THE CALDWELL PARTNERS INTERNATIONAL INC.

MANAGEMENT DISCUSSION AND ANALYSIS

First Quarters Ended

November 30, 2024 and 2023

Management Discussion and Analysis

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("MD&A")

(Expressed in CAD $000s, except per share amounts)

PRESENTATION

The following discussion and analysis, prepared on January 9, 2025 should be read in conjunction with the consolidated interim financial statements with related notes for the quarter ended November 30, 2024. Unless otherwise noted, all currency amounts are provided in thousands of Canadian dollars (except per share amounts). All references to quarters or years are for the fiscal periods unless otherwise noted. Unless otherwise noted as a non-GAAP financial measure or other operating measure, financial results are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

FORWARD-LOOKING STATEMENTS

Forward-looking statements in this document are based on current expectations subject to the significant risks and uncertainties cited. These forward-looking statements generally can be identified by the 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.

We are 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, the impact of pandemic diseases, 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; risks related to deposit-taking institutions; foreign currency exchange rate fluctuations; competition from other companies directly or indirectly engaged in talent acquisition; cybersecurity requirements, vulnerabilities, threats and attacks; damage to our brand reputation; our ability to align our cost structure to changes in our revenue; liability risk in the services we perform; potential legal liability from clients, employees and candidates for employment; reliance on software that we license from third parties; reliance on third-party contractors for talent acquisition support; the classification of third-party labour as contractors versus employee relationships; our ability to successfully recover from a disaster or other business continuity issues; adverse governmental and tax law rulings; successfully integrating or realizing the expected benefits from our acquisitions, adverse operating issues from acquired businesses; volatility of the market price and trading volume of our common shares; technological advances may significantly disrupt the labour market and weaken demand for human capital at a rapid rate; affiliation agreements may fail to renew or affiliates may be acquired; the impact on profitability from marketable securities valuation fluctuations; increasing dependence on third parties for the execution of critical functions; our ability to generate sufficient cash flow from operations to support our growth and fund any dividends; 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. 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.

COMPANY DESCRIPTION

The Caldwell Partners International Inc. (the "Company") is a technology-powered talent acquisition firm specializing in recruitment at all levels. We leverage the latest innovations in artificial intelligence to offer an integrated spectrum of services delivered by teams with deep knowledge in their respective areas, allowing us to have a more significant impact on our clients' long-term success. Services include candidate research and sourcing through to full lifecycle recruitment at the professional, executive and board levels, as well as a suite of talent strategy and assessment tools that can help clients hire the right people, then manage and inspire them to achieve maximum business results.

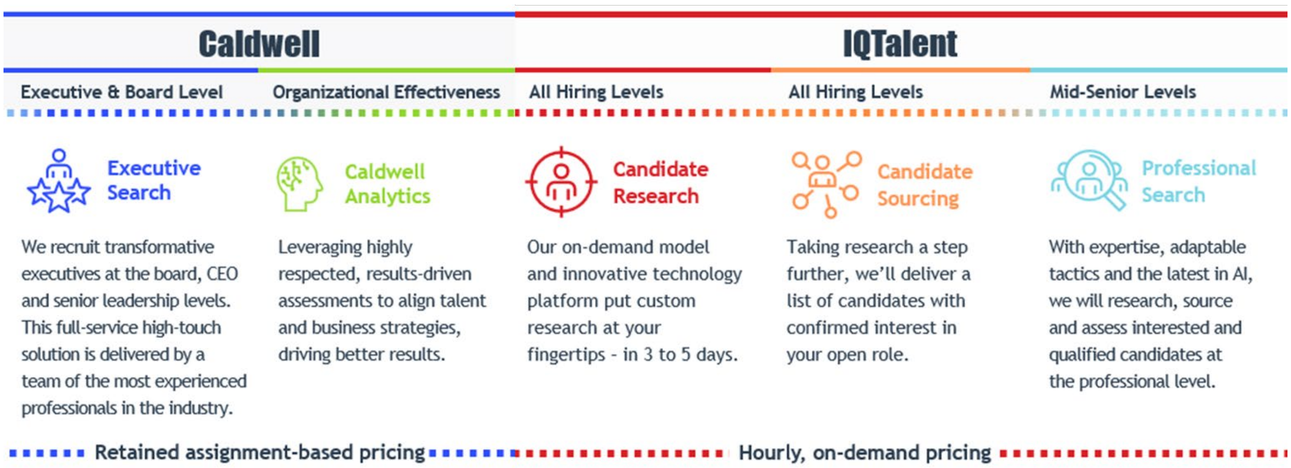
The Company's common shares are listed on the Toronto Stock Exchange (TSX: CWL) and also trade on the OTCQX Market in the United States (OTCQX: CWLPF). Please visit our website at www.caldwell.com for further information.

BUSINESS SEGMENTS

Identification of Segments

We operate through two distinct segments – retained executive search and analytics solutions are conducted as ***Caldwell***, and on-demand talent acquisition augmentation solutions are conducted as ***IQTalent***. The services Caldwell offers, the nature of its clients and its pricing and delivery model are uniform across geographies, and those geographies are largely interconnected in economic cycles. We therefore measure the key metrics and reporting of Caldwell as one segment. IQTalent's business is managed and measured separately from Caldwell with unique branding, operations and pricing. As a result, we operate with two distinct business segments differentiated by brand, services, operations and pricing models.

The following chart explains the spectrum of services we offer our clients:



Together, Caldwell and IQTalent are transforming the world of talent. IQTalent's unique service model and innovative use of technology - paired with Caldwell's expertise, network and resources - allows us to have a greater impact on our clients' long-term success.

Our strategy for our two segments working in tandem is for IQTalent to be a constant presence at our clients, providing recurring talent acquisition support, with Caldwell engaged for higher-end retained executive searches not undertaken by our clients' in-house teams. Together we provide seamless support for the talent acquisition needs at all levels for our clients who benefit from an increasingly diversified mix of products and services, with cross-collaboration opportunities between the two business segments expected to amplify our long-term success. We will continue to review business and technology acquisition opportunities that align with client-driven talent offerings and our belief that Talent Transforms.

