



## ADVANTEX

### NEWS RELEASE

For Immediate Release

ADX: TSXV

### **Advantex Reports Net Profit for Fiscal 2011 First Quarter**

- Total revenues up 14% to \$4.0 million
  - Contribution from operations (EBITDA) up 23% to \$0.9 million
  - Profit before non-cash expenses up 19% to \$0.5 million
  - Net Profit of \$150,000
- 

**Toronto, November 29, 2010** – Advantex Marketing International Inc. (“Advantex” or the “Company”), a leading specialist in merchant funding and loyalty marketing programs, today announced its results for the fiscal first quarter ended September 30, 2010. All references to quarters or years are for the fiscal periods and all currency amounts are in Canadian dollars unless otherwise noted.

“The Company is well positioned to secure its future financial performance by capitalizing on the expansion opportunities following the completion, during the current quarter, of three significant initiatives. We renewed agreements with two of our partners for multi-year year terms, and on September 1 launched a program in partnership with a new affinity partner,” said Kelly Ambrose, Advantex President and Chief Executive Officer.

“During the first quarter the Company continued to build on the solid financial performance for Fiscal year ended June 30, 2010. The Company increased the number of merchants participating in its programs and this resulted in higher revenues and profitability vs. corresponding period in the previous year,” said Mr. Ambrose.

The three significant initiatives that the Company completed during this quarter are set out in detail:

1. In September, the Company renewed its existing arrangement with CIBC, and signed a new agreement expiring in August, 2013. The Company can continue to expand its CIBC Advantex program in the Dining, (Canadian restaurants, golf courses, independent inns, resorts and selected hotels, spas), and Retail (retailers of men’s and ladies fashion, footwear, accessories, and other designated categories) business segments;
2. Pursuant to a multi-year agreement with Aeroplan signed in March, 2010, on September 1 the Company launched its Aeroplan based program to merchants in Fashion Retail (retailers of mens’s and ladies fashion, footwear, accessories) business segment. During the period leading to the launch, the Company set up the infrastructure including processing arrangements to facilitate the launch and subsequent implementation of this program. The set up involved capital expenditures, external and internal, of about \$0.5 million and were incurred between July 1, 2009 and September 30, 2010; and
3. In September, the Company and Accord signed an agreement extending the term of the existing line of credit facility to December, 2013. During the term, the facility limit is increased to \$8.5 million and will be used exclusively to expand the Company’s Advance Purchase Marketing (APM) program in the Dining, Retail, and Fashion Retail business segments.

## Financial Highlights:

	3 months ended September 30, 2010	3 months ended September 30, 2009
Revenues	\$3,958,000	\$3,481,000
Gross Profit	\$2,705,000	\$2,364,000
Gross Margin	68.4%	67.9%
Contribution from Operations (EBITDA)	\$ 881,000	\$ 715,000
Profit before Amortization and Interest	\$ 875,000	\$ 693,000
Amortization	\$ 153,000	\$ 89,000
Interest	\$ 571,000	\$ 472,000
Net Profit	\$ 150,000	\$ 131,000

Some numbers in the above presentation may not add due to rounding.

The Company's core source of revenues, its CIBC Advantex, and Aeroplan based programs (collectively "Offline program"), which the Company markets to merchants in Dining, Retail, and Fashion Retail business segments increased 11.9% to \$3.4 million vs. corresponding period in the previous year.

The Gross Margin was flat reflecting the Company's ability to protect its margin.

G&A expenses for the three month period ended September 30, 2010 were \$0.9 million vs. \$0.8 million for the corresponding period in the previous year. G&A expenses for three month period ended September 30, 2010 reflect cost of severance payments of \$54,000 to staff who were laid off as part of steps to mitigate the impact on Fiscal 2011 profitability from the shutdown of online business – a secondary activity - from January, 2011.

The cash interest expense [disclosed as "Stated interest expense" in the consolidated financial statements] for the three month period ended September 30, 2010 was \$0.4 million vs. \$0.3 million for corresponding period in the previous year. The increase in stated interest cost reflects partially higher utilization of Loan Payable, and partially the increase in interest rate, effective March, 2010, with respect to Loan Payable. The higher Loan Payable has been used exclusively to increase merchant participation in Company's APM program, and the consequent increase in APM revenues during three month period ended September 30, 2010.

