



HARTE
HANKS

Harte Hanks

The Customer Company

AUGUST 2022

NASDAQ: HHS

Disclaimers

Cautionary Note Regarding Forward-Looking Statements

The report and the other disclosure we make from time to time contain "forward-looking statements" within the meaning of U.S. federal securities laws. All such statements are qualified by this cautionary note, provided pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Statements other than historical facts are forward-looking and may be identified by words such as "may," "will," "expects," "believes," "anticipates," "plans," "estimates," "seeks," "could," "intends," or words of similar meaning. These forward-looking statements are based on current information, expectations and estimates and involve risks, uncertainties, assumptions and other factors that are difficult to predict and that could cause actual results to vary materially from what is expressed in or indicated by the forward-looking statements. In that event, our business, financial condition, results of operations or liquidity could be materially adversely affected and investors in our securities could lose part or all of their investments. These risks, uncertainties, assumptions and other factors include: (a) local, national and international economic and business conditions, including (i) the outbreak of diseases, such as the COVID-19 coronavirus and new variants thereof, which has curtailed travel to and from certain countries and geographic regions, created supply chain disruption and shortages, disrupted business operations and reduced consumer spending, (ii) changes in market conditions and market volatility, including inflation, interest rates, the value of securities and other financial assets, and exchange rates that may adversely impact marketing expenditures; and (iii) the impact of economic environments and competitive pressures on the financial condition, marketing expenditures and activities of our clients and prospects; (b) the demand for our products and services by clients and prospective clients, including (i) the willingness of existing clients to maintain or increase their spending on products and services that are or remain profitable for us, and (ii) our ability to predict changes in client needs and preferences; (c) economic and other business factors that impact the industry verticals we serve, including competition and consolidation of current and prospective clients, vendors and partners in these verticals; (d) our ability to manage and timely adjust our facilities, capacity, workforce and cost structure to effectively serve our clients; (e) our ability to improve our processes and to provide new products and services in a timely and cost-effective manner through development, license, partnership or acquisition; (f) our ability to protect our facilities against security breaches and other interruptions and to protect sensitive personal information of our clients and their customers; (g) our ability to respond to increasing concern, regulation and legal action over consumer privacy issues, including changing requirements for collection, processing and use of information; (h) the impact of privacy and other regulations, including restrictions on unsolicited marketing communications and other consumer protection laws; (i) fluctuations in fuel prices, paper prices, postal rates and postal delivery schedules; (j) unanticipated developments regarding litigation or other contingent liabilities; (k) our ability to complete anticipated divestitures and reorganizations, including cost-saving initiatives; (l) our ability to realize the expected tax refunds; and (m) other factors discussed from time to time in our filings with the Securities and Exchange Commission. The forward-looking statements herein are made only as of the date hereof, and we undertake no obligation to update publicly any forward-looking statement, even if new information becomes available or other events occur in the future.

Supplemental Non-GAAP Financial Measures

We report our financial results in accordance with generally accepted accounting principles ("GAAP"). In this presentation, however, we use certain non-GAAP measures of financial performance to provide investors with a better understanding of operating results and underlying trends to assess our performance and liquidity. We have presented in the appendix to this presentation a reconciliation of these measures to the most directly comparable GAAP financial measure.

We present the non-GAAP financial measure "Adjusted EBITDA" as a supplemental measure of operating performance in order to provide an improved understanding of underlying performance trends. We define "Adjusted EBITDA" as earnings before interest expense net, income tax expense (benefit), depreciation expense, restructuring expense, impairment expense, stock-based compensation expense, and other non-cash expenses. The most directly comparable measure for Adjusted EBITDA is Net Income (Loss). We believe Adjusted EBITDA is an important performance metric because it facilitates the analysis of our results, exclusive of certain non-cash items, including items that do not directly correlate to our business operations; however, we urge investors to review the reconciliation of non-GAAP Adjusted EBITDA to the comparable GAAP Net Income (Loss), which is included in this press release, and not to rely on any single financial measure to evaluate the Company's financial performance.

