

CORPORATE PARTICIPANTS

Jonathan Hackshaw

Director, Investor Relations & Corporate Communications

Jeff Stusek

President & Chief Executive Officer

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CONFERENCE CALL PARTICIPANTS

Anthony Jin

RBC Capital Markets

Varun Choyah

CIBC World Markets

PRESENTATION

Operator

Good day, ladies and gentlemen. Welcome to the Information Services Corporation Corporate Update Conference Call. I would now like to turn the meeting over to Mr. Jonathan Hackshaw. Please go ahead.

Jonathan Hackshaw, Director, Investor Relations & Corporate Communications

Thank you, operator, and good morning, everyone. Joining me today on the call are Jeff Stusek, President and CEO, and Shawn Peters, Vice President, Finance and Technology and Chief Financial Officer. Jeff will begin the call with a brief overview of the ESC Corporate Services Ltd. transaction that closed this morning and we will then take questions.

Before we begin we would like to remind everyone that we will be summarizing key points of the transaction. The news release issued today has been filed on SEDAR and is available on the ISC website. We encourage you to review the news release in its 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, including but not limited to

certain statements with respect to the expected future growth of ESC Corporate Services Ltd., accretion expectations, and expected growth opportunities.

The statements made 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, ISC's unaudited and condensed consolidated financial statements and notes, and in the management's discussion and analysis for the period ended June 30, 2015. 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.

All currency amounts related to the transaction discussed on today's call are in Canadian dollars.

This call will be recorded and available on our website within 48 hours.

I will now turn the call over to Jeff.

Jeff Stusek, President & Chief Executive Officer

Thank you, Jonathan, and welcome, everyone.

Earlier this morning we announced that we closed the transaction to acquire ESC Corporate Services Ltd., or ESC, in its entirety for up to \$28 million in cash and debt. When we first announced the transaction in July our comments were limited because ESC was a private company at that time. I'm pleased to have the opportunity to speak with you again and answer your questions.

As a reminder, ESC is a Canadian company with offices in Toronto and Montreal and over 4,500 clients, including law firms, corporations, and financial institutions. ESC provides full-service bilingual online corporate services. These services include registry search, corporate document filing, credit due diligence services, and corporate supplies. ESC is now a wholly-owned subsidiary of ISC. We intend to run it with a business-as-usual focus under the continued leadership of ESC's current CEO, Chris Valentine, and his team.

While ESC extends our geographic footprint, this is also a business that complements our existing registry services service competency with respect to a similar client base and approach to servicing customers. There's compelling strategic rationale for this acquisition:

First, ESC is a sound business with attractive gross margins, free cash flow, low capital expenditures, and a strong market position with major accounts. For the years ended December 31, 2014, 2013, and 2012 ESC realized revenue of over C\$11 million, C\$8.8 million, and C\$8.5 million respectively. The jump between 2013 and 2014 was a result of the acquisition of Corporate Research and Analysis Centre, which added nearly C\$3 million to ESC's top line, but this gives you an idea of the way in which ESC has been able to grow. This acquisition is expected to be immediately accretive to our earnings per share in 2015 and beyond.

Secondly, the acquisition of ESC will also broaden our geographic profile and range of services given ESC's current strong presence in Ontario and Quebec. ESC is a licensed service provider under contract with the Ministry of Government Services for the corporate registry business in Ontario. ESC's legal and financial service offerings also extend into Quebec. We will continue to look for ways to diversify ISC. We're also excited about the company's growth opportunities. The Western Canadian market remains an opportunity for ESC's business. ESC also continues to capitalize on business process outsourcing trends driven by an increase in regulatory and compliance mandates, particularly in the financial services sector and an overall drive for cost efficiencies within its client base.

Thirdly, ESC has a solid client base. The ESC customer service teams in Toronto and Montreal deliver business solutions to legal and financial professionals, corporations and financial institutions across Canada that require national solutions through the use of public records.

To summarize, this is an accretive transactional business that is a good fit for ISC. We believe it will add the long-term shareholder value we have committed to delivering. Our registry business here in Saskatchewan remains vitally important but through ESC we now have a foothold in two other provinces. This acquisition diversifies our business by adding a growing company that complements our registry services foundation.

That concludes our prepared remarks. I will now turn the call back over to Jonathan.

Jonathan Hackshaw, Director, Investor Relations & Corporate Communications

Thanks, Jeff. Wayne, we would now like to begin the question and answer session.

QUESTION AND ANSWER SESSION

Operator

Thank you. We will now take questions from the telephone lines. If you have a question and you are using a speakerphone, please pick up your handset before making your selection. If you have a question, please press star one on your telephone keypad. You may at all times cancel your question by pressing the pound key. Please press star one now if you have a question. There will be a brief pause while participants register. Thank you for your patience. Our first question is from Anthony Jin from RBC Capital Markets. Please go ahead.

Anthony Jin, RBC Capital Markets

Hi, Jeff. Just with respect to your prepared comments regarding the growth of ESC, it seems like it's grown by M&A. Can you just speak to the visibility into M&A to grow ESC?

