

FOR IMMEDIATE RELEASE

CALDWELL ANNOUNCES FISCAL 2020 THIRD QUARTER FINANCIAL RESULTS

- Third quarter revenue of \$11.6 million.
- Third quarter operating profit of \$647 thousand.

Toronto - July 9, 2020 - Retained executive search firm The Caldwell Partners International Inc. (TSX: CWL) today issued its financial results for the fiscal 2020 third quarter ended May 31, 2020. 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		Nine Months Ended	
	2020	2019	2020	2019
Professional fees	\$11,223	\$19,535	\$45,562	\$49,247
License fees	\$39	\$38	\$153	\$629
Direct expense reimbursements	\$294	\$374	\$1,224	\$1,291
Revenues	\$11,556	\$19,947	\$46,939	\$51,167
Cost of sales	\$8,925	\$14,704	\$35,415	\$38,208
Reimbursed direct expenses	\$294	\$374	\$1,224	\$1,291
Expenses	\$1,690	\$3,330	\$8,785	\$9,677
Operating profit	\$647	\$1,539	\$1,515	\$1,991
Interest expense on lease liability ¹	\$92	-	\$220	-
Investment income (loss)	(\$748)	\$88	(\$612)	\$144
Earnings (loss) before tax	(\$193)	\$1,627	\$683	\$2,135
Net earnings (loss) after tax	(\$504)	\$1,035	\$274	\$1,279
Net earnings (loss) per share	(\$0.025)	\$0.51	\$0.013	\$0.063

1. Effective September 1, 2019 IFRS 16 was implemented resulting in a change to the way leases are treated and giving rise to interest expense on lease liability. During periods prior to fiscal 2020, all lease related expenses were recognized as occupancy costs and included in expenses in arriving at operating profit.

79 Wellington Street West
 TD South Tower, Ste 2410
 Toronto, ON M5K 1E7
 +1 (416) 920-7702

caldwellpartners.com

“This is a challenging business environment for the executive search industry,” said John Wallace, chief executive officer. “Our third quarter revenue is down 42 percent over last year, which we believe is in line with our industry overall. That said, we remain extremely confident about our ability to manage our business through this pandemic and economic downturn.”

Wallace continued: “In light of uncertainties in the depth and length we would be impacted, we took quick and decisive steps to actively manage costs, preserve capital and enhance liquidity. Our cash and untapped available credit facilities have us in an excellent financial position, allowing us to continue focusing on growth initiatives and, in particular, partner recruitment. We were pleased to [announce the addition of a new partner, Peter Reed](#), during the quarter and expect to make further progress in the fourth quarter, leveraging the uncertainty in the industry with the stability and the opportunities Caldwell has to offer.”

Financial Highlights (all numbers expressed in \$000s)

- On January 30, 2020, the World Health Organization (WHO) characterized the novel coronavirus (COVID-19) a public health emergency. At that time, there had not been a direct negative impact seen in the regions we operate in of Canada, the United States and the United Kingdom. On March 11, the WHO expanded its characterization of COVID-19 to a global pandemic. The impact of COVID-19 on the Company has been significant and was experienced consistently across all three of our primary geographies. Areas of impact include both revenue and costs.

- Operating revenue:

Third Quarter

- Professional fees for the third quarter of 2020 decreased 42.5% (44.2% excluding a favourable 1.7% variance from exchange rate fluctuations) over the comparable period last year to \$11,223 (2019: \$19,535).

The decrease in professional fees is attributable to a reduction in the Number of Assignments to 61 (2019: 115) as a result of the COVID-19 pandemic across North America, partially offset by a higher Average Fee per Assignment of \$184 (\$178 excluding exchange rate fluctuations; 2019: \$170) resulting from completing searches during the current quarter that had been initiated in prior quarters at a higher average compensation level than anticipated. The Number of Assignments decreased on a lower Number of Assignments per Partner at 1.6 (2019: 2.9) and a lower Average Number of Partners at 38.3 (2019: 39.3).

