FINAL TRANSCRIPT

Information Services Corporation

2014 Fourth Quarter and Year End Results

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Information Services Corporation's fourth quarter 2014 results conference call. At this time, all lines are in listen-only mode.

Following the presentation, we will conduct a question-and-answer session. Instructions will be provided at that time for you to queue up for a question. If anyone has any difficulties hearing the conference, please press *, 0 for Operator assistance at any time.

I would now like to turn the conference over to your host, Jonathan Hackshaw. Please go ahead.

Jonathan Hackshaw — *Director, Investor Relations & Corporate Communications*

Thank you, Operator, and good morning, ladies and gentlemen. Welcome to Information Services Corporation's conference call for the fourth quarter and year ended December 31, 2014.

With me today are Jeff Stusek, President and CEO, and Shawn Peters, Vice-President, Finance and Technology and Chief Financial Officer. Also in attendance is Kathy Hillman-Weir, Vice-President, Corporate Affairs and General Counsel.

Jeff will begin the call with a brief review of some of the highlights of the year, and Shawn will then provide summary details of our financial and operating performance before handing the call back over to Jeff for some closing remarks.

We will then conclude the call with a Q&A session where Jeff, Shawn, and Kathy will be available to answer any questions you may have.

Before we begin, we would like to remind everyone that we will only be summarizing today's results—results today.

ISC's audited consolidated financial statements and management's Discussion & Analysis for the year ended December 31, 2014 have been filed on SEDAR and are also available in the Investor section of our website under Financial Information. We encourage you to review those reports in their entirety.

I would also like to remind you that any statements made today that are not historical facts, are considered to be forward-looking statements within the meaning of applicable securities laws. The statements may involve a number of risks and uncertainties that have been described in detail in the Company's filings, in particular, in ISC's Annual Information Form dated March 17, 2015, and Management's Discussion and Analysis for the year ended December 31, 2014. Those risks and uncertainties may cause actual results to differ materially from those stated.

Today's comments are made as of today's date and will not be updated except as required under applicable securities legislation.

Today's conference call is being broadcast live over the Internet and will be archived for replay approximately 48 hours after the call, on our website, at www.isc.ca.

I will now turn the call over to Jeff.

Jeff Stusek — *President and Chief Executive Officer, Information Services Corporation*

Thank you, Jonathan. Welcome, everyone, and thank you for joining us on the phone or via the web today. To begin, I'll apologize for my voice. I'm battling a bit of a cold this morning.

In 2014, one of our goals was to demonstrate that we could be successful in our first full year as a publicly traded company and that we could deliver stable financial performance while laying the foundation for future growth.

Significantly, our first year as a publicly traded company came in a year that saw a slowdown in economic growth in our province and across Canada – a trend we expect will continue in 2015.

Despite this, we saw an increase in revenue year over year and we exceeded our EBITDA margins expectations with a 2014 EBITDA margin of 37.6 percent.

At the operational level, specifically in the Land Registry, we introduced technology that enabled customers to submit Land Survey plans online, giving them quicker feedback and reducing our costs.

Furthermore, we also introduced improvements to our Map Search technology. Delivering cost effective technology is a part of our mandate and one that will help us evolve as we move forward.

To that end, we began working on technology improvements for the Corporate Registry that we expect to implement in 2016.

Meeting our commitment to the Government of Saskatchewan is critical for us and provides a basis for our business, but it has another important context. One of our other growth priorities is replicating or enhancing the services we provide to the Province of Saskatchewan in other jurisdictions.

For this to be achieved, it is important that we continue to demonstrate we can reliably deliver services normally provided by governments. And I'm pleased to say that we continue to receive positive ratings from our customers in our annual satisfaction survey.

With respect to our enhancement strategy, we did enjoy success toward the end of 2014. And we were awarded a contract with the Saskatchewan Ministry of Labour and Workplace Safety to develop and administer an asbestos registry for Saskatchewan. This is an important step for us and we will continue to pursue opportunities like this here at home.

