ISC Reports Solid Start to 2024

May 7, 2024

- **Strong operating results from across the business**
- **Launched goal to double the size of ISC by 2028**

REGINA, Saskatchewan, May 07, 2024 (GLOBE NEWSWIRE) -- Information Services Corporation (TSX:ISV) ("ISC" or the "Company") today reported on the Company's financial results for the first quarter ended March 31, 2024.

Capitalized terms that are used but not defined in this news release have the meaning ascribed to those terms in Management's Discussion & Analysis for the period ended March 31, 2024

2024 First Quarter Highlights

- **Revenue** was $56.4 million, an increase of 15 per cent compared to the first quarter of 2023. Growth was due to fee adjustments within the Saskatchewan Registries division made in the third quarter of 2023 pursuant to the Extension and annual CPI adjustments, customer and transaction growth in Services' Regulatory Solutions division and the advancement of project work on existing and new solution definition and implementation contracts in Technology Solutions.
- **Net income** was $0.4 million or $0.02 per basic share and $0.02 per diluted share compared to $6.9 million or $0.39 per basic and $0.38 per diluted share in the first quarter of 2023. Strong operating results were offset by increased share-based compensation expense due to a rise in the Company's share price during the quarter compared to a decrease in the prior year quarter, alongside increased interest expense and amortization associated with the Extension executed in July 2023.
- **Net cash flow provided by operating activities** was $10.5 million for the quarter, an increase of $4.7 million or 82 per cent from $5.7 million in the first quarter of 2023. The increase in net cash flow was primarily due to an increase in cash from changes in non-cash working capital.
- **Adjusted net income** was $8.5 million or $0.47 per basic share and $0.47 per diluted share compared to $6.8 million or $0.38 per basic share and $0.37 per diluted share in the first quarter of 2023. The growth in adjusted net income reflects strong operating results offset by increased financing costs associated with the additional borrowings that were used to fund the Upfront Payment.
- **Adjusted EBITDA** was $19.4 million for the quarter compared to $14.5 million in the first quarter of 2023. The increase is due to the impact of fee adjustments in Registry Operations' Saskatchewan Registries division pursuant to the Extension Agreement and annual CPI adjustments. Technology Solutions adjusted EBITDA also grew compared to the prior year quarter due to increased revenue from existing and new solution definition and implementation contracts. **Adjusted EBITDA margin** was 34.5 per cent compared to 29.5 per cent in the first quarter of 2023 driven by pricing increases discussed above.
- **Adjusted free cash flow** for the quarter was $11.6 million, up 18 per cent compared to $9.9 million in the first quarter of 2023, due to stronger results in our operating segments. This was partially offset by an increase in costs associated with the Extension Agreement, including interest on the increased borrowings to fund the Upfront Payment and an increase in interest rates.
- Voluntary prepayments of $4.0 million were made towards ISC's Credit Facility during the quarter demonstrating ISC's plan to deleverage towards a long-term net leverage target of 2.0x – 2.5x.
- On February 5, 2024, ISC announced the retirement of Ken Budzak, Executive Vice President of Registry Operations, effective May 2024. During this transition period, the Company is undertaking a process to fill the role.
- On March 8, 2024, Regulis S.A. ("Regulis"), a wholly owned subsidiary of ISC, launched the International Registry of Interests in Rolling Stock consistent with its contract under the Luxembourg Rail Protocol of the Cape Town Convention which provides the exclusive right and obligation to develop, deliver and operate the International Registry of Interests in Rolling Stock for a period of 10 years from the date of go live. Pursuant to the Regulis Share Purchase Agreement executed in 2022, additional purchase consideration of €0.6 million (approximately $0.9 million CAD) was paid during the quarter.

Financial Position as at March 31, 2024

- Cash of $20.2 million compared to $24.2 million as of March 31, 2023.
- Total debt of $173.4 million compared to $177.3 million as of December 31, 2023.

Subsequent Events

- On May 7, 2024, the Board declared a quarterly cash dividend of $0.23 per Class A Share, payable on or before July 15, 2024, to shareholders of record as of June 30, 2024.

Commenting on ISC's results, Shawn Peters, President and CEO stated, "The first quarter of this year marked the beginning of a new phase of growth for ISC with the launch of our five year growth plan. After 10 years of success, culminating with the signing of the Extension Agreement with the Province of Saskatchewan to 2053, it was important that we ensure that the next phase of growth is ambitious but realistic." Peters continued, "Like most quarters, the Company delivered strong operating results from across all our segments with revenue and adjusted EBITDA both up compared to the prior year period. This represents a strong start to the year and to the next phase of our growth journey."

