AIMIA INC.
FOURTH QUARTER 2014
RESULTS CONFERENCE CALL
FEBRUARY 27, 2015

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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 to be 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 February 27, 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.

Fourth Quarter Results

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PRESENTATION

Operator

Good morning. My name is Sharon and I will be your conference operator today. At this time, I would like to welcome everyone to the Aimia, Inc. Fourth Quarter 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. Thank you.

Ms. Angela McMonagle, Head of Investor Relations, you may begin your conference.

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, and then followed by Dave who will give 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 those statements. These can be found on Page 3 of our Fourth Quarter and Full-Year Results Highlights presentation, which is available on the website.

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

Rupert Duchesne – Group Chief Executive, Aimia, Inc.

Good morning. Thank you for joining us. So this morning, we're going to start with a look at the year that was, 2014, mapped against our strategy in the three core lines of business, and what you should expect to see from us in 2015, and beyond. I should say at the start that we're going to spend a bit longer and go a little deeper on our comments than normal. We do have the flexibility with the new schedule to also spend more time on your questions, if required.

Our 2014 financial results across the board were very good. We met or exceeded our guidance on all of our key financial metrics, and from a strategic perspective, 2014 was a truly exceptional year of progress. Aeroplan had a fantastic year, with our new financial partners and the launch of Distinction. We expanded our coalition business into Spain through Travel Club and Asia-Pacific with an investment in Air Asia's Think Big. Our data analytics business saw tremendous success, particularly through our Intelligent Shopper Solutions business, and we made our first sales of the global platform that we've been building for the ever-evolving offering for both our coalition and individual clients.

I think it's a helpful to take a deeper look at how 2014 mapped against our strategy and deal with some questions that we've had as to whether the strategy is working; specifically, is the Aeroplan transformation delivering the expected results? Is the coalition loyalty model still relevant with opportunities for growth? Does it make sense for Aimia to be global? And embedded with the last question, of course, are we getting a reasonable return on the capital we've invested as we pursue our global strategy?

So, I'm going to start with a flashback to a year ago, then look at each of our coalition, proprietary loyalty, and analytics and insights businesses in turn.

A year ago, the most significant question on the market's mind was whether we'd be able to deliver on the promise of a new Aeroplan deal with TD, CIBC and American Express, and the launch of Distinction. These long-term deals, together with the launch of Distinction, transformed the program and the members' value proposition. The results to date give us enormous confidence in the long-term success of the program for Aimia and our partners.

First, all of our card partnerships showed good returns. We got off to a great start with TD's performance, especially in terms of card acquisition, was substantially better than we both thought it would be; there was risk that CIBC might see some deterioration in its retained portfolio, but that did

not occur; and our partnership with American Express, after a separate four-year renewal, has outperformed expectations both in terms of card acquisitions and conversions, with great new products to take advantage of the disruption in the marketplace. Net card acquisition for the year was more than 450,000 cards, significantly higher than anyone expected.

Not only were the changes good for Aimia and our partners, our Aeroplan members had a great year, too. Miles issued, excluding promotional miles, climbed 5.6 percent year-over-year. Market Fare Flight Rewards redemptions climbed 128 percent, demonstrating the clear value of this offering, and active membership grew just by 3.8 percent, and our members were significantly more engaged with the program, particularly those that qualified for Distinction status. Distinction members' average accumulation increased 17 percent and they earned rewards at 15 percent more partners, on average, than a year ago.

One thing we missed the mark on, though, was our estimate on substantially elevated redemption levels. We expected a much higher increase in redemptions once the card partner deals were concluded and Distinction was launched. Redemptions were higher, but not to the degree we expected, and it seems that members took a more measured approach, including those who re-engaged after the seven-year policy was removed. As a result, our free cash flow outcome was well above our original estimate and guidance. However, we do expect some of the redemptions anticipated in 2014 will now occur in 2015.

We still have a few unanswered questions related to the Aeroplan transformation. We don't know, for example, the true run rates related to card acquisition and retention until we get through first-year renewals, and we'll need until July to understand typical spending patterns from some of the new membership base, which we know already averages for some segments lower than our historical

cardholders. All told, we're exceptionally proud of the returns from this new arrangement and the promise it continues to show from all three card partners.

While the success of the Aeroplan program changes in 2014 is what garnered the most attention, it was of course just one part of the progress made against our strategy. Our strategy is founded on our unique capabilities to help our clients gain deeper insight about their best customers, so they can evolve that value exchange. We do that through the core business models of coalition program and loyalty services for individual clients, both of which leverage our distinctive data analytics capabilities. So, let me talk a little bit about each of those.

Starting with our coalition, we're focused on both strengthening and improving our existing coalition, which, including our partnership with coalitions such as Club Premier, now have more than 45 million active members around the world and replicating that proven model in new markets.

Our Nectar program is in more than the half the households in the UK. In the saturated and highly competitive grocery sector where many of the retailers saw significant declines in same-store sales during 2014, our major partner, Sainsbury's, was best able to retain market share, and Nectar is an important part of that success, as Sainsbury's CEO Mike Coupe noted in the company's last trading report.

We fortified our Air Miles Middle East coalition, signing a multi-year contract extension with founding partner HSBC.

In Mexico, our expertise in frequent flyer programs with financial card partnerships is allowing us to replicate the success of Aeroplan through our investments in Premier Loyalty and Marketing, or PLM, which operates Club Premier. When we partnered with Aeromexico, Club Premier was a fledging program and an unexploited opportunity. In 2011, its first full year of operation, gross billings for PLM were just $120 million. Since then, we've seen a compound annual growth rate of 14 percent and active

members have grown by almost half. At the same time, Aimia has received $45 million in distributions and our equity stake is now worth at least twice what we paid for it. PLM also recently amended its commercial agreement with Aeromexico, which now runs until 2030, and PLM will be working to renegotiate its financial card agreement, building off our recent success and experience at Aeroplan.

Our partnership with Air Asia is the next opportunity to evolve a pure frequent flyer program into a more sophisticated coalition program, thus deepening its stickiness and value to all concerned. It's particularly exciting to apply the model to the low-cost airline sector where Air Asia competes.

