



# ADVANTEX

## News Release

### **Advantex Posts Financial Improvements in its Fiscal 2018 Q3 and YTD performance**

1. Earnings from operations before depreciation, amortization and interest for Fiscal 2018 Q3 and YTD at \$283,766 and \$810,880 respectively is better by \$438,122 and \$502,461 respectively compared to Fiscal 2017 Q3 and YTD
2. Improvement in Profitability. Loss before non-recurring item for Fiscal 2018 Q3 and YTD is lower by \$375,090 and \$622,867 respectively compared to Fiscal 2017 Q3 and YTD

**Toronto, May 25, 2018** -- Advantex Marketing International Inc. (CSE: ADX), a specialist in marketing loyalty-reward programs, announced its results for the three and nine months ended March 31, 2018.

Advantex is pleased to report positive movement, post close of financial restructuring in December 2017, of the key parameters of its business. Improvement in bottom line, driven by better margins and cost control, compared to corresponding periods previous year, stability in merchant participation in core business - CIBC/TD program - based on upswing in new starts and slowdown in terminations, and extension of financial and affinity partner contracts.

Merchant participation in the CIBC/TD program is the key driver of revenues and financial results. The pace of new starts is up and the rate of terminations is down.

	<u>Jan 1, 18 to mid-May 18</u>		<u>Jan 1, 17 to mid-May 17</u>	
		% of start position		% of start position
Merchant count at start of period	594		741	
New starts	67		56	
Terminations	(83)	-14.0%	(148)	-20.0%
	<u>578</u>		<u>649</u>	

“As we continue to re-build our sales organization and refresh our product, the company expects the pace of new starts to accelerate from early in the new fiscal year commencing July 1,” said Kelly Ambrose, President and CEO of Advantex.

Highlights of financial performance for three and nine months ended March 31, 2018 compared to March 31, 2017 are tabulated on the next page.

	<u>3 months ended March 31</u>		<u>9 months ended March 31</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	\$	\$	\$	\$
<b>Revenues</b>	<b>\$ 1,652,757</b>	<b>\$ 1,887,565</b>	<b>\$ 5,637,092</b>	<b>\$ 6,902,204</b>
Direct expenses - Cost of cardholder rewards and marketing merchants to cardholders	431,618	468,606	1,458,466	1,870,618
Direct expenses - Expense for provision against delinquent accounts	56,316	124,756	236,372	436,360
<b>Gross profit</b>	<b>\$ 1,164,823</b>	<b>\$ 1,294,203</b>	<b>\$ 3,942,254</b>	<b>\$ 4,595,226</b>
Selling and General & Administrative	881,057	1,448,559	3,131,374	4,286,807
<b>Earnings from operations before depreciation, amortization and interest</b>	<b>\$ 283,766</b>	<b>\$ (154,356)</b>	<b>\$ 810,880</b>	<b>\$ 308,419</b>
Cash interest on loan payable and debentures	267,381	315,641	909,791	989,257
<b>Earnings (loss) from operations before depreciation, amortization, non-cash interest on debentures (accretion charges) and restructuring bonus due 2021</b>	<b>\$ 16,385</b>	<b>\$ (469,997)</b>	<b>\$ (98,911)</b>	<b>\$ (680,838)</b>
Depreciation and amortization	8,503	29,166	25,640	145,110
Non-cash interest expense (accretion charges) and restructuring bonus related to debentures	131,955	-	138,757	60,227
<b>(Loss) and Comprehensive (loss) before non-recurring item</b>	<b>\$ (124,073)</b>	<b>\$ (499,163)</b>	<b>\$ (263,308)</b>	<b>\$ (886,175)</b>
Non-recurring item	\$ -	\$ -	\$ 1,795,103	\$ -
<b>Net profit/(loss) and Comprehensive profit/(loss)</b>	<b>\$ (124,073)</b>	<b>\$ (499,163)</b>	<b>\$ 1,531,795</b>	<b>\$ (886,175)</b>

## About Advantex

Advantex provides specialized marketing programs that enable members of affinity groups to earn frequent-flyer miles and other loyalty rewards through purchases at participating merchants.

Through partnerships with Aeroplan, Toronto-Dominion Bank, Canadian Imperial Bank of Commerce and Caesars Entertainment, Advantex has contractual access to millions of consumers with above-average personal and household income. Advantex also has partnerships with about 1,000 merchants in Canada and the US.

