NEWS RELEASE

# ISC® Reports Fourth Quarter and Year-End Financial Results for 2018

3/20/2019

REGINA, Saskatchewan, March 20, 2019 (GLOBE NEWSWIRE) -- Information Services Corporation (TSX:ISV) ("ISC" or the "Company") today reported on the Company's financial results for the fourth quarter and year ended December 31, 2018.

Commenting on ISC's results, Jeff Stusek, President and CEO stated, "There is no question that 2018 was a solid year for ISC. On a purely financial basis, all of our key metrics in revenue, EBITDA and EBITDA margin were strong and within our expected guidance for the year." Stusek continued, "In 2019, we will continue to look for efficiencies across the Company, drive the organic growth of all our segments by winning new business and exploring appropriate acquisition targets which are complementary to or add value to our existing lines of business."

Fourth Quarter 2018 Highlights

- Revenue of $31.0 million, an increase of $7.4 million or 31.5 per cent compared to Q4 2017.
- Net income of $3.2 million or $0.18 per basic and diluted share, a decrease of $15.6 million compared to the fourth quarter of 2017 when net income was $18.8 million or $1.07 per basic and diluted share. This decrease was mainly due to our gain on the sale of our ownership interest in Dye and Durham Corporation ("Dye & Durham") in the fourth quarter of 2017. Without the impact of the gain, net income, in the fourth quarter of 2017, would have been $5.4 million or $0.31 per basic and diluted share. Higher depreciation and income taxes in the fourth quarter of 2018 as compared to 2017 account for the balance of the difference.
- EBITDA (earnings before interest, taxes, depreciation and amortization expense) of $7.5 million compared to

$7.8 million in the same quarter last year, a decrease of $0.3 million or 4.1 per cent.

- EBITDA margin of 24.3 per cent compared to 33.2 per cent in the same quarter in 2017, down as expected, as a result of the lower margin profile of our collateral management product line following the acquisition of AVS Systems Inc. ("AVS").
- Free cash flow of $5.4 million compared to $2.8 million in Q4 2017, an increase of 91.4 per cent.
- On November 6, 2018, the Company entered into an amended and restated credit agreement in connection with the secured credit facilities (collectively, the "Credit Facilities") provided by its lender. The aggregate amount available under the Credit Facilities has been amended to $80.0 million, as described in section 11 "Liquidity and Capital Resources" of our Management's Discussion & Analysis ("MD&A").
- During the quarter, the Company finalized a new five-year service agreement with its information technology service provider. Finalizing this agreement provides stability to our operations, while updated terms provide the Company with more flexibility in information technology cost management.

Year-end 2018 Highlights

- Revenue of $119.1 million compared to $93.6 million in 2017, up 27.3 per cent.
- Net income for the year ended December 31, 2018, was $18.7 million or $1.07 per basic and $1.06 per diluted share. For the year ended December 31, 2017, net income was $27.8 million or $1.59 per basic and $1.58 per diluted share. The year-over-year decrease was the result of the gain on the sale of our ownership interest in Dye & Durham in 2017. Without the impact of the gain, net income in 2017 would have been $14.4 million or $0.82 per basic and diluted share and as compared to 2018, the increase in 2018 is due to higher revenue from our Services segment and the change in contingent consideration related to our AVS purchase.
- EBITDA of $35.9 million compared to $30.0 million in 2017, up 19.5 per cent.
- EBITDA margin of 30.1 per cent compared to 32.1 per cent in 2017, down as expected, as a result of the addition of the AVS collateral management product line to our Services segment, which is a high revenue, low margin business and has changed our consolidated EBITDA margin profile.
- Free cash flow of $25.2 million compared to $22.9 million in 2017, up 9.7 per cent.
- During the third quarter, the Company, through its wholly owned subsidiary ESC, entered into an agreement to amend the AVS Share Purchase Agreement to provide for the conditional early settlement of the AVS contingent consideration on November 15, 2018, for an amount of $11.0 million. This resulted in a $3.6 million net gain on contingent consideration on the consolidated statement of comprehensive income.

Financial Position as at December 31, 2018

- Cash of $28.7 million compared to $31.3 million as at December 31, 2017, down 8.4 per cent.
- Total debt of $20.0 million compared to $21.6 million as at December 31, 2017, down 7.2 per cent.

Subsequent Event

- On February 19, 2019, the Company announced that its wholly owned subsidiary ESC, acquired substantially all of the assets used in the business of Securefact Transaction Services, Inc. for $6.8 million by way of an asset purchase agreement.

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Management's Discussion of ISC's Summary of Fourth Quarter and Year-end 2018 Financial Results

