

AIMIA INC.

CIBC EASTERN INSTITUTIONAL INVESTOR CONFERENCE

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CORPORATE PARTICIPANTS

Rupert Duchesne

Aimia Inc. — Chief Executive Officer

CONFERENCE CALL PARTICIPANTS

Stephanie Price

CIBC — Analyst

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Q&A**Stephanie Price — CIBC**

Good afternoon, everybody. For those of you who don't know me, my name is Stephanie Price. I cover the software and business services sectors here at CIBC.

Our next presentation is Aimia. We're very happy to have CEO Rupert Duchesne here to share his thoughts on the company. We're going to launch directly into fireside chat, so if anybody has any questions, please feel free to raise your hand, or we do have our app as well.

So, Rupert, welcome.

Rupert Duchesne — Chief Executive Officer, Aimia Inc.

Thank you.

Stephanie Price

One of the first questions that I think we'll get out of the way ahead of time is around the Air Canada renewal.

Rupert Duchesne

Sure.

Stephanie Price

And Air Canada was here earlier today, and they've been pretty vocal about the negotiations with Aimia.

Rupert Duchesne

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Mm-hmm.

Stephanie Price

Maybe you could comment on how those negotiations are going and how Aimia thinks of themselves heading into those negotiations or positioning themselves with them?

Rupert Duchesne

Sure. Well, look, I think the first thing to say is it's a very long history here.

Stephanie Price

Absolutely.

Rupert Duchesne

It's been a very successful contract. There's still four years left to run. Clearly there's been a lot of noise around it and a few comments made in public. We've got a pretty good history of mega negotiations.

Without getting too personal, we had a fairly big negotiation with CIBC and TD a couple of years ago that ended up in a place, I think, better than most people expected for us. I actually, frankly, lost a little more sleep over that than I will lose over the Air Canada negotiations because I think there's actually a really good balance of power between the two of us.

Stephanie Price

Mm-hmm.

Rupert Duchesne

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And we don't see it as a sort of a win-lose situation. The current contract's been in place effectively for 15 years.

Stephanie Price

Right.

Rupert Duchesne

It was a smart contract 15 years ago. I negotiated it, Calin was involved, so we both had a say in that, but the world has moved on a great deal. And I think there is a lot of room for a different approach to running the business.

We've also demonstrated over the last two years with the new credit card agreement just how powerful the brand is of Aeroplan for non-flyers. And you've got to remember that Aeroplan is really two different businesses. It's a frequent flyer business with Air Canada's frequent flyers and the credit card revenue associated with them, and it's a frequent spender business, which is the core of our business with TD and CIBC. And that's actually 4 or 5 times larger than the frequent flyer business.

Stephanie Price

Sure.

Rupert Duchesne

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So we're bringing them a huge amount of incremental revenue; in fact, \$180 million on top of that over each of the last two years since the new credit card agreement, which they would have to otherwise contest in the marketplace against WestJet or Porter or American—

Stephanie Price

Right.

Rupert Duchesne

—or whoever else. So I think the stage is well-set. When they're ready and when we're ready we'll get into a negotiation. But I think the prospect of a divorce would be so horrible for both parties that we'll actually get to a fairly straightforward deal.

Stephanie Price

Mm-hmm.

Rupert Duchesne

And I genuinely think the pie can be bigger. And that's a really important part of it.

Stephanie Price

And when you think about re-crafting the contract, what are some of the areas that Aimia would like to see sort of added on or changed a bit?

Rupert Duchesne

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Well, look, I really don't want to go into that in detail because that gives away the negotiating strategy, but look, the way seats are allocated at the moment is dysfunctional for both the airline and for us.

Stephanie Price

Mm-hmm.

Rupert Duchesne

It was against a pattern and a practice that made sense in 2002. The world's moved on a bit.

Stephanie Price

Yeah.

Rupert Duchesne

That's just one example. Another example would be what typically happens in these kind of relationships is you become a marketing partner for each. So you push really hard also for in the loyalty company to sell more airline seats. Whether they're revenue or reward, the airline does stuff to enhance your market position: like give anybody who checks in a sign-up for a CIBC Aerogold card. There's very little of that going on because we've both been sort of positioning ourselves.

