Caldwell

FOR IMMEDIATE RELEASE

CALDWELL ANNOUNCES FISCAL 2019 THIRD QUARTER FINANCIAL RESULTS

- **Third quarter revenues of $19.9 million.**
- **Third quarter operating profit of $1.5 million.**
- **Board declares 30th consecutive quarterly dividend.**

Toronto - July 10, 2019 - Retained executive search firm The Caldwell Partners International Inc. (TSX: CWL) today issued its financial results for the fiscal 2019 third quarter ended May 31, 2019. All references to quarters or years are for the fiscal periods unless otherwise noted and all currency amounts are in Canadian dollars.

Financial Highlights (in $000s except per share amounts)

	Three Months Ended May 31		Nine Months Ended May 31	
	2019	**2018**	**2019**	**2018**
Professional fees	$19,535	$17,942	$49,247	$47,769
License fees	$38	$86	$629	$229
Direct expense reimbursements[1]	$374	-	$1,291	-
Revenues	$19,947	$18,028	$51,167	$47,998
Cost of sales	$14,704	$13,099	$38,208	$35,416
Reimbursed direct expenses[1]	$374	-	$1,291	-
Expenses	$3,330	$3,648	$9,677	$9,690
Operating profit	$1,539	$1,281	$1,991	$2,892
Investment income	$88	$2	$144	$6
Earnings before tax	$1,627	$1,283	$2,135	$2,898
Net earnings after tax[2]	$1,035	$987	$1,279	$1,667
Net earnings per share	$0.51	$0.048	$0.063	$0.082

1. *As a result of the implementation of IFRS 15, the Company now shows the gross amount of direct expenses billed and recovered from clients as revenue, with the gross amount incurred recorded as a cost of sales. Prior to the adoption of IFRS 15 direct expense reimbursements and reimbursed direct expenses were shown as a net zero amount within cost of sales. For further information, please refer to note 3 of consolidated interim financial*

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statements for the third quarter ended May 31, 2019.*

2. *As a result of new substantively enacted tax rate, the Company's US entity deferred tax balances were adjusted during the prior year's second quarter, resulting in additional deferred tax expense of $204. No such expense was incurred in the year.*

"New search engagements strengthened significantly in the third quarter, leading to a record-breaking quarter for revenue and a very strong performance with regard to operating profit," said John Wallace, chief executive officer. "The quarter's robustness narrowed the operating shortfall from the relative softness we experienced in the first half of the year. Based on our current trends, we do expect to gain additional ground in the fourth quarter."

Wallace continued: "We continue to strengthen our market presence and client capabilities with the addition of high calibre partners in strategic sectors and geographies. The addition of Carlos Cata to our Chicago team is a significant expansion of our recruiting competencies across the marketing and digital transformation space."

"We also further expanded our Caldwell Advance team - focused on the recruitment of emerging leaders and advancing professionals - with the addition of talent optimization executive Todd Lingle. This addition strengthens our ability to connect our clients with transformational talent in a more comprehensive way. We will continue to make strategic additions to our teams where it allows us to deliver long term value to our clients."

The Board of Directors today also declared the payment of a quarterly dividend of 2.25 cents per Common Share payable to holders of Common Shares of record on July 19, 2019 and to be paid on September 13, 2019.

Financial Highlights (all numbers expressed in $000s)

- **Operating revenue:**

  Third Quarter

  On a consolidated basis, Revenue, Net of Reimbursements for the quarter reached an all-time quarterly high. A lower Number of Assignments was more than compensated for by a higher Average Fee per Assignment and favourable IFRS 15 revenue adjustments. Strength in the US with relatively neutral results in Canada were weighed down by significant weakness in the UK.

  - Professional fees for the third quarter of fiscal 2019 were $19,535. The application of IFRS 15 resulted in a $774 increase in professional fees during the quarter. Excluding the IFRS 15 impact, professional fees increased 4.6% (a 1% increase excluding a favourable 3.6% variance from exchange rate fluctuations) from the comparable period last year to $18,761 (2018: $17,942).

