November 6, 2018

# Management's Discussion and Analysis

## For the Three and Nine Months Ended September 30, 2018

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# 1 Introduction

This Management's Discussion and Analysis ("MD&A") for Information Services Corporation ("ISC") discusses our financial and operating performance, business indicators and outlook from management's viewpoint.

This document should be read in its entirety and is intended to complement and supplement ISC's unaudited condensed consolidated interim financial statements ("Financial Statements") for the three and nine months ended September 30, 2018, and 2017. Additional information, including our Annual Information Form for the year ended December 31, 2017, is available on the Company's website at www.company.isc.ca and in the Company's profile on SEDAR at www.sedar.com.

This MD&A contains information from our Financial Statements, prepared in accordance with International Accounting Standard 34 — *Interim Financial Reporting*, using accounting policies that are consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IAS Board"). The financial information that appears throughout our MD&A is consistent with the Financial Statements.

This MD&A also includes certain measures, which have not been prepared in accordance with IFRS, such as EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin and free cash flow. Rather, these measures are provided as additional information to complement those IFRS measures, refer to section 21 "Non-IFRS Financial Measures". Refer to section 9 "Financial Measures and Key Performance Indicators" for a reconciliation of EBITDA and adjusted EBITDA to net income.

Unless otherwise noted, or unless the context indicates otherwise, "ISC", the "Company", "we", "us" and "our" refer to Information Services Corporation, its subsidiaries and its predecessors. Any statements in this MD&A made by, or on behalf of, management are made in such persons' capacities as officers of ISC and not in their personal capacities.

ISC presents its Financial Statements in Canadian dollars ("CAD"). In this MD&A, all references to "$" or "dollars" are to Canadian dollars and amounts are stated in Canadian dollars unless otherwise indicated.

This MD&A contains forward-looking information and should be read in conjunction with the "Caution Regarding Forward-Looking Information" section below.

This MD&A is current as of November 6, 2018.

# 2 Responsibility for Disclosure

The ISC Board of Directors ("Board") carries out its responsibility for review of this disclosure primarily through the Audit Committee ("Audit Committee") of the Board, which is comprised exclusively of independent directors.

The Audit Committee reviews and approves the fiscal year-end MD&A and recommends it to the Board for approval. Interim MD&As are reviewed and approved by the Audit Committee. Other key responsibilities of the Audit Committee include reviewing our existing internal control procedures and planned revisions to those procedures and advising the directors on auditing matters and financial reporting issues.

# 3 Caution Regarding Forward-Looking Information

Certain statements in this MD&A and certain information incorporated by reference herein contain forward-looking information within the meaning of applicable Canadian securities legislation. The purpose of the forward-looking information is to provide a description of management's expectations regarding future events or developments and may not be appropriate for other purposes.

Forward-looking information which may be found in this MD&A includes, without limitation, those contained in the "Outlook" section hereof, and management's expectations, intentions and beliefs concerning the industries in which we operate, business strategy and strategic direction, growth opportunities, integration, contingent consideration, development and completion of projects, the competitive landscape, seasonality, our future financial position and results, capital and operating expectations, projected costs, the impact of certain payments to the Government of Saskatchewan, access to financing, debt levels, free cash flow, expectations for meeting future cash requirements, the economy and the real estate market, reporting currency and currency fluctuations, dividend expectations, and other plans and objectives of or involving ISC. The words "may", "will", "would", "should", "could", "expect", "plan", "intend", "trend", "indicate", "anticipate", "believe", "estimate", "predict", "project", "targets", "strive", "strategy", "continue", "likely", "potential" or the negative or other variations of these words or other comparable words or phrases are intended to identify forward-looking information.

Forward-looking information is based on estimates and assumptions made by us in light of ISC's experience and perception of historical trends, current conditions and expected future developments, as well as other factors that ISC believes are appropriate and reasonable in the circumstances. There can be no assurance that such estimates and assumptions will prove to be correct. Certain assumptions with respect to our ability to implement our business strategy, compete for business (other than our exclusive service offerings to the Government of Saskatchewan), market our technology assets and capabilities, as well as business and economic conditions, availability of financing, the value of the Canadian dollar, consumer confidence, interest rates, level of unemployment, inflation, the real estate market in Saskatchewan, liabilities, income taxes, our ability to attract and retain skilled staff, the extent of any labour, equipment or other disruptions, goodwill and intangibles are material factors in preparing forward-looking information.

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. Factors that could cause our actual results or events to differ materially from those expressed or implied by such forward-looking information, include, without limitation, the following: changes to or loss of the MSA (as that term is defined herein) and potential disagreements with the

Government of Saskatchewan; limitations on our ability to increase fees under the MSA; reliance on key customers and licences; dependence on key projects and clients, securing new business and fixed-price contracts; changes in economic, market and other conditions; reliance on information technology systems; ability to realize growth opportunities, including the ability to complete and integrate new acquisitions and to secure contracts to provide new service offerings; ability to manage our foreign operations; competition for service offerings (other than our exclusive service offerings to the Government of Saskatchewan); undisclosed liabilities acquired pursuant to past or future acquisitions; ability to attract and retain qualified personnel; ability to obtain future financing; failure to protect our intellectual property rights; legislative changes; changes in anticipated tax liabilities; risk of litigation; adequacy of our insurance coverage; reliance on third-party suppliers or other contractors; adverse changes in labour relations; liability to the Government of Saskatchewan; any compromise to the integrity or security of our information assets; any failure in our financial reporting safeguards or internal controls; ownership restrictions and director appointment rights and restrictions under *The Information Services Corporation Act* (Saskatchewan); and our ability to continue to pay dividends. You should consider these factors carefully. We caution that the foregoing list is not exhaustive. Other events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by, this forward-looking information. See "Business Risks and Risk Management".

Furthermore, unless otherwise stated, the forward-looking information contained in this MD&A is made as of the date of this MD&A. We have no intention and undertake no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

You should not place undue reliance on forward-looking information contained herein.

# 4 Consolidated Highlights

## 4.1 Third quarter consolidated highlights

- Revenue was $30.2 million for the three months ended September 30, 2018, an increase of $6.3 million or 26.5 per cent from the third quarter of 2017. The increase was due to strong growth in our Services segment, including new revenue from our acquisition of AVS Systems Inc. ("AVS").

- Net income for the three months ended September 30, 2018, was $7.8 million or $0.45 per basic and $0.44 per diluted share, an increase of $5.9 million from the third quarter of 2017 when net income was $1.9 million or $0.11 per basic and diluted share. This increase was due to increased earnings in our Services segment, a $2.8 million net adjustment to the fair value estimate of the contingent consideration associated with our AVS acquisition and less income tax expense than the same period in 2017, which included the reduction of the carrying value of deferred tax assets and liabilities, partially offset by the share of our profit in associate in 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 expense) for the third quarter of 2018 was $11.6 million compared to $7.6 million in the same quarter last year, an increase of $4.0 million or 52.8 per cent. The increase is due to additional earnings in our Services segment, a $2.8 million net adjustment to the fair value estimate of the contingent consideration associated with our AVS acquisition and organic growth.

- The EBITDA margin for the third quarter of 2018 was 38.4 per cent compared to 31.8 per cent in the same quarter in 2017, up as a result of the $2.8 million net adjustment.

- Excluding stock-based compensation expense or income, stock option expense, transactional gains and losses on assets, and acquisition and integration costs, adjusted EBITDA was $9.2 million for the quarter compared to $8.7 million in the same quarter last year, with an adjusted EBITDA margin of 30.4 per cent for the quarter compared to 36.4 per cent in the third quarter of 2017. EBITDA has increased due to increased earnings in our Services segment and as expected, the margin compared to last year has decreased due to the high revenue and lower margin profile of our collateral management product line following the acquisition of AVS.

- On August 7, 2018, our Board declared a quarterly cash dividend of $0.20 per Class A Limited Voting Share ("Class A Share"), paid on October 15, 2018, to shareholders of record as of September 30, 2018.

## 4.2 Year-to-date consolidated highlights

- Revenue was $88.1 million for the nine months ended September 30, 2018, an increase of $18.1 million or 25.9 per cent compared to $70.0 million for the nine months ended September 30, 2017. The increase was due to the higher revenue generated in our Services segment.

- Net income for the nine months ended September 30, 2018, was $15.5 million or $0.89 per basic and $0.88 per diluted share. For the nine months ended September 30, 2017, net income was $9.0 million or $0.52 per basic and $0.51 per diluted share. The increase was the result of increased earnings in our Services segment, a $3.8 million net adjustment to the fair value estimate of the contingent consideration associated with our AVS acquisition and less income tax expense than the same period in 2017, which included the reduction of the carrying value of deferred tax assets and liabilities, partially offset by the share of our profit in associate in 2017. Excluding the net adjustment to the contingent consideration, earnings per share for the nine months ended September 30, 2018 would have been $0.67 per basic and diluted share.

- EBITDA for the nine months ended September 30, 2018, was $28.3 million compared to $22.2 million in the same period last year, an increase of $6.1 million. The increase was due to additional earnings in our Services segment from both organic growth and acquisitions, which offset reduced earnings in our Registry Operations segment and a $3.8 million net adjustment to the fair value estimate of the contingent consideration associated with our AVS acquisition.

- The EBITDA margin for the nine months ended September 30, 2018, was 32.2 per cent compared to 31.7 per cent in the same period in 2017, up as a result of the $3.8M net adjustment.

- Excluding stock-based compensation expense or income, stock option expense, transactional gains and losses on assets, and acquisition and integration costs, adjusted EBITDA was $25.6 million for the nine months ended September 30, 2018, compared to $24.4 million in the same period last year, with an adjusted EBITDA margin of 29.1 per cent year-to-date compared to 34.9 per cent in the nine months ended September 30, 2017. EBITDA has increased due to increased earnings in our Services segment offsetting decreased earnings in our Registry Operations segment, and as expected, the margin compared to last year has decreased due to the lower margin profile of our collateral management product line following the acquisition of AVS.

## 4.3 Subsequent events

- On November 6, 2018, our Board declared a quarterly cash dividend of $0.20 per Class A Share, payable on or before January 15, 2019, to shareholders of record as of December 31, 2018.

- During the quarter, the Company, through its wholly owned subsidiary ESC, entered into an agreement to amend the AVS Share Purchase Agreement to provide for the conditional early settlement of the AVS contingent consideration on November 15, 2018, for an amount of $11.0 million. Subsequent to September 30, 2018, the conditions 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 which, along with a reclassification of accretion recorded in interest expense, resulted in a $3.8 million net gain on contingent consideration on the consolidated statement of comprehensive income.

