. Without this reduction, net income would have been \$3.3 million or \$0.19 per basic and diluted share.
- Capital expenditures for Q3 2017 were \$0.1 million, compared to \$0.5 million in Q3 2016 (-80.0%). We have revised our guidance for capital expenditures for 2017 downward from a range of \$3.5 - \$5.0 million to a range of \$1.0 - \$2.0 million due to management's focus on integration activities and the resultant changes to the timing and nature of certain planned projects, and our gradual shift to more hosted and cloud service providers. Management expects capital expenditures for 2018 to return to historic levels as we resume our planned activities.
- As at September 30, 2017, the Company held \$38.6 million in cash, compared to \$33.5 million as at December 31, 2016, an increase of \$5.1 million (+15.2%).
- The Company had \$32.3 million of total debt as at September 30, 2017 compared to \$23.4 million as at December 31, 2016 (+38.0%). For more details, see section "11.3 Debt" in the Management's Discussion & Analysis for the three and nine months ended September 30, 2017.

### Outlook

*The following section includes forward-looking statements, including statements related to economic conditions in Canada and, in particular, Saskatchewan, Ontario and Quebec, as well as internationally, real gross domestic product, revenues, EBITDA, expenses, capital expenditures, integration and growth. Refer to the section "Caution Regarding Forward-Looking Statements".*

The Bank of Canada raised its overnight lending rate twice during the quarter, on July 12th and September 6th. The Bank stated, "Recent economic data have been stronger than expected, supporting the Bank's view that growth in Canada is becoming more broadly-based and self-sustaining" and expects a moderate pace for the second half of the year<sup>1</sup>. Interest rate changes often influence consumer behavior and, as such, may affect ISC's business. We expect it will take time for this change to take effect, including its impact on other macro-economic indicators.

Also of note, on October 17, 2017, the Office of the Superintendent of Financial Institutions Canada (OSFI) announced revisions to its mortgage rules, which now include a requirement to "stress test" borrowers with uninsured loans to ensure they could withstand increases in interest rates. These new rules will become effective January 1, 2018<sup>2</sup>. Although not certain, these revisions may impact our Registries segment in the coming financial year.

For our Registries segment, we expect to see muted economic growth in Saskatchewan for the remainder of the year and heading into 2018. Several banks have re-forecasted Saskatchewan's 2017 real Gross Domestic Product both upward and downward since our last reporting period, indicating a difference in perspective on where 2017 will end. Given the lower volumes we have observed within some of our Registries in the third quarter of 2017, we anticipate results for the segment overall to be similar to 2016.

For our Services segment, we anticipate the Ontario and Quebec economies to continue to deliver modest growth based on optimism in recent real Gross Domestic Product external forecasts. Overall, we expect moderate growth year-over-year in the Services segment due to organic growth, specifically for Know-You-Customer services, which we anticipate through to the end

of 2017. Margins overall for 2017 are forecasted to remain flat as revenue from new customer engagements will not be recognized until 2018.

The key drivers of our consolidated expenses will continue to be wages, salaries and information technology costs, as well as the pursuit of new business opportunities. In 2017, the Company also focused on the integration of ERS into both our business and sales activities. ERS continues to provide support for RegSys, the technology platform of the Saskatchewan Corporate Registry. For the remainder of 2017, we anticipate the pursuit of potential revenue opportunities in Ireland and globally.

Based on these factors, ISC continues to expect an EBITDA margin of between 31.0 per cent and 33.0 per cent in 2017. We have revised our guidance for Capital Expenditures for 2017 downward from a range of \$3.5 - \$5.0 million, to a range of \$1.0 - \$2.0 million due to management's focus on integration activities and the resultant changes to the timing and nature of certain planned projects, and our gradual shift to more hosted and cloud service providers. Management expects capital expenditures for 2018 to return to historic levels as we resume our planned activities.

#### **Note to Readers**

The Board of Directors ("Board") carries out its responsibility for review of this disclosure primarily through the Audit Committee, which is comprised exclusively of independent directors. The Audit Committee reviews and approves the fiscal year-end Management's Discussion and Analysis ("MD&A") and financial statements and recommends both to the Board for approval. The interim financial statements and MD&A are reviewed and approved by the Audit Committee.

This news release provides a general summary of ISC's results for the three and nine months ended September 30, 2017 and 2016. Readers are encouraged to download the Company's complete financial disclosures. Links to ISC's financial statements and related notes and MD&A for the period are available on our website in the Investor section at [www.company.isc.ca](http://www.company.isc.ca).

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

All figures are in Canadian dollars unless otherwise noted.

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

We will hold an investor conference call on Wednesday, November 8, 2017 at 11:00 a.m. ET (10 a.m. CT) to discuss the results. Participants may join the call by dialing toll-free 1-844-419-1765 or 216-562-0470 for calls outside North America. Simultaneously, an audio webcast of the conference call will also be available at the following link [www.company.isc.ca/investor-relations/events](http://www.company.isc.ca/investor-relations/events). The audio file with a replay of the webcast will be available about 24 hours after the event on our website at the link above. We invite media to attend on a listen-only basis.

#### **About ISC**

Headquartered in Canada, ISC is the leading provider of registry and information management services for public data and records. Throughout our history we have delivered value to our clients by providing solutions to manage, secure and administer information through our registry and services segments. ISC is focused on sustaining its core business while pursuing new growth opportunities. The Class A Shares of ISC trade on the Toronto Stock Exchange under the symbol ISV.

#### **Cautionary Note Regarding Forward-Looking Information**

This news release contains forward-looking information within the meaning of applicable Canadian securities legislation, including statements related to economic conditions in Canada and, in particular, Saskatchewan, Ontario and Quebec, as well as internationally, real gross domestic product, revenues, EBITDA, expenses, capital expenditures, integration and growth. Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those expressed or implied by such forward-looking information. Important factors that could cause actual results to differ materially from the Company's plans or expectations include risks relating to changes in economic, market and business conditions, identification of viable growth opportunities, implementation of our growth strategy, competition and other risks detailed from time to time in the filings made by the Company including those detailed in ISC's Annual Information Form dated March 14, 2017 and ISC's Unaudited Consolidated Interim Financial Statements and Notes and Management's Discussion and Analysis for the third quarter ended September 30, 2017, copies of which are filed on SEDAR at [www.sedar.com](http://www.sedar.com).

The forward-looking information in this release is made as of the date hereof and, except as required under applicable securities legislation, ISC assumes no obligation to update or revise such information to reflect new events or circumstances.

<sup>1</sup> Bank of Canada – Monetary Policy Report July 2017 and corresponding Press Release "Bank of Canada increases overnight rate target to 3/4 per cent", July 12, 2017, along with the Press Release "Bank of Canada increases overnight rate target to 1 per cent", September 6, 2017.

<sup>2</sup> Office of the Superintendent of Financial Institutions Canada (OSFI) – News Release "OSFI is reinforcing a strong and prudent regulatory regime for residential mortgage underwriting", October 17, 2017.

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