We believe that the success of our business in Saskatchewan has allowed us to demonstrate to other jurisdictions that it is possible to turn over the costs and responsibility for operating registry services without sacrificing quality of service or reliability.

At the end of the year, we announced the acquisition of econveyance, a proprietary online conveyancing software solution. Many of you would have seen our news release reporting that, by mutual agreement, the sale by OneMove and purchase by ISC of the econveyance business is not proceeding.

This transaction is an example of one of the ways that ISC is working to expand its product and service offerings, and we will continue to pursue other opportunities that will enhance shareholder value.

That concludes my opening remarks, and I would now like to ask Shawn Peters to summarize the Company's financial and operating performance for the fourth quarter and year ended December 31, 2014.

Shawn Peters — *Vice-President, Finance and Technology and Chief Financial Officer, Information Services Corporation*

Thank you, Jeff. Revenues for the fourth quarter of 2014 totalled $19.8 million, a decrease of $0.2 million or 1.4 percent compared to the $20 million for the same period in 2013. For the full year, revenues totalled $80.5 million, an increase of $1.4 million or 1.7 percent compared to $79.1 million in 2013.

It should be noted that revenue in both instances excluded the Vital Statistics Registry, which is treated as a discontinued operation in 2013.

EBITDA for the fourth quarter was $7 million compared to $8.3 million for the same quarter last year, which resulted in ISC generating an EBITDA margin of 35.6 percent for the fourth quarter compared to 41.6 percent for the same period one year ago.

In 2014, EBITDA was $30.2 million compared to the $30.6 million for 2013, with an EBITDA margin of 37.6 percent compared to 38.1 percent in 2013.

Adjusted EBITDA for the fourth quarter was $7 million compared to $8.4 million for the same quarter last year. For 2014, adjusted EBITDA was $30.2 million compared to $34 million for 2013.

Adjusted EBITDA for the year ended December 31, 2013 was unusually high reflecting adjustments for costs associated with the IPO on July 9, 2013 and discontinued operations. As no adjustments were made for IPO and discontinued operations in 2014, adjusted EBITDA mirrors EBITDA for the period.

ISC's net income for the fourth quarter and year ended December 31, 2014, was $4 million or $0.23 per share and $18.4 million or $1.05 per share respectively. This compares to net income in the fourth quarter and year ended December 31, 2013 of $4.7 million and $77 million respectively.

It's important to note that ISC claimed an income tax recovery in the second quarter of 2013. Excluding tax implications and discontinued operations, ISC saw a decrease in income for the year ended 2014 compared to the same period of 2013 of $0.5 million or 2 percent. This translates to $1.45 per share for the year ended December 31, 2014, compared to $1.48 per share for the same period in 2013.

Some of our specific land—our registries for the Land Registry, which also includes the Land Titles Registry, the Land Surveys Directory, and Geomatics; revenue for the fourth quarter of 2014 was $15.1 million, a decrease of 4 percent compared to the prior-year period.

The Land Registry's revenues for 2014 increased by $0.9 million or 1.4 percent to $62 million. In 2014, the Land Titles Registry continued to see a large number of high value property registrations which generate a high fee per transaction.

Although the amount of revenue was not as pronounced as 2013, the volume and corresponding value was above what had been typical of prior-year periods.

Revenue from the Personal Property Registry for the fourth quarter of 2014 was $2.3 million compared to $2.4 million in the fourth quarter of last year. For 2013, revenue was $9.9 million, up 0.8 percent from $9.8 million in 2013.

Revenue for the Corporate Registry for the fourth quarter of 2014 was $2 million. For the year ended December 31, 2014, revenue for Corporate Registry remained in line at $8.2 million, an increase of just 0.8 percent when compared to 2013.

Maintenance service transactions accounted for 58.9 percent of all transactions in the Corporate Registry. Search volume was the largest contributor to the increase in overall transaction volumes year over year. As the fee per search is relatively low, the impact to revenue was small.

