

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

Stephanie Price

CIBC World Markets

Michael Urlocker

GMP Securities

PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to the Information Services Corporation Second 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, Valerie, and good morning, ladies and gentlemen. Welcome to Information Services Corporation's conference call for the second quarter ended June 30, 2016.

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 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 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 results today. ISC's consolidated financial statements and management's discussion and analysis for the quarter ended June 30, 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 law. 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 audited consolidated financial statements and notes and management's discussion and analysis for the quarter ended June 30, 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 our 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 today.

At our last conference call I said that we were off to a positive start to the year. I'm pleased to say that we have passed the halfway mark for 2016 and this trend has continued. Our Registry segment continues to perform well and in line with our expectations. In fact, we saw a slight uptick in revenue year over year across the segment. It should be noted that revenue growth in the Corporate Registry primarily came in the form of a new revenue from operating the Common Business Identifier Program and the Business Registration Saskatchewan Program on behalf of the Government of Saskatchewan. On a consolidated basis, revenue for the second quarter

compared to the same period last year was up 23 percent. Net income was up 32 percent and our earnings per share was up \$0.09 per diluted share. These results are a testament to the strength of our overall business in a tough economy and the value added by our Services segment.

I'm also pleased to report that there were a number of positive developments for our Saskatchewan Registry business subsequent to the end of the quarter. At the beginning of July we successfully launched the new online application for the Corporate Registry, providing a more convenient service to search, register, and maintain corporate entities in Saskatchewan. The new system has many new benefits for our customers such as online submission of filings, with many registering immediately, as well as immediate access to digitally verified documents and certificates. On July 25th we announced the ratification of a collective agreement with SGEU. The new four-year agreement ending September 30, 2019 includes annual wage increases effective October 1st of each year. We look forward to continuing our ongoing partnership with SGEU and appreciate the hard work and commitment of the negotiating team on both sides of the table in reaching this agreement.

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

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

Thank you, Jeff.

As Jeff already mentioned, revenue for the second quarter of 2016 was up 23 percent at \$24.7 million compared to \$20.1 million for the same period in 2015. Revenue for the six months ended June 30, 2016 was \$44.3 million, an increase of 22.8 percent compared to \$36.1 million for the same period last year. Our revenue growth in Q2 was largely driven by the inclusion of ESC, part of our Services segment, which we acquired in October 2015.

EBITDA for the second quarter was \$10.3 million compared to \$8.3 million in the same quarter of last year, which resulted in an EBITDA margin of 41.7 percent compared to 41.1 percent for the same period in 2015. EBITDA for the six months ended June 30, 2016 was \$15.4 million with a margin of 34.7 percent compared to \$12 million and 33.3 percent in the same period last year. Adjusted EBITDA for the second quarter was \$11.1 million compared to \$8.4 million in the same quarter last

year with ISC generating an adjusted EBITDA margin of 45.1 percent for the quarter compared to 41.9 percent in the second quarter of 2015. For the six months ended June 30, 2016 adjusted EBITDA was \$16.6 million compared to \$12.2 million in the same period last year with ISC generating an adjusted EBITDA margin of 37.5 percent compared to 33.8 percent in the same six-month period in 2015.

Our net income and total comprehensive income for the three months ended June 30, 2016 was \$6.6 million or \$0.38 per basic and \$0.37 per diluted share. In the second quarter of 2015 net income was \$5 million or \$0.28 per basic and diluted share. Net income and total comprehensive income for the six months period ended June 30, 2016 was \$8.8 million or \$0.50 per basic and \$0.49 per diluted share. For the six months ended June 30, 2015 net income and total comprehensive income was \$6.7 million or \$0.38 per basic and diluted share.

In our Registry segment, total revenue was \$20.5 million for the three months ended June 30, 2016, an increase of \$0.5 million or 2.4 percent compared to the three months ended June 30, 2015. For the six months ended June 30, 2016, revenue was \$36.8 million, an increase of \$0.8 million or 2.2 percent compared to the same period last year. Our results were higher mostly due to increased revenue from both the Corporate Registry and the Personal Property Registry.

Revenue for the Land Registry, which is comprised of the Land Titles Registry and Land Surveys and Geomatics, was comparatively flat for the first half of 2016. Revenue was \$15.4 million for the three months ended June 30, 2016, an increase of \$0.1 million or 0.5 percent compared to the same period last year. Revenue for the Land Registry was \$26.9 million for the six months ended June 30, 2016, a modest decrease of \$0.1 million or 0.5 percent compared to the same period in 2015. The majority of the revenue generated from the Land Registry is from the Land Titles Registry where the bulk of the fees are value based. Land Titles Registry revenue for the three months ended June 30, 2016 was \$14.4 million, flat compared to the three months ended June 30, 2015. For the six months ended June 30, 2016 revenue was \$25 million, a drop of \$0.2 million or 0.8 percent compared to \$25.2 million in the same period of 2015.