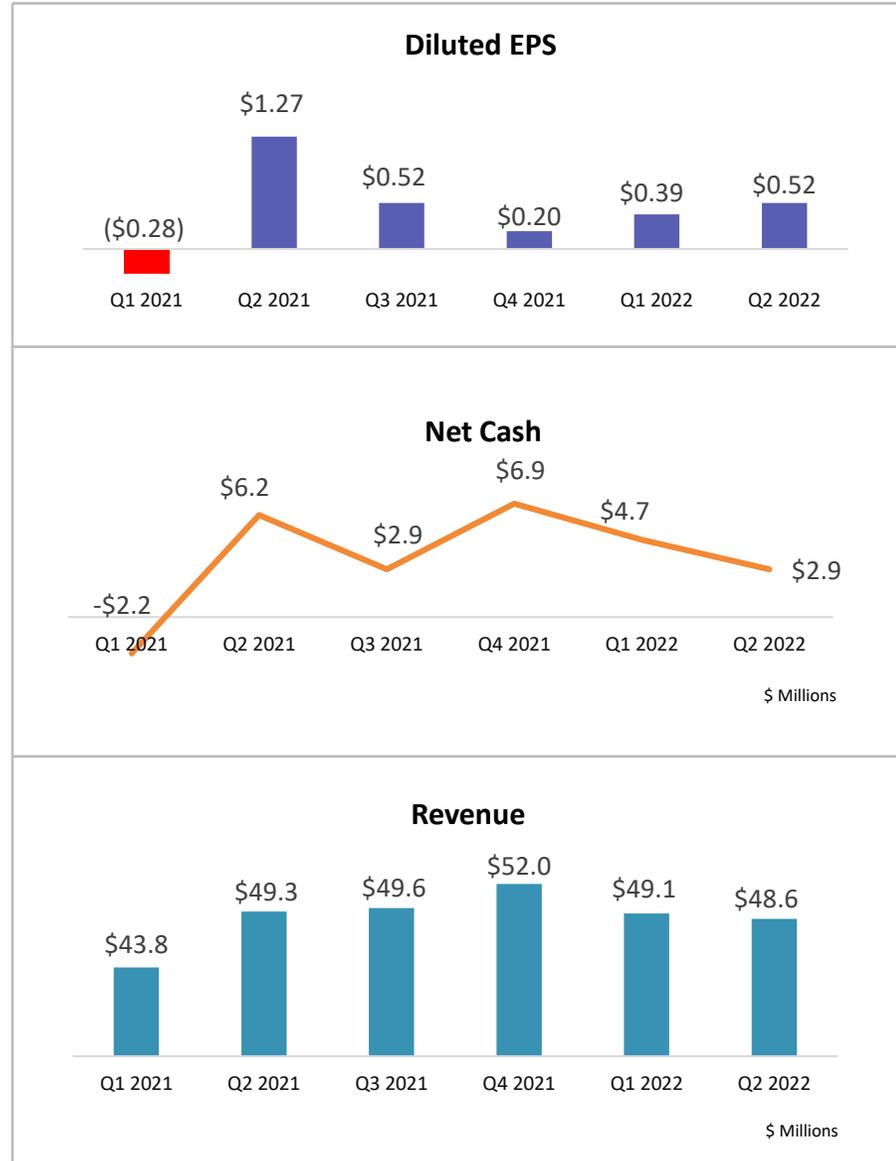
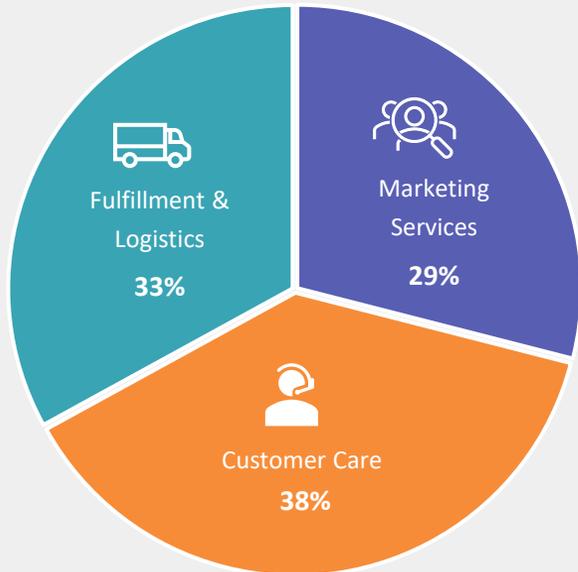
Adjusted EBITDA does not serve as a substitute and should not be construed as a substitute for GAAP performance but provide supplemental information concerning our performance that our investors and we find useful. We evaluate our operating performance based on several measures, including these non-GAAP financial measures. We believe that the presentation of these non-GAAP financial measures are useful supplemental financial measures of operating performance for investors because they facilitate investors' ability to evaluate the operational strength of the Company's business. However, there are limitations to the use of these non-GAAP measures, including that they may not be calculated the same by other companies in our industry limiting their use as a tool to compare results. Any supplemental non-GAAP financial measures referred to herein are not calculated in accordance with GAAP and they should not be considered in isolation or as substitutes for the most comparable GAAP financial measures.

