ISC Reports Record Revenue and Adjusted EBITDA in Second Quarter 2024 Results

August 7, 2024

- **Record quarterly revenue and adjusted EBITDA**
- **Strong volumes in Registry Operations and Services**
- **2024 guidance re-affirmed**
- **Continued execution towards 5-year goal to double revenue and adjusted EBITDA by 2028**

REGINA, Saskatchewan, Aug. 07, 2024 (GLOBE NEWSWIRE) -- Information Services Corporation (TSX:ISV) ("ISC" or the "Company") today reported on the Company's financial results for the second quarter ended June 30, 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 three and six ended June 30, 2024.

2024 Second Quarter Highlights

- **Revenue** was a record $67.8 million for the quarter, an increase of 27 per cent compared to the second quarter of 2023. This was driven by Registry Operations' strong performance from the Saskatchewan Registries division, combined with the full effect of fee adjustments made in 2023 and record high-value property registrations in the Land Titles Registry. Further contributing to this growth was the Services segment with continued customer and transaction growth in the Regulatory Solutions division and increased assignments and sales in the Recovery Solutions division.
- **Net income** was $10.3 million or $0.57 per basic share and $0.56 per diluted share compared to $8.2 million or $0.47 per basic share and $0.46 per diluted share in the second quarter of 2023. Strong adjusted EBITDA growth in all operating segments drove the increase in the quarter.
- **Net cash flow provided by operating activities** was $24.1 million for the quarter, an increase of $9.8 million from $14.3 million in the second quarter of 2023. The increase was driven by increased contributions from the Registry Operations and Services segments.
- **Adjusted net income** was $14.1 million or $0.78 per basic share and $0.77 per diluted share compared to $9.3 million or $0.52 per basic share and $0.51 per diluted share in the second quarter of 2023. The growth in adjusted net income is for similar reasons as net income, which was offset by increased interest expense associated with additional borrowings that were used to fund the Upfront Payment.
- **Adjusted EBITDA** was a record $27.2 million for the quarter compared to $17.8 million in the second quarter of 2023. The increase was driven by Registry Operations' strong performance from the Saskatchewan Registries division, combined with the full effect of fee adjustments made in 2023 and record high-value property registrations in the Land Titles Registry. Further contributing to the growth was the Services segment with continued customer and transaction growth in the Regulatory Solutions division as well as increased assignments and sales in the Recovery Solutions division. **Adjusted EBITDA margin** was 40.0 per cent compared to 33.4 per cent in the second quarter of 2023 driven mainly by the pricing and volume increases in Registry Operations' Saskatchewan Registries division discussed above.
- **Adjusted free cash flow** for the quarter was $15.7 million, up 26 per cent compared to $12.5 million in the second quarter of 2023. This growth was driven by stronger adjusted EBITDA results across all our operating segments. This was partially offset by increased interest expense on the borrowings that were used to fund the Upfront Payment.
- Voluntary prepayments of $10.0 million were made towards ISC's Credit Facility during the quarter as part of the Company's plan to deleverage towards a long-term net leverage target of 2.0x – 2.5x.
- During the quarter, ISC announced that through its wholly owned subsidiary, Reamined Systems Inc. ("Reamined"), the Company and His Majesty the King in right of Ontario as represented by the Minister of Finance (the "Ministry") entered into an amended and restated License and Information Technology Services Agreement (the "A&R OPTA Agreement" or the "Agreement") to continue the management and operation of the Online Property Tax Analysis ("OPTA") system for the Government of Ontario until March 31, 2028 — with two additional options for one-year renewals.
- On May 23, 2024, ISC announced the appointment of Todd Antill as Vice-President, Registry Operations, reporting to Shawn Peters, President and CEO.

Financial Position as at June 30, 2024

- Cash of $22.1 million compared to $24.2 million as of December 31, 2023.
- Total debt of $163.4 million compared to $177.3 million as of December 31, 2023.

Subsequent Events

- On July 2, 2024, the Company launched the online, self-service Customer Portal for the Bank Act Security Registry ("the BASR").
- On July 31, 2024, the first of five annual cash payments of $30.0 million was made pursuant to the Extension Agreement to extend ISC's exclusive right to manage and operate the Saskatchewan Registries division in Registry Operations, using funds drawn from the Credit Facility.

