Advent-AWI Holdings Inc. (formerly Advent Wireless Inc.)

In this Management Discussion and Analysis (MD&A), the terms “We,” “Us,” “Our,” “The Company” and “Advent” refer to Advent-AWI Holdings Inc. This MD&A of Advent-AWI Holdings Inc. should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements for the quarter ended March 31, 2018, and the notes contained therein. This MD&A is effective as at May 29, 2018. The financial information presented herein has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All financial data is expressed in Canadian dollars unless otherwise stated. Additional information, including the Company’s Annual Information Form (“AIF”), can be obtained from the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Forward-Looking statements

Certain statements in the MD&A, other than statements of historical fact, are forward-looking in nature and involve various risks and uncertainties. These risks and uncertainties can include, without limitations, statements concerning possible or assumed future results of operations of the Company preceded by, followed by, or that include words and phrases such as “will,” “believes,” “plans,” “intends,” “expects,” “anticipates,” “estimates” or similar expressions. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties, and assumptions related to all aspects of the wireless communications industry and the global economy. As a result, the Company’s actual results may differ materially from those anticipated in the forward-looking statements and there can be no assurance that such statements will prove to be accurate.

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Overview

Business nature:

The Company operates in two business segments:
(1) Wireless through Am-Call Wireless Inc. ("AmCall"), a wholly owned subsidiary; and
(2) Micro-financing through Adwell Financial Services Inc. ("Adwell"), a 70% owned subsidiary.

<u>Wireless business</u>

Am-Call is an authorized dealer of Rogers Communications Partnership ("Rogers") and is an independent specialty retailer of personal wireless and wireline communication products and services under the Rogers and Fido brands. Fido is the discount brand and is a wholly owned subsidiary of Rogers. The Company carries the full line of Rogers and Fido products and services, including wireless voice and data, high-speed Internet, digital cable television, home phone, Smart Home Monitoring and Rogers Platinum MasterCard.

As of March 31, 2018, the Company had 11 stores in Ontario (6 Rogers and 5 Fido), 4 less when compared with March 31, 2017.

Number of stores at March 31, 2018 - 11 stores (6 Rogers & 5 Fido, all in Ontario) Number of stores at March 31, 2017 - 15 stores (10 Rogers & 5 Fido, all in Ontario)

As discussed in our year end 2017 MD&A, the Company closed four Rogers stores on December 28, 2017 as part of Rogers' store optimization plan.

At around the same time, the Company retrofitted one of its Rogers stores during January 2018. This store bears the latest generation in Rogers' store design concept and was reopened on January 30, 2018.

On March 1, 2018, the Company was notified by Rogers that Rogers will not be renewing its dealer agreement, which is set to expire on June 30, 2018. As part of this winding down and transition out of the wireless telecommunications business, the Company is looking to sell all of its 11 stores located in Ontario to a licensee or to multiple licensees acceptable to Rogers. It is expected that the Company will cease operations of its retail wireless business effective December 31, 2018, unless other arrangements such as an extension of this date is granted.

At time of this MD&A, the Company is in discussion with a few parties, but no potential buyer has been identified.

Economic Dependence

For the three months ended March 31, 2018, approximately 79% (2017 – 83%) of the Company's revenue was from Rogers Communications Inc., whereas the remaining approximately 21% (2017 – 17%) was generated through the Company's 11 retail stores in Ontario (2017- 15 stores in Ontario) on the wireless side and Adwell on the financing side.

Account Receivable from Rogers – 91% at March 31, 2018 (93% at March 31, 2017).

Micro-financing business

In late 2015, the Company received approval from the TSXV (Toronto Stock Exchange Venture) to start a financial service subsidiary that would operate a consumer lending business in the Greater Vancouver area of British Columbia. This new subsidiary, Adwell Financial Services Inc. ("Adwell") was incorporated on January 8, 2016. Adwell issued 1,000,000 shares at $0.0001 per share. The Company subscribed to 70% of the shares issued, with the remaining 30% owned by two minority shareholders, Q&Y Holdings Inc. (15%) and Adwealth Capital Holdings Inc. (15%).

At time of this MD&A, the Company had invested $2,225,000 in Adwell, of which $350,000 was funding for the ongoing operations of Adwell, while $1,875,000 was funding for Adwell's advances to customers.

Overall performance

In the Company's unaudited condensed interim consolidated financial statements for the quarter ended March 31, 2018, the wireless business has been presented as "discontinued operations" on the condensed interim consolidated statement of financial position and condensed interim consolidated statement of income and comprehensive income respectively.

NOTE: Throughout this MD&A, the wireless business will be referred to as "discontinued operations" while the financing business will be referred to as "continuing operations".

To facilitate clarity and meaningful comparison between Q1 2018 and Q1 2017, three sets of figures will be presented throughout this MD&A – combined (financing and wireless), continuing operations (financing) and discontinued operations (wireless).

	Q1 2018	Q1 2017	+/-	%
Financing revenue (continuing operations)	153,655	86,598	67,057	77%
Wireless revenue (discontinued operations)	2,207,505	2,983,703	-776,198	-26%
Combined revenue (excluding investment income)	2,361,160	3,070,301	-709,141	-23%

First quarter combined revenue decreased by $709,141, or 23% over the same quarter last year. This was made up of an increase in financing revenue of $67,057 (+77%) and a decrease in wireless revenue of $776,198 (-26%).

