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**AIMIA INC.**
**FIRST QUARTER 2015**
**RESULTS CONFERENCE CALL**
**MAY 15, 2015**

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In particular, this document contains certain forward-looking statements with respect to certain financial metrics in 2015. Aimia made a number of general economic and market assumptions in making these statements, including assumptions regarding currencies, the performance of the economies in which the Corporation operates and market competition and tax laws applicable to the Corporation's operations. The Corporation also made certain assumptions with respect to the financial impact of the outcome of its ongoing negotiations with each of TD and CIBC in relation to the Aeroplan financial card agreements as a result of changes to credit card interchange rates implemented as of April 30, 2015. The Corporation cautions that the assumptions used to make these statements with respect to 2015, although reasonable at the time they were made, may prove to be incorrect or inaccurate. In addition, these statements do 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 transactions that may be announced or that may occur after May 15, 2015. 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 present known risks affecting our business. Accordingly, our actual results could differ materially from the statements made in this document.

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# FINAL TRANSCRIPT

**Aimia Inc.**

**First Quarter 2015 Results**

**Event Date/Time: May 15, 2015 - 9:00 a.m. E.T.**

**Length: 63 minutes**

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## PRESENTATION

**Operator**

Good morning, ladies and gentlemen. My name is Aaron and I'll be your Operator today.

At this time, I would like to welcome everyone to the Aimia Inc. First Quarter Results Conference

Call. At this time, all lines have been placed on mute to prevent any background noise. After the speakers' remarks, we will have a question-and-answer session. Instructions will be given to you at that time for how to queue up for questions.

Now, I'd like to turn the call over to Ms. Angela McMonagle, Head of Investor Relations. Ms. McMonagle, you may begin your call.

**Angela McMonagle** – Investor Relations Officer, Aimia Inc.

Thank you, Operator. Good morning to all of you on the phone and attending via webcast this morning. On the call today we have Rupert Duchesne, Aimia's Group Chief Executive; David Adams, EVP and Chief Financial Officer; Steve Leonard, VP and Corporate Controller; and Tom Tran from the Investor Relations team.

We'll start off this morning with some highlights from Rupert, followed by Dave who will provide a review of the financials.

Just before we get underway, I'd like to remind everyone to review our forward-looking statements and the cautions and risk factors pertaining to these statements. These can be found on Page 3 of our First Quarter Results Highlights presentation, which is available on our website.

With that, I'll hand the call over to Rupert.

**Rupert Duchesne** – Group Chief Executive, Aimia Inc.

Thanks, Angela. So, thank you everybody for joining us today. We're going to handle today's call much as we did in Q4. I'm going to provide some thoughts about how the year's going so far, starting with an update on the evolution of Aeroplan, and then Nectar UK and Air

Miles in the Middle East, and then I'll turn to our global strategy and the role that our new agreement with HP played in that.

We spoke to many of you over the course of the last quarter and you've asked some really good questions about our global growth strategy and tied that to our capital allocation philosophy. So, I'll spend some time on that too, before I hand over to Dave, who'll then take you through the first quarter numbers, region by region.

We've had a good start to the year, had a growth of almost 60 percent in Adjusted EBITDA when you exclude the one-time hundred million dollar contribution from TD in the same quarter last year. We've had positive free cash flow in the quarter, when typically actually we'd expect to be cash flow negative, because of the Aeroplan business in Canada. Thirdly, we had an Adjusted EBITDA margin of 8.8 percent, which is really in line with our guidance for the year of 9 percent. All told, this first quarter sets us well for the balance of the year, barring of course any significant changes in the macroeconomic factors.

So, starting with Aeroplan. Last quarter, I talked about the excellent launch year for the new Aeroplan card partnerships, which in many ways exceeded our expectations. With the launch activity settled down through the first two quarters of this year, we'll get a sense of what the new normal will look like, and from the early signs, we continue to be encouraged.

We're seeing growth where we expected and the underlying trends are moving in the right direction, which is reflected in the Adjusted EBITDA and the free cash flow performance. The higher member engagement and the higher active card base that we're seeing were both key goals for the changes we made. So we feel good about that.

We're getting a clearer picture of the new steady states for TD, CIBC, and Amex, with the easing of aggressive fee-waiver activity to attract new cardholders, and as those cardholders who renew their cards start to fully engage in the program. The trajectory of the financial card partnerships is strong, although we do recognize that the number of one-time items associated with the launch year makes it a little bit complicated to understand.

Early trends in new card acquisitions, the continued improvement in cardholder spend levels and the overall improvement in card mix, signal the beginnings of a long-term value emerging from the program investment that we made last year. We continue to expect that the steady state of new card acquisitions will land well above the average we experienced from 2010 to 2013, before those new card relationships were launched.

The financial card partnerships have and will be a primary focus with the Aeroplan portfolio of activities. That said, the program transformation is broader than those arrangements alone, and we continue to evolve Aeroplan against a strategic plan for customer-centric growth.

So for example, the launch of Distinction in 2014 was the first part of a new product and program roadmap, but there's still more to come. We're already seeing positive signs of their success. Membership in Distinction has grown 25 percent, year-over-year. Our Distinction members are more engaged, frequenting 2.5 times more partners than non-Distinction members. Of those who are Distinction members, more than 85 percent hold an Aeroplan-affiliated financial card.

Members are finding great value in Market Fare Flight Rewards. Rewards issued in the first quarter were 250 percent higher than the first quarter of 2013, two years ago, under the old Classic Plus offering.

We've now turned our focus to supporting member comprehension. Simply put, the more our members understand what Aeroplan can do for them, the more engaged they'll be in the program, and this is a key priority. While we see strong results in things like awareness of tiers and the benefits of achieving tier status and Distinction, we can do more. There's a critical connection between program comprehension and top line growth, which is obviously driven by the accumulation of miles.