| (thousands of CAD dollars; except earnings per share and where noted) | | Three Months Ended Dec 31, 2018 | | Three Months Ended Dec 31, 2017 | | Year Ended Dec 31, 2018 | | Year Ended Dec 31, 2017 |
|---|---|---|---|---|---|---|---|---|
| Revenue - Registries | | | | | | | | |
| Land Registry | $ | 11,920 | $ | 13,762 | $ | 50,031 | $ | 54,792 |
| Personal Property Registry | | 2,384 | | 2,294 | | 10,190 | | 9,953 |
| Corporate Registry | | 2,476 | | 2,468 | | 10,038 | | 10,143 |
| Total | $ | 16,780 | $ | 18,524 | $ | 70,259 | $ | 74,888 |
| Revenue – Services | | 11,591 | | 4,035 | | 42,384 | | 14,902 |
| Revenue – Technology Solutions | | 6,277 | | 4,821 | | 21,225 | | 20,421 |
| Revenue – Corporate and Other | | (3,632 ) | | (3,791) | | (14,737 ) | | (16,619) |
| TOTAL Revenue | $ | 31,016 | $ | 23,589 | $ | 119,131 | $ | 93,592 |
| Expenses | $ | 25,976 | $ | 17,539 | $ | 96,703 | $ | 71,694 |
| EBITDA1,2 | $ | 7,523 | $ | 7,842 | $ | 35,862 | $ | 30,015 |
| EBITDA margin1 (% of revenue) | | 24.3 % | | 33.2% | | 30.1 % | | 32.1% |
| Adjusted EBITDA1 | $ | 7,705 | $ | 8,954 | $ | 33,316 | $ | 33,403 |
| Adjusted EBITDA margin1 | | 24.8 % | | 38.0% | | 28.0 % | | 35.7% |
| Net income | $ | 3,152 | $ | 18,774 | $ | 18,671 | $ | 27,789 |
| Earnings per share (basic)3 | $ | 0.18 | $ | 1.07 | $ | 1.07 | $ | 1.59 |
| Earnings per share, (diluted)3 | $ | 0.18 | $ | 1.07 | $ | 1.06 | $ | 1.58 |
| Free cash flow4 | $ | 5,367 | $ | 2,804 | $ | 25,150 | $ | 22,919 |

1 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 22 "Non-IFRS Financial Measures". Refer to section 9 "Financial Measures and Key Performance Indicators" of Management's Discussion & Analysis for the year-ended December 31, 2018 for a reconciliation of EBITDA and adjusted EBITDA to net income.

2 The 2018 EBITDA for the three months and year ended December 31, 2018, includes a net adjustment in relation to the fair value estimate of the contingent consideration associated with our AVS acquisition of $0.2 million and $3.6 million, respectively.

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

4 Free cash flow is not recognized as a measure under IFRS and does not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures reported by other corporations. Refer to section 22 "Non-IFRS Financial Measures" of Management's Discussion & Analysis for the fourth quarter and year-ended December 31, 2018 for more

information.

## 2018 Results of Operations

- Total revenue was $119.1 million, up $25.5 million (+27.3 per cent) compared to 2017.
- Registries segment revenue was $70.3 million, down $4.6 million (-6.2 per cent) compared to 2017.

  — Land Registry revenue was $50.0 million, down $4.8 million (-8.7 per cent) versus 2017.

  — Personal Property Registry was stable at $10.2 million compared to 2017.

  — Corporate Registry revenue was stable at $10.0 million compared to 2017.
- Services segment revenue was $42.4 million, up $27.5 million (+184.4 per cent) compared to 2017.
- Consolidated expenses (all segments) were $96.7 million (+34.9 per cent) compared to $71.7 million for 2017.
- Net income for the year ended December 31, 2018, was $18.7 million or $1.07 per basic and $1.06 per diluted share. For the year ended December 31, 2017, net income was $27.8 million or $1.59 per basic and $1.58 per diluted share. The decrease in net income and earnings per share was principally due to the gain on the sale of our ownership interest in Dye & Durham in 2017. Without the gain, net income last year would have been $14.4 million, or $0.82 per basic and diluted share and as compared to 2018. The increase in 2018 is due to higher revenue from our Services segment and the change in contingent consideration related to our AVS purchase.
- Capital expenditures for 2018 were $2.8 million, compared to $2.0 million in 2017.
- As at December 31, 2018, the Company held $28.7 million in cash, compared to $31.3 million as at December 31, 2017, a decrease of $2.6 million.
- The Company had $20.0 million of total debt as at December 31, 2018, compared to $21.6 million as at December 31, 2017. For more details, see section 11.3 “Debt” in the MD&A for the year ended December 31, 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 “Cautionary Note Regarding Forward-Looking Information”.

The diversification of our business remains a key part of our strategy driven by the positive impact our Services segment is having on the business overall. In 2019, ISC will continue to look for efficiencies across the business, drive the organic growth of all our segments by winning new business and exploring appropriate acquisition targets which are complementary to, or add value to, our existing lines of business.

ISC anticipates consolidated revenue growth in 2019 to be driven by its Services segment through the continuing expansion of our collateral management product line, including further automation of the fulfillment of these services, thereby reducing our cost of delivery.

The Registry Operations segment is expected to remain a strong free cash flow contributor and a direct beneficiary of any future upswing in economic conditions in Saskatchewan. ISC will continue to monitor economic conditions while always looking for greater operational efficiencies. Should there be further increases to interest rates in 2019, this could place further downward pressure on transaction volumes.

In Technology Solutions, as projects for contracts the Company signed in 2018 continue to move into implementation in 2019, ISC expects to begin to recognize increased revenue from those contracts.

The key drivers of expenses will continue to be wages and salaries, cost of goods sold and information technology costs, as well as costs associated with the pursuit of new business opportunities. We also expect to spend between $2.0 million and $4.0 million on business-as-usual capital expenditures.

Taking the preceding outlook for 2019 into account, the Company expects revenue of 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") of ISC is responsible for review and approval of this disclosure. The Audit Committee of the Board, which is comprised exclusively of independent directors, reviews and approves the fiscal year-end Management's Discussion and Analysis 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 years ended December 31, 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 Relations 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.

## C onference Call and Webcast

The Company will hold an investor conference call on Thursday, March 21, 2019 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 ISC's website at the link above. Media are invited 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 licences, 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 20, 2019 and ISC's audited Consolidated Financial Statements and Notes and Management's Discussion and Analysis for the fourth quarter and year ended December 31, 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.

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