

CORPORATE PARTICIPANTS

Jonathan Hackshaw

Director, Investor Relations & Corporate Communications

Jeff Stusek

President & Chief Executive Officer

Shawn Peters

Vice President, Finance & Technology & Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Anthony Jin

RBC Capital Markets

Michael Urlocker

GMP Securities

Varun Choyah

CIBC World Markets

Michael Hoehn

Private Investor

PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to the Information Services Corporation 2015 Year End Results Conference Call. I would now like to turn the meeting over to Mr. Jonathan Hackshaw. Please go ahead, Mr. Hackshaw.

Jonathan Hackshaw, Director, Investor Relations & Corporate Communications

Thank you, Melanie, and good morning, ladies and gentlemen. Welcome to Information Services Corporation's conference call for the fourth quarter and year ended December 31, 2015.

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 review of some of the highlights for the year. Shawn will then provide details on our new reporting segments and a summary of our financial and operating performance before handing the call back over to Jeff. After the formal remarks we will conclude the call with Q&A session where Jeff and 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 results today. ISC's audited consolidated financial statements and management's discussion and analysis for the year ended December 31, 2015 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 15, 2016 and in the management's discussion and analysis for the year ended December 31, 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.

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.

With that, I will now turn the call over to Jeff.

Jeff Stusek, President & Chief Executive Officer

Thank you, Jonathan. Welcome, everyone, and thank you for joining us on the phone or via the web today.

Our goal in 2015 was to continue to consistently deliver efficient performance while exploring new opportunities. The challenge for us has been to simultaneously adapt to the new economic environment we face while drive toward our goals. Despite these challenges, we've had some notable accomplishments, which were:

We achieved a healthy EBITDA margin of 36.3 percent while delivering service levels that exceeded our master

service agreement requirements with the province of Saskatchewan. We continued implementing the renewal and enhancement of the technology, processes, and policy supporting the corporate registry with expected implementation in July 2016. We made an investment of \$3.3 million in OneMove Technologies Inc., an industry-leading online subscription-based solution that offers a secure and efficient means of managing real property transactions. We completed the development and implementation of the Saskatchewan Asbestos Registry, the only one of its kind in Canada. This registry is also hosted and maintained by us. We signed a service agreement with the Saskatchewan Ministry of the Economy to host and support the Mineral Administration Registry Saskatchewan system. We signed a service agreement with the Saskatchewan Ministry of the Economy to host and support the Civic Address Registry project in exchange for a service fee. And in October 2015 we completed the acquisition of ESC Corporate Services Ltd., which diversified our revenue stream as well as expanded our geographic footprint into Ontario and Quebec.

So, if I was to summarize the last fiscal year for ISC, it was one of evolving while delivering stable performance in challenging times.

With that, I'd like to now ask Shawn to summarize our financial and operating performance for the fourth quarter and year ended December 31, 2015.

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

Thank you, Jeff, and good morning, everyone.

As you might have noticed while reviewing our Q4 and year-end financial statements and the MD&A, we made some changes to the way we report on our performance. We previously presented our operational and financial performance based on the registries we operate on behalf of the Government of Saskatchewan. Following the acquisition of ESC in the fourth quarter of 2015 we began reporting two segments, defined by their primary type of service offering, namely registries and services. We feel this more accurately reflects the portfolio of services ISC provides after the acquisition of ESC.

The registry segment involves the provision of registry and information services and solutions to governments and private sector organizations. As you know, we currently provide registry and information services to the province of Saskatchewan, managing and operating the Land Registry, the Personal Property Registry, and the

Corporate Registry on their behalf. The services segment includes the services provided by ESC, such as search and registration services, know your customer services, as well as corporate supplies and accessories. For more details on these segments, please refer to the segment information section in the MD&A.

Now turning to the numbers, revenue for the fourth quarter of 2015 totalled \$22.6 million, an increase of 14.3 percent compared to \$19.8 million for the same period in 2014. While revenues in our registry segment were down year over year, the additional revenue contributed by our new services segment boosted Q4 revenues. For the full year, revenue was \$78.3 million, a decrease of 2.7 percent compared to \$80.5 million for the year ended December 31, 2014. Again, the decline in registry's revenue was partially offset by the new services segment revenue.