Harte Hanks:

The Customer Company

Harte Hanks is a leading global customer experience company operating in three business segments

2021 Segment Revenue
\$195 million



PERFORMANCE

- FY 2021 Revenue of **\$195 million**
- FY 2021 EBITDA of **\$10+ million**
- FY 2021 Net Income YoY increase **\$14+ million**
- 5 quarters of positive EBITDA and Net Income
- Strong Balance Sheet, Q2 22 cash **\$12+ million**
- Agreement to repurchase preferred shares, Q2 22
- Growing EBITDA margins
- Pandemic revenue a catalyst for Customer Care

FOCUS

- Shrink to grow and build for scale model
- Asset light and profitable growth focus
- Core competencies and customer focus
- Long-term client relationships
- Penetrating large and growing addressable markets
- Investing in tech & talent to scale growth

What we do

HHS is a global customer experience company focused on bringing companies closer to customers for nearly 100 years. We provide our services to diverse industries including, but not limited to health care, pharma, financials, consumer products, technology, entertainment/streaming, and automotive.



Marketing Services

Focused on strategic planning, data-driven insights, performance analytics, creative design, technology enablement, and program execution to drive business outcomes and optimize customers' ROI.



Customer Care

Focused on delivering full-service customer care solutions that are tech-enabled and people driven



Fulfillment and Logistics

Focused on B2B product and literature fulfillment, B2C e-commerce and sampling, and end-to-end supply chain and logistics services.

SONY

Lenovo



HBOmax

Deloitte.

**Office DEPOT
OfficeMax**



Where we were:

2014-2018

- **FY2018 - \$285MM Revenue and negative \$19 million EBITDA**
- Direct Mailer and Call Center with marketing capabilities
- Mis-steps and management turnover
- Large infrastructure and high fixed costs
- Decentralized and siloed resources
- Weakening financial position

Where we are:

2019-2022 Q2

- **FY 2021 - \$195MM Revenue and \$10MM EBITDA**
- Shrink to grow - Leaner, optimized, and simplified business
- Customer-focused solutions and scalable product offerings
- Focused on profitable revenue, reduced fixed costs
- Investing in modern technology and core competencies
- Investing in sales, marketing and partnerships
- Collaborating across segments and cross-selling efforts

Harte Hanks – The Customer Company

- Great Companies and Leading Brands
- Average Tenured Customer – 10 years
- Dedication through good times and bad
- Longest Tenured Customer – Over 25 years



BlackRock



Lenovo



L'ORÉAL

Deloitte.