Stephanie Price

Mm-hmm.

Rupert Duchesne

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I see this as an opportunity to address a number of those opportunities, a number of irritants in the contract, and come out the other side looking very good with a much better fit for market program, just like we did in the credit card negotiation.

Stephanie Price

Mm-hmm.

Rupert Duchesne

And I think anybody who's experienced Aeroplan over the last couple of years realizes—and we've got hard numbers to back this up—that the program is much better for the consumer than it was two years ago. And that's exactly where I'd like to see the negotiation—

Stephanie Price

Mm-hmm.

Rupert Duchesne

—with Air Canada come out.

Stephanie Price

Okay. When you think about the business outside the Air Canada renewal...

Rupert Duchesne

Mm-hmm.

Stephanie Price

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Can you talk a bit about your strategic priorities and where you're looking in terms of longer-term growth for the business?

Rupert Duchesne

Sure. Well, look, we spent the last 18 months focusing very much on focusing and simplifying the business and getting it ready for future growth. So we've reorganized the company around lines of business as opposed to geographies.

We've slimmed down in terms of a number of our functions. That's enabled us to save just under \$40 million of cost on a like-for-like basis through late '14 and into '15; another 20 is coming out. So that's been sort of the coupon of better inefficiency.

We've moved offices, we've consolidated stuff, and we've also identified a number of peripheral businesses that made sense to be in four or five years ago, but the business model has changed where you've seen us make a couple of announcements on sale or exits of businesses. So we've sold our enhancement services business in Canada, we've sold the UK Cardlytics business back to the parent company, and there's a number of other of those that we expect to roll out over the next year or so, but they're not big blocks of business...

Stephanie Price

Right.

Rupert Duchesne

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But they do have a material effect. For example, selling the businesses we've already sold reduces our gross billings for the year by 25 million in H2.

Stephanie Price

Mm-hmm.

Rupert Duchesne

That's actually a good thing because those were thin-margin businesses and didn't merit the capital allocation that the core businesses do.

Stephanie Price

And...

Rupert Duchesne

Then it'll be a matter of looking primarily focused on growing the three significant businesses we're in...

Stephanie Price

Mm-hmm.

Rupert Duchesne

Travel coalitions, retail coalitions, and the platform and loyalty management for third party's business. And obviously all three of those businesses have a very significant quantum of data analytics, and we're investing in our technology there.

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But it'll be a more focused narrowcast process going forward, but with still the same scope from a geographic point of view because your best growth areas in the world sadly are not in North America or Europe these days.

Stephanie Price

Mm-hmm. And when you think about Aeroplan...

Rupert Duchesne

Mm-hmm.

Stephanie Price

It's really your base.

Rupert Duchesne

Mm-hmm.

Stephanie Price

And bookings there were up year over year...

Rupert Duchesne

Mm-hmm.

Stephanie Price

Last quarter. Can you talk a bit about how you're thinking about Aeroplan—the Aeroplan program going forward and any opportunities in that program?

Rupert Duchesne

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Sure. Well, look, we went through basically a year's hiatus for both of our main card partners...

Stephanie Price

Yeah.

Rupert Duchesne

CIBC and TD because of interchange. Again, people were very concerned that interchange would be a very major drop in the interchange rate in Canada because of a couple of examples elsewhere in the world where it was much lower.

Stephanie Price

Mm-hmm.

Rupert Duchesne

Kind of ignored the fact that in the rest of the world it's actually the same or higher. But we had a very good outcome of that.

You've seen the first year's declaration by Visa and MasterCard basically saying they had met the hurdle reduction in interchange rate. But that caused a one-year pause in card marketing for our primary external partner, TD.

Stephanie Price

Mm-hmm.

Rupert Duchesne

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You've seen in the last couple of quarters they've really got back on the horse, so to speak, and the growth in terms of card acquisition and overall spend has been quite impressive. So there's very much a trajectory going forward.

We think that the Aeroplan product itself in terms of the consumer proposition is market-leading at this point. Other people have said that; it's not just our assertion. We've got rid of a couple of the irritants. Like people couldn't use their miles to pay for the fees; they now can. The take-up of that has actually been surprisingly good, and that's helped in terms of the cost of rewards in the mix and people are doing less non-air redemption; are using the miles for fees. So I think from a product construct point of view we're there.

