

Aimia Reports Second Quarter 2019 Results

MONTREAL, Aug. 14, 2019 /CNW Telbec/ - Aimia Inc. (TSX: AIM) today reported its financial results for the quarter ended June 30, 2019.

Chief Executive Officer, Jeremy Rabe, commented: "The second quarter was marked by a significant return of cash to shareholders as we progress in our business plan to transform our existing business to deliver profitability during 2020.

"Our turnaround efforts for the Loyalty Solutions business remains on track and we expect to deliver a substantial improvement in FCF generation for the second half of the year.

"We remain confident that our new strategy as a consolidator in the loyalty and travel space should create value for the company and we are in active discussions with potential acquisition targets."

Q2 highlights – continuing operations ⁽²⁾, unless otherwise noted:

- Multiple new Loyalty Solutions wins including with a pan-Asian retailer, a leading global consumer goods company, and two clients in Australia and one in Canada; Aimia Insight Platform (AIP) now implemented with a South Korean multinational retailer
- Operating loss narrowed, improving by 45% YoY to \$(21.7) million in Q2 2019
- Adjusted EBITDA loss narrowed, improving by 35% YoY to \$(14.8) million in Q2 2019
- Normalized operating expenses down 23% YoY in Q2 2019 as the company successfully implements its cost transformation plan
- Progress in reducing long-term operating expense: run rate cost of our largest technology contract to reduce by 40% YoY beginning in 2020
- Positive EPS from continuing operations, up \$0.24 to \$0.14
- \$183.4 million returned to common shareholders under the company's recently completed Normal Course Issuer Bid in August 2019 and Substantial Issuer Bid in May 2019
- FCF expected to substantially improve for the second half of 2019

HIGHLIGHTS ⁽¹⁾ <i>(in millions of Canadian dollars, except per share amounts)</i>	Three Months Ended June 30,			
	2019	2018	YoY % Change	YoY % Constant Currency (C.C.)
Continuing operations ⁽²⁾				
Total Revenue	31.0	42.8	(27.6)	(28.0)
Operating Loss ⁽⁵⁾	(21.7)	(39.5)	45.1	44.3
Adjusted EBITDA	(14.8)	(22.7)	34.8	33.5
Cash used in Operating Activities	(55.6)	(26.6)	**	**
Free Cash Flow before Dividends Paid	(56.0)	(28.2)	(98.6)	**
Consolidated (unless otherwise noted)				
Net Earnings ⁽³⁾⁽⁴⁾⁽⁵⁾	43.5	11.1	**	**
Earnings per Common Share ⁽³⁾⁽⁴⁾⁽⁵⁾	0.29	0.04	**	**
Earnings (loss) per Common Share - Continuing operations ⁽³⁾⁽⁵⁾	0.14	(0.10)	**	**
Earnings per Common Share - Discontinued operations ⁽⁴⁾	0.15	0.14	7.1	**
Cash from (used in) Operating Activities	(55.6)	27.4	**	**
Free Cash Flow before Dividends Paid	(56.0)	20.0	**	**
Free Cash Flow before Dividends Paid per Common Share	(0.44)	0.13	**	**

** Information not meaningful

This quarterly earnings release should be read in conjunction with the consolidated financial statements and the MD&A which can be accessed on SEDAR as well as at:

<https://corp.aimia.com/investors/quarterly-annual-reports/>

Please refer to "Notes" for details on notations that appear in this Press Release.

Strategic update

On March 28, 2019, Aimia announced that its Board of Directors had unanimously approved a new strategic direction for the company to evolve its positioning within the growing loyalty and travel markets through a combination of organic growth and sector-focused M&A, building on Aimia's strong existing platforms, unparalleled industry expertise and experience, ability to drive operational improvement as well as its excellent liquidity, ready-to-use capital and long-term approach.

In the four and a half months since, the company has made substantial progress beginning to execute its new strategy. Significant changes have been made to the Board and management team to align both with the company's strategic direction, strengthening capital allocation and strategic integration capabilities, with Linda Kuga Pikulin, Dieter Jentsch, and Fred Mifflin having joined the Board. Senior management's long-term incentives have also been aligned with the strategy.