- On November 6, 2018, the Company entered into an amended and restated credit agreement in connection with the secured credit facilities (collectively, the "Credit Facilities") provided by its Lender. The aggregate amount available under the Credit Facilities has been amended to $80.0 million, comprised of (i) a $10.0 million committed revolving term loan facility ("Facility 1") for general corporate purposes and (ii) a $70.0 million delayed draw term loan facility ("Facility 2"), up to $20.0 million of which shall be used to refinance the existing credit facilities under the Original Agreement with the balance available to the Company for future growth opportunities. Facility 1 will mature on November 6, 2021, unless renewed prior to that time and is repayable by ISC upon demand by the Lender and the Lender may terminate at any time. Facility 2 is repayable by ISC through quarterly payments, commencing January 2019 and matures on November 6, 2021, unless renewed prior to that time.

## 4.4 Select consolidated financial information

The select consolidated quarterly financial information set out for the three and nine months ended September 30, 2018, and 2017, is derived from ISC's Financial Statements and has been prepared on a consistent basis. In the opinion of the Company's management, such financial data reflects all adjustments necessary for a fair presentation of the results for those periods.

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| (thousands of CAD dollars) | **2018** | 2017 | **2018** | 2017 |
| Revenue | **$ 30,186** | $ 23,862 | **$ 88,116** | $ 70,004 |
| Net income | **7,772** | 1,856 | **15,519** | 9,015 |
| EBITDA[1, 2] | **$ 11,584** | $ 7,579 | **$ 28,340** | $ 22,171 |
| Adjusted EBITDA[1] | **9,177** | 8,673 | **25,611** | 24,447 |
| EBITDA margin (% of revenue)[1, 2] | **38.4%** | 31.8% | **32.2%** | 31.7% |
| Adjusted EBITDA margin (% of revenue)[1] | **30.4%** | 36.4% | **29.1%** | 34.9% |
| Free cash flow[1] | **$ 7,001** | $ 6,679 | **$ 19,783** | $ 20,113 |
| Dividend declared per share | **$ 0.20** | $ 0.20 | **$ 0.20** | $ 0.60 |
| Earnings per share, basic[3] | **0.45** | 0.11 | **0.89** | 0.52 |
| Earnings per share, diluted[3] | **0.44** | 0.11 | **0.88** | 0.51 |
| | | | **As at September 30, 2018** | December 31, 2017 |
| Total assets | | | **$ 171,450** | $ 171,825 |
| Total non-current liabilities | | | **$ 27,224** | $ 45,202 |

[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". Refer to section 9 "Financial Measures and Key Performance Indicators" 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.

# 5 Business Overview

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.

We continue to examine and pursue growth initiatives in Canada and internationally, including other potential strategic acquisitions and opportunities to provide registry and other services in additional jurisdictions.

## 5.1 Segment information

Operating segments are identified as components of a company where separate discrete financial information is available for evaluation by the chief operating decision maker regarding allocation of resources and assessment of performance.

Effective January 1, 2018, we redefined our reportable segments as a result of recent acquisitions and an increased emphasis on technology solutions to complement existing registry operations and services businesses, as well as how we allocate resources amongst, and the general management of, our reportable segments. As such, the results of our technology solutions, including our subsidiary, Enterprise Registry Solutions Limited ("ERS"), are presented within the Technology Solutions segment. These results were previously reported in Corporate. We have retrospectively amended our 2017 comparative segment results to account for this redefinition. A functional summary of these three segments is as follows:

- Registry Operations delivers registry services on behalf of governments and private sector organizations. Currently, through this segment, ISC provides registry and information services on behalf of the Province of Saskatchewan under a 20-year Master Service Agreement ("MSA"), in effect until 2033.

- Services delivers products and services that utilize public records and data to provide value to customers in the financial and legal sectors.

- Technology Solutions provides the development, delivery and support of registry (and related) technology solutions.

The balance of our corporate activities and shared services functions are reported as Corporate.

## 5.2 Registry Operations segment

Our Registry Operations segment involves the provision of registry and information services to governments and private sector organizations. We work with our clients to support their policies and execute procedures to ensure the integrity of the data, and manage the information technology, data management and authentication processes.

Currently, ISC provides registry and information services on behalf of the Province of Saskatchewan under the MSA and is the exclusive full-service solution provider of the Saskatchewan Land Registry, the Saskatchewan Personal Property Registry, the Saskatchewan Corporate Registry, the Saskatchewan Common Business Identifier Program and the Business Registration Saskatchewan Program in Saskatchewan (collectively, the "Saskatchewan Registries"). Additional information about the MSA is available in the Company's Annual Information Form for the year ended December 31, 2017, on the Company's website at www.company.isc.ca and in the Company's profile on SEDAR at www.sedar.com.

For all services in this segment, competitors include infrastructure funds and private equity firms as well as information services companies, registry software providers and other such information-based companies that develop and provide software platforms to manage registry and related information services. These types of companies may compete with ISC by acting as, or partnering with, businesses that can provide other required processes, such as customer service and delivery, in conjunction with software platforms to provide full-service solutions.

## 5.3 Services segment

Our Services segment delivers solutions uniting public record data, customer authentication, corporate legal services and collateral management to support lending practices of clients with business across Canada. These solutions are provided through our wholly owned subsidiary, ESC Corporate Services Ltd. ("ESC").

This segment currently has two revenue components: transactional fees and per unit charges. We earn revenue through transaction fees for search and registration services, as well as Know-Your-Customer ("KYC") services. All government fees associated with the service are either embedded in the search fee or charged in addition to the service transaction fee. Corporate supplies are charged a per unit fee in the same manner as a product in a retail transaction.

Effective January 1, 2018, we simplified the way in which we classify and describe revenue for our Services segment. Formerly, we reported revenue in three categories: search and registration services, KYC services and corporate supplies. With the addition of AVS, we have simplified that to two revenue categories, namely Legal Support Services and Financial Support Services. This allows us to better reflect the business by the industries and customers we serve. Legal Support Services revenue consists of revenue from the corporate supplies business, as well as search and registration services provided to our legal customers. Financial Support Services consists of search and registration, KYC and other services ESC provides to non-legal customers, such as financial institutions and auto and equipment finance companies.

In our Services segment, our core legal and financial services revenue is fairly diversified and has little seasonality; rather it fluctuates in line with the general economic drivers. Our collateral management services revenue experiences seasonality aligned to vehicle and equipment financing cycles, which are generally stronger in the second and fourth quarters. Some smaller categories of products or services can have some seasonal variation, increasing slightly during the same second and fourth quarters.

### Legal Support Services

This category captures revenue from nationwide search and registration services to legal professionals directly or indirectly. We provide search services, including corporate, business name, personal property, real property, corporate name search reports (also known as NUANS reports), trademark and the *Bank Act* (Canada) searches. We also provide registration and filing services such as personal property, trademark, business incorporations, amendments and amalgamations to legal professionals.

The Company has an online workflow platform to service legal customers through a team of experienced law clerks in both Ontario and Quebec. We hold an official service licence under the

Ontario Business Information System from the Government of Ontario's Ministry of Government and Consumer Services, which is currently renewed until January 2021. ESC also holds licences from the Government of Ontario to distribute and register *Personal Property Security Act* searches and registrations, as well as the Government of Quebec's Corporate Registry and Corporations Canada for registering corporations from directly within each of these two registry systems.

Our corporate supplies business helps companies to organize and maintain their corporate legal documents and provides customized corporate minute books, corporate seals, share certificates, legal supplies and related ancillary accessories for businesses and corporations. We also service the consumer market through direct supply relationships with office products providers.

Our competitors vary by market and geography. They primarily include other intermediaries and suppliers to legal professionals that provide value through convenience and intermediation of various public registries. There is a small number of competitors supplying the legal market with customized products, while the consumer market is typically serviced by big box office supply retailers.

### Financial Support Services

We support financial and credit institutions' due diligence activities for compliance purposes and credit service solutions through the verification, storage and retrieval of corporate and business information compiled and obtained from public registry sources such as corporate registry, personal property registry, land registry, litigation, bankruptcy and *Bank Act* (Canada) searches.

We use our proprietary platform for financial institutions and companies in the financial services sector to on-board new commercial accounts while remaining compliant with Canadian KYC and Anti-Money Laundering regulations captured under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada). The customer on-boarding verification reports we generate leverage our search service to provide our clients with a process and system to verify, retrieve and store information about corporate clients to meet these regulatory requirements.

In addition, we provide automation software technology services to serve lending, leasing, and credit issuing businesses and institutions in Canada. With the addition of AVS, we now serve the full credit-lending cycle and deliver proven credit due diligence, protection and default solutions to the Canadian financing industry.

In the financial support services marketplace, we compete against a small number of distinctly different service providers, all of whom offer additional services beyond our KYC programs.

## 5.4 Technology Solutions segment

Our Technology Solutions segment provides the development, delivery and support of registry (and related) technology solutions.

We generate revenue through the following:

- Sale of software licences and accompanying ongoing annual subscription fees related to the technology platform;
- Provision of technology solution definition and implementation services; and
- Provision of monthly hosting, support and maintenance services.

Through our wholly owned subsidiary ERS, we offer RegSys — a complete registry solution that provides a readily transferable technology platform capable of serving a wide range of registry needs. RegSys is a multi-register platform that delivers the flexibility, scalability and features that enable public sector organizations to deliver enhanced services to businesses and citizens.

With a full suite of integrated modules which provide core functionality for submission, enforcement and enquiry processing, RegSys delivers solutions enabling the provision of core services to citizens in a user-friendly, efficient manner across multiple access points. The RegSys solution has also been used to manage other legal registers such as intellectual property, securities, licences, charities, Uniform Commercial Code ("UCC") and pension schemes.

Our customers include governments and regulatory organizations, such as chambers of commerce, that have responsibility to authorize, license, maintain and revoke the function of a registry.

Competitors include other registry software providers that develop and provide software platforms to manage registries. On the technology services side, our competitors include all technology services organizations that provide application development, systems integration and/or application management services. This includes large multinationals or local niche players, both of which we partner with to complement our offering depending on the clients' needs.

# 6 Business Strategy

## Strategic priorities

ISC's goal is to deliver value to shareholders through the consistent performance of its existing business and the execution of appropriate growth opportunities. The Company has identified the following key strategic priorities to support the achievement of this goal:

- To be the global leader in registry operations and solutions and the Canadian leader in the provision of value-add services utilizing public data and records;
- To deliver organic revenue growth with continued emphasis on EBITDA growth, and increasing revenue from our products, registry expertise and advisory services; and
- To provide enhanced customer experience for those interacting with ISC, registry systems and registry information.