Commenting on ISC's results, Shawn Peters, President and CEO stated, "*Record performances in the second quarter and first half of 2024 are in line with our expectations and support the execution of our five-year goal to double revenue and adjusted EBITDA by 2028. The year-over-year growth in our operating results reflects the resilience of the Saskatchewan economy and the strength of the registries, combined with the breadth of offerings in our Services business, where our Regulatory Solutions and Recovery Solutions divisions were both up." Peters continued, "We appreciate the confidence our customers and employees have in us, and we remain committed to executing our growth plan in the steady and predictable manner they have come to expect of ISC."*

Summary of 2024 Second Quarter Consolidated Financial Results

(thousands of CAD; except earnings per share, adjusted earnings per share and where noted)	**Three Months Ended June 30, 2024**	**Three Months Ended June 30, 2023**
Revenue		
Registry Operations	**$34,391**	$24,796
Services	**30,855**	26,072
Technology Solutions	**2,599**	2,420
Corporate and other	**3**	7
Total Revenue	**$67,848**	$53,295
Expenses	**$47,631**	$40,965
Adjusted EBITDA[1]	**$27,180**	$17,824
Adjusted EBITDA margin[1]	**40.0%**	33.4%
Net income	**$10,319**	$8,233
Adjusted net income[1]	**$14,067**	$9,256
Earnings per share (basic)	**$ 0.57**	$0.47
Earnings per share (diluted)	**$ 0.56**	$0.46
Adjusted earnings per share (basic)[1]	**$ 0.78**	$0.52
Adjusted earnings per share (diluted)[1]	**$ 0.77**	$0.51
Adjusted free cash flow[1,2]	**$15,664**	$12,468

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".

² The adjusted free cash flow for the three and six month periods ending June 30, 2023, was restated due to a change in the definition of sustaining capital expenditures, which was made in the third quarter of 2023. This resulted in a restatement that increased adjusted free cash flow by $0.6 million for the three and six month periods ended June 30, 2023.

2024 Second Quarter Results of Operations

- Total revenue was $67.8 million, up 27 per cent compared to Q2 2023.
- Registry Operations segment revenue was $34.4 million, up compared to $24.8 million in Q2 2023:
  - Land Registry revenue was $23.6 million, up compared to $14.7 million in Q2 2023.
  - Personal Property Registry revenue was $3.5 million, up compared to the same prior year period.
  - Corporate Registry revenue was $3.3 million, up compared to $2.7 million in Q2 2023.
  - Property Tax Assessment Services revenue was $3.9 million, up compared to the same prior year period.
- Services segment revenue was $30.9 million, up compared to $26.1 million in Q2 2023:
  - Regulatory Solutions revenue was $23.6 million, up compared to $20.1 million in Q2 2023.

- Recovery Solutions revenue was $3.8 million, up compared to $2.4 million in Q2 2023.
- Corporate Solutions revenue was $3.4 million, down compared to $3.6 million in Q2 2023.

- Technology Solutions revenue from third parties was $2.6 million, up from $2.4 million in Q2 2023.
- Consolidated expenses (all segments) were $47.6 million, up $6.7 million* compared to $41.0 million in Q2 2023.
- Net income was $10.3 million or $0.57 per basic share and $0.56 per diluted share, up $2.1 million compared to $8.2 million or $0.47 per basic share and $0.46 per diluted share for Q2 2023.

**Values may not add due to rounding.*

Outlook

The following section includes forward-looking information, including statements related to our strategy, future results, including revenue and adjusted EBITDA, segment performance, expenses, operating costs and capital expenditures, the industries in which we operate, economic activity, growth opportunities, investments and business development opportunities. Refer to "Caution Regarding Forward-Looking Information" in Management's Discussion & Analysis for the three and six months ended June 30, 2024.

The Bank of Canada has now lowered its key interest rate twice in 2024, and with a forecast of further cuts as inflation nears the Bank of Canada's long-term target, strong activity in the Saskatchewan real estate market is expected to continue in the near term, despite inventory challenges in lower-value homes. We continue to monitor interest rates and other economic conditions which can impact real estate activity, however, factors such as strong population growth and improved market confidence create an environment for heightened real estate activity, most notably benefitting the Saskatchewan Land Registry. In addition, the 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, will continue to support strong revenue in Registry Operations.