We've also broadened the base a little bit. I mean you'll never see Aeroplan look like an Air Miles or a Nectar Program. That's not the intention. Within a couple of significant areas a very good example is the deal we've signed with Toyota, where you can get Aeroplan miles for almost any activity in the Toyota group, is a good example of something that's a really good demographic match for the top quartile of household income in Canada, which is where the Aeroplan program is positioned.

Stephanie Price

Mm-hmm.

Rupert Duchesne

So it really is more of the same as opposed to diversifying Aeroplan.

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Stephanie Price

Okay. And when you think about competition in the financial cards market...

Rupert Duchesne

Yeah.

Stephanie Price

You've got a lot of fly anywhere cards that are coming out.

Rupert Duchesne

Yeah.

Stephanie Price

How do you differentiate between yourself and those sorts of cards?

Rupert Duchesne

Well, there's two things. First of all, you can fly anywhere on Aeroplan, right?

Stephanie Price

Mm-hmm.

Rupert Duchesne

I mean the Star Alliance is by far the biggest network globally, and there are—there's almost nowhere in the world you cannot get with Aeroplan. And you can get there at a value that is equal or exceeds the value you can get on these other cards.

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There were some irritants, and we took some of those out when we did the credit card negotiation. Obviously Market Fare Flight Rewards is actually more competitive than the equivalent product from RBC—the Avion card—and things like miles for fees have really taken—have completely levelled the playing field.

I would argue that actually competitively there are a couple of things that we can do that the competitor—or have done the competitors can't match. One is, as you know, the more you spend on your credit card with Aeroplan, the more miles you accumulate in the program, you actually get discounts on Market Fare Flight Rewards. No other program offers that.

Stephanie Price

Mm-hmm.

Rupert Duchesne

It's sort of a world-first. It's part of what's driven all of that incremental revenue that I was talking about earlier to Air Canada—the 180 million—and nobody in the market has copied that because we don't think they can afford to. We've reversed engineered their economics as part of the credit card negotiations. And we think we've now got a really sustainable market-leading product. And there are—it's really hard to at this point say, well, this card does a little bit of it. And Classic seats are still an amazingly good value reward. Yes, they're limited to 8 percent by route, by month, et cetera, et cetera, and some of that we may want to adjust in the negotiation with Air

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Canada. But you cannot get anywhere in the country cheaper or the continent cheaper than a Classic reward on Aeroplan. And that's still a really important part of the product construct.

Yes, you've got to search, you've got to hunt, you've got to book ahead, but it's way better value than the competing product offerings.

Stephanie Price

Mm-hmm.

Rupert Duchesne

Including from those from our two partner banks.

Stephanie Price

Does anybody in the audience have any questions?

When you think about Sainsbury's and the Nectar Program...

Rupert Duchesne

Yeah.

Stephanie Price

Maybe you could talk a bit about that program? I know last quarter revenue out of that program was maybe a bit lower than people were thinking.

Rupert Duchesne

Yeah.

Stephanie Price

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Maybe talk about the change in the bonusing structure and how you're thinking about Europe right now?

Rupert Duchesne

Yeah. So look, I mean International Coalitions is comprised not only of that business, but from the Air Miles Middle East—

Stephanie Price

Sure. Yeah.

Rupert Duchesne

—business as well for ISS. We're also cycling the sort of end of the program in Italy—

Stephanie Price

Yeah.

Rupert Duchesne

—as well as British Gas, which is a very major partner in Nectar. Because actually British Gas were doing too well out of using Nectar points, the British government changed the regulations on how they could use them, and that's a \$30 million year impact for us.

Stephanie Price

Mm-hmm.

Rupert Duchesne

Underlying that, though, is Sainsbury's, who's the anchor partner.

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Stephanie Price

Yeah.

Rupert Duchesne

When we renegotiated the contract in 2012 we had a clause in there that allowed us to move to base plus bonus. That's actually the model that's been prevalent in Air Miles in Canada for ever since they started.

Stephanie Price

Mm-hmm.

