Advent-AWI Holdings Inc. (formerly Advent Wireless Inc.) "the Company"

Management's discussion and analysis for the year ended December 31, 2024

Effective date of MD&A – April 17, 2025

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 limitation, 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 a guarantee 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.

You should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement (and such risks, uncertainties and other factors) speaks only as of the date on which it was originally made, and the Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained in this document to reflect any change in expectations with regard to those statements or any other change in events, conditions or circumstances on which any such statement is based, except as required by law. New factors can emerge from time to time, and it is not possible for the Company to predict which factors will arise or when. In addition, the Company cannot assess the impact of each factor on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Overview

Business Description:

In 2024, the Company operated in two business segments.

(1) Wireless business through Am-Call Wireless Inc. (Am-Call), a wholly owned subsidiary (Wireless business).

(2) Financing business through Adwell Financial Services Inc. (Adwell), a 70% owned subsidiary (Financing business).

(1) Wireless business

Products: wireless voice and data, high speed internet, digital cable television, home phone, Smart Home Monitoring and Rogers Bank MasterCard.

Number of stores as at December 31, 2024 – 4 stores (2 Rogers & 2 Fido, all in Ontario)
Number of stores as at December 31, 2023 – 4 stores (2 Rogers & 2 Fido, all in Ontario)

The Company did not open or close any store during 2024.

Economic dependence

For the year ended December 31, 2024, approximately 97% (2023 – 90%) of the Company's gross wireless revenue was from Rogers Communications Inc., whereas the remaining approximately 3% (2023 – 10%) was generated through the Company's 4 retail stores (2023 – 4) in Ontario.

Account receivables from Rogers – 78% as at December 31, 2024 (88% as at December 31, 2023)

(2) 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 a total of 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%). The two minority shareholders, both with financial and lending experience, assisted in the start-up and continuing operations of the venture and remain so at time of this MD&A.

The Company has committed to invest up to $4,375,000 in Adwell, of which $375,000 is for ongoing operations and the remaining $4,000,000, in the form of a line of credit, is for advances to customers.

At the time of this MD&A, the Company had invested $3,635,000 in Adwell, of which $350,000 was funding for the ongoing operations of Adwell, while $3,285,000 was funding for advances to Adwell's customers.

Declaration of dividend

On July 10, 2024, the Company announced that a special dividend of $0.10 per common share would be paid to all shareholders of record as at the close of business on July 24, 2024. The dividend was paid out on August 7, 2024.

Current economic uncertainties related to political and trade changes

The recent geopolitical uncertainties and tariffs or non-tariff trade actions present a risk of recession and may cause customers to reduce or delay discretionary spending, impacting new service purchases or volumes of use, and consider substitution by lower-priced alternatives.

Covid-19 pandemic

In 2024, COVID-19 continues to be a part of life in Canada, though its impact has significantly evolved since the initial outbreak in 2020. The country has transitioned from emergency pandemic response to managing the virus as an endemic public health issue.

Vaccination remains a cornerstone of Canada's COVID-19 strategy. By 2024, the majority of the population has received at least two doses of the vaccine, with booster shots widely available and recommended for vulnerable populations, including the elderly and immunocompromised. Updated vaccines targeting newer variants (such as Omicron subvariants) are regularly rolled out, ensuring continued protection against severe illness.

COVID-19 is now treated similarly to the flu, with seasonal waves expected during colder months. Public health measures, such as mask mandates and lockdowns, are no longer in place, but individuals are encouraged to stay home when symptomatic.

The pandemic has left lasting effects on Canada's economy, particularly in sectors like tourism, hospitality, and retail. However, by 2024, most industries have recovered, with hybrid work models becoming the norm in many workplaces.

Canadians have become more accustomed to living with COVID-19, with widespread awareness of preventive measures like hand hygiene, ventilation, and staying home when sick. While mask-wearing is no longer mandatory, it is still common in crowded indoor spaces, especially during flu and COVID-19 seasons.

New variants of the virus occasionally emerge, but their impact is generally milder due to widespread immunity from vaccination and prior infections. Public health agencies monitor these variants closely and adjust recommendations as needed.

In summary, by 2024, Canada has learned to coexist with COVID-19, balancing vigilance with a return to normalcy. The focus has shifted from emergency response to long-term management, ensuring the health and well-being of Canadians while minimizing disruptions to daily life.

Overall performance

	2024	2023	+/-	%
Wireless revenue	$4,362,209	$4,726,100	-$363,891	-8%
Financing revenue	$1,132,709	$960,529	$172,180	18%
Total revenue (excluding other & investment income)	$5,494,918	$5,686,629	-$191,711	-3%

The Company's 2024 combined revenue decreased by $191,711 or 3% compared to 2023. This decrease was comprised of a decrease in wireless revenue of $363,891 (8%), mitigated by an increase in financing revenue of $172,180 (18%).

Revenue contribution in 2024 is wireless business 79% (2023 - 83%) and financing business 21% (2023 - 17%). There has been a gradual increase in revenue contribution from the financing business over the past 5 years. This is expected to continue especially after the Company increase its line of credit funding support to Adwell in 2024.

