AIMIA INC.

THIRD QUARTER 2018

RESULTS CONFERENCE CALL

NOVEMBER 14, 2018

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FINAL TRANSCRIPT

Aimia Inc.

Third Quarter Results Conference Call

Event Date/Time: November 14, 2018 — 8:30 a.m. E.T.

Length: 19 minutes

CORPORATE PARTICIPANTS

Karen Keyes
Aimia Inc. — Senior Vice President, Investor Relations

Mark Grafton
Aimia Inc. — Chief Financial Officer

Jeremy Rabe
Aimia Inc. — President and Chief Executive Officer

CONFERENCE CALL PARTICIPANTS

Adam Shine
National Bank Financial — Analyst

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. Third 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 *, then the number 1 on your telephone keypad. If you would like to withdraw your question, president the # key. Thank you.

Karen Keyes, Senior Vice President of Investor Relations, you may begin your conference.

Karen Keyes — Senior Vice President, Investor Relations, Aimia Inc.

Thank you very much, Sharon. Welcome, everyone, to this morning's call. Today's presentation can be found on our website.

Before we get underway, I'd like to remind everyone to review our forward-looking statements and the cautions and risk factors pertaining to the statements, which can be found on Slide 2 of the Q3 highlights presentation.

The presentation refers to a number of non-GAAP metrics to help you better understand the results of the business. The definitions of these metrics and a reconciliation to their most comparable GAAP metric can be found on Pages 3 and 4 along with a full GAAP income statement on Page 5.

Today’s presentation will focus on consolidated results with variances excluding other businesses as set out on Slide 7.

With me on the call today are speakers Jeremy Rabe, our Chief Executive Officer, and Mark Grafton, our Chief Financial Officer. We are also joined in the room today by Steve Leonard, Vice President and Chief Accounting Officer. Jeremy will cover a number of strategic developments since we were with you last quarter, but before we come onto that, Mark will take you through a summary of the operational and financial results for the quarter.

We will leave time at the end for your questions, but given the constraints in what we can say around the proposed transaction, we would ask that you focus questions primarily on the operational and financial aspects of the business. We will aim to wrap up the call in about 45 minutes.

And with that, let me hand you over to Mark.

Mark Grafton — Chief Financial Officer, Aimia Inc.

Thanks, Karen. Operating performance in the quarter was solid, with Consolidated Gross Billings coming in at $363 million and Adjusted EBITDA at $57 million, a margin of 15.6%, excluding restructuring. Free Cash Flow from Continuing Operations was $38 million on a reported basis. You will recall that our guidance excluded tax and restructuring, and on that basis, we delivered $42 million in the quarter, taking year-to-date post-tax free cash flow to 99 million.

So let me now turn to a few more details around the performance of our investments and operating businesses starting with a few comments on Cardlytics and PLM.

Our stake in Cardlytics was mark-to-market at the end of quarter share price, taking our 3 million share stake to around C$99 million and resulting in a mark-to-market gain. Cardlytics reported solid financial results in August, with Q2 revenue up 8%, and last night announced a 10% revenue increase in the third quarter alongside the launch of Cardlytics Direct with Chase. It also recently converted its pilot with Wells Fargo into a long-term contract, renewed its contract with Lloyds in the UK, and announced its expansion into India.

PLM results continue to improve. Gross Billings grew 5% over the same quarter last year with increased spend volumes and registered members continuing to grow, with membership now close to 5.9 million or up 10% compared to the same time last year.

Adjusted EBITDA margins continue to track above 30% with the business delivering Adjusted EBITDA of $22 million in the quarter and $64 million on a year-to-date basis on Gross Billings of $181 million. Despite the shorter-term macro and capacity headwinds that Aeromexico called out on their call, longer-term trends continue to be positive in this market, supported by favourable demographics and a growing middle class. Member engagement in the program continues to be strong.

In our operating businesses, the 4% decline in Aeroplan Loyalty Units Gross Billings in the quarter reflected reductions in the retail and travel segments against significant hotel conversion campaigns last year and reflecting Esso’s exit from the program. Lower financial card Gross Billings reflected a lower active financial card base, but spend per card was up.

Loyalty Services Gross Billings include the loyalty strategy and operations work we do for Canadian banking and retail loyalty clients as well as the Aeroplan billings unrelated to the issuance of miles, which we refer to as non-mileage revenue. Loyalty Services billings were around $16 million, up 6% in the quarter, with the increase mainly attributable to higher Aeroplan non-mileage revenue.