Segment Operating Characteristics

Revenue

Caldwell
Caldwell operates with partners in Canada, the United States and Europe, with functional currencies being the Canadian dollar, US dollar and British pound. We take pride in delivering an unmatched level of service and expertise to our clients from 19 locations throughout the world, including Atlanta, Boston, Calgary, Charleston, Chicago, Dallas, Houston, London, Los Angeles, Miami, Nashville, New York, Park City, Philadelphia, San Francisco, Stamford, Toronto, Vancouver, and Zurich.
Caldwell's executive search revenue and operating income are difficult to predict and have historically varied significantly from quarter to quarter. There is no discernible seasonality in our business on a quarterly basis, although historically, we have usually seen lower revenue in the first and second quarters compared to the third and fourth quarters. Over the past ten years, revenue in the second half of the year has increased over the first half by an average of 21%. Adjusting for the pandemic in fiscal 2020, this metric grows to 26%.

Our capacity to generate revenue increases with the number of partners and depends on the fees we are able to charge and our partners' productivity, which is influenced significantly by competition and general economic hiring conditions. Additionally, given our relatively small partner base, we have limited diversification, and consequently, results may fluctuate significantly from quarter to quarter. We provide fully-retained executive search and bill our clients based on a fee of approximately one-third of a placed executive's compensation.

IQTalent

IQTalent provides on-demand talent acquisition augmentation as a managed service to our clients, who are typically in-house talent acquisition departments. We provide candidate research and sourcing at all talent levels and full lifecycle recruiting services at the professional level, with revenue generated per labour hour. Services are on-demand with no long-term contractual commitments and can vary significantly from quarter to quarter and with economic cycles or events. As services are billed to clients on an hourly basis, revenue fluctuates based on the number of business days. There are 252 business days in fiscal 2025, with 62 days (24.9%) in the first quarter, 62 days (24.9%) in the second quarter, 64 days (25.7%) in the third quarter and 64 days (25.7%) in the fourth quarter. Fiscal 2024 had 252 business days, with 62 days (24.6%) in the first quarter, 62 days (24.6%) in the second quarter, 65 days (25.8%) in the third quarter and 63 days (25.0%) in the fourth quarter.

IQTalent's capacity to generate revenue increases with the size of fully trained research, sourcing and recruitment staff. Third-party contractors are used to help manage fluctuations in customer demand. Staffing needs are dependent on the pipeline of active and potential business opportunities available to generate billable hours. Active accounts and potential new business in the pipeline are managed by senior leadership and are influenced significantly by competition and general economic hiring conditions.

From time-to-time, IQTalent provides certain research services to support Caldwell's executive search teams. The pricing of these services is in line with other third parties of similar size. IQTalent and Caldwell recognize these fees in their revenue and cost of sales, respectively. Such amounts are eliminated upon consolidation.

Cost of Sales

Caldwell

Cost of sales for executive search pertains to professional fees. It comprises partner compensation, related search delivery personnel compensation and the direct costs of providing our search services, much of which relates to candidate databases and research tools. Compensation costs include fixed salaries, variable incentive compensation and related employee benefits and payroll taxes.

Our partners are paid a set level of base compensation referred to as draws. Variable incentive compensation is based on a percentage of collected professional fees attributed to each partner, based on a tiered commission grid. The higher a partner's collected professional fees in a fiscal year, the higher the partner's earning percentage. In aggregate, as Annualized Professional Fees per Partner increases, compensation tiers and expense also increase. Please see the discussion on Non-GAAP measures for further details on this metric. The partners' variable compensation incentives are credited first to draw amounts already paid as an advance, with any excess due as a commission payment. A deficit occurs when a partner's variable compensation earned is less than their draw. The full draw amount is expensed each period. Additionally, any excess variable compensation is expensed and accrued for future payment. Deficit amounts within a fiscal year may be recouped in subsequent quarters if a partner earns enough variable compensation over the remainder of the year to credit against any deficit that has already been expensed. Deficits at the end of each fiscal year are not brought forward into future fiscal years for recoupment. In periods of organic growth, as new partner hires transition, deficits may increase.

In aggregate and over time, these costs are largely variable to professional fees, with fluctuations arising from changes in incentive compensation based on the Average Professional Fee per Partner and the leverage impact of certain fixed support costs during periods of rapid growth or decline. Please see the discussion on Non-GAAP measures for further details on the Average Professional Fee per Partner metric.

Costs associated with direct expense reimbursements are recorded separately as reimbursed direct expenses.

IQTalent
Cost of sales for on-demand recruiting services is comprised of research, sourcing and recruitment staff compensation, including benefits and payroll taxes and third-party contractor fees. Employees are primarily salaried with traditional bonus plans tied to company and individual performance. As a result, in the short term, IQTalent's cost of sales is more fixed in nature than Caldwell's. Other direct costs of providing our services are primarily related to candidate databases and research tools.

Staffing levels are actively managed with the utilization of hourly capacity, a key operating metric. To help manage demand fluctuations, we also maintain a network of experienced non-employee contracted professionals. Although the overall cost of contracted professionals in the United States is higher than employees, when demand exceeds the available hours of employed staff, the contracted professional network allows us to scale to meet our clients' service delivery needs.

Contractors are generally paid for actual hours worked that fluctuate each period relative to the number of working business days. In contrast to salaried employees, the cost of contractors is variable to revenue.

Selling, general and administrative

Selling, general and administrative expenses are similar in nature across Caldwell and IQTalent, consisting of items such as occupancy, information technology, marketing, professional and other operating costs. We have consolidated certain support functions such as finance, accounting, payroll, information technology, marketing and select administrative functions. We allocate shared support costs from Caldwell to IQTalent in the segmented statements of earnings based on the incremental direct cost of managing IQTalent. Costs related to our status and operation as a public company are not allocated to IQTalent.