We also entered Spain in 2014, buying a 25 percent stake in Travel Club, the country's largest coalition loyalty program, alongside existing owners Iberia, Repsol and Eroski. Travel Club currently has 6 million members and 30 business partners. Although it's still very early days, we believe that our experience built with Aeroplan and Travel Rewards, and retail coalitions with Nectar, will provide a meaningful contribution to Travel Club and help to attract new members and partners to the program, in the same way that we have added value to Club Premier.

In 2015, we're having serious conversations about coalitions in several other key markets, including, yes, the US, with good prospects.

The coalition model remains at the heart of our strategy, because it provides the most sophisticated view of the customer. Our ability to make business personal for the consumer and drive smarter, more targeted marketing for the clients through the richest data created from a coalition remains unique. At the same time, coalitions are the most cost-efficient models for loyalty, with systems and marketing costs shared between partners, and greater purchasing power when sourcing rewards. So, the Nectar program and its data continue to be a differentiating tool in Sainsbury's arsenal in the midst of a price war speaks to the value and promise of the model. More broadly, the appetite for both

CMOs and CEOs to build customer value and engaging relationships, and then use the resulting data right across the marketing mix, means our focus on coalition is unwavering.

That said, the coalition model, as you know, for some clients has built-in limitations. We can't have two grocers in a coalition, for example, or two primary airlines, and the coalition model is not suitable for every business. Hence, we developed global products and capabilities to address the significant market opportunities to support clients who want instead to have their own loyalty program. We are essentially transforming our lower margin rewards fulfillment business into one that is focused on helping individual clients with end-to-end loyalty and strategy program design, right through to implementation, whether ultimately they run it or we run it on their behalf.

Our direct loyalty services clients across all of our regions, in industries such as retail, grocery, banking, entertainment, CPG, travel, telecom, include clients such as Bank of Montreal, Standard Chartered Bank, ANZ Bank, Kellogg, Virgin Australia, Hallmark, Husky, Exxon, Taj Hotels, and, to end the list, Saudi Telecom Company Mobily.

Now to support these clients and programs, we've made significant investments and progress over the last couple of years in building and assembling our next-generation portfolio of robust product, services and platforms. For example, the Aimia Loyalty Platform is one of the newest products we've built. It's an enterprise-level loyalty platform robust enough for very large individual loyalty programs. It layers transaction interaction data to provide a multi-dimensional view of each customer. The data is captured in real time, allowing for immediate reaction, direct to consumer offers, and of course change when desired. We built ALP for both ourselves and our clients. ALP will be the platform for any new coalition program we create and we will transition our Air Miles Middle East program to it. We launched ALP with a global Fortune 500 company in 2014, and sold it to a major telecommunications company in

Asia-Pacific for delivery in 2015. Just two weeks ago, we made our third sale to a major US premium retailer and our pipeline here is very promising.

We've also been developing our Aimia Campaign Product, which allows clients to reach their customers via any media channel or device, optimize messaging, and deliver it in the best way to build long-term relationships. We've made our first two sales of ACP, one to a leading financial services player in Australia and one to a major US food distributor and retailer.

Smart Button, with more than 60 clients, is our Software-as-a-Service loyalty platform for mid-sized companies. Smart Button's first sale in Canada went to a national brand in late 2014, and we've just made our first two sales outside North America to two different airlines. We have a strong international sales pipeline in this business for 2015, and are still gaining momentum in the US, including targets outside of Smart Button's traditional retail sector market.

Our investment in Cardlytics provided good value in 2014 as we continue to build our strength in financial services with this offering, which provides card-linked marketing services for its customers and provides another means for them to derive value from their customer base with prestige clients, such as Lloyds Bank and Santander. Now, from an asset perspective, our minority stake in Cardlytics has also provided value. The fair value of our investment is now worth more than $100 million, almost double our initial investment. It has lowered Adjusted EBITDA, as we've invested in the platform and launch costs, but we expect it to be a positive contributor in 2016 and onward, and I should remind you that for banks, merchant-funded loyalty is a critical competitive differentiator.

Each of these pieces, ALP and ACP, Cardlytics and Smart Button, is a part of the tremendous progress we've made in the last year to strengthen our product offering to our roster of individual loyalty clients. The sales success we're seeing gives us important momentum for 2015.

So if we look now at the progress in 2014 for our coalition, proprietary loyalty services business, the third area I'll review is our data analytics and insights capabilities. These abilities knit all of our work together and are critical to the value that we deliver, regardless of what kind of loyalty program our clients choose for their customers. We've been building our capabilities both in-house and through partnerships, and most prominently through the development of our ISS business.

Our ISS business had a fantastic year of growth in 2014. We doubled our client base in 2014, with five new retailers, including Sonae in Portugal, and expect to confirm more in the next six months. ISS is now present in seven countries with 10 well-known retailers, including: in the US, Pharmacy CVS; Canadian supermarket Sobeys; and Migros, Switzerland's largest retailer. It's a global business of material scale, with gross billing of $100 million last year when you include our half of our i2c joint venture with Sainsbury's, and Adjusted EBITDA of $16 million. This business is clearly meeting a market need and we see huge growth potential for it.

So, I've spoken now about our progress in 2014 against our strategy for coalitions, for proprietary loyalty, and for data analytics and insights. We've built each of these businesses through a combination of organic growth, acquisition and partnership. The partnership strategy has allowed us to enter markets where working with a local business creates a competitive advantage and allows us to share capabilities and expertise quickly with a lower risk profile. We've seen great success from investments across our business, as I've already illustrated, particularly the lift each has provided to our overall capabilities.

But the returns have been good, too. Since 2007, we've invested about $1 billion net of cash acquired, and notwithstanding the early stage of many of our investments, together they've delivered more than $100 million in Adjusted EBITDA in each of the last three years, and this excludes the growth in value of a minority equity stake. In 2015 and beyond, you will continue to see us make similar

investments, if and as we determine it's the best route to enter a new market or to efficiently access capabilities. If some of those choices do not drive expected outcomes or acceptable returns, we will exit those investments, as we did recently with Prismah in Brazil.

