

## Management's Discussion and Analysis

Of Financial Condition and Results of Operations  
For the Quarter ended December 31, 2020

This management's discussion and analysis ("MD&A"), dated February 25, 2021, should be read in conjunction with the Land Title and Survey Authority of British Columbia ("LTSA") unaudited consolidated interim financial statements and related notes for the quarter ended December 31, 2020, (the "consolidated financial statements"). Unless otherwise noted, the results reported herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars.

For purposes of this discussion, the LTSA refers to the Land Title and Survey Authority of British Columbia and its wholly-owned subsidiaries, LandSure Systems Limited ("LandSure") and Autoprop Software Limited ("Autoprop").

This report contains forward-looking statements, including statements regarding LTSA business and anticipated financial performance. Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made, and represent management's best judgement based on facts and assumptions that management considers reasonable. These statements are subject to a number of risks and uncertainties that may cause actual results to differ materially from those contemplated in the forward-looking statements.

### Business Overview

The LTSA was formed in 2005 as a publicly accountable, statutory corporation responsible for operating the land title and survey systems in BC. These systems provide the foundation for all real property business and ownership in the province. The LTSA's services are primarily accessed electronically by legal professionals, land surveyors, certain statutory officers, realtors and other professionals who provide property-related services to their clients.

The Province of BC establishes the mandate, responsibilities and performance standards of the LTSA in the *Land Title and Survey Authority Act*, through an Operating Agreement with the Ministry of Forests, Lands, Natural Resources Operations and Rural Development and through a Master Services Agreement with the Ministry of Finance.

LTSA operations are funded through regulated fee revenue from land title and survey services, Land Owner Transparency Registry filing fees, myLTSA services, and property information services provided to customers. Regulated fees are established in compliance with the requirements set out in the Operating Agreement. Administrative fees are set by the LTSA's Board of Directors.

## Highlights

Total revenue for the quarter was \$12.8 million, \$2.5 million or 24.1% higher than the prior year. Revenue increased primarily from continued strong transaction volumes to December 31, as well as our fee increase which was effective April 1, 2020. Transaction volume continued to catch up from the lower volumes we experienced late in the fourth quarter of 2020 and in the first quarter of this year. We expect strong transaction volume to continue early in the fourth quarter of 2021, and also expect increased revenue from filings to the Land Owner Transparency Registry ("LOTR") which launched November 30.

Cost of revenue was \$6.2 million which was less than prior year by \$0.4 million or 5.4% from lower amortization expense, and lower cost of revenue in Autoprop. Our operating margin was 51.3%, higher than the prior year margin balance of 36.1%.

Total operating expenses for the quarter were \$4.2 million, \$1.2 million or 37.3% higher than in the prior year. We incurred higher communication costs in the quarter relating to the launch of LOTR, offset by higher capitalized wages from increased software development activity. We will continue to focus on controlling operating expenses to ensure that their growth is in line with our revenues.

Net income and comprehensive income was \$3.2 million, an increase of \$2.4 million or 294.1% from the same period last year. This increase was primarily due to the increase in revenue, and a \$0.8 million increase in investment income.

We spent \$1.5 million on capital projects in the quarter, with the majority of the spend focusing on completing the first phase of LOTR, which launched November 30. We spent \$0.8 million on LOTR in the quarter, \$0.3 million on the ASTRA modernization project, \$0.2 million on our vault storage systems and \$0.2 million on leasehold improvements and miscellaneous software development projects.

## Senior Leadership Changes

During the quarter, Al-Karim Kara was appointed President and Chief Executive Officer of the LTSA, and Rob Cutler was appointed Vice President Business Innovation and Chief Product Officer of the LTSA effective December 7, 2020. Prior to this role, Al-Karim Kara was Vice President Business Innovation and Chief Information Officer, and Rob Cutler was Vice President of Human Resources.