Working from a robust pipeline of acquisition opportunities in the loyalty industry, Aimia has already begun active discussions with attractive businesses that fit the strategic profile, leverage the combined capabilities and immediately provide accretive results.

In its Loyalty Solutions segment, the company has had multiple client wins which help offset the impact of client attrition in 2018. These wins include expanding Aimia's work with a well-recognized global consumer goods client to support an additional brand in their portfolio, a new multi-year contract with a leading pan-Asian retailer to deploy loyalty programs across its retailers on Aimia's ALP SaaS platform, as well as new strategy and analytics work in Australia and Canada with well-known fashion retailers and a leading spa company. In the quarter, Aimia's AIP platform also went live with a South Korean multinational retailer.

In Q2 2019, operating expenses, excluding restructuring and impairment charges recorded in 2018, declined by 23%, as the company implements its transformation plan. Total headcount was 560 at June 30, 2019, down from 590 at March 31, 2019 and from 855 at June 30, 2018, as a result of ongoing cost transformation. In the quarter, the company also negotiated changes to its long-term technology contracts to transform its IT environment, as well as insource its platform development activities expected to reduce run-rate costs beginning in 2020. Consolidation of the company's presence in Sydney in June of 2019 and relocation to new locations in Toronto and the UK by year end 2019 will contribute towards achieving a lower real estate footprint and cost beginning in 2020.

Returns to shareholders

Aimia has also returned close to a third of the Aeroplan proceeds to common shareholders by way of share buybacks.

On May 22, 2019, Aimia announced the completion of its \$150 million substantial issuer bid (SIB), under which it purchased for cancellation 34.9 million common shares at a price of \$4.30 per share.

Effective June 6, 2019, Aimia also began purchasing shares under its Normal Course Issuer Bid (NCIB) and completed the process on August 13, 2019. Aimia had repurchased a total of 8.9 million shares at an average price of \$3.67 per share. As at August 13, 2019, there were 108.5 million issued and outstanding common shares.

Operational Performance (Continuing Operations) for the quarter ended June 30, 2019

With effect from January 1, 2019, the bulk of Aimia's activities fall into a single reportable and operating segment (Loyalty Solutions). Other costs, along with distributions from its equity-accounted investments (PLM and BIGLIFE), are being reported under "Corporate and Other".

Continuing Operations⁽²⁾

The improvement in **Operating loss** from (\$39.5) million to \$(21.7) million was mainly explained by a

\$23.4 million reduction in operating expenses as Aimia continued to execute on the significant business transformation, which more than offset revenue and gross margin declines from Loyalty Solutions. The variance in operating expenses included favourable variances of \$1.9 million as a result of lower restructuring charges and \$8 million of impairment charges recorded in the second quarter of 2018. Excluding these items, operating loss improved from \$(24.6) million to \$(16.7) million.

Adjusted EBITDA was \$(14.8) million, compared to \$(22.7) million, with a positive \$10.0 million variance from Corporate and Other, partially offset by a \$2.1 million decrease in Loyalty Solutions.

Loyalty Solutions

Revenue from Loyalty Solutions was \$31.0 million, a decrease of \$11.8 million from the same period in the prior year. The decline in Loyalty Services revenue was mainly attributable to client attrition, lower customer spend and lower one-time project revenue. Lower revenue from loyalty units from the Air Miles Middle East program was mainly due to lower yield.

Operating expenses were down by \$14.8 million in the quarter to \$38.3 million, mostly reflecting reduced headcount and lower IT spend and rent expense partially offset by a \$0.7 million increase in restructuring charges and \$2.2 million of platform development expense being expensed in 2019. In 2018, \$1.6 million of platform development expense was recorded as capital expenditures. Excluding the impact of higher restructuring charges and the \$8.0 million impairment charge related to the ISS business taken in the three months ended June 30, 2018, operating expenses were down \$7.5 million or 16.9% to \$37.0 million.