In 2024, the Canadian consumer wireless market is a highly competitive and rapidly evolving sector, shaped by technological advancements, regulatory changes, and shifting consumer preferences. The market continues to be dominated by the "Big Three" telecom giants—Rogers, Bell, and Telus—which collectively control a significant share of the industry. However, the competitive landscape has become more dynamic with the rise of smaller regional providers, flanker brands, and Mobile Virtual Network Operators (MVNOs). These newer entrants have disrupted the market by offering more affordable plans and flexible options, forcing the incumbents to lower prices and improve service quality. Quebecor's Videotron, for instance, has expanded its national presence following its acquisition of Freedom Mobile, intensifying competition and providing consumers with more choices.

The widespread rollout of 5G technology has been a game-changer for the consumer wireless market in 2024. With faster speeds, lower latency, and greater network capacity, 5G has enabled a host of new applications, from enhanced mobile gaming and streaming to the proliferation of smart home devices and IoT (Internet of Things) solutions. Telecom companies have invested heavily in 5G infrastructure, particularly in urban areas, but challenges remain in extending coverage to rural and remote regions. The federal government's initiatives to bridge the digital divide, such as the Universal Broadband Fund, have supported efforts to expand high-speed wireless access, ensuring that more Canadians can benefit from these advancements. Despite these improvements, affordability remains a key concern, as Canada continues to have some of the highest wireless prices among developed nations.

Consumer behavior in the wireless market has also evolved, with a growing emphasis on value, transparency, and sustainability. Customers are increasingly seeking plans that offer flexibility, such as no-contract options and customizable data packages. There is also a heightened awareness of data privacy and security, prompting telecom providers to enhance their cybersecurity measures and adopt stricter data protection policies. Overall, the Canadian consumer wireless market in 2024 is characterized by intense competition, rapid technological innovation, and a focus on meeting the diverse needs of an increasingly discerning customer base.

While inflation rates have moderated compared to the peaks seen in 2022 and 2023, they remain a concern, particularly for essential goods such as groceries and housing in 2024. This has resulted in a more cautious approach to discretionary spending, with consumers prioritizing value and affordability. Retailers and brands have responded by offering more promotions, loyalty programs, and budget-friendly options to attract price-sensitive shoppers.

As the economy continued to respond to the negative effects of elevated commodity prices caused by supply chain interruptions, the Canadian economy faced increased challenges in 2024. The decline in the housing market also led to a decrease in the net worth of Canadians resulting in negative implications for consumer spending and confidence. For the company, The Q3 “Back-to-school” selling period did not bring in the traditional spike in transaction volume as Canada continued accepting fewer overseas students in the year, especially from Asian countries like India and China. The Q4 holiday selling period brought back some traffic with the launch of new marquee phones from Apple and Samsung but still could not out-perform the prior year. Management foresees increasing turbulence in the market as Canada heads into an early 2025 Federal election cycle and the newly elected U.S. President follows an increasingly nationalist and tariff driven trajectory.

Amid this challenging economic and competitive environment, the Company was able to maintain its niche in the Asian and South Asian communities in the GTA by providing a highly personalized customer care experience to its customers. At the end of the day, total wireless revenue decreased by 8% in 2024 when compared to 2023.

The Company’s financing business benefitted from the gradual reopening of the Canadian economy, as consumer confidence increased and economic activities returned to normal. The Company increased its line of credit to Adwell during the year, enabling it to increase its lending activities across the board in personal instalment loans, payday loans and mortgage loans, resulting in an increase of 18% in financing revenue in 2024.

Selected annual consolidated financial information

	Dec-24	Dec-23	Dec-22
Total Revenue	$5,494,918	$5,686,629	$5,475,415
Income before income taxes	$473,269	$230,298	$421,499
Recovery of / (Provision for) income taxes	-$135,527	-$74,152	-$113,139
Income from continuing operations	$337,742	$156,146	$308,360
Loss from discontinued operations	$0	$0	-$1,203,735
Assets	$16,609,856	$17,270,649	$17,137,773
Liabilities	$3,182,049	$2,987,033	$2,413,527
Basic & diluted earnings (loss) per share	$0.021	$0.011	($0.078)

The Covid-19 pandemic which began in early 2020 has had a significant impact on the Canadian retail sector, as lockdowns, restrictions and consumer behavior changes continue to affect sales, revenues and operations. However, the Company has shown resilience and an ability to adapt to the changes in the Canadian economy, and has rebounded strongly since the initial lockdowns in 2020.

In the past three years the Company's overall revenue rebounded from the low of 2020 to a level close to that of pre-Covid 2019. However, the Company recorded losses in 2022, a direct result of the increase in both operating and wind-down expenses in its now discontinued Digital Health business in Hong Kong. With the Digital Health business dissolved in late 2022, the Company returned back to a profit position in both 2023 and 2024.

The Company financial position remains strong, with steady, liquid assets and low liabilities. It's liabilities to assets ratio remains low at 19% (2024), 17% (2023) and 14% (2022) respectively.

Results of operations – Wireless business

Am-Call operated two Rogers branded stores and two FIDO branded stores in the GTA of Ontario in 2024, which is the same number of stores as of a year earlier.

During the year, the Company recorded a 27% increase in new voice activations and 24% increase in new data activations in its Rogers business. Customer upgrades, however, went the opposite direction and decreased by 21%.