    - The increase in professional fees is attributable to a higher Average Number of Partners at 39.3 compared to 38.0 in the prior year period and an increase in Average Fee per Assignment to $170 ($163 excluding the IFRS 15 impact) (2018: $147) partially offset by a lower Number of Assignments per Partner at 2.9 (2018: 3.2) resulting in a decrease in number of assignments to 115 (2018: 122).

  - On a segment basis, $15,852 of professional fees were generated from the US (2018: $13,492), $3,425 from Canada (2018: $3,527) and $258 from Europe (2018: $923).

- License fees from our licensees in Australia and New Zealand for the use of the Caldwell Partners brand and intellectual property for the fiscal 2019 third quarter were $38 (2018: $86).
- Direct expenses incurred and billed to clients during the fiscal 2019 third quarter were $374 (2018: $430, with the revenue billed and cost of sale amounts presented as net zero).

Year-to-date

On a consolidated basis, Revenue, Net of Reimbursements year to date was up slightly from the prior year. A lower Number of Assignments was more than offset by a higher Average Fee per Assignment and favourable IFRS 15 revenue adjustments and the early termination payment received from our Latin American licensee in the second quarter.

- Professional fees for the first nine months of 2019 were $49,247. The application of IFRS 15 resulted in a $934 increase in professional fees during the period. Excluding the IFRS 15 impact, professional fees increased 1.1% (a decline of 2.2% excluding a favourable 3.3% variance from exchange rate fluctuations) over the comparable period last year to $48,313 (2018: $47,769).
  - The increase in year-to-date professional fees was the result of an increase in the Average Number of Partners at 38.9 compared to 38.0 in the prior year and an increase in Average Fee to $158 ($155 excluding the IFRS 15 impact) (2018: $140) partially offset by a decrease in the Number of Assignments per Partner to 8.0 (2018: 8.9) which resulted in a decrease in the total Number of Assignments to 312 (2018: 340).
  - On a segment basis, $37,332 of professional fees were generated from the US (2018: $35,526), $11,001 from Canada (2018: $10,710) and $914 from Europe (2018: $1,533).
- Year-to-date licence fees for the nine months ended May 31, 2019 were $629 (2018: $229). Effective February 28, 2019, the Company and CPGroup LATAM Ltd. (CPGroup) announced we had mutually agreed to end our licensing relationship. As part of the agreement for early termination, CpGroup made a one-time payment to the Company for $218, reflected in the second quarter and year to date fees.
- Year to date direct expenses incurred and billed to clients during the fiscal 2019 third quarter were $1,291 (2018: $1,201, with the revenue billed and cost of sale amounts presented as net zero).

- **Operating profit:**

  Third Quarter

- Operating profit for the third quarter of 2019 was $1,539. The adoption of IFRS 15 resulted in a $387 increase in operating profit in the quarter. Excluding the IFRS 15 impact, operating profit decreased $129 to $1,152 (2018: $1,281).
    - This $129 decrease came from lower gross profit ($447) caused by higher revenue ($771) being more than offset by a higher cost of sales ($1,218) from higher partner compensation from the concentration of business brought in by partners in higher grid levels and deficits from partners whose draws exceed commissions earned as well as higher search team staffing made during the second half of the prior year. These negative variances were partially offset by lower expenses ($318) arising from the variances discussed below. Exchange rate variances had a net favourable impact of $167 to the operating profit results.
    - Expenses in the third quarter decreased by 8.7% or $318 over the same period in the prior year to $3,330 (2018: $3,648). Excluding exchange rate variances, expenses decreased $351 or 9.6% over the same period last year. This constant currency decrease resulted from decreases in management bonus accruals on not meeting year-to-date operational targets ($262), decreases in share-based compensation expense on decreases in the share price and in the performance factor resulting from not meeting established operational targets ($165) and the net decrease in the costs of our annual partner conference and practice meetings resulting from timing differences year over year ($216). These favourable variances were offset partially by increased compensation on higher corporate staff headcount ($109), higher foreign exchange losses on intercompany loans and US dollar bank account balances ($93), an increase in partner recruitment expenses ($48), and general increases across other categories ($42).
- On a segment basis, third quarter operating profit was $546 from Canada ($188 net of intercompany license fee revenue) and $1,442 from the US ($1,800 net of intercompany license fees) which was partially offset by an operating loss in Europe of $449.

