

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

PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to the Information Services Corporation 2015 Third Quarter 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, Sebastian, and good morning, everyone. Welcome to Information Services Corporation's conference call for the third quarter and nine months ended September 30, 2015.

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

Before we begin we would like to remind everyone that we will only be summarizing results today. ISC's unaudited condensed consolidated interim financial

statements and notes and management's discussion and analysis for the period ended September 30, 2015 have been filed on SEDAR and are also available in the investor section of our website under Financial Reports. 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 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 and in the management's discussion and analysis for the period ended September 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.

Today's conference call is being broadcast 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 & Chief Executive Officer

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

I will begin with a brief overview of the third quarter and Shawn will then provide summary details of our financial and operating performance. We'll then conclude the call with a Q&A session where Shawn, Kathy, and I would be happy to answer any questions you may have.

As you will have noted from our results, the weaker Saskatchewan economy continues to impact our revenue year over year. Like the first and second quarters, the primary driver is lower year-over-year transaction volumes. So while average land values in the third quarter of 2015 were comparable to those in the third quarter 2014, the volume of regular land transfers declined by 12.7 percent. The volume of mortgage registrations and title searches also declined by 9.3 percent and 13.4 percent respectively. At the same time, land registry revenue is 0.5 percent above the 2007 to 2014 year-to-year date average. It's important to that between 2007 and 2014 Saskatchewan experienced a significant period of growth.

Corporate registry revenue declined by 4.2 percent in the third quarter. Overall transaction volumes decreased by 3.1 percent compared to the same period last year, primarily due to a decrease in maintenance and search volumes. This quarter-over-quarter decline is not unusual, as the first two quarters for the corporate registry typically have higher transaction volumes. Turning to personal property registry, revenue increased slightly by 1 percent year over year.

In other areas of our business we completed the investment in OneMove Technologies Inc. in September and following the end of the third quarter we completed the acquisition of ESC Corporate Services Ltd. We expect ESC to be immediately accretive and look forward to speaking more to this business when we report our year-end results around mid-March next year.

On the replication front, in September the Government of Nova Scotia publicly began a procurement process as part of its initiative to explore an alternative service delivery model for several of its key registries. This is obviously something that would be of interest to us but we are only at the beginning of this process and there's no certainty that will be successful with this opportunity.

I'm now going to pass the call over to Shawn, who will provide a summary of the financial and operating highlights for the third quarter.

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

Thank you, Jeff, and good morning, everyone.

Starting with our top line, revenue for the third quarter totalled \$19.7 million, a decrease of 7.5 percent compared to \$21.3 million for the same period in 2014. For the nine months ended September 30, 2015 revenue was \$55.7 million compared to \$60.7 million last year.

EBITDA for the third quarter was \$8.2 million compared to \$9.7 million in 2014, which resulted in ISC generating an EBITDA margin of 41.5 percent compared to 45.4 percent for the same period a year ago. For the nine months ended September 30, 2015 EBITDA was \$20.2 million compared to \$23.2 million last year.

Adjusted EBITDA for the third quarter and nine months of 2015 was \$9.6 million and \$21.8 million respectively compared to \$9.8 million and \$24.5 million in the same periods last year.

ISC's net income for the third quarter and nine months ended September 30, 2015 was \$4.7 million or \$0.27 per share and \$11.4 million or \$0.65 per share respectively compared to \$6.2 million or \$0.36 per share and \$14.3 million or \$0.82 per share in 2014.

I'd now like to highlight some of the results of our registries, starting with the land registry, which includes the land titles registry, the land surveys directory, and geomatics. Revenue for the third quarter of 2015 was \$15.1 million, a decrease of 9.4 percent compared to the prior year period. For the nine months ended September 30, 2015 revenue for the land registry was \$42.1 million compared to \$47 million in the same period last year, a decrease of 10.4 percent. Results were weaker in the third quarter and year to date in 2015 as compared to the same periods in 2014, as Jeff mentioned, because of the reduction in transaction volumes. Revenue for the corporate registry for the third quarter was \$1.8 million, a decrease of 4.2 percent compared to last year. Revenue for the personal property registry was \$2.8 million for the third quarter, a small increase compared to the same period in 2014, and was stable at \$7.6 million for the nine months ended September 30, 2015 compared to the same period in 2014.

Expenses for the third quarter were \$12.8 million, which is a slight decrease compared to \$12.9 million in the same period last year. For the nine months ended September 30, 2015 expenses were \$39.5 million, which is a decrease of 4.1 percent from \$41.2 million for the same period in 2014. The decrease in expenses is a result of the company managing costs in line with the reduced revenues.