In Q1 2018, the financing business generated $153,655 in financing revenue (Q1 2017 - $86,598), an increase of 77%. Although still small, the financing revenue now represents 6.5% of the combined revenue of the Company in Q1 2018 (Q1 2017 – 2.8%).

Wireless revenue, on the other hand, decreased by $776,198, or 26%, over the same quarter last year. This decrease was made up of decreases in phone hardware sales (-228%), new activation commission (-28%), customer upgrade commission (-44%), bonus commission (-103%), Rogers Bank commission (-35%) and cable & others commission (-27%), mitigated by an increase in customer upgrade commission (+4%).

Subscriber Base:

March 31, 2018 – 73,111
March 31, 2017 – 89,697
Decrease of 16,586 or 19%

The Company closed four locations in December 2017 and the corresponding residual payment on their subscriber base, which totalled 12,430 at the time of closure, ceased beginning January 2018.

If we take out these 12,430 subscribers, the Q1 2017 to Q1 2018 net decrease would be 4,156 subscribers.

The Company's share of Rogers' subscriber base has been on the decline for many years, with the market heavily saturated. This was further hampered by Rogers' strategy of aiming at higher ARPU (average revenue per user) customers, sometimes at the expense of volume.

For many years, the addition to the Company's subscriber base has always been from Fido, with the growth in the Fido subscriber base mitigating the decrease in the Rogers subscriber base. However, this is not the case in Q1 2018, when both Rogers and Fido subscriber bases decreased by 3,540 (7%) and 616 (2%), respectively, resulting in a combined decrease of 4,156.

The Rogers side of the business has been under challenge for some time and to maintain subscriber base the key now is:

- Share Everything Plan – if the entire family is bundled into one plan which can be shared among all users, the chance of customers leaving will be less. That is why Add-A-Line promotion was so front and centre now.
- Multi products under one household – if a customer has multiple products (e.g. wireless, Internet, TV, Smart home monitoring and credit card) under one roof, the chance of that customer leaving will be less.
- Multi-brand availability– Rogers has now made its third brand, Chatr, available in both the Company's Rogers & Fido locations, to provide as wide a coverage as possible to prospective customers. The addition of this entry level brand means full coverage over the entire spectrum of customers and provides a path for upward migration in the future.

In order to maintain its customer base, the Company needs to keep adding new customers while at the same time trying to prevent them from leaving. The key is to give customers good reasons to sign up and stay with Rogers, instead of going to the competition. That is why the "why Rogers" and the Rogers "value propositions" are so front and centre in all our messages now.

The decrease in the Fido subscriber base is a direct result of Rogers moving the Fido brand up market since last year, in order to differentiate Fido from the remaining discount brands. The Company has been losing volume to competitors, perhaps more so than others as our business is focused in the ethnic communities, which are more price sensitive.

It is important to maintain the customer base because the Company receives residual income on the subscriber base every month. This gives the Company a steady flow of income.

<u>Summary of consolidated quarterly results</u>

	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Financing revenue (continuing operations)	20,259	36,251	54,727	86,598	118,034	122,438	129,456	153,655
Wireless revenue (discontinued operations)	3,660,735	4,088,280	4,860,066	2,983,703	2,757,014	3,078,578	3,666,204	2,207,505
Gross margin(combined)	39%	41%	43%	47%	48%	48%	47%	39%
Net income (combined)	178,460	411,610	392,369	292,291	186,220	407,466	502,174	160,479
Basic and diluted earnings per share (combined)	0.015	0.034	0.033	0.026	0.016	0.034	0.040	0.013

On the wireless side of the business, the general trend in retail sales in Canada is that Q1 is normally the lowest; it then gradually moves up in Q2 and Q3, peaking in Q4. The Company expects this trend to continue in 2018.

However, many factors are still at play that can affect sales and revenue. Amongst them are:

- Rogers’ direction – the focus on transaction ARPU and ARPA (average revenue per account) might have favored some dealers, but has not been favorable for the company, which leans heavily towards the consumer segment of the market and is inherently price sensitive. We have seen Rogers discounting more heavily towards the end of the quarter, when volume targets have to be met.
- Launch of new hardware – Marquee phones like iPhone and Samsung models would definitely help generate more business, especially in customer upgrade activities. However, timing and availability of these products are outside the Company’s control and thus difficult to predict.
- Rogers promotions directly affect the Company’s business. The Canadian telecommunications market is highly competitive, and all carriers are fighting hard to maintain customers and attract switchers from competitors, especially towards the end of each quarter.
- BYOD (bring your own device) has become more and more popular and continues to depress phone sales revenue. As discussed in previous MD&A’s, Rogers encourages customers to utilize their existing devices on sharing plans, which is an excellent tool to reduce churn, but at the same time no hardware revenue is generated. On the other hand, we observed consumers using their smartphones for longer. This is because smartphones are becoming more expensive and because there has been no ground-breaking technology in new devices.
- On the other hand, given that many smartphone models cost more than $1,000, their sales would alleviate the downward pressure on revenue caused by BYOD. However, as explained in previous MD&As, this will not necessarily affect the bottom line. Rogers is trying to entice BYOD customers to change into a new phone by bringing in more affordable models into the hardware lineup.

The Company’s financing business represents a new revenue source that has shown rapid growth since inception in Q1 2016. Its revenue now represents 6.5% of the total revenue of the Company in Q1. The Company has committed additional funding to this new venture.