NON-GAAP FINANCIAL MEASURES AND OTHER OPERATING MEASURES

Certain non-GAAP financial measures and other operating measures are used to manage the business and explain the results of operations. Such measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

Non-GAAP measures and other operating measures used herein have been calculated on a consistent basis for the periods presented and include the following defined terms:

Caldwell

- Average Fee per Assignment: Professional fees reported as revenue from executive search for a given period divided by the related Number of Assignments. This metric is used to identify and track price trends as a key driver of our professional fees in executive search. It is impacted by both economic and competitive conditions as well as the seniority level of searches undertaken. Please note that over short periods of time and during periods of rapid revenue growth or decline, Average Fee per Assignment can be a trailing indicator of the ultimate actual average fee per search, as the number of searches booked precedes the recognition of the associated search revenue.

- Average Number of Partners: The number of active executive search revenue-producing partners at the beginning of a period plus the number of active executive search revenue-producing partners at the end of each month during the period, divided by the related number of months. The Average Number of Partners is indicative of our capacity to generate professional fees in executive search. Principals are excluded from this metric as they are generally newly-promoted and are yet to establish themselves in the market as revenue-producers. The expectation is for principals to progress to partners over time.

- Annualized Professional Fees per Partner: Professional fees from executive search divided by the Average Number of Partners; and if an interim period, annualized to a full year. The Annualized Revenue per Partner indicates how well our partners are performing as a whole. This performance is driven by the Number of Assignments performed and the Average Fee per Assignment. Annualized Professional Fees per Partner also impacts our cost of sales as the more an individual partner bills, the higher the commission tier they are paid. As the Annualized Professional Fees per Partner rises, compensation expense as a percentage of professional fees also generally rises.

- Number of Assignments: The number of new executive search assignments contracted for during a period. This metric shows the search volume and is one of the drivers of professional fees in executive search.

- Number of Assignments per Partner: The Number of Assignments divided by the Average Number of Partners. This metric analyzes our partner productivity and utilization and is a measure used to identify and track volume trends in executive search as one of the key drivers of our professional fees.

IQTalent

- Average Fees Billed per Business Day: IQTalent professional fees for a given period divided by the Number of Business Days in the period. This metric is used to identify and track price and volume trends in this segment as one of the key drivers of professional fees. It is impacted by market pricing and the Average Number of Active Clients.

- Number of Business Days: The aggregate number of weekday days in a period less any US holidays. This metric represents days of work that can be performed for and billed to IQTalent clients in a period and is a key driver of professional fees in this segment.

- Proportion of Contract Professionals: A measure used to identify and track the average proportion of labour in cost of sales during a period performed by non-employee contract professionals in the IQTalent segment. This is a driver of direct costs and gross margin as contracted professionals in the United States typically cost more than employees.

- Utilization Rate: The total number of hours IQTalent clients are billed during a period divided by the total number of labour hours paid. The metric is used to identify and track how efficiently resources are being deployed in the IQTalent on-demand talent acquisition augmentation managed services business.

- Average Number of Active Clients: The sum of the number of unique IQTalent clients for whom billable services have been performed in each period divided by the total number of periods. This metric is used to identify and track the size of our customer base in the IQTalent segment.

- Average Revenue per Active Client: Professional fees for a given period divided by the Average Number of Active Clients for that period. This metric is used to identify and track the average revenue-generating value of our clients in the IQTalent segment.

Consolidated

- Unencumbered Cash: A measure used to identify cash available for growth and strategic initiatives, as well as a source of funding during any periods of negative cash flow from operations, calculated as the net of (i) total current assets, less (ii) total current liabilities.

- Average Period End Share Price: The volume-weighted average share price in Caldwell stock for the last ten business days of the month. This metric drives the Share Price Impact on Operating Profit.

- Share Price Impact on Operating Profit: The change in operating profit during a period resulting from the increase or decrease in share-based expenses solely the result of changes in share price during the period.

EXECUTIVE SUMMARY OF OPERATING RESULTS AND BUSINESS OUTLOOK

After record-breaking growth in fiscal 2022, fiscals 2023 and 2024 were impacted by suppressed hiring demand and a corresponding reduction in revenue. Recent quarterly activity has been volatile. While we experienced a surge in revenue in the third quarter of fiscal 2024 ending May 31, 2024, we experienced a significant pull-back in the Number of Assignments in the fourth quarter of fiscal 2024 ending August 31, 2024.

In the first quarter of 2025 ending November 30, 2024 we once again saw a rise in new search assignments. Number of Assignments were higher both sequentially from the fourth quarter of fiscal 2024 and the prior year first quarter of 2024, resulting in higher professional fees.

At IQTalent, the on-demand hiring needs at our clients continue to show stability. Actions taken in recent quarters to reduce staff and expenses at IQTalent, combined with the termination of our

Nashville lease, have reduced our cost base. Our current quarter operating loss is primarily driven by the lower Number of Business Days in this quarter.

Caldwell

- Caldwell's professional fees for the first quarter were $18.4 million — a 29.8% increase from the same period last year. This was driven by a 43.0% increase in the Number of Assignments. Number of Assignments per Partner, annualized, rose to 10.6 as compared to 8.0 in the same quarter last year. Our pre-pandemic average has been between 11 and 12.

- Caldwell's operating profit of $0.2 million in the first quarter compared favourably to an operating loss of $1.5 million in the same quarter last year, with professional fees outpacing growth in costs of sales.

- Over the past ten years, revenue in the second half of the year has increased over the first half by an average of 21%. Excluding the pandemic period in fiscal 2020, this metric grows to 26%.

IQTalent

- IQTalent's professional fees for the first quarter of 2025 was $2.8 million compared to $3.2 million in the same period last year. Revenue per day has been stable since January 2024 and our first quarter reflects fewer business days than the last sequential quarter.

- IQTalent's operating loss in the first quarter of 2025 was $0.2 million compared to an operating loss before restructuring and lease gain in the same period last year of $0.8 million. The improvement in profitability was due to cost reduction initiatives discussed further herein.

We believe in the strength of our company, team, service offerings, balance sheet, and future.

Our clients value our ability to provide seamless support for their talent acquisition needs at all levels. By diversifying our mix of products and services and identifying opportunities to cross-collaborate between our two business segments, we expect to continue to grow both businesses together. We also continue to seek out strategic business and technology acquisition opportunities that align with our client-driven talent offerings.

Effective January 9, 2025, with a view toward maximizing investor returns, the Board of Directors declared a quarterly dividend of 0.25 cents per Common Share (one-quarter of a cent) payable to holders of Common Shares of record on January 20, 2025 and to be paid on March 14, 2025.

