



FOR IMMEDIATE RELEASE

CALDWELL ISSUES FISCAL 2020 FOURTH QUARTER AND FULL YEAR FINANCIAL RESULTS

- Fourth quarter revenue of \$11.3 million.
- Fourth quarter operating profit of \$2.3 million.
- Annual revenue of \$58.2 million.
- Annual operating profit of \$3.8 million.

Toronto - November 12, 2020 - Retained executive search firm The Caldwell Partners International Inc. (TSX: CWL) today issued its financial results for the fiscal 2020 fourth quarter and full year ended August 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 AUGUST 31		YEAR ENDED AUGUST 31	
	2020	2019	2020	2019
Professional fees	\$11,128	\$20,502	\$56,690	\$69,749
License fees	\$24	\$71	\$177	\$700
Direct expense reimbursements	\$102	\$398	\$1,326	\$1,689
Revenues	\$11,254	\$20,971	\$58,193	\$72,138
Cost of sales	\$8,696	\$14,838	\$44,352	\$53,046
Government stimulus grants	(\$2,205)	-	(\$2,446)	-
Reimbursed direct expenses	\$102	\$398	\$1,326	\$1,689
Gross profit	\$4,661	\$5,735	\$14,961	\$17,403
Selling, general and administrative expenses	\$2,752	\$4,460	\$11,588	\$14,074
Goodwill impairment	-	\$1,521	-	\$1,521
Government stimulus grants	(\$393)	-	(\$393)	-
Operating profit (loss)	\$2,302	(\$246)	\$3,766	\$1,808
Interest expense on lease liability ¹	\$147	-	\$367	-
Investment income (loss)	(\$7)	(\$67)	\$605	(\$211)
Foreign exchange (gain) loss	(\$128)	\$105	(\$179)	\$168
Earnings (loss) before tax	\$2,290	(\$284)	\$2,973	\$1,851
Income tax expense (income)	(\$282)	\$670	\$127	\$1,526
Net earnings (loss) after tax	\$2,572	(\$954)	\$2,846	\$325
Net earnings (loss) per share	\$0.126	(\$0.047)	\$0.139	\$0.016

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.

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“Fiscal 2020 was a year unlike any other,” said John Wallace, chief executive officer. “After an incredible start to the year, the world went in a completely unexpected direction due to the pandemic and the ensuing economic uncertainty. The effect on our business has been significant, as employment levels and hiring at our clients were dramatically reduced, but it has also been the catalyst for an impressive level of innovation and adaptation inside our firm. Our team has done a superlative job of delivering outstanding and transformative leadership talent for our clients, and we have seen monthly sequential increases in new search volumes and business development activity. We remain extremely confident in the team’s ability to garner market share throughout a recovering market.”

Wallace continued: “As a result of quick and decisive steps to actively manage costs, preserve capital and enhance liquidity, we have come out of a challenging year in a position of financial strength. We have a balance sheet and a cash position with liquidity to operate during the current pandemic environment and do intend to make strategic investments to expand our industry, geographic and service coverage as the opportunities arise.”

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


Impact of the COVID-19 pandemic on our business:

We experienced record growth results leading up to the pandemic’s occurrence. Fiscal 2019 revenue of \$72.1 million was the highest in our firm’s history, and the first half of fiscal 2020 (September 1, 2019 to February 28, 2020) was 12% higher than the same period in fiscal 2019. Since the onset of the pandemic, we have seen significant pressure on our business.

On January 30, 2020, the World Health Organization (WHO) characterized the novel coronavirus (COVID-19) as 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, impacting both revenue and costs. We were working entirely remotely beginning in March, and while we have reopened our offices as health restrictions provide, we are still encouraging our people to continue working remotely while safety concerns remain. We do not anticipate a full return to our offices until sometime later in 2021.

Government stimulus grants:

As discussed more fully in note 11 to our annual financial statements, we have participated in available stimulus grants offered by the governments in Canada and the United States to help offset the negative impact of the COVID-19 pandemic. The total amount of government stimulus grants recognized during 2020 was \$2,839 (\$241 and \$2,598 in the third and fourth quarters, respectively). The costs are shown as offsets to the functional cost categories they applied to. Of the total, \$707 was a direct grant pertaining to Canada, shown as an offset to cost of sales in the third and fourth quarters of \$241 and \$466, respectively. \$2,132 pertained to the United States in the form of a loan that is eligible for forgiveness if certain conditions are met. We believe we have complied with the relevant provisions of the program by validly using the entire proceeds of the loan for qualifying expenses during the coverage period and have therefore concluded that



forgiveness of the loan is probable. As a result, we have recategorized the proceeds from a loan to that of a government grant, represented by deductions in cost of goods sold (\$1,739) and selling, general and administrative expenses (\$393), respectively.