Operating loss was \$(10.6) million, compared to \$(19.7) million in the same quarter last year when we recorded an \$8.0 million impairment charge. Excluding that charge, operating loss improved by \$1.1 million, as lower gross margin was more than offset by lower depreciation and amortization and lower operating expenses.

Adjusted EBITDA was \$(9.5) million, compared to \$(7.4) million in the second quarter of the prior year. Excluding restructuring expenses of \$1.3 million in the current quarter and \$0.6 million a year ago, Adjusted EBITDA was \$(8.2) million, compared to \$(6.8) million.

Corporate and Other

Membership in Club Premier, the Mexican coalition loyalty program, continued to grow, with the program adding 200,000 enrolled members totaling 6.5 million at the end of June 2019. Slower Gross Billings growth was mainly attributable to softening macro-economic trends and 737 MAX grounding at Aeromexico. However, PLM continued to generate solid results. Gross Billings from Loyalty Units were up by 3.5% to US\$65.9 million and PLM Adjusted EBITDA⁽⁶⁾ was up by US\$1.1 million to US\$21.3 million, representing a margin of 31%.

Corporate and Other **Adjusted EBITDA** amounted to \$(5.3) million, an improvement of \$10.0 million, and included a 32% increase in the PLM distribution to \$5.8 million. Total PLM distributions for full year 2019 are expected to be approximately \$37 million, compared to \$17.9 million in 2018.

Operating expenses were \$11.1 million, compared to \$19.7 million in the same quarter last year, mainly as a result of lower restructuring costs of \$3.7 million, compared to \$6.3 million last year. Lower expense related to share-based compensation and performance awards were also contributors, along with lower rent expense due to the adoption of IFRS 16.

Free Cash Flow before Dividends Paid

Free Cash Flow before Dividends Paid from continuing operations was \$(56.0) million, compared to \$(28.2) million last year. The unfavourable variance of \$(27.8) million was largely a result of the \$24.0 million one-time payment to an Air Miles Middle East partner and unfavourable movements in net operating assets, which were offset by interest income. Excluding the one-time payment to an Air

Miles Middle East partner and restructuring payments of \$5.9 million, Free Cash Flow before Dividends Paid from continuing operations was \$(26.1) million, compared to \$(21.3) million.

Free Cash Flow before Dividends Paid was \$(56.0) million, compared to \$20.0 million in the prior year. The variance, mainly explained by the decrease of \$48.2 million related to discontinued operations (including Aeroplan and Nectar) as well as unfavourable variance from continuing operations due in large part to the one-time payment to an Air Miles Middle East partner. Free Cash Flow before Dividends Paid per Common Share was \$(0.44).

Balance sheet

Cash and cash equivalents (which includes restricted cash and investments in corporate and government bonds) was \$396.3 million at June 30, 2019, of which \$75.7 million set aside as restricted cash as part of the Aeroplan transaction. Around \$65 million of the restricted cash should be released to Aimia in accordance with the terms of the share purchase agreement between Aimia and Air Canada.

The company's long-term investments in equity instruments as at June 30, 2019 included its approximate 13% stake in a Nasdaq-listed purchase intelligence company, Cardlytics, of which a \$37.7 million fair value increase was recorded in the quarter. Aimia's stake is valued at approximately \$134.0 million at the close of trading on August 13, 2019.

Dividends

Dividends of \$4.3 million were paid on June 28, 2019 on the three series of outstanding preferred shares in respect of the first quarter of 2019.

The Board of Directors has also declared a quarterly dividend in respect of its three series of preferred shares for the second quarter of 2019. Dividends will be payable on September 30, 2019, to shareholders of record at the close of business on September 20, 2019.