<u>Results of operations – Wireless business (discontinued operations)</u>

Looking at the number of activations and customer upgrades, in Q1 2018:

ROGERS & FIDO (COMBINED)				
	Q1 2018	**Q1 2017**	**+/-**	**%**
Voice activation	2,276	3,103	-827	-27%
Data activation	2,422	3,623	-1,201	-33%
Hardware upgrade	1,005	1,115	-110	-10%

Voice and data activations decreased by 827 (-27%) and by 1,201 (-33%), respectively, in Q1 2018, when compared with Q1 2017, while customer upgrade activities also recorded a decrease of 110 or -10%.

If we look at Rogers and Fido separately:

ROGERS				
	Q1 2018	Q1 2017	+/-	%
Voice activation	1,098	1,236	-138	-11%
Data activation	1,179	1,494	-315	-21%
Hardware upgrade	674	856	-182	-21%

FIDO				
	Q1 2018	Q1 2017	+/-	%
Voice activation	1,178	1,867	-689	-37%
Data activation	1,243	2,129	-886	-42%
Hardware upgrade	331	259	72	28%

In Q1, except for Fido customer upgrades, business volume decreased across both the Rogers and Fido brands, but for slightly different reasons.

For Rogers, the first and immediate reason was that the Company had four less locations to operate from in Q1 2018 (6 stores) compared with Q1 2017 (10 stores). Rogers' strategy to favor high ARPU customers continued and this did not help the Company gain volume. For the Company, which leans more heavily on the consumer side, both new and upgrade transactions were adversely affected by the price of the higher tier plans for which customers had to sign up in order to get their desired hardware. Many customers seemed to be on a holding pattern, waiting to see if there are newer and perhaps better smartphones from manufacturers like Apple and Samsung before making the move.

Reading into the statements made by Rogers' CEO Joe Natale, there is no indication of the company changing its growth strategy which, in Q1, helped it add a substantial 95,000 post-paid new customers and also dropped its churn rate (customers going to other carriers) to 1.08%. Mr. Natale told telecom analysts after the release of the company's Q1 results, "If you look at what we've been focused on, we've been focusing on doing a better job of managing our base of customers and really kind of looking through our base and looking at retention — proactive retention opportunities."

Another factor that might have affected upgrade volume at both Rogers and Fido is the new HUP pay-at-till policy which requires customers to pay for the price of hardware at the store, at the time of the hardware upgrade. Customers are still adjusting to this new policy and hopefully this will not be a long-lasting issue down the road.

For Fido, the across the board increase in its monthly service fees beginning in Q2 2017 caused Fido to lose its competitiveness in the market place, resulting in the volume hit in new customer acquisition. Rogers did try to boost volume throughout the quarter, using bonus data and buying down the price of hardware using bill credits, but customers seemed more concerned about the monthly service fee. The decrease in hardware price did not help the Company much as the vast majority of its customers are BYOD customers.

Here is a look at the various revenue streams in Q1 2018:

	Q1 2018	Q1 2017	**+/-**	**%**
Phone sales	1,282,155	1,648,729	-366,574	-22%
New activation commission	225,202	314,005	-88,803	-28%
Customer upgrade commission	61,186	58,975	2,211	4%
Residual commission	545,178	662,465	-117,286	-18%
Bonus commission	-4,604	158,498	-163,102	-103%
Rogers Bank	32,065	49,654	-17,589	-35%
Cable & others	66,322	91,377	-25,055	-27%
Total wireless revenue	2,207,505	2,983,703	-776,198	-26%

The decrease in phone sales of $366,574 (-22%) is a result of the decrease in both new activations and customer upgrades at both Rogers and Fido, with Rogers bearing the lion's share of the decrease. As we mentioned above, the cost of smartphones are much higher now at upwards of $1,000, and a drop in hardware sales volume would have a higher impact on the Company's sales revenue. Adding to this is the high percentage of BYOD activations on the Fido side, which bring in no hardware revenue. Although this does not necessarily mean less profitability, it does have a depressing effect on hardware sales and thus overall revenue.

The decrease in the number of new activations caused new activation commission to decrease by $88,803 (-28%). However, it is interesting to note that customer upgrade commission actually increased despite a drop in volume. This was caused by an increase in customer upgrade on the Fido side and also those upgrading customers signing on to higher MSF (monthly service fee) price plans, bearing in mind that part of the customer upgrade commission is based on price plan MSF increase as well.

Residual commission decreased by $117,286, or 18% over Q1 2017, caused by the decrease in residual earning subscriber base when the Company closed four Rogers locations in December 2017. It is worth mentioning that the Company received compensation of $545,129 from Rogers for those closures.

As mentioned in our Q1 2017 MD&A, past Q1 bonus was an annual bonus for achieving certain metrics throughout the previous year and that bonus was eliminated in 2017. As a result, no Q1 bonus was received in 2018. The negative bonus amount recorded in Q1 2018 was a Rogers bonus adjustment for a previous payout.

Rogers & Fido Bank (MasterCard) commission decreased by $17,589 (-35%). The Company has been focusing on non-wireless products such as Mastercard to mitigate the impact of decrease in wireless transaction volume. Unfortunately, in Q1 2018, Rogers Mastercard reduced its sign-up incentive, which resulted in a drop in volume. Having said that, Mastercard continues to be a focus of the Company in 2018.

