



# ADVANTE X

## Net Profit caps year of operational and financial accomplishments

- Gross margin up 4.7% to 68.7%
- Earnings from operations before depreciation, amortization and interest up 185.3% to \$917,915
- Loss before non-recurring item down 52.7% to \$570,805
- Net profit of \$1,224,298 compared to Net loss of \$1,206,347

**Toronto, October 29, 2018** -- Advantex Marketing International Inc. (CSE: ADX), a specialist in marketing loyalty-reward programs, announced its results for the twelve months ended June 30, 2018.

### Operational and Financial Accomplishments

- In December 2017 completed a successful financial restructuring with the support of its financial partners and staff. The resulting financial stability was the outcome of softer financial terms including forgiveness of unpaid debentures interest and penalty, additional working capital and multi-year terms. The re-financed \$5.6 m debentures and \$8.5 m line of credit facility terms expire December 2021.
- In March 2018 able to extend the term of its agreement with TD to March 2020.
- In July 2018, in response to its 2013 notice, received response from CRA confirming the appropriateness of its treatment of GST/HST subsequent to fiscal year 2007. This removed a financial uncertainty.
- In August 2018 the staff salary reductions, implemented a year earlier, were completely rolled back.
- All severance liabilities resulting from rightsizing the organization were fully settled.
- Payment plans were agreed with key suppliers including with affinity partners CIBC, TD and Aimia and were either completed or are running per the agreed terms.
- Since January 2018 the task of building a sales organization and refreshing the product is progressing quite well and this is expected to result initially in stability and then growth in merchant participation during the next fiscal year.

### Improved Financial Performance

	Fiscal 2018	Fiscal 2017	Change	Change
	\$	\$	\$	%
<b>Revenues</b>	<b>\$ 7,586,757</b>	<b>\$ 9,150,012</b>	<b>\$ (1,563,255)</b>	<b>-17.1%</b>
Direct expenses				
Cost of cardholder rewards and marketing in connection with merchant based loyalty programs	\$ 2,085,541	\$ 2,545,735	\$ (460,194)	-18.1%
Expense for provision against delinquent accounts	\$ 289,429	\$ 603,339	\$ (313,910)	-52.0%
<b>Gross profit</b>	<b>\$ 5,211,787</b>	<b>\$ 6,000,938</b>	<b>\$ (789,151)</b>	<b>-13.2%</b>
Selling and General & Administrative expenses	\$ 4,293,872	\$ 5,679,180	\$ (1,385,308)	-24.4%
<b>Earnings from operations before depreciation, amortization and interest</b>	<b>\$ 917,915</b>	<b>\$ 321,758</b>	<b>\$ 596,157</b>	<b>185.3%</b>
Stated interest expense - loan payable, and debentures	\$ 1,183,185	\$ 1,304,971	\$ (121,786)	-9.3%
<b>(Loss) from operations before depreciation, amortization and non-cash interest</b>	<b>\$ (265,270)</b>	<b>\$ (983,213)</b>	<b>\$ 717,943</b>	<b>-73.0%</b>
Depreciation, amortization and non-cash interest expense	\$ 305,535	\$ 223,134	\$ 82,401	
<b>(Loss) and comprehensive (loss) before non-recurring item</b>	<b>\$ (570,805)</b>	<b>\$ (1,206,347)</b>	<b>\$ 635,542</b>	<b>-52.7%</b>
Non-recurring item - gain on debt restructuring	\$ 1,795,103	\$ -	\$ 1,795,103	
<b>Net profit/(loss) and comprehensive profit/(loss)</b>	<b>\$ 1,224,298</b>	<b>\$ (1,206,347)</b>	<b>\$ 2,430,645</b>	<b>201.5%</b>

Fuller details available in the Consolidated Financial Statements and MD&A available under Advantex's profile on [www.sedar.com](http://www.sedar.com)

The above tabulation is a non-GAAP presentation and is provided to assist readers in understanding Advantex's financial performance. The information is extracted from consolidated financial statements for the year ended June 30, 2018.

## Outlook

"We have a great product valuable for small merchants and credit card customers of our affinity partners. The recent bid for Aimia's Aeroplan business by Air Canada led consortium which includes CIBC, TD and Visa demonstrates the importance of reward currency to credit card issuers. Our product gives merchants (i) access to data driven targeted marketing to CIBC/TD credit card customers, (ii) ability to seamlessly issue reward currencies to their customers, and (iii) access to unsecured working capital, supported by proprietary IT system that meets the exacting standards of our affinity partners. We build merchants coalitions in neighbourhoods across Canada. Our existing merchant portfolio, multi-year relationships with affinity and financial partners, dedicated staff and financial stability are our strengths. As we continue to re-build our sales organization and refresh our product I expect the growth in merchant portfolio to gradually pick up pace during the next fiscal year," said Kelly Ambrose, President and CEO of Advantex.

## **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 950 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 expectations of stability and growth in merchant participation during next fiscal year. 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 twelve months ended June 30, 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.