BANK OF AMERICA



SONY

DELL EMC

xerox™



SAMSUNG



Office DEPOT
OfficeMax



MERRILL
A BANK OF AMERICA COMPANY



MEDICAL MUTUAL

HBOmax



iCapital
NETWORK



Leadership team



Brian Linscott

Chief Executive Officer



Lauri Kearnes

Chief Financial Officer



Bob Wyman

General Counsel



Don Aicklen

Senior Vice President,
Sales and Marketing



Elliott Peterson

Chief Technology Officer



Janel Harris

Managing Director
Marketing Services



Ben Chacko

Managing Director
Customer Care

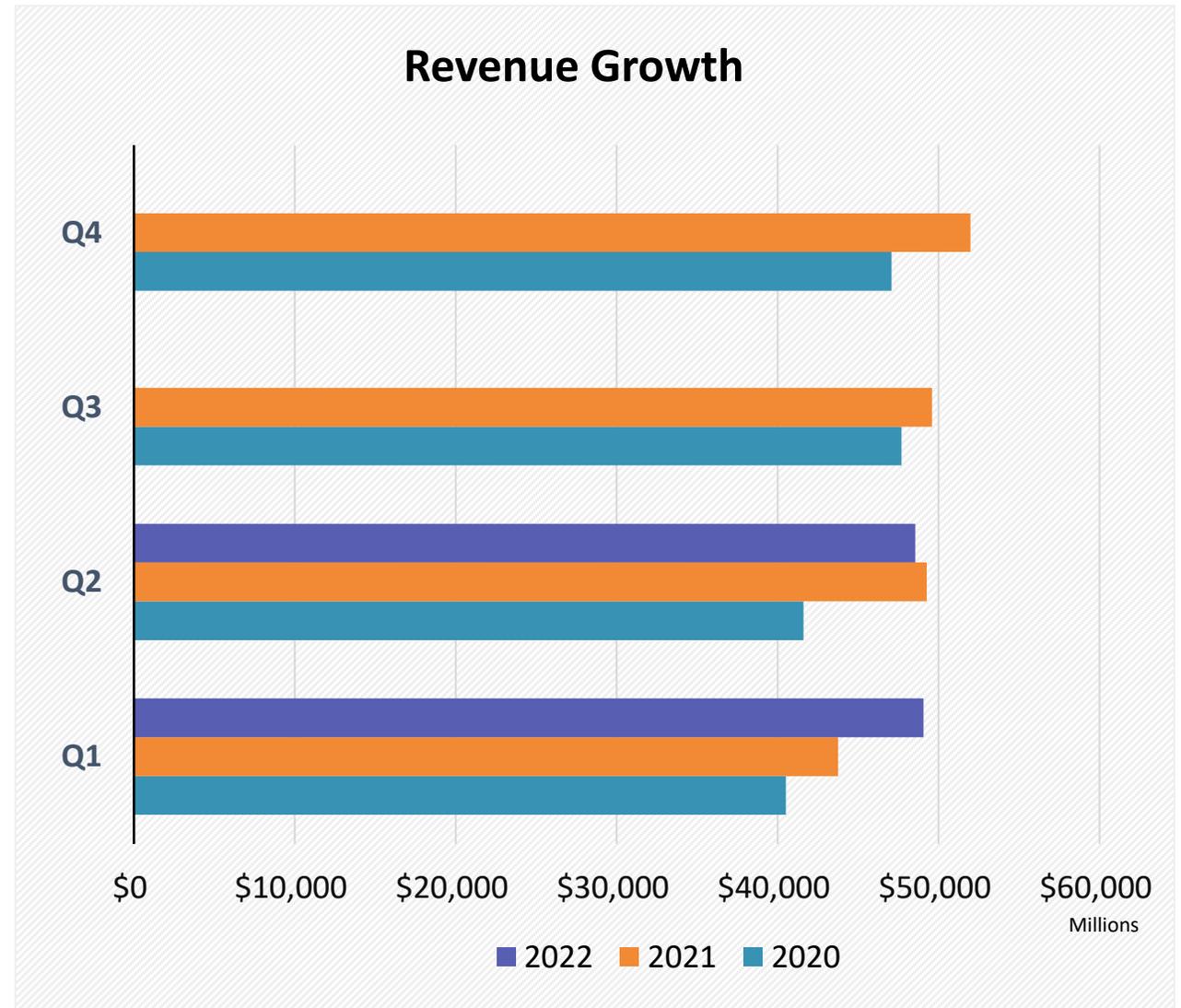


Pat O'Brien

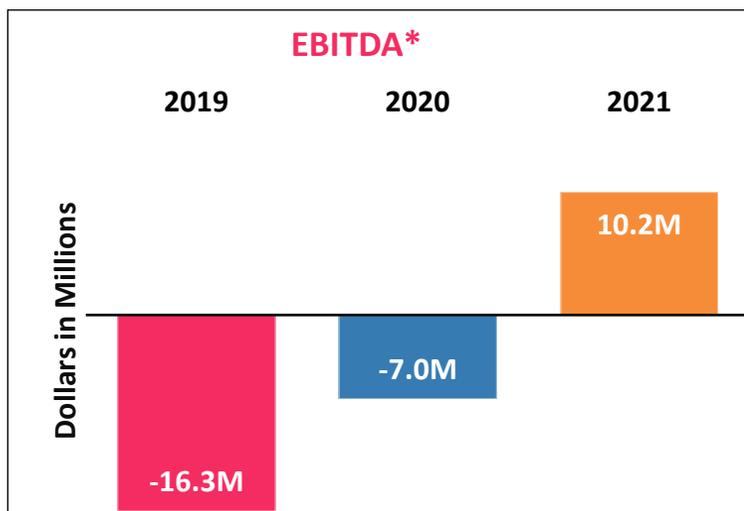
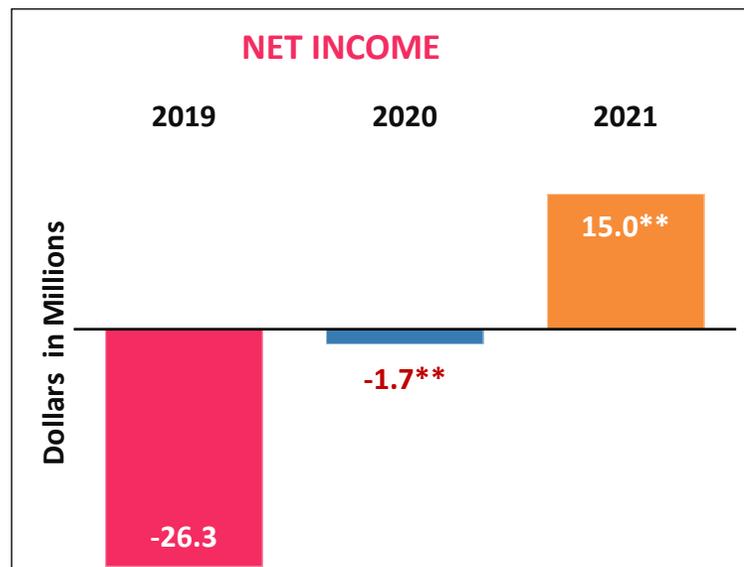
Managing Director
Fulfillment & Logistics

Turnaround with Revenue Growth

- FY 2021 Revenue \$195MM vs \$177MM in 2020
- YoY growth in 2021 and expected full year 2022
- FDA-approved Kansas City facility with 40% growth capacity
- Work-from-home expanding growth opportunities in Customer Care
- Marketing Services has largest revenue pipeline



Significant EBITDA and Net Income improvement



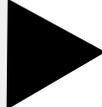
- Restructuring began in 2019 and is now complete
- 2020 Reduced facilities, technology infrastructure, and overhead (\$15-17 million in annualized savings)
- Shut down of underperforming Direct Mail facilities in 2020 (\$3-4 million in annualized savings)
- Eliminated unprofitable contracts and improved operational focus
- 2019-2021 restructuring charges \$11.8 million, \$9.4 million, and \$6.2 million, respectively
- FY 2021 has material improvement in all business segments; 8 consecutive quarters of positive Adjusted EBITDA

* EBITDA is a non-GAAP financial measure. See the appendix for a reconciliation of EBITDA to Net Income.