Summary of 2024 First Quarter Consolidated Financial Results

(thousands of CAD; except earnings per share, adjusted earnings per share and where noted)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Revenue		
Registry Operations	**$26,268**	$22,782
Services	**27,037**	24,721
Technology Solutions	**3,092**	1,609
Corporate and other	**3**	12
Total Revenue	**$56,400**	$49,124
Expenses	**$49,819**	$38,565
Adjusted EBITDA[1]	**$19,440**	$14,516
Adjusted EBITDA margin[1]	**34.5%**	29.5%
Net income	**$423**	$6,864
Adjusted net income[1]	**$8,498**	$6,752
Earnings per share (basic)	**$ 0.02**	$0.39
Earnings per share (diluted)	**$ 0.02**	$0.38
Adjusted earnings per share (basic)[1]	**$ 0.47**	$0.38
Adjusted earnings per share (diluted)[1]	**$ 0.47**	$0.37
Adjusted free cash flow[1]	**$11,636**	$9,883

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

2024 First Quarter Results of Operations

- Total revenue was $56.4 million, up 15 per cent compared to Q1 2023.
- Registry Operations segment revenue was $26.3 million, up compared to $22.8 million in Q1 2023:
  - Land Registry revenue was $16.1 million, up compared to $12.5 million in Q1 2023.
  - Personal Property Registry revenue was $2.8 million, up compared to the same prior year period.
  - Corporate Registry revenue was $3.5 million, up compared to $3.3 million in Q1 2023.
  - Property Tax Assessment Services revenue was $3.9 million, up compared to the same prior year period.
- Services segment revenue was $27.0 million, up compared to $24.7 million in Q1 2023:
  - Regulatory Solutions revenue was $20.2 million, up compared to $17.8 million in Q1 2023.
  - Recovery Solutions revenue was $3.3 million, up compared to $2.9 million in Q1 2023.
  - Corporate Solutions revenue was $3.6 million, down compared to 4.0 million in Q1 2023.
- Technology Solutions revenue from third parties was $3.1 million, up from $1.6 million in Q1 2023.

- Consolidated expenses (all segments) were $49.8 million, up $11.2 million compared to $38.6 million in Q1 2023.
- Net income was $0.4 million or $0.02 per basic share and $0.02 per diluted share, down $6.5 million compared to $6.9 million or $0.39 per basic and $0.38 per diluted share for Q1 2023.

Outlook

The following section includes forward-looking information, including statements related to our strategy, future results, including revenue and adjusted EBITDA, segment performance, the industries in which we operate, economic activity, growth opportunities, investments, and business development opportunities. Refer to "Caution Regarding Forward-Looking Information" in Management's Discussion & Analysis for the three months ended March 31, 2024.

The Bank of Canada has kept its key interest rate at 5.0 per cent since July 2023. We expect this to continue to be a factor that will impact parts of our business, most notably the Saskatchewan Land Registry. However, the robustness and diversity of our business means we are well-positioned to deliver on our expectations for 2024 and beyond.

In Registry Operations, we expect transactions in 2024 to be largely flat with revenue growth through a realization of a full year of fee adjustments, including those amended in July 2023 because of the Extension Agreement and regular annual CPI fee adjustments. The Saskatchewan real estate sector has seen challenges with inventory in the first quarter while consumers also continue to live with higher mortgage costs and higher costs of living driven by inflation. We continue to monitor interest rates and other economic conditions which can impact real estate activity. The Registry Operations segment is anticipated to remain as a strong free cash flow and adjusted EBITDA contributor in 2024.

Services will continue to be a significant part of our organic growth, with a forecasted increase in transactions and number of customers. The current trend of enhanced due diligence in an environment of higher interest rates and increased regulatory oversight is expected to continue. Our Technology Solutions segment is also forecasted to see double-digit growth as we deliver on existing and new solutions delivery contracts in 2024.

The key drivers of expenses in adjusted EBITDA in 2024 are expected to be wages and salaries and cost of goods sold. Furthermore, as a result of the Extension Agreement, the Company will have additional operating costs associated with the enhancement of the Saskatchewan Registries and increased interest expense arising from additional borrowings in 2023, which are excluded from adjusted EBITDA.