Cable and others commission also dropped by $25,055 (-27%) partly because Bell had an aggressive Internet promotion in the market which Rogers chose not to match because of a shortage of modem supply during the quarter.

Results of operations – Financing business (Continuing operations)

In Q1 2018, Adwell's revenue growth remained at a fast pace, with revenue increase of 77% over Q1 2017.

Revenue growth was 19% when compared with the preceding quarter – Q4 2017.

	Q1 2018	Q4 2017	**+/-**	**%**
Financing revenue	153,655	129,456	24,199	19%

At this stage, Adwell provides unsecured short-term interest-bearing installment loans in amounts ranging from $1,500 to $5,000, with 9 to 36 month flexible repayment terms and no early repayment penalties, with a weighted average interest rate of 41% per annum. These loans are alternatives to the so-called payday loans, which are usually more costly and stressful to individual consumers. With more flexible repayment term and expertise in customer service, Adwell is aiming to reduce customers' stress and rebuild their financial wellness.

Adwell's main income is interest generated from these installment loans that grow in line with the number of customers. In Q1 2018, Adwell advanced loans to 276 customers, 56 more than Q1 2017 and 59 more than Q4 2017. Adwell realizes it has to expand to different markets in order to sustain growth and therefore has expanded its service to both Ontario and Alberta.

Below is the income and expenses breakdown of the Company's financing business (continuing operations) in Q1 2018 and 2017:

Financing	Q1 2018	Q1 2017	+/-	%
Interest income	142,843	86,598	56,245	65%
Fee income	10,812	0	10,812	n/a
Total income	153,655	86,598	67,057	77%
General & administration (including interest cost & provision for loan loss)	154,796	134,991	19,805	15%
Operating loss before amortization and income taxes	(1,141)	(48,393)	47,252	-98%

In Q1 2018, Adwell recorded a loss from operations (before amortization and income taxes) of $1,141, which is 98% less than the loss of $48,393 recorded in the same period last year.

As discussed in previous MD&As, the Company has increased its funding commitment to Adwell to $3,000,000, which will allow Adwell to grow not only in the personal loan market, but in the following two markets as well:

- Secured loans – this product is similar to Adwell's existing micro loan offering but will be secured by real property. This product particularly targets home owners who have stable working income and are in need of short term financing.
- Syndication loans – these are generally bigger sized mortgage loans also secured by real properties. In undertaking such a project, Adwell will take the role as leader and select qualified participants to invest in the project. The arrangement would allow Adwell to venture into the mortgage loan market, while at the same time spreading out risk.

In response to increasing customer requests, Adwell began offering money remittance service to the Philippines in Q1 2017, providing a convenient, one-stop service solution to customers whose financing need is overseas. Adwell has associated with IREMIT Inc., the largest non-bank remittance company in the Philippines, as facilitator for these transactions. IREMIT Inc. has an international network of offices, including in Canada, which they have been operating since 2001.This service also generates additional fee income for Adwell.

Adwell also began making provision for loan loss on its books starting in Q1 2017. Adwell's policy is to maintain a provision for loan loss equal to 5% of its unsecured personal loan portfolio, which is in line with industry practice. The provision for loan loss recorded in Q1 2018 was $8,707. Adwell will review and make adjustments to this provision on a quarterly basis.

Gross profit margin
Q1 2018 – 39%
Q1 2017 – 47%

Gross profit margin for the quarter is 39%, compared with 47% last year. The decrease in gross profit margin is mainly a result of decrease in non-margin based income such as Internet and Rogers Bank in Q1 2018, when compared with the same quarter last year.

In addition, there are several factors that could affect profit margin:

- New activation commission and upgrade commission can be changed at short notice, depending on Rogers' priorities and focus. These commissions are based on MSF multiples, rather than a fixed amount, reflecting Rogers focus on higher ARPU.
- Dealer bonus commission targets and achievement metrics vary quarter to quarter, and also may be favorable or unfavourable to the Company.
- Residual commission is a steady source of income, but it is becoming more and more challenging to maintain customers amid heavy competition and the government opening up more competition in the future. The closure of the Company's four locations also resulted in lower residual income beginning in 2018.
- Cable commission and Rogers MasterCard commission are now important revenue sources, to make up for the loss in wireless commission due to loss of volume.

In short, the Company has to adapt and adjust quickly to the ever changing environment in which it operates, in order to maximize opportunities to generate revenue.

Q1 2018 General and Administration expenses, continuing operations - $154,796
Q1 2017 General and Administration expenses, continuing operations - $181,651
Decrease of $26,855 or 15%

Q1 2018 General and Administration expenses, discontinued operations - $719,838
Q1 2017 General and Administration expenses, discontinued operations - $887,735
Decrease of $167,897 or 19%

The decrease in G&A expenses of the continuing operations was a result of an increase in Adwell's interest cost and office expenses, offset by a bigger decrease in provision for loan loss (Adwell made an initial one-time provision in Q1 2017 on its loan portfolio, this has since been done quarterly).

The decrease in G&A expenses of the discontinued operations was caused by a decrease in rent, office expenses and payroll expenses such as commission and bonus.