On the Fido side, Fido's yearly new voice activations and new data activations decreased by 27% and 28% respectively. Customer upgrade also decreased by 68%.

New activations are generally generated from children coming of age, switchers from other service providers, as well as newcomers (immigrants and students) to the country. The Company has a competitive-advantage in gaining new customers with its focus on the Asian ethnic market in which new immigrants and students arrive throughout the year. The Company has concentrated on building personal networks and connections in new-immigrant support groups and student associations in order to capture this share of the new business. That market strategy has resulted in the Company's leadership position in these markets.

On the Company's customer-upgrade business, customers seem to be holding on to their current devices longer than before, not only because of higher prices, but also because there has not been a significant technological breakthrough in smartphones in recent years.

Furthermore, wireless network carriers do not have exclusivity to new phone models and all major carriers now have the same products in their lineup. Launch of new phones used to be a highly anticipated event among phone followers, and for retaining early adopters, who are usually the most loyal customers. The Canadian government also mandated that Canadian carriers sell hardware unlocked and also to unlock customers' phones upon request; both of these mandates further encourage customers to shop around when their existing contracts expire, instead of automatically rolling over their contracts and upgrading to new hardware with their existing carrier. This is welcome news for consumers as Canadian carriers need now to be more aggressive in their pricing in order to retain existing customers and attract new ones. This was evident in Canadian Carriers new plans as they now include much bigger data allowances.

Combining the results of both Rogers and Fido brands, total new voice and data activations were down by 7% and 9% respectively, while customer upgrades went down by 31%. The decrease in new additions this year was a result of a less active market and Rogers focus on attracting subscribers to their premium 5G Rogers brand. The reason for the decrease in device upgrades by existing customers was a combination of the higher cost of devices, the growing trend of customers bringing their own devices across carriers, and the lack of technological breakthrough in new devices.

Looking at the 2024 revenue streams of the Company:

Total hardware sales revenue decreased by 13% from that of 2023, the result of a 19% drop in equipment sales.

New activation commissions and customer upgrade commissions decreased by 13% and 29% respectively reflecting the yearly decrease in overall transaction volume. Residual commissions also decreased by 6% year over year, reflecting not only a drop in the subscriber base but also a drop in the average revenue per subscriber in the highly competitive Canadian market.

Although not a big component in the overall compensation structure, the Company did manage to achieve certain Rogers' assigned targets throughout 2024 and increased its bonus revenue by 726% over 2023.

In the past few years, the Company has been increasingly focusing on non-wireless products such as Rogers TV/internet and Rogers Bank (Mastercard) in order to mitigate the impact of the decrease in wireless transaction volumes. This product is usually sold in stores as an add-on product when customers perform their wireless transactions, and is crucial in keeping customers within the Rogers family.

The Company has successfully advanced this strategy as internet and Mastercard sales increased by 36% and 39% respectively. The increase in revenue helped reduce the negative impact on the Company's overall 2024 result.

Going forward, Rogers Bank (Mastercard), internet and TV will remain the focus of the Company's business as they have proved to be its important revenue sources. Rogers continues to upgrade these products as well and with the phasing out of legacy TV and the introduction of Rogers' Xfinity line of products, sales of this sector is expected to remain strong in the foreseeable future.

On the new technology front, the arrival of 5G continues to change the telecommunication landscape of Canada. 5G networks offer faster download, lower latency and better connectivity/performance on more devices including smart cars, home appliances and remote medical devices as part of what is now called the internet of things (IoT). Major Canadian carriers have all rolled out their own 5G networks. The Company looks forward to bringing this transformative technology, with its potential to change every aspect of daily lives, to our customers through the Rogers network which has already expanded its 5G network to over 2,000 Canadian communities.

Subscriber base:

December 31, 2024 – 24,113
December 31, 2023 – 24,818
Decrease of 705 or - 2.8%

As at December 31, 2024, the Company had 24,113 subscribers, reflecting the subscriber base attached to the four locations (two Rogers and two Fido) of the Company wireless business.

The net decrease in subscriber base of 705 is the result of a year to year increase in the Rogers subscriber base of 993 and a decrease in the Fido subscriber base of 1,698. During the year, Rogers has been enticing FIDO customers to switch to the Rogers brand and the increase in the Rogers subscriber base showed the success of this strategy. However, the higher decrease in the FIDO subscriber base indicates that while some might have moved over to Rogers, others have either chose to switch to CHATR, Rogers' prepaid brand, or churn out to other Canadian carriers. The slowdown of new immigrants and foreign students coming into Canada has also affected the FIDO numbers. Management does not foresee any changes in these policies to control student and immigration entry for the immediate future.

The Company recognizes that In order to maintain its subscriber base, it needs to keep adding new customers, while at the same time trying to prevent them from leaving. The key to executing this strategy is to give customers good reasons to sign up and stay with Rogers, instead of migrating to the competition. Given this, the "why Rogers" and the Rogers "value propositions" continue to remain front and centre in all the Company's messaging.

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

<u>Results of operations – Financing business</u>

In 2024, Adwell's revenue recorded an increase of $172,180 or 18% over 2023.