Advantex shares trade on the Canadian Securities Exchange under the symbol ADX. For more information, go to [www.advantex.com](http://www.advantex.com).

## Forward-Looking Information

This news release contains “forward-looking statements” within the meaning of applicable securities laws relating to the future business and operations of Advantex, including expectation that merchant participation is key driver of financial performance, expectations from re-build of sales organization and refresh of product and the timing. Actual results and developments may differ materially from those contemplated by these statements. The business and operations of Advantex described herein is dependent on a number of factors and is subject to a number of risks and uncertainties. Factors that could cause actual results to differ materially include those listed under “Working Capital and Liquidity Management”, “General Risks and Uncertainties” and “Economic Dependence” in Advantex’s Management’s Discussion and Analysis for the three and nine months ended March 31, 2018.

The statements in this news release are made as of the date of this release. Forward-looking statements are made based on management’s beliefs, estimates and opinions on the date the statements are made and

Advantex undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable law.

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Advantex Marketing International Inc.  
Consolidated Statements of Financial Position (unaudited)  
(expressed in Canadian dollars)

	Note	At March 31, 2018	At June 30, 2017
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 344,628	\$ 367,357
Accounts receivable		192,733	180,517
Transaction credits	5	6,016,397	5,549,712
Inventory	6	18,060	35,038
Prepaid expenses and sundry assets		82,821	82,413
		<u>\$ 6,654,639</u>	<u>\$ 6,215,037</u>
<b>Non-current assets</b>			
Property, plant and equipment		\$ 49,767	\$ 72,142
Intangible assets		-	921
		<u>\$ 49,767</u>	<u>\$ 73,063</u>
<b>Total assets</b>		<b>\$ 6,704,406</b>	<b>\$ 6,288,100</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Loan payable	7	\$ 4,736,619	\$ 4,476,421
Accounts payable and accrued liabilities		2,601,301	3,232,134
12% Non-convertible debentures payable	8	-	5,159,000
		<u>\$ 7,337,920</u>	<u>\$ 12,867,555</u>
<b>Non-current liabilities</b>			
9% Non-convertible debentures payable	8	\$ 4,414,146	\$ -
		<u>\$ 4,414,146</u>	<u>\$ -</u>
<b>Shareholders' deficiency</b>			
Share capital	9	\$ 24,530,555	\$ 24,530,555
Contributed surplus		4,090,382	4,090,382
Accumulated other comprehensive loss		(47,383)	(47,383)
Deficit		(33,621,214)	(35,153,009)
<b>Total deficiency</b>		<b>\$ (5,047,660)</b>	<b>\$ (6,579,455)</b>
<b>Total liabilities and deficiency</b>		<b>\$ 6,704,406</b>	<b>\$ 6,288,100</b>

**Economic and Financial dependence (note 2), Commitments and contingencies (note 12)**

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

**Approved by the Board**

Director: Signed "William Polley"

William Polley

Director: Signed "Kelly Ambrose"

Kelly Ambrose

Advantex Marketing International Inc.  
Consolidated Statements of Profit/(Loss) and Comprehensive Profit/(Loss) (unaudited)  
For the three and nine months ended March 31, 2018 and 2017  
(expressed in Canadian dollars)

	Note	Three months ended March 31		Nine months ended March 31	
		2018	2017	2018	2017
		\$	\$	\$	\$
<b>Revenues</b>	15	\$ 1,652,757	\$ 1,887,565	\$ 5,637,092	\$ 6,902,204
Direct expenses	14/15	487,934	593,362	1,694,838	2,306,978
		1,164,823	1,294,203	3,942,254	4,595,226
<b>Operating expenses</b>					
Selling and marketing	14/15	400,171	481,737	1,323,033	1,479,597
General and administrative	14/15	480,886	966,822	1,808,341	2,807,210
<b>Earnings from operations before depreciation, amortization and interest</b>		\$ 283,766	\$ (154,356)	\$ 810,880	\$ 308,419
Interest expense:					
Stated interest expense - loan payable, and debentures	7/8	267,381	315,641	909,791	989,257
Non-cash interest expense (accretion charges) and restructuring bonus related to debentures	8	131,955	-	138,757	60,227
		(115,570)	(469,997)	(237,668)	(741,065)
Depreciation of property, plant and equipment, and amortization of intangible assets		8,503	29,166	25,640	145,110
<b>(Loss) and comprehensive (loss) before non-recurring item</b>		\$ (124,073)	\$ (499,163)	\$ (263,308)	\$ (886,175)
Non-recurring item	8	\$ -	\$ -	\$ 1,795,103	\$ -
<b>Net profit/(loss) and comprehensive profit/(loss)</b>		\$ (124,073)	\$ (499,163)	\$ 1,531,795	\$ (886,175)
<b>Profit/(Loss) per share</b>					
Basic and Diluted	13	\$ (0.00)	\$ (0.00)	\$ 0.00	\$ (0.01)