Q1 2018 Advertisement and Promotion expenses, continuing operations - $0
Q1 2017 Advertisement and Promotion expenses, continuing operations - $0

Q1 2018 Advertisement and Promotion expenses, discontinued operations - $23,211
Q1 2017 Advertisement and Promotion expenses, discontinued operations - $8,533
Increase of $14,678 or 172%

Rogers is moving towards a one-branded retail strategy and as a result is giving less and less leeway to dealer to do their own advertising and promotion, instead centralizing it from their marketing department. Another tactic Rogers is utilizing more and more often is to use promotion bill credits, which dealers can obtain at a discount, to reduce the price of the phone. This tactic can be very effective in the short term “hit & run” type promotions, as competitors would have difficulty matching this.

The Company plays heavily in the ethnic market and considers it important to maintain our own identity and presence in the communities we serve. The Company will continue to advertise and promote in ethnic media channels when appropriate. The advertising and promotion we do have now been more tactical in nature, and hopefully will yield faster results.

The increase in advertising and promotional expenses in the quarter was due to increased promotional credits being employed during the quarter.

Besides receiving co-op subsidy from Rogers on advertising and promotion activities, the Company also receives marketing funds from Rogers throughout the year, thus further reducing its overall sales & marketing costs. However, the availability of these funds depends very much on Rogers’ budget and timing of promotions and therefore may not be repeated in the future.

Adwell did not incur any advertising and promotion expenses in Q1 2018. The Company does not anticipate Adwell to be heavy in this category as customers are mostly attracted to Adwell via referrals and “word of mouth”.

Q1 2018 Amortization of Property and Equipment - $31,141
Q1 2017 Amortization of Property and Equipment - $30,347
Increase of $794 or 2.6%
Minimum change from Q1 2017.

Q1 2018 Amortization of Investment Properties - $11,497
Q1 2017 Amortization of Investment Properties - $11,497
There has been no change in investment properties since the reclassification of four properties as investment properties in 2014.

Q1 2018 Rental Income - $44,556
Q1 2017 Rental Income - $44,032
Increase of $524 or 1.2%
Minimum change from Q1 2017.

Q1 2018 income before income taxes, continuing operations - $42,989
Q1 2017 income (loss) before income taxes, continuing operations - ($52,475)
Decrease of 182%

Q1 2018 income before income taxes, discontinued operations - $174,390
Q1 2017 income before income taxes, discontinued operations - $456,766
Decrease of $282,376 or 62%

Q1 2018 net income after income taxes, continuing operations -$32,523
Q1 2017 net income (loss) after income taxes, continuing operations - ($43,340)
Increase of $7,760 or 4%

Q1 2018 net income after income taxes, discontinued operations - $127,956
Q1 2017 net income after income taxes, discontinued operations - $335,631
Decrease of 62%

Q1 2018 income attributable to non-controlling interests - $2,293
Q1 2017 loss attributable to non-controlling interests - ($17,635)

Q1 2018 EPS, continuing operations - $0.003
Q1 2017 LPS, continuing operations - ($0.002)
Q1 2018 EPS, discontinued operations - $0.011
Q1 2017 EPS, discontinued operations - $0.028

Liquidity

Cash and cash equivalents & short term investments as at March 31, 2018 - $12,595,369 Cash and cash equivalents & short term investments as at March 31, 2017 - $12,974,408 Decrease of $379,039 or 3% Working capital as at March 31, 2018 - $14,233,063 Working capital as at March 31, 2017 - $13,619,070 Increase of $613,993 or 4.5%

During the past year, the Company used its internally available funds to pay for both dividend payments and the investment and ongoing funding of Adwell. These payments did not have any major impact on the operating cash flow of the Company.

The liquidity of the company has always been generated from the Company's operations. Bank credit facilities were not used and had no outstanding balance as at March 31, 2018.

Summary of contractual obligations

Wireless business

Number of leases at March 31, 2018 – 9 (March 31, 2017 – 12)

The Company terminated three leases in Q4 2017, when three stores were closed on December 28, 2017 (there were four store closures but the 4th store is self-owned and therefore no lease was involved). The Company also extended one lease in Ontario during the year for another five years.

Future minimum operating lease commitments are as follows:

2018 (remaining)	$219,796
2019	$149,979
2020	$84,988
2021	$20,332
2022	$10,166
Total	$485,261

Financing business

Adwell signed a lease in late 2017 for its new office in Toronto. This lease commenced on January 1, 2018, for a term of three years. Adwell now has two leases, one for its Vancouver service centre and the other one for its Toronto sales office. Their future minimum operating lease commitment is as follows:

2018 (remaining)	$21,749
2019	$28,109
2020	$6,384
Total	$56,242

In sum, the total future minimum operating lease commitment of the Company as at March 31, 2018 is as follows:

2018 (remaining)	$241,545
2019	$178,088
2020	$91,372
2021	$20,332
2022	$10,166
Total	$541,503

Capital resources

The Company has an operating line of credit for $250,000, secured by mortgages and bearing interest at the prevailing prime rate plus 0.75%. There was no amount owning under this line of credit as at March 31, 2018.

Off balance sheet arrangements

The Company is landlord to four properties, one in Ontario and three in B.C.

The Ontario property (Horizon Centre) has been leased since 2009. This commercial condominium unit was originally intended for another wireless store, but it was decided that the location was not suitable for selling wireless products at that time. This lease was extended for another three years when it expired on December 31, 2014, under the same terms and conditions. The Company has no intention to open a store at that location in the immediate future, and is keeping it as an investment property.

Two of the three B.C. properties are previously self-occupied stores of the Company's B.C. wireless operations. When the B.C. wireless business was sold in 2014, the two properties were leased to the purchaser, beginning from May 1, 2014.