	2024	2023	**+/-**	**%**
Financing income	$1,132,709	$960,529	$172,180	18%

Adwell's main business is comprised of three types of loans:

Unsecured personal instalment loans - these are micro loans advanced to individuals in amounts ranging from $1,500 to $7,000, with 9 to 36-month flexible repayment terms and no early repayment penalties. These loans are usually advanced to customers with steady income who are able to make regular repayments throughout the term of the loan. These loans also require personal guarantor(s) as backup security.

Payday loans - these are loans advanced to individuals based on their pay checks and are more expensive than personal instalment loans. They are usually smaller in amount and have a shorter repayment period.

Mortgage loans - these are secured loans advanced based on properties as collateral. The majority of these loans are for bridging purposes and are usually repaid with a year.

Adwell's main revenue is interest and fees generated from these loans. In 2024, Adwell advanced 7% less personal instalment loans to customers, but payday loans increased by 17%.

The table below shows the income and expenses breakdown of the Company's financing business in 2024 and 2023:

	2024	2023	+/-	%
Interest income	$1,047,715	$863,973	$183,742	21%
Fee income/Other income	84,994	96,556	-11,562	-12%
Interest cost	258,440	197,766	60,674	31%
General & administration	581,052	492,526	88,526	18%
Advertising & promotion	4,303	1,297	3,006	n/a
Amortization of property, plant & equipment	2,186	1,907	279	15%
Provision for loan loss	-26,226	194,373	-220,599	-113%
Income from operations before income taxes	$312,954	$72,660	$240,294	331%

In 2024, Adwell recorded an income from operations of $312,954, a 331% increase over 2023. The bulk of the income increase was caused by the recovery of loan loss provision which the company over booked in 2023, aided by an increase in interest income (21%) from a larger loan portfolio, offset by a decrease in fee income (12%) and an increase in interest cost (31%).

Gross profit margin

2024 - 57%
2023 - 52%

Gross profit margin for the year was 57%, when compared to 52% the year before. The 5% increase in margin was mainly caused by the increase in non-margin based revenue like internet/TV and Mastercard commissions.

There are many factors which would affect the profit margin of the Company, among them are:

- Hardware revenue - there has been a downward pressure on profit margin over the years as the average cost of hardware increases. Some high-end phones now cost over $2,000 each, even more expensive than a laptop computer. Another factor which affects profit margins is the Company's BYOD (Bring Your Own Device) mix, as BYOD activations generate no hardware revenue.

- Commission revenue - dealer commission structure is determined by the Carrier and new activation commissions and upgrade commissions can be amended at relatively short notice depending on carrier focus and priorities. Dealer bonus commission used to be a major revenue stream but following a change in dealer compensation structure has become a non-factor. Residual commissions are a steady source of income, but it is becoming more and more challenging to maintain customers amid heavy competition and the government's objective of increasing competition in the future. Internet commission and Mastercard commission are now increasingly important revenue sources with which to make up for the loss in wireless commission due to a reduction of sales volume.

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

2024 General and administration expenses - $2,988,268
2023 General and administration expenses - $3,041,340

Decrease of $53,072, or 2%

In 2024, the Company's was able to maintain the same level of G&A expenses as 2023. Although there were increases in rental and general office operating expenses, they were mitigated by decreases in payroll expenses, professional expenses and loan loss provision.

2024 Advertisement and promotion expenses - $16,363
2023 Advertisement and promotion expenses - $12,443

Increase of $3,920, or 32%

The Company's Wireless business has been doing less brand advertising on its own as carriers are now more inclined to centralize branding within their own marketing departments. The Company is very active in the ethnic market and considers it important to maintain its own identity and presence in the communities it serves. It will continue to advertise and promote in ethnic media channels as appropriate. The Company's advertising and promotion is now more tactical in nature and will hopefully yield faster results.

Another initiative the Company has increasingly deployed is the use of promotion bill credits, which dealers can obtain at a discount, to reduce the overall cost for customers. This initiative can be very effective for short term “hit & run” type promotions as competitors will have difficulty matching it.

In addition to receiving co-op subsidy from Rogers on advertising and promotion activities, the Company may also receive marketing funds support from Rogers throughout the year, thus further reducing its overall advertising and promotion costs. However, the availability of these funds depends on Rogers' budget availability and promotion timing and therefore are not repeatable nor guaranteed.

The Adwell business is not a heavy user of advertisements and promotions as its customers are mostly attracted to Adwell via referrals.

2024 Amortization of Right-of-use assets - $175,535
2023 Amortization of Right-of-use assets - $175,160

Increase of $375 or <1%

Commencing January 1, 2019, as a result of the Company adopting *International Financial Reporting Standard 16, Leases*, certain leases that were previously operating leases are now capitalized as right-of-use-assets, which are depreciated over their respective terms. The Company renewed two leases in 2024. At the end of 2024, the Company has six leases, all expiring in 2028.

2024 Amortization of property and equipment - $23,241
2023 Amortization of property and equipment - $22,908

Increase of $333, or 1%

2024 Amortization of investment properties - $35,892
2023 Amortization of investment properties - $35,892

The Company has two investment properties as at December 31, 2024, the same number as 2023.

2024 Rental income - $136,772
2023 Rental income - $104,972
Increase of $31,800 or 30%

The Company continues to receive rental income from its two investment properties. The Company also leases out part of its warehouse space at Head Office in Ontario to reduce overall occupancy cost, resulting in the increase in rental income.