Rupert Duchesne

And it was started by the same guys who started Nectar in the UK. It's a better model when you're in a data-rich environment, but it produces lumpiness. So this was introduced in—just so everybody understands what it was is essentially when you spent at grocery—spent at Sainsbury's, you used to get 2 points for every pound spent. That was reduced to 1 point every pound spent, but Sainsbury's committed to use the other point per pound spent on big promotions three or four or five times a year as opposed to having it drip throughout the year.

Now what does that do for them as a retailer? It allows them to focus customer incentives on the time of the year they really want to win against the competitors, and using Christian terms, it's Easter and Christmas, right, and the summer. That's when British consumers are highly susceptible to aggressive promotions in grocery.

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Now the timing of those events, obviously Christmas and New Year's and the holiday season doesn't change, but Easter moves around, and the competitive activity moves around a great deal. So Sainsbury's decided very wisely not to do much promotional activity in Q2, but to stack it very heavily towards the end of the year from Q3 and into Q4 and perhaps into very early 2017 for the New Year's sales.

What did that do to us? Well, we know we're going to get the full year commitment that they have with us, they're going to spend the currency, but they're spending it according to commercial imperatives as opposed to suit our quarterly-by-quarter results.

Stephanie Price

Yeah.

Rupert Duchesne

Not helpful for us, not helpful for our investors in terms of seeing the upticks, but the right thing to do commercially.

And so they have a promotion in market right now, which essentially is save for Christmas, and that's going extremely well. They have two more planned during the next three months. I'm not going to say when they are, or they'd kill me.

But we're very comfortable with that relationship, and we're very comfortable that it's doing the right thing commercially for them. It just gives us lumpy predictability, and that's not helpful from this side of the business. I think, though, they are proving that they can learn how to do

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this really well, and it's giving them a significant defence against low-cost competition, Aldi and Lidl, in the UK.

The UK's always had the Walmart subsidiary Asda as a low price point, everyday low price point...

Stephanie Price

Mm-hmm.

Rupert Duchesne

But the German discounters have taken sort of 14, 15 percent of the market at the bottom of the market—they've sort of stopped growing—but they cause significant food price competition and food price deflation over the last four or five years. That seems to have stabilized.

The other thing I'll say about Q2 for that British business is no British consumers were worrying about discounts on this, that, and the other in Q2. They were entirely focused on Brexit. Bad outcome? Yes. I'm putting my political hat on, it was a stupid decision; causes uncertainty for a very extended period of time in the UK market, I think.

But the idea that a big promotion in Sainsbury's in June at the start of the summer would have had any impact at all when everybody's attention—

Stephanie Price

Yeah.

Rupert Duchesne

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—was diverted was kind of ridiculous. So I think they're being smart about using the currency. And I'm confident that on a full year basis we'll be roughly where we should be.

Stephanie Price

Maybe from there we can jump to free cash flow.

Rupert Duchesne

Yeah.

Stephanie Price

So your free cash flow guidance is 190 million to 210 million—

Rupert Duchesne

Yeah.

Stephanie Price

—for the year. Can you talk a bit about confidence in that guidance and meeting those numbers in the back half of the year?

Rupert Duchesne

Yeah. Look, I'll say two things. Firstly, as sort of a mea or an us culpa in that we did get our guidance wrong last year, and we revised it and twice. That was really unfortunate. We did a bad job of forecasting. I'm very confident we've fixed those issues now, and at the end of the year we actually ended up doing better than we had feared we would in November.

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But this is a—I mean, I would love the year-end to be June the 30th because this is a business where everything happens in the fourth quarter. You get the accelerated spend with Aeroplan because everybody's buying for the holiday season, but very low reward bookings, so you get a net free cash flow benefit there in the Aeroplan business.

Exactly the same happens with Sainsbury's, and even more so with this promotional stacking, as I would call it, towards the very end of the year. And then you get a similar event at the very last month of the year, with December, you get all of these points spent at Sainsbury's, and that has a negative free cash flow effect, but not a big one, than you see more of in January.

So we are—we have always been a third and fourth quarter-stacked business, and we're now even more so. We did reduce the guidance a tiny bit at the top end of that range for reasons related to the sale of the businesses was one significant driver of that, and just a tiny little bit of economic uncertainty in Canada, which we hope we won't see.