EBITDA for the fourth quarter was \$8.2 million compared to \$7 million in the prior-year period, which resulted in an EBITDA margin of 36.3 percent as compared to 35.6 percent for the same period in 2014. In 2015 EBITDA was \$28.4 million compared to \$30.2 million for the year ended December 31, 2014 with an EBITDA margin of 36.2 percent compared to 37.6 percent in 2014. Adjusted EBITDA for the fourth quarter was \$8.6 million compared to \$7.1 million for the prior year period. For the full year adjusted EBITDA was \$30.4 million compared to \$31.6 million in 2014 with an adjusted EBITDA margin of 38.8 percent compared to 39.2 percent in the prior year period. For adjusted EBITDA purposes we adjust for stock-based compensation expense or income, equity settled employee benefit reserve, transactional gains or losses, asset impairment charges, and acquisition and integration costs.

ISC's net income for the fourth quarter and year ended December 31, 2015 was \$4.6 million or \$0.26 per share and \$15.9 million or \$0.91 per share respectively. This compares to net income for the fourth quarter and year ended December 31, 2014 of \$4 million or \$0.23 per share and \$18.4 million or \$1.05 per share respectively.

For the Land Registry, which also includes the Land Title Registry, the Land Surveys Directory, and Geomatics, revenue for the fourth quarter of 2015 was \$14.8 million, a decrease of 1.6 percent compared to the prior-year period. Land Registry revenue for the full year was \$56.9 million, a decrease of 8.3 percent compared to the year ended December 31, 2014. As expected, Land Registry revenue was directly affected by fewer housing starts and completions compared to 2014, resulting in lower land transfer volumes, fewer mortgage registrations, and title searches. That said, even though revenues and

transaction volumes declined, the Land Registry continued to see a large number of high-value property transactions, which generate a high fee per transaction. We received a record amount of revenue from these transactions in 2015, well above the historical average.

Revenue from the Personal Property Registry for the quarter was stable at \$2.4 million compared to \$2.3 million in the fourth quarter of last year. For 2015 revenue was again relatively stable at \$10 million, up 1.1 percent from \$9.9 million in 2014.

For the Corporate Registry, revenue for the fourth quarter of 2015 was \$2 million, flat when compared to the three months ended December 31, 2014. In 2015 revenue for the Corporate Registry was \$8.1 million, 1.2 percent lower than the previous year. Overall transaction volumes in the Corporate Registry were up; however, search volumes were the largest contributor to the increase in overall transaction volume and as the fee for a search is relatively low compared to other services, this did not fully offset the decline in revenue from other transaction volumes.

To our Services segment, please keep in mind that the results for this segment are primarily provided by our subsidiary, ESC, and that year-end results for this segment are the same as for the fourth quarter. Revenue for the Services segment for the three months ended December 31, 2015 was \$3.2 million. \$2.4 million of that was generated through search and registration services. The remainder included know your customer services and corporate supplies and accessories.

Turning to expenses, expenses in 2015 were \$55.7 million, an increase of \$0.4 million from \$55.3 million from the same period in 2014. These results now include the expenses incurred for ESC in the fourth quarter of 2015. Even with the addition of ESC's expenses, overall wages and salaries remained constant year over year and our cost for information technology services decreased. Additional occupancy cost, cost of goods sold for certain ESC products, and cost incurred in relation to the acquisition of ESC and the investment in OneMove resulted in the overall slight increase in consolidated expenses.

Depreciation and amortization was \$5.7 million for 2015, an increase of \$0.6 million compared to the same period in 2014. The increase was mainly due to the additional depreciation from the capital assets of ESC.

Capital expenditures in 2015 were \$4 million compared to \$3.7 million for the same period in 2014 and were focused on the renewal and enhancement of technology

supporting the Corporate Registry as well as various sustaining initiatives around general office and technology improvements.

With respect to our debt, on October 1, 2015 the company entered into an amended and restated credit agreement in connection with the secured credit facilities provided by RBC. The aggregate amount available under the credit facilities is \$34.9 million. As at December 31, 2015 the company had long-term committed debt of \$24.56 million. Please refer to the MD&A for further details on our credit facility.

From a cash perspective ISC had \$36.6 million in cash on hand as at December 31, 2015, up \$3 million compared to December 31, 2014. Free cash flow for the year ended December 31, 2015 was \$21.5 million compared to \$23.9 million in 2014. The decrease was mainly due to lower cash from operations as adjusted for working capital as a result of the overall lower revenue in 2015 combined with some additional investments in our intangible assets.