On a segment basis, \$9,974 of professional fees were generated from the US (2019: \$15,852), \$1,264 from Canada (2019: \$3,425) and net negative revenue of \$15 from Europe (2019: revenue of \$258). In light of concerns over the financial impact of the COVID-19 pandemic, all accounts receivable over 90 days old have been reserved. This reduced revenue in Canada, the United States and Europe in the quarter by \$396, \$502 and \$415, respectively.

- License fees from our licensees in Australia and New Zealand for the use of the Caldwell brand and intellectual property for the fiscal 2020 third quarter were \$39 (2019: \$38).

- Direct expenses incurred and billed to clients during the fiscal 2020 third quarter were \$294 (2019: \$374).

Year to date

- Professional fees for the first nine months of 2020 decreased 7.5% (8.3% excluding a favourable 0.8% variance from exchange rate fluctuations) over the comparable period last year to \$45,562 (2019: \$49,247).

The decrease in professional fees is attributable to a reduction in the Number of Assignments to 298 (2019: 312) and a lower Average Fee per Assignment of \$153 (\$152, excluding exchange rate fluctuations; 2019: \$158). The Number of Assignments decreased on a lower Number of Assignments per Partner at 7.7 (2019: 8.0) on a consistent Average Number of Partners at 38.8 (2019: 38.9).

On a segment basis, \$35,301 of professional fees was generated from the US (2019: \$37,332), \$8,303 from Canada (2019: \$11,001) and \$1,958 from Europe (2019: \$914).

- Year to date license fees for the nine months ended May 31, 2020 were \$153 (2019: \$629). Last year's results included \$497 in license fees from CPGroup LatAm, with whom the Company ended its licensing relationship effective February 28, 2019.
- Year-to date direct expenses incurred and billed to clients were \$1,224 (2019: \$1,291).

- Operating profit:

Third Quarter

- Operating profit for the third quarter was \$647 (2019: \$1,539). The \$892 decrease was caused by lower Revenue, Net of Reimbursements (\$8,311) partially offset by lower cost of sales (\$5,779) and lower expenses (\$1,640) from the variances discussed below. Excluding exchange rate variances, operating profit decreased \$921 to \$618.
- Expenses in the third quarter decreased 49.2% or \$1,640 over the same period in the prior year to \$1,687 (2019: \$3,330). Excluding the impact of exchange rate variances of \$52, expenses decreased \$1,692 or 50.8% over the same period last year. This constant currency decrease was the result of decreased share-based compensation expense, the result of a lower share price and a reduction in performance factors, as a result of not meeting targeted performance (\$588); management bonus accrual reversals as a result of not expecting to meet targeted performance (\$473); lower marketing and business development expenses, largely due to consultants' inability to travel as a result of COVID-19 travel restrictions (\$291); lower recruitment expenses as partner hires came from sources without fees (\$141); annual partner practice meetings, held last year but not in the current year due to travel restrictions (\$135); the implementation of IFRS 16 resulted in a decrease in office lease expenses (\$103), although the net

impact on our results is immaterial when interest expense is included; and unfavourable variances across other smaller cost categories (\$39)

- Effective September 1, 2019 we implemented IFRS 16. An interest expense on lease liability of \$92 (2019: \$nil) was recognized during the quarter in accordance with IFRS 16.
- On a segment basis, third quarter operating profit was \$462 (2019: \$188) from Canada, \$767 (2019: \$1,800) from the US and a loss of \$582 (2019: loss of \$449) from Europe.