Jeff Stusek, President & Chief Executive Officer

Good morning, Anthony, and thanks for the question. ESC has a very, you know, in our mind one of the reasons ESC was attractive to us is, like I said in the remarks, it is a solid business, but it does have a very strong growth perspective and we're going to work with Chris on determining the best path that we're going to take on that. We are comfortable with ESC's business currently and we're going to, you know, as I said, work with them on deciding if acquisitions or organic growth or both is best for that company and what we're trying to do.

Anthony Jin, RBC Capital Markets

Okay. Just if I could switch gears to the margin profile, I was wondering what we should bake into our estimates. I mean is it pretty similar with the, you know, ISC's corporate margin level, or can we get a sense in terms of how much above or below if that's the case?

Shawn Peters, Vice President, Finance & Technology & Chief Financial Officer

Hi, Anthony. It's Shawn. Yeah, so they have strong margins as well but more in the range of about 27 percent, 25 percent to 27 percent, so strong but slightly lower than ISC's margins.

Anthony Jin, RBC Capital Markets

Okay. And then just on the, um, on the last conference call regarding ISC you mentioned that the services contract with the Ontario government would be up for renewal in 2016. Can you just provide a little bit more colour on how that process might roll out? And perhaps now that you full own ESC what gave you the confidence that you'd be able to renew this contract?

Jeff Stusek, President & Chief Executive Officer

Anthony, Jeff here. Yeah, we did mention it at the last conference call that an important contract that ESC has with the Ontario government. As it stands right now, that contract, you know, they're not in the process of renewing, but we believe ESC and now ISC is well positioned to sort of maintain that business and its market share in the business. We believe also that ESC delivers a fairly unique value proposition in the way it approaches its customers and that will remain almost regardless of that contract, although we suspect that contract will remain in some form with ESC in the future.

Shawn Peters, Vice President, Finance & Technology & Chief Financial Officer

Yeah, Anthony, it's Shawn, and, as Jeff said, at this point we don't know for sure what the Ontario government is going to do. It would be purely speculation on our part, so we won't do that. But we do believe that the client base that ESC has built up is a strong client base and really, as Jeff said, we expect they would retain the large percentage of that client base with or without the contract.

Anthony Jin, RBC Capital Markets

Okay. Just a follow up to that in that case, perhaps I'll ask it a different way. The earn-out, the \$7 million earn-out, what is that contingent on?

Shawn Peters, Vice President, Finance & Technology & Chief Financial Officer

It's contingent on the business achieving certain revenue targets and EBITDA targets.

Anthony Jin, RBC Capital Markets

Okay. I guess I'm trying to understand... Without the contract what's the...? I mean I know you're talking about being confident enough that you can maintain that business but I guess maybe what does the competitive landscape look like? Who are the competitors that could take that share from you?

Shawn Peters, Vice President, Finance & Technology & Chief Financial Officer

Well right now there's two primary competitors in the Ontario market given that there's sort of the three primary providers and so there is a chance that with or without a contract clients would switch between those three providers. We really feel that the client base that we built up, ah, we'll continue to grow that because of the strong services that ESC provides. It's really sort of irrespective of the contract.

Anthony Jin, RBC Capital Markets

So would you be competing on service quality in that case or is there a price component? Or how much of a price component is there?

Shawn Peters, Vice President, Finance & Technology & Chief Financial Officer

Yeah, it's really—there is certainly a price component of it but the services that ESC provides, it's really a service-based function and the services that they provide to their clients are where the value is.

Anthony Jin, RBC Capital Markets

Okay, thank you. I'll pass the line.

Operator

Thank you. Once again, please press star one if you have a question.

The following question is from Varun Choyah from CIBC. Please go ahead.

Varun Choyah, CIBC World Markets

Hi. Good day, gentlemen.

Jeff Stusek, President & Chief Executive Officer

Good morning, Varun.

Varun Choyah, CIBC World Markets

Good morning. In regards to the margin profile, is there any like cost synergies you can to kind of drive incremental margin expansion?

Shawn Peters, Vice President, Finance & Technology & Chief Financial Officer

Good morning, Varun. It's Shawn. At this point the answer would be no. Over time at some point there might be some synergies in systems or back office systems or platforms but really, ah, ESC's business is complementary to ISC, it's not the same, so there isn't the same level of expected integration or synergies. So it really would be limited to back office systems or platforms.

Varun Choyah, CIBC World Markets

Okay. And I mean going to the top line, I mean looking forward, I mean do you see any sort of revenue synergies as you kind of like cross bundle services with ISC or is it pretty much going to be two distinct operations?

Shawn Peters, Vice President, Finance & Technology & Chief Financial Officer

Yeah, right now it's two distinct operations.

Varun Choyah, CIBC World Markets

Okay. Okay, that's all I've got.

Operator

There are no following questions registered at this time. I would like to return the meeting to Mr. Hackshaw.

Jonathan Hackshaw, Director, Investor Relations & Corporate Communications

Thank you, Wayne. With no further questions I'd like to thank all of you for joining us on today's call again and we look forward to speaking with you again when we report our earnings for the third quarter.

Operator

Thank you. That concludes today's conference call. Please disconnect your lines at this time and we thank you for your participation.