# 7 Results of Operations

## Consolidated statements of comprehensive income

| (thousands of CAD dollars) | Three Months Ended September 30, 2018 | 2017 | Nine Months Ended September 30, 2018 | 2017 |
|---|---|---|---|---|
| Revenue | **$ 30,186** | $ 23,862 | **$ 88,116** | $ 70,004 |
| Expenses | | | | |
| Wages and salaries | **9,029** | 8,612 | **27,548** | 24,889 |
| Cost of goods sold | **6,395** | 952 | **18,051** | 2,764 |
| Depreciation and amortization | **2,411** | 1,685 | **7,189** | 5,714 |
| Information technology services | **2,057** | 2,621 | **5,992** | 8,085 |
| Occupancy costs | **1,319** | 1,310 | **4,207** | 3,997 |
| Professional and consulting services | **1,481** | 1,296 | **3,604** | 3,801 |
| Financial services | **524** | 410 | **1,718** | 1,553 |
| Project initiatives | **-** | 860 | **424** | 1,819 |
| Other | **559** | 422 | **1,994** | 1,535 |
| Total expenses | **23,775** | 18,168 | **70,727** | 54,157 |
| Net income before items noted below | **6,411** | 5,694 | **17,389** | 15,847 |
| Finance (expense) income | | | | |
| Interest income | **117** | 88 | **299** | 197 |
| Interest expense | **403** | (303) | **(612)** | (629) |
| Net finance (expense) income | **520** | (215) | **(313)** | (432) |
| Share of profit in associate | **-** | 200 | **-** | 610 |
| Change in contingent consideration | **2,762** | - | **3,762** | - |
| Income before tax | **9,693** | 5,679 | **20,838** | 16,025 |
| Income tax expense | **(1,921)** | (3,823) | **(5,319)** | (7,010) |
| Net income | **$ 7,772** | $ 1,856 | **$ 15,519** | $ 9,015 |
| Other comprehensive income (loss) | | | | |
| Unrealized gain (loss) on translation of financial statements of foreign operations | **(129)** | (66) | **(16)** | 430 |
| Change in fair value of marketable securities, net of tax | **(30)** | 9 | **(71)** | (37) |
| Other comprehensive (loss) for the period | **(159)** | (57) | **(87)** | 393 |
| Total comprehensive income | **$ 7,613** | $1,799 | **$ 15,432** | $ 9,408 |

# Third quarter results

## Consolidated revenue

Revenue was $30.2 million for the three months ended September 30, 2018, an increase of $6.3 million or 26.5 per cent compared to the same period in 2017. For the nine months ended September 30, 2018, revenue increased $18.1 million or 25.9 per cent to $88.1 million compared to $70.0 million in 2017. The increase for both the three and nine-month periods ended September 30, 2018, was due to additional revenue in our Services segment following our acquisitions in 2017 as well as through organic growth.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (thousands of CAD dollars) | **2018** | 2017 | **2018** | 2017 |
| Land Registry (Land Titles Registry, Land Surveys, and Geomatics) | **$ 12,801** | $ 14,336 | **$ 38,111** | $ 41,032 |
| Personal Property Registry | **2,723** | 2,531 | **7,806** | 7,659 |
| Corporate Registry | **2,343** | 2,236 | **7,562** | 7,674 |
| Registry Operations revenue | **$ 17,867** | $ 19,103 | **$ 53,479** | $ 56,365 |
| Services revenue | **10,447** | 3,561 | **30,793** | 10,867 |
| Technology Solutions revenue | **5,509** | 5,536 | **14,949** | 15,600 |
| Corporate and other | **(3,637)** | (4,338) | **(11,105)** | (12,828) |
| Total revenue | **$ 30,186** | $ 23,862 | **$ 88,116** | $ 70,004 |

## Registry Operations

### Overall

Revenue for our Registry Operations segment was $17.9 million for the three months ended September 30, 2018, a decline of $1.2 million, or 6.5 per cent, compared to the third quarter in 2017. For the nine months ended September 30, 2018, revenue was $53.5 million, a decrease of $2.9 million, or 5.1 per cent, compared to the same period last year. Our third quarter Registry Operations results were lower due to decreased revenue from the Land Registry, which is explained further in the section below.

The Company's top five customers for the Registry Operations segment represent 19.3 per cent of the total Registry Operations segment revenue for the first nine months of 2018. Of those customers, no single customer represented more than 10.0 per cent of total Registry Operations segment revenue.

### Saskatchewan Land Registry

Revenue for the Land Registry was $12.8 million for the quarter ended September 30, 2018, a decline of 10.7 per cent compared to the same period in 2017. Revenue for the Land Registry was $38.1 million for the nine months ended September 30, 2018, a decrease of $2.9 million or 7.1 per cent, compared to the same period in 2017.

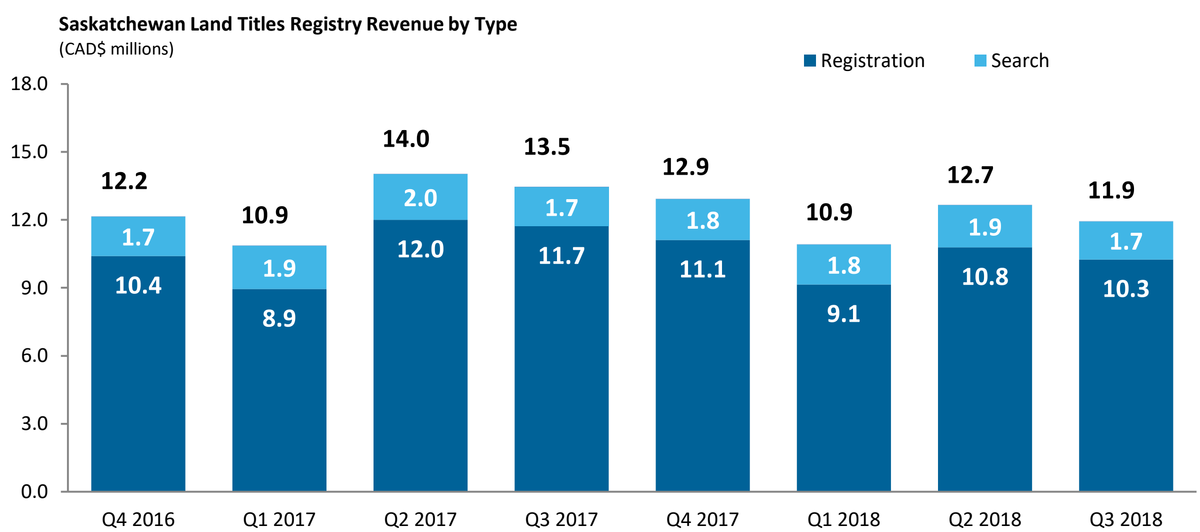
### *(i) Saskatchewan Land Titles Registry*

Land Titles Registry revenue for the third quarter of 2018 was $11.9 million, a decline of $1.5 million or 11.3 per cent compared to the same period in 2017. This was due to lower transaction volumes and lower high-value property registration revenue compared to previous periods. Most of the revenue in the Land Titles Registry is derived from value-based fees.

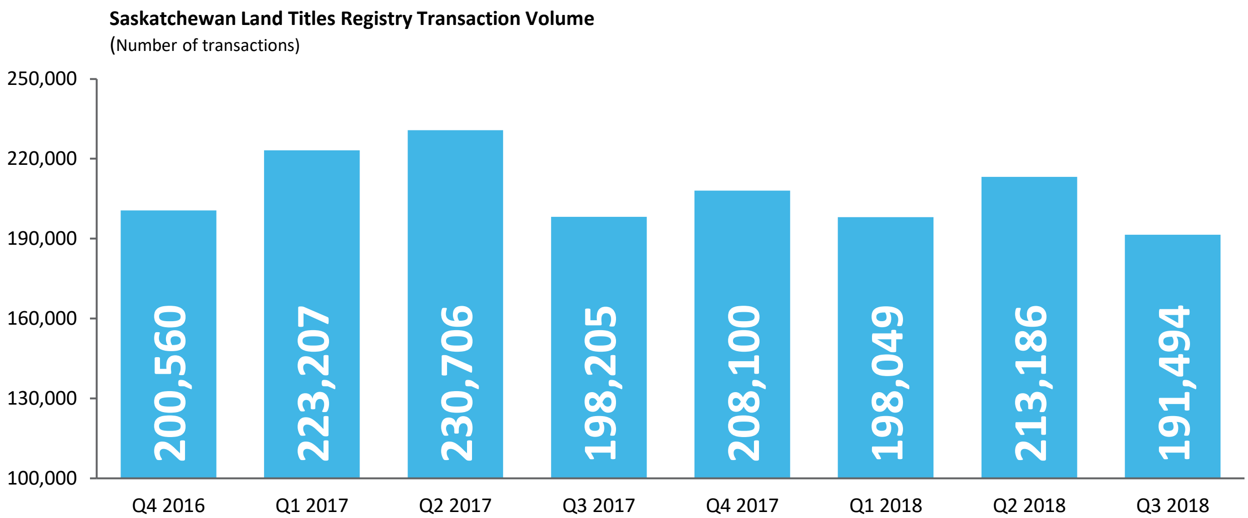
High-value property registration revenue was substantially lower in the third quarter of 2018, when compared to record revenue for this line item in 2017. Each high-value registration generated revenue of $10,000 or more, and revenue from these types of registrations was $0.7 million for the third quarter of 2018, down from $2.0 million in the three months ended September 30, 2017. Revenue was lower by 7.4 per cent for the first nine months of 2018, at $35.5 million compared to $38.3 million in the same period in 2017.

Overall transaction volumes fell by 3.4 per cent for the third quarter of 2018 compared to the same period last year. While the volume of regular land transfers increased by 12.8 per cent, the volume of mortgage registrations declined by 10.8 per cent with title search transaction volumes also declining by 3.9 per cent compared to the same period in 2017. The new mortgage qualification guidelines, introduced in January 2018, along with increases to interest rates since July 2017 are impacting volumes. We anticipate these factors will continue to influence the property market in the near term, particularly with further increases to the interest rate expected this year.

The following graphs show the Land Titles Registry revenue by type of transaction and the overall transaction volume, respectively. Seasonality remains consistent year-over-year with the third quarter typically generating less revenue than the second quarter. For more information on seasonality, please refer to section 8 "Summary of Consolidated Quarterly Results".




