



NEWS RELEASE

ISC® Reports 2019 Second Quarter Financial Results

8/6/2019

REGINA, Saskatchewan, Aug. 06, 2019 (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, 2019.

2019 Second Quarter Highlights

- Revenue of \$34.2 million compared to \$31.1 million in Q2 2018, up 10.3%.
- Net income of \$5.8 million or \$0.33 per basic and diluted share compared to \$5.2 million or \$0.29 per basic and diluted share in Q2 2018.
- EBITDA (earnings before interest, taxes, depreciation and amortization) of \$10.8 million, flat compared to \$10.7 million in Q2 2018. In the second quarter of 2018, we made a \$1.0 million adjustment to the fair value estimate of the contingent consideration associated with our AVS Systems Inc. acquisition. Excluding the \$1.0 million fair value adjustment in 2018, EBITDA was \$1.1 million higher for the three months ended June 30, 2019 versus 2018.
- EBITDA margin of 31.4 % compared to 34.4% in Q2 2018, down as expected, as a result of the lower margin profile of our collateral management product line in our Services segment.
- Adjusted EBITDA for the quarter was \$10.9 million, a margin of 31.8%, compared to \$10.0 million and a 32.3% margin in 2018.
- Free cash flow of \$8.6 million, an increase of \$1.1 million or 14.0 % Q2 2018.

Financial Position as at June 30, 2019

- Cash of \$19.2 million compared to \$28.7 million as at December 31, 2018.

- Total debt of \$19.0 million compared to \$20.0 million as at December 31, 2018.

Commenting on ISC's results, Jeff Stusek, President and CEO stated, "Following on from the first quarter of 2019, we delivered a solid second quarter performance with consolidated revenue and net income both up year-over-year. While our EBITDA remained flat this was only because of an adjustment we made in Q2 2018. Otherwise it would have been \$1.1 million higher for Q2 2019 compared to Q2 2018." Stusek continued, "Our Registry Operations segment continues to feel the impacts of economic conditions. However, it remains a strong free cash flow business while we drive growth through our Services segment which saw revenue up 20 per cent year-over-year in Q2 2019 compared to Q2 2018. With the first half of the year behind us, we will remain focused on ensuring that we achieve the goals that we set at the start of the year."

Management's Discussion of ISC's Summary of 2019 Second Quarter Financial Results

(thousands of CAD dollars; except earnings per share and where noted)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018 (restated) ³
Revenue		
Registry Operations	\$ 18,498	\$ 18,702
Services	13,796	11,474
Technology Solutions	4,645	4,553
Corporate and other	(2,995)	(3,671)
Consolidated revenue	\$ 34,244	\$ 31,058
Consolidated expenses	\$ 26,308	\$ 24,227
Consolidated EBITDA ¹	\$ 10,752	\$ 10,684
Consolidated EBITDA margin ¹ (% of revenue)	31.4 %	34.4 %
Consolidated adjusted EBITDA ¹	\$ 10,873	\$ 10,041
Consolidated adjusted EBITDA margin ¹	31.8 %	32.3 %
Consolidated net income	\$ 5,784	\$ 5,150
Earnings per share (basic) ¹	\$ 0.33	\$ 0.29
Earnings per share (diluted) ¹	\$ 0.33	\$ 0.29
Free cash flow ¹	\$ 8,585	\$ 7,547

¹EBITDA, EBITDA margin, adjusted EBITDA and adjusted EBITDA margin and free cash flow 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. Please refer to section 8.8 "Non-IFRS Financial Measures", section 2 "Consolidated Financial Analysis" for a reconciliation of EBITDA and adjusted EBITDA to net income and section 6.1 "Cash Flow" for a reconciliation of free cash flow in Management's Discussion & Analysis for the three and six months ended June 30, 2019.

2 On January 1, 2019, the Company adopted IFRS 16 using the full retrospective method and therefore the comparative information has been restated and reported under IFRS 16, with an impact to opening retained earnings. Refer to Note 2 of the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2019 for further details.

2019 Second Quarter Results of Operations

- Total revenue was \$34.2 million, up \$3.2 million compared to Q2 2018.
- Registry Operations segment revenue was \$18.5 million, down \$0.2 million compared to Q2 2018.
 - Land Registry revenue was \$13.2 million, down \$0.3 million compared Q2 2018.
 - Personal Property Registry was \$2.8 million, flat compared to Q2 2018.
 - Corporate Registry revenue was \$2.5 million, flat compared to Q2 2018.
- Services segment revenue was \$13.8 million, up \$2.3 million compared to Q2 2018.
- Technology Solutions segment revenue was \$4.9 million compared to \$4.6 million in Q2 2018.
- Consolidated expenses (all segments) were \$26.3 million, up \$2.1 million compared to \$24.2 million for Q2 2018.
- Net income was \$5.8 million or \$0.33 per basic and diluted share, compared to \$5.2 million or \$0.29 per basic and diluted share for Q2 2018.
- Capital expenditures were \$0.8 million compared to \$0.6 million in Q2 2018.

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 and six months ended June 30, 2019 .

The diversification of our business remains a key part of our strategy, as evidenced by the positive impact our Services segment is having on the business overall. For the balance of 2019, ISC will continue to drive the organic growth of all our segments by looking to expand our service offerings, secure new business and explore appropriate acquisition targets which are complementary to, or add value to, our existing lines of business.

We expect consolidated revenue growth in 2019 to be primarily driven by Services through the continuing expansion of the collateral management product line, including new and organic customer growth and new product development. We are also focused on consolidating servicing platforms and automation within Services, thereby reducing cost of delivery. Further supporting Services’ growth is our acquisition of Securefact, an identity and beneficial ownership attestation program acquired in February 2019, which allows us to provide a

strengthened portfolio of Know-Your-Customer (“KYC”) solutions and services, including individual verification, beneficial ownership solution and enhanced business verification. The overall outlook for Services remains, in our view, positive.

Registry Operations is expected to remain a good free cash flow contributor and a direct beneficiary of any future upswing in economic conditions. Economic conditions are expected to remain subdued and we do not expect any substantial impact to the Saskatchewan Land Registry from the First-Time Home Buyer Incentive and Home Buyers’ Plan limit changes which come into effect later in 2019. We expect the Registry Operations revenue and volume trends we have observed during the first half of the year will continue during the remainder of 2019.

In Technology Solutions and as in the first quarter, there were limited milestones scheduled and achieved in the second quarter, as the contract deliverables are scheduled for later in the year. Therefore, the revenue from project delivery is expected to continue to grow as the Company achieves performance-related milestones for customers whose implementations are scheduled in the remainder of 2019.

In all segments we will continue to focus on efficiencies with the key drivers of our expenses being wages and salaries, cost of goods sold and information technology costs, as well as costs associated with the pursuit of new business opportunities. We continue to expect to spend between \$2.0 million and \$4.0 million on business-as-usual capital expenditures.

With that in mind, our guidance remains unchanged with revenue expected to be between \$129.0 million and \$135.0 million, EBITDA to be between \$31.0 million and \$35.0 million and an EBITDA margin between 24.0 per cent and 27.0 per cent.

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, 2019 and 2018. 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 7, 2019 at 11:00 a.m. ET (9:00 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 for the year ended December 31, 2018 and ISC's unaudited Condensed Consolidated Interim Financial Statements and Notes and Management's Discussion and Analysis for the three and six months ended June 30, 2019, 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.

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