## Results

The following table sets forth certain consolidated statement of operations data, as well as consolidated statement of financial position data, expressed in dollars, as at December 31, 2020 and 2019.

Quarter ended December 31	2020	2019
Revenue:		
Examination services	<b>\$6,591,036</b>	\$5,128,394
Information products and subscriptions	<b>4,274,724</b>	3,713,385
Service fees	<b>1,933,816</b>	1,475,547
	<b>12,799,576</b>	10,317,326
Cost of revenue:		
Cost of examination services	<b>4,385,056</b>	4,400,041
Cost of information products and subscriptions	<b>1,114,066</b>	1,354,654
Cost of service fees	<b>740,214</b>	840,912
	<b>6,239,336</b>	6,595,607
Gross income	<b>6,560,240</b>	3,721,719
Operating expenses:		
Research and development	<b>964,031</b>	725,505
Policy and regulation	<b>943,722</b>	1,051,214
General and administrative	<b>2,333,224</b>	1,311,158
	<b>4,240,977</b>	3,087,877
Operating income	<b>2,319,263</b>	633,842
Other income (expenses):		
Lease interest	<b>(121,965)</b>	(138,831)
Bank charges and investment fees	<b>(50,925)</b>	(39,892)
Investment income	<b>1,216,498</b>	414,145
(Loss) on disposal of property and equipment	<b>(1,533)</b>	(908)
	<b>1,042,075</b>	234,514
Income and comprehensive income before income taxes	<b>3,361,338</b>	868,356
Income tax expense	<b>185,469</b>	62,430
Net income and comprehensive income	<b>\$3,175,869</b>	\$805,926
	<b>December 31, 2020</b>	March 31, 2020
Total assets	<b>\$118,564,944</b>	\$115,533,302
Total liabilities	<b>\$22,260,043</b>	\$25,746,189
Total non-current liabilities	<b>\$10,544,404</b>	\$11,867,101
Total equity	<b>\$96,304,901</b>	\$89,787,113

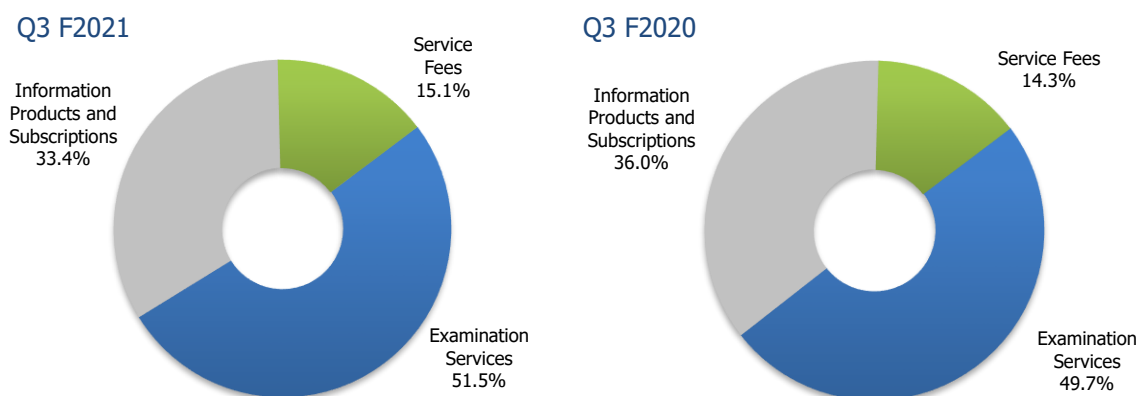
The following table sets forth certain consolidated statement of operations data expressed as a percentage of revenue for the same fiscal periods.