Factors to note that may impact our future results and financial position include:

- Existing and emerging geopolitical events and changes in economic factors may impact our clients' demand for talent.
- As discussed in the SG&A section of this MD&A, changes in the Average Period End Share Price can have a significant impact on share-based compensation expense. Assuming no change in

the share-based compensation performance factors and the number of outstanding grants, for each $0.01 increase or decrease in our Average Period End Share Price, there would be a corresponding increase or decrease in compensation expense of approximately $7.

- We will be holding our annual global partner conference during our second quarter ending February 28, 2025 with related costs to be expensed in that period.
- Please refer to a complete list of risk factors set forth in our Annual MD&A, for the year ended August 31, 2024.

SUMMARY OF QUARTERLY RESULTS

We monitor our consolidated business results based on reviewing select financial information. The following are select financial statement line items for the most recent eight quarters, derived from the unaudited consolidated interim financial statements, and do not represent a complete statement of earnings:

	2023			2024				2025
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Professional Fees - Caldwell	$ 16,705	$ 21,488	$ 21,934	$ 14,166	$ 14,946	$ 26,400	$ 19,157	$ 18,389
Professional Fees - IQTalent	$ 4,745	$ 4,448	$ 3,924	$ 3,170	$ 2,741	$ 2,838	$ 2,894	$ 2,766
Consolidated Professional Fees	$ 21,450	$ 25,936	$ 25,858	$ 17,336	$ 17,687	$ 29,238	$ 22,051	$ 21,155
Direct expense reimbursements	$ 133	$ 220	$ 295	$ 199	$ 179	$ 279	$ 182	$ 205
Revenue	$ 21,583	$ 26,156	$ 26,153	$ 17,535	$ 17,866	$ 29,517	$ 22,233	$ 21,360
Cost of sales	$ 18,266	$ 21,126	$ 20,394	$ 15,044	$ 14,061	$ 21,993	$ 17,522	$ 16,943
Reimbursed direct expenses	$ 133	$ 220	$ 295	$ 199	$ 179	$ 279	$ 182	$ 205
Gross profit	$ 3,184	$ 4,810	$ 5,464	$ 2,292	$ 3,626	$ 7,245	$ 4,529	$ 4,212
Gross profit as a %ge of Professional Fees	14.8%	18.5%	21.1%	13.2%	20.5%	24.8%	20.5%	19.9%
Selling, general and administrative	$ 6,070	$ 3,825	$ 4,235	$ 4,522	$ 4,783	$ 4,849	$ 4,458	$ 4,193
Restructuring and other (income) expenses	$ -	$ -	$ 8,061	$ (7,979)	$ -	$ -	$ -	$ -
Acquisition-related expenses	$ 204	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net operating profit (loss)	$ (3,090)	$ 985	$ (6,832)	$ 5,749	$ (1,157)	$ 2,396	$ 71	$ 19
Finance expenses (income)	$ 56	$ (1,063)	$ 596	$ 412	$ 83	$ 37	$ 278	$ (486)
Net earnings (loss) before tax	$ (3,146)	$ 2,048	$ (7,428)	$ 5,337	$ (1,240)	$ 2,359	$ (207)	$ 505
Income tax expense (recovery)	$ (826)	$ 583	$ (923)	$ 1,559	$ (375)	$ 613	$ 264	$ 40
Effective income tax rate	26.3%	28.5%	12.4%	29.2%	30.2%	26.0%	(127.5%)	7.9%
Net earnings (loss) after tax	$ (2,320)	$ 1,465	$ (6,505)	$ 3,778	$ (865)	$ 1,746	$ (471)	$ 465
Basic earnings (loss) per share	$ (0.090)	$ 0.057	$ (0.248)	$ 0.128	$ (0.029)	$ 0.059	$ (0.016)	$ 0.016
Fully diluted earnings (loss) per share	$ (0.090)	$ 0.056	$ (0.248)	$ 0.128	$ (0.029)	$ 0.059	$ (0.016)	$ 0.016

[1] *IQTalent professional fees are shown net of the elimination of intercompany revenue.*

Notable financial items have impacted the above quarterly results. This chart should be read in conjunction with each quarter's MD&A as filed on SEDAR to better understand the impact of such items.

BUSINESS SEGMENT KEY PERFORMANCE INDICATORS

We also measure certain key performance indicators ("KPIs") for each of our business segments. Please refer to the Non-GAAP Financial Measures and Other Operating Measures section in this MD&A for defined terms. The following are select KPIs for the most recent eight quarters:

Caldwell:

	2023			2024				2025
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Professional Fees - Caldwell	$ 16,705	$ 21,488	$ 21,934	$ 14,166	$ 14,946	$ 26,400	$ 19,157	$ 18,389
Period end number of partners	51	49	49	44	45	47	49	50
Average Number of Partners	51.4	50.3	49.0	46.3	44.5	46.0	48.0	50.3
Annualized Professional Fees per Partner	$ 1,300	$ 1,708	$ 1,791	$ 1,224	$ 1,343	$ 2,296	$ 1,596	$ 1,462
Number of Assignments	104	128	106	93	121	166	95	133
Number of Assignments per Partner	2.0	2.5	2.2	2.0	2.7	3.6	2.0	2.6
Average Fee per Assignment	$ 161	$ 168	$ 207	$ 152	$ 124	$ 159	$ 202	$ 138

IQTalent:

	2023			2024				2025
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Professional Fees - IQTalent	$ 4,745	$ 4,448	$ 3,924	$ 3,170	$ 2,741	$ 2,838	$ 2,894	$ 2,766
Number of Business Days	59	65	65	62	61	65	64	61
Average Fees Billed per Business Day	$ 80	$ 68	$ 60	$ 51	$ 45	$ 44	$ 45	$ 45
Proportion of Contract Professionals	10%	8%	9%	7%	10%	17%	24%	23%
Utlization Rate	88%	92%	89%	93%	89%	94%	93%	93%
Average Number of Active Clients	79	77	65	54	62	53	46	40
Average Revenue per Active Client	$ 60	$ 58	$ 60	$ 59	$ 44	$ 54	$ 63	$ 69