Quarterly Conference Call and Audio Webcast Information

Aimia will host a conference call to discuss its second quarter 2019 financial results at 8:30 a.m. EST today (Wednesday, August 14, 2019). The call will be webcast at:

<https://event.on24.com/wcc/r/1860388/3C1F33E0F1FAD195E5E6B359480B7FBF>

A slide presentation intended for simultaneous viewing with the conference call and an archived audio webcast will be available for 90 days following the original broadcast available at:

<https://corp.aimia.com/investors/events-presentations/>

This earnings release was reviewed by Aimia's Audit Committee and was approved by the company's Board of Directors, on the Audit Committee's recommendation, prior to its release.

Notes

1. Non-GAAP financial measures (Adjusted EBITDA, Free Cash Flow before Dividends Paid and Free Cash Flow before Dividends Paid per Common Share) and constant currency are explained in the section entitled "Non-GAAP Financial Measures".
2. Continuing operations refers to consolidated results excluding discontinued operations.
3. Net Earnings, Earnings per Common Share and Earnings (loss) from continuing operations per Common Share include net fair value gains related to investments in equity instruments of \$37.7 million for the three months ended June 30, 2019 and \$27.5 million for the three months ended June 30, 2018.
4. Net Earnings, Earnings per Common Share and Earnings from discontinued operations per

Common Share for the three months ended June 30, 2019 include the impact of the gain of \$19.5 million on the disposal of the Aeroplan Program and related assets.

5. Operating Loss, Net Earnings, Earnings per Common Share and Earnings (loss) from continuing operations per Common Share for the three months ended June 30, 2018 include an impairment charge of \$8.0 million related to the ISS business.
6. PLM utilizes a definition of Adjusted EBITDA, which differs from Aimia's. PLM Adjusted EBITDA refers to operating income adjusted to exclude depreciation, amortization and impairment charges related to non-financial assets, as well as adjusted for certain factors particular to the business, such as changes in deferred revenue and Future Redemption Costs.

Appendix

The highlights for the six months ended June 30, 2019, are as follows:

HIGHLIGHTS ⁽¹⁾	Six Months Ended June 30,			
<i>(in millions of Canadian dollars, except per share amounts)</i>	2019	2018	YoY % Change	YoY % Constant Currency (C.C.)
Continuing operations ⁽²⁾				
Total Revenue	65.7	87.8	(25.2)	(25.7)
Operating Loss ⁽⁸⁾	(40.7)	(54.9)	25.9	25.1
Adjusted EBITDA	(13.9)	(29.2)	52.4	51.0
Cash used in Operating Activities ⁽³⁾	(75.3)	(59.9)	(25.7)	**
Free Cash Flow before Dividends Paid ⁽³⁾	(76.0)	(64.8)	(17.3)	**
Consolidated (unless otherwise noted)				
Net Earnings ⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾⁽⁸⁾	1 090.6	32.5	**	**
Earnings per Common Share ⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾⁽⁸⁾	7.47	0.16	**	**
Earnings (loss) per Common Share - Continuing operations ⁽⁴⁾⁽⁶⁾⁽⁸⁾	0.08	(0.19)	**	**
Earnings per Common Share - Discontinued operations ⁽⁵⁾⁽⁷⁾	7.39	0.35	**	**
Cash from (used in) Operating Activities ⁽³⁾	(102.9)	71.2	**	**
Free Cash Flow before Dividends Paid ⁽³⁾	(103.6)	60.4	**	**
Free Cash Flow before Dividends Paid per Common Share ⁽³⁾	(0.99)	0.40	**	**