The third part of that growth plan is to deliver an exceptional member experience. So in 2015 and beyond, we're upgrading the platform we use to manage redemptions, we're investing in key areas of the redemption experience to make it easier and more engaging, and we're helping members earn faster by making it easier for them to find opportunities to do so.

We embarked on this transformative process because we recognized that to be successful in the Canadian market, we needed to be the leader, but the engagement in our program had been slipping. Engagement is the life-blood of a loyalty program. So we took some immediate steps last year. We removed our seven-year expiry policy for miles, and we've materially changed our targeted Breakage rate.

While profitable, protracted high rates of Breakage are a sign that members are not getting value from the program, which ultimately leads to decreased active participation. Our goal is exactly the opposite. We continue to improve our program so that members have a terrific end-to-end experience. Our data tells us that a successful redemption motivates people to find even more ways to earn, and earn faster. The combination of our new card partnerships and program initiatives will create self-perpetuating momentum for miles accumulation through spend concentration, and increase multi-partner earning and a new approach to redemptions. This is the path to long-term program value. We made a significant financial investment to set a course to that value and we're committed to demonstrating the beneficial returns as the program evolves and matures.

Our partnership with Air Canada is both a key ingredient to and beneficiary of this momentum. Flights are by far the largest reward that members redeem for and the Market Fare Flight Reward offering has made it easier to redeem miles by making every seat available to members. This in turn is making Air Canada seats more competitive with the attractive pricing helping to boost the airline's market share in the particularly important and highly contested area of leisure travel.

When we signed the new credit card agreement and launched the Distinction program, we did so on the basis of a 10-year horizon. Just over a year into that, we're thrilled by the results we've seen, all of which points to a strategy and investments that are performing in line with our expectations.

Now while Aeroplan remains without doubt our flagship business, our EMEA business continues to generate meaningful returns, and of course, diversifies our income and our risk. First quarter Adjusted EBITDA for EMEA excluding, of course, the global product development costs, totalled $21.1 million and for 2014 totalled $17.6 million, a significant increase year-on-year.

Our Nectar UK coalition program delivered a great quarter, particularly given the continued weakness in the overall grocery sector. Sainsbury's continues to use Nectar points as a tool in this highly competitive market. During Sainsbury's latest trading report, their CEO Mike Coupe pointed again to the strategic value of the Nectar program in helping them to drive engagement with high-value customers, and stay ahead of the competition.

Even before the changes to the point structure that took effect April 11, we saw Sainsbury's increasing its bonusing activity, an encouraging start with the new strategy. That said, it's still a challenging environment, with one report showing overall UK supermarket revenue growth of just 0.2 percent from February to April. We expect the profile of point issuance will fluctuate more from month-to-month, as it will be tied to the various promotions that Sainsbury's undertakes in keeping with the new point structure.

We remain confident that by the end of the year though, the aggregate points' issuance, which has a contractually protected minimum, will be roughly in line with previous years. Notwithstanding the challenges in the early years post the LMG acquisition as we navigated the global financial crisis, the European business has and is making good returns and will be an important engine of growth and diversification for the Company.

Our Air Miles Middle East program had a good quarter with improved engagement demonstrated by increases in both accumulations and redemptions. Like with Aeroplan, increasing program engagement was a key criterion for our new agreement with HSBC, and the strategy's success is starting to show. We also had a great launch from our team in the Middle East for the new Smart Button client, Air Arabia. The launch video for Air Arabia's new program, Air Rewards has been seen more than 1.4 million times on YouTube.

Now on the call last quarter, I spent a fair amount of time providing an update on our global strategy. I continue to feel good about the progress we're making against that plan. Our Aeroplan Program evolution, progress in sales of our proprietary loyalty offerings, including several new sales of Smart Button in the last quarter, and the performance of Nectar in an incredibly difficult market, all give me reason to be excited about what's to come.

In the same time, we maintain a critical lens on all our business lines and investments, to ensure we deliver the profitable growth that both we and our Shareholders expect. One piece of the strategy that we did not talk about much last quarter is the attention we've been putting in to take advantage of our global footprint, defined economies of scale, and operating leverage.

As we look to the business we're building for tomorrow, we've made changes organizationally to drive stronger focus and execution, such as the integration of our proprietary and coalition businesses in Canada here last year and the lighter, more nimble business unit structure we implanted in the fourth quarter in the United States. We're also executing on changes in our operations to allow us to scale quickly while managing and ultimately reducing costs.

The new agreement with HP that was announced yesterday is a great example. To-date, as we've grown through acquisition, we've met our information technology needs through a combination of primarily in-house support, and partnership. We see clear advantage in outsourcing aspects of IT such as our global infrastructure footprint to a global provider. We will be able to leverage industry best practice and benefit from HP's significant investment in areas such as digital technologies and data security, which reduces our cost of innovation and risk management. On the application side, working with HP allows us to flexibly scale up and down quickly wherever in the world support is needed.

This allows the Aimia staff to have greater focus on delivering our core business and innovation to remain the global loyalty leader. The agreement with HP allows us to focus on the things that we are each best at. Now this is just the first step towards aggressively addressing our operating infrastructure and costs to take advantage of our scale and improve our operating leverage.

The philosophy of focusing on what we do best will continue. We have unique expertise and our strategy is rooted in exploiting that internationally. Our recent partnership with Air New Zealand to buy 11Ants Analytics and collaborate in retail and travel analytics is the latest example of our global strategy at play. We have unparalleled experience in the airlines and travel loyalty industry and the opportunity to work together with an innovative partner of the calibre of Air New Zealand, is not only a testament to what we have to offer, but also the opportunity that still exists to further exploit our knowledge internationally.

In some cases, we've expanded through partnerships and small investments such as this. In other cases, we've made more significant acquisitions or investments. In all cases, we evaluate investment opportunities based on how they will help us further our global strategy and the returns that they will make. In some cases, we bring our expertise to the partnership which makes the offering stronger, as with Club Premier. In other cases, the relationship cements access to their intellectual capital, as is the case with Cardlytics. In this case, we secured long-term global rights to the Cardlytics offering, which has already proven successful as we see strong traction in the UK market, and a great deal of interest elsewhere.