*Note: Values may not add up due to rounding from minor Maintenance transactions not displayed.*

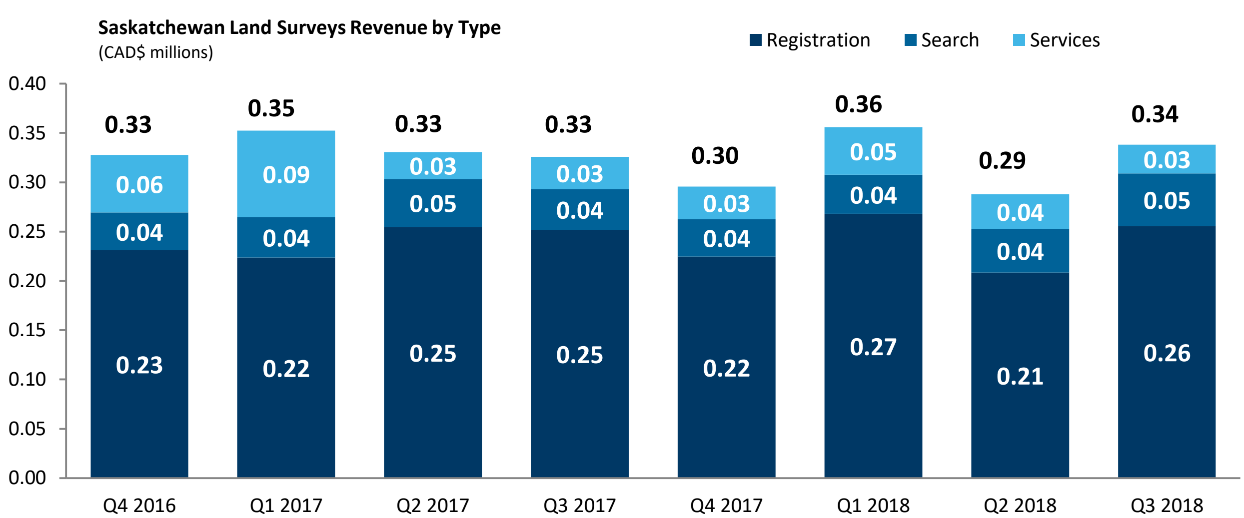



The primary customers of the Land Titles Registry are law firms, financial institutions, developers and resource companies. For the first nine months of 2018, our top 20 Land Titles Registry customers represented 39.6 per cent of revenue, and our top 100 Land Titles Registry customers represented 76.1 per cent of revenue.

### *(ii) Saskatchewan Land Surveys and Geomatics*

Collectively, the revenue from Land Surveys and Geomatics was $0.9 million for the third quarter of 2018, a slight decline of $19 thousand, or 2.2 per cent, compared to last year. For the nine months ended September 30, 2018, revenue was $2.6 million, down $0.1 million compared to $2.7 million in the same period in 2017.

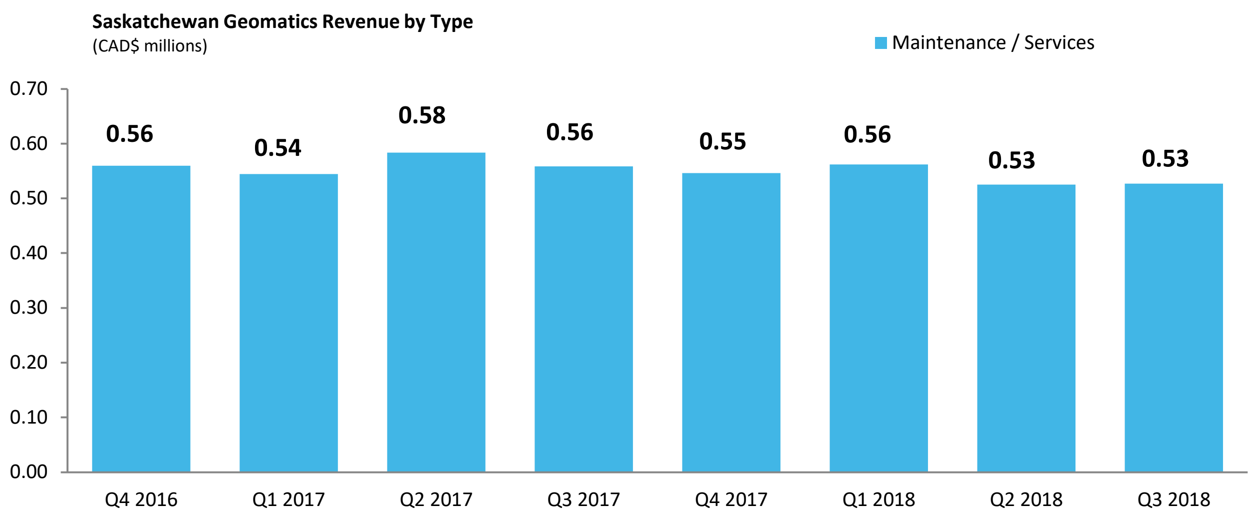
The following graph shows the Land Surveys revenue by type of transaction.




*Note: Values may not add up due to rounding from minor Maintenance transactions not displayed.*

Land Surveys customers include surveyors, developers, resource companies, governments and other businesses that access our mapping systems and survey plans to support their development plans. For the nine months ended September 30, 2018, our top 20 Land Surveys customers represented 89.6 per cent of revenue and the top 100 customers accounted for 94.8 per cent of revenue.

The following graph illustrates Geomatics revenue by quarter.




Geomatics customers include government departments (provincial and municipal), resource companies, land developers, other businesses and the general public. They also include utility, pipeline and transportation companies. For the nine months ended September 30, 2018, the top 20 Geomatics customers comprised 87.5 per cent of revenue, while the top 100 customers represented 97.6 per cent of revenue.

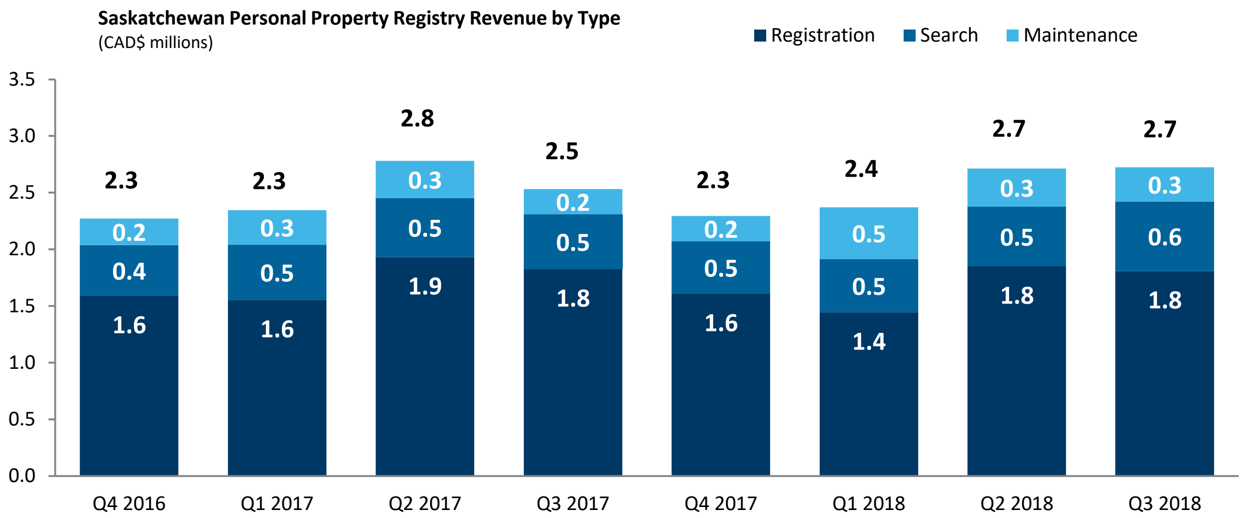
## Saskatchewan Personal Property Registry

Revenue for the Personal Property Registry for the third quarter of 2018 was $2.7 million, an increase of 7.6 per cent, or $191 thousand compared with the same period in 2017. This was due to higher maintenance revenue from increased renewals and amendments transactions, coupled with pricing changes made to search transactions in July 2018. For the first nine months of 2018, revenue was up 1.9 per cent, or $146 thousand, coming in at $7.8 million compared to the same period last year.

Personal property security registration setups saw volumes decline by 1.5 per cent compared to the same period in 2017. Revenue for the same transaction type decreased by 1.0 per cent compared to the same period last year. Revenue and volume declined by close to the same rate, demonstrating that average registration term-length was stable during this period.

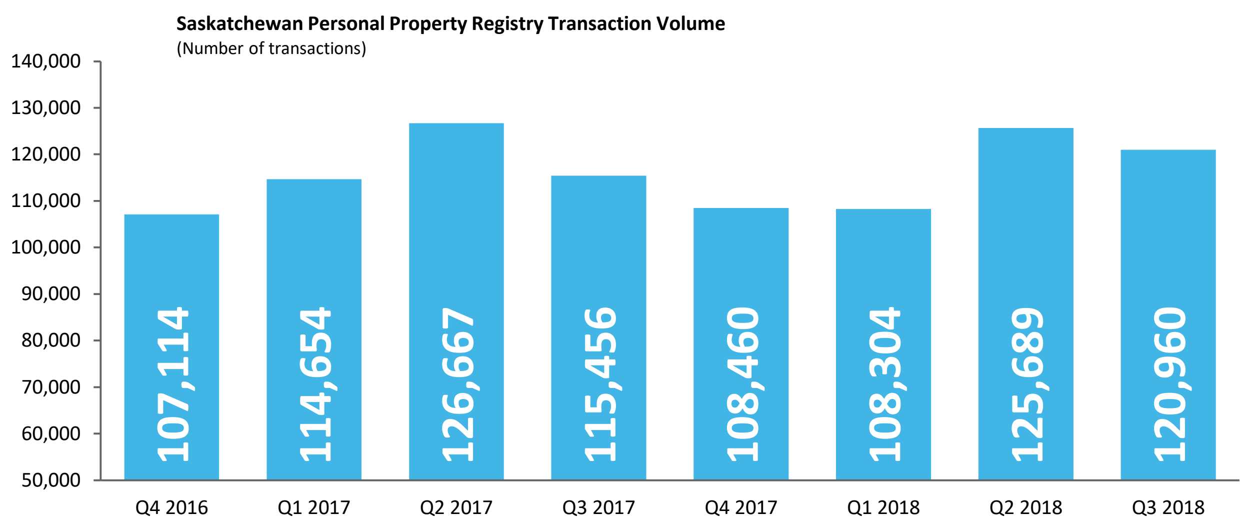
Revenue results for the third quarter are similar compared to the second quarter, generally reflecting the typical pattern of seasonality.

The following graph depicts the Personal Property Registry revenue by type of transaction.




*Note: Values may not add due to rounding.*

As shown by the following graph, transaction volumes for the third quarter of 2018 grew by 4.8 per cent compared to the same period last year.