While on the topic of the use of capital, after we released our third quarter results and saw the unwarranted drop in the share price, we began buying back stock and we've returned $50 million to our shareholders over just the last three months. We buy back stock at carefully chosen times, when we feel our stock is materially undervalued and doing so provides an attractive, risk-adjusted return, compared to other investment alternatives.

So, I think through this review, I've given you enough information to substantiate why we're global. The sum of our business is far beyond the value of a couple of the already big assets. We have great operating engines in our Nectar and Aeroplan coalition programs, but more than 25 percent of our consolidated gross billings is derived proprietary loyalty services and analytics. In Canada, it's assumed that all the value is in Aeroplan, but in the latest numbers more than $150 million of gross billings is from proprietary loyalty services, and our proprietary loyalty business makes our coalition program significantly smarter and stronger through knowledge and technology transfer, as well as operational leverage. Our global footprint matters because our biggest target clients are also global companies. Our global operations and strategy give us the credibility and ability to serve them at the scale they require to be efficient with the local nuance they need to get it right.

Underpinning all of this is our core belief that we're uniquely placed to address the needs that companies have today to build personal relationships with their customers. The quality of the data that we have and the permissions that we have to use it, is far more robust than most of our competitors. Loyalty programs today are still by far the best source of comprehensive, trustworthy, permission-based

data that allows us to address the evolving field of marketing data science, driving both sales benefits for our partners and meaningful offers for consumers.

So I hope what I've said helps in understanding the breadth and scale of the business we have today and continue to build, and how we're approaching 2015. Clearly, we have an interesting year ahead of us given the macro environment, but all told, we believe that we have the right people, capabilities and plans not just to weather through it, but to deliver in 2015 and the years beyond.

So, let me turn you over to Dave now who's going to take you through 2014, and then what we expect from 2015 from a financial perspective, and after that we'll address your questions.

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

Thanks, Rupert, and good morning everyone. Rupert has been quite deliberate in walking you through the operational success that Aimia saw from a strategic growth perspective in more detail than we normally have done. I'll provide a review of 2014 from a financial perspective, and of course provide you with our guidance on what to expect in 2015.

Starting with the highlights, gross billings increased 4.6 percent to $688 million in the quarter and 13.5 percent to $2.7 billion for the year. On a constant currency basis, gross billings grew 9.3 percent for the year, slightly ahead of the top end of our guidance of 7 to 9 percent. We reported Adjusted EBITDA of $60 million in the quarter and $316.4 million for the year, resulting in a 2014 Adjusted EBITDA margin of 11.8 percent for the year, in line with our guidance of about 12 percent. Free cash flow before dividends totaled $17.1 million in the quarter and $287 million for the year, which was well above our original guidance for 2014 of between $230 million and $250 million. This overachievement in 2014 is very relevant for our 2015 guidance which I'll go into later. Finally, capital spending was $81.5 million for the year, slightly higher than we projected, as we accelerated work to deliver on sales of the new platforms that Rupert just mentioned.

All told, not only was it a successful year operationally, it was a financial success as well as we met or exceeded our financial guidance on all of our key metrics. How we got there though was a bit different than we expected, so I'm going to walk you through that by region to help you better understand some of the details and what they mean for our 2015 results.

First, let's look at Canada. Gross billings increased 7.7 percent in the quarter and 18.5 percent for the year with a 12.2 percent increase in the sale of loyalty units for the quarter and 23.6 percent for the year. The increase in the quarter, driven mainly by the financial sector, was partially offset by lower proprietary client activity and lower ancillary revenues related to Aeroplan. We continued to deliver significant value to our partner Air Canada, with Air Rewards booked climbing by almost a third in the year. Our ticket purchases from Air Canada rose 63 percent in the quarter and more than 50 percent for the year, or by more than $180 million. Miles issued increased 10.5 percent in the quarter and 14.6 percent for the year, reflecting higher purchase volumes, new financial card acquisitions, higher promotional miles and program conversions with American Express. Redemptions increased by 15.7 percent in the quarter and 7 percent for the year. Some of the increase in the quarter reflects the unusually low redemption activity in the fourth quarter of 2013 as members waited to take advantage of program changes that came into effect as of the beginning of 2014. Burn earn for the quarter was 74.3 percent and for the full year was 78.7 percent.

Now, let me talk about Aeroplan and whether the transformation is delivering the expected results. While we've just come through the first year of this journey, all indications are that we're on track to realize the benefits we anticipated. Rupert outlined some of the operational metrics around member engagement, the successful conveyance of the card base, and growth in card acquisitions with our financial partners. Let me run through, from a financial perspective, how the new margin model is performing.

Long-term growth at Aeroplan was better than we'd expected. Both growth in margins were under pressure from three key variables in 2014 which we would expect will continue in 2015. Let me take you through each of them.

The first is yield. As we had said at the beginning of last year, the Welcome Bonus miles used to support the successful card conveyance and the much higher than expected new card acquisitions diluted the price per mile we received; therefore, we didn't see the full price increase reflected in gross billings for most of last year. Our yield was further reduced because we paid for miles used for some of the marketing and bonus programs offered by our financial partners. Both of those strategies contributed to the significantly higher growth in miles issued in 2014, but slowed the improvement in yield. Coming off a record number of new cards acquired in our launch year, and although still above our historic average, we naturally will see an easing of new cards acquired in 2015. The Welcome Bonus activity should thus also taper, but will continue to fund marketing programs that will need to absorb the impact of the financial interchange reform agreements.

Card spend is the second variable that will influence our results in 2015. We know that during the year that while an unexpected volume of new cards acquired had similar spending levels to what we had seen historically, but we also acquired a very large number of different cardholders. Thus, the average spending levels on the new cards acquired was about half of the average monthly spend of the 10-year cardholders. In addition, some of the customers are still using other credit cards; hence, splitting their total spend. Based on only a few weeks in January, overall attrition levels were in line with historic rates, but much of it was attributable to lower spenders. As of the end of January, average spending levels of new cardholders increased by 15 percent to about 70 percent of the 10-year cardholder monthly average, which is encouraging. We'll continue to monitor these trends and by mid-year should

have a better feel for the real retention and spending pattern, but as we've said before, this is a high-class problem given the substantial number of new cards acquired.