So at this point going into Q3 and we go dark in a few days' time, we feel that the guidance we gave at the beginning of the year, modified very slightly on the top line in August, very comfortable about delivering that at this point. And believe me, we did not want to get it wrong this time.

Stephanie Price

Are there any sort of onetime items included in that guidance? I know last year there were some tax refunds...

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Rupert Duchesne

Yeah. Look, we'll talk more about that at Q3...

Stephanie Price

Okay.

Rupert Duchesne

But I mean essentially the guidance we gave was sort of—included some onetime items and sort of the underlying stuff is clean. We'll make sure everyone really understands that with our Q3 results.

Stephanie Price

Okay.

Rupert Duchesne

And also at Q3 we're going to talk a little bit more about our balance sheet, our bond maturities, and that sort of thing.

Stephanie Price

Okay.

Rupert Duchesne

Tor, our new CFO, is committed to give the market a pretty clear view of how we look at all of that.

Stephanie Price

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Right. Sure.

Q&A

Unidentified Speaker

A few years ago you mentioned that you wanted to export your expertise in so-called virgin markets.

Rupert Duchesne

Mm-hmm.

Unidentified Speaker

Referring mostly to emerging markets. What happened since you've (inaudible)?

Rupert Duchesne

Well, look, I mean, no, I would argue that it has worked out. It's worked out not in quite the direction we expected. We've—and I would say that our investment in Aeromexico's frequent flyer program, which is four-plus years in the making now, has been very successful. We transported the Aeroplan model into the Mexican environment. We own 49 percent of that program. We're getting a very good dividend on it, and its book value is substantially above the investment value.

We did the same with AirAsia where we have a minority position in their frequent flyer program. We're exporting all of the capabilities.

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We're doing this in the platform business. We've signed up major clients in traditional geographies, and we've just announced Nordstrom. Obviously that is our first major retailer and it's in North America, but we've got Avis; we've got a number of other successes around the world.

We have a significant business in Indonesia; we have private label business in India; we have a very small joint venture in China, which is really sort of a (unintelligible) and see. I wouldn't accept that we haven't been successful with exporting our capabilities. We have a very healthy business in the Middle East, which we've just re-platformed on our new loyalty platform.

But the global economy, I think, is a lot more fragile than it was three or four years ago. And I think everybody in more traditional businesses—and we are sort of an odd hybrid between a traditional and a digital business—is being a little cautious about investing in some of these markets when you see a number of them go through fairly bumpy times economically.

And we have—I think now you could argue we didn't have enough capital discipline historically. I think now we have great capital discipline, and we're not going to put money into some of these places unless we genuinely see a return. And with our—the cost of capital right now, it's got to look really good for us to make a significant investment in some of these areas.

Unidentified Speaker

But are they still virgin? Or...

Rupert Duchesne

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Look, I mean, I think there are markets with great opportunity. And whether they're more traditional markets like a Germany or France or Australia or some of the markets you'd see as major leading economies, or whether it's markets like Indonesia, China, India, there are real opportunities there. But we're not going to deploy capital and try to grow businesses there when we think that the economic headwinds globally are still not favourable.

We have private label clients in most of those countries; we have analytics clients in a number of those countries. So we're in the market, but we're in the market as a service provider as opposed to an owner, and that's a very good way to get to know a market.

Stephanie Price

On that point perhaps you could talk about Nordstrom.

Rupert Duchesne

Yeah.

Stephanie Price

Just announced the first retailer on your...

Rupert Duchesne

Yeah.

Stephanie Price

Loyalty platform. Maybe talk a bit about that platform and the opportunities there.

Rupert Duchesne

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Yeah. So if you go back to when we bought Carlson in 2009, Carlson had a number of business streams, but the most important was running loyalty programs for other people and very often providing the peripheral fulfillment services like the rewards for a retail program, which could be an iPod or a card or whatever. They did that on a bespoke basis.

So they'd sign up a new client, and they would design a loyalty program for them, and they would maintain it and run it over a number of years, but it would diverge from what they were doing from all of their other clients.