For the top 12 transaction types, approximately 78.9 percent were received online in 2014, an increase of 4 percent compared to 2013.

On the expense side, expenses for 2014 were $55.3 million, an increase of 3.7 percent from $53.3 million for the same period in 2013. The increase was due to increases in wages and salaries, professional and consulting services, information technology costs, and additional expenses incurred to support the requirements of a publicly traded company.

Depreciation and amortization decreased by 40.4 million to $5.1 million for the year ended December 31, 2014, as compared to 2013. The decline was due to certain projects reaching a fully amortized state in 2013 and only moderate capital expenditures in 2014.

For the capital expenditures, the CapEx for the year ended December 31, 2014, were flat at $3.7 million compared to the same period in 2013. 2014, our capital expenditures were focused on sustaining initiatives such as the renewal and enhancement of technology hardware and the renewal and enhancement of technology supporting the Corporate Registry.

Total capital expenditures for 2014, which were estimated to be between $5 million and $7 million, were less than anticipated at year-end due to a change in timing of certain enhancements.

As at December 31, 2014, the Company had long-term debt of $9.9 million. And from a cash perspective, ISC had $33.6 million in cash on hand at December 31, 2014, up $6 million compared to 2013.

Free cash flow for the year ended December 31, 2014, was $23.9 million compared to $27.9 million for the year ended December 31, 2013. These decreases were due to income taxes paid in 2014 compared to no income taxes paid in some of the periods in 2013, up to the point at which the Company became taxable.

Despite this, we continue to generate strong cash flow. And as we announced yesterday, our Board of Directors has approved our first quarterly cash dividend for 2015 in the amount of $0.20 per share. The dividend will be payable on or about Wednesday, April 15th to holders of record of Class A Limited shares as at the close of business on Tuesday, March 31, 2015.

I'll now turn the call back over to Jeff for some concluding remarks.

Jeff Stusek

Thanks, Shawn. I'd now like to finish with some comments on what we expect for the business in 2015. And that will be based on a continued focus on delivering stable and predictable returns.

However, we cannot ignore the flattening of the economy. And given that the majority of our revenue is linked to economic conditions in Saskatchewan, we expect that revenue for 2015 will be impacted.

As such, we expect our EBITDA margin for 2015 to remain in a range similar to last year's range. And our capital expenditures are expected to be in the range of $4 million to $6 million, funded from operating cash flow.

We will keep a close eye on our expenses, but we will also continue to reinvest in our business to ensure the long-term success of our current Registry business, continuing work on projects like the renewal and enhancement of the technology supporting the Corporate Registry.

With respect to growth, we will continue to take a prudent and disciplined approach, continuing to explore various opportunities in Saskatchewan, and beyond our provincial borders with new prospects and existing customers.

In summary, I am pleased with our solid financial performance in 2014. As a company, we are fortunate to have a strong and stable foundation. Our fees are defined and reliable, our cash flow is predictable, and we have a strong balance sheet to support investment in the business, as well as funds to finance growth of the business and a healthy dividend.

Most importantly, our commitment to customer service is still our number one priority which we believe makes us unique among our peers, and contributes to our unique value proposition. With these key elements in place, I remain very optimistic about ISC's future.

That concludes my formal remarks. And I'll turn the call back over to Jonathan.

Jonathan Hackshaw

Thanks, Jeff. Operator, we would now like to open the call up for questions.

Q&A

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press *, followed by 1 on your touch-tone phone. You will hear a three-tone prompt acknowledging your request, and your questions will be polled in the order they are received. If you are using a speakerphone, please lift the handset before pressing any keys. One moment please for your first question.

Your first question is from Anthony Jin, RBC Capital Markets. Anthony, please go ahead.

Anthony Jin — RBC Capital Markets

Hi. Good morning.

Jeff Stusek

Morning.

Anthony Jin

I just want to start with a clarifying question. Just in regards to the high value transactions, what's the threshold you consider to be high value?