Capital expenditures for the third quarter and first nine months of 2015 were \$1.1 million and \$2.5 million respectively compared to \$1 million and \$2.4 million in the same periods of 2014.

With respect to our liquidity and capital resources, ISC had \$39.8 million in cash as at September 30, 2015 compared to \$33.6 million as at December 31, 2014, recognizing that \$6.5 million of the cash was held in anticipation of funding of the acquisition of ESC.

Free cash flow for the third quarter and first nine months of 2015 was \$2.8 million and \$11.5 million compared to \$7.7 million and \$18 million for the same periods last year. The decrease was due to lower net income, an increase in additions to assets, and the \$3.3 million investment in OneMove.

Yesterday we also announced that our board of directors approved our fourth quarterly cash dividend for 2015 in

the amount of \$0.20 per share. The dividend will be paid on or before January 15, 2016 to shareholders of record as of December 31, 2015.

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

Jeff Stusek, President & Chief Executive Officer

Thanks, Shawn.

As we look back on the first nine months of 2015 we can see the direct impact the economy has on our core registry business; however, our registry business remains solid and continues to deliver good financial results. With a strong foundation in place, I remain optimistic about the future for ISC.

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

Jonathan Hackshaw, Director, Investor Relations & Corporate Communications

Thanks, Jeff. Sebastian, we would like to begin the Q&A session please.

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 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 from RBC Capital Markets. Please go ahead.

Anthony Jin, RBC Capital Markets

Hi, guys.

Jeff Stusek, President & Chief Executive Officer

Hello, Anthony. Good morning.

Anthony Jin, RBC Capital Markets

Good morning. Touching on Nova Scotia, to the extent that you can could you give us a sense of the magnitude of the business you're going for, whether this will be a one vendor package for all three registries or whether multiple vendors would be selected and evaluated for each registry separately.

Jeff Stusek, President & Chief Executive Officer

Hey, Anthony. Good question. You know, obviously all those things are of interest to us. It's way too early to tell in that process order of magnitude and sort of our strategy in that. In September, as I mentioned, the Government of Nova Scotia began the procurement process and, as I've said many times on these calls, the replication, doing what we do very well in Saskatchewan, doing that in other jurisdictions is obviously of interest to us and so we're interested in the Nova Scotia opportunity clearly. But too early to tell to your questions about how and how big this opportunity is.

Anthony Jin, RBC Capital Markets

In that case, for us to think about, maybe getting a sense of how you're looking at the potential magnitude, if we were to compare the housing volumes and the pricing Nova Scotia relative to Saskatchewan we should be able to get a decent sense of it? Would that be a fair way to look at it?

Jeff Stusek, President & Chief Executive Officer

You know, you would be—I think that's fair but it's really unknown, because each jurisdiction sort of operates a little bit differently, not only in volumes but fees and transactions and things like that. So I don't want to guide you in any way to say this is about the same or not. One of the perspectives one could take is Nova Scotia has a similar size to Saskatchewan. It's a little smaller in population but in orders of magnitude, you know, you're best guessing. But we are too in the sense this is a long conversation that we want to have with Nova Scotia.

Anthony Jin, RBC Capital Markets

In that case, as you mentioned earlier in your prepared remarks, we're still in the early innings of this process, so what are the next steps for getting this done and what are the timeframes that you're expecting it is going to take?

Jeff Stusek, President & Chief Executive Officer

Again, it's hard to tell, Anthony. The first stage of the process was a stage that we just completed, which is in the ilk of an RFQ, qualified vendors if you will. I'm certain that Nova Scotia will review those submissions now and when they're ready will advance to the next stage, but no indication of what timing looks like or anything like that. I'm certain there'll be a next stage but I don't know when and what it will look like.

Anthony Jin, RBC Capital Markets

Okay. Just a final question on this: Is this an end-to-end solution that they're looking for or is this more of a technology play, like a back office or mid office?

Jeff Stusek, President & Chief Executive Officer

From our vantage point it looks like end-to-end. Again, it's too early in the process to sort of come up with the final solution, what that might look like, but at this point we're viewing it as an end-to-end.

Anthony Jin, RBC Capital Markets

Okay. Thank you. That's all for me.

Jeff Stusek, President & Chief Executive Officer

Thanks, Anthony.