Now, time will tell obviously, whether remaining private or going public is the best strategy for Cardlytics and that is their choice. But, regardless of that, we're very pleased with the benefits of our investment and the commercial opportunities that generates for us.

Across Aimia, we regularly review our business operations to understand what has the best prospects for revenue and margin growth, and therefore merit capital investment versus those that do not, and so require serious scrutiny. It is also true of the minority investments that we make, and in both cases, we're committed to exit those investments or business lines where the prospects have irreversible changed or that no longer fit with our long-term core business strategy, so that we are focused on the businesses with the best long-term returns.

Over the last few years, we had been accumulating cash on our balance sheet, both to buttress against past uncertainty of the credit card transition, as well as to potentially make another large acquisition that would leverage the high-quality customer data that we own and manage around the world. But as we've looked at different options over the last year, we found out that with valuations where they are, there was no opportunity that would be sufficiently accretive and aligned to our strategy to warrant the expenditure.

So, beginning in November last year, we started to draw down on that liquidity and have been aggressively delivering that cash back to Shareholders. Our capital allocation strategy has always been based on the finding an appropriate balance between reinvesting our free cash flow in building Aimia and return to Shareholders. In keeping with that, we increased our dividend 5.6 percent, to $0.19 per quarter, and we renewed our normal course issuer bid for another year.

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The increase in our dividend, which now provides a 60 percent payout ratio, is the fifth consecutive annual dividend increase. Since converting from an income fund, we have paid out $870 million in dividends to our Shareholders and at current prices, our dividend yield is a healthy 5.3 percent, and that is substantially higher than the 1.9 percent average of the TSX's Consumer Discretionary Index, and frankly, actually ranks Aimia second in that group.

We've also returned almost $500 million to Shareholders through share buybacks since 2008, including $146 million in just the last six months alone. With the renewal of the NCIB, we remain committed to aggressively buying back shares, subject of course to market conditions, our share price performance, and our surplus free cash.

Our capital allocation strategy is designed to strike an appropriate balance between investing in growth organically, acquisitions and investments, buybacks, and dividends that both positions Aimia for long-term growth and provide Shareholders with an attractive total return. Our share price is not where we think it should be, but I'm very confident that what we have in place sets us on a path to growth and improved Shareholder returns. Since 2008, Aimia has generated $1.7 billion of free cash flow. We have returned 82 percent of that or nearly $1.4 billion to our Shareholders.

Twenty years ago, there was no loyalty industry, just a few airline-owned frequent flyer programs that were trying to encourage their customers to fly more. We've come a long way from that today. The power of loyalty programs are within reach of an entirely different scope of companies and we continue to build for the long term, to help partners fully exploit the power of data-driven marketing and loyalty analytics.

Now, let's turn it over to Dave, to take you more closely through the numbers. Dave.

**David Adams** – Executive Vice President and Chief Financial Officer, Aimia Inc.

Thanks, Rupert, and good morning everyone. Overall, we're pleased with the strengthening we saw in Adjusted EBITDA and free cash flow in the quarter, and the improvements of business operations in all regions. Gross Billings reflected continued strong performance in Canada and the UK, which is not immediately obvious, given the highly successful launch of Distinction in the prior period, and the continuing deflationary grocery environment in the UK.

Let me run through some of the details. Starting with the overall highlights and excluding the hundred million dollar contribution by TD in the first quarter of last year, Gross Billings were $595.2 million in the quarter, a decline of $22 million, or 3.6 percent, half of which was due to a change in accounting treatment from gross to net. Adjusted EBITDA was $52.1 million, an increase of $19.5 million, or almost 60 percent. Free cash flow before dividends totalled $5.2 million in the quarter, an improvement of $45 million, compared to the prior period.

Now looking at it by region, starting with Canada. Considering the strong comps for Gross Billings given the significant promotional activity we had in the Distinction launch last year, Gross Billings decreased by 1.5 percent in the quarter, with Aeroplan essentially flat, and other Gross Billings down due to the anticipated loss of business and reduced activity in our proprietary loyalty segment.

At Aeroplan, increases by Air Canada and in the financial sector were offset by decreases in the retail and other sectors. Given the different structure of the Card portfolios at TD, CIBC, and American Express, it is appropriate to look at their performance separately.

The uncertainty of the impact of Interchange created an overall slowdown in market acquisition activity; however, we expect to see renewed marketing efforts in the coming months. We saw strong growth in purchase volume in the TD portfolio in the quarter, largely as a result of growth in the active card base compared to last year. We also saw continued improvement in spend levels both in the new card cohort and the conveyed base.

While new card acquisitions fell relative to the unprecedented levels in the first quarter last year, we still expect a run rate for the full year that's higher than historical levels prior to the launch of Distinction, and the new financial card partner agreement. Performance by CIBC continues to be in line with our expectations with excellent spend quality and spend levels have increased among both the retained segment and new cardholders. Although overall purchase volumes declined in the quarter, given the mass marketing restrictions, acquisition levels are settling into a new normal and so far this year, have not reached the level to fully offset the natural attrition within the portfolio.

The American Express portfolio performance in the quarter was below the prior period, due to promotional programs that Amex ran and funded, that did not recur this year. American Express was very active in its marketing programs last year during the period of competitive marketing activity and the launch of Distinction.

Membership rewards conversion volumes in the first quarter of this year continued to deliver healthy growth from both Canadian and US markets. Miles issued in the quarter decreased 10 percent, with almost 80 percent of the decrease due to the large number of Welcome Miles issued with new card acquisitions last year. Excluding all of the promotional miles, accumulation trends were in line with last year and reflected the lower accumulations typical in the first half of the year.

Total rewards issued in the quarter increased by 2.3 percent, while air rewards issued were up by 2.1 percent. Miles redeemed in the quarter decreased by 1.3 percent, which is partly a reflection of fewer points per reward with Distinction, but is also due to the mix of the rewards in the quarter.