** 2020 included \$16.6MM benefit from the Cares Act; 2021 included \$10MM net income benefit from PPP loan forgiveness

Harte Hanks Q2 2022 Balance Sheet

- \$12.9 million Cash
- \$45 million of Accounts Receivables from sought after brands
- \$25 million Credit Facility with \$10 million borrowed
- Pension liability declining as of July 2022
- Pension cash funding requirements going forward are estimated to be approximately \$3 million per year



Condensed Consolidated Balance Sheet

(in millions)	6/30/22
Cash, restricted cash and cash equivalents	\$12.9
Accounts receivable, net	\$44.9
Positive Working capital	\$42.2
Long-term Debt	\$10.0
Pension liabilities	\$50.7
Preferred stock	\$9.7

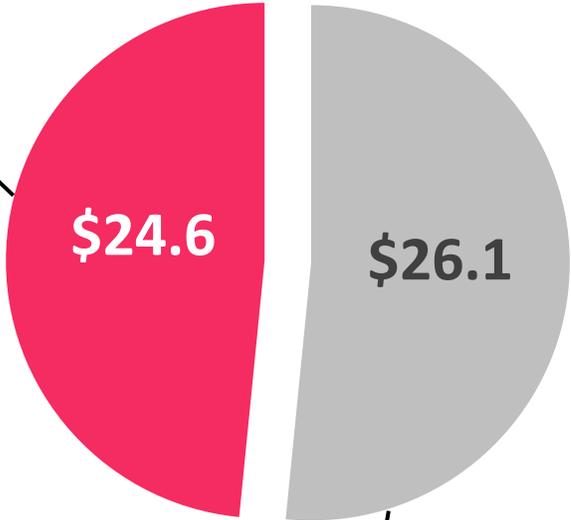
- As of 8/11/22 Long-term Debt has been paid off
- Preferred Stock repurchase is anticipated to close in the 3rd quarter

Pension liabilities

- Pensions were frozen in the 1990s and 2000s
- Pension liabilities \$50.7 million at 6/30/2022
- Increase in interest rates and changes in asset values the net pension liability by 7/31/22 has declined approximately \$10 million since year end 2021
- **Cash funding requirements going forward are estimated to be approximately \$3 million per year**

Non-Qualified Pension

- Relates to contracts with previous management
- Requires periodic contract payments to participants
- \$0.4 million contribution made in Q2 2022 and we expect to make \$1.7 million in FY2022
- Features of liability similar to that of low-interest debt
- Will decrease over time



Qualified Pension

- Funded assets to support the obligation
- Required to make minimum funding payments on these until the asset balance is sufficient to support the on-going obligation.
- \$1.3 million contribution required in 2022

Stock Profile

Harte Hanks Stock Profile

Symbol	HHS
Price @ 8/11/22 close	\$13.78
Shares (millions outstanding @ Q2 2022)	7.0
Market Cap (millions)	\$96.7
Cash (net of debt, Q2 2022, in millions)	\$2.9
EBITDA (Q2 2022, in millions)	\$4.6
HHS YTD Performance	+77.8%
Russell Microcap® Index	-12.3%



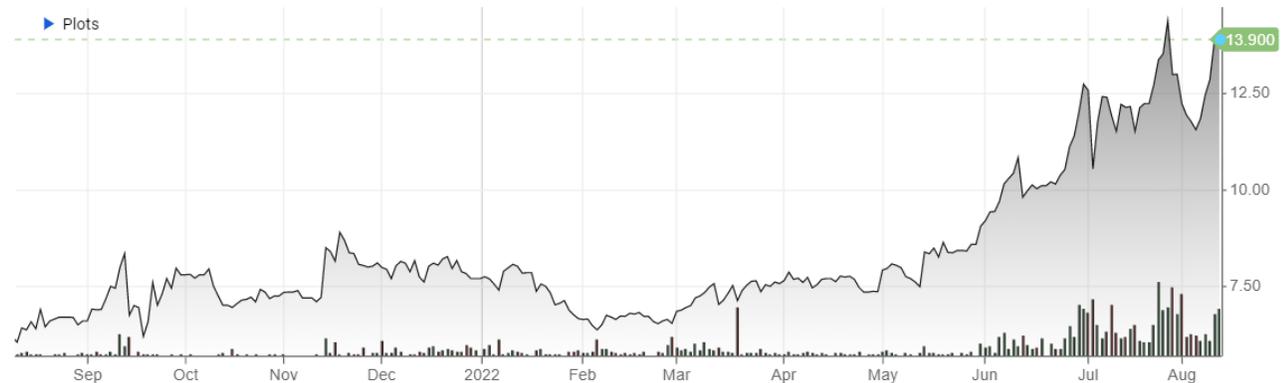
HHS

Intraday Price on 8/11/22

Harte-Hanks, Inc. (HHS)