Our capital expenditures are expected to increase because of the enhancement of the Saskatchewan Registries but will remain immaterial overall. As a result, the Company continues to expect to see robust free cash flow in 2024.

In light of the preceding, we maintain our annual guidance for 2024 with revenue to be within a range of $240.0 million to $250.0 million and adjusted EBITDA to be within a range of $83.0 million to $91.0 million.

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 March 31, 2024, and 2023. Readers are encouraged to download the Company's complete financial disclosures. Links to ISC's financial statements and related notes and MD&A for the period are available on our website in the Investor Relations section at ww.isc.ca.

Copies can also be obtained SEDAR+ at www.sedarplus.ca by searching Information Services Corporation's profile or by contacting Information Services Corporation at investor.relations@isc.ca.

All figures are in Canadian dollars unless otherwise noted.

Conference Call and Webcast

We will hold an investor conference call on Wednesday, May 8, 2024 at 11:00 a.m. ET to discuss the results. Those joining the call on a listen-only basis are encouraged to join the live audio webcast which will be available on our website at company.isc.ca/investor-relations/events. Participants who wish to ask a question on the live call may do so through the ISC website or by registering through the following live call URL: https://register.vevent.com/register/BI2b0b6e573ce845f0aae75e35a0a8ca21

Once registered, participants will receive the dial-in numbers and their unique PIN number. When dialing in, participants will input their PIN and be placed into the call. The audio file with a replay of the webcast will be available about 24 hours after the event on our website at the link above. We invite media to attend on a listen-only basis.

About ISC

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

Cautionary Note Regarding Forward-Looking Information

This news release contains forward-looking information within the meaning of applicable Canadian securities laws including, without limitation, those contained in the "Outlook" section hereof and statements related to the industries in which we operate, growth opportunities and our future financial position and results of operations. Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those expressed or implied by such forward-looking information. Important factors that could cause actual results to differ materially from the Company's plans or expectations include risks relating to changes in the condition of the economy, including those arising from public health concerns, reliance on key customers and licences, dependence on key projects and clients, securing new business and fixed-price contracts, identification of viable growth opportunities, implementation of our growth strategy, competition and other risks detailed from time to time in the filings made by the Company including those detailed in ISC's Annual Information Form for the year ended December 31, 2023 and

ISC's Unaudited Condensed Consolidated Interim Financial Statements and Notes and Management's Discussion and Analysis for the first quarter ended March 31, 2024, copies of which are filed on SEDAR+ at www.sedarplus.ca.

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

Non-IFRS Performance Measures

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

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

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

Non-IFRS Performance Measure	**Why we use it**	**How we calculate it**	**Most comparable IFRS financial measure**
Adjusted net income Adjusted earnings per share, basic Adjusted earnings per share, diluted	• To evaluate performance and profitability while excluding non-operational and share-based volatility. • We believe that certain investors and analysts will use adjusted net income and adjusted earnings per share to evaluate performance while excluding items that management believes do not contribute to our ongoing operations.	Adjusted net income: Net income Add Share-based compensation expense, acquisitions, integration and other costs, effective interest component of interest expense, debt finance costs expensed to professional and consulting, amortization of the intangible asset related to extension of the MSA with the Province of Saskatchewan, amortization of registry enhancements, interest on the vendor concession liability and the tax effect of these adjustments at ISC's statutory tax rate. Adjusted earnings per share, basic; Adjusted net income divided by weighted average number of common shares outstanding Adjusted earnings per share, diluted; Adjusted net income divided by diluted weighted average number of common shares outstanding	Net income Earnings per share, basic Earnings per share, diluted
EBITDA EBITDA Margin	• To evaluate performance and profitability of segments and subsidiaries as well as the conversion of revenue. • We believe that certain investors and analysts use EBITDA to measure our ability to service debt and meet other performance obligations.	EBITDA: Net income add (remove) Depreciation and amortization, net finance expense, income tax expense EBITDA Margin: EBITDA divided by Total revenue	Net income
Adjusted EBITDA Adjusted EBITDA Margin	• To evaluate performance and profitability of segments and subsidiaries as well as the conversion of revenue while excluding non-operational and share-based volatility. • We believe that certain investors and analysts use Adjusted EBITDA to	Adjusted EBITDA: EBITDA add (remove) share-based compensation expense, acquisition, integration and other costs, gain/loss on disposal of assets if significant Adjusted EBITDA Margin: Adjusted EBITDA	Net income

