AIMIA INC.

FOURTH QUARTER 2016

RESULTS CONFERENCE CALL

FEBRUARY 17, 2017

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FINAL TRANSCRIPT

Aimia Inc.

Fourth Quarter and Year End Results

Event Date/Time: February 17, 2017 – 8:30 a.m. E.T.

Length: 41 minutes

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PRESENTATION

Operator

Good morning. My name is Sylvie and I will be your conference Operator today. At this time, I would like to welcome everyone to the Aimia Inc. Fourth Quarter and Year End Results conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press star, then the number one, on your telephone keypad. If you would like to withdraw your question, press the pound key. Please limit yourself to one question and one follow-up question. Thank you.

Karen Keyes, Head of Investor Relations, you may begin your conference.

Karen Keyes – Head of Investor Relations, Aimia Inc.

Thank you very much, Sylvie. Good morning to all of you attending, both on the phone and the webcast this morning. Many of you will know that in January we announced our Chief Executive, Rupert Duchesne, would be taking a four-month medical leave, and so today we have David Johnston, who has been named interim Chief Executive, to lead off the comments on the quarter, followed by Tor Lonnum, Chief Financial Officer. Steve Leonard, our Vice President and Corporate Controller, is also on the call with us today.

Before we get underway, I'd like to remind everyone to review our forward-looking statements and the cautions and risk factors pertaining to the statements. For those of you following along with us on the webcast, you should see it on the screen in front of you now. For those of you accessing the presentation which can be downloaded on the website, these can be found on Page 3 of the Q4 Highlights presentation.

I'd also like to point out the presentation refers to a number of non-GAAP metrics to help you better understand the results of the business. The definitions of these metrics and the reconciliation of these to their most comparable GAAP metric can be found on Pages 4 and 5, and a full income statement can be found on Page 6.

With that, I'll hand over to David.

David Johnston – Interim Chief Executive, Aimia Inc.

Thanks, Karen. I'll cover the overall highlights and the results of the operating businesses before handing over to Tor for the financials. Let me start with a few comments about the progress that we made during the year.

There's no doubt that the post-Brexit currency impacts made getting to the final numbers more challenging than we'd expected at the beginning of the year, but we delivered against our currency-adjusted 2016 guidance. On a constant currency basis, Aeroplan grew and Nectar returned to growth as we exited the year, and strong operational discipline across the business generated the expected margin and strong cash flow. We simplified the business, exited a number of markets, and reduced costs. Our year-end balance sheet reflects the appropriate write-downs of assets, and our debt is lower with leverage at less than 2X.

In our Coalition programs, member satisfaction remains at some of the highest levels we've seen. Aeroplan members redeemed for 1.9 million flight rewards. For the first time, some of those members were able to use a mobile app to redeem, and we also gave members the ability to use miles to pay for taxes and fees. Our focus on new partners for Nectar delivered results as we exited 2016. We announced today that we've reached an agreement for—with Mail Newspapers, owners of the U.K.'s most read daily and Sunday newspaper, to become the newest major Nectar partner, taking us into the media sector for the first time.

So, let's walk through some of the financial headlines for the year in more detail, which are in line with the preliminary results that we communicated to the market in January.

Gross billings landed towards the upper end of our previous guidance range at $2.34 billion for the full year. Growth in Aeroplan was an important element of delivering to our top line, compensating for customer transitions and currency at Nectar. Despite a lower top line was reported, gross billings down 5 percent, we've got operational leverage in the business. Operational discipline drove Adjusted EBITDA margin significantly above our guidance at 9.5 percent, ending the year at 10.4 percent. Free cash flow ended the year at $206 million, reflecting lower cost of rewards and working capital movements and decreases in both operating and capital expense.

When we reaffirmed our full-year guidance at the third quarter, we told you that delivering on the full year required a strong performance in Q4, particularly on cash, and we delivered on all the metrics, with margin and free cash flow performance well ahead of expectations. As expected, gross billings at $648 million in the quarter were below last year, mainly due to the impact of currency, client transitions, and divestitures, which offset growth in Coalitions.