These yield and card spend factors will moderate gross billings growth; however, we still expect to see mid to high single-digit growth in gross billings from our financial partners in 2015.

The third variable that impacts our Canadian margin is rewards mix, and it shows up in a couple of different ways. We've said that the Market Fare Flight Rewards option that we launched with the new Distinction plan was far more popular more quickly than we'd expected. That's great for Aeroplan members and the program overall, but of course that had a significant impact on our metrics in 2014. We had expected it would take several years before the proportion of Market Fare Flight Rewards reached 50 percent, but we reached that level in the first year, and we expect this ratio of MFFR to Classic Rewards to continue, or even increase in 2015. In the long term, this is healthy for the program, but obviously more expensive in the short term.

Adding to the situation, the airlines in Canada have recently indicated that they do not plan to drop fares, despite the drop in oil prices. As Air Canada brings on additional capacity in 2015, we should benefit from higher accumulation levels; however, we don't expect to see relief in the prices we're paying for those MFFR Rewards in the short term.

Our rewards cost is also under pressure from the weaker Canadian dollar. We pay for Star Alliance reward redemptions, which represented a quarter of the rewards redeemed in 2014, in US dollars. During 2014, the average exchange rates made these rewards about 7 percent more expensive. At the current rate, Star rewards would be about 20 percent more expensive.

So taken together, the delay in realizing yield improvement, the lower average card spending levels of the new cardholders, the mix impact of Market Fare Flight Rewards and the effect of a stronger US dollar resulted in lower margin than we expected in 2014 in Aeroplan. Our Adjusted EBITDA margin

in Canada in 2014, excluding the impact of a one-time $100 million contribution by TD, was 15.5 percent. We expect to see gradual improvement in our margin from this base line in 2015 and thereafter.

Before we move on to EMEA, I also want to provide an update on the status of interchange reform and its expected impact on us. We continue to work with our partners and discussions are ongoing to determine exactly how the agreements to reduce average interchange fees will be implemented. As I've already mentioned, it will be one of the factors that impacts our yield this year, but because we feel confident today with the range of expected outcomes, we've factored the impact into our 2015 guidance, and we're confident that Aeroplan will not need to materially modify the program for its members.

Let's turn now to our EMEA business. Gross billings increased 2.2 percent in the fourth quarter and 9.7 percent for the year, but on a constant currency basis dropped 3.1 and 1.7 percent, respectively. Billings from loyalty units dropped 6.6 percent in the quarter, offset in part by strong growth in our data analytics and proprietary loyalty business in that region. Gross billings from the Nectar coalition dropped, both due to pricing pressure on Sainsbury's, and in the fourth quarter in particular, due to lower activity by British Gas as a result of regulatory changes that have restricted the use of loyalty points in that sector. Nectar points issued were down in the quarter, however redemptions increased slightly, reflecting the traditional seasonal pattern.

As you know, while the economy in the UK showed some improvement in 2014, the intensity of the competitive grocery sector continued to put significant pressure, including price deflation, on Sainsbury's, our anchor partner, and even though it performed better than many of its competitors last year, Sainsbury's expects the pressure to continue and is forecasting a decline in same store sales for next year. Sainsbury's uses Nectar as a strategic tool, especially in tough times. So, in response to the

market situation, we worked with them to redesign its Nectar point offering to change the mix of base and bonus points to provide better commercial leverage with reduced base/bonus issuance and substantial bonus point increases to target its most valued customers with more enticing and profitable offers. Those changes will come into effect in April of this year.

So in 2015, while lower spending due to grocery price deflation and sector competition will continue to affect both our top and bottom line, our contractual terms with Sainsbury's will mitigate, to a large degree, the impact of the program change on EMEA's Adjusted EBITDA.

With it only in its third recession in six years, Nectar Italia's gross billings dropped in 2014, due to reduced activity, particularly by our grocery and fuel partners. Nectar Italia points issued decreased 8.4 percent in the fourth quarter; points redeemed increased 21 percent in anticipation of the regulatory expiry of points in the first quarter of 2015. While we were optimistic at the beginning of the year that we would renew our agreement with our grocery partner Groupe Auchan, its business performance continued to deteriorate, resulting in the decision not to renew. We are in active discussions with replacement grocery partners that are well positioned and interested in working with us.

That said, it will take time to reach an agreement and then launch a new anchor partner, so it's unlikely a new partner will be operational this year. Therefore, we have factored in a gap in accumulation and gross billings and a higher level of redemptions early in the year. We expect the impact of Auchan leaving the program will be a reduction of $45 million to gross billings, $8 million to Adjusted EBITDA, and $13 million to free cash flow in 2015, all of which has been factored into our guidance. While it would not be our desired outcome, if we were unable to find a suitable grocery partner and we chose to terminate the program, our experience in Italy will still have been a positive one with a total return in excess of 20 percent.

Now, looking at Air Miles Middle East, this business is similar in size to Nectar Italia, but more profitable. Our gross billings fell in the fourth quarter, as anticipated, reflecting the new contract terms that were put into place when we extended our agreement with HSBC. Loyalty units issued in the quarter increased by 2.5 percent, primarily as a result of bonus activity; redemption activity increased 9.2 percent as a result of the increase in the number of loyalty units in circulation. With the new multi-year contract extension signed with the anchor partner, and with active coalition partners, our business in the Middle East will continue to deliver very strong returns, both through the coalition program and with the growing pipeline and momentum in proprietary loyalty.

Elsewhere in EMEA, we saw several new client wins and extensions to existing client businesses through our global data analytics and proprietary loyalty businesses in 2014 and we expect to see continued momentum in 2015.