Overall transaction revenues, our volumes dropped 4.8 percent for the second quarter of 2016 compared to the same period last year. Regular land transfers in the second quarter of 2016 grew by 3.9 percent when compared to the second quarter of 2015 but remain below 2010 to 2015 averages. Year over year, the volume of mortgage registrations and title searches has

declined by 10.2 percent and 3.2 percent respectively, reflecting the overall slowdown in Saskatchewan's real estate activity.

Revenue for the Personal Property Registry for the three months ended June 30, 2016 was \$2.8 million, which represents a rise of 3 percent from the same period in 2015. For the six months ended June 30, 2016 revenue was \$5 million compared to \$4.8 million for the same period last year, up 4.2 percent. Transaction volumes for the second quarter of 2016 grew by 2.5 percent compared to the same period last year, primarily due to an increase in search and maintenance volumes.

Revenue for the Corporate Registry for the three months ended June 30, 2016 was \$2.4 million, an increase of \$0.3 million or 16 percent compared to the second quarter of 2015. For the six months ended June 30, 2016, revenue was \$5 million, up 16.9 percent compared to the \$4.3 million for the same period last year. As Jeff mentioned, revenue growth for this registry came primarily in the form of new revenue from operating the Common Business Identifier Program and Business Registration Saskatchewan Program on behalf of the Government of Saskatchewan. Overall transaction volume grew by 5.3 percent for the three months ended June 30, 2016 compared to the same period last year, again primarily due to increased search volume. As of June 30, 2016 there were 72,989 active Saskatchewan business corporations registered with the Corporate Registry compared to 71,298 as of June 30, 2015. The number of active entities registered has continued to show consecutive quarter-over-quarter growth since 2013.

To our Services segment, revenue was \$3.6 million. This is an increase of \$0.3 million or 10.4 percent compared to the first quarter of 2016. For the six months ended June 30, 2016 revenue was \$6.9 million. As always, keep in mind that the results for this segment are primarily provided by our wholly owned subsidiary, ESC. Revenue in our Services segment comes in three forms: Search and Registration, Know Your Customer, and Corporate Supplies and Accessories. Revenue from Search and Registration services, which is the largest source, was \$1.6 million for the second quarter and represents 43 percent of the services revenue. For the six months ended June 30, 2016 revenue from that same Search and Registration was \$3.1 million. Revenue from Know Your Customer Services was \$1.2 million for the second quarter or 34.4 percent of Services revenue and was \$2.2 million for the six months ended June 30. The remainder of the revenue comes from Corporate Supplies and Accessories.

Turning to our expenses for the second quarter of 2016, consolidated expenses were \$16.5 million, an increase of \$3.4 million compared to \$13.1 million for the same period of 2015. Expenses for the six months ended June 30, 2016 was \$32.8 million compared to \$26.7 million for the same period last year, an increase of 23 percent. Overall wages and salaries showed a slight increase for the quarter. Similar to the first quarter, the increase was the result of the additional ESC salaries in our Services segment, which was partially offset by attrition in the Registry segment.

Depreciation and amortization was \$1.8 million for the three months ended June 30, 2016 compared to \$1.3 million in the same period of 2015, again with the increase due to the additional depreciation from capital assets at ESC.

Capital expenditures for the three months ended June 30, 2016 were \$3.4 million compared to \$0.3 million for the same period in 2015. Our CapEx was largely focused on the renewal and enhancement of the technology supporting the Corporate Registry, which, as Jeff mentioned, went live in early July; various corporate sustaining initiatives; and additions to our intangible assets within our Services segment. We continue to forecast our CapEx for the year to be in the \$5 million to \$6 million range.

As at June 30, 2016 the company held \$35.2 million in cash compared to \$36.6 million as at December 31, 2015, a decrease of \$1.4 million as we funded our additions to our intangible assets from existing cash. Free cash flow for the second quarter of 2016 was \$6.3 million compared to \$6.6 million in the same quarter of 2015, again as we funded significant additions to intangible assets from our operating cash.

To our long-term debt, there were no significant changes in our long-term debt during the quarter with debt totalling \$23.8 million at June 30, 2016. Further details on our long-term debt and credit facilities is contained within our MD&A and we encourage you to review that.

We also announced yesterday that our Board of Directors approved our third quarterly cash dividend for 2016 in the amount of \$0.20 per share. The dividend will be payable on or before October 15, 2016 to shareholders as of record as of September 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 expectation for the rest of the year, according to several external forecasts, Saskatchewan's real GDP growth is projected to be close to zero for 2016, so we continue to expect the performance of our Registry segment to mirror 2015. In our Services segment we believe the growth of ESC's core business to continue in specific categories related to the financial services and local sectors in both its core markets of Ontario and Quebec. The expectation is that 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 to focus on cost efficiencies to improve margins. Based on this we reiterate that our expected consolidated EBITDA margin for fiscal 2016 will be in the range of 32 percent to 34 percent.

