



NEWS RELEASE

ISC® Reports 2018 Second Quarter Financial Results

8/7/2018

REGINA, Saskatchewan, Aug. 07, 2018 (GLOBE NEWSWIRE) -- Information Services Corporation (TSX:ISV) ("ISC®" or the "Company") today reported on the Company's financial results for the second quarter ended June 30, 2018.

2018 Second Quarter Highlights

- Revenue of \$31.1 million compared to \$24.6 million in Q2 2017, up 26.0%.
- Net income of \$5.2 million or \$0.29 per basic and diluted share compared to \$4.7 million or \$0.27 per basic and diluted share in Q2 2017.
- EBITDA (earnings before interest, taxes, depreciation and amortization) of \$10.1 million compared to \$8.8 million in Q2 2017, up 14.6%.
- EBITDA margin of 32.6% compared to 35.8% in Q2 2017.
- Adjusted EBITDA for the quarter was \$9.5 million, a margin of 30.5%, compared to \$9.6 million and a 38.8% margin in 2017.
- Free cash flow of \$7.0 million compared to \$7.7 million in Q2 2017.
- On June 7, 2018, the Company, through its wholly owned subsidiary, Enterprise Registry Solutions Limited, entered into an agreement with the Secretary of State of Missouri to replace the current technology supporting the business services division of the Office of the Missouri Secretary of State's system with the RegSys platform. The total value of the contract is approximately USD\$2.1 million and is for a period of two years.

Financial Position as at June 30, 2018

- Cash of \$31.6 million compared to \$31.3 million as at December 31, 2017.
- Total debt of \$20.8 million compared to \$21.6 million as at December 31, 2017.

Commenting on ISC's results, Jeff Stusek, President and CEO stated, "Increases in interest rates and new mortgage qualification rules are clearly driving the year-over-year softening of results in our Registry Operations business in Saskatchewan. Nonetheless, as one of our key lines of business, Registry Operations continues to deliver a meaningful contribution. The performance of our Services segment further demonstrates the benefits of having diversified, yet complementary revenue streams." Stusek continued, "After a busy year in 2017 completing a number of key strategic acquisitions, we are focused on leveraging organic growth opportunities from those lines of business, while ensuring that we provide great service to existing customers across the Company. There is still much to be done in 2018 and as we pass the half-way mark, I remain confident about the road ahead."

Management's Discussion of ISC's Summary of 2018 Second Quarter Financial Results

(thousands of CAD dollars; except earnings per share and where noted)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017
Revenue – Registry Operations		
Land Registry	\$ 13,475	\$ 14,942
Personal Property Registry	2,712	2,781
Corporate Registry	2,515	2,621
Total Revenue – Registry Operations	\$ 18,702	\$ 20,344
Revenue - Services	\$ 11,474	\$ 3,552
Revenue - Technology Solutions	\$ 4,553	\$ 5,559
Revenue – Corporate and other	\$ (3,671)	\$ (4,809)
TOTAL Revenue	\$ 31,058	\$ 24,646
Expenses	\$ 24,316	\$ 18,406
EBITDA ^{1,2}	\$ 10,117	\$ 8,824
EBITDA margin ^{1,2} (% of revenue)	32.6 %	35.8 %
Adjusted EBITDA ^{1,2}	\$ 9,474	\$ 9,553
Adjusted EBITDA margin ^{1,2}	30.5 %	38.8 %
Net income	\$ 5,162	\$ 4,733
Earnings per share (basic) ³	\$ 0.29	\$ 0.27
Earnings per share (diluted) ³	\$ 0.29	\$ 0.27
Free cash flow ¹	\$ 6,980	\$ 7,738

EBITDA, EBITDA margin, adjusted EBITDA and adjusted EBITDA margin are not recognized as measures under IFRS and do not have a standardized meaning prescribed by IFRS and, therefore, they may not be comparable to similar

measures reported by other corporations, refer to section 21 “Non-IFRS Financial Measures”. Refer to section 9 “Financial Measures and Key Performance Indicators” for a reconciliation of EBITDA and adjusted EBITDA to net income.

The 2018 EBITDA margin includes a \$1.0 million adjustment in relation to the fair value estimate of the contingent consideration associated with our AVS acquisition.

The calculation of earnings per share was based on net income after tax and the weighted average number of shares outstanding during the period.

2018 Second Quarter Results of Operations

- Total revenue was \$31.1 million, up \$6.4 million compared to Q2 2017.
- Registry Operations segment revenue was \$18.7 million, down \$1.6 million compared to Q2 2017.
 - Land Registry revenue was \$13.5 million, down \$1.4 million compared Q2 2017.
 - Personal Property Registry was \$2.7 million, flat compared to Q2 2017.
 - Corporate Registry revenue was \$2.5 million, flat compared to Q2 2017.
- Services segment revenue was \$11.5 million, up \$8.0 million compared to Q2 2017.
- Technology Solutions segment revenue was \$4.6 million, up \$1.0 million compared to Q2 2017.
- Consolidated expenses (all segments) were \$24.3 million, up \$5.9 million compared to \$18.4 million for Q2 2017.
- Net income was \$5.2 million or \$0.29 per basic and diluted share, compared to \$4.7 million or \$0.27 per basic and diluted share for Q2 2017.
- Capital expenditures were \$0.6 million compared to \$0.1 million in Q2 2017.

Outlook

The following section includes forward-looking information, including statements related to the industries in which we operate, growth opportunities and our future financial position and results including expected revenue, EBITDA and capital expenditures. Refer to section 3 “Caution Regarding Forward-Looking Information” in our Management’s Discussion and Analysis for the three months ended June 30, 2018 .