Burn earn for the quarter was 102 percent. It's normal to have a burn earn in excess of a hundred percent in the first quarter when accumulations are lower and redemptions higher with members booking holidays. The pattern typically reverses as accumulations pick up as partner marketing programs take effect and members' spending activity increases over the balance of the year.

We continue to deliver value to Air Canada and remain its largest customer. Air rewards issued increased 7.9 percent in the quarter, as we continue to drive business to the airline, with reward options that are more available and more convenient. The value of our ticket purchases from Air Canada in the first quarter was sustained at the same level as last year, which is up by more than 50 percent or by more than a hundred million dollars annually since the launch of Distinction.

As we continue on the journey of the Aeroplan transformation, I want to revisit the factors we identified at year-end that we're monitoring and discuss how things are progressing. In 2014, Gross Billings growth was better than we expected, aided by the promotional programs and an aggressive marketing campaign related to the launch of the program. Adjusted EBITDA margins came under pressure, impacted by heavy free bonus miles issued and higher marketing spend. The absence of these two factors this quarter improved our margins.

We have also seen improvement this quarter on yield, due to the significantly fewer bonus miles issued and continue to progress towards the increase we expected with the new card agreements, notwithstanding the impact of Interchange reform. Card spend trends among new cardholders continued to move higher through the quarter as some of the lower quality spenders, and those that took the cards just to receive the bonus points have rolled out of the base, and we captured the high-quality cardholders that we want to retain. Our overall attrition is trending towards historic levels for fee-waived acquisitions, as we cycle through the renewals.

Since the beginning of last year, our overall active card base net of all attrition has grown by about 20 percent. While these trends are encouraging and moving in the right direction we expected, as we said in February, we should have a more definitive view on the true run rates when we report our second quarter results.

Moving on to rewards costs, there are a few puts and takes here that in the end resulted in an increased cost per mile year-over-year that offset some of the margin benefits we had this quarter; firstly, due to the shift in rewards mix and second, due to the strength of the US dollar, which increased the cost of Star Alliance rewards. So taking everything together, Adjusted EBITDA margin in Canada in the first quarter was a strong 17 percent.

Now let’s turn to our EMEA business. Gross Billings were down 1 percent, to $185.1 million, or by 4 percent on a constant currency basis, with billings from Loyalty Units down 2.3 percent in the quarter, primarily due to the decreases at Nectar Italia. The decline was offset in part, by growth in the Data Analytics and Insights business. At Nectar UK, Gross Billings declined by $1.4 million in the quarter, primarily due to the expected reductions in the energy sector, as a result of regulatory restrictions. The decline was nearly offset, however, by increases in the grocery sector, as a result of higher bonus activity in the quarter.

Total Nectar points issued were about the same level as last year, increasing by 0.2 percent, despite grocery price deflation and sector competition that continued to impact the industry. Since the implementation of the new accumulation terms at Sainsbury's in mid-April, the signs have been positive, with bonusing levels consistent with our expectations.

We saw higher engagement with Air Miles Middle East; points issued were up by 4.5 percent in the quarter, as a result of promotional activity by HSBC, and points redeemed were up by 11.3 percent, as a result of increased engagement in the program. That said, Gross Billings were down by $2.1 million in the quarter due to the impact of the new contract terms that came into effect at the end of 2014.

Finally, turning to Nectar Italia, grocery partner Groupe Auchan left the coalition on the 1st of March as expected. Gross Billings were consequently down by $4.9 million. Total points redeemed were up slightly—significantly, as a result of the points expiry event, although slightly less than we had expected. We're continuing discussions with potential new grocery partners, though as we've said, any new partner would only be operational in 2016.

Elsewhere in the EMEA, we saw continued momentum in global data analytics and proprietary loyalty in the quarter. Increases in our ISS results came as multiple client wins last year are being implemented, and beginning to ramp up. ISS continues to be a strategic asset that we will build out and grow as a key differentiator. We also recorded a first Smart Button sale in the UK and saw increased commitments from advertising partners and have ongoing engagement with several large financial institutions for potential new business in Cardlytics.

The Global Product team continues to support the development and deployment of our loyalty platforms across all regions. This activity accounted for $3.8 million of the operating expense in EMEA, about 30 percent higher than in the prior period. Overall, Adjusted EBITDA for the EMEA region increased by 18 percent in the quarter to $17.3 million. Excluding global product costs, Adjusted EBITDA for EMEA operations increased by almost 20 percent.

The improvement was largely due to decreases in operating expenses, as a result of reduced promotional activity at Nectar and Nectar Italia, which were partially offset by increases to support our growth in data analytics and insights.

In the US and Asia-Pacific region, the momentum in recent sales of our Smart Button ALP offerings continues to make us enthusiastic about the region, and with the work that's underway with new clients. Gross Billings in the quarter fell by 15 percent, or 21 percent on a constant currency basis, due to lower reward fulfillment volumes in the United States, although part of the decline is due to a change from gross to net accounting, as a result of a new outsourcing agreement which resulted in $11 million of lower billings, but no impact on Adjusted EBITDA.

We saw continued momentum in both geographies in the customer loyalty business and increased interest in our loyalty platforms with Smart Button sales in India, and new clients for customer loyalty in the United States. We continue to streamline and focus our operations across the region and saw improvements in both gross margins and operating expenses in the US, although Adjusted EBITDA for the region was a small loss in the quarter.

Corporate costs decreased by $3.5 million in the quarter, primarily due to the phasing of expenses, which were more heavily weighted in the first quarter of the prior year. The decrease was partially offset by higher share-based compensation expense.

So let me make a few comments relative to the agreement that we've entered into with Hewlett Packard. It's a 10-year agreement that will have a two- to three-year migration period. It involves migrating to a new model of infrastructure as a service, which will not only give us continuous access to leading practices and innovation, but will also provide more flexibility to scale our operations up and down as the need demands, and provide a variable cost structure that goes along with that.