Year-to-date

- Operating profit for the first nine months of 2019 was $1,991. The adoption of IFRS 15 resulted in a year-to-date $467 increase in operating profit. Excluding the IFRS 15 impact, operating profit decreased $1,368 to $1,524 (2018: $2,892).
    - The $1,368 operating profit decrease was the result of lower gross profit ($1,381) caused by higher revenue ($944) being more than offset by a higher cost of sales ($2,325) from higher partner compensation from the concentration of business brought in by partners in higher grid levels and deficits from partners whose draws exceed commissions earned as well as higher search team staffing made during the second half of the prior year. Partially offsetting the negative gross profit variance were lower expenses ($13) arising from the variances discussed below. Exchange rate variances had a net favourable impact of $136 to the operating profit results.

    - Expenses for the first nine months of the year decreased 0.1% or $13 over the prior year to $9,677 (2018: $9,690). Excluding exchange rate variances of $217, expenses on a constant currency basis decreased $230 or 2.4% over the same period last year. Constant currency cost decreases benefited from decreases in management bonus accruals resulting from not meeting current year operational targets ($591) and lower share-based compensation expense caused by not meeting operational targets ($336). These favourable variances were partially offset by an increase in legal expenses discussed below ($445), higher foreign exchange losses on intercompany loans and US dollar bank account balances versus gains in the previous year ($132), increased compensation on higher corporate staff headcount ($109) and a net increase across other categories ($11)
  - On a segment basis, year to date operating profit of $2,372 was generated from Canada ($1,530 net of intercompany license fee revenue) and $780 from the US ($1,622 net of intercompany license fees), which was partially offset by an operating loss in Europe of $1,161.

- **Net earnings after tax:**
  - Third quarter net income was $1,035 ($0.051 per share), as compared to $987 ($0.048 per share) in the comparable period a year earlier.
  - Year-to-date net income was $1,279 ($0.063 per share), as compared to $1,667 ($0.082 per share) in the comparable period a year earlier.

Average Number of Partners, Professional Fees per Partner, Number of Assignments, Number of Assignments per Partner, Average Fee per Assignment and Revenue, Net of Reimbursements do not have any standardized meaning under IFRS and may not be comparable to measures presented by other companies. These operating measures are used by the Company to analyze its results. Please refer to section "Non – GAAP Financial Measures and Other Operating Measures" in the Company's MD&A for a definition of these terms.

For a complete discussion of the quarterly financial results, please see the company's Management Discussion and Analysis posted on SEDAR at www.sedar.com.

About Caldwell

At Caldwell we believe *Talent Transforms*. As a leading provider of executive talent, we enable our clients to thrive and succeed by helping them identify, recruit and retain their best people. Our reputation–nearly 50 years in the making–has been built on transformative searches across functions and geographies at the very highest levels of management and operations. We leverage our skills and networks to also provide agile talent in the form of flexible and on-demand advisory solutions for companies looking for support in strategy and operations. With offices and partners across North America, Europe and Asia Pacific, we take pride in delivering an unmatched level of service and expertise to our clients.

Caldwell's Common shares are listed on The Toronto Stock Exchange (TSX: CWL). Please visit our website at www.caldwellpartners.com for further information.