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

Advantex Marketing International Inc.  
 Consolidated Statements of Changes in Shareholders' Deficiency (unaudited)  
 For the three and nine months ended March 31, 2018 and 2017  
 (expressed in Canadian dollars)

	Class A preference shares	Common shares	Contributed surplus	Accumulated other comprehen- sive loss	Deficit	Total
	₤	₤	₤	₤	₤	₤
<b>Balance - July 1, 2016</b>	\$ 3,815	\$ 24,526,740	\$ 4,090,382	\$ (47,383)	\$ (33,946,662)	\$ (5,373,108)
Net profit/(loss) and comprehensive profit/(loss)	-	-	-	-	(886,175)	(886,175)
<b>Balance - March 31, 2017</b>	\$ 3,815	\$ 24,526,740	\$ 4,090,382	\$ (47,383)	\$ (34,832,837)	\$ (6,259,283)
<b>Balance - July 1, 2017</b>	\$ 3,815	\$ 24,526,740	\$ 4,090,382	\$ (47,383)	\$ (35,153,009)	\$ (6,579,455)
Net profit/(loss) and comprehensive profit/(loss)	-	-	-	-	1,531,795	1,531,795
<b>Balance - March 31, 2018</b>	\$ 3,815	\$ 24,526,740	\$ 4,090,382	\$ (47,383)	\$ (33,621,214)	\$ (5,047,660)

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

Advantex Marketing International Inc.  
Consolidated Statements of Cash Flow (unaudited)  
For the three and nine months ended March 31, 2018 and 2017  
(expressed in Canadian dollars)

	Note	At March 31, 2018	At March 31, 2017
		\$	\$
<b>Operational activities</b>			
Net profit/(loss) for the period		\$ 1,531,795	\$ (886,175)
Adjustments for:			
Depreciation of property, plant and equipment, and amortization of intangible assets		25,640	145,110
Accretion charge for debentures	8	70,734	60,227
Non-cash portion of non-recurring item		(1,283,611)	-
		344,558	(680,838)
Changes in items of working capital			
Accounts receivable		(12,216)	273,583
Transaction credits		(466,685)	1,629,237
Inventory		16,978	2,012
Prepaid expenses and sundry assets		(408)	5,360
Accounts payable and accrued liabilities		(630,833)	(460,525)
		(1,093,164)	1,449,667
<b>Net cash provided by (used in) operating activities</b>		<b>\$ (748,606)</b>	<b>\$ 768,829</b>
<b>Investing activities</b>			
Purchase of Property, plant & equipment		\$ (2,344)	\$ -
<b>Net cash (used in) investing activities</b>		<b>\$ (2,344)</b>	<b>\$ -</b>
<b>Financing activities</b>			
Proceeds - 9% Non-convertible debentures payable	8	\$ 400,000	\$ -
Performance bonus - 9% Non-convertible debentures payable	8	68,023	-
Proceeds - Loan payable	7	260,198	(1,173,394)
<b>Net cash generated from / (used in) financing activities</b>		<b>\$ 728,221</b>	<b>\$ (1,173,394)</b>
<b>(Decrease) in cash and cash equivalents during the period</b>		<b>\$ (22,729)</b>	<b>\$ (404,565)</b>
Cash and cash equivalents at beginning of period		367,357	658,678
<b>Cash and cash equivalents at end of period</b>		<b>\$ 344,628</b>	<b>\$ 254,113</b>
<b>Additional information</b>			
Interest paid		\$ 474,097	\$ 861,980
For purposes of the cash flow statement, cash comprises			
Cash		\$ 344,628	\$ 254,113

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