Quarter ended December 31	2020	2019
Revenue:		
Examination services	<b>51.5%</b>	49.7%
Information products and subscriptions	<b>33.4%</b>	36.0%
Service fees	<b>15.1%</b>	14.3%
	<b>100.0%</b>	100.0%
Cost of revenue:		
Cost of examination services	<b>34.3%</b>	42.6%
Cost of information products and subscriptions	<b>8.7%</b>	13.1%
Cost of service fees	<b>5.8%</b>	8.2%
	<b>48.7%</b>	63.9%
Gross income	<b>51.3%</b>	36.1%
Operating expenses:		
Research and development	<b>7.5%</b>	7.0%
Policy and regulation	<b>7.4%</b>	10.3%
General and administrative	<b>18.2%</b>	12.7%
	<b>33.1%</b>	30.0%
Operating income	<b>18.1%</b>	6.1%
Other income (expenses):		
Lease interest	<b>(1.0%)</b>	(1.3%)
Bank charges and investment fees	<b>(0.4%)</b>	(0.4%)
Investment income	<b>9.5%</b>	4.0%
(Loss) on disposal of property and equipment	<b>(0.0%)</b>	(0.0%)
	<b>8.1%</b>	2.3%
Income and comprehensive income before income taxes	<b>26.2%</b>	8.4%
Income tax expense	<b>1.4%</b>	0.6%
Net income and comprehensive income	<b>24.8%</b>	7.8%

## Revenue

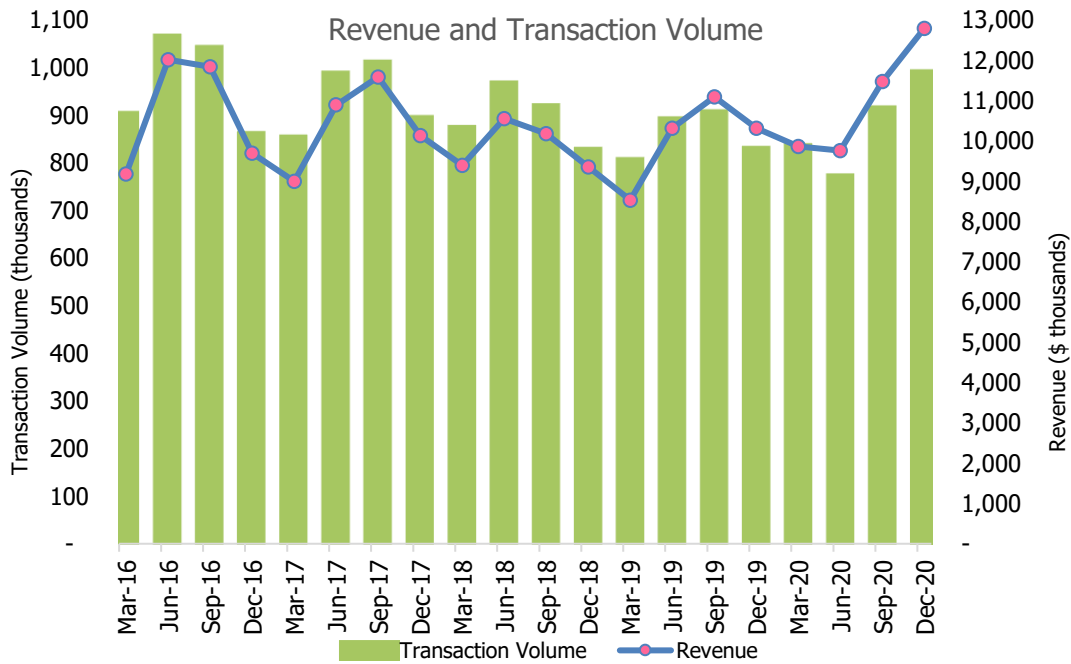
LTSA revenue sources consist of examination services, which also includes revenue from LOTR beginning in the third quarter of 2021, to ensure that applications and plans are submitted in accordance with the rules and regulations of various provincial statutes and acts; information products which include title, document and plan images, certifications, document scanning, and subscription services and service fees which are for electronic processing of land title and survey transactions through the myLTSA electronic portal.