One store in Burnaby, B.C. (Crystal Mall) is still occupied by the purchaser (tenant) at time of this MD&A, with the current lease expiring on April 30, 2019.

The other store in Richmond B.C. (Continental Centre) was leased to another tenant for six years starting from August 1, 2015, to November 30, 2021, when the purchaser moved out in Q3 2015.

Beginning December 1, 2014, the Company leased out one of its two units at Aberdeen Square, Vancouver, B.C. The original intention for the purchase of Aberdeen Square was for the Company's B.C. wireless business, but since that business was sold they were turned into investment properties. The current lease term is for four years and will expire on November 30, 2018. On January 1, 2017, the Company also leased out the second unit at Aberdeen Square for five years, expiring December 31, 2021.

These properties have been classified on the balance sheet as investment properties. Total rental income was $44,556 in Q1 2018 (Q1 2017 - $44,032). The market value of these properties combined is estimated to be $3,044,000 as at March 31, 2018 (March 31, 2017 - $2,754,000). The rental income on these investment properties has been presented as rental income on the consolidated statement of income and comprehensive income.

The Company intends to continue leasing these properties out at a reasonable return, but will evaluate other options, such as taking them back for company business purposes or selling them at a price that would generate a reasonable return in the eyes of management.

<u>Transaction with related parties</u>

Salaries and fees paid to the Company's directors and executive offices in Q1 2018 was $225,015 (Q1 2017 - $270,945).

<u>Proposed transactions</u>

Other than the ongoing investment in Adwell, there are no other contemplated transactions to report.

<u>Outstanding share data</u>

There were 11,935,513 common shares issued and outstanding as at March 31, 2018 (March 31, 2017 – 11,935,513 shares). The number of common shares remains unchanged as at the date of this MD&A.

The Company did not issue any stock options during Q1 2018 and there were no stock options outstanding as at March 31, 2018.

Accounting and reporting changes

Effective January 1, 2018, the Company adopted IFRS 9, Financial Instruments. The first quarter 2018 condensed interim consolidated financial statements is the first financial statements issued in accordance with IFRS 9. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (OCI) and fair value through the statement of operations and comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in the Company's own credit risk in OCI for liabilities designated at fair value. The adoption of IFRS 9 did not have any impact on the reported results.

Effective January 1, 2018, the Company adopted IFRS 15, Revenue from Contracts with Customers. The first quarter 2018 condensed interim consolidated financial statements is the first financial statements issued in accordance with IFRS 15. IFRS 15 supersedes the current accounting standard for revenues, IAS 18, Revenue. IFRS 15 introduces a single model for recognizing revenue from contracts with customers. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1) Identify the contract with a customer;
2) Identify the performance obligations in the contract;
3) Determine the transaction price;
4) Allocate the transaction price to the performance obligations in the contract; and
5) Recognize revenue when (or as) the entity satisfies a performance obligation.

The application of this new standard did not have any impact on the reported results, as the performance obligations of the Company’s revenue streams are satisfied at either the point of sale, or when the transaction price is received, consistent with Note 3 revenue recognition accounting policies. The application of IFRS 15 does not affect the cash flows from operations or the methods and underlying economics through which the company transacts with its customers.

IFRS 16, Leases, was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17, Leases, and instead introduces a single lessee accounting model. Lessees will be required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the condensed interim income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Company is currently evaluating the impact of these future amendments and has not yet determined the impact to the consolidated financial statements.

Critical accounting estimates

The preparation of consolidated financial statements requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated interim financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Management's estimates and underlying assumptions are based on historical experience and are reviewed on an ongoing basis.

The estimates and assumptions that could result in a material effect in the next financial year on carrying amounts of assets and liabilities are outlined below:

Impairment of non-financial assets

The determination of long-lived asset impairment requires significant estimates and assumptions to determine the recoverable amount of a cash generating unit ("CGU"), the recoverable amount being the higher of fair value less costs to sell and value in use. The value in use method involves estimating the net present value of future cash flows derived from the use of the CGU, discounted at an appropriate rate.

In the event an impairment analysis is required, the key assumptions that would be utilized in the determination of future cash flows would represent management's best estimate of the range of economic conditions relating to the

CGU, and would be based on historical experience, economic trends, and communication with other key stakeholders of the Company. These key assumptions would include the revenue growth rate, margin as a percentage of revenues, capital expenditures, the inflation growth rate and the discount rate. Significant changes in the key assumptions used in the determination of future cash flows could result in an impairment loss or reversal of a previously recognized impairment loss.

Estimated useful lives of non-financial assets

Judgment is used to estimate each component of an asset's useful life and is based on an analysis of factors including, but not limited to, the expected use of the asset. If the estimated useful lives change, this could result in an increase or decrease in the annual amortization expense and future impairment charges.

Income taxes

Deferred income tax assets and liabilities are due to temporary differences between the carrying amount for accounting purposes and the tax basis of certain assets and liabilities, as well as undeducted tax losses. Estimation is required for the timing of the reversal of these temporary differences and the tax rate applied. The carrying amounts of assets and liabilities are based on amounts recorded in the condensed interim consolidated financial statements and are subject to the accounting estimates inherent in those balances. The tax basis of assets and liabilities and the amount of undeducted tax losses are based on the applicable income tax legislation, regulations and interpretations.