Q4 margin didn't quite achieve 2015 levels, mainly due to the higher Club Premier distribution that we reminded you about last quarter, but it was strong at 10.5 percent. We delivered more than two times the free cash flow of the fourth quarter of last year at $130 million, with lower OPEX and a substantial reduction in CAPEX compared to 2015. The reversal of working capital also came in as we expected. That translated into a more than 30 percent increase in free cash flow per share, to $1.24, and continued to support a generous payout ratio—dividend payout ratio. In line with the decision made by the Board last May, we're currently paying out $0.80 per common share in dividends, representing a total payout of around $120 million in 2016. Total shareholder return was up 3 percent in 2016.

Throughout the year, we made progress in focusing the business on core assets and exiting some smaller investments. We're now in the process of exiting our investments in Travel Club Spain and China Rewards. Further, to the process that we launched in late 2015 to exit some of our larger non-core assets, we announced yesterday that we've reached an agreement to sell our U.S. Channel and Employee Loyalty business to CM Insights. We expect the sale to complete by the end of May and have moved the reporting of this business to within the Corporate and Other segment from Q4 of 2016.

The sale of the Channel and Employee Loyalty business will increase our focus, reduce our operating costs, and take our EBITDA margin above 12 percent. Channel and Employee Loyalty employees and clients will be better positioned to serve their clients under the new business owner. Our remaining presence in the U.S. will continue to address the significant white-label loyalty solutions market and retail analytics clients.

So, let's change gear now and move on to the divisional results in our core businesses. Slide 12 gives you an overview by division, each of which we'll look at in more detail, but we've included this slide as a helpful view of the numbers at a high level, along with some of the operational highlights, which we'll cover as we go through the deck.

Aeroplan accounts for the bulk of the Americas Coalition business, so let's look at Aeroplan in more detail. Gross billings at Aeroplan, including miles issued and fees, are up 1 percent, $328 million in the quarter. TD was the most significant contributor, with financial card growth up, pacing the expected purchase volume market growth. Air Canada followed a strong Q3 performance with a solid Q4, driven by capacity growth. It was also a good quarter for retail, with continued strong performance led by the successful launch at Toyota earlier in the year.

On the financial card side, strong purchase volume growth was driven by continued growth in one-month actives, fueled by acquisition activity and improving attrition trends. The fourth quarter growth in one-month actives at 7 percent was better than we had expected, with strong TD growth even despite the tough comps. CIBC modestly improved acquisitions and portfolio mix, but overall actives were down. Attrition is now closer to longer-term averages, and we have good penetration across the TD retail banking banks. As a result, we'd expect the 6 percent CAGR growth we've seen in active cards since 2013 to moderate as we go through 2017. In a maturing card base, we expect spend per card trends more closely—to more closely reflect the low growth Canadian economy.

Our relationship with Air Canada continued to deliver strong mutual benefits through the quarter. Gross billings from Air Canada were up 5 percent as we worked closely with the airline to support its competitive and operational objectives as its new capacity comes online. Our members continue to benefit from that relationship, with Aeroplan purchasing up as Air Canada capacity increased. This is the third year running since we increased the value to members with our program; the change was at the beginning of 2014. Market Fare seats generated more than $180 million in incremental annual payments to Air Canada.

Average unit cost was at 1 percent in the quarter, reverting back to more normal levels. Air Rewards represented a higher mix of total Rewards in the quarter at 78 percent.

We ended the year with a burn/earn of around 79 percent, in line with seasonal patterns, and we expect the normal pattern of high redemptions to drive a first quarter spike in burn/earn.

In International Coalitions, gross billings were up 2 percent on a constant currency basis. Within Nectar, we've given you an indication through the last few quarters of how we expect the change with bonusing campaigns to trend. The fourth quarter results were actually slightly higher than our expectations, with Nectar point issuance up 8 percent on last year, despite the declines at British Gas. British Gas gross billings were down $5 million over last year, and overall for the year the decrease in British Gas gross billings was over $30 million. Some of the loyalty units declined, compensated by billings for non-points activity as we transition to a new model there.

Gross billings from Homebase declined in Q4 ahead of its planned exit from Nectar in January of this year as the Company transitioned to new ownership. Outside of Nectar U.K., our Data Analytics business grew, but was offset by declines due to the wind-down of Nectar Italia.