Stephanie Price

Mm-hmm.

Rupert Duchesne

So when we looked at that business in terms of how to grow it successfully, particularly internationally, we said we need a standard suite of platforms that will suit anybody. It can be for retail; it can be for frequent flyer; it can be for credit card. We need a modular program that you can adapt to anybody. You also need something that you can sell to smaller clients.

So we now have those platforms. We have an enterprise platform for the big guys like Nordstrom or Avis, and we have Software as a Service for smaller clients. And the magic about that is there's a little bit of tailoring on making them work with somebody's technology systems, but the core engine is the same globally. And we run our own Middle Eastern program on it.

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So that's the sort of the secret of the future success of that business is to have a standard engine that's updatable with a single software push globally, but serving a diversity of clients. Where Nordstrom is really interesting, it is the first retail client on that platform. And even though they're never going to be a huge client, you get 30 Nordstroms—

Stephanie Price

Mm-hmm.

Rupert Duchesne

—it starts to look a very exciting business, but they are a very sophisticated premium brand who really knows their stuff, and it's a great sales label for us. We can go into the market in Japan and say we've got one of America's leading quality retailers running on our systems; on our software; we're helping them with their loyalty strategy; we're helping them with their digital marketing. That's a great calling card.

Stephanie Price

Mm-hmm. So any other questions in the audience?

Maybe talk a bit more about the dividend.

Rupert Duchesne

Mm-hmm.

Stephanie Price

So you raised your dividend in Q1. You've been very focused on paying—

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Rupert Duchesne

Mm-hmm.

Stephanie Price

—cash flow back to shareholders. Can you talk a bit about the dividend in the context of debt repayments that are upcoming? And how you think about the dividend at this point?

Rupert Duchesne

Sure. Well, look, five or six years ago we said if you're going to be seen as a total return stock you really need to have a consistent dividend policy, and you need to be able to explain what that is, and you need to stick to it.

Stephanie Price

Mm-hmm.

Rupert Duchesne

The way we look at the dividend—and Tor as an incoming CFO when he came in in May we were just at the closing stages of developing that recommendation for the Board, so he was able to influence that—whereas we look at it not in terms of a specific payout ratio, but in terms of a payout—a range of payout of true net free cash flow before the other—servicing the debt and whatever. And the business is able to—and in our view obviously you don't do this on a one-year basis, you look at your three-year business plan—you say is an increase reasonable at this time to reflect the increase in the true underlying free cash flow of the business? And the answer is yes.

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Now is the yield extraordinarily high because of where our stock price is right now? Yes, of course, but I don't think that's the right way to look at it. The right way to look at it is this is a highly cash-generative business; what is the right amount to pay out to shareholders?

Switching to the other side of your question, we have three bond maturities coming due. There's 200 in the beginning of '17, 250 at the end of '18, 200 in '19. We have roughly \$130 million of true surplus cash on the balance sheet right now—

Stephanie Price

Mm-hmm.

Rupert Duchesne

—at the end of Q2. With the guidance we've given and our own expectations of the performance of the business, we will be sitting on enough free cash at the end of the year comfortably to repay the January maturity, if we choose to do so.

Tor's been doing a lot of work internally and with our advisors on what the right strategy there is. He said very specifically that he will talk to the market about that in November, and we will be saying then what we're going to do.

But we're very comfortable right now where we are with the balance sheet structure. We have assets that we know are going to be for sale; our investment in Cardlytics, for example. And we have a \$300 million revolver that is barely drawn. It's got some letters of credit against it, but essentially...

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Stephanie Price

Mm-hmm.

Rupert Duchesne

So we don't have an issue in my view with that, and we would hope that we would get an Air Canada deal done long before we get—

Stephanie Price

Yeah.

Rupert Duchesne

—to the end maturity on any of this debt. So I think it's the combination of uncertainty about when and how the Air Canada deal looks like with those bond maturities that people are getting excited about. But if you assume that we can comfortably pay off the January one if we choose to; got \$450 million there; we've got a business that's producing significant free cash flow and we have significant assets that we know are noncore that can fund those in a worst-case scenario, so we actually feel fine about that structure right now.