	measure our ability to service debt and meet other performance obligations. • Adjusted EBITDA is also used as a component of determining short-term incentive compensation for employees.	divided by Total revenue	
Free Cash Flow	• To show cash available for debt repayment and reinvestment into the Company on a levered basis. • We believe that certain investors and analysts use this measure to value a business and its underlying assets. • Free cash flow is also used as a component of determining short-term incentive compensation for employees.	Net cash flow provided by operating activities deduct (add) Net change in non-cash working capital, cash additions to property, plant and equipment, cash additions to intangible assets, interest received and paid as well as interest paid on lease obligations and principal repayments on lease obligations	Net cash flow provided by operating activities
Adjusted Free Cash Flow	• To show cash available for debt repayment and reinvestment into the Company on a levered basis from continuing operations while excluding non-operational and share-based volatility. • We believe that certain investors and analysts use this measure to value a business and its underlying assets based on continuing operations while excluding short term non-operational items.	Free Cash Flow deduct (add) Share-based compensation expense, acquisition, integration and other costs and registry enhancement capital expenditures	Net cash flow provided by operating activities

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

Reconciliation of Adjusted Net Income to Net Income

	Three Months Ended March 31,					
	Pre-tax		Tax[1]		After-tax	
(thousands of CAD)	**2024**	2023	**2024**	2023	**2024**	2023
Adjusted net income	**$ 11,727**	$ 9,501	**$ (3,229)**	$ (2,749)	**$ 8,498**	$ 6,752
Add (subtract):						
Share-based compensation expense	**(4,635)**	1,190	**1,251**	(321)	**(3,384)**	869
Acquisition, integration and other costs	**(1,450)**	(1,019)	**392**	275	**(1,058)**	(744)
Effective interest component of interest expense	**(65)**	(18)	**18**	5	**(47)**	(13)
Interest on vendor concession liability	**(2,599)**	**-**	**702**	-	**(1,897)**	-
Amortization of right to manage and operate the Saskatchewan Registries	**(2,314)**	**-**	**625**	-	**(1,689)**	-
Net income	**$ 664**	$ 9,654	**$ (241)**	$ (2,790)	**$ 423**	$ 6,864

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

	Three Months Ended March 31,	
	2024	2023
Earnings per share, basic	**$ 0.02**	$ 0.39
Earnings per share, diluted	**0.02**	0.38
Adjusted earnings per share, basic	**0.47**	0.38
Adjusted earnings per share, diluted	**0.47**	0.37
Weighted average # of shares	**18,021,225**	17,701,498
Weighted average # of diluted shares	**18,203,632**	18,007,207

Reconciliation of Adjusted EBITDA to EBITDA to Net Income

(thousands of CAD)		**2024**		2023
Adjusted EBITDA	**$**	**19,440**	$	14,516
Add (subtract):				
Share-based compensation expense		**(4,635)**		1,190
Acquisition, integration and other costs		**(1,450)**		(1,019)
EBITDA[1]	**$**	**13,355**	$	14,687
Add (subtract):				
Depreciation and amortization		**(6,774)**		(4,128)
Net finance expense		**(5,917)**		(905)
Income tax expense		**(241)**		(2,790)
Net income	**$**	**423**	$	6,864
EBITDA margin (% of revenue)[1]		**23.7%**		29.9%
Adjusted EBITDA margin (% of revenue)		**34.5%**		29.5%

[1] *EBITDA and EBITDA margin 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" for calculation of EBITDA and EBITDA margin.*

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

		Three Months Ended March 31,		
(thousands of CAD)		**2024**		2023
Adjusted free cash flow	**$**	**11,636**	$	9,883
Add (subtract):				
Share-based compensation expense		**(4,635)**		1,190
Acquisition, integration and other costs		**(1,450)**		(1,019)
Registry enhancement capital expenditures		**(634)**		-
Free cash flow[1]	**$**	**4,917**	$	10,054
Add (subtract):				
Cash additions to property, plant and equipment		**965**		15
Cash additions to intangible assets		**1,152**		269
Interest received		**(249)**		(310)
Interest paid		**3,433**		1,152
Interest paid on lease obligations		**134**		95
Principal repayment on lease obligations		**695**		593
Net change in non-cash working capital[2]		**(579)**		(6,130)
Net cash flow provided by operating activities	**$**	**10,468**	$	5,738

[1] *Free cash flow is not recognized as a measure under IFRS and does 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".*

[2] *Refer to Note 17 to the Financial Statements for reconciliation.*

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