On a consolidated basis, ISC continues to expect total revenue of between \$124.0 and \$130.0 million with an EBITDA margin of between 24.0 per cent and 26.0 per cent. With the first half of the financial year completed, and with the continued softening of the Registry Operations business, we expect to be on the lower end of revenue guidance. Our adjusted EBITDA margin, which adjusts for stock-based compensation expense or income, stock option expense, transactional gains and losses on assets, and acquisition and integration costs, is also still expected to be between 26.0 and 28.0 percent, in line with historical adjustments.

It should be noted that the acquisition of AVS in December 2017, with a high revenue, lower margin profile, changes

ISC's consolidated revenue and EBITDA margin profile compared to previous years. Capital expenditures are expected to range between \$4.0 million and \$6.0 million and will be funded through operating cash flow.

We primarily see two factors influencing the outlook for our Registry Operations segment, specifically the Saskatchewan Land Registry, those being changes to the mortgage rules and an increase in overnight lending rates. The Office of the Superintendent of Financial Institutions (Canada) implemented revisions to its mortgage rules effective on January 1, 2018, which now include a requirement to "stress test" borrowers with uninsured loans to ensure they could withstand increases in interest rates. The Bank of Canada raised its overnight lending rate on July 11, 2018, by a quarter of a per cent, after a similar increase on January 17, 2018. Given these factors, along with the lower transaction levels we observed during the first half of 2018, we expect that softening in the Saskatchewan market will continue and will impact the overall results from our Registry Operations segment in 2018, absent any high-value transactions beyond our historical average currently incorporated into our forecast.

In our Services segment, we expect to see further customer growth in Financial Support Services in 2018, due to the continued rollout of new customers from significant institutional adoption of both the customer onboarding and collateral management services we provide. We will continue to invest in our core Services technology platforms to enable integrated solutions in conjunction with our AVS technology in the year ahead.

Following the addition of new business during the quarter in the Company's newest reporting segment, Technology Solutions, the Company expects to see modest revenue growth in this segment, largely made up of implementation fees associated with new contracts. Subsequent to each implementation, revenue will be based on service fees over the life of the contracts. We will continue to pursue new business opportunities in this segment in 2018, while simultaneously investing in RegSys to enhance the platform.

The key drivers of our expenses will continue to be wages and salaries, information technology costs as well as costs associated with the pursuit of new business opportunities.

Note to Readers

The Board of Directors ("Board") carries out its responsibility for review of this disclosure primarily through the Audit Committee, which is comprised exclusively of independent directors. The Audit Committee reviews and approves the fiscal year-end Management's Discussion and Analysis ("MD&A") and financial statements and recommends both to the Board for approval. The interim financial statements and MD&A are reviewed and approved by the Audit Committee.

This news release provides a general summary of ISC's results for the quarters ended June 30, 2018 and 2017. Readers are encouraged to download the Company's complete financial disclosures. Links to ISC's financial

statements and related notes and MD&A for the period are available on our website in the Investor section at www.company.isc.ca.

Copies can also be obtained at www.sedar.com by searching Information Services Corporation's profile or by contacting Information Services Corporation at investor.relations@isc.ca.

All figures are in Canadian dollars unless otherwise noted.

Conference Call and Webcast

We will hold an investor conference call on Wednesday, August 8, 2018 at 11:00 a.m. ET (9 a.m. MT) to discuss the results. Participants may join the call by dialing toll-free 1-844 419-1765 or 1-216- 562-0470 for calls outside North America. Simultaneously, an audio webcast of the conference call will also be available at the following link www.company.isc.ca/investor-relations/events. The audio file with a replay of the webcast will be available about 24 hours after the event on our website at the link above. We invite media to attend on a listen-only basis.

About ISC

Headquartered in Canada, ISC® is the leading provider of registry and information management services for public data and records. Throughout our history, we have delivered value to our clients by providing solutions to manage, secure and administer information through our Registry Operations, Services and Technology Solutions segments. ISC® is focused on sustaining its core business while pursuing new growth opportunities. The Class A Shares of ISC® trade on the Toronto Stock Exchange under the symbol ISV.

Cautionary Note Regarding Forward-Looking Information

This news release contains forward-looking information within the meaning of applicable Canadian securities legislation including, without limitation, those contained in the "Outlook" section hereof and statements related to the industries in which we operate, growth opportunities and our future financial position and results including expected revenue, EBITDA and capital expenditures. Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those expressed or implied by such forward-looking information. Important factors that could cause actual results to differ materially from the Company's plans or expectations include risks relating to changes in economic, market and business conditions, reliance on key customers and licenses, dependence on key projects and clients, securing new business and fixed-price contracts, identification of viable growth opportunities, implementation of our growth strategy, competition and other risks detailed from time to time in the filings made by the Company including those detailed in ISC's Annual Information Form dated March 13, 2018 and ISC's unaudited Condensed Consolidated Interim Financial Statements and Notes and Management's Discussion and Analysis for the second quarter ended June 30, 2018, copies of which are filed on SEDAR at www.sedar.com.

The forward-looking information in this release is made as of the date hereof and, except as required under applicable securities legislation, ISC® assumes no obligation to update or revise such information to reflect new events or circumstances.

1 Office of the Superintendent of Financial Institutions Canada (OSFI) – News Release “OSFI is reinforcing a strong and prudent regulatory regime for residential mortgage underwriting”, October 17, 2017.

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Source: Information Services Corporation