I should also point out that beyond the individual factors that affected our EMEA business in 2014, the region's operating performance has been understated because we record our global product development costs there. Spending on global product and platform development increased significantly in 2014 to $16 million from the $3 million in the previous year. As we begin delivering our ALP and ACP platforms to clients, we expect a slight increase in these product development costs in 2015.

So as we said at the end of the third quarter, we know that are EMEA results will be lower this year as a result of the changes to the Nectar Italia coalition and the rewards structure in Nectar UK, along with the industry and macroeconomic factors in each of those markets. We will continue to monitor these economic forces in the coming months, but we expect to return to growth in the region in 2016.

In the US and Asia-Pacific regions, gross billings in the fourth quarter and for the year increased moderately, but fell on a constant currency basis due to lower reward fulfillment volumes in the US.

Offsetting this was a net increase in business with existing and new clients across the regions. In both geographies, we realigned and refocused the businesses for growth and we're already seeing an impact. We had very good momentum in the customer loyalty business entering 2015, including the initial sale of our loyalty platforms in both Asia-Pacific and in the United States. While a small part of our business today, the opportunity for loyalty and data-driven marketing in these markets is substantial. We'll continue with measured investments to pursue opportunities to build out the programs we've already initiated and to grow with new business in these regions.

Considering the factors we've just discussed and working from a 2014 base line that excludes non-recurring items such as the one-time $100 million contribution by TD, our guidance for 2015 is as follows. We expect gross billings to be between $2.56 billion and $2.61 billion, which actually represents significant growth in our underlying operations as we expect to replace lost gross billings of almost $100 million resulting from the changes in Nectar Italia and the loss of a major proprietary client in Canada that we mentioned in the third quarter, amongst other factors. Driven by an improvement in gross margins, we're expecting an Adjusted EBITDA margin of about 9 percent, up from the normalized margin of 8.4 percent in 2014. Even with the anticipated higher Aeroplan redemption levels in 2015, we expect free cash flow before dividends to be between $220 million to $240 million, nearly two-and-a-half times the normalized total in 2014; and we expect capital expenditures of about $70 million to $80 million as we continue to roll out our new global platforms, which are critical for growth in our own programs and for our clients.

Overall, we believe that this guidance demonstrates the strength of our underlying business and the continued evolution of the Aeroplan program in particular, after the major changes that we implemented in 2014.

Looking at 2015, we're beginning to see sales momentum. Notwithstanding the economic conditions we're facing, we expect to deliver operating leverage to grow our Adjusted EBITDA this year and increase our recurring free cash flow by two-and-a-half, and as is customary, the Board will consider increases to our dividend at our Annual Meeting in May. While we're not providing numbers for 2016 today, we do expect to see growth in all of our key performance indicators.

Now with that, Rupert and I will now take your questions.

Q & A

Operator

At this time, I would like to remind everyone in order to ask a question, please press star, then the number one on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from Brian Morrison from TD Securities. Your line is open.

Brian Morrison – Analyst, TD Securities

Dave, I have a question for you. I'm wondering if you might be able to help me with respect to a free cash flow bridge, and if I just take your numbers—I'm sorry, I'm putting this together quickly—if I just take your numbers of—call it $1.54 in free cash flow this year, and that's ex dividends, or preferreds, pardon me—and stripped out call it $0.70 of the TD and the taxes, that gets you to about $0.85 in free cash flow, and you've done that bridge with EBITDA, and then you get a midpoint for this year of $1.25, and I'm just wondering if you can bridge together with me where that incremental cash flow is coming from. Obviously, some of it's coming from Aeroplan, but you've got weakness in PLS, weakness in Italy and the UK which you've outlined those themes before. Maybe you can just help me bridge where the increase in free cash flow is coming from.

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

Well it's coming from Canada particularly, with the growth in the card portfolio. We're expecting to see incremental free cash flow there. One of things, as well, the gross billings, they were getting a gross billings lift without the promotional miles, so that's where I'm expecting that to come from.

Brian Morrison – Analyst, TD Securities

So, all of the increase in free cash flow is coming from the Aeroplan business?

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

Not all of but that's where the majority of it is coming from. There's also a strong lift in redemptions in Italy, as we indicated, running up to the expiry of the points in February of this year, so I don't expect to see that recurring next year either.

Brian Morrison – Analyst, TD Securities

Are you able to give us a range of burn earn with respect to the Aeroplan business for 2015?

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

Yes, you know, we're up 7 percent this year. We would expect to—in terms of redemptions, I would expect that the burn ratio will be up next year but not up as much as it lifted this year. So elevated, but not as much as we saw the lift from '14—you know, '13 and '14.

Operator

Your next question comes from Aravinda Galappatthige from GE. Your line is open.

Aravinda Galappatthige – Analyst, Canaccord Genuity

Thanks very much. Just a couple of questions from me. With respect to the need to keep the marketing and bonus programs growing, it obviously has an impact on the yield. Is this sort of a result of the more competitive nature of the market? Are you seeing more competition than you expected and, as a result, you want to keep those bonus programs going? I just want to get a sense of that.

Rupert Duchesne – Group Chief Executive, Aimia, Inc.

I don’t think it’s more than we expected but we had always assumed that, at least for the first two years after the transition to the new card partners with the new contract, et cetera, that we would be very heavily promoting the cards in the marketplace, and so you should expect to see that. I don’t think the competitive intensity has changed materially since we made those choices in late 2013 for the ’14 and ’15 year forecast. What will be different, and Dave alluded to this in his remarks, is we obviously don’t expect anywhere near as many new card signups in 2015, and, therefore, the issuance of promotional miles, essentially, at close to zero revenue for us is not going to be recurring to anything like the same degree in 2015. So the kind of activity you’ll see, yes, there are still bonuses in the signups, but it’ll be a much, much lower level than it was in 2014.

Aravinda Galappatthige – Analyst, Canaccord Genuity

Great, thanks, Rupert, and just on a different note, with respect to the mix that you’re seeing with Air Canada and Star Alliance, I know through the year you were talking—certainly, earlier in the year you were talking about how the mix is moving towards Air Canada and away from Star Alliance. Has that trend continued? Are you seeing or expecting that trend to continue going into 2015 as well?