As we go through the migration, we'll begin to see the streamlined operations, which will deliver cost savings over the long term. Any migration-related cost impact we'll see in 2015 is included in the guidance we've already provided. Later in the year when we're further along and we'll better understand what, if any, impacts to expect in the subsequent years.

On Club Premier, our investment in Club Premier is expected to generate a full-year distribution that will be higher than last year's total of $15 million, following a similar quarterly profile with distributions beginning in the second quarter. As we said last quarter, we've already received $45 million in distributions over the life of our investment and our equity stake is now worth at least twice what we paid for it. The program and the value of our investment there continue to grow.

Earlier this year, Club Premier renewed its commercial agreement with Aeromexico through to 2030 and recently issued an RFP looking to renew and extend the financial card agreements with its financial card partners. Aimia is helping with this process, bringing the experience we gained from Aeroplan and the successful negotiated financial card partnerships. With the signing of the extended airline commercial agreement and renewed financial card partnerships, within a few years Club Premier should be ready for a liquidity event.

Now turning to free cash flow. Free cash flow was $5.2 million in the quarter, notwithstanding a burn earn in Aeroplan of 102 percent. We typically see a cash outflow in the first quarter due to higher redemptions. Excluding a hundred million dollar contribution by TD in the first quarter of last year, free cash flow increased by about $45 million, compared to the prior period. Higher redemption levels in Nectar Italia and Nectar UK and an increase in unit costs in Canada were more than offset by improvements in operating costs, interest costs, and working capital, including the Italia redemptions that will be funded in the second quarter of 2015.

The tax refund received this quarter from Revenue Quebec for the loss carry-back essentially offset the HST related to the CIBC agreement received in the first quarter of last year. Capital expenditures in the quarter were $28.5 million, slightly below last year, but tracking to our full-year guidance.

Before wrapping up, I want to talk a little bit about our available cash and capital allocation. Rupert mentioned that we've invested about $150 million since November, to repurchase shares under our normal course issuer bid, and subject to market conditions and pricing, we plan to continue to aggressively buy back shares. We've managed our balance sheet carefully with the aim of preserving financial flexibility and retaining the investment-grade status of our debt rating, which we feel is important for our global commercial operations.

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As an example, early in 2014, we issued preferred shares in the market and used the proceeds to pay down $150 million of our Senior Series 2 Notes that were due in September of that year. This disciplined approach to managing our capital has served us well as we had excess cash available to buy back our stock late last year.

As an important point of information, it's key to note that not all of the excess cash on our balance sheet can be allocated for distribution, as we have operating requirements in our international operations, covenants in place against our debt, and Reserves that are held or restricted against our coalition programs.

In Canada, we retained a Reserve of $300 million against a future redemption cost liability of $2 billion. This Reserve ensures that we comply with the provisions of our credit facility and also with conditions related to our investment-grade credit rating.

In the UK, we are contractually obligated to retain a Reserve, which at the end of March was $140 million, based on the issued and outstanding Loyalty Units. In our Air Miles Middle East program, we have retained about a hundred million dollars of cash to support working capital requirements and program redemptions, and we require funds to support working capital requirements in our other global operations.

So, considering these needs and requirements, surplus cash on our balance sheet at the end of the first quarter was about $200 million, or about a quarter of the $850 million that appears on our balance sheet as cash and investments. We are mindful too that in the not too distant future, we have a $200 million—we have $200 million of Senior Secured Notes that are due to be redeemed or refinanced in January 2017.

AIMIA

As we noted in our disclosure, subsequent to the quarter, we sold the Air Canada shares we held as a long-term investment, for proceeds of approximately $30 million, which we've returned to our Shareholders through our share buybacks. So, the true surplus at this time, accounting for these proceeds and the shares that we've repurchased since the end of the quarter is approximately $170 million.

As Rupert noted, in these circumstances, we've delivered almost half a billion dollars in share buybacks since 2008 and approximately $150 million in the last six months. With the renewal of our NCIB today, allowing us to purchase up to 10 percent of our shares outstanding over the next 12 months, we intend to continue this aggressive capital allocation strategy subject to market conditions.

So, while our business model's expected to continue to generate healthy cash flow and allow ongoing share buybacks and attractive dividends, our plan is to continue to manage our capital prudently in order to ensure we have the financial liquidity and flexibility needed to adhere to our covenants, possibly pay down our debt when it comes due, support our business operations and growth strategy over the long term, and deliver attractive total returns to our Shareholders.

Finally, moving on to guidance. We will continue to monitor the macro-environment, including Canadian personal consumer spending, the grocery environment in the UK, broader economic trends and any impacts as a result of changing political administrations in the different regions in which we operate. Given the first quarter results and our current outlook for the balance of the year, our guidance remains unchanged from what we provided in February.

With that, I'll turn it back to Rupert.

**Rupert Duchesne** – Group Chief Executive, Aimia Inc.

Thanks, Dave. So, I'd be remiss in ending my remarks before saying a couple of words about the retirement of Dave Adams, which we've announced will occur by the end of the year. I think that all of you on the call have met David in person over the years and understand the significant role that he's played at Aimia since joining us in 2007. He joined us just as we were about to make our first international acquisition of Loyalty Management Group and we immediately benefitted from his deep level M&A experience.

As we said in the press release, he'll be with us to aid in a smooth transition. Now the most significant thing he'll leave behind, in my opinion, is a legacy of a strong balance sheet and financial stability that have allowed us to both weather some challenging times because of the financial troubles of Air Canada in 2009, but also pursue our growth strategy from a position of strength. So, Dave, thank you.

With that, I think Operator, that we'll take your questions.

## Q & A

**Operator**

At this time, I'd like to remind everyone in order to ask a question, press star, one on your telephone keypad. We'll pause for a few moments to compile the Q&A roster.

Your first question is from Kenric Tyghe with Raymond James.