### Revenue by Source



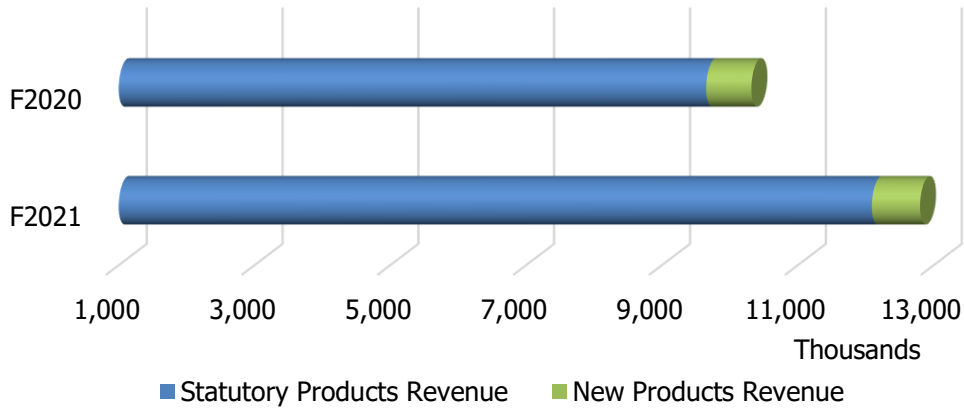
Total consolidated revenue for the quarter was \$12.8 million, \$2.5 million or 24.1% higher than the same period last year due to strong transaction volumes in the quarter, the fee increase effective April 1, 2020, and revenue from new products and services. Transaction volumes this quarter were 19.9% higher than last year as we saw continued transaction activity shifting from early in the year to the back half of 2020.

While we have experienced strong revenue growth in the second and third quarter, we believe that much of this activity is due to timing shifts from earlier in the year as a result of COVID-19. On a trailing 12 month basis, transaction volume is only 2.3% higher than the prior year, slightly higher than the continued downward trend in statutory transaction volumes we have seen since 2016. The chart shows revenue and transaction volumes over the past four years. The impact of seasonality can also be seen with the June and December quarters normally being much busier than the fall and winter, with the exception of the current fiscal year.



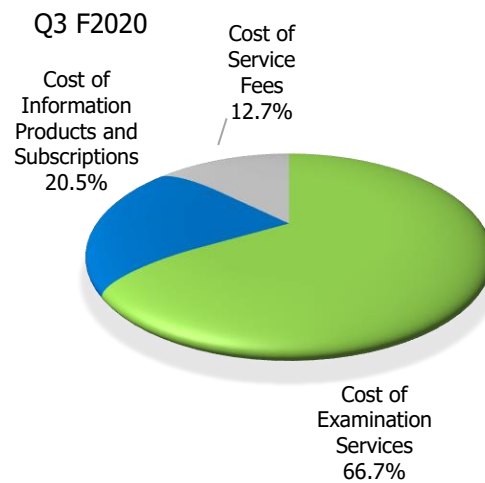
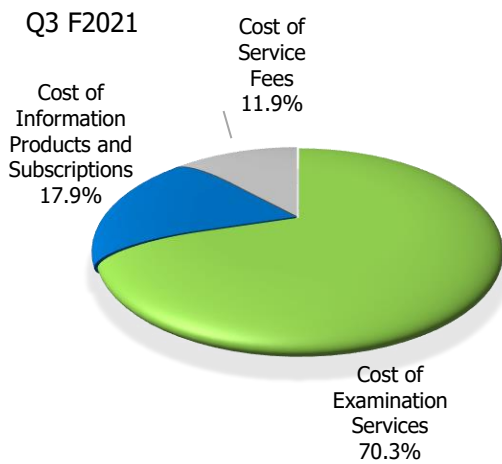
The LTSA’s strategy of developing new sources of revenue to support customers with interests in land information continues to be successful with five new products launched over the last 24 months. The filing module of LOTR launched in November 2020 earned \$0.1 million of revenue in the quarter and Identity Verification, which also launched in November 2020 also generated revenue in the quarter. Autoprop, acquired in October 2018, earned \$0.3 million of revenue this quarter. The Condo and Strata Assignment Integrity Register (“CSAIR”), released in February 2019, earned revenue of \$0.2 million and the Property Tax Deferral service launched in May 2020 had revenue of \$0.1 million. Total new product revenue for this quarter was \$0.7 million, 17.9% higher than the same period last year.