Global Loyalty Solutions gross billings were down 4 percent in Q4. For the year, the continued transition out of our Rewards fulfillment contract with a U.K. Reward client had a gross billings impact of more than $20 million in the GLS business and contributed the bulk of the Adjusted EBITDA decline compared to 2015. Around $10 million of that impact was felt in the fourth quarter, but outside this impact we saw stable gross billings and improving Adjusted EBITDA. The market for Loyalty Solutions remains a large one, and we're seeing some traction with significant clients signing up to work with us. We finished the year with around 15 percent of the business accounted for by Platform Solutions and five new clients on the Aimia Loyalty platform.

While we've been transforming this business to a higher-margin, platform-based revenue, that shift won't happen in the short term. In recognition of the time horizon to achieve profitability here, we're taking some impairments related to this business at the end of 2016. We recognize that there's much to do here and have confidence in the market-leading products and strong team that we have built.

So, let me hand you over to Tor now to cover the underpinnings of the 2016 margin and how we expect to deliver improvements in Adjusted EBITDA and free cash flow in 2017.

Tor Lonnum – Chief Financial Officer, Aimia Inc.

Thanks, David. The move of the non-core assets we have sold into the Corporate and Other segment means we have gross billings assigned to this segment on the bridges for the first time. We will continue to report movements in Corporate through our exit of the U.S. CEL business later this year.

David has already covered the drivers of gross billings in each of the divisions, so let me move straight to the Adjusted EBITDA. Our focus on operational efficiencies, which I'll come on to shortly, and the higher Aeroplan gross margin drove a higher Adjusted EBITDA margin in the quarter at 10 percent, an increase of 80 basis points over the prior year period on a reported basis. We also had elevated Nectar marketing expenses this time last year which did not recur in the fourth quarter of this year. Within the quarter's Adjusted EBITDA numbers was a lower Club Premier distribution in the Corporate division compared to last year when we had an exceptional distribution of around $10 million which related to surplus cash accumulated ahead of the partner contract renewals. The 2016 distribution of around $18 million CAD is a more normal level to expect on a recurring basis, absent any currency movements.

Twenty-sixteen reflected another strong year at Club Premier on the back of its new contract with Santander and its contract renewals with AMEX and Aeromexico. New card acquisitions by Santander drove a 15 percent increase in members enrolled, propelling gross billings up 10 percent. Adjusted EBITDA margin ended the year at a very healthy 25 percent.

Moving now to progress on operating expenses on Slide 24. One of the things we worked hard on this year was reducing OPEX, and our success meant that we advanced some of the savings we had expected this year into 2016. In the quarter, underlying OPEX was down $25 million, or 12 percent. Operational efficiencies, along with the timing of marketing expenses and the exits of Nectar Italia and LATAM since 2015 contributed to a significant reduction in both the Americas and International Coalition businesses in the fourth quarter. Looking at it on a full-year basis, we delivered over $20 million due to operational efficiencies which were initially planned for 2017, as we advanced some reductions around real estate and corporate costs and focused our marketing efforts. This was somewhat offset by $10 million in additional costs that we transitioned to IT services support under our contract with HP. Strategic choices around the exits of Italy, LATAM, and the Enhancement Services businesses, as well as our decision not to pursue a U.S. coalition also contributed, as did lower severance costs.

The number of full-time employees across the business was down 7 percent in 2016, a little—to a little under 2,900. This includes, at this point in time, around 500 FTEs in the U.S. CEL business. As we exit the U.S. CEL business, the operating expense run rate will go down further. You can see from the split between the total and the core business on the chart that around $30 million of OPEX is associated with that business on a quarterly basis. While we have not set new external targets for 2017, there remain opportunities to cut costs, and you should expect ongoing simplification of the cost structure to drive better procurement, property, and corporate overhead savings in 2017.

The lower OPEX tracked through free cash flow, as did lower CAPEX. From a seasonality perspective, fourth quarter tends to be our highest free cash flow generation, and this was demonstrated again in 2016.