2024 Income before income taxes - $473,269
2023 Income before income taxes - $230,298
Increase of $242,971 or 106%

2024 Total net income and comprehensive income after taxes - $337,742
2023 Total net income and comprehensive income after taxes - $156,146

2024 Net income attributable to non-controlling interest - $92,837
2023 Net income attributable to non-controlling interest - $21,799

2024 EPS - $0.021
2023 EPS - $0.011

Summary of consolidated quarterly results

	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Wireless revenue	$987,500	$885,870	$1,127,888	$1,724,842	$1,070,942	$898,563	$977,634	$1,415,070
Financing revenue	210,570	239,962	267,730	242,267	271,823	323,214	272,586	265,086
Gross margin	48%	58%	55%	48%	57%	66%	60%	49%
Net income (loss)	($3,944)	$26,597	$68,423	$62,570	$173,426	$84,805	$87,255	($7,744)
Basic and diluted earnings (loss) per share	$0.002	$0.0002	$0.0041	$0.0036	$0.012	$0.0032	$0.005	$0.0002

On the wireless side of the business, the general trend in annual retail sales in Canada is that Q1 is normally the lowest; sales then gradually increase in Q2 and Q3, and finally peak in Q4.

The Company had a good start in Q1 2024 revenue, a momentum it was unable to maintain in Q2, due probably to unfavorable economic news during the quarter which held back consumer spending. Wireless revenue did pick back up in Q3 but at a slower pace than last year, as the traditional Back-to-school selling period did not generate the expected sales volume this year. With the launch of new models from Apple and Samsung such as the Iphone 16 series and the Samsung S24 series, and the aggressive promotions launched by Canadian carriers during Black Friday and the Christmas holidays, wireless revenue did regain some momentum and managed to peak in Q4.

All in all, this trend in consumer retail sales continued in 2024 as the Company’s Q3 wireless revenue moved 9% higher than Q2, and Q4 wireless revenue moved up a further 45% than Q3.

Financing revenue has been generally trending upwards during the last four quarters of 2024, as Adwell cautiously increased its advances to customers. The increase in funding support from the Company will allow Adwell to increase its market share in the B.C market. Interest revenue has been on the rise as the Canadian lending rate has been steadily trending upwards in an effort to combat inflation. Fee income, on the other hand, is subject to higher fluctuation as it depends on the number and size of the loans advanced.

In addition to the general historic retail trend, there are other factors unique to the Company’s industry that can affect overall sales and revenue, including:

The focus of the wireless industry on attaining higher ARPU (Average Revenue per Unit) and ARPA (Average Revenue per Account) might have favoured some dealers but has not been favourable for the Company’s business, which leans heavily towards the consumer segment of the market and is inherently price sensitive. However, management has seen Rogers discounting more heavily during the end of each quarter when volume targets must be met, especially on the FIDO side of the business.

The launch of marquee phone models from manufacturers like Apple, Samsung and Google normally helps generate more business, especially in customer upgrades. However, the timing and availability of these products are outside the Company's control, and thus difficult to predict.

Carrier promotions directly affect the Company's business. The Canadian telecommunications market is highly competitive, with carriers fighting hard to retain customers and to attract customers from competitors, especially towards the end of each quarter.

BYOD has become more and more prevalent in the Company's business and continues to depress phone sales revenue. As discussed in previous MD&As, Rogers encourages customers to utilize their existing devices on sharing plans. While this is an excellent tactic to reduce churn, it does not generate hardware revenue. Additionally, we have observed that with this tactic consumers use their smartphones for longer periods; while smartphones are getting more expensive, they do not offer any ground-breaking technology in the new devices.

Smartphones are becoming more and more expensive with many models costing over $1,500. This would normally alleviate the downward pressure on revenue caused by BYOD but, as explained in previous MD&As, it does not necessarily affect the bottom line in the Company's business as the margin on hardware revenue is nominal. Rogers is trying to entice BYOD customers to convert to a new phone by introducing more affordable models in its hardware lineup. In order to entice customers into new phones, devices are now mostly financed by the carrier over 24 months at no interest. This will help generate more hardware revenue.

The Company's micro financing business represents a profitable revenue source and has shown steady contribution to sales since its inception. Its revenue represented 21% of the total revenue of the Company in 2024 (17% in 2023). The Company has committed up to $4,375,000 to finance this venture.

Fourth Quarter discussion

In Q4 of 2024, Canadian wireless carriers were in “anxious mode”. The year's Q3 “Back to School” selling period did not generate the expected sales volume and businesses launched aggressive sales campaigns during Black Friday, continued into the Holiday selling period in December to try and make up the revenue shortfall. Apple and Samsung also launched their new Iphone 16 and Samsung 25 models during the quarter, as they did traditionally every year in order to take advantage of the best selling season of the year.

As things turned out, the Company's Q4 results did improve over that of Q3 and revenues rebounded by 45%. However, the quarter's sales volume still fell below that of Q4 2023 as overall transaction volume stalled, affected by a slowdown of new immigrants and foreign student and also an overall lack of confidence in the economy.