** Information not meaningful

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1. Non-GAAP financial measures (Adjusted EBITDA, Free Cash Flow before Dividends Paid and Free Cash Flow before Dividends Paid per Common Share) and constant currency are explained in the section entitled "Non-GAAP Financial Measures".
2. Continuing operations refers to consolidated results excluding discontinued operations.
3. Cash from Operating Activities, Cash used in Operating Activities from continuing operations, Free Cash Flow before Dividends Paid, Free Cash Flow before Dividends Paid from continuing operations and Free Cash Flow before Dividends Paid per Common Share for the six months ended June 30, 2018 include a rent prepayment of \$11.8 million related to a London office space. The prepayment covers the period from February 2018 to December 2019.
4. Net Earnings, Earnings per Common Share and Earnings (loss) from continuing operations per Common Share include net fair value gains related to investments in equity instruments of \$60.2 million for the six months ended June 30, 2019 and \$33.8 million for the six months ended June 30, 2018.
5. Net Earnings, Earnings per Common Share and Earnings from discontinued operations per Common Share for the six months ended June 30, 2019 include the impact of the gain of \$1,063.0 million on the disposal of the Aeroplan Program and related assets.
6. Net Earnings, Earnings per Common Share and Earnings (loss) from continuing operations per Common Share for the six months ended June 30, 2018 include the unfavourable impact of the reversal of the contingent consideration receivable related to the sale of the Canadian Air Miles trademarks of \$5.3 million as well as an income tax recovery of \$1.3 million.
7. Net Earnings, Earnings per Common Share and Earnings from discontinued operations per Common Share for the six months ended June 30, 2018 include the impact of the gain of \$5.4

million on the disposal of the Nectar Program and related assets.

8. Operating Loss, Net Earnings, Earnings per Common Share and Earnings (loss) from continuing operations per Common Share for the six months ended June 30, 2018 include an impairment charge of \$8.0 million related to the ISS business.

About Aimia

Aimia Inc. (TSX: AIM) is a loyalty and travel consolidator focused on growing earnings through its existing investments and the targeted deployment of capital in loyalty solutions and other sub-sectors of the rapidly-expanding loyalty and travel markets.

Its investments in travel loyalty include the Club Premier program in Mexico, which it jointly controls with Aeromexico through its investment in PLM, and an investment alongside AirAsia in travel technology company BIGLIFE, the operator of BIG Loyalty.

Aimia also operates a loyalty solutions business, which is a well-recognized, global full-service provider of next-generation loyalty solutions for many of the world's leading brands in the retail, CPG, travel & hospitality, financial services and entertainment verticals.

For more information about Aimia, visit corp.aimia.com.

Non-GAAP Financial Measures

Aimia uses the following non-GAAP financial measures which it believes provides investors and analysts with additional information to better understand results as well as assess its potential. GAAP means generally accepted accounting principles in Canada and represents International Financial Reporting Standards ("IFRS"). Please refer to the MD&A on pages 6 to 9 for a complete definition on all non-GAAP financial measures and page 17 for a reconciliation of non-GAAP financial measures to GAAP.

Adjusted EBITDA

Adjusted EBITDA is not a measurement based on GAAP, is not considered an alternative to operating income or net earnings in measuring performance, and is not comparable to similar measures used by other issuers. We do not believe that Adjusted EBITDA has an appropriate directly comparable GAAP measure. As an alternative, we do however provide a reconciliation to operating income on page 17 of the Management Discussion & Analysis (MD&A) for the three and six months ended June 30, 2019. Adjusted EBITDA is used by management to evaluate performance. Management believes Adjusted EBITDA assists investors in comparing the corporation's performance on a consistent basis without regard to depreciation and amortization and impairment charges related to non-financial assets, which are non-cash in nature and can vary significantly depending on accounting methods and non-operating factors such as historical cost. Unless otherwise noted, Adjusted EBITDA for the current and comparable periods exclude the results of discontinued operations.

Adjusted EBITDA is operating income adjusted to exclude depreciation, amortization and impairment charges related to non-financial assets. Adjusted EBITDA also includes distributions and dividends received or receivable from equity-accounted investments. Adjusted EBITDA should not be used as an exclusive measure of cash flow because it does not account for the impact of working capital growth, capital expenditures, debt repayments and other sources and uses of cash, which are disclosed in the statements of cash flows.