Our working capital reversed, as expected, as we collected some of the cash following on from the strong gross billings we saw at the end of September. We saw a positive contribution of cash from working capital in the U.S. CEL business at the end of the year, which will unwind with the sale completion, as well as some advanced payments from Sainsbury's related to a campaign in the fourth quarter.

Our focus on delivering improving returns is driving capital efficiencies in the business. As you can see from this slide, capital spending on an annual basis has tracked significantly lower than prior years. CAPEX ended the year $26 million lower than last year, with a $10 million reduction in Q4. As we look to 2017, we expect that CAPEX will come down further from 2016. The bulk of the CAPEX shift to our two largest positions, Americas and International. Within that, we would expect data monetization and 1:1 marketing to be areas of focus as we seek increasingly innovative ways to engage customers.

Free cash flow ended the year at $234 million on a reported basis, but this also included a few one-offs in our free cash flow number that are broken out for you on the slide. The early redemption of the 2017 maturities saw the payment of a $7 million interest payment which was not in our guidance. We also had the $50 million tax refund earlier in the year and $16 million in severance payments. On the same basis as our guidance, which is excluding one-off items, free cash flow of $206 million represented a cash conversion of 88 percent.

We have already spoken to the impairment charges taken in the quarter mainly related to the U.S. businesses and certain software assets in the Global Loyalty Solutions business and Global Products. These totaled around $66 million. Long-term investments and equity accounted investments totalled around $450 million at the end of 2016, with the biggest components being our investments in Club Premier and Cardlytics. The net movement for the year was a reduction of around $50 million. This mainly related to Cardlytics, where we reduced the value by $47 million based on evaluation using financial indicators for similar type of companies. We also took a write-down with respect to China Rewards, where you will recall we had made a small investment to test the market with some partners. The business did not meet our return expectations.

Last quarter, I spent time talking through the optimal financing structure for the business and announced the redemption of the January 2017 maturity, which took place in early December. Having paid down that $200 million maturity, we now have $450 million of debt, which reduces our interest servicing charges on an annual basis by $14 million. The strong cash collection meant we also had more than $100 million of surplus cash at the end of 2016, so let's move on to the shape of the business we'll have as we go through 2017.

With our announcement of the sale of the U.S. Channel and Employee Loyalty business, we'll speak to the base of the core assets we had at the end of 2016 during the transition. The core represented around $2.17 billion of gross billings in 2016. We have also adjusted the base by about $30 million to account for a gross-to-net revenue adjustment in the Canadian Rewards business, as we did in the U.S. business in 2014, which more appropriately reflects the nature of that revenue stream. When you exclude the U.S. Channel and Employee business, you'll see that the underlying margin for the core business was around 11.2 percent at the end of 2016, or significantly above the 10.4 percent we reported. It is a healthy and more focused base on which to drive margin and free cash flow.

So, coming on to our guidance for 2017. Against a reframed core business which had approximately $2.14 billion of gross billings and 11.2 percent margin in 2016, we expect gross billings to be broadly stable. While some of the cost savings we had expected to deliver in 2017 have been advanced into 2016, we continue to expect the benefits of operational discipline as we come through the year to drive an improvement in Adjusted EBITDA margin to around 12 percent. Free cash flow is expected to land over $220 million. As always, we expect significant cash outflows in the first quarter, which is typically a stronger quarter for Aeroplan member redemptions.

As we look to 2017, we expect to see a similar overall phasing of gross billings as in 2016, but Q1 will be weaker. Most of the variability will once again come from known factors in the U.K. which will impact International Coalitions' gross billings. Overall, we expect a solid performance at Sainsbury's, but on the back of a strong Q4 in 2016, we may see softer issuance in Q1 than last year. Seasonal bonusing will again be strongest in the fourth quarter. It remains difficult to be sure what Brexit will mean for currency and inflation, but a 1.90-pound sterling to Canadian currency translation rate in the first half of 2016 would mean an impact of around $30 million in the first two quarters if rates stay where they are today.

The exits of Homebase and Cardlytics U.K. will also weigh on Q1. There will be cycling around $25 million of impact there, but we will start seeing the Mail Newspapers counter the Homebase impact from the end of Q2. In Global Loyalty Solutions, we will also have one more quarter of impact from the RBS contract we have cycled through this year, and this will continue to be a business in transition as more mature contracts get renegotiated.