Statutory and New Products Revenue



**Cost of Revenue**

Cost of revenue for the quarter was \$6.2 million, \$0.4 million or 5.4% less than the same period last year. The decrease reflects lower amortization costs, as well a reallocation of costs from cost of revenue to operating expenses as part of a reporting re-alignment in the quarter.



## Gross Income

LTSA's gross income for the quarter was \$6.6 million representing a 51.3% operating margin, higher than the prior year margin of 36.1%. The gross margin by revenue category was as follows:

## Gross Margins by Revenue Type

Quarter ended December 31	2020	2019
Total LTSA	<b>51.3%</b>	36.1%
Examination services	<b>33.5%</b>	14.2%
Information products and subscriptions	<b>73.9%</b>	63.5%
Service fees	<b>61.7%</b>	43.0%

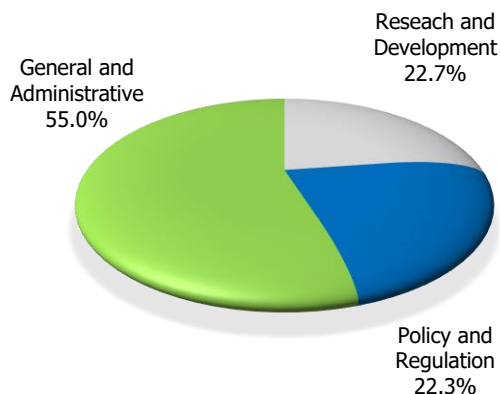
Examination services margin increased due to strong transaction and revenue growth, as well as the new revenue from LOTR in the quarter. Information products and subscriptions margin increased due to higher revenue, as well as lower cost of revenue in Autoprop. Service fees margin increased due to strong revenue growth and a reduction in amortization in the quarter as the myLTSA portal software was fully amortized as of April 2020.

## Operating Expenses

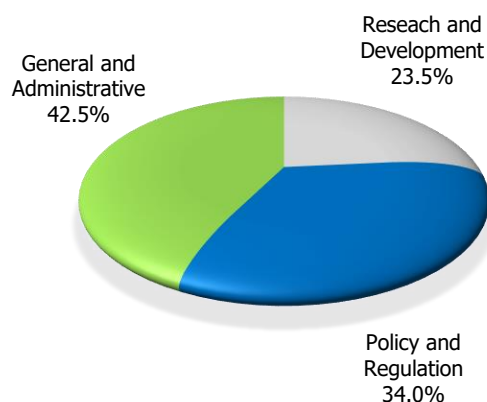
Operating expenses for the quarter were \$4.2 million, \$1.2 million or 37.3% greater than the same period last year. This was due to increased communication costs incurred as part of the launch of LOTR, as well as higher information technology costs which were previously classified as cost of revenue.



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Research and development costs were \$1.0 million, \$0.2 million or 32.9% higher than the same period last year. The increase was due to higher communication costs, as well as increased research and development investments to develop new products and services and to improve operational efficiency.

Policy and regulation costs were \$0.9 million, \$0.1 million or 10.2% less than the same period last year. This decrease was primarily due to the resolution of an Assurance Fund claim in the quarter.

General and administrative expenses were \$2.3 million, \$1.0 million or 78.0% greater than the same period last year. The increase is due to higher information technology costs which were previously classified as cost of revenue.

