## 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

**Steve Arthur**
*RBC Capital Markets*

**Michael Urlocker**
*GMP Securities*

## PRESENTATION

**Operator**

Good morning, ladies and gentlemen. Welcome to the Information Services Corporation First 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, Mary, and good morning, ladies and gentlemen. Welcome to Information Services Corporation's conference call for the first quarter ended March 31, 2016.

With me today 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 review of some of the highlights of the past quarter. Shawn will then provide 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 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 consolidated financial statements and management's discussion and analysis for the first quarter ended March 31, 2016 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 ISC's consolidated financial statements and notes, and management's discussion and analysis for the quarter ended March 31, 2016. 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 shortly 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.

The first quarter of 2016 was a solid start to the year for us. Both our registries and services segments performed well and made strong contributions to our results. The year-over-year improvement in our free cash flow and margins is a reflection of the addition of ESC to our revenue stream, as well as our prudent management of expenses, which continues to serve us well in a flat economy.

On the business development front, we continue to be active. In March, ISC was appointed to continue to manage and operate the Common Business Identifier program and the Business Registration Saskatchewan program. The province of Saskatchewan will pay ISC and annual operating fee of $825,000 subject to an annual consumer price index adjustment.

In other jurisdictions we are also pursuing new business and in our 2015 third quarter conference call I spoke about Nova Scotia. Last month the government of Nova Scotia concluded on our RFP process and announced that it would keep its registries in-house and upgrade the technology. This was obviously disappointing news, as I strongly believe that we would've added tangible value to the running of those registries, but we respect Nova Scotia's decision. In the meantime we will continue to stay the course with our existing business while we look for other opportunities to further diversify our revenue stream and generate long-term shareholder value.

With that, I'd now like to ask Shawn to summarize our financial and operating performance for the first quarter in 2016.

---

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

Thank you, Jeff.

As reported in our last call, starting with last year's fourth quarter and year end reporting we made some changes to the way we report our financial performance. Following the acquisition of ESC in the fourth quarter of 2015 we began reporting two operating 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. For more details on the segments please refer to the segment information section in the MD&A.

Now turning to the numbers, revenue for the first quarter of 2016 totalled $19.6 million, an increase of 22.4 percent compared to $16 million for the same period in 2015. The increase was largely driven by the inclusion of ESC, our services segment, which was acquired on October 1, 2015. We experienced very modest increases in our registries a segment.

EBITDA was $5.1 million compared to $3.8 million in the same quarter of last year, which resulted in an EBITDA margin of 25.9 percent compared to 23.5 percent for the same period in 2015. Adjusted EBITDA was $5.5 million compared to $3.8 million in the same quarter last year with ISC generating an adjusted EBITDA margin of 27.9 percent for the quarter compared to 23.6 percent in the first quarter of 2015. EBITDA was adjusted for stock-based compensation expense or income, equity settled employee benefit reserve, transactional gains or losses, and acquisition and integration costs.

ISC's net income and total comprehensive income was $2.2 million or $0.13 per basic and $0.12 per diluted share. In the first quarter of 2015 net income was $1.7 million or $0.10 per basic and diluted share.

Revenue for the registries segment was $16.3 million for the first three months ended March 31, 2016, an increase of $0.3 million or 1.9 percent compared to the first quarter of 2015. Results improved due to gains from the corporate registry and the personal property registry, which more than offset declines in the land registry.

For the land registry, which includes the land titles registry, the land surveys directory, and geomatics, revenue was $11.5 million for the three months ended March 31, 2016, a decrease of $0.2 million or 1.8 percent compared to the first quarter of 2015. The majority of the revenue generated from the land registry is from the land titles registry where the bulk of fees of value-based. Land titles registry revenue for the three months ended March 31, 2016 was $10.6 million, a drop of $0.2 million or 2 percent compared to the first quarter of 2015. Even with the above mentioned decrease in revenue, transaction volumes grew 5.8 percent compared to the same period of last year. The overall growth in volume for the quarter can be credited to an influx of mineral transactions, which are not part of regular land transfers. These typically generate lower revenue amount per transaction.

Revenue for the personal property registry was $2.2 million, which represents a rise of 5.6 percent from the first quarter of 2015. This is due to an increase in revenue for registration and search volumes. Transaction volumes increased by 3.6 percent compared to the same period last year, primarily due to a gain in search and maintenance volumes.

For the corporate registry revenue was $2.6 million, an increase of $0.4 million or 17.8 percent compared to the first quarter of 2015. Overall transaction volume grew by 3.5 percent compared to the same period last year, primarily due to increased search volume. And, on that note, we continue with our efforts to renew and enhance the technology supporting the corporate registry which we expect to launch in July 2016.