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 increased regulatory oversight is expected to continue and positively impact the Regulatory Solutions division. Furthermore, the decline in used car values, which worsens the loan-to-value of the vehicle and reduces any equity debtors may have in their existing vehicle(s), coupled with the current mortgage, rental and inflationary pressures is expected to negatively impact consumers' disposable income as well as lead to increased assignment levels in our Recovery Solutions division for the next two years.

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, 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.

In February, we provided our annual guidance that forecasted meaningful organic growth in 2024, with the top-end guidance range for revenue and adjusted EBITDA estimated to grow by up to 17 and by up to 25 per cent, respectively, year over year. In light of the strong performance to date in 2024, and the view to the continuing market trends, we are maintaining 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 June 30, 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 Thursday, August 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/BIaada8125b3dd4deead3db856b9d0acbb

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 second quarter ended June 30, 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 associated with the right to manage and operate the Saskatchewan Registries, 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	EBITDA: Net income add (remove) Depreciation and amortization, net finance expense, income tax expense	Net income

	meet other performance obligations.	EBITDA margin: EBITDA divided by Total revenue	
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 measure our ability to service debt and meet other performance obligations. • Adjusted EBITDA is also used as a component of determining short-term incentive compensation for employees.	Adjusted EBITDA: EBITDA add (remove) share-based compensation expense, acquisition, integration and other costs, gain/loss on disposal of assets and asset impairment charges if significant Adjusted EBITDA margin: Adjusted EBITDA divided by Total revenue	Net income
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, pant 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 June 30,		
	Pre-tax	Tax[1]	After-tax

(thousands of CAD)		2024		2023		2024		2023		2024		2023
Adjusted net income	$	**19,562**	$	12,842	$	**(5,495)**	$	(3,586)	$	**14,067**	$	9,256
Add (subtract):												
Share-based compensation expense		**1,097**		347		**(296)**		(94)		**801**		253
Acquisition, integration and other costs		**(1,259)**		(1,730)		**340**		467		**(919)**		(1,263)
Effective interest component of interest expense		**(65)**		(18)		**18**		5		**(47)**		(13)
Interest on vendor concession liability		**(2,594)**		-		**700**		-		**(1,894)**		-
Amortization of right to manage and operate the Saskatchewan Registries		**(2,314)**		-		**625**		-		**(1,689)**		-
Net income	$	**14,427**	$	11,441	$	**(4,108)**	$	(3,208)	$	**10,319**	$	8,233

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

Reconciliation of Adjusted EBITDA to EBITDA to Net Income

	Three Months Ended June 30,			
(thousands of CAD)		**2024**		2023
Adjusted EBITDA	$	**27,180**	$	17,824
Add (subtract):				
Share-based compensation expense		**1,097**		347
Acquisition, integration and other costs		**(1,259)**		(1,730)
EBITDA[1]	$	**27,018**	$	16,441
Add (subtract):				
Depreciation and amortization		**(6,801)**		(4,111)
Net finance expense		**(5,790)**		(889)
Income tax expense		**(4,108)**		(3,208)
Net income	$	**10,319**	$	8,233
EBITDA margin (% of revenue)[1]		**39.8%**		30.8%
Adjusted EBITDA margin (% of revenue)		**40.0%**		33.4%

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 June 30,			
(thousands of CAD)		**2024**		2023
Adjusted free cash flow[1]	$	**15,664**	$	12,468
Add (subtract):				
Share-based compensation expense		**1,097**		347
Acquisition, integration and other costs		**(1,259)**		(1,730)
Registry enhancement capital expenditures		**(1,135)**		(372)
Free cash flow[1,2]	$	**14,367**	$	10,713
Add (subtract):				
Cash additions to property, plant and equipment		**305**		164
Cash additions to intangible assets		**2,405**		635
Interest received		**(252)**		(243)
Interest paid		**4,307**		1,043
Interest paid on lease obligations		**125**		94
Principal repayment on lease obligations		**697**		574
Net change in non-cash working capital[3]		**2,195**		1,327
Net cash flow provided by operating activities	$	**24,149**	$	14,307

¹ Cash additions to intangible assets for the three and six month periods ending June 30, 2023, was restated due to a change in the definition of sustaining capital expenditures, which was made in the third quarter of 2023. This resulted in a restatement that decreased the cash additions to

intangible assets by $0.6 million for the three and six month periods ended June 30, 2023.
[2] Free cash flow 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" for a discussion on why we use these measures, the calculation of them, and their most directly comparable IFRS financial measure.
[3] Refer to Note 17 to the Financial Statements for reconciliation.

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