Forward-Looking Statements

Forward-looking statements in this document are based on current expectations that are subject to the significant risks and uncertainties cited. These forward-looking statements generally can be identified by use of statements that include phrases such as "believe," "expect," "anticipate," "intend," "plan," "foresee," "may," "will," "likely," "estimates," "potential," "continue" or other similar words or phrases. Similarly, statements that describe our objectives, plans or goals also are forward-looking statements. The Company is subject to many factors that could cause our actual results to differ materially from those contemplated by the relevant forward looking statement including, but not limited to, our ability to attract and retain key personnel; exposure to our partners taking our clients with them to another firm; the performance of the US, Canadian and international economies; competition from other companies directly or indirectly engaged in executive search; liability risk in the services we perform; potential legal liability from clients, employees and candidates for employment; cybersecurity requirements, vulnerabilities, threats and attacks; damage to our brand reputation; our ability to align our cost structure to changes in our revenue; adverse tax law rulings; our ability to generate sufficient cash flow from operations to support our growth and maintain our dividend; technological advances may significantly disrupt the labour market and weaken demand for human capital at a rapid rate; foreign currency exchange rate fluctuations; affiliation agreements may fail to renew or affiliates may be acquired; marketable securities valuation fluctuations; increasing dependence on third parties for the execution of critical functions; volatility of the market price and volume of our common shares; potential impairment of our acquired goodwill and intangible assets; and disruption as a result of actions of certain stockholders or potential acquirers of the Company. For more information on the factors that could affect the outcome of forward-looking statements, refer to the "Risk Factors" section of our Annual Information Form and other public filings (copies of which may be obtained at www.sedar.com). These factors should be considered carefully, and the reader should not place undue reliance on forward-looking statements. Although any forward-looking statements are based on what management currently believes to be reasonable assumptions, we cannot assure readers that actual results, performance or achievements will be consistent with these forward-looking statements, and management's assumptions may prove to be incorrect. Except as required by Canadian securities laws, we do not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by us or on our behalf; such statements speak only as of the date made. The forward-looking statements included herein are expressly qualified in their entirety by this cautionary language.

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THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(unaudited - in $000s Canadian)

	As at May 31 2019	As at August 31 2018
Assets		
Current assets		
Cash and cash-equivalents	8,241	14,885
Marketable securities	5,772	5,654
Accounts receivable	9,116	10,858
Income taxes receivable	537	-
Unbilled revenue	4,568	-
Prepaid expenses and other assets	2,576	1,711
	30,810	33,108
Non-current assets		
Restricted cash	46	138
Marketable securities	142	137
Advances	1,219	146
Property and equipment	1,509	1,378
Intangible assets	24	92
Goodwill	2,944	2,885
Deferred income taxes	1,227	1,897
Total assets	37,921	39,781
Liabilities		
Current liabilities		
Accounts payable	2,770	2,693
Compensation payable	18,221	19,205
Dividends payable	459	408
Income taxes payable	-	1,409
Deferred revenue	-	438
	21,450	24,153
Non-current liabilities		
Compensation payable	957	1,615
Provisions	62	93
	22,469	25,861
Equity attributable to owners of the Company		
Share Capital	7,515	7,515
Contributed surplus	15,004	15,002
Accumulated other comprehensive income	776	1,257
Deficit	(7,843)	(9,854)
Total equity	15,452	13,920
Total liabilities and equity	37,921	39,781

The accompanying notes are an integral part of these consolidated interim financial statements.

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED INTERIM STATEMENTS OF EARNINGS

(unaudited - in $000s Canadian)

	Three months ended May 31		Nine months ended May 31	
	2019	*2018*	*2019*	*2018*
Revenues				
Professional fees	19,535	17,942	49,247	47,769
License fees	38	86	629	229
Direct expense reimbursements	374	-	1,291	-
	19,947	18,028	51,167	47,998
Cost of sales	14,704	13,099	38,208	35,416
Reimbursed direct expenses	374	-	1,291	-
	15,078	13,099	39,499	35,416
Gross profit	4,869	4,929	11,668	12,582
Expenses				
General and administrative	2,788	3,234	8,631	8,782
Sales and marketing	440	395	983	964
Foreign exchange loss (gain)	102	19	63	(56)
	3,330	3,648	9,677	9,690
Operating profit	1,539	1,281	1,991	2,892
Investment income	88	2	144	6
Earnings before income tax	1,627	1,283	2,135	2,898
Income tax expense	592	296	856	1,231
Net earnings for the period attributable to owners of the Company	1,035	987	1,279	1,667
Earnings per share				
Basic and diluted	$0.051	$0.048	$0.063	$0.082

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE EARNINGS

(unaudited - in $000s Canadian)

	Three months ended May 31		Nine months ended May 31	
	2019	*2018*	*2019*	*2018*
Net earnings for the period	1,035	987	1,279	1,667
Other comprehensive income (loss):				
Items that may be reclassified subsequently to net earnings				
(Loss) gain on marketable securities	-	(17)	-	72
Cumulative translation adjustment	238	53	337	299
Comprehensive earnings for the period attributable to owners of the Company	1,273	1,023	1,616	2,038

The accompanying notes are an integral part of these consolidated interim financial statements.