Consolidated:

	2023			2024				2025
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Unencumbered Cash	$ 7,985	$ 7,306	$ 9,563	$ 8,530	$ 7,217	$ 9,420	$ 9,585	$ 10,228
Average Period End Share Price	$ 1.58	$ 1.09	$ 0.90	$ 0.73	$ 0.71	$ 0.78	$ 1.03	$ 1.11
Share Price Impact on Operating Profit	$ 344	$ 784	$ 43	$ 155	$ 12	$ (80)	$ (124)	$ (63)

OPERATING RESULTS AND DISCUSSION OF CHANGES TO PRIOR YEAR

Our presentation currency is the Canadian dollar. Segment discussions are in Canadian dollars at foreign exchange rates in effect during the respective periods. The following charts provide a reconciliation of the Company's consolidated interim statements of earnings by business line segment to the consolidated results:

	Three months ended November 30, 2024		
	Caldwell	IQTalent	Total
Professional fees	18,389	2,766	21,155
Direct expense reimbursements	205	-	205
Revenues	18,594	2,766	21,360
Cost of sales	14,766	2,177	16,943
Reimbursed direct expenses	205	-	205
Gross profit	3,623	589	4,212
Gross profit as a % of professional fees	19.7%	21.3%	19.9%
Selling, general and administrative	3,449	744	4,193
Operating profit (loss)	174	(155)	19
Interest expense on lease liability	101	-	101
Investment (income) expense	(548)	427	(121)
Foreign exchange gain	(466)	-	(466)
Earnings (loss) before tax	1,087	(582)	505
Income tax expense (benefit)	194	(154)	40
Net profit (loss) for the period	893	(428)	465

	Three months ended November 30, 2023		
	Caldwell	IQTalent	Total
Professional fees	14,166	3,170	17,336
Direct expense reimbursements	199	-	199
Revenues	14,365	3,170	17,535
Cost of sales	12,387	2,657	15,044
Reimbursed direct expenses	199	-	199
Gross profit	1,779	513	2,292
Gross profit as a % of professional fees	12.6%	16.2%	13.2%
Selling, general and administrative	3,242	1,280	4,522
Restructuring and other	-	(7,979)	(7,979)
Operating profit (loss)	(1,463)	7,212	5,749
Interest expense on lease liability	66	331	397
Investment (income) expenses	(473)	483	10
Foreign exchange loss	5	-	5
Earnings (loss) before tax	(1,061)	6,398	5,337
Income tax expense (recovery)	(276)	1,835	1,559
Net earnings (loss) for the period	(785)	4,563	3,778

Our presentation currency is the Canadian dollar. Our functional currencies follow the geographies of our subsidiaries and include the Canadian dollar, the US dollar and the British pound. Approximately 73% of our revenue was in the functional currency of the US dollar in the first quarter of fiscal 2025. The following table summarizes the foreign exchange rates impacting the business during the first quarters of 2025 and 2024 according to geographic segment and relative to the Canadian dollar:

Functional Currency	F'25 Q1	F'24 Q1
United States		
US dollar – average	1.38	1.37
US dollar – period end	1.40	1.37
Europe		
British pound – average	1.79	1.68
British pound – period end	1.78	1.72

To better explain our operating result changes, the following charts show the impact that fluctuations in exchange rates had on our business relative to the prior year. The results from our Caldwell and IQTalent segments are reflected as follows:

	Three months ended November 30,					
Caldwell	2024 As Reported	FX[1]	Constant Currency	2023 As Reported	$ variance	% variance
Professional fees	18,389	(70)	18,319	14,166	4,153	29.3%
Direct expense reimbursements	205	(2)	203	199	4	2.0%
Revenues	18,594	(72)	18,522	14,365	4,157	28.9%
Cost of Sales	14,766	(129)	14,637	12,387	2,250	18.2%
Reimbursed direct expenses	205	(2)	203	199	4	2.0%
Gross profit	3,623	59	3,682	1,779	1,903	107.0%
Gross profit as % of professional fees	19.7%		20.1%	12.6%		
Selling, general and administrative	3,449	(37)	3,412	3,242	170	5.2%
Operating profit	174	96	270	(1,463)	1,733	118.5%

[1] Impact of adjusting foreign exchange rates to fiscal 2024 actual rates

	Three months ended November 30,					
IQTalent	2024 As Reported	FX[1]	Constant Currency	2023 As Reported	$ variance	% variance
Professional fees	2,766	(19)	2,747	3,170	(423)	-13.3%
Revenues	2,766	(19)	2,747	3,170	(423)	-13.3%
Cost of Sales	2,177	(18)	2,159	2,657	(498)	-18.7%
Gross profit	589	(1)	588	513	75	14.6%
Gross profit as % of professional fees	21.3%		21.4%	16.2%		
Selling, general and administrative	744	(6)	738	1,280	(542)	-42.3%
Restructuring and other	-	-	-	(7,979)	7,979	-100.0%
Operating loss	(155)	5	(150)	7,212	(7,362)	-102.1%

[1] Impact of adjusting foreign exchange rates to fiscal 2024 actual rates

REVENUE

PROFESSIONAL FEES

First Quarter Professional Fees

Consolidated:
Professional fees for the first quarter of 2025 increased 22.0% from the same period last year to $21,155 (2024: $17,336). Caldwell's professional fees increased 29.8% to $18,389 (2024: $14,166) and IQTalent's professional fees decreased 12.7% to $2,766 (2024: $3,170).

Caldwell:
Exchange rate changes over the prior year had a favourable impact of $70. On a constant currency basis, Caldwell's professional fees for the first quarter of 2025 increased 29.3% over the same period last year to $18,319 (2024: $14,166). The constant currency increase in professional fees resulted from:

- A 43.0% increase in the Number of Assignments to 133 (2024: 93);
- An 8.6% increase in the Average Number of Partners at 50.3 (2024: 46.3) which increases the fee-producing base; partially offset by
- A 9.2% decrease in the constant currency Average Fee per Assignment to $138 (2024: $152).