We applied for forgiveness review by our lender and the US government on September 21, 2020. It is unknown how long the loan forgiveness review process will take, with indication from our lender of up to five months. Ultimate forgiveness is dependent on the bank review and a further review by the Small Business Administration of the United States. While we believe the forgiveness criteria has been achieved, no guarantee of forgiveness can be given until formal forgiveness is received. It is possible the loan will not be forgiven and will need to be repaid.

- Operating revenue:

Fourth Quarter

Professional fees for the fourth quarter of fiscal 2020 decreased 45.7% (46.5% excluding a favourable 0.8% variance from exchange rate fluctuations) from the comparable period last year to \$11,128 (2019: \$20,502).

The decrease in professional fees is attributable to reductions in the Number of Assignments to 110 (2019: 127) and Average Fee per Assignment to \$101 (\$100 excluding exchange rate fluctuations; 2019: \$161). The decrease in both factors is primarily the result of the pandemic's economic impact on our clients and related pricing pressures among executive search firms. The Number of Assignments decreased on a lower Number of Assignments per Partner at 2.9 (2019: 3.2) and a lower Average Number of Partners at 37.3 (2019: 40.0).

On a segment basis, \$7,541 of professional fees were generated from the US (2019: \$15,950), \$2,304 from Canada (2019: \$4,496) and \$1,283 from Europe (2019: \$56).

- License fees from our licensee in New Zealand for the use of the Caldwell brand and intellectual property for the fiscal 2020 fourth quarter were \$24 (2019: \$71).
- Direct expenses incurred and billed to clients during the fiscal 2020 fourth quarter were \$102 (2019: \$398).

Full year

Professional fees for 2020 decreased 18.7% (19.5% excluding a favourable 0.8% variance from exchange rate fluctuations) over the comparable period last year to \$56,690 (2019: \$69,749).

The decrease in professional fees is attributable to a reduction in the Number of Assignments to 408 (2019: 439) and a lower Average Fee per Assignment of \$139 (\$138, excluding exchange rate fluctuations; 2019: \$159). Similar to the fourth quarter figures, both factors were negatively impacted by the pandemic in the second half of the year. The Number of Assignments decreased on a lower Number of Assignments per Partner at 10.6 (2019: 11.1) and a lower Average Number of Partners at 38.5 (2019: 39.5).

On a segment basis, \$42,842 of professional fees was generated from the US

(2019: \$53,282), \$10,607 from Canada (2019: \$15,497) and \$3,241 from Europe (2019: \$970).

- License fees for the year ended August 31, 2020 were \$177 (2019: \$700).
- Year to date direct expenses incurred and billed to clients were \$1,326 (2019: \$1,689).

- Operating profit:

Fourth Quarter

- The fourth quarter's operating profit increased \$2,548 to \$2,302 (2019: loss of \$246). The increase was the result of lower Revenue, Net of Reimbursements (\$9,421) being more than offset by lower cost of sales (\$6,142), lower selling, general and administrative expenses (\$1,708), government stimulus grants received in 2020 (\$2,598) and the impairment expense taken in the fourth quarter of fiscal 2019 to write-off the goodwill balance of our European segment (\$1,521). Excluding the net favourable impact of exchange rate changes on our operations of for the quarter of \$33, operating profit on a constant currency basis increased \$2,515 to \$2,269.
- Selling, general and administrative expenses for the fourth quarter decreased \$1,708 (38.3%), from \$4,460 to \$2,752. Excluding unfavourable exchange rate variances of \$15 (0.3%), expenses decreased \$1,723 (38.6%). This constant currency decrease was the result of management bonus accrual reversals as a result of not meeting targeted performance (\$604); decreased share-based compensation expense, the result of a lower share price and a reduction in performance factors, as targeted performance was not achieved (\$439); lower marketing and business development expenses due to our consultants' inability to travel as a result of COVID-19 travel restrictions and reduced marketing spend (\$381); a municipal tax assessment in Q4 2019 primarily related to prior years (\$350); and offsetting favourable variances across other smaller cost categories (-\$51).
- Effective September 1, 2019 we implemented IFRS 16. An interest expense on lease liability of \$104 (2019: \$nil) was recognized during the quarter per IFRS 16.
- On a segment basis, fourth quarter operating profit was \$678 (2019: loss of \$5) from Canada, \$1,360 (2019: \$1,714) from the US and \$264 (2019: loss of \$1,955) from Europe.