Finally, in Americas Coalitions, low-single-digit growth at Aeroplan is expected to be more aligned to growth in consumer spend as financial card acquisitions and retail partner additions slow a strong 2016.

Our plan for 2017 is based on the same principles that we had successfully implemented in 2016, a simpler, more focused business with important investments being made in our core businesses. Our plan for the year will deliver a stable top line with improving margin and cash flows, and our focus remains on executing against that plan to deliver improvements that translate to real shareholder returns and improving investor confidence. We expect to demonstrate how we will measure that as we come through the year.

With that, I'll turn it over to the Operator for questions.

Q & A

Operator

At this time, I would like to remind everyone in order to ask a question, press star, then the number one, on your telephone keypad. We request that you would please limit yourself to one question and one follow-up question. You may, however, rejoin the queue if you do have another question. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from the line of Kenric Tyghe of Raymond James. Please go ahead.

Kenric Tyghe – Analyst, Raymond James

Thank you and good morning. If I could just focus on your guidance, specifically the increased EBITDA margin, just to be clear, does the increase reflect the full-year cycling of the cost reductions and the divestiture of the lower-margin business and not any impact to your value proposition of your Rewards or other? Is that a correct reading or characterization of the change from being roughly a 10 percent EBITDA margin business to the guided 12 percent in 2017?

Tor Lonnum – Chief Financial Officer, Aimia Inc.

Yes, I mean, the short answer is yes. The slightly longer answer is if you look at the numbers, the reported number was around 10.4 percent margin. But then there is about 80 bps improvement related to both the change that I mentioned in terms of going from gross to net, but also the divestiture of the U.S. CEL business. Then, the remaining improvement in terms of margin is expected primarily to be driven by operational efficiencies, but also, to a certain extent, by margin improvement.

Kenric Tyghe – Analyst, Raymond James

Great, thank you. Then, if I can just switch gears, perhaps one for David quickly, with respect to your gross billings guide, I'm curious in terms of Aeroplan what's being assumed there in terms of your card partners and your card partner growth. Certainly, any colour you can provide there with respect to the Aeroplan growth and Aeroplan assumptions that you're building in there, just looking at what one would expect to be coming out of the Canadian economy and coming out of your Visa portfolio, in particular.

David Johnston – Interim Chief Executive, Aimia Inc.

Yes, I mean, overall for 2017 I think we'd say that financial card growth will moderate as the active card space starts to mature. We're expecting relatively low growth in the Canadian economy, and we think that will drive modest increases in card spend. We've also seen some Air Canada capacity increases in 2016, and some of that will flow through into 2017. Then, on the retail side, we'll start to come up against a little bit tougher comps as we launch the very—as we lap the very successful launch from Toyota this year. So, I think the key takeaway of all of that is that we would expect card growth to more closely correlate consumer spend growth in Canada through this year.

Kenric Tyghe – Analyst, Raymond James

Thank you.

Operator

Your next question comes from the line of Brian Morrison of TD Securities. Please go ahead.

Brian Morrison – Analyst, TD Securities

Good morning. A question, David. Redemption patterns at Aeroplan, they were seasonally normal, but they were a little different year-over-year as actual miles redeemed decline. You had a mix away from non-air that's typically seasonally strong. So, the question is, looking forward to 2017, as you just mentioned, gross billings should grow at Aeroplan. Clearly, redemptions are a lever you can manage, so can you discuss directionally how you see the burn/earn evolve from 85.8 percent this year, and any change in the potential redemption mix that could impact the cost per mile relative to the $1.015 this year?

David Johnston – Interim Chief Executive, Aimia Inc.

Yes, I mean, first of all, we don't guide on burn/earn, so I wouldn't want to comment on future trends in burn/earn. From a cost per mile point of view, I think there will be--so we can expect some more cashless redemption in 2017. From a unit cost point of view, I think our expectation is that unit costs remain largely in line with where we are in 2016.