Combining the results of Rogers and Fido, total new voice and data activations were down by 26% and 34% respectively in this quarter, while customer upgrades decreased by 23%. These were reflected in the Company's revenue streams as follows:

Phone sales revenue, new activation commission and customer upgrade commission all recorded decreases of 20%, 27% and 22% respectively in Q4 2024 over that of Q4 2023. This was mitigated by increases of 1,348% in bonus commission and internet commission, resulting in an overall decrease in total wireless revenue by 18%.

In Q4, Adwell generated $265,086 in financing revenue, which is a 9% increase over Q4 2023. The increase is a result of a 17% increase in interest income, offset by a 160% decrease in fee income.

Adwell recorded a loss from operations of $30,213 in the quarter, compared to a loss of $121,010 a year earlier, a 75% decrease. The loss is mainly the result of a year-end loan loss provision adjustment.

	Q4 2024	Q4 2023	**+/-**	**%**
Interest income	$271,099	$232,300	$38,799	17%
Fee income/Other income	-6,013	9,967	-15,980	-160%
Total income	265,086	242,267	22,819	9%
General & administration (including interest cost & provision for loan loss)	293,798	361,693	-67,895	-19%
Advertising and promotion	973	1,100	-127	n/a
Amortization of property, plant & equipment	528	484	44	9%
Income (loss) from operations before income taxes	($30,213)	($121,010)	$90,797	-75%

Liquidity

Cash and cash equivalents & short-term investments as at December 31, 2024 - $8,770,037
Cash and cash equivalents & short-term investments as at December 31, 2023 - $11,034,238

Decrease of $2,264,201 or 21%

Working capital as at December 31, 2024 - $12,024,874
Working capital as at December 31, 2023 - $12,833,741

Decrease of $808,867 or 6%

During 2024, the Company expanded its financing business and increased its Line of Credit commitment (LOC) to Adwell from $3MM to $4MM. Both the Adwell LOC increase and the dividend payment for the year were funded by internally available cash of the Company. These payments did not have any material impact on the operating cash flows of the Company.

The company's liquidity has always been generated from the Company's operations. The Company has no line of credit arrangement with any bank. Maintaining this conservative financial management continues to be one of the Company's core objectives.

Summary of contractual obligations

Wireless business

Number of leases at December 31, 2024 - 4 (December 31, 2023 - 4)

Future minimum operating lease commitments of the wireless business are as follows:

2025	$175,233
2026	$181,867
2027	$186,533
2028	$134,288
Total	$677,921

Financing business

Number of lease at December 31, 2024 - 1 (December 31, 2023 - 1)

Adwell's lease expired in 2024 but was renewal for another 5 years to 2028. Its future minimum operating lease commitment is as follows:

2025	$26,663
2026	$26,761
2027	$27,847
2028	$25,527
Total	$106,798

In sum, the Company's total lease commitments are therefore:

2025	$201,896
2026	$208,628
2027	$214,380
2028	$159,815
Total	$784,719

Capital resources

The Company has no credit facility arrangement with any bank.

Off-Balance Sheet Arrangements and Commitments

The Company has no off-balance sheet arrangements or commitments.

Investment properties

The Company has two investment properties in its portfolio, one each in Ontario and British Columbia.

The Ontario property (Horizon Centre) has been leased since 2009. This commercial condominium unit was originally intended for use as a store for the Company's wireless business, but later determined that the location was not suitable for selling wireless products at that time. At last renewal, this lease was extended for one year to expire on May 31, 2025. The Company has no intention to open a store at that location in the immediate future and will keep the unit as an investment property. The lease is expected to be renewed.

The B.C. property (Aberdeen Square) was also originally intended for the Company's B.C. wireless business but since that business was sold it was converted into an investment property. This property has two units, both leased with expiry dates of December 15, 2025 and December 31, 2026, respectively.

As at December 31, 2024, these two properties were classified on the consolidated statement of financial position as investment properties. Total rent received was $136,772 in 2024 (2023 - $104,972). The combined market value of these properties is estimated to be $1,414,740 as at December 31, 2024 (December 31, 2023 - $1,409,614). The rental income on these investment properties has been presented as rental income on the consolidated statement of income and comprehensive income.

It is the Company's intention to sell these remaining two investment properties for a reasonable return as and when decided by management.

Beginning in 2023, the Company also sub-leased out part of its Head Office space to a third party. This generates additional rental income for the Company.

Transactions with related parties

Salaries and fees paid and accrued to the Company's directors and executive officers in 2024 were $891,190 (2023 - $813,166).

Proposed transactions

In order to support Adwell's future business expansion, the Company agreed, on March 1, 2024, to increase the line of credit used to fund Adwell's loans to customers from $3,000,000 to $4,000,000. This increased commitment to Adwell will be in effect until June 30, 2028. The Company plans to use internal cash flow for its funding.

Outstanding share data

There were 11,935,513 common shares issued and outstanding as at December 31, 2024 (December 31, 2023 – 11,935,513 shares). The number of common shares remains unchanged as at the date of this MD&A.

The Company issued no stock option during 2024 and there was no stock option outstanding as at December 31, 2024.

Changes in accounting policies

New accounting pronouncement

The new and amended standards and interpretations that have been issued up to the date of issuance of the Company's consolidated financial statements are disclosed below.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the International Accounting Standards Board issued Classification of Liabilities as Current or Non-current, which amended IAS 1 Presentation of Financial statements. The amendments clarified how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. These amendments do not have a material impact on the Company.

IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the International Accounting Standards Board issued Definition of Accounting Estimates, which amends IAS 8. The amendment will require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarifies how to distinguish changes in accounting policies from changes in accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023. These amendments do not have a material impact on the Company.

IAS 12 Income Taxes (Amendment)
In May 2021, the International Accounting Standards Board issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which amended IAS 12 Income Taxes. The amendments require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. These amendments do not have a material impact on the Company.

Critical accounting estimates

The preparation of the consolidated financial statements requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Critical accounting estimates include, but are not limited to, expected credit loss provisions for loans receivable, and the discount rate used in measuring ROU assets and lease liabilities. Management's estimates and underlying assumptions are based on historical experience and are reviewed on an ongoing basis.

Impairment of financial assets

The expected credit loss (“ECL”) model applies to financial assets measured at amortized cost. The Company’s financial assets measured at amortized cost and subject to the ECL model consist primarily of accounts receivable and loans receivable. In determining the ECLs, management makes estimates related to the probability-weighted amount of ECLs based on information available as of the reporting date relating to past events, current conditions and forecasts regarding future economic conditions.

Leases

Judgments made in relation to accounting policies applied: The Company exercises judgment when contracts are entered into that may give rise to a right-of-use asset that would be accounted for as a lease. Judgment is required in determining the appropriate lease term on a lease by lease basis. The Company considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option at inception and over the term of the lease, including investments in major leaseholds, operating performance, and changed circumstances. The periods covered by renewal or termination options are only included in the lease term if the Company is reasonably certain to exercise that option. Changes in the economic environment or changes in the retail industry may impact the assessment of the lease term and any changes in the estimate of lease terms may have a material impact on the Company's consolidated statements of financial position.

Key sources of estimation: The critical assumptions and estimates used in determining the present value of future lease payments require the Company to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets. Management determines the incremental borrowing rate of each leased asset or portfolio of leased assets by incorporating the Company's creditworthiness, the security, term, and value of the underlying leased asset, and the economic environment in which the leased asset operates. The incremental borrowing rates are subject to change mainly due to changes in the macroeconomic environment.

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 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.

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.

Gross versus net revenue recognition

The Company follows the guidance set out in IFRS 15, Revenue from Contracts with Customers, in determining the presentation of revenue and cost 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 consolidated statement of income and comprehensive income as the Company controls the hardware and accessories before that is transferred to the customer.

The preparation of the 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 those 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 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 at 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, 2024. 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 December 31, 2024.

Financial instruments

The Company did not use derivative financial instruments such as swaps, futures or hedging contracts in 2024. The Company has no plans to use any of these in the foreseeable future.

Risk factors

Wireless business -

Even as the business risks from the impact of COVID-19 recede, Management believes there are three imminent risks that will impact the Company's business in the coming year.

First, the significant and as yet unquantifiable risks due to President Trump's recently announced "Reciprocal Tariffs" on exports into the U.S. from virtually every country in the world. The impact of this levy of across the board U.S. tariff on Canadian exports to the U.S. and the Canadian retaliatory tariffs on U.S. made products is difficult to predict, as well as what that will mean for Canadians who are at risk of losing their jobs,

Chatham House, one of the world's best known geopolitical think-tank has pointed out that three-quarters of Canada's goods exports, accounting for more than one-quarter of the country's gross domestic products, go to the United States. So, what might the potential elimination of preferential treatment for Canadian business agreed under the USMCA mean for the telecom business in Canada, and for the Company's customers.

Second, in an environment of severe restriction placed on China's technically advanced and competitively priced 5G telecom equipment maker Huawei, will the promised wireless price reductions in Canada that the rogers/Shaw merger promised survive? What will the elimination of Huawei from Canada's 5G marketplace mean for the speed with which 5G can be deployed in Canada and the costs for Canadian customers that want to move to this technology?

Third, the operations and profitability of the Company's business are tied to the Bank of Canada's interest rate movements and the continuing purchase of the Company's telecom products. The U.S. "Reciprocal Tariffs" have created an environment of global business and employment uncertainty. Canada and Canadians are not immune from this new global protectionist era.

In the face of these multiple potential business threats that may emerge under the new Trump presidency, the Company and its advisors intend to monitor these risks closely, and will act quickly to optimize its resilience, rebalancing for risk and liquidity, finding ways to preserve its business while at the same time prepare the Company to leverage opportunities for future growth.

Management also intends to keep in close touch with its service provider, Rogers Communications Inc., to help it quantify these and other risk factors and to become knowledgeable in the best-practices that will surely emerge to help companies survive and grow in the new business environment.

The Company's operating results are subject to seasonal fluctuations that may materially impact quarter-to-quarter operating results, and thus one quarter's operating results are not necessarily indicative of the Company's future performance.

Economic dependence on Rogers is an additional risk factor. The Company operates in an industry in which Carriers pay the dealer commissions to bring in new customers and service existing customers. It is also part of an industry in which hardware (mainly wireless handsets) is heavily financed by the Carrier. Phones are sold to consumers with zero upfront payment and dealers are reimbursed through a back-end hardware subsidy from the Carrier. A good example is the Apple iPhone and other Android Smartphones, where the phone may cost dealers as high as $1,500+ each.