IQTalent:
Exchange rate changes over the prior year had a favourable impact of $19. On a constant currency basis, IQTalent's professional fees for the first quarter of 2025 decreased 13.3% over the same period last year to $2,747 (2024: $3,170). The constant currency decrease in professional fees resulted from lower Average Fees Billed per Business Day in the current quarter of $45 (2024: $51), primarily due to a decrease in the Average Number of Active Clients to 40 (2024: 54), as well as one fewer business day in the current year. The decrease was partially offset by an increase in the Average Revenue per Active Client of $69 (2024: $59).

DIRECT EXPENSE REIMBURSEMENTS

Direct expenses incurred and billed to clients during the first quarter of 2025 were $205 (2024: $199). Expense reimbursements all pertain to Caldwell. Direct expenses continue to remain lower than pre-pandemic levels, resulting from reduced partner and candidate travel costs due to the increased use of remote work technology and virtual meetings. As direct expense reimbursements equal the expenses incurred, there is no direct impact on our profitability caused by fluctuations in these expenses.

COST OF SALES

First Quarter Cost of Sales

Consolidated:
Cost of sales in the first quarter of 2025 increased 12.6% from the same period last year to $16,943 (2024: $15,044). On a segment basis, Caldwell's cost of sales increased 19.2% to $14,766 (2024: 12,387), and IQTalent's cost of sales decreased 18.1% to $2,177 (2024: $2,657).

Caldwell (before eliminating intercompany):
Exchange rate changes over the same period last year had an unfavourable impact of $129. On a constant currency basis, Caldwell's first quarter cost of sales increased 18.2% over the same period last year to $14,637 (2024: $12,387). Cost of sales as a percentage of professional fees decreased to 79.9% from 87.4% in the same period last year due to the following factors:

- Lower partner compensation expense as a percentage of professional fees (decrease of 1.9% of professional fees) driven by an increase in professional fees that outpaced the average increase in partner compensation tiers;
- Lower semi-fixed partner support personnel compensation as a percentage of professional fees (decrease of 5.2% of professional fees) and lower search delivery materials expenses (decrease of 0.4% of professional fees). Non-partner personnel costs and search delivery materials are semi-fixed and tend to decrease as a percentage of professional fees during periods of revenue increase.

IQTalent:

Exchange rate changes over the prior year had an unfavourable impact of $18. On a constant currency basis, IQTalent's first quarter cost of sales decreased 18.7% over the same period last year to $2,159 (2024: $2,657). Cost of sales as a percentage of professional fees decreased to 78.6% from 83.8% in the same period last year due to the following factors:

- Lower costs as a percentage of professional fees related to research materials (decrease of 7.0% of professional fees) driven by our efforts to consolidate costs related to licenses and other tools; partially offset by
- Higher costs as a percentage of professional fees related to consultants from the use of higher-cost contractors (increase of 1.1% of professional fees) and higher referral fees (increase of 0.7% of professional fees). We have, by design, increased our use of higher-cost contractors, which allows us to scale up or down, as needed, in response to changes in revenue.

GROSS PROFIT

First Quarter Gross Profit

On a consolidated basis, gross profit increased 83.8% from the same period last year to $4,212 (2024: $2,292). As a percentage of professional fees, gross margin increased to 19.9% from 13.2%.

On a segment basis, Caldwell's gross profit increased to $3,623 (2024: $1,779), and gross profit as a percentage of professional fees increased to 19.7% (2024: 12.6%). IQTalent's gross profit increased to $589 (2024: $513) while gross profit as a percentage of professional fees increased to 21.3% (2024: 16.2%).

The increase in Caldwell's gross margin in the current quarter was driven primarily by revenue outpacing costs of sales. The increase in IQTalent's gross margin was driven by the impact of actions taken to change the cost structure to reflect current revenue levels.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A)

First Quarter SG&A

Consolidated:
SG&A for the first quarter of 2025 decreased 7.3% over the same period last year to $4,193 (2024: $4,522). On a segment basis, Caldwell's SG&A increased 6.4% to $3,449 (2024: $3,242) and IQTalent's SG&A decreased 41.9% to $744 (2024: $1,280).

Caldwell:
Exchange rate changes had an unfavourable impact of $37. On a constant currency basis, first quarter SG&A increased 5.2% over the same period last year to $3,412 (2024: $3,242). The $170 constant currency increase primarily resulted from the following:

Unfavourable variances:

- Increased share-based compensation expense ($309), the result of:
  - Relative changes to our share price during each period resulting in an unfavourable variance ($218).
    - PSU and DSU expenses can be significantly impacted by changes in the weighted average share price at the end of each period. In the first quarter of the current year, an 8% increase in the weighted average share price from $1.03 at August 31, 2024 to $1.11 at November 30, 2024 increased costs by $63. In the previous year, a 19% decrease in the weighted average share price from $0.90 at August 31, 2023 to $0.73 at November 30, 2023 decreased costs by $155. The combination of these movements resulted in an unfavourable variance of $218 year-over-year.
  - An increase in the number of outstanding PSU and DSU grants to which the share price applies, partially offset by a decrease in the performance factor, resulted in further unfavourable variances ($91).

- Higher compensation expenses related to bonus accruals, driven by year-over-year salary increases and promotions ($87)
- Miscellaneous net unfavourable expenses across various cost areas ($24)

Favourable variances:
- Lower net costs related to certain marketing events ($250)

IQTalent:
Exchange rate changes had an unfavourable impact of $6. On a constant currency basis, first quarter SG&A decreased 42.3% over the same period last year to $738 (2024: $1,280). The first quarter constant currency decrease of $542 was primarily the result of:

- Lower office expenses as a result of exiting the Nashville lease on February 29, 2024 ($323)
- Lower corporate compensation expenses resulting from management and service delivery staff reductions ($189)
- Miscellaneous net favourable variances across smaller cost areas, driven by our cost-management measures ($30)

Details related to senior management exits and our termination of the Nashville lease are discussed in the “restructuring and other” section below and in note 7 of the consolidated interim financial statements.

RESTRUCTURING AND OTHER

On October 6, 2023, we announced that David Windley was stepping down as President of IQTalent and resigning from the Caldwell Board of Directors effective that day. Related separation payments of $1,089 payable in equal monthly installments over 18 months were recognized as part of restructuring expenses in the first quarter of fiscal 2024, with the balance being presented as part of compensation payable on the consolidated statement of financial position.