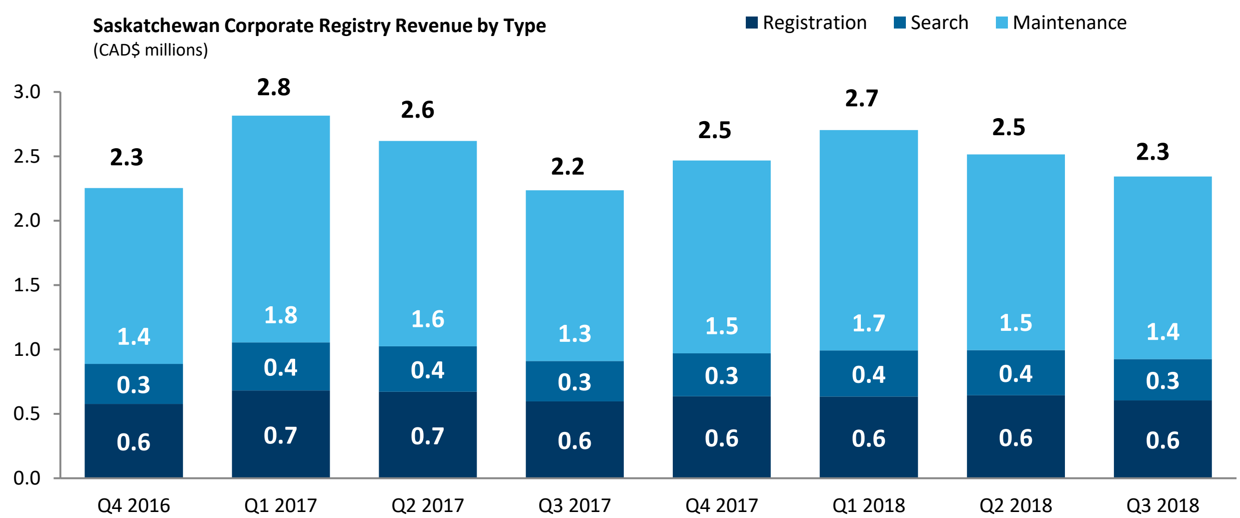

Customers of the Personal Property Registry are primarily in the financial sector as well as law firms. The top 20 Personal Property Registry customers generated 81.6 per cent of the revenue for the first three quarters of 2018, while the top 100 signified 93.7 per cent of revenue.

## Saskatchewan Corporate Registry

Revenue for the Corporate Registry for the quarter ended September 30, 2018, was $2.3 million, an increase of 4.8 per cent, or $107 thousand, compared to the same period in 2017 due to higher revenue from maintenance transactions. For the nine months ended September 30, 2018, revenue was $7.6 million, down 1.5 per cent, compared to $7.7 million for the same period last year.

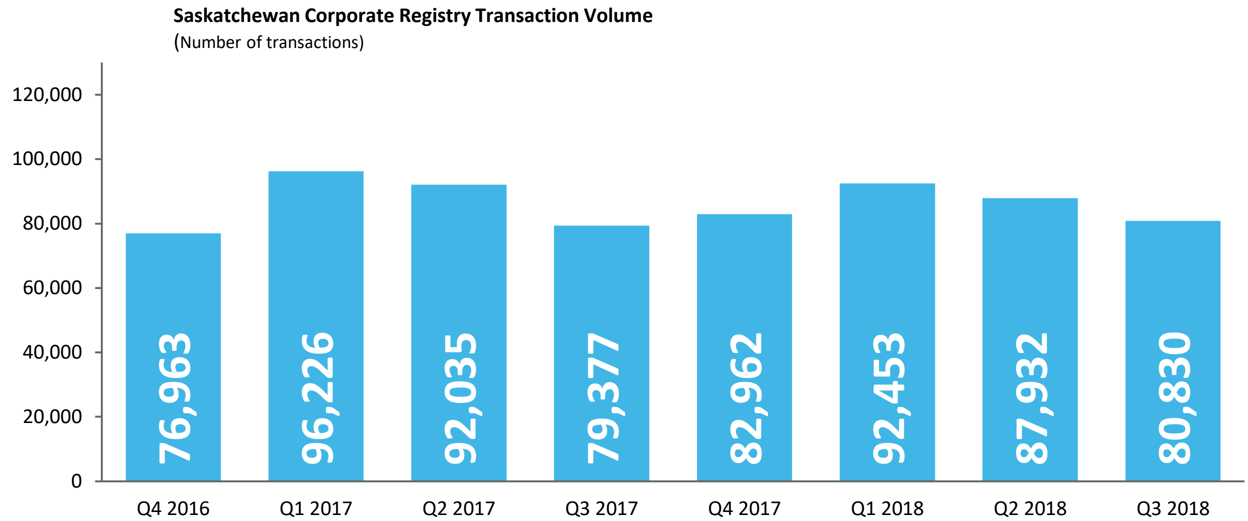
Maintenance revenue grew by 7.0 per cent in the quarter due to an increase in entity amendment revenue compared to the third quarter in 2017, while search revenue improved by 2.4 per cent. Revenue from the filing of annual returns and renewals decreased by 1.7 per cent in the quarter compared to the same period in 2017. Revenue from the incorporation and registration of new business entities also declined by 0.5 per cent compared to the third quarter last year.

The following graph illustrates the Corporate Registry revenue by type of transaction. Quarterly revenue continues to mirror the Company's typical pattern of seasonality.




*Note: Values may not add due to rounding.*

The graph on the following page shows the transaction volumes for the Corporate Registry by quarter.




Transaction volumes for the third quarter increased by 1.8 per cent compared to the same period last year. Specifically, registration volumes grew by 4.2 per cent and search transactions by 2.8 per cent, whereas maintenance volumes had a modest decline of 0.7 per cent compared to the same period in 2017.

As of September 30, 2018, there were approximately 74,070 active Saskatchewan Business Corporations registered with the Corporate Registry compared to 75,079 as at September 30, 2017.

For the Corporate Registry, customers include law firms, companies in the financial sector, as well as the Government of Saskatchewan. They also include businesses such as corporations, non-profit corporations, co-operatives and sole proprietorships that were, or will be, registered in the Corporate Registry. The top 20 Corporate Registry customers accounted for nearly 31.0 per cent of revenue for the first nine months of 2018 and the top 100 customers made up about 48.4 per cent of revenue.

## Services

Key drivers for this segment include increased regulatory and compliance requirements for financial institutions, as well as the growing trend to outsource business processes and services to realize cost savings and focus on core business activities. Economic activity can affect credit lending, mergers, acquisitions, incorporations and various new business startup activities, which also impacts activity for our Services segment.

Following the acquisition of AVS in December 2017, our Services segment broadened its existing market share in collateral management with the addition of large financial institutions and original equipment manufacturers ("OEM") captives financing activity across Canada. We now distinguish ourselves further from our competitors through a technology platform that provides a fully automated workflow for our clients to handle their collateral management needs.

For the three months ended September 30, 2018, revenue in this segment was $10.4 million, an increase of $6.9 million compared to the third quarter of 2017. For the nine months ended September 30, 2018, revenue was $30.8 million compared to $10.9 million for the same period of 2017.

Revenue was up as a result of an increasing uptake of services for financial services customers for KYC, due diligence and collateral security registration. In addition to organic growth within existing lines, the other driver of growth compared to the previous year was $6.5 million in new revenue from our collateral management product line following the acquisition of AVS, as noted above.

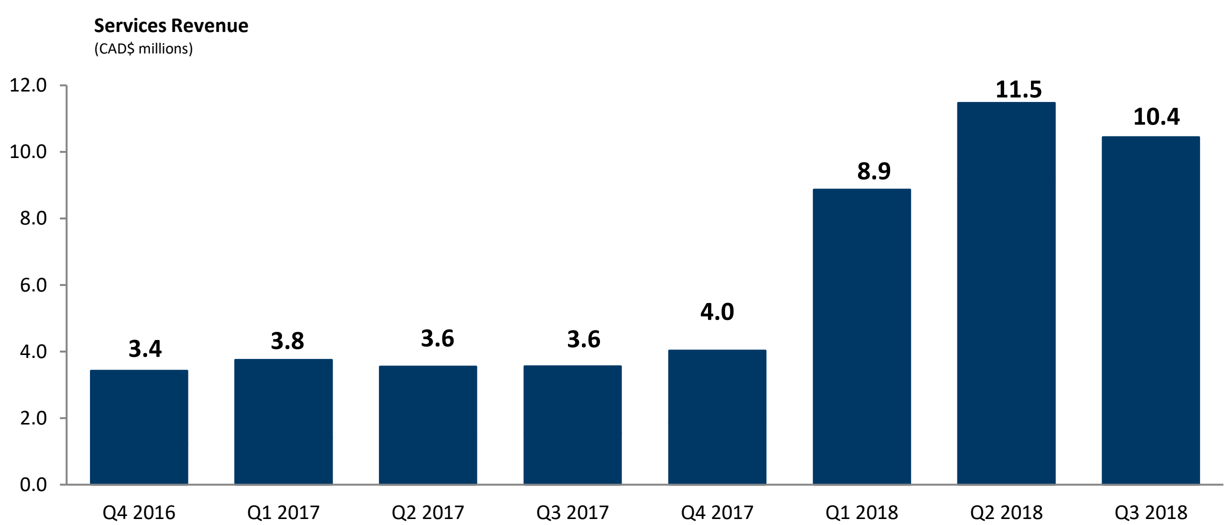
## Legal Support Services

Legal Support Services consists of revenue from nationwide search and registration services, as well as corporate supplies provided to legal professionals. Revenue in the third quarter of 2018 was $2.0 million, flat compared to the third quarter in 2017. For the nine months ended September 30, 2018, revenue was $6.5 million compared to $6.4 million for the same period of 2017.

## Financial Support Services

Revenue in the third quarter of 2018 for our Financial Support Services offering was $8.5 million compared to $1.6 million for the same period of 2017. For the first three quarters of 2018, revenue was $24.3 million compared to $4.4 million for the same period of 2017.

Our Services revenue for the last eight quarters is shown on the following graph.




The top 20 Services customers comprised about 74.6 per cent of the revenue for the first three quarters of 2018, while the top 100 Services customers made up nearly 87.0 per cent of revenue. No single customer accounted for more than 25.0 per cent of Services revenue in the same period.

## Technology Solutions

Revenue in our Technology Solutions segment was flat at $5.5 million for the three months ended September 30, 2018, compared to the same period in 2017. For the nine months ended September 30, 2018, revenue was $14.9 million compared to $15.6 million for the nine months ended September 30, 2017.

We generate revenue from external third parties through the sale of software licences and accompanying ongoing annual subscription fees related to the technology platform and the provision of technology solution definition and implementation services and monthly hosting, support and maintenance services. Our Technology Solutions segment also records revenue from internal related parties, such as our Registry Operations segment.

Revenue from external third parties increased in the third quarter and year-to-date due to the increase in design work on projects that were signed in the first half of 2018. This revenue will continue to grow as projects move from design and into implementation.

Inter-segment services to Registry Operations are provided based on time incurred in support of the Registries and the costs to do so. Inter-segment revenue provided in the third quarter and year-to-date decreased due to a reduction in our costs to provide the services as a result of the savings associated with the termination of our DXC Technology Company ("DXC") contract in 2017 and increased efficiencies as a result of the implementation of RegSys.