For the year ended December 31, 2024, approximately 97% (2023 - 83%) of the Company's gross wireless revenue was from Rogers Communications Inc., whereas the remaining approximately 3% (2023 - 17%) was generated through the Company's four retail stores in Ontario.

Account receivable from Rogers was 78% as at December 31, 2024 (88% as at December 31, 2023)

Management has decided that no provision for bad debt is required on Rogers' receivables due to past collection experience and Rogers' continuing good credit quality. This economic dependence on Rogers will continue in the future, albeit in diminished form, as a result of the reduction in the number of stores, as well as the growing contribution from the financing businesses.

Canadian wireless companies could face increased competitive pressure because of recent legal changes in foreign ownership of telecommunications companies and control of the wireless licenses. In other words, giants such as Verizon in the U.S. and others could enter the Canadian market either by acquiring wireless licenses or smaller companies that hold such licenses. Foreign carriers could also acquire smaller Canadian companies with less than 10% of the spectrum and thereby gain possession of this spectrum, then compete aggressively against Canadian companies such as Rogers.

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 personal communication services (PCS) spectrum licenses, although the timing of fee increases (if any) is unknown.

A continuing risk factor is the increasing competitiveness of Rogers' two main rivals, Bell Canada and TELUS, who have their own networks and continue to mount aggressive marketing campaigns. Concurrently, new and smaller entrants continue to increase their share of the market in both the voice and data markets. Risk factors also include technological change driven by product obsolescence, intense competition in the wireless telecommunications industry and changes in the regulatory environment.

Management is aware of new risks beyond those mentioned above. These include the Cloud, which offers new opportunities but also a heightened level of risk. Cyber intrusions from malevolent actors have begun to enter the wireless domain, presenting another spectrum of threats. On the opportunity side, the IoT by which the Internet will be used to get information and to control, for example, household items such as refrigerators, burglar alarms and home climate controls through wireless handsets, will open up additional risks.
Management reviews these risk factors regularly and discusses strategies to deal with them as they arise. The Company depends heavily on its service provider, Rogers, to provide innovative and competitive products and services to the marketplace. Indications are that Rogers is not only aware of this but is continuously innovating to stay ahead of its competition.

Financing business

Credit risk, the risk of loss that arises when a customer fails to pay an amount due, is the primary risk faced by Adwell.

Credit quality of Adwell’s customer is assessed based on a number of proprietary credit models, and individual credit limits for each potential customer are derived in accordance with this assessment, and by other factors such as the ability of the customer to comfortably make the periodic loan payments. This standardized approval process ensures a standardized high-quality loan application flow.

After evaluating the potential client's credit profile, Adwell makes a decision on the loan terms for each applicant, these include the maximum loan principal that the applicant may borrow.

Adwell will continue to develop and refine underwriting models based on the historical performance of groups of customer loans and industry best practices, which guide its lending decisions. As Adwell has grown, management began recording a provision for loan loss on its books beginning in Q1 2017, which is based on historical loss experience and loan aging in line with general industry best practices. Adwell reviews and adjusts this provision quarterly.

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 such as truth-in-lending disclosures. These requirements impose specific statutory liabilities upon creditors who fail to comply with these 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.

The Government of Canada's **Bill C-47**, the *Budget Implementation Act, 2023, No. 1* (Bill C-47) proposed amendments to **section 347** of the *Criminal Code* to combat the predatory lending practice of extending high interest rate loans and to enhance consumer financial protection. Bill C-47 received royal assent on June 22, 2023,[2] and on May 31, 2024, the Governor General in Council announced that the proposed amendments will become effective on January 1, 2025.

Under the new regulations, effective as of January 1, 2025, the criminal rate of interest specified in section 347 of the *Criminal Code* will be reduced from 48% APR (annual percentage rate) to 35% APR.

The *Regulations* set forth three exemptions to which the new criminal interest rate of 35% APR will not apply, which are (1) commercial loans; (2) pawnbroking loans; and (3) payday loans.

For payday loans, the *Regulations* cap the total cost of borrowing for payday loans at CA$14 per CA$100 borrowed. Fees for dishonoured cheques of CA$20 or less are excluded from this CA$14 limit.

In response to these regulatory changes, Adwell’s has made adjustment to its unsecured personal instalment loans to comply with the new regulations. Effective January 1, 2025, the maximum personal instalment loan amount is $7,000, and interest rates now range from 31% to 34.5% APR.

The long-term impact of these changes on the industry and overall economy remains to be seen. Additionally, concerns persist around inflation, a potential recession, and the aforementioned policies of the new US administration, all of which could affect future loan repayments.

Given these uncertainties, the team has decided to maintain the current bad debt provision ratio. This reflects the commitment to prudent risk management as we navigate the evolving economic landscape.

Adwell is also subject to various privacy, information security, and data protection laws and takes reasonable measures to ensure compliance with all such requirements. Legislators and regulators have increasingly adopted new privacy information security and data protection laws, which may increase Adwell's cost of compliance. Even though Adwell has taken reasonable steps to protect its data and that of its customers, a breach in Adwell's information security may still occur due to unforeseen circumstances. Such an incident might adversely affect Adwell's reputation and also result in fines or penalties from government authorities. Management is committed to protecting the privacy and confidentiality of its customers’ personal information by using industry best practices.