We also announced yesterday that our Board of Directors our first quarterly cash dividend for 2016 in the amount of \$0.20 per share. The dividend will be payable on or about April 15, 2016 to holders of record of Class A limited shares as at the close of business on March 31, 2016.

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

Jeff Stusek, President & Chief Executive Officer

Thanks, Shawn.

In summary, I'm pleased with our overall performance in 2015; however, this could not have been achieved without the dedication of all of our employees. I'd like to express my appreciation for their hard work and commitment.

Turning to our outlook for 2016, reflects several variables in our operating environment, including the impact of lower oil prices on the economy and thus the provincial housing market. our 2016 outlook also incorporates a full year of results from ESC within our services segment. ESC is an accretive acquisition for us but has lower overall margins than our registry business. As such, we expect our consolidated EBITDA margin for fiscal 2016 to be in the range of 32 percent to 34 percent.

We expect capital expenditures in 2016 to be in the range of \$5 million to \$6 million, funded from operating cash

flow. These expenditures are projected to include the completion of the renewal and enhancement of our Corporate Registry technology, enhancement and upgrades to core technology components and enterprise systems, and general office improvements. We will, of course, continue to manage our costs prudently while balancing reinvestment in the business in order to maintain or improve the customer experience.

Going forward the fundamentals of profitability, transparency, compliance, and accountability will guide our decisions as we strive to achieve strong financial performance, execute on our growth strategy, and deliver long-term value to shareholders. We have already made a very positive start to the year with the recent announcement of the amendment to our MSA with the Government of Saskatchewan. We believe that the Government's continued trust in us and the success of our business in Saskatchewan demonstrates that it is possible to turn over the cost and responsibility for operating registry services without sacrificing quality of service or reliability.

I will now turn the call back over to Jonathan.

Jonathan Hackshaw, Director, Investor Relations & Corporate Communications

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

QUESTION AND ANSWER SESSION

Operator

Certainly. We will now take questions from the telephone lines. If you have a question and you are using a speakerphone, please lift your handset before making your selection. If you have a question, please press star one on your telephone keypad. If at any time you wish to cancel your question, please press the pound sign. Please press star one at this time if you have a question. There will be a brief pause while the participants register. Thank you for your patience.

The first question is from Anthony Jin of RBC Capital Markets. Please go ahead.

Anthony Jin, RBC Capital Markets

Hi. Good morning.

Jeff Stusek, President & Chief Executive Officer

Good morning, Anthony.

Anthony Jin, RBC Capital Markets

So your outlook seemed rather cautious but there are a few puts and takes, especially in the registry segment, and I want to make sure I'm reading it right. So for 2016 you're expecting performance to be consistent with 2015 levels but at the same time you're expecting lower high-value transactions in the Land Title Registry, lower motor vehicle sales in the Personal Property Registry, and similar with the Corporate Registry, fewer new entity transactions. Now where do you see the offset to the upside? And perhaps in more general terms, how are you guys feeling about the business?

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

Anthony, it's Shawn. Thanks for the question. I think you've summarized the outlook very succulently. So really we see 2016 being what we would consider to be relatively stable with the declines that you noted in personal property transactions, Corporate Registry transactions, and in the high-value transactions. That said, we do see stability in the Saskatchewan economy, at least in the transactions that we're looking at, and really we don't see a lot more happening in 2016. From an upside perspective, there is always upside should the market, either commodities within Saskatchewan take off or we see other economic indicators take off, but at this point we're being fairly realistic, we believe, in saying that 2016 is pretty much going to be a flat year for us in Saskatchewan.

Anthony Jin, RBC Capital Markets

That's actually good to hear. And then, Shawn, regarding the expected investments in human capital, how big of a bump could we expect to perhaps headcount and operating expenses?

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

Not significant, Anthony. I think we'd draw your attention to that as we look towards our services segment and ESC in particular and look towards growth in that space, they currently only have 55 staff now so investing in

human capital in that is not going to be significant to our overall results, but just something we were drawing to your attention.

Anthony Jin, RBC Capital Markets

Okay, great. I'll pass the line.

Operator

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

The following question is from Michael Urlocker of GMP Securities. Please go ahead.

Michael Urlocker, GMP Securities

Good morning and thank you for taking my question. Jeff, certainly the numbers for the ESC business look good; I wonder if you could just offer a little bit of commentary about the business itself in terms of how it's developing and where you want to take it. Thank you.