Brian Morrison – Analyst, TD Securities

Okay, so a follow-up question, then. I just want to make sure—this question is for Tor. Slide 25 and 26, I think I'm understanding you correctly. What you're saying here is you had a $30 million reduction in core operating expenses this year. Some of that's been pulled forward from the 2017 anticipated savings. So, assuming that's correct, can you just break down, of the $22 million cost reduction in International, can you divide that into the three buckets, which I think are Nectar Italia, the timing of marketing spend, and FX?

Tor Lonnum – Chief Financial Officer, Aimia Inc.

So, in terms of the FX in Q4, it represents roughly about $5 million. Then, in terms of Nectar Italia, that represents, roughly $5 million; and then you have kind of the rest.

Brian Morrison – Analyst, TD Securities

Sorry, that's on an annual or a quarterly basis?

Tor Lonnum – Chief Financial Officer, Aimia Inc.

It's on a quarterly basis.

Brian Morrison – Analyst, TD Securities

Do you have it on an annual?

Tor Lonnum – Chief Financial Officer, Aimia Inc.

On an annual basis, I would probably have to get back to you. But just roughly, in terms of currency movement, that would be... Give me a second and I'll get back to you.

Brian Morrison – Analyst, TD Securities

Okay, that's fine. Thank you.

Operator

Your next question comes from the line of Tim Casey of BMO. Please go ahead.

Tim Casey – Analyst, BMO Capital Markets

Thanks. With respect to your guidance on the free cash flow of $220 million or better, what—are there additional charges not included in that? I thought the way it was expressed in the note perhaps there's severance charges and other items there. Could you just clarify anything beyond operating items that we should think about with respect to free cash flow in '17? Thanks.

Tor Lonnum – Chief Financial Officer, Aimia Inc.

Yes, so in terms of free cash flow, the way to look at it is that on a recurring basis $206 million of free cash flow. Then, you have the interest rate payments related to the $200 million that was matured, and that's kind of roughly how you get to the $220 million, but it's all excluding severance.

Tim Casey – Analyst, BMO Capital Markets

How big do you expect those to be, Tor, order of magnitude?

Tor Lonnum – Chief Financial Officer, Aimia Inc.

We don't really have any expectations in terms of severance. I mean, at the end of the day, that's really linked to what are the OPEX savings potential in the business, and that's really why we try to guide excluding the severance payments.

Tim Casey – Analyst, BMO Capital Markets

So, OPEX will offset severance payments, or there will be severance payments in addition?

Tor Lonnum – Chief Financial Officer, Aimia Inc.

No, what I'm saying is that, you know, in terms of potential OPEX savings, that could create severance payments.

Tim Casey – Analyst, BMO Capital Markets

Okay, thanks.

Operator

Again, if you would like to ask a question, press star, then the number one, on your telephone keypad.

Your next question comes from the line of Drew McReynolds of RBC Capital Markets. Please go ahead.

Drew McReynolds – Analyst, RBC Capital Markets

Yes, thanks very much. David, just for you, kind of a big picture question. So, we've seen the transition of non-core asset sales cost savings in the International footprint. I just want to get an update from you as to where the focus really is internationally. Clearly, you've got some core programs with respect to Mexico and the U.K. I still don't fully understand the Global Loyalty Solutions strategy, frankly, but just trying to get a sense of, you know, how all this now ties together and maybe, what kind of lens are you looking through in terms of identifying what's non-core versus core. Thank you.

David Johnston – Interim Chief Executive, Aimia Inc.

Okay, so first of all, from an International strategy point of view, the International Coalitions division primarily anchored around the Nectar program in the U.K. and the Air Miles business in the Middle East. The focus with Nectar, first of all, adding new partners—we're delighted to announce Daily Mail today; that's an important addition to the program—as well as improving the product to improve issuance by adding new cardholders and having members use their cards more. You've seen that Nectar in the U.K. is still a very active marketing tool for our key partners, and you saw in the results today just how actively Sainsbury's, as an example, used bonus points in Q4, and working with the partners of this kind of campaign in 2017. That remains a big focus of the team there.

So, summary for Nectar, and that's broadly the same thing for the Middle East program, it's about continuing momentum both in adding partners and improving the member experience to drive issuance.