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

Yes, I alluded to that in our remarks, right, and our ticket purchases from Air Canada are up $180 million to about $550 million. So Market Fare Rewards have become quite attractive, in particular to the Distinction members, so I would expect to see that mix continue to grow. Obviously as Air Canada brings on more capacity, we get more Classic tickets, and there is only so much capacity at Air Canada, so people will continue to take advantage of Star Rewards redemptions, but our view is that there will be proportionately more MFFR redemptions in ’15 than we saw in ’14.

Rupert Duchesne – Group Chief Executive, Aimia, Inc.

Yes, and I think sort of looking in the slightly longer term, we would expect that to go somewhat back the other way as people get more and more used to looking for itineraries on Star, and as the program grows, particularly with some of the, sort of what I call mid-market members that have been brought on in 2014, they're a little bit more price sensitive and they're going to be, essentially, bargain-hunting within the Classic and the Star inventory to perhaps a greater degree than we have seen in 2014. So I think this will rebalance over a few years, but for 2015 I think you should expect to see the same kind of thing. Because, if you think about it from a consumer point of view, if you can get somewhere direct exactly when you want to go at a small incremental price, you're going to do that, and that means more Air Canada, less Star, but over the years, as I said, I think that will go a little back the other way again and that will have an advantageous effect on our cost of rewards; as, frankly, will changes in exchange rates, on the assumption that the Canadian dollar does not stay where it is. Once oil prices, whenever that may be, recover somewhat, then we think that will also help, as well, because as Dave said, Star Alliance Rewards are paid for in US dollars and that's not particularly helpful at the moment.

Operator

Your next question comes from Anthony Zicha from Scotiabank. Your line is open.

Anthony Zicha – Analyst, Scotiabank

Good morning. Dave, could you give us some colour in terms of—you were expecting EBITDA margin expansion in 2015. Do you believe it is possible to get back to historical margins going forward? Can you give us some comfort on that, or some visibility on the trend?

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

Sure. Tony, if you recall, right, when we renewed the program with the launch of Distinction, breakage went down from 18 percent to 11, so there's a good $60 million, anyway, in there that's just

not going to come back, so you're never—those margins were clearly unsustainable, and the whole point of the renewal was to drive more engagement in accumulation, which we've seen, you know, getting our market share shift back. So, over time, we expect some of these factors are going to—we're going to be able to get margin improvement, in particular—just talking about Canada, as Rupert has alluded to, the Canadian dollar effect on our Star Alliance redemptions, I don't expect that the dollar will be at $0.80 forever, and because of the increased volumes that we have with Air Canada, there's a number of things that we can do with them to effect margin improvement, but that's—it's kind of structural in terms of the way in which we source tickets and what we do with them, but that's going to take a little while to implement, but I'm expecting to see margin improvement in the Canadian business year-over-year.

Rupert Duchesne – Group Chief Executive, Aimia, Inc.

Yes, I think it's really important to remind everybody here—I mean, your question brings up the general point—is that the whole point of the Aeroplan transformation and the new credit card agreement was to achieve, essentially, three things. Firstly, our modelling showed very clearly that with a lower unit margin but a much better customer proposition that total profitability would be better than if we kept the same structural mortgage (phon) and the same breakage level, and our modelling very clearly illustrates that over the first few years of the new arrangement that would develop.

Clearly, as David has said, there were some significant costs in and around all of that, as well as some other reward mix issues, that mean the margin for last year and this year did not reach those resting levels, but the whole point here was to generate top line growth such that the total profit pie from the operation of the Aeroplan program would improve, and it's a sort of two plus 10 thought here. We signed 10-year agreements. We knew there would be a couple of build years while we got the new program out into the marketplace, got consumers excited to buy it, got them accumulating more, which

you've seen happen in 2014, along with a massive card signup, and that we would essentially reap the benefits of that in the out years and that's exactly what we're seeing now. So as far as we're concerned, the trade-off between breakage and a higher investment in the product for the consumer's benefit is working exactly as we expected it to.

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

Yes, and, Tony, it really was a bit of, as well, a trade-off on Adjusted EBITDA versus free cash flow, right? So you're taking Adjusted EBITDA margins down but we are preserving the free cash flow generation capability of the business and we expect to grow it year after year.

Anthony Zicha – Analyst, Scotiabank

Okay, and one more question. With reference to Nectar Italia, can you provide us some more colour why you won't be able to secure a partner this year?

Rupert Duchesne – Group Chief Executive, Aimia, Inc.

It's a great question. It is quite possible—in fact, quite likely that we'll secure a partner during the course of the year. The question is how long does it take to then get the partner integrated and, essentially, sort of relaunch the program with a new anchor partner. We're just being a little cautious about it, saying that whilst we expect to have that happen during the course of 2015, an actual launch is unlikely to happen before early 2016.

I would say one other thing, though, which I think is important to understand, is our return on capital from that business has been well above the hurdle rate, and even if we had to shut the business down, we would still have had very positive percent on capital and free cash flow from that business. That's not what we expect to happen but we have made a good investment there that has worked out for us. Now, I believe that we will find a new partner there and that we will actually have a partnership that provides more traction, that's more data and data-science driven, to the benefit of the consumer

and the other partners in the program, but it's going to take a little while for us to get there, and I think that's fairly understandable when you think how long these relationships take to develop.

Operator

Your next question comes from the Tim Casey from BMO. Your line is open.

Tim Casey – Analyst, BMO Capital Markets

Yes, good morning, a couple for me. Dave, can we go back to Brian's question on the free cash flow bridge? You're guiding EBITDA that is kind of $235-odd million, yet you're guiding free cash to be about the same, yet there's other cash costs. So can you just, thematically, what cash is coming back into the business to give you confidence on that; and then can you talk about the sustainability of that free cash flow profile?