Year to date

- Operating profit for the first nine months of 2020 was \$1,515 (2019: \$1,991). The \$476 decrease was caused by lower Revenue, Net of Reimbursements (\$4,161) partially offset by lower cost of sales (\$2,793) and lower expenses (\$892) from the variances discussed above. Excluding exchange rate variances, operating profit decreased \$512 to \$1,479.
- Expenses for the first nine months of 2020 decreased 9.2% or \$892 over the same period in the prior year to \$8,785 (2019: \$9,677). Excluding the impact of exchange rate variances of \$51, expenses decreased \$943 or 9.7% over the same period last year. This constant currency decrease was the result of lower share-based compensation expense as a result of a lower share price and a reduction in performance factors as a result of not meeting targeted performance in the current period (\$365); lower legal expenses with last year's expenses being higher than usual due to our pursuit of a claim against a former client (\$316); the implementation of IFRS 16 resulted in a decrease in office lease expenses (\$271), although the net impact on our results is immaterial when interest expense (see below) is included; lower costs of annual practice meetings, held last year but not in the current year (\$178); lower marketing and business development expenses (\$151); higher consulting costs related to our Caldwell Analytics growth initiative (\$391); and favourable variances across other smaller cost categories (\$53).
- For the first nine months of 2020 an interest expense on lease liability of \$220 (2019: \$nil) was recognized.
- On a segment basis, operating profit for the first nine months was \$1,136 (2019: \$1,530) from Canada, \$629 (2019: \$1,622) from the US and a loss of \$250 (2019: loss of \$1,161) from Europe.

- Net earnings after tax:

- Third quarter net loss was \$504 (\$0.025 per share), as compared to net income of \$1,035 (\$0.051 per share) in the comparable period a year earlier.
- Year-to-date net income was \$274 (\$0.013 per share), as compared to \$1,279 (\$0.063 per share) in the comparable period a year earlier.

Average Number of Partners, Annualized Professional Fees per Partner, Number of Assignments, Number of Assignments per Partner, Average Fee per Assignment, Revenue, Net of

Reimbursements and Unencumbered Cash 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-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, including the impact of pandemic diseases; 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.

For further information, please contact:

Investors:

Chris Beck, CPA, Chief Operating and
Financial Officer

cbeck@caldwellpartners.com

+1 (617) 934-1843

Media:

Caroline Lomot, Director of Marketing

clomot@caldwellpartners.com

+1 (516) 830-3535



THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(unaudited - in \$000s Canadian)

	As at May 31 2020	As at August 31 2019
Assets		
Current assets		
Cash and cash-equivalents	14,873	10,623
Marketable securities	-	5,832
Accounts receivable	6,388	11,915
Unbilled revenue	4,104	4,086
Prepaid expenses and other assets	2,609	2,320
	27,974	34,776
Non-current assets		
Restricted cash	47	45
Marketable securities	88	85
Advances	896	1,047
Property and equipment	2,269	1,379
Right-of-use assets	7,759	-
Goodwill	1,362	1,313
Deferred income taxes	1,590	1,963
Total assets	41,985	40,608
Liabilities		
Current liabilities		
Accounts payable	1,230	3,389
Compensation payable	14,525	21,222
Lease liability	2,117	-
Dividends payable	-	459
Income taxes payable	84	576
	17,956	25,646
Non-current liabilities		
Compensation payable	574	1,068
Lease liability	6,600	-
Provisions	-	49
Government loan payable	2,224	-
	27,354	26,763
Equity attributable to owners of the Company		
Share Capital	7,515	7,515
Contributed surplus	15,008	15,005
Accumulated other comprehensive income	871	581
Deficit	(8,763)	(9,256)
Total equity	14,631	13,845
Total liabilities and equity	41,985	40,608

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED INTERIM STATEMENTS OF EARNINGS

(unaudited - in \$000s Canadian)

	Three months ended		Nine months ended	
	May 31		May 31	
	2020	2019	2020	2019
Revenues				
Professional fees	11,223	19,535	45,562	49,247
License fees	39	38	153	629
Direct expense reimbursements	294	374	1,224	1,291
	11,556	19,947	46,939	51,167
Cost of sales	8,925	14,704	35,415	38,208
Reimbursed direct expenses	294	374	1,224	1,291
	9,219	15,078	36,639	39,499
Gross profit	2,337	4,869	10,300	11,668
Expenses				
General and administrative	1,449	2,788	8,003	8,631
Sales and marketing	151	440	833	983
Foreign exchange loss (gain)	90	102	(51)	63
	1,690	3,330	8,785	9,677
Operating profit	647	1,539	1,515	1,991
Interest expense	92	-	220	-
Investment loss (income)	748	(88)	612	(144)
(Loss) earnings before income tax	(193)	1,627	683	2,135
Income tax expense	311	592	409	856
Net (loss) earnings for the period attributable to owners of the Company	(504)	1,035	274	1,279
Earnings per share				
Basic and diluted	(\$0.025)	\$0.051	\$0.013	\$0.063