Full year

- Operating profit for the full year increased \$1,958 to \$3,766 (2019: \$1,808). The increase was the result of lower Revenue, Net of Reimbursements (\$13,582) being more than offset by lower cost of sales (\$8,694), lower selling, general and administrative expenses (\$2,486), government stimulus grants received in 2020 (\$2,839), and the impairment expense taken in the fourth quarter of fiscal 2019 to write-off the goodwill balance of our European segment (\$1,521).
- Selling, general and administrative expenses for the full year decreased \$2,486

(17.7%), to 11,588 from \$14,074. Excluding unfavourable exchange rate variances of \$74 (0.5%), expenses decreased \$2,560 (18.2%). 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 (\$804); management bonus accrual reversals as a result of not meeting targeted performance (\$670); lower marketing and business development expenses (\$532); Lower office expenses as a result of adoption of IFRS 16 (\$456), largely offset by the interest on lease liability (see below); a municipal tax assessment in Q4 2019 primarily related to prior years (\$350); lower legal expenses with last year's expenses being higher than usual due to our pursuit of a claim against a former client (\$265); lower costs of annual practice meetings, held last year but not in the current year (\$188); lower partner recruitment expenses (\$111); and offsetting investment costs in our Caldwell Analytics growth initiative through higher consulting fees (-\$501); Higher office expenses on the early termination of and losses on disposition related to Dallas lease (-\$292); and unfavourable variances across other smaller cost categories (-\$23).

- For 2020 an interest expense on lease liability of \$324 (2019: \$nil) was recognized.
- On a segment basis, operating profit for the year was \$1,290 (2019: \$1,490) from Canada, \$2,494 (2019: \$3,334) from the US and a loss of \$18 (2019: loss of \$3,016) from Europe.

- Net earnings after tax:

- Fourth quarter net income was \$2,572 (\$0.126 per share), as compared to a net loss of \$954 (\$0.047 per share) in the comparable period a year earlier.
- Full-year net income was \$2,846 (\$0.139 per share) compared to \$325 (\$0.016 per share) last year.
- Income tax expense was lower than statutory rates in the fourth quarter and for the full year. This was largely due the cancellation of an intercompany loan balance between our US and UK entities. The cancellation generated a deductible loss in the US which was able to be carried back up to five years to generate an immediate benefit. In the UK, the cancellation generated taxable income, but we were able to fully applied loss carryforward from prior years to shield current tax expense.

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 the 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. 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.

Understanding that transformative talent is not limited to executive levels, our Caldwell Advance solution focuses on emerging leaders and advancing professionals who can also have a profound impact on a company's ability to turn potential into success. We also leverage our skills and networks to provide agile talent solutions in the form of flexible and on-demand advisory solutions for companies looking for support in strategy and operations. Caldwell Analytics is a talent optimization solution that uses highly respected, results-driven assessments to align our clients' talent and business strategies, driving better business results.

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.

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THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in \$000s Canadian)

	<i>As at</i> <i>August 31</i> <i>2020</i>	<i>As at</i> <i>August 31</i> <i>2019</i>
Assets		
Current assets		
Cash and cash equivalents	14,481	10,623
Marketable securities	-	5,832
Accounts receivable	7,316	11,915
Income taxes receivable	928	-
Unbilled revenue	2,430	4,086
Prepaid expenses and other assets	2,553	2,320
	<u>27,708</u>	<u>34,776</u>
Non-current assets		
Restricted cash	45	45
Marketable securities	71	85
Advances	695	1,047
Property and equipment	2,128	1,379
Right-of-use assets	7,691	-
Goodwill	1,288	1,313
Deferred income taxes	1,245	1,963
Total assets	<u>40,871</u>	<u>40,608</u>
Liabilities		
Current liabilities		
Accounts payable	1,764	3,389
Compensation payable	12,812	21,222
Lease liability	1,873	-
Dividends payable	-	459
Income taxes payable	-	576
	<u>16,449</u>	<u>25,646</u>
Non-current liabilities		
Compensation payable	734	1,068
Provisions	-	49
Lease liability	6,932	-
	<u>24,115</u>	<u>26,763</u>
Equity attributable to owners of the Company		
Share capital	7,515	7,515
Contributed surplus	15,013	15,005
Accumulated other comprehensive income	419	581
Deficit	(6,191)	(9,256)
Total equity	<u>16,756</u>	<u>13,845</u>
Total liabilities and equity	<u>40,871</u>	<u>40,608</u>

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF EARNINGS

Twelve months ended

August 31

(in \$000s Canadian, except per share amounts)