## **Contact:**

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

	Note	June 30, 2018	June 30, 2017
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 635,836	\$ 367,357
Accounts receivable	12 a	112,322	180,517
Transaction credits	12 a	5,592,426	5,549,712
Inventory	5	-	35,038
Prepaid expenses and sundry assets		79,349	82,413
		<u>\$ 6,419,933</u>	<u>\$ 6,215,037</u>
<b>Non-current assets</b>			
Property, plant and equipment	6 a	\$ 43,969	\$ 72,142
Intangible assets	6 b	-	921
		<u>\$ 43,969</u>	<u>\$ 73,063</u>
<b>Total assets</b>		<b>\$ 6,463,902</b>	<b>\$ 6,288,100</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Loan payable	7	\$ 4,427,390	\$ 4,476,421
Accounts payable and accrued liabilities		2,843,718	3,232,134
12% Non-convertible debentures payable	8	-	5,159,000
		<u>\$ 7,271,108</u>	<u>\$ 12,867,555</u>
<b>Non-current liabilities</b>			
9% Non-convertibles debentures payable	8	\$ 4,547,951	\$ -
		<u>\$ 4,547,951</u>	<u>\$ -</u>
<b>Total liabilities</b>		<b>\$ 11,819,059</b>	<b>\$ 12,867,555</b>
<b>Shareholders' deficiency</b>			
Share capital	9	\$ 24,530,555	\$ 24,530,555
Contributed surplus	10 b	4,090,382	4,090,382
Accumulated other comprehensive loss		(47,383)	(47,383)
Deficit		(33,928,711)	(35,153,009)
<b>Total deficiency</b>		<b>\$ (5,355,157)</b>	<b>\$ (6,579,455)</b>
<b>Total liabilities and deficiency</b>		<b>\$ 6,463,902</b>	<b>\$ 6,288,100</b>

**Economic and Financial dependence (note 2) and Commitments and contingencies (note 14)**

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)  
For the years ended June 30, 2018 and 2017  
(expressed in Canadian dollars)

	Note	2018	2017
		\$	\$
<b>Revenues</b>	18	<b>\$ 7,586,757</b>	<b>\$ 9,150,012</b>
Direct expenses	17/18	<u>2,374,970</u>	<u>3,149,074</u>
		5,211,787	6,000,938
<b>Operating expenses</b>			
Selling and marketing	17/18	1,881,386	1,974,282
General and administrative	17/18	<u>2,412,486</u>	<u>3,704,898</u>
<b>Earnings from operations before depreciation, amortization and interest</b>		<b>917,915</b>	<b>321,758</b>
Interest expense:			
Stated interest expense - loan payable, and debentures	7/8	1,183,185	1,304,971
Non-cash interest expense (accretion charges) and restructuring bonus related to debentures	8	<u>272,562</u>	<u>60,227</u>
		(537,832)	(1,043,440)
Depreciation of property, plant and equipment, and amortization of intangible assets	6 a/b	<u>32,973</u>	<u>162,907</u>
<b>(Loss) and comprehensive (loss) before non-recurring item</b>		<b>\$ (570,805)</b>	<b>\$ (1,206,347)</b>
Gain on debt restructuring	8	<u>\$ 1,795,103</u>	<u>\$ -</u>
<b>Net profit/(loss) and comprehensive profit/(loss)</b>		<b>\$ 1,224,298</b>	<b>\$ (1,206,347)</b>
<b>Profit/(Loss) per share</b>			
Basic and Diluted	16	<b>\$ 0.00</b>	<b>\$ (0.01)</b>

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

Advantex Marketing International Inc.  
Consolidated Statements of Changes in Shareholders' Deficiency  
For the years ended June 30, 2018 and June 30, 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 loss and comprehensive loss	-	-	-	-	(1,206,347)	(1,206,347)
<b>Balance - June 30, 2017</b>	\$ 3,815	\$ 24,526,740	\$ 4,090,382	\$ (47,383)	\$ (35,153,009)	\$ (6,579,455)
<b>Balance - July 1, 2017</b>	\$ 3,815	\$ 24,526,740	\$ 4,090,382	\$ (47,383)	\$ (35,153,009)	\$ (6,579,455)
Net profit and comprehensive profit	-	-	-	-	1,224,298	1,224,298
<b>Balance - June 30, 2018</b>	\$ 3,815	\$ 24,526,740	\$ 4,090,382	\$ (47,383)	\$ (33,928,711)	\$ (5,355,157)

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

Advantex Marketing International Inc.  
Consolidated Statements of Cash Flow  
For the years ended June 30, 2018 and 2017  
(expressed in Canadian dollars)

	Note	June 30, 2018	June 30, 2017
		\$	\$
<b>Operational activities</b>			
Net profit/(loss) for the year		\$ 1,224,298	\$ (1,206,347)
Adjustments for:			
Depreciation of property, plant and equipment, and amortization of intangible assets	6 a/b	32,973	162,907
Accretion charge for debentures	8	142,638	60,227
Restructuring bonus for debentures	8	129,924	-
Non-cash portion of gain on debt restructuring	8	(1,283,611)	-
		246,222	(983,213)
Changes in items of working capital			
Accounts receivable		68,195	244,885
Transaction credits		(42,714)	1,802,550
Inventory		35,038	4,876
Prepaid expenses and sundry assets		3,064	21,271
Accounts payable and accrued liabilities		(388,416)	(324,844)
		(324,833)	1,748,738
<b>Net cash (used in)/provided by operating activities</b>		<b>\$ (78,611)</b>	<b>\$ 765,525</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment, and intangible assets		\$ (3,879)	\$ -
<b>Net cash (used in) investing activities</b>		<b>\$ (3,879)</b>	<b>\$ -</b>
<b>Financing activities</b>			
Proceeds - 9% Non-convertibles debentures	8	\$ 400,000	\$ -
Repayment of loan payable	7	\$ (49,031)	\$ (1,056,846)
<b>Net cash generated from/(used in) financing activities</b>		<b>\$ 350,969</b>	<b>\$ (1,056,846)</b>
<b>Increase/(Decrease) in cash and cash equivalents during the year</b>		<b>\$ 268,479</b>	<b>\$ (291,321)</b>
Cash and cash equivalents at beginning of the year		367,357	658,678
<b>Cash and cash equivalents at end of the year</b>		<b>\$ 635,836</b>	<b>\$ 367,357</b>
<b>Additional information</b>			
Interest paid		\$ 859,720	\$ 1,023,348
Cash		\$ 635,836	\$ 367,357

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