Shawn Peters

Anthony, hi. It's Shawn. Generally those are transactions that generate fees for us that are over $10,000.

Anthony Jin

Okay. And would you say those are relatively lumpy or steady?

Shawn Peters

Well, there's a certain level that we expect every year just based on our long-term average, but they are lumpy. We can't necessarily predict those commercial—they're generally commercial or large agricultural transactions that aren't predictable. But we do have a historical average that we get one or two maybe a month.

Anthony Jin

Okay. And I guess that would lead into my next question, trying to understand the split between your residential revenues and your commercial-type revenues. Is that—any additional colour you can provide on there?

Shawn Peters

Not specifically. It's not an indicator that we track that we ask when the transactions are submitted so, therefore, we don't track it specifically.

Anthony Jin

Okay. I'll move on to your Personal Property Registry. In your MD&A, you mentioned that the registration setups decreased by 11 percent, but the revenues only declined by 1 percent. Can you just discuss the dynamic, and particularly related to those long-term agreements that you did discuss?

Shawn Peters

Sorry. Yeah. A couple questions in there. The first one, so the volume decreased but the revenue didn't decrease. That just is a result of the value of some of those transactions that are coming through, in those registration setups. So we have a similar sort of situation where they're just higher value in the PPR ones. Sorry, and I didn't catch the second part of your question, Anthony.

Anthony Jin

Yeah. I guess I'm trying to understand the dynamic of how those revenues filter through. And what, I guess—the recurrence of those revenues is it again like steady or lumpy or is that something that maybe you can explain? What's the nature of those transactions?

Shawn Peters

Sure. So it would be probably less lumpy. They're more static and steady, depending on the state of the economy. So our PPR is driven, largely, as we've talked about by the general economy in Saskatchewan. Remember, the PPR is a registration of anything other than land, so any type of property other than land, boats, cars, combines, inventory, whatever that would be. So the stronger the economy and generally the stronger the outlook of the economy, the more people actually go out and buy cars and combines and that sort of thing. So it falls very much on a steady state with the economy so not as lumpy as our Land, for sure.

Anthony Jin

Okay. And I guess I'll just move on. I just want to touch base on the dividend. Your CapEx at the low end of $4 million that you're guiding towards. That would imply you're pretty much in the maintenance mode. Is that a fair assessment?

Shawn Peters

Yeah. That's absolutely fair, Anthony. That budget for '14 was spent on, was maintenance.

Anthony Jin

Okay. So what's the delta of the 2 million towards the high end? What are the potential projects that you expect to account for those 2 million?

Shawn Peters

Well, there's a couple of things that we're looking at. Obviously we do target some of that towards growth activities, if we should land some of the growth things. The Asbestos Registry was a very small one, but that would be an example of business where we were required to invest some capital to get it up and running. That's a very, very small example. But we could have larger examples than that. The other thing is really looking at enhancing our core technology. So as 2014 was mostly maintenance, and that was really, literally maintenance, replacing servers, upgrading servers, refresh to our DDC, that type of thing, we do still have technology in our Land and PPR that we're continually looking at upgrading. We're in the process of doing some work on our Corporate Registry, as you know, but our Land and PPR are ones that we also focus on, and those would be the bigger projects that we'd be looking at.

Anthony Jin

Okay. Just one last one for me, I mean you guys have quite a bit of cash on your balance sheet and the cushion for your dividend. But if it came down to it, how much do you think you can pull back on expenses and CapEx from your—probably your mid-range of what you're planning for 2015?

Shawn Peters

Well, we would adjust, obviously, as the economy or the market dictates for us. I don't have a specific number. Obviously our maintenance CapEx, we have some flexibility in there. And as we've talked about before, we have some triggers to pull in our other areas of expenses, our IT or our wages and salaries. But it's not a variable cost model so it's not that we would pull those right away.

Anthony Jin

Fair enough. I'll pass the line. Thank you.

