



Warren Buffett's Favourite TSX Stock

Description

Information Services (TSX:ISV), provides registry and [information management services](#) for public data and records in Canada and globally. It operates through three segments: Registries, Services, and Technology Solutions.

The company provides land titles registry services that issues titles to land and registers transactions affecting titles, including changes of ownership and the registration of ownership in land; land surveys directory that plans and creates a representation of Saskatchewan land parcels in the parcel mapping system; and geomatics services that manage geographic data for the parcel mapping system.

The company offers personal property registry to search and register interests against personal property; and corporate registry, which is a city-wide system for registering business corporations, non-profit corporations, co-operatives, sole proprietorships, partnerships, and business names. The company serves law firms, financial institutions, and corporations, as well as lending, leasing, and credit issuing firms.

The company has a price to earnings ratio of 13.73, a price-to-book ratio of 2.52 and market capitalization of 281 million. Debt is very sparingly used at Information Services, as evidenced by a debt-to-equity ratio of just 0.24. The company has excellent performance metrics with an operating margin of 21.52% and a return on equity of 18.31%.

The company has been working on [diversifying the business](#) and results have positively impacted the services segment. The company is looking to drive organic growth by expanding service offerings, securing new business and exploring appropriate acquisition targets.

Revenue growth for 2020 is expected to be driven by the services segment through the continuing expansion of the collateral management product line and legal due diligence services, including new and organic customer growth and new product development.

Saskatchewan has been experiencing tough economic conditions due to the global commodity rout that has impacted the company's land registry business. The company noted that the government's programs aimed at improving access to home ownership haven't had a significant impact on the

Saskatchewan real estate market.

Reduced transaction levels and lower registry operations revenue and volume trends are expected to continue for the foreseeable future.

The company has expressed an intent to focus on realizing efficiencies and expects to spend between \$2-4 million on capital expenditures. Full-year revenue is expected to be between \$129-135 million, earnings before interest, tax, depreciation and amortization (EBITDA) is expected to be between \$31-35 million and EBITDA margin of 24-27% was forecast by the company.

The company noted that a year-over-year decline in net income was due to a \$3.8 million adjustment to the fair value estimate of the contingent consideration associated with an acquisition last year and one-time costs associated with office closures partially offset by increased net income from the services segment.

Reduction in year-over-year EBITDA margin was due to the growth of the collateral management product line, which is a high revenue, low margin line as well as the impact of the contingent consideration adjustment last year and one-time costs.

In summary, the company looks undervalued on a reward-to-risk basis and should outperform if the real estate market in Saskatchewan improves.

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