**Kenric Tyghe** – Analyst, Raymond James

Well, thank you, good morning. Just following on the capital allocation discussion. If I'm hearing you correctly, as the growth of (inaudible) you intend being that wouldn't necessarily extend to sort of levering up the balance sheet further to support that buyback, but rather using available cash to support that buyback? Is that a correct interpretation? Or would you be open to kind of further levering up, all things considered?

**Rupert Duchesne** – Group Chief Executive, Aimia Inc.

No. I think your interpretation is correct that it is the available surplus cash we have now, as well as any further surplus cash we generate in the years to come. We believe that for the kind of business we're in, that we're appropriately geared. I tell you we obviously have debt covenants, etc. But particularly given the macroeconomic climate globally, I think levering up further would be inappropriate.

**Kenric Tyghe** – Analyst, Raymond James

Thank you and then, if I could just switch gears quickly Dave, on the Visa portfolio, if you could just help me on the reconciliation there. If I remember correctly, it was sort of a million, or a million and change portfolio and we saw those $400,000 odd in adds (phon). Could you sort of refresh me sort of where we are? I mean, are we sitting at this being a 1.2 million, 1.3 million card portfolio and would my math be correct in terms of the roughly a 50, 50+ percent retention on that original $400,000 adds through last year? Or am I sort of off on the timing?

**David Adams** – Executive Vice President and Chief Financial Officer, Aimia Inc.

Yes, Kenric. We're trying to get away from some of the, you know, granular information that we've provided through the transition because as you know, it's very commercially sensitive and sadly, none of the other—none of the banks, actually, provide the granularity of information. So, it's a very—our partners are not too thrilled with our providing the level of information that we've been providing.

So, in my remarks, basically what we said is that our active card base is up by about approximately 20 percent from where we were when before we launched Distinction. So, I think you guys can sort of triangulate what the attrition has been on some of those fee-waived cards and the rest of the stuff to get there. But, we're trying to move away from numbers of cards in the base because—until and unless all the other Canadian banks start to disclose that information.

**Kenric Tyghe** – Analyst, Raymond James

Fair enough and just very briefly then, Dave, before we get around to discussing your actual handicap. We just handicapped the results with respect to Amex and you highlighted the conversion in and good trends there. Could you just give us some indication on how these sort of absolute performance of Amex is tracking sort of ex the bonus activity and the programs they're running next year? I mean is this all still heavily transfer-in driven? Or are there good underlying trends on the Amex Aeroplan product, again, sort of adjusted for the promotion activity last year?

**Rupert Duchesne** – Group Chief Executive, Aimia Inc.

Yes. It's very—it is rather—yes, there is really good underlying activity if you strip out the promotional activity. Clearly, the promotional activity because they were new cards acquired from the market was paid for by American Express. Then you can strip all of that out though, the underlying portfolio grew, and that is obviously extremely important to us, as well, because those are high-value cardholders.

**Operator**

Your next question is from Brian Morrison with TD Securities.

**Brian Morrison** – Analyst, TD Securities

Good morning. Dave, if I can just follow-up on the financial cards. In light of the performance in the quarter, it looks like they were flattish in terms of Gross Billings. Is the mid to high single-digit growth rate still a good reference point?

**David Adams** – Executive Vice President and Chief Financial Officer, Aimia Inc.

Yes and we're still holding to that, Brian. You know, we're now—the only caveat I would have on that is that based on what we see today, we are still holding it to that, and we still held our guidance. If you've been reading the financial press recently, there's an awful lot of talk about consumer indebtedness, but you know, we still are seeing strong underlying spend in purchase volumes. But we'll continue to monitor the macro-environment, but our guidance is still there.

**Rupert Duchesne** – Group Chief Executive, Aimia Inc.

Can I just—I'd add one small point to that Brian. If you look historically at spend patterns throughout the year, people redeem—in the Aeroplan Program in Canada, people redeem in the first quarter and then accelerate accumulation in the subsequent quarters, and that's rather the seasonality we expect for this year.

**Brian Morrison** – Analyst, TD Securities

Great. Rupert, just following up with you, clearly you feel the stock is undervalued and you've been supporting that view with an aggressive buyback and the dividend hike once again. If I just look at Aeroplan, I just want to get a little comfort how you view and how you conclude that there's long-term value specifically as we look out to June 2020?

**Rupert Duchesne** – Group Chief Executive, Aimia Inc.

June 2020? A very random date, I presume there was a reason for that; must be Air Canada. But, the reason we transformed the program the way we did was to increase the engagement of the consumer, which accelerates earn, as well as to benefit ourselves and our partners. As Dave said in his remarks, I think we've increased on the year-on-year basis, particularly ticket purchases from Air Canada by roughly $180 million. You add that to the really resounding success of Market Fare Flight Rewards, we have made ourselves materially more valuable to Air Canada. As their Executives said in their own call, this is a really strong, win-win relationship, and we expect to move towards that date with I think mutual confidence. Clearly we both have our own Shareholders' interests at heart, but this is a very strong partnership at this point and I'm very confident about it.

The other thing I'll say is clearly is our card relationships with TD and CIBC go well beyond that June of 2020 date. So, we have our partners standing beside us in that regard and that's a very important part of the equation. So, I think you'll see that net free cash flow to Air Canada increase more and more as we get closer to the 2020 date because of the success and the implied growth within the Aeroplan Program. We also have significant other sources of profitability which are an important buttress to all of the above. So, you know, it's not keeping me awake at night, but clearly for Investors coming into the stock, it's within a sort of a five-year investment horizon so I can see why it's starting to be an interesting question.

**Operator**

Your next question comes from the line of Perry Caicco from CIBC World Markets. Please go ahead.

**Perry Caicco** – Analyst, CIBC World Markets

Yes, thanks. Good morning. Just wanted to get an update on the Market Fare program. Last quarter, you indicated that it's been growing quickly and that it would probably continue to grow at a fairly rapid pace. Did that continue in Q1? What are your expectations there?