For three month period ended September 30, 2010, the Company is reporting a Net Profit of \$150,000 vs. a Net Profit of \$131,000 for the corresponding period in the previous year, an improvement of \$19,000.

During the three month period ended September 30, 2010 the Company capitalized \$61,000 (corresponding period in the previous year \$nil) of internal costs expended on software development connected to ensuring operability of the Company's Offline program.

Within Offline program offerings the Company expects its APM program to be the driver of increasing merchant participation. Transaction credits are a likely indicator of future revenues from the APM program. The Company, therefore, attempts to maximize Transaction credits, and deploys cash, surplus to its operating needs, with participating merchants.

With respect to the Non-convertible debentures maturing December 31, 2010, the Company expects to either renew or replace these debentures on current market terms.

The significant financial covenants of the Convertible debentures maturing in December, 2011 require the Company to meet a defined level of current assets and interest coverage on a quarterly basis. During the period, the Company and the holders of the convertible debentures amended a certain financial covenant, and consequently at September 30, 2010 the Company met its financial covenants. In the past the Company has been successful in negotiating waivers. The Company may not meet its financial covenants subsequent to September 30, 2010 and consequently all of the long-term debt has been classified as a current liability in the interim consolidated financial statements in accordance with Canadian generally accepted accounting principles. The Company expects to either renew or replace these debentures on current market terms prior to their maturity.

The Company continues to make payments to Canada Revenue Agency under a 24 month payment plan pending the outcome to its notice of objection filed in response to CRA notice of re-assessment issued in April, 2009.

“The Company believes that growth in merchant participation results in increase in revenues, and profitability, and that during Fiscal 2011 that growth will come from merchants in the Dining, Retail, and Fashion Retail business segments. The Company is on course to improve over its Fiscal 2010 performance,” said Mr. Ambrose.

#### **About Advantex Marketing International Inc.**

Advantex is a specialist in the marketing services industry, managing white-labeled rewards accelerator programs for major affinity groups through which their members earn bonus frequent flyer miles and/or other rewards on purchases at participating merchants. Under the umbrella of each program, Advantex provides merchants with marketing, customer incentives, and additionally secured future sales through its Advance Purchase Marketing model. Advantex partners include more than 1,000 restaurants, golf courses, small inns and resorts, hotels, retailers, CIBC, and Aeroplan. Advantex is traded on the TSX Venture Exchange under the symbol "ADX". For additional information on Advantex, please visit [www.advantex.com](http://www.advantex.com).

#### **Forward-Looking Information**

This Press Release contains certain “forward-looking information”. All information, other than information comprised of historical fact, that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future constitutes forward-looking information. Such forward-looking information relates to, without limitation, information regarding: the Company’s belief that it is well positioned to secure its future financial performance by capitalizing on the expansion opportunities following the completion, during the current quarter, of three significant initiatives set out in this press release; the Company’s belief that within its Offline program offerings it expects the APM program to be the driver of increasing merchant participation; the Company’s belief that Transaction credits are a likely indicator of future revenues from the APM program; the Company’s belief that growth in merchant participation results in increase in revenues, and profitability, and that during Fiscal 2011 that growth will come from merchants in the Dining, Retail, and Fashion Retail business segments; the Company’s belief that it is on course to improve over its Fiscal 2010 performance; the Company’s ability to protect its margin; the Company’s expectation that the steps implemented to mitigate the impact on its Fiscal 2011 profitability from shutdown of its online business, from January, 2011, are sufficient; the Company’s expectation with respect to either renewing or replacing on current market terms the Non-convertible debentures maturing in December, 2010; the Company’s expectation with respect to either renewing or replacing on current market terms Convertible debentures prior to their maturity in December, 2011; the Company’s ability to obtain waivers or

renegotiate the covenants of the Company's Convertible debentures if a default in respect of the same arises; the Company's belief that its tax filing positions are appropriate and supportable; the size of the market for the Company's products in the Dining, Retail, and Fashion Retail business segments; the Company's anticipated increase in the number of merchants with which it will do business; the Company's expectation with respect to using the access to line of credit facility to support the growth of the APM program; and other information regarding financial and business prospects and financial outlook is forward-looking information.

Forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company. With respect to the forward-looking information contained in this Press Release, the Company has made assumptions regarding, among other things, its ability to access future financing; continued affinity partner participation with the Company; its ability to either renew or replace the Non-convertible debentures on current market terms; its ability to either renew or replace the Convertible debentures on current market terms; continued support from its providers of Loan Payable and Convertible debentures; current and future economic and market conditions and the impact of same on the Company's business; ongoing and future revenue sources; future business levels; interest and currency rates; the impact of the agreements with CIBC and Aeroplan on future business; the appropriateness of the Company's tax filing position; ongoing consumer interest in accumulating frequent flyer miles; the Company's ability to manage risks connected to collection of transaction credits; and sufficiency of the efforts to mitigate the impact on Fiscal 2011 from shutdown of Online business from January, 2011.

Forward-looking information is subject to a number of risks, uncertainties and assumptions that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, among other things, changes in general economic and market conditions; changes to regulations affecting the Company's activities; uncertainties relating to the availability and costs of financing needed in the future including those connected to: a) either renewal or replacement of Non-convertible debentures, b) the continued support of Convertible debenture holders in the event the Company is in breach of its financial covenants, and c) either early renewal or replacement of the Convertible debentures; termination of the CIBC agreement; termination of the Aeroplan agreement; any adverse change to the currently agreed payment plan with the CRA; currency risks, the inability of the Company to collect under its APM program; the Company's financial status, and other factors, including without limitation, those listed under "General Risks and Uncertainties" and "Economic Dependence" in the Company's Management Discussion and Analysis for the three month period ended September 30, 2010, and in note 1b to the interim consolidated financial statements for the three month period ended September 30, 2010.

All forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

For further information please contact:  
Mukesh Sabharwal  
Vice-President and Chief Financial Officer  
Tel: 905-470-9558 ext. 249  
E-mail: [Mukesh.sabharwal@advantex.com](mailto:Mukesh.sabharwal@advantex.com)

**ADVANTECH MARKETING INTERNATIONAL INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**For the three month period ended September 30, 2010**

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the information and representations contained in these consolidated financial statements and other sections of this report.

An auditor has not performed a review of these financial statements.

**ADVANTECH MARKETING INTERNATIONAL INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(unaudited – note 1a)

	Note	<u>September 30, 2010</u>	<u>June 30, 2010</u>
		\$	\$
<b>ASSETS</b>			
Current:			
Cash and cash equivalents		\$971,515	\$505,941
Accounts receivable		801,420	700,927
Transaction credits		10,232,613	9,538,364
Aeronotes		351,251	381,309
Prepaid expenses and sundry assets		<u>271,749</u>	<u>249,510</u>
		<u>12,628,548</u>	<u>11,376,051</u>
Long-term:			
Property, plant and equipment	3	737,352	807,315
<b>TOTAL ASSETS</b>		<b><u>\$13,365,900</u></b>	<b><u>\$12,183,366</u></b>
<b>LIABILITIES</b>			
Current:			
Loan payable	4	3,811,652	3,030,549
Accounts payable and accrued liabilities		3,181,749	3,093,652
Non-convertible debentures payable	5	2,646,218	2,620,705
Convertible debentures payable	6	<u>5,349,066</u>	<u>5,217,578</u>
		<u>14,988,685</u>	<u>13,962,484</u>
<b>SHAREHOLDERS' DEFICIENCY</b>			
Capital Stock			
Class A preference shares		3,815	3,815
Common shares		<u>24,106,281</u>	<u>24,106,281</u>
		24,110,096	24,110,096
Contributed surplus	7	651,879	645,879
Equity portion of debentures	6	2,114,341	2,114,341
Warrants	5/6	374,554	374,554
Deficit		<u>(28,873,655)</u>	<u>(29,023,988)</u>
		<u>(1,622,785)</u>	<u>(1,779,118)</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>		<b><u>\$13,365,900</u></b>	<b><u>\$12,183,366</u></b>
Going Concern (note 1b)			
Taxation (note 10)			

