



ISC® Reports 2018 Third Quarter Financial Results

REGINA, Saskatchewan, Nov. 06, 2018 -- Information Services Corporation (TSX:ISV) ("ISC®" or the "Company") today reported on the Company's financial results for the third quarter ended September 30, 2018.

2018 Third Quarter Highlights

- Revenue of \$30.2 million compared to \$23.9 million in Q3 2017, up 26.5%.
- Net income of \$7.8 million or \$0.45 per basic share compared to \$1.9 million or \$0.11 per basic and diluted share in Q3 2017. Excluding the net adjustment to the contingent consideration, earnings per share for the three months ended September 30, 2018 would have been \$0.29 per basic and diluted share.
- EBITDA (earnings before interest, taxes, depreciation and amortization) of \$11.6 million compared to \$7.6 million in Q3 2017, up 52.8%.
- EBITDA margin of 38.4% compared to 31.8% in Q3 2017.
- Adjusted EBITDA for the quarter was \$9.2 million, a margin of 30.4%, compared to \$8.7 million and a 36.4% margin in 2017.
- Free cash flow of \$7.0 million compared to \$6.7 million in Q3 2017.
- Subsequent to the end of the quarter, the Company entered into an amended and restated credit agreement in connection with the secured credit facilities provided by its Lender.
- Subsequent to the end of the quarter, the conditions associated with the amendment to the AVS Share Purchase Agreement to provide for the early settlement of the AVS contingent consideration on November 15, 2018, for an amount of \$11.0 million were satisfied. As at September 30, 2018, the Company has adjusted the fair value of the contingent consideration associated with the AVS acquisition to \$11.0 million.

Financial Position as at September 30, 2018

- Cash of \$37.3 million compared to \$31.3 million as at December 31, 2017.
- Total debt of \$20.4 million compared to \$21.6 million as at December 31, 2017.

Commenting on ISC's results, Jeff Stusek, President and CEO stated, "This was another strong quarter with year-over-year increases across the board in revenue, net income, EBITDA and EBITDA margin." Stusek continued, "Our diversification strategy is delivering results as we build on organic growth opportunities while managing our core Registry Operations business, which remains a strong free cash flow contributor."

Management's Discussion of ISC's Summary of 2018 Third Quarter Financial Results

(thousands of CAD dollars; except earnings per share and where noted)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017
<i>Revenue – Registry Operations</i>		
Land Registry	\$ 12,801	\$ 14,336
Personal Property Registry	2,723	2,531
Corporate Registry	2,343	2,236
<i>Total Revenue – Registry Operations</i>	\$ 17,867	\$ 19,103
<i>Revenue - Services</i>	\$ 10,447	\$ 3,561
<i>Revenue - Technology Solutions</i>	\$ 5,509	\$ 5,536
<i>Revenue – Corporate and other</i>	\$ (3,637)	\$ (4,338)
TOTAL Revenue	\$ 30,186	\$ 23,862
Expenses	\$ 23,775	\$ 18,168
EBITDA ^{1,2}	\$ 11,584	\$ 7,579
EBITDA margin ^{1,2} (% of revenue)	38.4%	31.8%
Adjusted EBITDA ^{1,2}	\$ 9,177	\$ 8,673
Adjusted EBITDA margin ^{1,2}	30.4%	36.4%
Net income	\$ 7,772	\$ 1,856
Earnings per share (basic) ³	\$ 0.45	\$ 0.11

Earnings per share (diluted) ³	\$	0.44	\$	0.11
Free cash flow ¹	\$	7,001	\$	6,679

¹ EBITDA, EBITDA margin, adjusted EBITDA and adjusted EBITDA margin and free cash flow are not recognized as measures under IFRS and do not have a standardized meaning prescribed by IFRS and, therefore, they may not be comparable to similar measures reported by other corporations. Refer to section 21 “Non-IFRS Financial Measures” and section 9 “Financial Measures and Key Performance Indicators” in Management’s Discussion and Analysis for the three and nine months ended September 30, 2018 for a reconciliation of EBITDA and adjusted EBITDA to net income.

² The 2018 EBITDA for the three and nine months ended September 30, 2018, includes a net adjustment in relation to the fair value estimate of the contingent consideration associated with our AVS acquisition of \$2.8 million and \$3.8 million, respectively.

³ The calculation of earnings per share was based on net income after tax and the weighted average number of shares outstanding during the period.