\$13.78 0.01 (0.11%) | NASDAQ Global Market

1d 5d 1m 3m 6m 1y 2y 5y 10y 20y



Harte Hanks:

The Customer Company



Marketing Services



Customer Care



Fulfillment & Logistics

Where we are going:

- Improve profitability and revenue that serves growing markets
- Invest in talent, technology, and offerings to build scale
- Invest in sales, marketing, and partnerships to scale growth
- Leverage long-term relationships to drive organic growth
- Communicate our unique and unparalleled solutions
- Leverage technology to drive scalable, sustainable growth
- Improve balance sheet and utilize capital to maximize shareholder value

Appendix A

Reconciliation of Adjusted EBITDA to Net Income - Annual

Reconciliations of Non-GAAP Financial Measures (Unaudited)

In thousands, except per share data	Dec 31 2021	Dec 31 2020	Dec 31 2019	Dec 31 2018
Net Income (loss).....	\$ 14,971	\$ (1,694)	\$ (26,264)	\$ 17,550
Gain on sale.....	-	-	(5,471)	(30,954)
Gain on extinguishment of debt.....	(10,000)	-	-	-
Income tax expense (benefit).....	1,288	(16,615)	1,753	(18,112)
Interest expense, net.....	903	1,164	1,262	1,551
Other, net.....	477	6,569	7,114	3,931
Depreciation expense.....	2,559	3,615	5,339	7,452
EBITDA.....	<u>\$ 10,198</u>	<u>\$ (6,961)</u>	<u>\$ (16,267)</u>	<u>\$ (18,582)</u>
Restructuring and asset impairment expense.....	6,359	9,374	11,799	4,888
Stock-based compensation.....	1,469	766	1,074	(581)
Adjusted EBITDA.....	<u>\$ 18,026</u>	<u>\$ 3,179</u>	<u>\$ (3,394)</u>	<u>\$ (14,275)</u>

Appendix B

Reconciliation of Adjusted EBITDA to Net Income - Quarter

Reconciliations of Non-GAAP Financial Measures (Unaudited)

In thousands, except per share data	Three Months Ended June	
	2022	2021
Net Income	\$ 4,461	\$ 10,569
Gain on extinguishment of debt.....	-	(10,000)
Income tax expense.....	671	255
Interest expense, net.....	95	155
Other (income) expense, net.....	(1,216)	456
Depreciation expense.....	586	663
EBITDA.....	\$ 4,597	\$ 2,098

Appendix C

The Harte Hanks – Customer Experience

Marketing Services

Operational Services



Strategy

Data & Analytics

Creative Services

Marketing Technology

Customer Care

Fulfillment

Logistics

- CRM, Brand, Marketing Strategy
- Persona Development/ Journey Mapping
- Marketing Campaigns
- Understand consumer behavior and leverage data to drive outcomes

- Predictive analytics/ machine learning
- Proprietary and 3rd party data
- Data hygiene, Test design & execution

- Creative Concepts to Integrated Campaigns
- Content made to inspire action
- Energize the uninspired and bring clarity to the complex

- Database Build & Management
- CRM Integration and Marketing Automation
- Tech development and solutions that optimize digital infrastructure

- Customer Experience
- Revenue Generation
- CRM & Digital Solutions
- Solutions focused on improving customer experience and reducing efforts and costs

- DTC & B2B Sampling
- Pick, Pack & Ship
- Print on Demand
- From customized solutions to DTC point-of-purchase distribution

- Rate-shopping & logistics platform - seamless integration (EDI/API/Web-services)
- Carrier management / Route optimization
- Customizable supply chain solutions
- Leveraging relationships and tech to save time and money

2,500 associates spread across the Americas, Europe and Asia Pacific.

End-to-end Measurement and Optimization