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

Sure. In 2015, as I indicated, there's stuff there—you know, we're getting improvements in the Canadian business. There's no Series 2 interest because we've gotten rid of $150 million worth of debt and we replaced them with the prefs. There is some working capital improvement expected in 2015 where I'm expecting to get some considerable benefit there. We are getting some tax refunds coming back in 2015, also. So, it's a combination of margin improvement, working capital improvement and some other elements.

Rupert Duchesne – Group Chief Executive, Aimia, Inc.

Tim, just to be quite clear here, these are not sort of one-off things. You asked how sustainable is that free cash—the underlying free cash flow growth, and we view that growth as sustainable over the next number of years. It's not just a 2015 phenomenon that Dave is alluding to.

Tim Casey – Analyst, BMO Capital Markets

Okay. Can you quantify the buckets of working capital and tax refunds?

Rupert Duchesne – Group Chief Executive, Aimia, Inc.

No, not at this time, no.

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

No, but you can say that the working capital is in the tens of millions.

Operator

Your next question comes from Martin Landry from GMP Securities. Your line is open.

Martin Landry – Analyst, GMP Securities

Good morning. Just on your guidance, I'd be curious to see what exchange rate assumptions you've used for the US dollar and British pound and euro.

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

We're assuming current rates and I'm not assuming any further deterioration in that guidance.

Rupert Duchesne – Group Chief Executive, Aimia, Inc.

Yes, I think that the bottom line is no further deterioration in the relative exchange rate.

Martin Landry – Analyst, GMP Securities

Okay. I don't know if I got that right, but I think you mentioned that your new cardholders in Canada with TD have a spend that's a little lower than your historical levels, what you've seen in terms of historical levels with your previous holders. Can you explain a little bit why that is?

Rupert Duchesne – Group Chief Executive, Aimia, Inc.

Yes, that is, on average, true, and by segment not true. So, let me just explain that. Without giving you the precise forecasts that we expected with our partnerships, you can assume that we've issued roughly twice as many new cards last year as we expected. Within those that we expected—so let's use the round number of 200,000, those cardholders look roughly like existing cardholders. The other cardholders don't. They're sort of middle, between a traditional sort of mass market Canadian

credit cardholder and the sort of premium cardholders that we've been used to in the Aeroplan program. So, what we're saying is that that middle group of cardholders, who are a relatively new membership category for Aeroplan, are somewhat unknown in terms of their spend characteristics, their propensity to renew the cards annually, et cetera, and hence my remark it'll probably take us through to the middle of the year to understand their behaviour; not the behaviour of the new cardholders who look like the old cardholders, but of that new category, because the critical thing there is, obviously, they had a significant incentive to sign up with the program with the bonus mile offer, they're now coming to their first year of renewal and the renewal rate will become critical to understand the longer term value of those customers. So, that's what we're talking about there, and as, I think, we said, it's a pretty high-class problem, to have twice as many cardholders as we expected, all of whom are materially above the Canadian average, but some of whom are not—have the same spending power as those we've had historically. So it's going to take, as we said, six months or so to wash that through the system, see how many of them renew. The vast majority of them did sign up in the first half of the year, so that will give us some real insight.

You've got to remember, as well, that these are really loyal TD Bank customers and it's not as if they came from the outside market and just took up the card out of interest. These are customers who came through the TD Bank branch network and they're very loyal to TD and took this new product because it had the right attributes. So, we'll see what happens, but I genuinely—I don't believe that this is anything negative about the growth that we saw last year in cardholder base which was absolutely spectacular.

Martin Landry – Analyst, GMP Securities

Okay, thank you.

Operator

Your next question comes from Brian Morrison from TD Securities. Your line is open.

Brian Morrison – Analyst, TD Securities

Sorry, I just have two follow-up questions. When you talk about the free cash flow, the midpoint of $230 million—and, Rupert, you said it's sustainable—when you say you expect growth in '16 in all segments, you're talking about growth in free cash flow off the base of the 230 midpoint, correct?

Rupert Duchesne – Group Chief Executive, Aimia, Inc.

Yes, exactly, exactly. Consistent growth off that base on a normalized basis from the results from 2014.

Brian Morrison – Analyst, TD Securities

Even with including your working capital and tax … (cross talking)

Rupert Duchesne – Group Chief Executive, Aimia, Inc.

Even with including all of the above.

Brian Morrison – Analyst, TD Securities

Okay, thank you, and the other question … (cross talking).

Rupert Duchesne – Group Chief Executive, Aimia, Inc.

And I think—I realize that I'm banging the drum here but 2014 was a transitional year with the new card program, and 2015, yes, it has some headwinds with respect to Europe, which we've already talked about, but the underlying Aeroplan business is heading in exactly the right direction and producing the free cash flow that we expected it to on an accelerating basis. The other thing we spent a lot of time working on—and you heard in Dave's remarks about our investment in platforms and operating systems—we are essentially making sure that we are as working capital and operating cash efficient as we possibly can be with all of the new systems and capabilities that we're introducing. All of that is aimed at producing a better product for our clients, but also at lower, more efficient operating

costs for us, and that's a sort of a three-year program, and you've seen elevated capex for the last couple of years, we've guided to elevated capex again this year, as well as some opex because that's the way the technology investments are accounted for, but all of that should help us achieve the kind of operating leverage and the working capital efficiency that Dave has described and it's not just a one-year effect.

Brian Morrison – Analyst, TD Securities

That's helpful, Rupert. The last question I had was—back in 2010 and 2011, your share price was at current levels. You've clearly been active with your buyback. At that time, you bought back something in the neighbourhood of 27 million shares. I'm wondering, with the strength of our balance sheet right now, how willing the Board and yourself might be in terms of getting aggressive on your buyback?

Rupert Duchesne – Group Chief Executive, Aimia, Inc.

Look, I think it's quite clear. We've been very aggressive on the buyback in the last three months buying $50 million worth of stock. We believe the stock is substantially undervalued at this point given our own internal forecasts for the longer term prospects of the business. I, personally, have bought back stock; I bought stock. So, I think it's really important to understand that Management's view here is that the stock is materially undervalued given the intrinsics in the business and we'll carry on buying back stock as long as the share price is where it is.