Jeff Stusek, President & Chief Executive Officer

Thanks, Michael, for the question. So, as noted, we acquired ESC in the last quarter or the beginning of the last quarter of 2015. The ESC business is a good, strong business, the numbers indicate that, and it's performing as we expected. It has, you know, it continues to evolve its business and attempt to grow and we're supportive of that. So, you know, generally speaking we're happy with the ESC transaction and we're excited about its potential.

Michael Urlocker, GMP Securities

And are there opportunities for new service offerings from ESC?

Jeff Stusek, President & Chief Executive Officer

Yeah, you know, I think the space that ESC operates in isn't stagnant and it continues to evolve as the financial and legal markets evolve and legislation evolves, and so there are services that that side of the business continues to look for and new products and services to offer.

Michael Urlocker, GMP Securities

Okay. And can you bring us up to date on OneMove?

Jeff Stusek, President & Chief Executive Officer

Sure. A few updates I suppose. You know, in 2015 we completed the investment in OneMove. If you recall, we invested 30 percent in OneMove Technologies and from our vantage point the business continues to be strong and as a minority investor in that company we're happy with that. Generally speaking, we see that company continue to be a strong, viable contender in a competitive market space.

Michael Urlocker, GMP Securities

Excellent. Okay, thank you.

Operator

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

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

Varun Choyah, CIBC World Markets

Good day, gentlemen. With regards to the services line, what's the margins at ESC compared to the core ISC business?

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

Good morning, Varun. It's Shawn. Margins historically at ESC have been around the 27 percent as compared to the mid-30s that ISC and our core business sees. So a bit lower than ours.

Varun Choyah, CIBC World Markets

Is there room to like improve the margin profile on it's, it's folded in within ISC?

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

ESC has always been fairly focused on its margins as a private company, certainly focused on profit. We do see that there's small increments to make in that margin but not a lot of room to move. We're talking 0.5 percent to sort of 1 percent as we move forward. Combining with ISC isn't really what we're looking at in the short term. We're, as we sort of announced, we're intending to operate the ESC business fairly similar to how it operates right now, and they operate on a fairly lean staff complement for the services they provide anyways. And so we're always looking for ways that we can do better on the cost and if there's opportunities to integrate or share, then we'll certainly do that, but nothing significant that we would speak to.

Varun Choyah, CIBC World Markets

Okay, fair enough. And with regards to your CapEx spend for 2016, would the renewal and enhancement to the Corporate Registry be completed by 2016? Or is that something that's ongoing, multiyear (inaudible)?

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

No, it's intended to be completed July of 2016.

Varun Choyah, CIBC World Markets

Okay. And with regards to, I guess, the Nova Scotia opportunity, is there any update with regards to RFP or discussions? Anything you can provide us with?

Jeff Stusek, President & Chief Executive Officer

Sadly, Varun, there's nothing really to provide other than we remain interested and it is in the hands of the Nova Scotia government and we're excited about the opportunity and remain interested in it. But no news to update the market.

Varun Choyah, CIBC World Markets

Okay. Thanks a lot. I'll pass the line.

Operator

Thank you. The following question is from Michael Hoehn, a private investor. Please go ahead.

Michael Hoehn, Private Investor

Hi, guys. Just a question on your free cash flow. You disclosed \$21.5 million in free cash flow for the year and I'm just wondering how you calculate that. The reason being, um, if I just do some back-of-the-envelope with your cash flow from operations of about \$30 million less CapEx of about \$4 million I come out to a materially different number. So I'm wondering if you can help me reconcile what I'm doing with your disclosure.

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

Sure. So it's Shawn. And there's actually, if I can find it quickly, there is a table in our MD&A but I can explain it to you quickly. We do take our cash flow from operations, we adjust for our net change—actually it's page 35, I believe, in the MD&A—we adjust for changes in our working capital and we also adjust for cash additions to our PP&E and our intangible assets. So that table is in the MD&A, which should help.

Michael Hoehn, Private Investor

Great, I'll have a look at that. I think the working capital changes is probably my reconciling item. That is it for me. Thank you.

Operator

Thank you. There are no further questions registered at this time. I'd like to turn the meeting back over to Mr. Hackshaw.

Jonathan Hackshaw, Director, Investor Relations & Corporate Communications

Thank you, Melanie, and with that I'd like to thank everybody for joining us on the call today and we look forward to speaking with you again when we disclose our first quarter results later on this year. Have a good day.

Operator

Thank you. The conference has now ended. Please disconnect your lines at this time. We thank you for your participation.