This past quarter marks our third year of reporting as a publically traded company and our 11th consecutive quarter reported profitability. This consistency is a testament to the strength and stability of our business, even in challenging economic conditions. As expected, our Services segment has diversified our business and has made a meaningful contribution to our consolidated revenue. Our predictability and stability as a company has been consistent and we will continue to focus on maintaining this while pursuing new opportunities.

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

Jonathan Hackshaw, Director, Investor Relations & Corporate Communications

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

QUESTION AND ANSWER SESSION

Operator

Thank you, Mr. Hackshaw. 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 for questions. Thank you for your patience.

Our first question is from Steve Arthur with RBC Capital Markets. Please go ahead.

Steve Arthur, RBC Capital Markets

Great. Thanks, very much. Just a few follow up questions. First, there seems to have been a larger contribution from ESC this quarter relative to Q1. Is that a seasonal pattern of some sort in that type of business or is this the run rate we should be looking for for the Services division?

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

Hi, Steve. It's Shawn. ESC doesn't actually experience the same seasonality that we do. They have moderate seasonality but I think this would be, the business just continues to grow and they continue to do well in their operating margins and so I would think this is generally the run rate that we will see going forward.

Steve Arthur, RBC Capital Markets

Okay, sounds good. And I guess more broadly related to that, this acquisition seems to have worked out quite well and be running smoothly. Any comments on your appetite for further transactions like this and the pipeline of opportunities that you see out there?

Jeff Stusek, President & Chief Executive Officer

Hi, Steve. Jeff here. Yeah, I think I would echo your commentary that this acquisition has worked out as we expected it would. I think the same approach we took with ESC, that if there is a deal that makes sense to compliment our business then we'll take a look at it. So we're not overly hungry or under hungry for acquisition. If it makes sense to us then we're going to go after it.

Steve Arthur, RBC Capital Markets

And are you seeing those kinds of opportunities, either looking for them or being presented to you?

Jeff Stusek, President & Chief Executive Officer

I think there's—we're in the marketplace so, you know, we're continuing to investigate what's possible and what makes sense. The right deal needs to have so many qualities that fit before we'll chase it down but there are certainly a lot of companies out there and a lot of opportunity, so we'll see one that fits and then we'll get aggressive on it at that point.

Steve Arthur, RBC Capital Markets

Okay, makes sense. I guess a bit more specifically, some of the expense items, wages in salary seem to be down quarter over quarter in terms of percentage of revenue, which I guess we'd expect. I know cost control is obviously something you're working on but is there anything in the Q2 number that was a one-time thing or making the expense line abnormally low? Or is it relatively sustainable around that level?

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

A couple of things. That's sort of a two-part answer, Steve. I think, first of all, full credit to our operations team in looking for and continuing to find efficiencies. I think on the registry side of the business, given the current transaction volumes and level of activity, we're pretty comfortable that that's a sustainable level to continue to operate the registries at. Having said that, I think the EBITDA margins in particular for Q2 were probably a bit higher and we expect to see a little bit of additional spend as we go forward in the rest of the year. Our Corporate Registry modernization project went in, as we said, early July and, frankly, we cleared the runway for that project to go in, and so we slowed down a little bit of spending in Q2 that we would've otherwise done, particularly in our technology side. So I think you can expect to see those ramp up a little bit over the next couple of quarters. So I would think this is a bit unusually high.

Steve Arthur, RBC Capital Markets

Okay, the margin is unusually high.

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

The margin's unusually high, yes.

Steve Arthur, RBC Capital Markets

Okay. And I guess related to that, I think you just answered this, final question I had is related to the R&D spend with the Corporate Registry just being launched in July. Guess we won't really expect R&D spending to go down because it's been launched but more so maybe even go up because of new programs to use those resources?

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

Yeah, we continue to do R&D in the other lines of our business as well so, yeah, I wouldn't expect them to go down.

Steve Arthur, RBC Capital Markets

Okay, great. Thanks very much for those things.

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

Thank you, Steve.

Operator

Thank you. Our next question is from Stephanie Price with CIBC. Please go ahead.

Stephanie Price, CIBC World Markets

Good morning.

Jeff Stusek, President & Chief Executive Officer

Good morning, Stephanie.

Stephanie Price, CIBC World Markets

On the launch of the new Corporate Registry, can you give us a bit of an update on how the launch has gone and how the rollout has been?