Stephanie Price

What would be the magnitude of the noncore asset sale? Is it material?

Rupert Duchesne

So—yeah....

Stephanie Price

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Or how much more is there...

Rupert Duchesne

So let me—when I was talking earlier on about smaller businesses that don't really fit...

Stephanie Price

Yeah.

Rupert Duchesne

Like enhancement services or Cardlytics UK, that's an active and current program. We announced it, what, three quarters ago...

Stephanie Price

Yeah.

Rupert Duchesne

And we're chomping through the bits that we want to get rid of or close down. The other asset—so it's not the core businesses I described—it's not the platforms or Nectar or Aeroplan—but the Cardlytics investment is a great example. That was a really good investment for us in terms of its current value versus its book value.

We grew a successful business in the UK, but merchant-funded loyalty is not something we think we should be in for the long term. So when Cardlytics is ready for a liquidity event—and I don't want to comment on the timing of that—we don't need to stay in that investment. And we'd be happy to see it sold either—

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Stephanie Price

Yes.

Rupert Duchesne

—some period post-IPO or even pre-IPO, if that's what they like. But that's a significant source of sort of free capital that we would hope to get back and can deal with some of these balance sheet issues, if for any reason we're not able to do a deal with Air Canada.

Stephanie Price

Mm-hmm. We've got time for one last question. Anything from the audience? All right. So I will—I'll leave you with a broad, open-ended last question.

Rupert Duchesne

Right.

Stephanie Price

And maybe you could talk a bit about where you see the business in sort of 5 to 10 years? And how you see the business rolling out?

Rupert Duchesne

Well, I got my hand slapped by Karen, who's in the back there, so—well, she's right at the front here—for answering that question in too detailed a fashion to one of our investors, but I pulled myself back. Look, we're investing in the core three businesses—

Stephanie Price

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Mm-hmm.

Rupert Duchesne

—and data analytics that underlies all of them.

Stephanie Price

Yeah.

Rupert Duchesne

I would expect Aeroplan to show real growth, not from the travel sector, but from the credit card sector going forward. And what you've seen in the last few quarters with TD, I think, is cementing that.

Nectar needs to sign on big new partners. We've had a number of successes over the last three or four years. We have British Gas and then eBay, et cetera.

Stephanie Price

Mm-hmm.

Rupert Duchesne

Obviously we've had the regulatory issues with British Gas, but they've just re-signed a new agreement with us to do what they're now allowed to do with the government. But we'd like to see some other big partners come into that program.

The platform and sort of Software as a Service business is growing by little increments. Each time we sign a new partner like a Nordstrom it goes—it spreads the fixed cost, and that's how

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you make money in that sort of business is by spreading the platform costs across a number of clients.

And just to go back to the gentleman's question, you don't need to take a big bet to—you don't need to deploy \$50 million of capital to start a program in somewhere like Indonesia. If you want to get into a market like that you sell two or three platforms, and you get to learn the market and then you know when the timing is right.

Stephanie Price

Mm-hmm.

Rupert Duchesne

I would like to see us launch more retail coalitions. We have that proven capability. And I would also hope there will be some further frequent flyer credit card opportunities like Mexico or AirAsia, but you can't predict when they will come. And we've looked at far more than we've chosen to pursue.

We were very heavily involved in the early days in Multiplus in Brazil, for example. But you've really got to be sure that the structure of the relationship between the airline and the loyalty company is right and that you're not goosing it either side. And those opportunities don't come up very often.

But if we see one that makes sense and we have the capacity to do it, either with ourselves or with a partner, we'll do more of that as well.

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Stephanie Price

Mm-hmm.

Rupert Duchesne

And the analytics business, particularly ISS, which is the grocery and drug store analytics, the dunnhumby proxy—for those of you who know dunnhumby—I mean that is a roaring business, and we will put capital and people into growing that business.

And as I said, in the last year we've signed Sonae in Portugal, Aeon in Japan. I mean that business is going really well, and it is very advanced data science, and it's really sort of a flagship brand for us in terms of proving our capabilities in this sort of data age that Mark was talking about at lunch. Yeah.

Stephanie Price

All right. Thank you very much.

Rupert Duchesne

Thank you.