*(see accompanying notes)*

**ADVANTECH MARKETING INTERNATIONAL INC.**  
**CONSOLIDATED STATEMENTS OF PROFIT AND COMPREHENSIVE PROFIT**  
(unaudited – note 1a)

	Three Months Ended <u>September 30, 2010</u>	Three Months Ended <u>September 30, 2009</u>
	\$	\$
<b>REVENUE</b>	3,957,698	3,481,000
Direct expenses	<u>1,252,409</u>	<u>1,117,132</u>
<b>GROSS PROFIT</b>	<u>2,705,289</u>	<u>2,363,868</u>
<b>OPERATING EXPENSES</b>		
Selling and marketing	884,543	826,154
General and administrative	<u>940,209</u>	<u>822,977</u>
	1,824,752	1,649,131
<b>CONTRIBUTION FROM OPERATIONS</b>	880,537	714,737
Stock-based compensation	<u>6,000</u>	<u>22,000</u>
<b>PROFIT BEFORE AMORTIZATION AND INTEREST</b>	874,537	692,737
Amortization of property, plant and equipment	153,152	89,482
Interest expense		
Stated interest expense – loan payable, non-convertible debentures, and other	246,735	157,066
Stated interest expense - convertible debentures	151,233	151,233
Accretion charge on debentures, and amortization of deferred financing charges	<u>173,084</u>	<u>164,057</u>
	724,204	561,838
<b>NET PROFIT AND COMPREHENSIVE PROFIT FOR THE PERIOD</b>	<b><u>\$150,333</u></b>	<b><u>\$130,899</u></b>
<b>BASIC EARNINGS PER SHARE</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>
<b>DILUTED EARNINGS PER SHARE</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>

*(see accompanying notes)*



**ADVANTEX MARKETING INTERNATIONAL INC.**  
**CONSOLIDATED STATEMENTS OF DEFICIT**  
(unaudited – note 1a)

	Three Months Ended <u>September 30, 2010</u>	Three Months Ended <u>September 30, 2009</u>
	\$	\$
<b>BALANCE AT THE START OF PERIOD</b>	<b>(29,023,988)</b>	<b>(29,058,015)</b>
Net profit for the period	<u>150,333</u>	<u>130,899</u>
<b>BALANCE AT THE END OF PERIOD</b>	<b><u>(28,873,655)</u></b>	<b><u>(28,927,116)</u></b>

*(see accompanying notes)*

**ADVANTECH MARKETING INTERNATIONAL INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited – note 1a)

	Three Months Ended <u>September 30, 2010</u>	Three Months Ended <u>September 30, 2009</u>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net profit for the period	\$150,333	\$130,899
<b>Items not affecting cash</b>		
Amortization of property, plant and equipment	153,152	89,482
Accretion charge on debentures	126,536	117,509
Amortization of deferred financing charges	46,548	46,548
Stock-based compensation	<u>6,000</u>	<u>22,000</u>
	482,569	406,438
<b>Changes in non-cash working capital items</b>		
Accounts receivable	(100,493)	68,300
Transaction credits	(694,249)	(300,505)
Prepaid expenses and sundry assets	(22,239)	(58,227)
Aeronotes	30,058	-
Accounts payable and accrued liabilities	<u>88,097</u>	<u>(89,180)</u>
	(698,826)	(379,612)
<b>Cash provided by/(utilized in) operating activities</b>	(216,257)	26,826
<b>FINANCING ACTIVITIES</b>		
Loan payable	<u>765,020</u>	<u>410,538</u>
	765,020	410,538
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(83,189)	(52,491)
<b>MOVEMENT IN CASH AND CASH EQUIVALENTS DURING THE PERIOD</b>	465,574	384,873
Cash and cash equivalents at the start of period	<u>505,941</u>	<u>344,180</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u><b>\$971,515</b></u>	<u><b>\$729,053</b></u>
<b>ADDITIONAL INFORMATION</b>		
Interest paid	\$246,734	\$157,066

*(see accompanying notes)*