



ADVANTEX

Advantex Announces Fiscal 2024 Third Quarter Results

Continuing year to date improvements in revenues but flat results reflecting difficult operating environment

- Core activity – Merchant Cash Advance program – Revenues increased 48.8% to \$554,225 in third quarter and 62.2% to \$1,661,670 in YTD third quarter.
- Total Revenues increased 43.5% to \$760,761 in third quarter and 52.8% to \$2,372,921 in YTD third quarter.
- Gross Profit decreased 46.4% to \$219,550 in third quarter but was ahead at 26.8% to \$1,478,638 in YTD third quarter.
- Flat SG&A. \$412,833 vs. \$438,586 in third quarter and \$1,279,144 vs. \$1,299,638 in YTD third quarter.
- Earnings/(Loss) from operations before depreciation, amortization and interest was \$(193,283) in third quarter and \$199,494 in YTD third quarter. Healthy turnaround of \$333,309 in YTD third quarter but deterioration of \$164,515 in third quarter compared to the corresponding periods in the previous year.
- Loss from operations before non-cash expenses. Flat YTD third quarter, current year \$1,227,274 compared to \$1,186,391 in the corresponding period in the previous year. Higher third quarter loss, current year \$681,561 compared to \$457,236 in the corresponding period in the previous year.

Toronto, May 29, 2024 -- – Advantex Marketing International Inc. (CSE: ADX) (“Advantex”), a leader in the merchant cash advance and loyalty marketing products for merchants, announced its results for three and nine months ended March 31, 2024.

Advantex successfully pushed double digit increase in three and nine month revenues with flat selling, general & administrative costs.

The gross profit from the secondary activity – reseller of aeroplane points as a partner of Aeroplan Inc. – continued its sustained growth. However, Advantex faced headwinds in its core activity in the shape of increase in delinquencies on its Merchant Cash Advance receivables during the third quarter. This hurt the third quarter operational performance although on YTD third basis Advantex performed better compared to corresponding period in the previous year. While Advantex believes its credit processes are robust, the current difficult economic environment driven by high interest rates and inflation is creating financial difficulties in the small independent business world and this is Advantex’s market. Advantex is continuously updating, as required, its credit policies.

Advantex raised gross proceeds of \$300,000 in February 2024 to support the growth of its core activity. The higher than expected delinquencies was a setback to the expected positive outcome from use of the portion of additional capital earmarked to expand MCA program.

Compared to corresponding periods in the previous year Advantex carries a higher debt load to support re-build of its business and for general corporate purposes, and this is a reason for increase in interest costs in the third quarter and YTD third quarter compared to corresponding periods in the previous year. This debt consists of fixed coupon non-convertible debentures which provide general working capital and a line of credit which carries a floating interest rate - a base rate plus prime rate - and which is used exclusively for growth of the core activity.

Prime rate during current periods was 7.20% compared to 4.20% (July 2022) which increased to 6.70% by January 2023 and 7.20% by July 2023. The adverse effect of increase in prime rate was offset by reduction in the base rate from September 2023 (to 8.00% from 8.80%).

Despite the difficult circumstances Advantex managed a healthy turnaround of \$333,309 in YTD third quarter in its Earnings from operations before depreciation, amortization and interest. \$199,494 earnings current year compared to loss of \$133,815 for the corresponding period in the previous year. As well a flat loss from operations prior to non cash expenses. YTD third quarter current loss of \$1,227,274 compared to loss of \$1,186,391 for the corresponding period in the previous year. Increase in non-cash expenses is primarily on account of accretion charges which reflect outcome of prescribed accounting connected to the non-convertible debentures.

Highlights are provided in the below tabulation:

