



ISC Reports Third Quarter 2024 Financial Results; Strong Volumes Continue in the Saskatchewan Land Registry

November 5, 2024

- **Solid consolidated revenue and adjusted EBITDA growth for the quarter**
- **Bank Act Security Registry successfully launched**
- **2024 guidance re-affirmed**

REGINA, Saskatchewan, Nov. 05, 2024 (GLOBE NEWSWIRE) -- November 5, 2024 – Information Services Corporation (TSX:ISV) (“ISC” or the “Company”) today reported on the Company’s financial results for the third quarter ended September 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 nine months ended September 30, 2024.

2024 Third Quarter Highlights

- **Revenue** was \$60.9 million for the quarter, an increase of 12 per cent compared to the third quarter of 2023. This increase was driven by increased volumes across the Saskatchewan Registries division, combined with a full quarter of fee adjustments compared to two months in the prior period, new revenue related to the Bank Act Security Registry (“the BASR”) and the advancement of project work on existing and new solution definition and implementation contracts in Technology Solutions.
- **Net income** was \$4.2 million or \$0.23 per basic and diluted share compared to \$4.2 million or \$0.24 per basic share and \$0.23 per diluted share in the third quarter of 2023. Strong operating results were offset by increased share-based compensation expense, increased investment in information technology services primarily related to project delivery work in Technology Solutions as well as increased amortization associated with the Extension.
- **Net cash flow provided by operating activities** was \$14.2 million for the quarter, a decrease of \$0.4 million from \$14.6 million in the third quarter of 2023. The change was driven by changes in non-cash working capital, partially offset by strength in the operating segments.
- **Adjusted net income** was \$11.0 million or \$0.61 per basic share and \$0.60 per diluted share compared to \$8.4 million or \$0.47 per basic share and \$0.46 per diluted share in the third quarter of 2023. The growth in adjusted net income for the three and nine months ended September 30, 2024, reflects the strong results from all operating segments.
- **Adjusted EBITDA** was \$22.7 million for the quarter compared to \$19.2 million in the third quarter of 2023. The increase was driven by volume increases across the Saskatchewan Registries division and fee adjustments, which resulted in higher revenues. Additionally, progress continues to be made on existing and new solution definition and implementation contracts in Technology Solutions. **Adjusted EBITDA margin** was 37.3 per cent compared to 35.2 per cent in the third quarter of 2023, driven mainly by the volume increases and fee adjustments in Registry Operations’ Saskatchewan Registries division discussed above.
- **Adjusted free cash flow** for the quarter was \$15.9 million, up 10 per cent compared to \$14.4 million in the third quarter of 2023. This growth was driven by strong performance across the Saskatchewan Registries division and progress on existing and new solutions definition and implementation contracts in Technology Solutions.
- Voluntary prepayments of \$16.0 million were made towards the Company’s Credit Facility during the quarter. This is part of the Company’s plan to deleverage towards a long-term net leverage target of 2.0x – 2.5x.

Financial Position as at September 30, 2024

- Cash of \$12.0 million compared to \$24.2 million as of December 31, 2023.
- Total debt of \$177.5 million compared to \$177.3 million as of December 31, 2023.

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, using funds drawn from the Credit Facility.

Commenting on ISC's results, Shawn Peters, President and CEO stated, "Similar to the first and second quarters for the year, the third quarter of 2024 delivered excellent results with revenue up 12 per cent and adjusted EBITDA up 18 per cent, compared to the third quarter of 2023. The diversified nature of our business is clearly a major strength for us based on these results." Peters continued, "Given our performance for the year to date, we have re-iterated our guidance for 2024, which means that we expect to post our highest annual revenue and adjusted EBITDA upon completion of the year and since going public in 2013."

Summary of 2024 Third Quarter Consolidated Financial Results

(thousands of CAD; except earnings per share, adjusted earnings per share and where noted)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023
<i>Revenue</i>		
Registry Operations	\$31,860	\$27,419
Services	25,562	25,551
Technology Solutions	3,508	1,635
Corporate and other	2	5
Total Revenue	\$60,932	\$54,610
Expenses	\$49,707	\$43,334
Adjusted EBITDA ¹	\$22,706	\$19,209
Adjusted EBITDA margin ¹	37.3%	35.2%
Net income	\$4,203	\$4,234
Adjusted net income ¹	\$11,035	\$8,357
Earnings per share (basic)	\$ 0.23	\$0.24
Earnings per share (diluted)	\$ 0.23	\$0.23
Adjusted earnings per share (basic) ¹	\$ 0.61	\$0.47
Adjusted earnings per share (diluted) ¹	\$ 0.60	\$0.46
Adjusted free cash flow ¹	\$15,941	\$14,444

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 Third Quarter Results of Operations