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(unaudited - in $000s Canadian)

	Deficit	Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Income: Cumulative Translation Adjustment	Accumulated Other Comprehensive Income: Unrealized Gains on Marketable Securities	Total Equity
Balance - August 31, 2017	**(10,237)**	**7,515**	**14,992**	**428**	**422**	**13,120**
Net earnings for the nine month period ended May 31, 2018	1,667	-	-	-	-	1,667
Dividend payments declared	(1,224)	-	-	-	-	(1,224)
Share based payment expense	-	-	8	-	-	8
Change in unrealized gains on marketable securities available for sale	-	-	-	-	72	72
Change in cumulative translation adjustment	-	-	-	299	-	299
Balance - May 31, 2018	**(9,794)**	**7,515**	**15,000**	**727**	**494**	**13,942**
Balance - August 31, 2018	**(9,854)**	**7,515**	**15,002**	**770**	**487**	**13,920**
Adoption of IFRS 9	818	-	-	-	(818)	-
Adoption of IFRS 15	1,291	-	-	-	-	1,291
Net earnings for the nine month period ended May 31, 2019	1,279	-	-	-	-	1,279
Dividend payments declared	(1,377)	-	-	-	-	(1,377)
Share based payment expense	-	-	2	-	-	2
Change in cumulative translation adjustment	-	-	-	337	-	337
Balance - May 31, 2019	**(7,843)**	**7,515**	**15,004**	**1,107**	**(331)**	**15,452**

The accompanying notes are an integral part of these consolidated interim financial statements.

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW

(unaudited - in $000s Canadian)

	Nine months ended May 31 2019	2018
Cash flow provided by (used in)		
Operating Activities		
Net earnings for the period	1,279	1,667
Add (deduct) items not affecting cash		
Depreciation	387	399
Amortization	70	67
Amortization of advances	632	589
Gain on marketable securities classified as FVPL	(118)	-
Share based payment expense	2	8
Unrealized foreign exchange on subsidiary loans	34	(76)
Decrease in provisions	(31)	(29)
Decrease in deferred revenue	(438)	(927)
Increase in unbilled revenue	(980)	-
Decrease in deferred income taxes	214	204
(Decrease) increase in cash settled share-based compensation	(658)	189
Decrease (increase) in accounts receivable	2,065	(341)
Increase in income taxes receivable	(570)	-
Increase in prepaid expenses and other assets	(260)	(276)
Increase in accounts payable	12	271
Decrease in income taxes payable	(1,409)	(161)
(Decrease) increase in compensation payable	(2,268)	215
Payment of cash settled share-based compensation	(943)	(553)
Net cash (used in) provided by operating activities	(2,980)	1,246
Investment Activities		
Purchase of marketable securities	-	(500)
Payment of advances	(2,234)	-
Proceeds from release of restricted cash	94	-
Purchase of property and equipment	(487)	(147)
Net cash used in investing activities	(2,627)	(647)
Financing Activities		
Dividend payments	(1,326)	(1,224)
Net cash used in financing activities	(1,326)	(1,224)
Effect of exchange rate changes on cash and cash equivalents	289	168
Net decrease in cash and cash equivalents	(6,644)	(457)
Cash and cash equivalents, beginning of period	14,885	10,917
Cash and cash equivalents, end of period	8,241	10,460

The net impact of opening balance sheet adjustments as a result of implementing IFRS 15 have been eliminated in the creation of the consolidated interim statements of cash flow.

The accompanying notes are an integral part of these consolidated interim financial statements.