	3 months ended March 31 (Third quarter)			9 months ended March 31 (YTD Third quarter)		
	<u>24</u>	<u>23</u>	<u>Inc./Dec</u>	<u>24</u>	<u>23</u>	<u>Inc./Dec</u>
	\$	\$	\$	\$	\$	\$
Revenues						
Merchant Cash Advance ("MCA") program	\$ 554,225	\$ 372,415	\$ 181,810	\$ 1,661,670	\$ 1,024,330	\$ 637,340
Reseller-Aeroplan program-Loyalty marketing	\$ 206,536	\$ 157,794	\$ 48,742	\$ 711,251	\$ 528,267	\$ 182,984
	\$ 760,761	\$ 530,209	\$ 230,552	\$ 2,372,921	\$ 1,552,597	\$ 820,324
Direct Expenses						
MCA program: Expense for provision against receivables, credit & collection expense	\$ 414,043	\$ 3,314	\$ 410,729	\$ 423,572	\$ 10,589	\$ 412,983
Reseller - Aeroplan program - Loyalty marketing: Costs of loyalty rewards and marketing	\$ 127,168	\$ 117,077	\$ 10,091	\$ 470,711	\$ 376,185	\$ 94,526
	\$ 541,211	\$ 120,391	\$ 420,820	\$ 894,283	\$ 386,774	\$ 507,509
Gross profit	\$ 219,550	\$ 409,818	\$ (190,268)	\$ 1,478,638	\$ 1,165,823	\$ 312,815
Selling and General & administrative expenses	\$ 412,833	\$ 438,586	\$ (25,753)	\$ 1,279,144	\$ 1,299,638	\$ (20,494)
Earnings/(Loss) from operations before depreciation, amortization and interest	\$ (193,283)	\$ (28,768)	\$ 164,515	\$ 199,494	\$ (133,815)	\$ 333,309
Stated interest expense - loan payable (utilized exclusively to support 90% of funds deployed in MCA program, balance 10% is from working capital available to Advantex)	\$ 227,260	\$ 185,330	\$ 41,930	\$ 691,218	\$ 405,153	\$ 286,065
Stated interest expense - 9% non-convertible debentures payable, and 12% non-convertible debentures payable (general working capital, including to support 10% of funds deployed in MCA)	\$ 260,268	\$ 243,138	\$ 17,130	\$ 734,800	\$ 647,423	\$ 87,377
Stated interest on loan	\$ 750	\$ -	\$ 750	\$ 750	\$ -	\$ 750
(Loss) from operations before non-cash expenses	\$ (681,561)	\$ (457,236)	\$ 224,325	\$ (1,227,274)	\$ (1,186,391)	\$ 40,883
Non-cash interest expense - 1) accretion charges and restructuring bonus respecting 9% non-convertible debentures payable, 2) amortization of transaction costs respecting 9% non-convertible debentures payable and 12% non-convertible debentures payable, and 3) interest on loan (2024) - lease (2023)	\$ 278,973	\$ 246,544	\$ 32,429	\$ 811,993	\$ 676,324	\$ 135,669
Net (loss) and comprehensive (loss)	\$ (960,534)	\$ (703,780)	\$ 256,754	\$ (2,039,267)	\$ (1,862,715)	\$ 176,552

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 interim consolidated financial statements for three and nine months ended March 31, 2024.

About Advantex

Advantex provides working capital to merchants. Advantex also provides specialized marketing programs that enable members of Aeroplan to earn Aeroplan points at participating merchants.

Advantex shares trade on the Canadian Securities Exchange under the symbol ADX. For more information go to Advantex's profile on www.sedarplus.com

For further information please contact

Mukesh Sabharwal
Vice-President and Chief Financial Officer
Tel: 416-560-5173
Email: Mukesh.Sabharwal@advantex.com

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

	Note	March 31, 2024	June 30, 2023
		\$	\$
Assets			
Current assets			
Cash		\$ 113,497	\$ 340,427
Accounts receivable		77,104	84,917
Transaction credits	5	5,265,114	5,641,940
Prepaid expenses and sundry assets		<u>1,416</u>	<u>1,416</u>
		\$ 5,457,131	\$ 6,068,700
Total assets		\$ 5,457,131	\$ 6,068,700
Liabilities			
Current liabilities			
Loan payable	6	\$ 5,685,959	\$ 5,992,287
Loan	16	60,750	60,000
9% & 12% non-convertible debentures payable-Current portion of interest payable	7 & 8	1,012,641	420,211
Accounts payable and accrued liabilities		<u>3,102,037</u>	<u>3,170,488</u>
		\$ 9,861,387	\$ 9,642,986
Non-current liabilities			
9% non-convertible debentures payable	7	\$ 9,689,791	\$ 8,765,806
12% non-convertible debentures payable	8	545,309	278,136
Deferred fair value adjustment on 12% non-convertible debentures payable	8	<u>110,132</u>	<u>91,993</u>
		\$ 10,345,232	\$ 9,135,935
Total liabilities		\$ 20,206,619	\$ 18,778,921
Shareholders' deficiency			
Share capital	9	\$ 24,530,555	\$ 24,530,555
Contributed surplus		7,901,617	7,901,617
Accumulated other comprehensive loss		(47,383)	(47,383)
Deficit		<u>(47,134,277)</u>	<u>(45,095,010)</u>
Total deficiency		\$ (14,749,488)	\$ (12,710,221)
Total liabilities and deficiency		\$ 5,457,131	\$ 6,068,700

Going concern (note 2) and Commitments and contingencies (note 12)

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

Approved by the Board

Director: Signed "Marc Lavine"
Marc Lavine

Director: Signed "Kelly Ambrose"
Kelly Ambrose

Advantex Marketing International Inc.
Consolidated Statements of Loss and Comprehensive Loss (unaudited)
For the three and nine months ended March 31, 2024 and 2023
(expressed in Canadian dollars)