To our services segment, please keep in mind that the results for this segment are primarily provided by our wholly-owned subsidiary ESC. Revenue for that segment for the first quarter was $3.3 million. This is an improvement of $0.1 million or 3.5 percent compared to the fourth quarter of 2015. Revenue from search and registration services was $1.5 million, which represents 46.4 percent of the total revenue. The remainder included know-your-customer services and corporate supplies and accessories.

Turning to our expenses, consolidated expenses were $16.4 million, an increase of $2.8 million compared to $13.6 million for the same period in 2015. Overall wages and salaries showed a slight increase for the quarter, mainly due to the acquisition of the ESC's staff and our costs for information technology services decrease. Additional costs of goods sold for certain ESC products and costs incurred in relation to the acquisition also contributed to the overall slight increase in consolidated expenses.

Depreciation and amortization was $1.8 million for the three months ended March 31, 2016, compared to $1.3 million for the same period of 2015. The increase was mainly due to the additional depreciation from the capital assets of ESC.

Capital expenditures were $1.3 million compared to $1 million for the same period in 2015. Capital expenditures were focused on the renewal and enhancement of technology supporting the corporate registry as well as various sustaining initiatives around general office improvement.

As at March 31, 2016 the company had long-term committed debt of $24.2 million. Please refer to the MD&A for further details on our credit facilities.

As at March 31, 2016 the company held $33.8 million in cash compared to $36.6 million as at December 31, 2015, a decrease of $2.8 million. Free cash flow for the first quarter of 2016 was $3.3 million compared to $2.1 million in 2015. The increase was due to the addition of ESC to our consolidated financial performance.

We also announced yesterday that our board of directors approved our second quarterly cash dividend for 2016 in the amount of $0.20 per share. The dividend will be payable on or before July 15, 2016 to shareholders of record as of June 30, 2016.

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

---

**Jeff Stusek, President & Chief Executive Officer**

Thanks, Shawn.

Just to provide some final insight into our expectations for the rest of the year, we still expect the performance of our registry segment, based on expectations for the Saskatchewan economy, to be similar to 2015. This is based on the fact that even though transaction volumes for the land titles registry grew year over year in the first quarter of 2016, we have observed some modest declines in key areas such as regular land transfers.

In our services segment, while moderate growth was anticipated for the central Canadian markets we expect the growth of ESC's core business to continue in specific categories relating to the financial services and legal sectors in both its core markets of Ontario and Quebec. The growing base of new customers as well as new mandates from existing customers will continue to support overall revenue growth. We also intend to continue our focus on cost efficiencies to improve margins in this business. Based on this, we reiterate that our expected consolidated EBITDA margin for the fiscal 2016 will be in the range of 32 to 34 percent.

We remain committed to growing ISC, taking a prudent and disciplined approach, and are actively exploring for new opportunities to expand both segments of our business. What remains true, however, is that each opportunity has its own characteristics and in some cases competitive challenges and we will continue to approach these opportunities with the same enthusiasm and determination.

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

---

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

Thanks, Jeff. Mary, we would like to begin the Q and 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 Steve Arthur from RBC Capital Markets. Please go ahead.

---

**Steve Arthur, RBC Capital Markets**

Great. Thank you very much. I just want to start with one of your last points there, Jeff, on EBITDA outlook of 32 to 34 percent for this year. Just bigger picture, in the past that number has been higher, so if we were to return to, I don't know, normal economic times, however you define that, any reason why the EBITDA margin wouldn't move higher if that happens? Or has something changed in the business just to keep it in that range?

---

**Jeff Stusek, President & Chief Executive Officer**

Thanks for the question Steve. So if you recall when we were going through the IPO and in early stages in 2013 and 2014, Shawn and I often talked about getting to an EBITDA margin of 40 percent. That was with the business sort of as it was and the Saskatchewan economy, where our primary contract was, to sort of continue to be robust and our focus on some cost cutting. The only change to that, there has been two fundamental changes. The top line of the business is not as robust as it was and we were talking about that number. I think the second element we have to pay attention to is the acquisition of ESC, for example, which has a lower margin. So that would be a reason that we wouldn't get back to that 40 number necessarily but, you know, we'll continue to strive towards that. But there is sort of not an anomaly but a difference from when we were talking about it back then.

---

**Steve Arthur, RBC Capital Markets**

Right. But there is a path to something into the mid-30s and perhaps beyond?

---

**Jeff Stusek, President & Chief Executive Officer**

Well, that's certainly our intention.

---

**Steve Arthur, RBC Capital Markets**

With revenue, you know, returning to normal growth.

---

**Jeff Stusek, President & Chief Executive Officer**

Yes.

---

**Steve Arthur, RBC Capital Markets**

Just a bit more specific question. You commented in the press release for the land registry looking at similar numbers of transactions to last year but a more normalized level of high value property transactions. That presumably has a negative impact on revenue but any sense of the magnitude of that or, phrased another way I guess, how much did those high-value transactions boost revenue in 2015?