Operator

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

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

Michael Urlocker, GMP Securities

Thanks for taking my question. Jeff, as you plan ahead about looking at next year and budgets and things, what do you think the firm should be doing in terms of improving its performance? I don't mean especially financially but in terms of skills or capabilities within the firm. What do you set on your agenda for long-term strengthening of the business?

Jeff Stusek, President & Chief Executive Officer

Good question, Michael. Appreciate it. I think there are a number of things that are in our sort of radar or on our focus. One is we need to continue to run the business we have very well and now that we have ESC under our wing, um, continue to advance that business. And so that's fairly new.

As far as improvement goes, I think it's responding in the ways that our customers, both here in Saskatchewan and our potential customers, future customers, will want this business to look like. And it's always been a hallmark of ISC transforming and adapting its business to meet the customer needs and I don't think that's ever going to go away. We'll continue to advance our thinking as it relates to service-oriented technology and things like that. But to say it's a fundamental shift in any way, shape, or form I think is false. We do operate a really good business that has a unique value proposition here in Saskatchewan, we have a bright, young business in ESC, and so, you know, we're going to continue to enhance those skills and attributes and assets as best we can, Michael.

Michael Urlocker, GMP Securities

Thank you. We did some work a couple years ago talking to some of your customers and we got very positive feedback. I'm sure you keep in touch with them periodically. How often do you do kind of a formalized customer survey or promoter score kind of analysis?

Jeff Stusek, President & Chief Executive Officer

Well, I'll speak to that question a little bit generally, Michael, if you don't mind. We do stay connected to our customers in many ways. One is the day-to-day contact and capturing the feedback that our customers get us on a day-to-day basis, and we continue to evolve that technique such that we can change and adapt our business essentially on the fly to meet customer needs. But we do have set out periodic sit-downs, whether it's

face to face, focus groups, or in a broader survey sense, to make sure that what we're doing still meets and exceeds in many ways their expectations. And we've built ISC on that premise and we will continue to hold that value.

Michael Urlocker, GMP Securities

Thank you. I appreciate that.

Jeff Stusek, President & Chief Executive Officer

Thanks for the question.

Operator

Thank you. There are no further questions at this time. I'd like to turn it back—my apologies, we have a last-minute question from Varun Choyah from CIBC. Please go ahead.

Varun Choyah, CIBC World Markets

Hi. Good morning, gentlemen.

Jeff Stusek, President & Chief Executive Officer

Good morning, Varun.

Varun Choyah, CIBC World Markets

Hey. Going back to the Nova Scotia opportunity, is there, um, as you advance forward through the, ah, and I know you said it's early stages but as you advance forward towards a formalized RFP process is there like any sort of expenses you need to occur that would be meaningful?

Jeff Stusek, President & Chief Executive Officer

Well, obviously we're interested in Nova Scotia and we're going to do what we can to be successful in that and in some cases that means we're going to spend some time, energy, and resources to make that happen. At this point we're not in a position to disclose exactly what those are and our approach. That would be a competitive disadvantage to us. But we are going after this

opportunity and we're taking it very seriously. As I've said before, and I'll reiterate, this opportunity needs to be right for ISC and if it's not the right deal for us we are prepared to walk away from it too. And it needs to make sense for Nova Scotia and it needs to make sense for ISC going forward.

Varun Choyah, CIBC World Markets

Okay. Thanks for the colour on that. And I noticed this quarter salary and wages ticked down. Was there a reduction in headcount?

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

Hi, Varun. It's Shawn. The answer to that is yes. We've continued to take advantage of just natural attrition and so year over year sort of quarter of quarter there's a slight reduction and that's really what's contributed to the reduction in the salaries and wages. No sort of overt mechanism, just natural attrition.

Varun Choyah, CIBC World Markets

So pretty much you're not backfilling as people leave.

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

Yeah, that's correct.

Varun Choyah, CIBC World Markets

But is there—I guess there's a limit to that to ensure certain service level agreements, quality of service through the offerings? Is there like...?

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

Yeah. Absolutely. We keep our eye on that all the time and to the extent we don't backfill it's because we changed processes to manage that. But, yeah, clearly we keep an eye on the service levels and service levels aren't impacted as a result of that.

Varun Choyah, CIBC World Markets

Okay. Okay, thanks for answering my questions. That's all I've got.

Jeff Stusek, President & Chief Executive Officer

Thanks, Varun.

Operator

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

Jonathan Hackshaw, Director, Investor Relations & Corporate Communications

Thank you, Sebastian. With no further questions I'd like to thank all of you for joining us again on today's call and we look forward to speaking with you again in the new year when we report our year-end results. 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.