Free Cash Flow, Free Cash Flow before Dividends Paid and Free Cash Flow before Dividends paid per Common Share

Free Cash Flow and Free Cash Flow before Dividends Paid are non-GAAP measures and are not

comparable to similar measures used by other issuers. They are used in order to provide a consistent and comparable measurement of cash generated from operations and used as indicators of financial strength and performance. Free Cash Flow is defined as cash flows from operating activities, as reported in accordance with GAAP, less adjustments for: (a) total capital expenditures as reported in accordance with GAAP; (b) principal elements of lease payments; and (c) dividends paid.

Free Cash Flow before Dividends Paid is defined as cash flows from operating activities as reported in accordance with GAAP, less capital expenditures as reported in accordance with GAAP and principal elements of lease payments.

Free Cash Flow before Dividends Paid per Common Share is a measurement of cash flow generated from operations on a per share basis. It is calculated as follows: Free Cash Flow before Dividends Paid minus dividends paid on preferred shares and non-controlling interests over the weighted average number of common shares outstanding.

Reconciliation to GAAP

For a reconciliation of the above Non-GAAP financial measures to GAAP, please refer to page 17 of the MD&A for the three and six months ended June 30, 2019.

Constant Currency

Because exchange rates are an important factor in understanding period to period comparisons, the presentation of various financial metrics on a constant currency basis or after giving effect to foreign exchange translation, in addition to the reported metrics, help improve the ability to understand operating results and evaluate performance in comparison to prior periods. Constant Currency information compares results between periods as if exchange rates had remained constant over the periods. Constant Currency is derived by calculating current period results using foreign currency exchange rates from the same period in the prior year. Results calculated on a Constant Currency basis should be considered in addition to, not as a substitute for, results reported in accordance with GAAP and may not be comparable to similarly titled measures used by other companies. Constant Currency is a basis of consideration mostly for Aimia's foreign operations (those with a functional currency which is not the Canadian dollar). The Loyalty Solutions segment operates under varying foreign currencies, primary the US and Australian dollars, the British Pound and the United Arab Emirates Dirham.

Forward-Looking Statements

Forward-looking statements are included in this news release. These forward-looking statements are typically identified by the use of terms such as "outlook", "guidance", "target", "forecast", "assumption" and other similar expressions or future or conditional terms such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and "should". Such statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions. The above guidance (including Adjusted EBITDA) constitutes forward-looking statements. Aimia made a number of economic and market assumptions in preparing its above guidance as well as assumptions regarding currencies and the performance of the economies in which the company operates and market competition and tax laws applicable to the company's operations. The company cautions that the assumptions used to prepare the above guidance, although reasonable at the time they were made, may prove to be incorrect or inaccurate. In addition, the above guidance does not reflect the potential impact of any non-recurring or other special items or of any new material commercial agreements, dispositions, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after August 14, 2019. The financial impact of these transactions and non-recurring and other special items can be complex and depends on the facts particular to each of them. We therefore cannot

describe the expected impact in a meaningful way or in the same way we presently know about the risks affecting our business. Accordingly, our actual results could differ materially from our expectations as set forth in this news release.

Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Any forecasts, predictions or forward-looking statements cannot be relied upon due to, among other things, changing external events and general uncertainties of the business and its corporate structure. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, Aimia's business, the results of operations therefrom and the risks associated therewith are significantly different following the sale of Aimia Canada Inc., the execution of the new strategic plan, investment risks, investment partnerships risks, reliance on key personnel, market price and trading volume of the common shares and preferred shares, passive foreign investment company risk, industry competition, failure to protect intellectual property rights, technological disruptions and inability to use third-party software and outsourcing, regulatory matters - privacy, failure to safeguard databases, cyber security and consumer privacy, uncertainty of dividend declarations and/or payments on either common shares or preferred shares, tax losses, air, travel and hospitality industry disruptions, airline industry changes and increased airline costs, foreign operations, interest rate and currency fluctuations, retail market/economic conditions, legal proceedings, audit by tax authorities, as well as the other factors identified throughout this MD&A and throughout Aimia's public disclosure records on file with the Canadian securities regulatory authorities.

The forward-looking statements contained herein represent Aimia's expectations as of August 14, 2019, and are subject to change after such date. However, Aimia disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.

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