	Note	3 months ended March 31		9 months ended March 31	
		2024	2023	2024	2023
		\$	\$	\$	\$
Revenues	15				
Marketing activities		\$ 206,536	\$ 157,794	\$ 711,251	\$ 528,267
Interest income		554,225	372,415	1,661,670	1,024,330
		<u>\$ 760,761</u>	<u>\$ 530,209</u>	<u>\$ 2,372,921</u>	<u>\$ 1,552,597</u>
Direct expenses	14/15	<u>541,211</u>	<u>120,391</u>	<u>894,283</u>	<u>386,774</u>
		219,550	409,818	1,478,638	1,165,823
Operating expenses					
Selling and marketing	14/15	138,455	149,943	428,362	425,079
General and administrative	14/15	<u>274,378</u>	<u>288,643</u>	<u>850,782</u>	<u>874,559</u>
Earnings/(Loss) from operations before depreciation, amortization and interest		(193,283)	(28,768)	199,494	(133,815)
Stated interest expense					
Loan payable	6	227,260	185,330	691,218	405,153
9% non-convertible debentures payable	7	245,268	243,138	695,800	647,423
12% non-convertible debentures payable	8	15,000	-	39,000	-
Loan	16	750	-	750	-
Interest - Lease		-	-	-	180
Non-cash interest expense - accretion charges, restructuring bonus and amortization of transaction costs related to 9% non-convertible debentures payable	7	275,734	246,544	804,497	676,144
Non-cash interest expense - amortization of transaction costs related to 12% non-convertible debentures	8	3,239	-	7,496	-
Non-cash interest expense - accretion charges related to 12% non-convertible debentures payable	8	11,909	-	30,211	-
Non-cash interest expense - accretion of deferred gain related to 12% non-convertible debentures payable	8	<u>(11,909)</u>	<u>-</u>	<u>(30,211)</u>	<u>-</u>
Net (loss) and comprehensive (loss)		\$ (960,534)	\$ (703,780)	\$ (2,039,267)	\$ (1,862,715)
(Loss) per share					
Basic and Diluted		\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (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, 2024 and 2023
(expressed in Canadian dollars)

	Class A preference shares	Common shares	Contributed surplus	Accumulated other comprehen - sive loss	Deficit	Total
	\$	\$	\$	\$	\$	\$
Balance at July 1, 2022	\$ 3,815	\$ 24,526,740	\$ 7,742,802	\$ (47,383)	\$ (42,567,857)	\$ (10,341,883)
Net (loss) and comprehensive (loss)	-	-	-	-	(1,862,715)	(1,862,715)
Issuance of 9% non- convertible debentures payable (note 7)	-	-	158,815	-	-	158,815
Balance at March 31, 2023	\$ 3,815	\$ 24,526,740	\$ 7,901,617	\$ (47,383)	\$ (44,430,572)	\$ (12,045,783)
Balance at July 1, 2023	\$ 3,815	\$ 24,526,740	\$ 7,901,617	\$ (47,383)	\$ (45,095,010)	\$ (12,710,221)
Net (loss) and comprehensive (loss)	-	-	-	-	(2,039,267)	(2,039,267)
Balance at March 31, 2024	\$ 3,815	\$ 24,526,740	\$ 7,901,617	\$ (47,383)	\$ (47,134,277)	\$ (14,749,488)

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, 2024 and 2023
(expressed in Canadian dollars)

	Note	2024	2023
		\$	\$
Operational activities			
Net (loss) for the period		\$ (2,039,267)	\$ (1,862,715)
Adjustments for:			
Accrued and unpaid 9% non-convertible debentures payable interest - current and non-current payable	7	695,800	647,423
Accrued and unpaid 12% non-convertible debentures payable interest - current payable	8	39,000	-
Accrued and unpaid loan interest	16	750	-
Interest - Lease		-	180
Accretion charge - 9% non-convertible debentures payable	7	699,370	592,469
Restructuring bonus - 9% non-convertible debentures payable	7	84,912	66,912
Amortization of transaction costs - 9% non-convertible debentures payable	7	20,215	16,763
Amortization of transaction costs - 12% non-convertible debentures payable	8	7,496	-
Non-cash interest expense - accretion charges related to 12% non-convertible debentures payable	8	30,211	-
Non-cash interest expense - accretion of deferred gain related to 12% non-convertible debentures payable	8	(30,211)	-
		(491,724)	(538,968)
Changes in items of working capital			
Accounts receivable		7,813	44,106
Transaction credits		376,826	(1,263,228)
Prepaid expenses and sundry assets		-	40,172
Accounts payable and accrued liabilities		(68,451)	136,211
		316,188	(1,042,739)
Net cash (used) - operating activities		\$ (175,536)	\$ (1,581,707)
Financing activities			
Gross proceeds - 9% non-convertible debentures payable	7	-	600,000
Transaction costs - 9% non-convertible debentures payable	7	-	(20,713)
Gross proceeds - 12% non-convertible debentures payable	8	300,000	-
Transaction costs - 12% non-convertible debentures payable	8	(22,184)	-
Payment for lease		-	(12,948)
Payment of interest - 12% non-convertible debentures payable		(22,882)	-
Proceeds of loan payable	6	9,417,086	6,877,589
(Repayment) of loan payable	6	(9,723,414)	(5,919,899)
Net cash generated/(used) - financing activities		\$ (51,394)	\$ 1,524,029
(Decrease) in cash during the period		\$ (226,930)	\$ (57,678)
Cash at beginning of the period		340,427	93,185
Cash at end of the period		\$ 113,497	\$ 35,507
Additional information			
Interest paid		\$ 635,860	\$ 405,153

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