On November 30, 2023, we negotiated a full penalty-free termination of IQTalent’s leased facilities in Nashville. As a result, in the first quarter of fiscal 2024, IQTalent derecognized the related lease liability, right-of-use asset, fixed assets, and other liabilities for direct charges related to the space, less certain professional fees related to the lease and its termination. This resulted in a net lease termination gain of $9,068. IQTalent recognized expenses of $236 related to other direct charges such as operating expenses payable to the landlord and certain professional fees. Consistent with the termination agreement, IQTalent vacated the space on February 29, 2024. No further restructuring activities were undertaken in the rest of fiscal 2024 or the first quarter of fiscal 2025.

OPERATING PROFIT

First Quarter Operating Profit

Consolidated operating profit for the first quarter of 2025 was $19 (2024: operating profit of $5,749). The $5,730 unfavourable change relates to a decrease in restructuring income of $7,979, partially offset by an increase in gross profit of $1,920 and a decrease in SG&A of $329. Restructuring income last year was driven by the one-time lease modification gain, partially offset by the senior management exit discussed above, both in IQTalent.

On a segment basis, Caldwell generated an operating profit for the first quarter of $174 (2024: operating loss of $1,463) and IQTalent generated an operating loss of $155 (2024: operating profit of $7,212).

INVESTMENT INCOME

We currently invest cash balances in highly liquid cash equivalent investments including term deposits, certificates of deposit and cash savings accounts. These investments generate interest income.

Certain investments are generated from search services with clients in the form of equity grants in the client company. For such grants, compensation equal to 65% of the investment is paid to the respective search partner upon monetization of the investment. All rights to the partners' 65% of the equity instruments are transferred and assigned beneficially to the respective partner, and a partner's entitlement to any amounts upon liquidation is not contingent upon being employed at the time of liquidation. As a result, the gross asset value and compensation payable are offset, with the investment recorded at the net amount to which the Company has economic rights.

We have designated the client equity investments within marketable securities at fair value through OCI. As a result, these marketable securities are recorded at fair value, with gains and losses recorded in other comprehensive income. Our policy regarding client equity investments within marketable securities is to sell the investments as soon as we are reasonably able to do so.

On March 1, 2023, we announced the spin-off of its software business from its IQTalent business segment, into a newly formed entity, IQRecruit, Inc. ("IQRecruit") in exchange for approximately 41.9% of the new entity. IQRecruit is currently conducting business under the brand name "HootRecruit". As at November 30, 2024, our ownership interest has been diluted to 31.8% as a result of ongoing issuances in which we did not participate, while our voting rights are limited to 20% in accordance with the shareholder agreement. We continue to have significant influence over this investment, and account for it using the equity method. As required by the equity method of accounting, the carrying amount of the equity investment has been adjusted to reflect the Company's share of IQRecruit's loss, which is presented as part of investment income. Please see note 4 to the consolidated interim financial statements for details. IQTalent is a user and client of the IQRecruit platform through a licensing arrangement that management believes approximates an arm's length client.

For the first quarter of 2025, we reported net investment income of $121 (2024: expense of $10) consisting of interest on term deposits of $149 (2024: $121), partially offset by our proportionate share of IQRecruit's losses of $28 (2024: loss of $131). For the first quarter of 2025, net unrealized gain on marketable securities of $1 (2024: gain of $5) was recognized as part of other comprehensive income.

INCOME TAXES

Our effective tax rate on a consolidated basis has been historically high relative to the statutory tax rates we experience in each of our geographies. This is primarily the result of earnings before tax generated in US and Canada where we are in tax-paying situations, and losses before tax in the UK where, due to the uncertainty of utilizing losses against future taxable income, we have not recognized deferred tax assets on the UK net operating losses. Our income tax expense effectively represents the tax on our US and Canadian operations, without the tax benefits of any current period UK losses. In periods when the UK is profitable, we will not need to recognize tax expense until our historical tax loss carryforwards have been fully utilized, or until we recognize UK deferred tax assets on the loss carryforwards once we can demonstrate sustainable taxable income in the UK. Therefore, in periods where the UK generates profit, we will incur lower than expected taxes based on statutory tax rates.

IQTalent files a consolidated tax return with Caldwell in the United States.

Income tax expense of $40 was recorded in the first quarter of 2025 (2024: expense of $1,559). The effective income tax rate for the first quarter of 2025 was 7.9%, (2024: 29.2%).

On a segment basis, Caldwell had income tax expense of $194 (2024: recovery of $276) and IQTalent had income tax recovery of $154 (2024: expense of $1,835) for the first quarter in 2025. No income taxes were recognized on Caldwell's UK profits during the quarter.

NET EARNINGS AND BASIC EARNINGS PER SHARE

Net profit for the first quarter of 2025 was $465 ($0.016 basic earnings per share) compared to $3,778 ($0.128 basic earnings per share) in the same period last year.

DIVIDENDS

Effective November 19, 2024, with a view toward maximizing investor returns, the Board of Directors reinstated a quarterly dividend of 0.25 cents per Common Share (one-quarter of a cent per Common Share), paid to holders of Common Shares of record on December 2, 2024, on December 20, 2024.

On January 9, 2025, the Board of Directors declared a dividend of 0.25 cents per Common Share (one-quarter of a cent per Common Share), payable to holders of Common Shares of record on January 20, 2025, to be paid on March 14, 2025.

LIQUIDITY AND CAPITAL RESOURCES

We maintain cash balances at various financial institutions and in various geographies through our subsidiaries. While we can move funds between geographies and legal entities, certain dividend taxes may be applicable, including a five percent tax on dividends paid from the United States to Canada. Additionally, to lend or dividend funds between our legal entities, each entity must maintain certain statutory liquidity levels.

As at November 30, 2024 we had cash and cash equivalents of $13,721 (August 31, 2024: $19,634). The $5,913 decrease is primarily the result of commission, bonus, severance and tax payments.