The timing of the reversal of the temporary differences and the timing of deduction of tax losses are based on estimations of the Company's future financial results.

Changes in the expected operating results, enacted tax rates, legislation or regulations, and the Company's interpretations of income tax legislation, will result in adjustments to the expectations of future timing difference reversals, and may require material deferred tax adjustments.

Significant judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is set out below.

Gross versus net revenue recognition

The Company follows the guidance set out in IAS 18, Revenue, in determining the presentation of revenue and costs of sales. The guidance requires the

Company to assess whether it acts as a principal in a transaction or as an agent acting on behalf of others. To the extent that revenue is earned through the sale of hardware and accessories to customers, the Company has determined that these amounts should be reported on a gross basis in the condensed interim consolidated statement of income and comprehensive income as the Company is exposed to the risks and rewards before and after the associated transaction.

The preparation of condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

Disclosure controls and procedures and internal controls over financial reporting

On November 23, 2007, the British Columbia Securities Commission and the securities commissions in the other jurisdictions in which the Company is registered, exempted Venture Issuers from certifying disclosure controls and procedures as well as Internal Controls over Financial Reporting as of December 31, 2007, and thereafter. Since the Company is a Venture Issuer it is now required to file basic certificates, which it has done for the year ended December 31, 2017. The Company makes no assessment relating to the establishment and maintenance of disclosure controls and procedures as defined under Multilateral Instrument 52-109 as at March 31, 2018.

Financial Instruments

The Company did not use derivative financial instruments such as swaps, futures or hedging contracts in Q1 2018. The Company has no plans to use any of these in the foreseeable future.

Risk factors

A credit risk arose since 2014 from the $800,000 note receivable given by the purchaser of the discontinued operations in B.C. The Company was able to minimize exposure by obtaining a mortgage on two commercial strata units as collateral. The market value of the collateral is estimated to be $432,000 as of March 31, 2018 (March 31, 2017 - $358,000).

The credit risk of the receivable note is reducing over time as it is being paid down by 60 monthly instalments. At the time of this MD&A, the Company had received payments on time and a balance of $156,249 remains outstanding as of March 31, 2018. The purchaser is an experienced operator in the B.C. market, which further mitigates credit risk.

The wireless communications industry is affected by economic conditions and consumer confidence and spending. Phenomena such as recessions, a drop in economic activity and a feeling of economic uncertainty in the populace can erode consumer and business confidence and reduce discretionary spending. Even though wireless cell phones are becoming more and more of a necessity, they are still considered discretionary among a large part of the population. Our operating results also are subject to seasonal fluctuations that materially impact quarter-to-quarter operating results, and thus one quarter’s operating results are not necessarily indicative of a subsequent quarter’s operating results.

The Company’s economic dependence on Rogers is the main risk factor. Advent is in an industry in which the carrier pays the dealer commission to bring in new customers and service existing ones. It is also part of an industry in which hardware (mainly wireless handsets) is heavily subsidized by the carrier – phones are sold to consumers at a hefty discount and the dealer recovers the cost of hardware through a back-end hardware subsidy from the carrier. A good example is the Apple iPhone and other Android smart phones, where the phone could sell for as little $499 on a two-year contract or $1,000+ dollars without a contract.

The Company is in the process of selling and exiting its wireless business by December 31, 2018. Given this relatively short time frame there is a risk that no suitable buyer acceptable to Rogers can be found. The Company is in discussion with a few parties but no potential buyer has been identified.

For the three months ended March 31, 2018, approximately 79% (2017 – 83%) of the Company’s revenue was from Rogers Communications Inc., whereas the remaining approximately 21% (2017 – 17%) was generated through the Company’s 11 retail stores in Ontario (2017- 15 stores in Ontario) on the wireless side and Adwell on the financing side.

Account Receivable from Rogers – 91% at March 31, 2018 (93% at March 31, 2017).

Management has decided that no provision for bad debt is required on the Rogers receivables as past collection experience and the credit quality of Rogers are good.

Unless there is a change in the Canadian model of subsidizing hardware, this economic dependence on Rogers is going to be the same in the near future. Additionally, since the Company is so heavily dependent on Rogers’ products, several of the risk factors affecting Rogers affect Advent as well.

Canadian wireless companies could face increased competitive pressure because of recent legal changes to foreign ownership of telcos and control of the wireless licences. In other words, giants such as Verizon in the U.S. and others could enter the Canadian market either by acquiring wireless licences or smaller companies that hold such licences. Foreign carriers could also acquire smaller

Canadian companies with less than 10% of the spectrum and thereby gain this spectrum and launch fierce competition against companies such as Rogers.

A risk factor that became more tangible was when the previous Federal Government decided to further open up the Canadian telecom services industry to foreign investors by easing up on foreign ownership rules. Whether and by how much all this changes under the new Liberal government of Prime Minister Justin Trudeau remains to be seen at the time of this MD&A. Meanwhile, Rogers says in its MD&A for the 2017 year-end that foreign ownership is still a threat to existing carriers.

Spectrum fees (to cover the government's costs of processing applications and regulating use of the spectrum) may increase with the renewal of cellular and PCS spectrum licences. Rogers says in its 2011 MD&A: “While the Minister of Industry announced in March 2011 that the previously existing annual fee of $0.0351 per MHz per population of the licensed area would continue to apply to all cellular and PCS licences (850 MHz and 1.9 GHz) upon renewal, including those initially assigned by auction, the Minister may review and amend the fees during the licence term after further consultation with licensees. Changes to spectrum fees could significantly increase Rogers’ payments and as a result, could materially reduce our operating profit. The timing of fee increases (if any) is unknown.”