Jeff Stusek

Thanks, Anthony.

Operator

Thank you. Your next question is from Michael Urlocker, GMP Securities. Michael, please go ahead.

Michael Urlocker — GMP Securities

Thanks, very much. Hey, Jeff, I wonder if you could—if you're permitted to offer a bit of context on the econveyance transaction. I mean I'm sure everyone, including yourselves, was a little bit disappointed that it couldn't be completed. So I'm curious if you can discuss the nature of why the thing wasn't concluded. Whether that was a regulatory imposition, et cetera? And how the Company now looks at other opportunities for acquisitions.

Jeff Stusek

Hey, Michael. Thanks for the question. As you might expect, there is some confidentiality between the parties here. I think it's important to note that this was a mutual agreement between OneMove and ISC on sale and purchase. And there are a number of factors that went into that mutual agreement, most of which I can't get into because of the confidentiality. I would say this that this is an example of our growth plan, and it's not going to discontinue or stop us from continuing to seek opportunities that make sense to us in this ecosystem. And so I wouldn't indicate this is a signal of us not proceeding in this area. It's just—it's part of our growth plan.

Michael Urlocker

Mm-hmm.

Jeff Stusek

And this particular transaction, as announced, is not proceeding.

Michael Urlocker

Innovative software applications, et cetera?

Jeff Stusek

Yeah. I think there are a number of opportunities for us to pursue. This is one, and now we'll move on to others for sure.

Michael Urlocker

Mm-hmm. Okay. And then I don't live in Saskatchewan, but I visit fairly often. I'm still trying to get an understanding of the Company's co-relation between revenue growth and the economy. And I just kind of glanced at a couple years of history, and it seemed when nominal GDP was in the 5 to 6 percent growth rate, this company's growth rate was in the 5 to 6 percent range. The economy's come down. Growth was like 1 percent in the past year in total. Is it reasonable for us to say, by and large, as the economy grows so grows the Company's revenue?

Shawn Peters

Yeah, Michael. It's Shawn. I think that's pretty accurate. The only hesitation I would give is that on a quarter-by-quarter basis that might not be quite as accurate.

Michael Urlocker

Sure.

Shawn Peters

But yeah, on a longer-term average, and even over the course of a year, that would probably be a good assumption.

Michael Urlocker

Okay. Excellent. Thank you very much.

Shawn Peters

Thanks, Michael.

Jeff Stusek

Thanks, Michael.

Operator

Thank you. Ladies and gentlemen, as a reminder, if you do have a question please press *, followed by 1 on your touch-tone phone.

Your next question is from Varun Choyah, CIBC. Varun, please go ahead.

Varun Choyah — CIBC World Markets

Hi. Good day, gentlemen. Just one quick one for me, for the fees for non-ancillary services, what sort of degree of freedom do you have to sort of increase fees in those service areas?

Shawn Peters

Yeah. So the two areas for our fees are, of course our Core Registry Services, which that fee increase is dictated by our MSA at Saskatchewan all-in CPI. The fees for services, ancillary services, which are not Core Registry Services, we are allowed to set as the—as either negotiated with the other party, depending on the particular item or as the market will bear, so there's no restrictions on those ones at all.

Varun Choyah

And like what proportion of total services would the non-ancillary account for?

Shawn Peters

Our ancillary service is very, very small. It would be—I don't have the percentage but almost sort of like a 99 percent from our Core Registry Services.

Varun Choyah

Okay. Okay. Very good. That's all I've got. Thanks a lot.

Jeff Stusek

Thanks, Varun.

Operator

Thank you. There are no further questions at this time. Please proceed.

Jonathan Hackshaw

Thank you, Operator, and thank you, everyone, for joining us on our call today. We look forward to speaking with you again when we report our first quarter. Have a good day.

Operator

Thank you. Ladies and gentlemen, this concludes your conference call for today. We thank you for participating, and ask that you please disconnect your lines.

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