



August 16, 2017

Harte Hanks Reports First Quarter 2017 Results

SAN ANTONIO, TX -- (Marketwired) -- 08/16/17 -- Harte Hanks (NYSE: HHS), a leader in developing customer relationships, experiences and defining interaction-led marketing, today announced financial results for its first quarter 2017, ended March 31, 2017.

Commenting on performance, President and Chief Executive Officer Karen Puckett said, "In the first quarter we achieved the best year-over-year revenue performance since we started our strategic turnaround nearly two years ago."

Ms. Puckett continued, "We are continuing our turnaround strategy to generate improved financial results by focusing on customer satisfaction and client retention. We've also focused our sales efforts on adding new customers with revamped marketing and sales execution. We will continue our partnership strategy to bring clients new and upgraded capabilities while conserving cash, and matching costs with volume fluctuations in our business. We are investing in a new third party data platform named Global DataView™, and in a new database service based on Opera Solutions' Signal Hub."

First Quarter Results

First quarter 2017 revenues were \$94.9 million compared to \$99.6 million during the same quarter last year, representing a 4.7% decline from the same period last year. First quarter 2017 operating loss from continuing operations was \$6.3 million, a \$2.2 million improvement compared to an operating loss from continuing operations of \$8.5 million in the year-ago quarter.

Net loss for the first quarter of 2017 was \$7.4 million or a loss of \$0.12 per share.

Chief Financial Officer, Robert Munden said, "We used approximately \$2.4 million in cash in the first quarter. We anticipate lower customer turnover from increased customer satisfaction. We are also benefitting from an increase in new client bookings and continued cost controls. We expect cash flows will improve in the second half of the year."

The following table presents financial highlights of the company's operations for the first quarter of 2017 and 2016, respectively. More detailed financial results are attached.

RESULTS FROM OPERATIONS

(In thousands, except per share amounts)

	Three Months Ended March 31,		
	2017	2016	% Change
Revenues from continuing operations	\$ 94,894	\$ 99,563	(4.7)
Operating loss from continuing operations	(6,342)	(8,547)	25.8
Net loss	(7,386)	(5,603)	31.8
Loss per share	(0.12)	(0.09)	(33.3)
Shares outstanding (weighted average common and common equivalent shares outstanding)	61,686	61,331	0.6

The company will host a conference call to discuss the earnings release today at 5:00 p.m. Eastern Time. To access an audio webcast, please use the link available in the [Investors Events](#) section of the Harte Hanks website.

The conference call number is (888) 397-5350 for domestic callers and +1 (719) 325-2140 for international callers. The conference ID is 3387843.

An audio replay will be available shortly after the call through Monday August 21, 2017 at (844) 512-2921, or +1 (412) 317-6671, conference ID 3387843. The replay also will be available for one year in the Investors section of the Harte Hanks website.

Harte Hanks, Inc.

Consolidated Statements of Operations (Unaudited)

In thousands, except per share data	Three Months Ended March 31,	
	2017	2016
Operating revenues	\$ 94,894	\$ 99,563
Operating expenses		
Labor	60,350	62,552
Production and distribution	26,878	29,879
Advertising, selling, general and administrative	11,060	12,643
Depreciation, software and intangible asset amortization	2,948	3,036
Total operating expenses	101,236	108,110
Operating loss	(6,342)	(8,547)
Other (income) expenses		
Interest expense, net	1,023	980
Other, net	1,497	(249)
Total other expenses	2,520	731
Loss from continuing operations before income taxes	(8,862)	(9,278)
Income tax benefit	(1,476)	(2,578)
Loss from continuing operations	\$ (7,386)	\$ (6,700)
Income from discontinued operations, net of income taxes	\$ -	\$ 1,097
Net loss	\$ (7,386)	\$ (5,603)
Basic earnings (loss) per common share		
Continuing operations	\$ (0.12)	\$ (0.11)
Discontinued operations	-	0.02
Basic loss per common share	\$ (0.12)	\$ (0.09)
Weighted-average common shares outstanding	61,686	61,331
Diluted earnings (loss) per common share		
Continuing operations	\$ (0.12)	\$ (0.11)
Discontinued operations	-	0.02
Diluted loss per common share	\$ (0.12)	\$ (0.09)
Weighted-average common and common equivalent shares outstanding	61,686	61,331
Balance Sheet Data (Unaudited)		
In thousands	March 31, 2017	December 31, 2016
Cash and cash equivalents	\$ 43,642	\$ 46,005
Total debt	\$ -	\$ -

Harte Hanks, Inc.

Revenue Mix (Unaudited)

Vertical Markets - Percent of Revenue

	Three Months Ended March 31,	
	2017	2016
B2B	22.8 %	21.0 %
Consumer	22.2 %	22.0 %
Financial Services	16.0 %	13.8 %

Healthcare	6.2 %	8.9 %
Retail	24.3 %	26.3 %
Transportation	8.5 %	8.0 %
	<u>100.0 %</u>	<u>100.0 %</u>

About Harte Hanks:

Harte Hanks is a global marketing services firm specializing in multi-channel marketing solutions that connect our clients with their customers in powerful ways. Experts in defining, executing and optimizing the customer journey, Harte Hanks offers end-to-end marketing services including consulting, strategic assessment, data, analytics, digital, social, mobile, print, direct mail and contact center. From visionary thinking to tactical execution, Harte Hanks delivers smarter customer interactions for some of the world's leading brands. Harte Hanks 5,000+ employees are located in North America, Asia-Pacific and Europe. For more information, visit Harte Hanks at www.hartehanks.com, call 800-456-9748, email us at pr@hartehanks.com. Follow us on Twitter @hartehanks or Facebook at <https://www.facebook.com/HarteHanks>.

Cautionary Note Regarding Forward-Looking Statements:

Our press release and related earnings conference call 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) market conditions that may adversely impact marketing expenditures and (ii) 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 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) the number of shares, if any, that we may repurchase in connection with our repurchase program; (k) unanticipated developments regarding litigation or other contingent liabilities; (l) the ability to integrate and successfully leverage newly-acquired service offerings as anticipated; (m) our ability to complete anticipated divestitures and reorganizations; and (n) other factors discussed from time to time in our filings with the Securities and Exchange Commission, including under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016. The forward-looking statements in this press release and our related earnings conference call 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:

In this press release and our related earnings conference call, the company may use certain non-GAAP measures of financial performance in order to provide investors with a better understanding of operating results and underlying trends to assess the company's performance and liquidity. The company evaluates its operating performance based on several measures, including non-GAAP financial measures. The company believes that certain 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. Any supplemental financial measures referred to are not calculated in accordance with GAAP and they should not be considered substitutes for net income as an indicator of operating performance.

As used herein, "Harte Hanks" refers to Harte Hanks, Inc. and/or its applicable operating subsidiaries, as the context may require. Harte Hanks' logo and name are trademarks of Harte Hanks.

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