### Other Income (Expenses)

Investment income was \$1.2 million, \$0.8 million or 193.7% higher than the same period last year. This was due to continued strong market performance in the quarter compared to the prior year. Our investment portfolio is conservative with 83% of our investments held in fixed income securities and money market funds at December 31, 2020.

### Net Income and Comprehensive Income

Overall, net income and comprehensive income totalled \$3.2 million or 24.8% of revenue, up \$2.4 million or 294.1% from the same period last year. This was due to \$1.7 million higher operating income and \$0.8 million higher investment income.

## **Liquidity and Capital Resources**

### **Sources and Uses of Cash**

Cash, cash equivalents, and short-term investments balances were \$67.9 million on December 31, 2020 (March 31, 2020: \$67.4 million), of which \$0.1 million (March 31, 2020: \$0.2 million) consisted of cash collected on behalf of the Province of BC and other parties. The cash owing to these parties was remitted the following business day.

The remaining \$67.8 million (March 31, 2020: \$67.2 million) represents cash, cash equivalents, and short-term investments readily available to the LTSA. Net LTSA current liabilities (total current liabilities less funds held for customers, trade and other receivables and prepaid expenses) totalled \$10.8 million (March 31, 2020: \$9.0 million), which, when combined with the \$6.0 million (March 31, 2020: \$6.0 million) allocated to the Assurance Fund, leaves \$51.0 million (March 31, 2020: \$52.2 million) of cash available for reinvestment in LTSA's business.

### **Cash Flow from Operating Activities**

The LTSA's primary source of cash derives from operating activities. Cash from operations for this quarter totalled \$5.6 million, \$4.2 million higher than the same quarter last year.

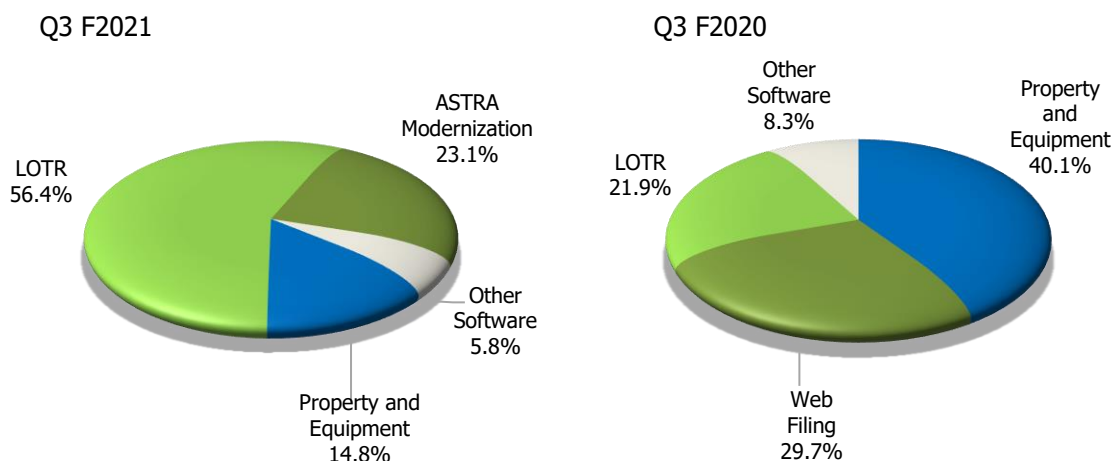
### **Cash Flow from Financing Activities**

LTSA repaid \$0.5 million this quarter for lease obligations and incurred \$0.1 million of related lease interest. The repayment of lease obligations and lease interest are consistent with the prior year.

### **Cash Flow from Investing Activities**

LTSA transfers excess cash into an investment portfolio that is governed by our investment policy. We invested net \$0.8 million of cash in marketable securities during the quarter. Cash was also used to purchase property and equipment and invest in software systems that will either enhance operations or provide additional service offerings to our customers. \$2.5 million of cash was invested in capital projects during the quarter, which includes \$1.5 million of funds held back that were released to MacDonald Dettwiler and Associates Ltd. as part of the completion of the Web Filing project.