- Total revenue was \$60.9 million, up 12 per cent compared to Q3 2023.
- Registry Operations segment revenue was \$31.9 million, up compared to \$27.4 million in Q3 2023:
 - Land Registry revenue was \$20.7 million, up compared to \$17.8 million in Q3 2023.
 - Personal Property Registry revenue was \$3.3 million, up compared to the same prior year period.
 - Corporate Registry revenue was \$3.1 million, up compared to \$2.8 million in Q3 2023.
 - Property Tax Assessment Services revenue was \$3.9 million, up compared to the same prior year period.
 - Other revenue was \$0.8 million, up compared to the same prior year period.
- Services segment revenue was \$25.6 million, consistent when compared to \$25.6 million in Q3 2023:
 - Regulatory Solutions revenue was \$18.9 million, down compared to \$19.4 million in Q3 2023.
 - Recovery Solutions revenue was \$3.7 million, up compared to \$2.9 million in Q3 2023.
 - Corporate Solutions revenue was \$2.9 million, down compared to \$3.3 million in Q3 2023.
- Technology Solutions revenue from third parties was \$3.5 million, up from \$1.6 million in Q3 2023.
- Consolidated expenses (all segments) were \$49.7 million, up \$6.4 million compared to \$43.3 million in Q3 2023.
- Net income was \$4.2 million or \$0.23 per basic share and \$0.23 per diluted share, compared to \$4.2 million or \$0.24 per basic and \$0.23 per diluted share for Q3 2023.

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 nine months ended September 30, 2024.

The Bank of Canada has now lowered its key interest rate three times in 2024 with market expectations of further cuts into next year. 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. 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 will continue to support strong revenue in the Saskatchewan Registries division of the Registry Operations segment.

Services will continue to be a significant part of our organic growth. 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 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 has 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 for revenue and adjusted EBITDA. In light of the strong performance to date in 2024 and the view that market trends will continue to be in our favour, we are re-iterating our annual guidance for 2024 with revenue expected 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 September 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 www.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, November 6, 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/BI0ab31dca78164eebb5d1a27f40af3107>

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 third quarter ended September 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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
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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

(thousands of CAD)	Three Months Ended September 30,					
	Pre-tax		Tax ¹		After-tax	
	2024	2023	2024	2023	2024	2023
Adjusted net income	\$ 15,222	\$ 11,754	\$ (4,187)	\$ (3,397)	\$ 11,035	\$ 8,357
Add (subtract):						
Share-based compensation expense	(3,192)	(1,513)	862	409	(2,330)	(1,104)
Acquisition, integration and other costs	(1,472)	(796)	397	215	(1,075)	(581)
Effective interest component of interest expense	(66)	(64)	18	17	(48)	(47)
Interest on vendor concession liability	(2,315)	(1,733)	625	468	(1,690)	(1,265)
Amortization of right to manage and operate the Saskatchewan Registries	(2,314)	(1,543)	625	417	(1,689)	(1,126)
Net income	\$ 5,863	\$ 6,105	\$ (1,660)	\$ (1,871)	\$ 4,203	\$ 4,234

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

Reconciliation of Adjusted EBITDA to EBITDA to Net Income

(thousands of CAD)	Three Months Ended September 30,	
	2024	2023
Adjusted EBITDA	\$ 22,706	\$ 19,209
Add (subtract):		
Share-based compensation expense	(3,192)	(1,513)
Acquisition, integration and other costs	(1,472)	(796)
EBITDA ¹	\$ 18,042	\$ 16,900
Add (subtract):		
Depreciation and amortization	(6,817)	(5,624)
Net finance expense	(5,362)	(5,171)
Income tax expense	(1,660)	(1,871)
Net income	\$ 4,203	\$ 4,234
EBITDA margin (% of revenue) ¹	29.6%	30.9%
Adjusted EBITDA margin (% of revenue)	37.3%	35.2%

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 a discussion on why we use these measures, the calculation of them and their most directly comparable IFRS financial measure.

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

(thousands of CAD)	Three Months Ended September 30,	
	2024	2023
Adjusted free cash flow	\$ 15,941	\$ 14,444

Add (subtract):			
Share-based compensation expense		(3,192)	(1,513)
Acquisition, integration and other costs		(1,472)	(796)
Registry enhancement capital expenditures		(1,241)	(157)
Free cash flow ¹	\$	10,036	\$ 11,978
Add (subtract):			
Cash additions to property, plant and equipment		119	71
Cash additions to intangible assets		1,786	382
Interest received		(229)	(347)
Interest paid		3,123	2,498
Interest paid on lease obligations		117	88
Principal repayment on lease obligations		706	579
Net change in non-cash working capital ²		(1,447)	(676)
Net cash flow provided by operating activities	\$	14,211	\$ 14,573

¹ 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.

² Refer to Note 17 to the Financial Statements for reconciliation.

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