## Consolidated expenses

For the three months ended September 30, 2018, consolidated expenses (all segments) were $23.8 million, an increase of $5.6 million compared to $18.2 million for the same period in 2017, of which $5.4 million is cost of goods sold related to our collateral management business in our Services segment since acquiring AVS. Expenses for the nine months ended September 30, 2018, were $70.7 million compared to $54.2 million for the same period of 2017, an increase of $16.6 million, the largest contributing factor of which is the cost of goods sold related to our collateral management business in our Services segment since acquiring AVS.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (thousands of CAD dollars) | **2018** | 2017 | **2018** | 2017 |
| Expenses | | | | |
| Wages and salaries | **$ 9,029** | $ 8,612 | **$ 27,548** | $ 24,889 |
| Cost of goods sold | **6,395** | 952 | **18,051** | 2,764 |
| Depreciation and amortization | **2,411** | 1,685 | **7,189** | 5,714 |
| Information technology services | **2,057** | 2,621 | **5,992** | 8,085 |
| Occupancy costs | **1,319** | 1,310 | **4,207** | 3,997 |
| Professional and consulting services | **1,481** | 1,296 | **3,604** | 3,801 |
| Financial services | **524** | 410 | **1,718** | 1,553 |
| Project initiatives | **-** | 860 | **424** | 1,819 |
| Other | **559** | 422 | **1,994** | 1,535 |
| Total expenses | **$ 23,775** | $ 18,168 | **$ 70,727** | $ 54,157 |

A summary of changes in our expenses is as follows:

- Wages and salaries were $9.0 million, up $0.4 million, for the three months ended September 30, 2018, compared to the same period in 2017 and for the nine months ended September 30, 2018, were $27.5 million compared to $24.9 million for the same period in 2017. The increase was due to:
  - For the quarter, across the business, annual wages and salary increases for all employees and the expansion of our leadership team in October 2017;
  - For the year to date, in our Services segment, additional wages and salaries due to the acquisition of AVS in December 2017; and
  - The addition of employees who were formerly with DXC into our Technology Solutions segment towards the end of the third quarter of 2017.
- Cost of goods sold was $6.4 million for the third quarter of 2018, an increase of $5.4 million compared to the third quarter of 2017 and $18.1 million for the nine months ended September 30, 2018, an increase of $15.3 million compared to the same period of 2017. The increase in 2018 is due

to the nature of our expanded collateral management business in our Services segment which has a higher cost of goods sold.

- Depreciation and amortization costs were $2.4 million for the three months ended September 30, 2018, compared to $1.7 million in the same period in 2017 and for the nine months ended September 30, 2018, were $7.2 million compared to $5.7 million in the same period of 2017. The increase is due to increased depreciation in our Services segment related to the AVS acquisition in 2017.

- Information technology service costs were $2.1 million, down $0.6 million for the quarter compared to the same quarter of 2017 and for the nine months ended September 30, 2018, were $6.0 million compared to $8.1 million for the same period of 2017. The decrease in 2018 reflects savings associated with the termination of our technology services contract with DXC, which were partially offset by additional wages and salaries in our Technology Solutions segment as noted above, as the Company consolidated support and development functions, which are now supported through internal resources.

- Financial services were $0.5 million for the three months ended September 30, 2018, compared to $0.4 in the same period of 2017 and were $1.7 million for the nine months ended September 30, 2018, compared to $1.6 million in the same period of 2017. The increase in 2018 is mainly due to foreign exchange translation difference related to our subsidiary, ERS.

- Project initiatives were down for the three and nine months ended September 30, 2018, compared to the same periods of 2017 as our focus in 2018 has been on the integration of our recent acquisitions.

- Other expenses were $0.6 million for the three months ended September 30, 2018 compared to $0.4 million for the same period of 2017 and were $2.0 million for the nine months ended September 30, 2018, compared to $1.5 million for the same period of 2017. The increase is mainly due to additional activities related to new business contracts.

## Net finance expense (income)

Net finance income was $0.5 million for the three months ended September 30, 2018, compared to net finance expense of $0.2 million for the three months ended September 30, 2017. Net finance expense for the nine months ended September 30, 2018, was $0.3 million compared to $0.4 million for the same period of 2017. The change in the quarter was the result of the interest portion of the contingent consideration related to AVS being reclassified to change in contingent consideration, while the decrease in net finance expense year-to-date was due to an increase in the interest rate earned on cash resulting in higher interest revenue.

## Change in contingent consideration

During the quarter, the Company, through its wholly owned subsidiary ESC, entered into an agreement to amend the AVS Share Purchase Agreement to provide for the conditional early settlement of the AVS contingent consideration on November 15, 2018, for an amount of $11.0 million. Subsequent to September 30, 2018, the conditions 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 which, along with a reclassification of accretion recorded in interest expense, resulted in a $3.8 million net credit to contingent consideration on the consolidated statement of comprehensive income.

## Net income and earnings per share

Net income for the three months ended September 30, 2018, was $7.8 million or $0.45 per basic and $0.44 per diluted share, compared to $1.9 million or $0.11 per basic and diluted share, for the same period in 2017. The increase was due to increased earnings from operations in our Services segment, a $2.8 million adjustment in relation to the fair value estimate of the contingent consideration associated with our AVS acquisition and less income tax expense than the same period in 2017, which included the reduction of the carrying value of deferred tax assets and liabilities. 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.

Net income for the nine months ended September 30, 2018, was $15.5 million, or $0.89 per basic and $0.88 per diluted share, compared to $9.0 million, or $0.52 per basic and $0.51 per diluted share, for the same period in 2017. The increase was due to increased earnings from operations in our Services segment, a $3.8 million net adjustment in relation to the fair value estimate of the contingent consideration associated with our AVS acquisition and less income tax expense than the same period in 2017, which included the reduction of the carrying value of deferred tax assets and liabilities. The calculation of earnings per share was based on net income after tax and the weighted average number of shares outstanding during the period. Excluding the net adjustment to the contingent consideration, earnings per share for the nine months ended September 30, 2018 would have been $0.67 per basic and diluted share.

## Adjusted EBITDA

Adjusted EBITDA was $9.2 million, a 30.4 per cent margin, for the three months ended September 30, 2018, compared to $8.7 million, a 36.4 per cent margin, for the same period in 2017.

For the nine months ended September 30, 2018, adjusted EBITDA was $25.6 million, a 29.1 per cent margin compared to $24.4 million, a 34.9 per cent margin, for the same period last year. EBITDA and Adjusted EBITDA have increased due to increased earnings in our Services segment, while, as expected, the decreased Adjusted EBITDA margin compared to last year reflects the lower margin profile of our collateral management product line following the acquisition of AVS.

# 8 Summary of Consolidated Quarterly Results

The following table sets out select quarterly results for the past eight quarters. Our Registry Operations segment experiences moderate seasonality, primarily because Land Titles revenue fluctuates in line with real estate transaction activity in Saskatchewan. Typically, our second and third quarters generate higher revenue during the fiscal year when real estate activity is traditionally highest.

In our Services segment, our core legal and financial services revenue is fairly diversified and has little seasonality, rather it fluctuates in line with the general economic drivers. Our collateral management experiences seasonality aligned to vehicle and equipment financing cycles, which are generally stronger in the second and fourth quarters. Some smaller categories of products or services can have some seasonal variation, increasing slightly during the same second and fourth quarters.

Our Technology Solutions segment does not experience seasonality but can fluctuate due to the timing of project related revenue. The balance of our corporate activities and shared services functions, do not experience seasonality. Expenses are generally consistent from quarter to quarter but can fluctuate due to the timing of project-related or acquisition activities.

As a result, our EBITDA margin fluctuates in line with the above factors. It should be noted that, in 2018, the EBITDA margin profile for the Company is changing compared to previous years following the acquisition of AVS, which has a high revenue, lower margin profile.

| | **2018** | | | 2017 | | | | 2016 |
|---|---|---|---|---|---|---|---|---|
| (thousands of CAD dollars) | **Q3** | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 |
| Revenue | **$30,186** | $31,058 | $26,872 | $23,589 | $23,862 | $24,646 | $21,496 | $21,201 |
| Expenses | **23,775** | 24,316 | 22,636 | 17,539 | 18,168 | 18,406 | 17,583 | 18,248 |
| Net income before items noted below | **6,411** | 6,742 | 4,236 | 6,050 | 5,694 | 6,240 | 3,913 | 2,953 |
| Net finance income (expense) | **520** | (424) | (409) | (75) | (215) | (105) | (112) | (74) |
| Share of profit (loss) in associate | **-** | - | - | - | 200 | 587 | (177) | 925 |
| Gain on sale of associate | **-** | - | - | 15,438 | - | - | - | - |
| Change in contingent consideration | **2,762** | 1,000 | - | - | - | - | - | - |
| Income before tax | **9,693** | 7,318 | 3,827 | 21,414 | 5,679 | 6,722 | 3,624 | 3,804 |
| Income tax expense | **(1,921)** | (2,156) | (1,242) | (2,640) | (3,823) | (1,989) | (1,198) | (885) |
| Net income | **$ 7,772** | $ 5,162 | $ 2,585 | $18,774 | $ 1,856 | $ 4,733 | $ 2,426 | $ 2,919 |
| Other comprehensive income (loss) | **(159)** | (265) | 337 | (3) | (57) | 546 | (96) | - |
| Total comprehensive income | **$ 7,613** | $ 4,897 | $ 2,922 | $18,771 | $ 1,799 | $ 5,279 | $ 2,330 | $ 2,919 |
| EBITDA margin (% of revenue)[1, 2] | **38.4%** | 32.6% | 24.7% | 33.2% | 31.8% | 35.8% | 26.8% | 32.2% |
| Adjusted EBITDA margin (% of revenue)[1] | **30.4%** | 30.5% | 25.9% | 38.0% | 36.4% | 38.8% | 28.9% | 34.6% |
| Earnings per share, basic[3] | **$ 0.45** | $ 0.29 | $ 0.15 | $ 1.07 | $ 0.11 | $ 0.27 | $ 0.14 | $ 0.17 |
| Earnings per share, diluted[3] | **$ 0.44** | $ 0.29 | $ 0.15 | $ 1.07 | $ 0.11 | $ 0.27 | $ 0.14 | $ 0.17 |

[1] EBITDA, EBITDA margin, adjusted EBITDA and adjusted 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 corporations, refer to section 21 "Non-IFRS Financial Measures". Refer to section 9 "Financial Measures and Key Performance Indicators" 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.

# 9 Financial Measures and Key Performance Indicators

Revenue, expenses and net income are key performance indicators the Company uses to manage its business and evaluate its financial results and operating performance. In addition to these results, which are reported in accordance with IFRS, certain non-IFRS measures are supplemental indicators of operating performance and financial position as well as for internal planning purposes. The Company evaluates its performance against these metrics by comparing actual results to management budgets, forecasts and prior period results. These non-IFRS financial measures include EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin and free cash flow. Refer to section 21 "Non-IFRS Financial Measures".