---

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

Hi, Steve. It's Shawn. So our high-value transactions were above our historical average in 2015. I don't have the number of the top of my head but we did see a larger number. It wouldn't be significant in terms of the overall revenue but it did sort of help boost the offset or help offset a little bit of the lower transaction volumes that we were seeing. And we've continued to see a little bit of strength in those high-value transactions into 2016 and that's what is helping to offset some of the lower volumes and values that we are seeing now. It is just sort of playing a little bit of an offset but I wouldn't tag it as being significant.

---

**Steve Arthur, RBC Capital Markets**

Okay. And just one final one for me, just on costs, I think you commented in the press release prudent management of expenses, which was appropriate in this economy, or some phrasing like that. I guess just generally on cost, what are the objectives there? Can you hold costs at 2015 levels after adjusting for the acquisition? Or is there room to reduce them? Or are they more likely to drift higher with inflation or other new projects?

---

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

Well we actually see sort of all of the above. We are certainly trying to hold our costs at 2015 levels. You know, in ISC itself we have continued to take advantage of attrition and reduce our overall staff costs here. Now that gets partially offset by just inflationary increases in our wages and salaries. But really out efforts are focused at maintaining them pretty close to 2015. I don't expect that where we are right now and the activities that we are undergoing and the projects that we are doing and the business development that we are looking at that we're going to see it expenses go down significantly. I think we're working hard and we'll be pleased to keep them close to 2015 levels, subject to of course the addition of the ESC expenses.

---

**Steve Arthur, RBC Capital Markets**

Right. Okay, thanks very much. I'll pass the line.

---

**Operator**

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

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

---

**Michael Urlocker, GMP Securities**

Hi. Good morning and thanks for taking my question. Jeff, you said the land registry in the quarter had some revenue inflows that were unexpected or unusual related to mineral rights, is that correct?

---

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

Mike, it's Shawn. We saw a larger number of mineral transactions, yes.

---

**Michael Urlocker, GMP Securities**

Okay. And how much would—can you disclose a dollar amount on that?

---

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

Actually I don't have that. We don't really break that down that way, Mike. But, again, it is one of those things, those are lower value transactions for us, so even though the volumes of them were up the revenue on it didn't help offset the decreases in our regular land transfer. So it is not a big dollar.

---

**Michael Urlocker, GMP Securities**

Okay. And I guess, you know, here's how I look at the businesses, you know, you've experienced six quarters up until now of a decline on the overall Saskatchewan registry business, primarily with the land part being weak, understandably, and then in this quarter the land registry itself was down a very modest 2 percent and overall the Sask registries grew 2 percent from especially strong performance on corporate. Is there any sense that we're at a period now where the overall registry business can stabilize and grow moderately or is that still too hard to determine based on the economy?

---

**Jeff Stusek, President & Chief Executive Officer**

Michael, Jeff here. I would say it's probably the latter statement that they are positive signs in the economy that we're, you know, we like to see, but there are still some of the drags that we would see as well. So too early to tell. I think stabilized, I think we've reached stabilization like in the sense of it's not erratic, but I suspect as things like oil prices and things like that get to, you know, start trajectory in the right direction for us, that will increase the activity and spark the economy clearly but, you know, it is pretty stable right now but I think there is certainly room to grow.

---

**Michael Urlocker, GMP Securities**

Okay. Thank you. And then in terms of the cash generation, it was a little bit less than what we had expected and cash generation was a little bit less than a year ago. Was there some unusual use of cash either in the core business or from ESC that occurred in the quarter?

---

**Jeff Stusek, President & Chief Executive Officer**

Not really an unusual use of cash. We did have a strong influx of cash last year in the same quarter due to some working capital changes and a large receivable from CRA that we received, but this year nothing unusual. We continue most of our efforts on our corporate registry modernization, which of course uses some cash, we've talked about that in CapEx, and we continue our active growth activities and that uses some cash, but nothing that I would cite as unusual.

---

**Michael Urlocker, GMP Securities**

Okay. And then just on a nominal basis if I look at the dividend in the quarter it was $0.20 and EPS was less than that and understandably I think typically the first quarter the payout is greater than the net income. I just wanted to understand what your view is on the dividend payout over a period of the year and hopefully you can more than cover it by net income and free cash flow?

---

**Jeff Stusek, President & Chief Executive Officer**

Yeah, you've hit it right on the head there. First quarter is typically our slowest quarter and most often net income is below the dividend payout but averaged over the course of the year. We'll see generally stronger second and third quarters and then a slightly slower fourth quarter as well but averaged over the year we're confident in the free cash flow and the income that we can generate cover that.

---

**Michael Urlocker, GMP Securities**

Okay, sounds good. I appreciate the progress you're making in the business. Thank you.

---

**Operator**

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

---

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

Thanks, Mary. With no further questions I'd like to thank everyone for joining us on today's call and we look forward to speaking with you again when we report our second quarter of 2016. Have a good day.

---

**Operator**

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

---