2018 Third Quarter Results of Operations

- Total revenue was \$30.2 million, up \$6.3 million compared to Q3 2017.
- Registry Operations segment revenue was \$17.9 million, down \$1.2 million compared to Q3 2017.
 - Land Registry revenue was \$12.8 million, down \$1.5 million compared Q3 2017.
 - Personal Property Registry was \$2.7 million, compared to \$2.5 million in Q3 2017.
 - Corporate Registry revenue was \$2.3 million, compared to \$2.2 million Q3 2017.
- Services segment revenue was \$10.4 million, up \$6.9 million compared to Q3 2017.
- Technology Solutions segment revenue was \$5.5 million, flat compared to Q3 2017.
- Consolidated expenses were \$23.8 million, up \$5.6 million compared to \$18.2 million for Q3 2017.
- Net income was \$7.8 million or \$0.45 per basic share, compared to \$1.9 million or \$0.11 per basic and diluted share for Q3 2017. Excluding the net adjustment to the contingent consideration, earnings per share for the three months ended September 30, 2018 would have been \$0.29 per basic and diluted share.
- Capital expenditures were \$0.7 million compared to \$0.1 million in Q3 2017.

Outlook

The following section includes forward-looking information, including statements related to the industries in which we operate, growth opportunities and our future financial position and results including expected revenue, EBITDA and capital expenditures. Refer to section 3 “Caution Regarding Forward-Looking Information in our Management’s Discussion and Analysis for the three and nine months ended September 30, 2018”.

New mortgage qualification guidelines coupled with interest rate increases since July 2017 have impacted the Saskatchewan real estate market, evidenced in the lower transaction levels observed in the Saskatchewan Land Registry during the first three quarters of 2018. Given these economic conditions, as well as anticipating further increases to interest rates in the near term, the Company expects pressure on transaction levels to continue for the balance of 2018 and extend into 2019. This will further impact the results from our Registry Operations segment, absent any high-value transactions beyond historical averages. The Company will continue to proactively manage its costs in this segment while recognizing that it remains a strong free cash flow contributor to our business and a direct beneficiary of any future upswing in economic conditions in Saskatchewan.

In our Services segment, we expect to see further customer growth in Financial Support Services for the balance of this fiscal year, due to the continued rollout of new customers from significant institutional adoption of both the customer onboarding and collateral management services we provide. Driven by the expansion of our collateral management services through the acquisition of AVS, we expect growth to continue. We will also continue to further automate the fulfillment of our collateral management services, thereby reducing our cost of delivery.

In Technology Solutions, the Company signed a number of contracts in 2018, which are currently in design phase. As projects move into the implementation phase in 2019, we expect to begin to recognize increased revenue from those contracts. Subsequent to each implementation, revenue will be based on service fees over the life of the contracts. We will continue to pursue new business opportunities in this segment, while simultaneously investing in RegSys to enhance the platform and both the back office and end customer experience.

The key drivers of our expenses will continue to be wages and salaries, information technology costs as well as costs associated with the pursuit of new business opportunities. Capital expenditures have been revised to be between \$2.0 million and \$4.0 million and will be funded through operating cash flow.

As a result of the continued pressure on registry transactions and the related decline in revenue from the Registry Operations segment, the Company has revised its consolidated revenue guidance from between \$124.0 and \$130.0 million to between \$118.0 million and \$124.0 million. Our consolidated EBITDA margin is expected to be between 26.0 per cent and 29.0 per cent, up from between 24.0 per cent and 26.0 per cent, as a result of the \$3.8 million gain on contingent consideration. Adjusted EBITDA margin guidance of between 26.0 and 28.0 per cent remains the same.

Readers are reminded that the acquisition of AVS in December 2017, with a high revenue, lower margin profile, changed ISC’s consolidated revenue and EBITDA margin profile compared to previous years.

Note to Readers

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

This news release provides a general summary of ISC’s results for the quarters ended September 30, 2018 and 2017. 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.

Copies can also be obtained at www.sedar.com by searching Information Services Corporation’s profile or by contacting ISC® at investor.relations@isc.ca.

All figures are in Canadian dollars unless otherwise noted.

Conference Call and Webcast

We will hold an investor conference call on Wednesday, November 7, 2018, 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 1-216- 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. 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 Operations, Services and Technology Solutions segments. ISC® is focused on sustaining its core business while pursuing new growth opportunities. The Class A Limited Voting 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, without limitation, those contained in the “Outlook” section hereof and statements related to the industries in which we operate, growth opportunities and our future financial position and results including expected revenue, EBITDA and capital expenditures. 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, reliance on key customers and licenses, dependence on key projects and clients, securing new business and fixed-price contracts, identification of viable growth opportunities, implementation of our growth strategy, competition and other risks detailed from time to time in the filings made by the Company including those detailed in ISC’s Annual Information Form dated March 13, 2018 and ISC’s unaudited Condensed Consolidated Interim Financial Statements and Notes and Management’s Discussion and Analysis for the third quarter ended September 30, 2018, copies of which are filed on SEDAR at www.sedar.com.

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

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