## Capital Investments



Quarter ended December 31 (in millions)	2020	2019
LOTR	<b>\$0.8</b>	\$0.8
Property and equipment	<b>0.2</b>	1.4
ASTRA Modernization	<b>0.3</b>	-
Web Filing	-	1.0
Other software	<b>0.2</b>	0.2
	<b><u>\$1.5</u></b>	<u>\$3.4</u>

The first phase of LOTR, which provides filing services to the registry went live on November 30, 2020. To date we have spent over \$5.0 million dollars and over 12,000 hours developing LOTR. We are commencing with the second phase of LOTR which will allow for search services becoming available in 2021. Total cost to build the LOTR system is estimated to be approximately \$7.5 million.

## Assurance Fund

The Assurance Fund has remained at \$6.0 million since March 31, 2013 by resolution of the Board of Directors. The result of an independent actuarial analysis of the program in 2017 and the small number of Assurance Fund claims supports the LTSA's belief that this continues to be an appropriate fund balance. The fund is assessed on an annual basis and adjusted to reflect changing market conditions as well as transaction volumes.

## **Off-Balance Sheet Arrangements**

The LTSA has no off-balance sheet arrangements.

## **Outlook**

We continue with our strategy of developing new products and services for our customers with interests in land information and as a result we have launched two new products in the quarter: the LOTR filing service which was built for the Province of British Columbia, as well as Identity Verification, which allows for on-line confirmation of identity for transactions. Both services launched in November 2020. We also launched the automation of the Property Tax Deferral system in May 2020 and we continue to improve the Autoprop service for increasing numbers of real estate professionals in British Columbia.

Since March 2020 the LTSA, along with the Province of British Columbia, has invoked provincial guidelines for remote working and social distancing in response to the global pandemic of the outbreak of COVID-19. Land registry has been designated as an essential service by the province and we are continuing to operate with full capacity.

These safety guidelines negatively impacted revenue in the first quarter as we experienced a 13.7% decline in the transaction volumes of our statutory products and services in the first quarter. However, we experienced essentially flat transaction volumes in the second quarter and a 19.9% increase in volumes in the third quarter over the same period last year, as some of the decreased activity in the first quarter shifted to later in the calendar year. We expect a more modest increase in volumes in 2021, however it is difficult to assess the continuing impact of COVID-19 on the housing market.

The LTSA is in a strong financial position with available cash totaling \$67.9 million at December 31, 2020. We are of the opinion that our cash reserves are sufficient to manage the COVID-19 financial risk in the 2020 – 2021 fiscal year.

## **Risk and Uncertainty**

### **Critical Accounting Estimates**

LTSA's financial statements are prepared in accordance with IFRS. These accounting principles require management to make certain estimates, assumptions and judgements. Management believes that these estimates, assumptions and judgements upon which we rely are reasonable based upon information available to us at the time. The estimates, assumptions and judgements made can affect the reported amounts of assets and liabilities

as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the periods presented. To the extent there are material differences between these estimates and actual results, the financial statements of the LTSA would be affected.

### **Public Service Pension Plan**

LTSA employees are members of the Public Service Pension Plan (the “Plan”), a defined benefit, multi-employer pension plan. The most recent Plan valuation, as at March 31, 2020, indicated a funding surplus of \$2.7 billion in the Basic Account.

LandSure Systems and Autoprop employees are members of a group registered retirement savings plan to which the company contributes.

### **Impairment of Long Lived Assets**

The LTSA regularly reviews the carrying value of property, equipment and intangible assets, and continually makes estimates regarding future cash flows and other factors to determine the fair value of the respective assets. If these estimates or their related assumptions change in the future, the LTSA may be required to record impairment charges for these assets. There are no impairment adjustments at this time.

Please refer to the consolidated financial statements which contain additional information regarding our accounting policies and other disclosures required under IFRS.