**David Adams** – Executive Vice President and Chief Financial Officer, Aimia Inc.

Yes, Perry, it did. You know we continue to see strong member take-up in Market Fare Rewards and I would expect that that's going to continue. That's one of the things that's been driving market share shift back to Air Canada, is the relative attractiveness of the direct flights in Market Fare compared to some of the more indirect Star Alliance routes that people were having to take. So, yes, we're still seeing that, the trend is still continuing, and I think it will continue as we go forward.

Having said that, as Air Canada brings on additional staffing, which they're doing and they're got a pretty aggressive capacity expansion program, we continue to benefit from that because we continue to get the Classic allocation.

**Rupert Duchesne** – Group Chief Executive, Aimia Inc.

Yes and one of the interesting sort of twists on that, which is kind of I guess the silver lining to the cloud of the currency situation Air Canada finds itself in, is that because of the—what we assume is the increased differential between the US dollar and the Canadian dollar, we're finding that—and significant number of redemptions in the first quarter were actually domestic and Classic in Canada, as people sort of switched travel patterns to Canadian domestic travel rather than trans-border, which is quite an interesting phenomenon, and obviously that's helpful to us because it improves the margin because of the cost of Classic seats on a per mile basis which is a little lower than Market Fare Flight Rewards. So that was an interesting twist in that balance between Classic and Market Fare Flight Rewards, which I think has slightly distorted Market Fare Flight Rewards, but not very much.

**Perry Caicco** – Analyst, CIBC World Markets

On your SG&A, you were lower than last year in the quarter, but I guess there was some phasing of SG&A last year into the first quarter. What are you expectations for SG&A for the remainder of the year? Should—are you, you know, are you going to keep a clamp on it?

**David Adams** – Executive Vice President and Chief Financial Officer, Aimia Inc.

Yes, Perry, we are taking a look actively at our cost base and you're going to see—there's—anticipate quite a bit of cost control going forward. We're not, you know, in part that's why and one of the reasons why we've entered into this agreement with HP. Now, that's going to take a little bit of time to transition. We talked about a two- to three-year transition period.

But it's not just cost reduction that we're looking at there, it's capability, access to their global capabilities, and quite frankly, a huge amount of cost avoidance because you know, particularly with cyber environments these days and the—you're sort of on a treadmill of expenditure and growth that I think this is one of the ways of moving to a global platform to reduce the growth, quite frankly, of SG&A going forward.

**Operator**

Your next question comes from the line of Adam Shine from National Bank Financial.

**Adam Shine** – Analyst, National Bank Financial

Thanks a lot. Good morning. Just going back to the HP contract, David, you know, obviously, the first couple of years I guess, as it relates to the migration of the infrastructure involves some incremental costs. But is there any particular goal in regards to sort of where we might expect the level of savings to materialize, let's say over subsequent years?

**David Adams** – Executive Vice President and Chief Financial Officer, Aimia Inc.

Yes. We do—we have them, yes. No, I'd be loath though Adam to give you the target, right, because as I said, it's not just cost reduction and that's a big element of this, it's also cost avoidance. Because, you know, had we not done this, you end up with a significant amount of costs that we would need to incur just to keep up with some of the capability requirements, and threat mitigation issues that we have to deal with.

But it's also across both CAPEX and OPEX and I have to say it's not just infrastructure, although that's a big part of it. You know, ultimately most of our infrastructure spending will be outsourced, but a lot of it is actually gaining access to flexible and cost effective, both applications, development, maintenance, and development activities to be able to reduce the time, both the time to market in terms of development activities, but also the cost of doing that development. So, it's a pretty comprehensive program and it's for the next decade.

**Adam Shine** – Analyst, National Bank Financial

Okay, that's great, and if I look at the average selling price and I think it was referred to earlier, certainly in the context of it moving higher, you know, I've got a double-digit increase. I guess it's reflective of the 15 percent increase in pricing in the new TD and the CIBC contracts and obviously, not the same amount of welcoming bonuses that served as an offset. As we look through the rest of the year, let alone further out into '16, can we expect this double-digit context to sort of stick and maybe elevate from let's say the Q1 dynamic?

**David Adams** – Executive Vice President and Chief Financial Officer, Aimia Inc.

Well, yes, clearly it's going to be affected by the mix of cards that are acquired and who's paying for the bonusing activity. But, the other element of course, is Interchange Reform, right, which has had an effect on the yield increase that we had originally negotiated back in—back with the card renewals. But, yes, I think the trend is very positive and you're going to see the effect of that yield roll through.

**Operator**

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

**Tim Casey** – Analyst, BMO Capital Markets

Thanks, two for me for Dave, and one for Rupert. Dave, when we—are you able or have you been able to think about quantifying the impact of Interchange Reform yet or is it still, I guess, evolving as competitive activity progresses? Two; when we think about the HP contract, is there any cash flow items we should be aware of? Are there lump sum payments or is it something that just is kind of—that grows in, I guess, over time? Lastly, for Rupert, with respect to Air Canada, I mean obviously, as very important partners, you have ongoing discussions I'm sure almost on a daily basis, but how should we think about the more strategic discussions leading up to 2020? Is it, you know, is it something you're thinking about addressing? Would you like to get it on the table or is it something that you're prepared to just leave closer to the potential renewal date? Thank you.

**Rupert Duchesne** – Group Chief Executive, Aimia Inc.

I'm going to start with that. Look, I think it's fair to say that it is really important that as we approach that renewal date, we both have, you know, a list and an understanding of the things we would like to see different about the way we mutually run the program. We bring a huge amount of benefit to Air Canada with respect to the Aeroplan members who are not regular flyers on the airline, and reciprocally, their frequent flyers are obviously huge cardholders, financial cardholders of Aeroplan. So, very mutual benefit.