## Consolidated earnings before interest, taxes, depreciation and amortization

| (thousands of CAD dollars) | Three Months Ended September 30, 2018 | 2017 | Nine Months Ended September 30, 2018 | 2017 |
|---|---|---|---|---|
| Net income | **$ 7,772** | $ 1,856 | **$ 15,519** | $ 9,015 |
| Depreciation and amortization | **2,411** | 1,685 | **7,189** | 5,714 |
| Net finance expense | **(520)** | 215 | **313** | 432 |
| Income tax expense | **1,921** | 3,823 | **5,319** | 7,010 |
| EBITDA | **$ 11,584** | 7,579 | **$ 28,340** | 22,171 |
| Adjustments | | | | |
| Stock-based compensation expense (income) | **118** | 44 | **212** | 260 |
| Stock option expense | **178** | 142 | **450** | 351 |
| Acquisition and integration costs[1] | **(2,758)** | 910 | **(3,446)** | 1,666 |
| Gain on disposal of property, plant and equipment assets | **55** | (2) | **55** | (1) |
| Adjusted EBITDA | **$ 9,177** | $ 8,673 | **$ 25,611** | $ 24,447 |
| EBITDA margin (% of revenue) | **38.4%** | 31.8% | **32.2%** | 31.7% |
| Adjusted EBITDA margin (% of revenue) | **30.4%** | 36.4% | **29.1%** | 34.9% |

[1] Acquisition and integration costs 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.

## Earnings before interest, taxes, depreciation and amortization by segment

| (thousands of CAD dollars) | Three Months Ended September 30, 2018 | 2017 | Nine Months Ended September 30, 2018 | 2017 |
|---|---|---|---|---|
| Registry Operations | **$ 8,747** | $ 8,958 | **$ 24,516** | $ 26,342 |
| Services | **3,998** | 517 | **8,189** | 1,667 |
| Technology Solutions | **143** | 279 | **(66)** | 67 |
| Corporate and other | **(1,304)** | (2,175) | **(4,299)** | (5,905) |
| Consolidated EBITDA | **$ 11,584** | $ 7,579 | **$ 28,340** | $ 22,171 |

EBITDA for our Registry Operations segment for the third quarter of 2018 was $8.7 million compared to $9.0 million for the same period last year and for the nine months ended September 30, 2018, was

$24.5 million compared to $26.3 million last year. The decreases are a result of the overall decline in revenue from the Saskatchewan registries, largely offset in the current quarter by savings in direct technology costs related to the termination of our DXC contract in Q3 2017, to service these in-house.

EBITDA for our Services segment was $4.0 million for the three months ended September 30, 2018, an increase of $3.5 million compared to $0.5 million for the same period last year and was $8.2 million compared to $1.7 million for the nine months ended September 30, 2018, and 2017 respectively. The increase is due to continued organic growth in the segment, as well as the growth in our collateral management business since the acquisition of AVS.

EBITDA for our new Technology Solutions segment for the six and nine months ended September 30, 2018, was overall consistent with 2017 with revenue from new contracts secured in 2018 just beginning and inter-segment revenue declining due to savings associated with the termination of our technology services contract with DXC.

## Consolidated free cash flow

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (thousands of CAD dollars) | **2018** | 2017 | **2018** | 2017 |
| Net cash flow provided by operating activities | **$ 10,238** | $ 10,727 | **$ 19,880** | $ 24,522 |
| Net change in non-cash working capital[1] | **(2,572)** | (3,927) | **1,553** | (3,993) |
| Cash provided by operating activities excluding working capital | **7,666** | 6,800 | **21,433** | 20,529 |
| Cash additions to property, plant and equipment | **(83)** | (64) | **(216)** | (158) |
| Cash additions to intangible assets | **(582)** | (57) | **(1,434)** | (258) |
| Consolidated free cash flow[2] | **$ 7,001** | $ 6,679 | **$ 19,783** | $ 20,113 |

[1] Refer to Note 24 of the Financial Statements for reconciliation.

[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 corporations. Refer to section 21 "Non-IFRS Financial Measures".

Consolidated free cash flow for the three months ended September 30, 2018, was $7.0 million compared to $6.7 million for the same period of 2017 and was $19.8 million for the nine months ended September 30, 2018, compared to $20.1 million for the same period last year. The increase in the quarter was due to improved results of operations before working capital changes and the decrease year-to-date, compared to the same period in 2017, was mainly due to additions to intangible assets in 2018 as we continue to enhance our RegSys platform in our Technology Solutions segment.

# 10 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".*

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 percent 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.

# 11 Liquidity and Capital Resources

## 11.1 Cash flow

Our primary source of operating cash flow is generated from revenue related to the Registry Operations and Services segments. Our primary uses of funds are operational expenses, capital expenditures and dividends.

Historically, ISC has financed its operations and met its capital and finance expenditure requirements through cash provided from operating activities. Most recently, the Company has also utilized borrowing to supplement cash generated from operations to finance acquisition activities. The Company believes that internally generated cash flow, supplemented by additional borrowing that may be available to us (refer to Note 16 of the Financial Statements for our existing Credit Facilities), will be sufficient to meet cash requirements, capital expenditures and anticipated dividend payments.

Liquidity risk is managed based on financial forecasts and anticipated cash flow. The majority of cash is held with Canadian chartered banks and the risk of loss is believed to be minimal. As at September 30, 2018, the Company held $37.3 million in cash, compared to $31.3 million as at December 31, 2017, an increase of $6.0 million.

The Company expects to be able to meet its cash requirements, including being able to settle current liabilities of $34.9 million (December 31, 2017 – $22.7 million) and meet any unanticipated cash requirements due to changes in working capital commitments. Such changes that would affect our liquidity may arise from, among other factors, general economic conditions and the failure of one or more customers to pay their obligations. Deficiencies arising from short-term working capital requirements and capital expenditures may be financed on a short-term basis with bank indebtedness or on a permanent basis with offerings of securities.

The following table summarizes our sources and uses of funds for the three and nine months ended September 30, 2018, and 2017:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (thousands of CAD dollars) | **2018** | 2017 | **2018** | 2017 |
| Net cash flow provided by operating activities | **$ 10,238** | $ 10,727 | **$ 19,880** | $ 24,522 |
| Net cash flow used in investing activities | **(548)** | (31) | **(1,601)** | (17,279) |
| Net cash flow used in financing activities | **(4,005)** | (3,731) | **(12,219)** | (2,215) |
| Effects of exchange rate changes on cash held in foreign currencies | **(13)** | (1) | **(21)** | 10 |
| Increase in cash | **5,672** | 6,964 | **6,039** | 5,038 |
| Cash, beginning of period | **$ 31,632** | $ 31,607 | **$ 31,265** | $ 33,533 |
| Cash, end of period | **$ 37,304** | $ 38,571 | **$ 37,304** | $ 38,571 |

## Net cash flow provided by operating activities

Net cash flow provided by operating activities for the three months ended September 30, 2018, was $10.2 million compared to $10.7 million for the same period in 2017 and was $19.9 million for the nine months ended September 30, 2018, compared to $24.5 million for the same period last year. The decrease in 2018 compared to last year, was due to changes in working capital and higher current income tax expense somewhat offset by higher results of operations.

## Net cash flow used in investing activities

Net cash flow used in investing activities for the three months ended September 30, 2018, was $0.5 million an increase of $0.5 million compared to the same period last year and for the nine months ended September 30, 2018, was $1.6 million compared to $17.3 million in 2017. The higher net cash flow used in investing activities in the quarter was due to additions of intangible assets while the decrease for the nine months ended September 30, 2018, compared to the same period last year, was due to higher investments in 2017 with the acquisitions of ERS and Alliance Online Ltd.

## Net cash flow used in financing activities

Net cash flow used in financing activities for the three months ended September 30, 2018, was $4.0 million compared to $3.7 million for the three months ended September 30, 2017. For the nine months ended September 30, 2018, net cash flow used in financing activities was $12.2 million, an increase of $10.0 million compared to the same period in 2017. The change year-to-date was due to proceeds from our debt facility in 2017 related to the purchase of ERS.

## 11.2 Capital expenditures

Capital expenditures for the three months ended September 30, 2018, were $0.6 million, compared to $0.1 million for the same period in 2017. For the nine months ended September 30, 2018, capital expenditures were $1.7 million compared to $0.3 million for the same period in 2017. The increase in 2018 is due to system development work across our segments and in particular, to enhance our RegSys platform in our Technology Solutions segment.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (thousands of CAD dollars) | **2018** | 2017 | **2018** | 2017 |
| Registry Operations | **$ 158** | $ - | **$ 259** | $ - |
| Services | **133** | 34 | **325** | 152 |
| Technology Solutions | **421** | 32 | **1,076** | 106 |
| Corporate - other | **(47)** | 40 | **(10)** | 67 |
| Total capital expenditures | **$ 665** | $ 106 | **$ 1,650** | $ 325 |

## 11.3 Debt

Debt for the three months ended September 30, 2018, was $20.4 million compared to $21.6 million at December 31, 2017.

At September 30, 2018, the aggregate amount available under the Credit Facilities was $30.810 million comprised of (i) a $10.0 million uncommitted revolving credit facility (the "Operating Loan") (September 30, 2018, and December 31, 2017, had nil cash drawings) along with; (ii) a $9.935 million committed revolving term loan facility (the "Revolving Term Facility"); and (iii) a $10.875 million committed non-revolving reducing credit facility (the "Non-Revolving Term Facility").

The Company was in compliance with all covenants throughout the period. The amount of borrowing costs capitalized during 2018 and 2017 were nil.

Subsequent to the end of the quarter, on November 6, 2018, the Company entered into an amended and restated credit agreement in connection with its Credit Facilities. The aggregate amount available under the Credit Facilities has been amended to $80.0 million, comprised of (i) a $10.0 million committed revolving term loan facility ("Facility 1") for general corporate purposes and (ii) a $70.0 million delayed draw term loan facility ("Facility 2"), up to $20.0 million of which shall be used to refinance the existing credit facilities under the Original Agreement with the balance available to the Company for future growth opportunities. Facility 1 will mature on November 6, 2021, unless renewed prior to that time and is repayable by ISC upon demand by the Lender and the Lender may terminate at any time. Facility 2 is repayable by ISC through quarterly payments, commencing January 2019 and matures on November 6, 2021, unless renewed prior to that time.