Operator

Once again, if you'd like to ask a question, please press star, then the number one on your telephone keypad.

Your next question comes from Tim Casey from BMO. Your line is open.

Tim Casey – Analyst, BMO Capital Markets

Thanks, a couple for me. Can you talk about what's giving you confidence you can grow your Canadian margins? Given some of the issues you highlighted that put a bit of pressure on the margins, it seems like they're going to be around for a while. What's giving you confidence there?

My second question would be—within Canada, you talked about Aeroplan margins going up. Once again, what gives you confidence there?

Then, lastly, Rupert, I just want to push you around a bit on the US comment. For years you've talked about what a hard sell it's been given the dramatic price pressure in the grocery markets and some other retailing markets. Well, we've seen quite a snapback in the US economy. Should we expect something much sooner given that the general economic climate has improved so nicely down there? Thanks.

Rupert Duchesne – Group Chief Executive, Aimia, Inc.

I'm going to do the first and last and leave Dave to do the middle. So the first one about margins—this goes back to what I was saying earlier. If you think about the structural costs we had to redesign Aeroplan, including all the technology costs, et cetera which we're running through into 2014, as well as the sort of structural costs of the signup bonus for 450,000 new cards as opposed to the couple of hundred thousand we expected, together with the increased marketing costs which were very substantial in 2014 of launching Distinction, a lot of those variable costs in a more normalizing environment naturally are much less than they are in a launch year, and that's a pretty important part of the contribution to our confidence to say that we do expect the Aeroplan margins over the next little while to sort of get up to the level that we guided when we did the transformation of around 18 percent. So, that is very clearly the case from the—just the sheer logic of launch year plus successor year versus a more stable environment. Clearly there was the overhang there of interchange where, clearly, six months ago the market thought that could have a massive impact on our business, and we've said

that is all rolled into our estimates now of our guidance and we're very comfortable about that situation. So, it is natural that the margin would (inaudible) and improve in the Canadian Aeroplan business.

To deal with the US, yes, I think one of the great things about how well the US economy is doing is there is really great and renewed interest in discussions in that market, and I did say, slightly tongue in cheek, that I thought there are good prospects for new coalitions around the world, in the US, and I meant that, but we're getting to the point now where it's getting competitively very sensitive and I'm not willing to talk about when we may or may not launch a US coalition because there are several parties out in the marketplace, all of whom are scrambling around to work out the best way to launch and we certainly do not want to be in a position where we say too much. It doesn't mean to say it's definitely going to happen in 2015 but I would like to see it, as I said, I think, six months ago—sorry, three months ago, happen in the subsequent 18 months and we're still pretty confident about that. So, that would be the most I'd want to say on that.

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

I'm sorry, Tim, what was the middle part of your question that … (cross talking).

Tim Casey – Analyst, BMO Capital Markets

No, that's good, Dave. Just lastly, on your new card members—and I think you've alluded to this, but the other banks that are beyond TD, they're suggesting there's been real no impact in their premium loyalty card portfolio. So is it your assessment that the overwhelming majority of your new members are coming through the TD systems from perhaps other cards within the TD portfolio?

Rupert Duchesne – Group Chief Executive, Aimia, Inc.

Yes, I think that's a very fair statement. We have had significant acquisitions from the outside market but the majority have been from TD. The overall attrition rate in the premium credit card sector

is in the high single-digits annually. So, whilst another bank can say, well, there has been no difference necessarily year-on-year, each of those banks, typically, including our banks, will see churn, and we would argue that a significant portion of that churn in the last 12 months has come to the Aeroplan partners of CIBC, TD and American Express.

Operator

Once again, if you'd like to ask a question, please press star, one, on your telephone keypad. We have no further questions at this time. I turn the call over to the presenters.

Rupert Duchesne – Group Chief Executive, Aimia, Inc.

Well, thank you very much. Let me just thank you for joining us this morning and tolerating a somewhat longer time on the remarks than we normally do, but we felt that it was pretty important to give you a deeper look at the business than perhaps we normally do and hope that you found that beneficial, and we welcome your feedback in that regard.

As I think you can tell, we're thrilled with the success of the Aeroplan transformation. Underlying that success was the strategy to directly invest in the consumer value proposition. We did make a deliberate decision to lower margin in favour of volume, and we've to build more engaged, longer term cardholders, and we're already seeing that paying off. We do expect that our overall margins will get to the 12 percent that we guided, that the Aeroplan margin will settle in in the very high teens, just as we announced—just as we said when we announced the changes. We're still negotiating the final terms of the interchange reform, but I really want to be clear here; it's been fully factored into our guidance for 2015 and it isn't keeping me up at night anymore.

We are delivering on our growth strategy. We're building on our coalition expertise in new markets and that's being supported by significant investments we've made in the platforms we have

and the capabilities that we offer and use, both ourselves in our own coalition programs and for our clients' programs.

We've also given you some sense of the enormous success and the current profitability of our ISS business and I want to emphasize that data is really at the heart of all of our businesses and you'll see that come to the fore more and more over the next couple of years.

Our underlying business is very strong, even in the markets where we're facing economic challenges, like Italy and the UK, and frankly we believe that at current prices our stock remains cheap. We will continue to buy back shares. Furthermore, given the free cash flow profile that David talked about, we fully expect to be able to increase our dividend, as we usually do in May, subject of course to the Board accepting that recommendation.

Our guidance for 2015, particularly the more than doubling of the normalized free cash flow and the growth we expect to see across all metrics for 2016, makes us very confident. With the sales momentum we're gaining working with new and existing clients in our proprietary business, the strength of our underlying coalitions and partnerships as we replicate our successes around the world, and the way in which we're uniquely situated to make business personal for our clients, we are very excited about the coming year and the years to follow.

Our global growth strategy, with a strong balance sheet and the resources to continue to invest in the future of the business, gives us great confidence in the ability of Aimia to deliver and we look forward to talking to you over the next couple of weeks about the results that we've just published, and then of course again in May when we report our Q1 results.

So thanks very much everybody and speak to you soon.

Operator

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