I think right now the important thing is to see how the new card arrangements settle down, as they start to mature through the rest of this year. That's gives us a base to think about what we'd like to do differently. It really is a little premature to sort of talk about an actual discussion around the long term while we're still stick handling what appears for Air Canada to have been a very successful change in the program which was referred to by their own Executives on their quarterly call.

With respect to Interchange, those changes are in the marketplace. So, the new tables are operating in the marketplace with Visa and MasterCard, and we know exactly what the consequences of those are. We obviously are managing the program accordingly with both TD and CIBC, and hence our confidence when we brought out our guidance in February to say very clearly that the consequences of the Interchange adjustments were fully baked into our guidance. So, there is really nothing more we need to say about that because it's in good shape.

**David Adams** – Executive Vice President and Chief Financial Officer, Aimia Inc.

Yes and with respect to the HP agreement, this year, any transition costs, clearly we're now starting to—now the real work commences, right. It's a lot of negotiations to get to the contract, but now we go into a detailed planning and then transition phase. Any of the costs associated with that are embedded in our guidance this year. When we get into a steady state environment, there will be a little bit of volatility from cash flow, sort of quarter-over-quarter.

You know, there are some concepts of making—there's a bit of—it's basically just cash flow because there'll be some prepaid payments that we will make that'll get recouped through monthly charges. But it will all be cash flow neutral, so you'll see that as it rolls out, commencing in 2016. But, we'll give you further colour on that as we get closer to the end of the year.

**Rupert Duchesne** – Group Chief Executive, Aimia Inc.

Look and I think that the other thing to say is one of the reasons to go with a global leader in their business and we're a global leader in ours, the difference is that they are a very substantially larger company than we are, and they fully understand that the way this gets implemented, particularly with the first couple of years as you make the transition, is really crucially important to us and we don't have the capacity to carry significant charges as this is implemented.

So, the agreement we've reached with them has been extremely, carefully thought through in that regard to make sure that it doesn't adversely affect our economics, but is cleanly helpful over that full 10-year period. As Dave said, I think it's really important to understand that with the increase in the need for secure infrastructural security, and risk mitigation, we are by signing this contract avoiding substantial increases in our technology costs over the coming years, by going with somebody who has state-of-the-art capabilities in that and provide that kind of capability to many, many other companies around the world. That was really the basis of the partnership.

As you know, we've had a partnership with Infosys on the development side for a number of years, very similar relationship there where we can up and down scale resources without having to bear the staff costs on our own P&L. This is the kind of relationship I believe we should have with many of the suppliers where it is not business-critical for us to operate the infrastructure or design it ourselves.

**Operator**

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

**Drew McReynolds** – Analyst, RBC Capital Markets

Thanks very much. Good morning. One; first, follow-up from Adam's question, just around Aeroplan and Q1, when we calculate our price per model cost per mile. David, is this—

are we beginning to look at normal here, just given all the changes, or is it still going to be another quarter or two before we see that?

**David Adams** – Executive Vice President and Chief Financial Officer, Aimia Inc.

I think you're going—there's still going to be some—I would hate to say volatility, but variation in the results, because we're still going—we're still looking at mix issues, right. As we talked about before, some of those elements are going to continue to come into play. With the mix of Classic seats as Air Canada continues to bring on more capacity, to the extent that their loads start to come off, it's highly likely that as in the past, we'll be allocated more Classic capacity against the consumer who's making the choice in terms of MFFR versus Star.

We have the effect of the US dollar on the Star Alliance Rewards. So when you take a look at all of that stuff, it's all part-and-parcel of a mix issue on the cost line and you still have the—there will be effects on net yield depending on the marketing activities. But, it is moving to normal, but I would say that there's still a way to go.

**Drew McReynolds** – Analyst, RBC Capital Markets

Okay. No, that is helpful. Shifting gears just over to Aimia, better than expected margins in Q1. Obviously, a lot of moving parts here, just wondering if you could at all, kind of paint the picture for the rest of this year or just in general? You did 9 percent Adjusted EBITDA margin for Aimia in 2014; can you at all speak to what you're trying to kind of keep it at or get to? Again, just given all the moving parts here.

**David Adams** – Executive Vice President and Chief Financial Officer, Aimia Inc.

Yes. You know, clearly given the environment over there, Drew, there's going to be an awful lot of focus on costs, right, and cost containment. That should keep us in the same range of margin and the issue will be though, again, when you look at the results coming out of there, will be—it's certainly in the UK program, a little bit more variability quarter-to-quarter because of the timing of promotional activity. As it's becoming—as Sainsbury's is taking the base issuance down, it's being compensated by bonusing activity. But that's on an annual commercial cycle, which actually works off of an April 1 year.

So, just a caution, that there may be a little bit of quarterly variability. Italy's still in the numbers, right, from Q1, and so we will—you're going to start to see EMEA without the Italian—without the Italian Gross Billings rolling through in the balance of the year.

**Operator**

We have no further questions in the queue. I'll turn the call back over to Rupert Duchesne, CEO.

**Rupert Duchesne** – Group Chief Executive, Aimia Inc.

Okay, thank you very much. In closing, I obviously want to emphasize that long-term Shareholder value is our primary aim here. I believe that our core businesses are competitive, they are on a really good trajectory to deliver value to both our customers and obviously to ourselves, and then hence to our Shareholders. We made significant investments in changes and those are coming good. We continue to monitor our small businesses in the minority investments to ensure that they carry their weight and align with our core strategy. We've made bold choices when the situation demands. As we talked about, when we were discussing HP, we're working towards both organizational and operating efficiencies, and all of this will aid free cash flow generation, and thence again, returns to Shareholders.

We remain confident of our global growth strategy. The market is there for our products, we have great talent, we have a good track record, and the global diversification offers some insulation from business risk in any one locale.

So, if I don't see you at our AGM, which starts very shortly, I look forward to speaking with you between now and our second quarter results, and then obviously, on this call when we release our results in August. So thanks everybody for your time and your attention and we'll speak to you shortly. Thank you.

**Operator**

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