Our cash and compensation payable balances fluctuate significantly from period to period based on commission payment timing per our executive search business's compensation plans. Compensation payable is generally at its lowest after the largest deferred compensation payments are made at the end of each February and generally grows during subsequent periods. The compensation payable is funded by our cash and accounts receivable balances, which build during the same cycle as the compensation liability and are similarly reduced as cash is used to satisfy the compensation liability. As a result, the cash balances and compensation payable typically move together. Given these trends, we use the non-GAAP measure of Unencumbered Cash as a more consistent measure for the cash we have available for growth and strategic initiatives, as well as to support operations during any periods of negative operating cash flows.

Unencumbered Cash is defined in the Non-GAAP Financial Measures and Other Operating Measures section. The following chart sets forth the calculation of Unencumbered Cash and provides a reconciliation to cash and cash-equivalents:

	as at		
	November 30 2024	***August 31 2024***	***increase/ (decrease)***
Current assets			
Cash and cash equivalents	13,721	19,634	(5,913)
Accounts receivable	14,014	12,664	1,350
Income taxes receivable	250	177	73
Unbilled revenue	6,275	5,859	416
Prepaid expenses and other assets	1,671	2,327	(656)
Total current assets	35,931	40,661	(4,730)
Current liabilities			
Accounts payable	2,950	3,409	(459)
Dividends Payable	73	-	73
Compensation payable	21,057	26,023	(4,966)
Lease liabilities	1,623	1,644	(21)
Current liabilities	25,703	31,076	(5,373)
Total Unencumbered Cash	$10,228	$9,585	$643

Unencumbered cash of $10,228 at November 30, 2024 does not reflect $4,722 (August 31, 2024: $4,722) in current deferred tax assets that are required to be aggregated with long-term deferred tax assets and presented as non-current in our statement of financial position.

Accounts receivable were $14,014 at November 30, 2024, up $1,350 from $12,664 at the end of fiscal 2024. The increase was driven by the growth in the Number of Assignments in the first quarter of fiscal 2025 versus the fourth quarter of fiscal 2024. Days sales outstanding was 58 days at November 30, 2024, up from 52 days at August 31, 2024. Days sales outstanding is calculated by dividing accounts receivable, adjusted for any deferred revenue, at the end of the period, by the quarter-to-date average daily revenue. Our allowance for professional fee adjustments was $1,348 at November 30, 2024 compared to $1,380 at August 31, 2024.

Our investment in property and equipment at November 30, 2024 was $1,666, down $32 from $1,698 at the end of fiscal 2024. This reflects additions of $46, depreciation expense of $106 and favourable exchange rate fluctuations of $28.

At November 30, 2024, our right-of-use assets were $5,186, down from $5,406 at the end of fiscal 2024, reflecting depreciation expense of $327, partially offset by favourable exchange rate fluctuations of $107. See note 9 of the consolidated interim financial statements for details.

At November 30, 2024, our lease liability was $6,292, down from $6,502 at the end of fiscal 2024, reflecting payments of $432, offset by interest accretion of $101, and unfavourable exchange rate fluctuations of $121. See note 10 of the consolidated interim financial statements for details.

Total liabilities were $31,190 at November 30, 2024, a decrease of $5,436 from $36,626 at the end of fiscal 2024. The decrease is driven by the decreases in accounts payable and compensation payable.

Shareholders' equity at November 30, 2024 was $33,203, an increase of $1,077 from $32,126 at the end of fiscal 2024. The increase reflects the net earnings of $465, unrealized gains on marketable securities of $1, an increase to contributed surplus from share-based payments of $65 and currency translation gains on consolidation of $619, partially offset by dividends declared of $73.

OUTSTANDING SHARES

As of November 30, 2024, the Company's authorized share capital consists of an unlimited number of Common Shares, of which 29,558,932 are issued and outstanding (August 31, 2024: 29,558,932). The holders of Common Shares are entitled to share equally, share for share, in all dividends declared by the Company and equally in the event of a liquidation, dissolution or winding-up of the Company or other distribution of the assets among shareholders.

RISKS AND UNCERTAINTIES

Any investment in the Company's securities is speculative and involves risk. Before investing in the Company's securities, prospective investors should carefully consider, in light of their own financial circumstances and objectives, the risk factors of the Company, as well as the other information contained and incorporated by reference into this MD&A. For a detailed discussion of the risks and trends that could affect the financial performance of the Company and the steps that the Company takes to mitigate these risks, see the Company's MD&A for the fiscal year ending August 31, 2024, which is available on SEDAR+ at www.sedarplus.ca. Other risks not currently known or deemed to be material may also impact our business. Our business and financial results could be materially adversely affected by any of these risks. The Board of Directors includes in its mandate and the charters of its committees the responsibility to oversee the mitigating factors associated with each identified risk factor.

DISCLOSURE CONTROLS AND PROCEDURES

Our President and Chief Executive Officer, and Vice-President and Chief Financial Officer are responsible for establishing and maintaining our disclosure controls and procedures. In conjunction with the board of directors, the President and Chief Executive Officer, and the Vice-President and Chief Financial Officer review any material information affecting the Company to evaluate and determine the appropriateness and timing of public release.

The President and Chief Executive Officer and the Vice-President and Chief Financial Officer, after evaluating the effectiveness of our disclosure procedures as at November 30, 2024, have concluded that our disclosure controls and procedures are adequate and effective to ensure that material information relating to the Company and its subsidiaries would have been known to them.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting. Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes following IFRS.

In designing and evaluating such controls, it should be recognized that due to inherent limitations, any control, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Additionally, management is required to use judgment in evaluating controls and procedures.

Management evaluated the effectiveness of our internal controls' design and operation over financial reporting as at November 30, 2024. Based on that evaluation, the President and Chief Executive Officer, and the Vice-President and Chief Financial Officer concluded that internal controls over financial reporting are effective as at November 30, 2024.

Management has also evaluated whether there were changes in our internal controls over financial reporting during the reporting period ended November 30, 2024 that materially affected, or are reasonably likely to affect, our internal controls over financial reporting. Management has determined that no changes occurred during the quarter ended November 30, 2024 that would have a material impact.

OTHER INFORMATION

Additional information relating to the Company, including our Annual Information Form, is available on SEDAR+ at www.sedarplus.ca.