## 11.4 Total assets

Total assets were at $171.5 million at September 30, 2018 were consistent when compared to December 31, 2017.

| (thousands of CAD dollars) | Registry Operations | Services | Technology Solutions | Corporate and other | **As at September 30, 2018** |
|---|---|---|---|---|---|
| Total assets excluding intangibles, goodwill and cash | $ 25,643 | $ 6,080 | $ 3,043 | $ 12,905 | **$ 47,671** |
| Intangibles | 4,371 | 32,292 | 5,346 | 23 | **42,032** |
| Goodwill | 5,800 | 34,513 | 4,130 | - | **44,443** |
| Cash | - | - | - | 37,304 | **37,304** |
| Total assets | $ 35,814 | $ 72,885 | $ 12,519 | $ 50,232 | **$ 171,450** |

| (thousands of CAD dollars) | Registry Operations | Services | Technology Solutions | Corporate and other | As at December 31, 2017 |
|---|---|---|---|---|---|
| Total assets excluding intangibles, goodwill and cash | $ 27,133 | $ 5,340 | $ 1,572 | $ 15,020 | $ 49,065 |
| Intangibles | 5,516 | 36,488 | 4,992 | 26 | 47,022 |
| Goodwill | 5,800 | 34,513 | 4,160 | - | 44,473 |
| Cash | - | - | - | 31,265 | 31,265 |
| Total assets | $ 38,449 | $ 76,341 | $ 10,724 | $ 46,311 | $ 171,825 |

## 11.5 Working capital

As at September 30, 2018, working capital was $14.1 million, compared to $18.3 million at December 31, 2017. The decrease in working capital is the result of the AVS contingent consideration being recognized as a short-term liability in the third quarter of 2018 compared to a long-term liability at December 31, 2017, partially offset by an increase in cash and contract assets at September 30, 2018.

| (thousands of CAD dollars) | **As at September 30, 2018** | As at December 31, 2017 |
|---|---|---|
| Current assets | **$ 49,009** | $ 40,989 |
| Current liabilities | **(34,872)** | (22,652) |
| Working capital | **$ 14,137** | $ 18,337 |

## 11.6 Outstanding share data

The number of basic issued and outstanding Class A Shares as at September 30, 2018, was 17.5 million and the number of fully diluted shares was 17.6 million. On August 7, 2018, the Board declared a quarterly cash dividend of $0.20 per Class A Share, to be paid on or before October 15, 2018, to shareholders of record as of September 30, 2018.

# 12 Share-Based Compensation Plan

## 12.1 Deferred share unit plan

The Company has established a Deferred Share Unit ("DSU") plan to provide directors and senior officers of ISC with the opportunity to participate in the long-term success of ISC and to promote a greater alignment of interests between our directors, senior officers and shareholders. Refer to Note 15 of the Financial Statements for information pertaining to the share-based compensation plan.

Share-based compensation expense for the three months ended September 30, 2018, totalled $118 thousand (2017 — $44 thousand) and for the nine months ended September 30, 2018, totalled $212 thousand (2017 — $260 thousand). The total carrying amount of the liability arising from the DSUs as of September 30, 2018, totalled $1.1 million (December 31, 2017 — $1.1 million).

As at September 30, 2018, the DSU plan balance was 71,166.15 (December 31, 2017 — 52,610.60) with a weighted average award price of $17.46 per DSU.

## 12.2 Stock option plan

The Company established a stock option plan that was approved by shareholders in 2014 and subsequently amended and restated with the approval of shareholders on May 17, 2017. Refer to Note 15 of the Financial Statements for information pertaining to the share-based compensation plan.

Compensation expense is recognized in proportion to the amount of stock options vested. Share-based compensation related to the stock option plan for the three months ended September 30, 2018, totalled $178 thousand (2017 — $142 thousand) and for the nine months ended September 30, 2018, totalled $451 thousand (2017 — $351 thousand). The total carrying amount of the equity settled employee benefit reserve arising from these stock options as at September 30, 2018, totalled $1.5 million (December 31, 2017 – $1.1 million).

As at September 30, 2018, a total of 1,548,247 (December 31, 2017 — 1,076,600) stock options had been granted. The outstanding share options at the end of the period had a weighted average exercise price of $17.27 (December 31, 2017 — $17.01). The number of options exercisable at the end of the period was 587,851 and had a weighted average exercise price of $16.50 based on a range of exercise prices from $15.04 to $18.85.

# 13 Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as at September 30, 2018.

# 14 Related Party Transactions

Routine operating transactions with related parties are settled at agreed upon exchange amounts under normal trade terms. Refer to Note 20 in our December 31, 2017, Financial Statements which are available on the Company's website at www.company.isc.ca and in the Company's profile on SEDAR at www.sedar.com, for information pertaining to transactions with related parties.

# 15 Critical Accounting Estimates

ISC's critical accounting estimates are contained in Note 2 of the Financial Statements under the summary of use of estimates and judgments and include references to:

- the carrying value, impairment and estimated useful lives of property, plant and equipment;
- the carrying value, impairment and estimated useful lives of intangible assets and goodwill;
- the recoverability of deferred tax assets; and
- the measurement of the contingent consideration to be paid in conjunction with the ERS and AVS acquisitions.

The preparation of the Financial Statements, in conformity with IFRS, requires management to make estimates and underlying assumptions and judgments that affect the accounting policies and reported amounts of assets, liabilities, revenue and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

# 16 Changes in Accounting Policies

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2018, or on such date as they became applicable. These changes were made in accordance with the applicable transitional provisions. Refer to Note 3 of the Financial Statements for further information pertaining to the adoption and changes in these policies.

| Standard | Description |
|---|---|
| Amendment to IFRS 2 – *Share-based Payment* | The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The adoption of the new standard did not have a material impact on the financial statements of the Company. |
| IFRS 9 — *Financial Instruments* | The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classifications: amortized cost and fair value. Under IFRS 9, where the fair value option is applied to financial liabilities, any change in fair value resulting from an entity's own credit risk is recorded through other comprehensive income (loss) rather than net income (loss). The new standard also introduces a credit loss model for evaluating impairment of financial assets. The adoption of the new standard did not require any adjustments to the values recorded in the Company's consolidated financial statements in the period of initial application (January 1, 2018). However, the Company has adjusted its disclosure. See Note 3 and Note 20 of the Financial Statements. |
| IFRS 15 — *Revenue from Contracts with Customers* | The standard provides for a single model that applies to contracts with customers as well as two revenue recognition approaches: at a point in time or over time. The model features a contract-based, five-step analysis of transactions to determine whether, when and how much revenue is recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or leases, which are within the scope of other IFRS standards. The new revenue standard permits either a full retrospective method of adoption with restatement of all prior periods presented, or a modified retrospective method with the cumulative effect of applying the new standard recognized as an adjustment to opening retained earnings in the period of adoption. The Company has decided to adopt the new revenue standard using the modified retrospective method, with no impact to opening retained earnings. See Note 3, Note 7, Note 14 and Note 21 of the Financial Statements for disclosures relating to this new standard. |

The IAS Board and International Financial Reporting Interpretations Committee issued the following new standards and amendments to standards and interpretations, which become effective for future periods.

| Proposed standard | Description | Effective Date |
|---|---|---|
| *IFRS 16 — Leases* | IFRS 16 — *Leases* replaces IAS 17 — *Leases* and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., the customer ('lessee') and the supplier ('lessor')). The Company is currently assessing the impact on our consolidated financial statements along with the timing of our adoption of IFRS 16. The Company believes that, on adoption of the standard, there will be an increase to assets and liabilities, as the Company will be required to record a right-of-use asset and a corresponding lease liability on the consolidated statements of financial position, as well as a decrease to operating costs, an increase to finance costs (due to accretion of the lease liability) and an increase to depreciation and amortization (due to amortization of the right-of-use asset). The Company plans to disclose the estimated financial effects of the adoption of IFRS 16 in its 2018 annual consolidated financial statements. | January 1, 2019 |

# 17 Financial Instruments and Financial Risks

Financial instruments held in the normal course of business, included in our consolidated statement of financial position as at September 30, 2018, consist of cash, short-term investments, trade and other receivables, accounts payable and accrued liabilities, long-term debt and other long-term liabilities.

The Company does not use any form of derivative financial instruments to manage our exposure to credit risk, interest rate risk, market risk or foreign currency exchange risk. Refer to Note 20 of the Financial Statements for information pertaining to financial instruments and related risk management.

# 18 Business Risks and Risk Management

ISC faces certain risks which can impact its business and its financial and operational performance.  For the information on the risk management approach, business risks and risk management, refer to the Management's Discussion and Analysis and Annual Information Form for the year ended December 31, 2017, which are available on the Company's website at www.company.isc.ca and in the Company's profile on SEDAR at www.sedar.com. The main risks and uncertainties that could affect our future business results and associated risk mitigation activities have not materially changed since December 31, 2017.

# 19 Internal Controls over Financial Reporting

The Company's management, including the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, is responsible for establishing and maintaining appropriate internal controls over financial reporting. Internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

The design scope of internal controls over financial reporting has been limited to exclude controls, policies and procedures of AVS, having been acquired less than 365 days prior to September 30, 2018.

No changes in our internal controls over financial reporting that have occurred during the period have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

It should be noted that all internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

# 20 Disclosure Controls and Procedures

The Company's management, including the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, is responsible for establishing and maintaining appropriate disclosure controls and procedures. Disclosure controls and procedures are designed to provide reasonable assurance that relevant information is gathered and reported to senior management, including the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosures.

The design scope of disclosure controls and procedures has been limited to exclude controls, policies and procedures of AVS, having been acquired less than 365 days prior to September 30, 2018.

The contribution of AVS to ISC's Financial Statements for the three months ended September 30, 2018, was approximately 21.0 per cent of revenue and 13.0 per cent of expenses and for the nine months ended September 30, 2018, was approximately 21.0 per cent of revenue and 21.0 per cent of expenses. AVS contributed 14.0 per cent of current assets, 34.0 per cent of non-current assets, 32.0 per cent of current liabilities and 23.0 per cent of non-current liabilities.

# 21 Non-IFRS Financial Measures

## 21.1 Non-IFRS financial measures

This MD&A includes certain measures, which have not been prepared in accordance with IFRS, such as EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin and free cash flow. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations 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 our 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 corporations.

## 21.2 Non-IFRS financial measures definition

EBITDA is defined as earnings before interest, taxes, depreciation and amortization expense. Adjusted EBITDA adjusts EBITDA for stock-based compensation expense or income, stock option expense, transactional gains or losses on assets, asset impairment charges, and acquisition and integration costs. These measures, in addition to net income and income from operations, measure business performance and cash flow generation because it removes cash flow fluctuations caused by the above adjustments. Furthermore, we use adjusted EBITDA for business planning purposes and to evaluate and price potential acquisitions. In addition to use by management, we also believe these measures are widely used by securities analysts, investors and others to evaluate the financial performance of our Company and for comparing our results with those of other companies. EBITDA margin and adjusted EBITDA margin are calculated as a percentage of overall revenue.

Free cash flow is used as a financial measure in our evaluation of liquidity and financial strength. Adjusting for the swings in non-cash working capital items due to seasonality or other timing issues and cash additions to property, plant and equipment and intangible assets, free cash flow assists in the long-term assessment of liquidity and financial strength. This measurement is useful as an indicator of our ability to service our debt, meet other payment obligations and make strategic investments. Free cash flow does not represent residual cash flow available for discretionary expenditures.