[NOTE**:** Please also review Rogers’ year-end 2017 and it’s Q1 2018 MD&As section on regulations affecting the telecom industry and on general risk for more details on the above and to understand additional potential risks and uncertainties.]

The media has been headlining reports based on studies that claim alleged links between radio frequency emissions from wireless handsets across definitive reports or studies linking such health issues to radio frequency emissions; continued media reporting may discourage the use of wireless handsets. Alternatively, authorities could impose more restrictive standards on radio frequency emissions from low powered devices, such as wireless handsets.

Additionally, in July 2013, a class action was launched in British Columbia against providers of wireless communications in Canada and manufacturers of wireless devices, alleging adverse health effects incurred by long-term users of cellular devices. The plaintiffs are seeking unspecified damages and punitive damages, effectively equal to the reimbursement of the portion of revenues the defendants have received that can reasonably be attributed to the sale of cellular phones in Canada. While mentioning this suit in its Q1 2018 synchronous MD&A, Rogers is not recording a liability for this contingency.

A continuing risk factor is the increasing competitiveness of Rogers’ two main rivals, Bell Canada and TELUS with their own networks. They continue to mount an aggressive marketing campaign. Concurrently, new and smaller entrants continue to increase their share of the market in both the voice and data markets. Rogers says in its MD&A: “There is no assurance that our current or future competitors will not provide services that are superior to ours or at lower prices, adapt more quickly to evolving industry trends or changing market requirements, enter markets we operate in, or introduce competing services. Any of these factors could reduce our business market share or revenue, or increase churn.”

Risk factors also include technological changes causing product obsolescence, intense competition in the wireless telecommunications industry and changes in the regulatory environment. Management reviews all these risk factors regularly and discusses strategies to deal with these if they happen to arise. The Company depends heavily on its service provider, Rogers, to provide innovative and competitive products and services to the marketplace. Technology is inevitably subject to obsolescence and Rogers must keep up with future changes in technology to stay competitive.

Indications are that Rogers is not only aware of this but is taking active steps to manage this issue. For instance, Rogers Wireless launched the first Canadian commercial deployment of Long Term Evolution (“LTE”) network services in Ottawa, Toronto, Montreal and Vancouver and now reaches more than 70% of the Canadian population. LTE is a next generation technology that enables unparalleled connectivity, offering speeds that are between three and four times faster than HSPA+ with peak theoretical download rates of up to 150 Megabits per second (Mbps) and upload speeds of up to 70 Mbps, in the race to connect homes and businesses in Canada to the fastest broadband speeds available. Additionally, Rogers CEO Joe Natale announced during the release of their Q4 2017 results that the company had already started spending on 5G cell phone technology that is expected to be deployed beginning in 2020.

For the first time in its MD&A in Q3 2016, Rogers also listed as a risk the possibility of cyber attacks against its network and the network of its suppliers, as something that could lead to service disruptions, legal suits and other actions. More on this can be found in Rogers’ year-end 2017 MD&A under the Risks section. Undoubtedly, such an event would also affect the results of the Company.

Micro-financing business

Credit risk is the risk of loss that arises when a customer fails to pay an amount owing to Adwell. Credit quality of the customer is assessed based on a number of proprietary credit models and individual credit limits are defined in accordance with this assessment and other factors including the ability of the customer to comfortably afford the periodic loan payments. The linear approval flows will ensure a high quality loan application process. After evaluating the client’s information, Adwell will decide the loan terms for each applicant such as the maximum of loan principal.

Adwell will continue to develop underwriting models based on the historical performance of groups of customer loans, which guide its lending decisions. As Adwell continues to grow, management has decided to begin recording a provision for loan loss equal to 5% of its personal loan portfolio on its books beginning in Q1 2017, which is in line with general industry practice. Adwell has been reviewing and adjusting this provision quarterly since.

Adwell takes reasonable measures to ensure compliance with governing statutes, regulations and regulatory policies. A failure to comply with such statutes, regulations or regulatory policies could result in sanctions, fines or other settlements that could adversely affect both its earnings and reputation. Changes to laws, statutes, regulations or regulatory policies could also change the economics of Adwell's merchandise leasing and consumer lending businesses. Numerous consumer protection laws and related regulations impose substantial requirements upon lenders involved in consumer finance, including leasing and lending. Also, federal and provincial laws impose restrictions on consumer transactions and require contract disclosures relating to the cost of borrowing and other matters. These requirements impose specific statutory liabilities upon creditors who fail to comply with their provisions. The Criminal Code of Canada, however, imposes a restriction on the cost of borrowing in any lending transaction to 60% per year. The application of capital requirements or a reduction in the maximum cost of borrowing could have a material adverse effect on Adwell's financial condition, liquidity and results of operations.

Adwell is subject to various privacy, information security and data protection laws and takes reasonable measures to ensure compliance with all requirements. Legislators and regulators are increasingly adopting new privacy information security and data protection laws, which may increase Adwell's cost of compliance. While Adwell has taken reasonable steps to protect its data and that of its customers, a breach in Adwell's information security may adversely affect Adwell's reputation and also result in fines or penalties from governmental bodies.