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE EARNINGS

(unaudited - in \$000s Canadian)

	Three months ended		Nine months ended	
	May 31		May 31	
	2020	2019	2020	2019
Net (loss) earnings for the period	(504)	1,035	274	1,279
Other comprehensive income (loss):				
Items that may be reclassified subsequently to net earnings				
Cumulative translation adjustment	316	238	290	337
Comprehensive (loss) earnings for the period attributable to owners of the Company	(188)	1,273	564	1,616

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(unaudited - in \$000s Canadian)

	Deficit	Capital Stock	Contributed Surplus	Accumulated Translation Adjustment	Other Comprehensive Income Unrealized Gains on Marketable Securities	Total Equity
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
Balance - August 31, 2019	(9,256)	7,515	15,005	967	(386)	13,845
Adoption of IFRS 16	1,137	-	-	-	-	1,137
Net earnings for the nine month period ended May 31, 2020	274	-	-	-	-	274
Dividend payments declared	(918)	-	-	-	-	(918)
Share based payment expense	-	-	3	-	-	3
Change in cumulative translation adjustment	-	-	-	290	-	290
Balance - May 31, 2020	(8,763)	7,515	15,008	1,257	(386)	14,631

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW

(unaudited - in \$000s Canadian)

	Nine months ended	
	May 31	
	2020	2019
Cash flow provided by (used in)		
Operating Activities		
Net earnings for the period	274	1,279
Add (deduct) items not affecting cash		
Depreciation of property and equipment	345	387
Amortization of intangible assets	-	70
Depreciation of right-of-use assets (note 8)	1,074	-
Amortization of advances	960	632
Interest expense on lease liabilities	220	-
Loss (gain) on marketable securities classified as FVPL	626	(118)
Share based payment expense	3	2
(Gain) loss on unrealized foreign exchange on subsidiary loans	(119)	34
Decrease in provisions	-	(31)
Decrease in deferred revenue	-	(438)
Decrease (increase) in unbilled revenue	117	(980)
Decrease in deferred income taxes	-	214
Decrease in cash settled share-based compensation payable	(494)	(658)
Changes in working capital		
Decrease in accounts receivable	5,870	2,065
Increase in prepaid expenses and other assets	(86)	(260)
(Decrease) increase in accounts payable	(590)	12
Changes in income taxes receivable/payable	(461)	(1,979)
Decrease in compensation payable	(5,933)	(2,268)
Payment of cash settled share-based compensation	(1,155)	(943)
Net cash provided by (used in) operating activities	651	(2,980)
Investment Activities		
Proceeds from sale of marketable securities	5,206	-
Additions to right-of-use assets	(3,218)	-
Payment of advances	(576)	(2,234)
Proceeds from release of restricted cash	-	94
Purchase of property and equipment	(1,210)	(487)
Net cash provided by (used in) investing activities	202	(2,627)
Financing Activities		
Increase in lease liability	3,585	-
Dividend payments	(1,377)	(1,326)
Payment of lease liabilities	(1,363)	-
Sublease payments received	238	-
Proceeds from government loan	2,267	-
Net cash provided by (used in) financing activities	3,350	(1,326)
Effect of exchange rate changes on cash and cash equivalents	47	289
Net increase (decrease) in cash and cash equivalents	4,250	(6,644)
Cash and cash equivalents, beginning of period	10,623	14,885
Cash and cash equivalents, end of period	14,873	8,241

The net impact of opening balance sheet adjustments as a result of implementing IFRS 16 have been eliminated in the creation of the consolidated interim statements of cash flow.