On the GLS business, I mean, it's probably a longer conversation for another day, but I would summarize where we are right now is this. What we're selling in GLS is technology platforms with wrap-around services, technology platforms in loyalty, campaign management, and customer analytics, and the wrap-around services that help clients like Optus, like Nordstrom, and others, use our services to run their own market-leading loyalty programs. We see some real edge and success in that strategy. We know we can win in the marketplace with our technology. We know that we win, we win at sustainable margins, and we see ourselves being able to grow with new clients, as well as expand our service base with existing clients. Obviously, as we've said, the path to profitability in that business is a little bit further away, but we think we do now have a winning strategy. We've seen some validation from that, not just from the business that we've won, but I think we've referred in earlier calls to think about the Forrester report in the U.S. where the market's recognizing that we've got an advantaged product set.

Drew McReynolds – Analyst, RBC Capital Markets

Just as a follow-up, David, can you just comment on kind of where Mexico fits in? Also, just in terms of accumulation formula at Nectar, the new one, can you just comment on—we've seen the numbers in terms of kind of the year-over-year growth in gross billings and, obviously, pretty successful in Q4. But just more broadly, my understanding, it was put in there to really differentiate the program within the market, incentivize different behaviours given the data that you can mine on the program now sophisticated it all is. I just haven't heard kind of an update as to whether that's all kind of working as planned. Thank you.

David Johnston – Interim Chief Executive, Aimia Inc.

Sure. I mean, look, on Club Premier we're very happy with that business. It's yielding a good dividend stream for us and we continue to work with our partners down there to help them—to transfer some of the IP that we've built in our Canadian business and help them grow out, both in terms of their airline relationship, as well as their relationship with financial card partners. So, that remains a very good business for us and a very good partnership.

On Nectar in the U.K., I think you alluded to the move of Sainsbury's from effectively a higher-base scheme to a mix of base and bonus. Look, I think my view on that remains where it was when we did it, which is I think it's a very—I think it's strategically a smart move. What it does is it enables Sainsbury's to use bonus points as a more sort of active and engaged marketing tool which is sometimes a risk with loyalty programs, that they can become a little bit passive. The focus on bonus points means they can use Nectar much more aggressively to meet their immediate promotional objectives in a quarter and the lead-up to Christmas, as we've seen. So, I think that's good and I think it works well for members, because in the end what it does is it has the effect of channeling more points to more engaged members, which is good for the scheme.

The challenge it gives us is it makes the program a little bit more volatile from issuance point of view, a little bit more difficult to forecast. You've been through some of that with us over the last few quarters. But overall, I think it's good for members, which in the end means I think it's good for the business.

Drew McReynolds – Analyst, RBC Capital Markets

Thank you very much.

Operator

Again, to ask a question, that's star, followed by the number one, on your telephone keypad.

Tor Lonnum – Chief Financial Officer, Aimia Inc.

So, if there are no other questions, I'll just go back to Brian's question about the OPEX. I'm just looking at the full year. If you look at the savings overall full year, on a constant currency basis, it's down about $37 million. Of that $37 million, $20 million is related to sale of Cardlytics, sale of Enhancement Services related to Italy, and then the rest is other operational savings. Keep in mind that we had also some enhanced IT costs that I mentioned when I went through the deck of about $10 million.

I think I'd like to highlight that, in my mind it's an important part of streamlining and simplifying the business and thus taking out costs that we had made those savings. I think that's also important to remember when you look at the 2017 guidance in terms of the CEL business, which at this point in time represented—or if you look at sort of 2016, represented about $30 million of OPEX on a quarterly basis. As I also said when I went through it, it represents about 500 employees. So, clearly, the sale of that business will reduce the number of employees and the number—and the OPEX significantly.

David Johnston – Interim Chief Executive, Aimia Inc.

Okay, thank you, Tor. So, I'll just make a couple of closing comments. First of all, thank you to everyone for making time to join us on the call today. We've seen a strong fourth quarter performance, which has enabled us to deliver against our 2016 currency-adjusted guidance. We provided 2017 guidance, which I think reflects a more focused, higher-margin core business. We've simplified and focused the business with a lower operating run rate, and we enter the year with a healthy balance sheet.

So, with that, thank you and we'll close the call.

Operator

This concludes today's conference call. You may now disconnect.