Jeff Stusek, President & Chief Executive Officer

Stephanie, Jeff here. The launch went well. There was a lot of work on the front end to prepare both our internal and our external, our internal folks and our external customers, to prepare for this transition. It went well, as we expected it would. A system implementation of this size and change doesn't come without a few bumps in the road but, generally speaking, it went well.

Stephanie Price, CIBC World Markets

Great. And could the new Corporate Registry be exported to other provinces in terms of the technology?

Jeff Stusek, President & Chief Executive Officer

Well, the technology, we partnered with a firm to help us with that, so it's not IP that we particularly own. Our pursuit of other registries, corporate registry in particular, is the fact that we run the end-to-end service very well. And that includes technology. So we would look to partner with a technology like we have here. But the technology itself is not necessarily exportable by us.

Stephanie Price, CIBC World Markets

Okay, great. And then in terms of the dividend policy, can you just give us a refresher on how you think about the dividend here given your levels of free cash flow?

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

Stephanie, it's Shawn. So we continue to look at our dividend, and certainly I don't want to talk on behalf of the Board, that's a Board decision but, as you know, we've taken a dividend policy that we feel we can sustain through both good times and bad and I think, as we saw in 2015, that was the right approach to take, and we don't foresee and we didn't foresee at that time any required changes to our dividend. We were able to maintain it during that period.

At this point, as we continue to look forward, it's something that will continue to cross our Board from time to time, but at this point we don't see any changes to the dividend policy.

Stephanie Price, CIBC World Markets

Okay. Thank you.

Jonathan Hackshaw, Director, Investor Relations & Corporate Communications

Thank you, Stephanie.

Operator

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

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

Michael Urlocker, GMP Securities

Thank you. Hi, Jeff. I'll just offer a very open-ended question: How would you describe the state of the business these days?

Jeff Stusek, President & Chief Executive Officer

Hey, Michael. Thanks for your open-ended question. The state of the business, I think ISC is very stable. It is a strong business that I think we would expect it to be. It's deliberate and predictable and we run a good business. I think the addition of ESC in the services segment allowed us to see some growth and some organic growth in that business and the acquisition is performing as we expected, so I'm happy with the business.

Michael Urlocker, GMP Securities

Okay. And then if you look at, let's call them the people at ESC and, in particular, I guess, Chris Valentine, is there an opportunity or is he giving you insights into other ways that the entire business, not just ESC but Information Services Corp., can maybe innovate and launch new services?

Jeff Stusek, President & Chief Executive Officer

Yeah. So I think we discussed this in some calls earlier when we were talking about the acquisition itself. Chris, who is the leader of that side of the business for us, Chris

and I work very closely together on both the strategy of that side of the business, but some of the insight he can provide is also helpful to us and I, quite frankly, would say some of the sort of traditional ISC business practices and protocols have been helpful on that side of the business. And so it really was a good marriage from that context, it continues to be, because it's both parties helping each other. I don't view them as two parties now, because they're one, we just operate them separately, but Chris has been very helpful and his team has been highly energized and engaged.

Michael Urlocker, GMP Securities

Okay. Because it's certainly striking, you know, guys like us, we don't deal with questions like, should I incorporate my small business or should I change my name. We don't deal with issues like that on a day-to-day basis. But it's quite remarkable how many value-add services ESC offers around what are, you know, what we would consider as fairly pedestrian transactions for corporates, right? So it just strikes me that there's an inherent growth available to ESC that he's managed to capture very effectively and I think Information Services Corp. as itself has done well also. So I guess I'm hoping there's more imagination and output as a result.

Jeff Stusek, President & Chief Executive Officer

For sure. I think there is and continues to be. I think one of the distinctions, um, I wouldn't call Chris's business pedestrian, but certainly he deals with a number of clients, 5,500 clients or whatever the number is, and we have in many ways one, depending on how you look at the ISC business and the Government of Saskatchewan, and so dealing with the approach of dealing with singular, large customers versus multiple growth side is different, but there's some cross learning there for sure and the ability to launch new products quickly and things like that, Chris and his team do a very good job of that. And so we're learning from that but, at the same time, he's learning from some of our structure and processes, which is helping his business in a big way, which is our business.

Michael Urlocker, GMP Securities

Excellent. Okay, well I think the rest of the business is, you know, the numbers demonstrate you've been doing really well despite a slightly slower economy in Saskatchewan, and so I congratulate you for the growth

in ROE and the profit margins and cash generation. Thank you.

Jeff Stusek, President & Chief Executive Officer

Thank you.

Jonathan Hackshaw, Director, Investor Relations & Corporate Communications

Thanks, Mike.

Operator

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

Jonathan Hackshaw, Director, Investor Relations & Corporate Communications

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

Operator

Thank you, gentlemen. The conference has now ended. Please disconnect your lines at this time and we thank you for your participation.