2020 2019

Revenues		
Professional fees	56,690	69,749
Licence fees	177	700
Direct expense reimbursements	1,326	1,689
	58,193	72,138
Cost of sales expenses		
Cost of sales	44,352	53,046
Government stimulus grants	(2,446)	-
Reimbursed direct expenses	1,326	1,689
	43,232	54,735
Gross profit	14,961	17,403
Operating expenses		
Selling, general and administrative	11,588	14,074
Goodwill impairment	-	1,521
Government stimulus grants	(393)	-
	11,195	15,595
Operating profit	3,766	1,808
Finance expenses (income)		
Interest expense on lease liability	367	-
Investment loss (income)	605	(211)
Foreign exchange (gain) loss	(179)	168
Earnings before income tax	2,973	1,851
Income tax expense	127	1,526
Net earnings for the year attributable to owners of the Company	2,846	325
Earnings per share		
Basic & Diluted	\$0.139	\$0.016

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

(in \$000s Canadian)

Twelve months ended

August 31

2020 2019

Net earnings for the year	2,846	325
Other comprehensive income:		
Items that may be reclassified subsequently to net earnings		
Gain (loss) on marketable securities	210	(55)
Cumulative translation adjustment	(372)	197
Comprehensive earnings for the year attributable to owners of the Company	2,684	467

Certain comparative figures have been restated to conform with current year presentation.

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in \$000s Canadian)

	Deficit	Share Capital	Contributed Surplus	Cumulative Translation Adjustment	Accumulated Other Comprehensive Income (Loss) Unrealized Gains (Loss) 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)	0
Adoption of IFRS 15	1,291	-	-	-	-	1,291
Net earnings for the year	325	-	-	-	-	325
Dividend payments declared	(1,836)	-	-	-	-	(1,836)
Share-based payment expense	-	-	3	-	-	3
Change in unrealized loss on marketable securities available for sale	-	-	-	-	(55)	(55)
Change in cumulative translation adjustment	-	-	-	197	-	197
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 year	2,846	-	-	-	-	2,846
Dividend payments declared	(918)	-	-	-	-	(918)
Share-based payment expense	-	-	8	-	-	8
Change in unrealized loss on marketable securities available for sale	-	-	-	-	210	210
Change in cumulative translation adjustment	-	-	-	(372)	-	(372)
Balance - August 31, 2020	(6,191)	7,515	15,013	595	(176)	16,756

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

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF CASH FLOW

(in \$000s Canadian)

	Twelve months ended	
	August 31	
	2020	2019
Cash flow provided by (used in)		
Operating activities		
Net earnings for the year	2,846	325
Add (deduct) items not affecting cash		
Depreciation of property and equipment	461	520
Amortization of intangible assets	-	94
Depreciation of right-of-use assets	1,565	-
Amortization of advances	1,128	898
Gain on government stimulus grants	(2,132)	-
Loss on disposition of assets	103	20
Loss on disposition of right-of-use assets	87	-
Reduction in lease liability due to early termination	(91)	-
Interest expense on lease liabilities	367	-
Fees received in shares	(23)	-
Loss (gain) on marketable securities classified as FVPL	625	(177)
Share based payment expense	8	3
(Gain) loss on unrealized foreign exchange on subsidiary loans	(262)	136
Decrease in provisions	-	(44)
Decrease in deferred revenue	-	(449)
Decrease (increase) in unbilled revenue	1,623	(558)
Decrease (increase) in deferred income taxes	520	(541)
Decrease in cash settled share-based compensation	(334)	(547)
Decrease in goodwill	-	1,521
Changes in working capital	(5,102)	(1,160)
Net cash provided by operating activities	1,389	41
Investing activities		
Proceeds from sale of marketable securities	5,207	-
Tenant inducement on right-of-use assets	367	-
Payment of advances	(576)	(2,260)
Proceeds from release of restricted cash	-	94
Purchase of property and equipment	(1,320)	(564)
Proceeds from the disposition of property and equipment	-	38
Net cash used in investing activities	3,678	(2,692)
Financing activities		
Dividend payments	(1,377)	(1,836)
Payment of lease liabilities	(2,021)	-
Sublease payments received	310	-
Proceeds from government loan	2,267	-
Net cash provided by (used in) financing activities	(821)	(1,836)
Effect of exchange rate changes on cash and cash equivalents	(388)	225
Net increase (decrease) in cash and cash equivalents	3,858	(4,262)
Cash and cash equivalents, beginning of year	10,623	14,885
Cash and cash equivalents, end of year	14,481	10,623

The net impact of opening balance sheet adjustments as a result of implementing IFRS 15 and 16 have been eliminated in the creation of the consolidated statements of cash flow.