ILS Gross Billings were down 7% to $40 million. Increases in our global analytics business were offset by declines in the Middle East and in our loyalty platforms business due to client losses. Despite this, we are encouraged that around 40% of our billings are coming from recurring revenues related to loyalty platforms, which gives us a more stable basis from which to improve that business.

Adjusted EBITDA in the Coalitions business was higher on a reported basis, but after adjusting for the benefit of low restructuring, it was broadly stable in the quarter with margins at 19.5% . Excluding restructuring, Adjusted EBITDA margin for the first nine months is tracking well above 2017 at over 20%. Operating expenses were down 10% as we achieved efficiencies.

In the ILS business, gross margin declines offset the $4 million decline in operating costs and normalized Adjusted EBITDA margins were down. Our operating expense run rate is down significantly on last year, representing an 8% OpEx reduction on a nine-month basis. As we come into the fourth quarter, it's worth remembering that last year's Q4 adjusted EBITDA margins benefitted from $8 million of one-off items, which will make it a tough comp.

Overall, across our two operating divisions, operating expenses, excluding restructuring, were down $6 million on the same quarter last year to around $100 million.

Total headcount was down by over 400 since this time last year to a bit over 1,600. Around three-quarters of the decrease was attributable to business disposals, particularly in our UK operations, but much of the remainder represented the focus we have had on simplification of our business in the APAC region.

In the quarter, we generated $38 million of cash from continuing operations. On a year-to-date basis, we have delivered over $80 million of free cash flow from continuing operations or almost $100 million excluding restructuring.

This time last year, we guided to operating expense and cost of rewards as the two main factors which we expected to drive free cash flow performance in 2018. On a year-to-date basis, those have largely offset each other with a $40 million decline in operating expenses largely offsetting the $40 million increase in cost of rewards. CapEx has been lower, and a lower level of debt has resulted in lower interest expense.

While we still expect to pay around $20 million of tax for the full year, the phasing of our cash taxes will be weighted to the fourth quarter. In the first nine months, we also benefitted from a tax credit in relation to our ongoing ISS product development in the UK, which has offset taxes elsewhere. The expected increase in cost of rewards was mainly related to Aeroplan.

Redemption levels to the end of September were tracking within the range assumed in our 2018 guidance, which was based on our assumption that growth in miles redeemed would slow as we came through the second half, given already elevated levels from the summer of 2017. This is consistent with what we have seen to date with growth in miles redeemed slowing from close to 10% to around 5.5% in the third quarter. October also trended well.

Turning to guidance. On the basis that we will own the Aeroplan business through to the end of the year, we expect Coalitions Gross Billings to land in the range we guided to of around $1.3 billion, but we are increasing our margin guidance. We now expect Coalition's Adjusted EBITDA margin to be above 19%, reflecting our success in managing redemption unit cost and operating costs through the year.

With redemption expense continuing to track within our range of expectations and cash outflow related to capital expenditures expected to be below our original expectations, free cash flow should land within the ranges we set out at the beginning of the year. Restructuring plans are now expected to result in costs in the range of $15 million to $20 million and cash payments in the range of $20 million to $25 million in 2018.

And with that, let me hand over to Jeremy.

Jeremy Rabe — President and Chief Executive Officer, Aimia Inc.

Thanks, Mark. A lot has happened since we were on the call in Q2. In late August, we announced the signing of an agreement in principle with a consortium of TD, CIBC, Air Canada, and VISA for the entering into an agreement for the acquisition of our Aeroplan loyalty program at the purchase price of $450 million, which we were able to conclude in the negotiations leading to the agreement in principle. We continued to progress our negotiations with the consortium towards a year-end closing and expect to update you as and when we can.

And while many of you have asked questions about the many potential future uses for the company's capital, it would be premature for us to comment on these today. You should expect the board to conduct a thorough analysis of these alternatives if and when the proposed transaction completes, alongside the review of the mid and long-term strategic direction the board currently has underway, assuming and following the completion of the Aeroplan transaction.

In the meantime, we have remained focused on our priorities. Among them, delivering improved returns and cash generation from the company's other assets and investments. This has been a priority since I joined in May, but the proposed sale fundamentally changes the emphasis we're putting on this and the way we think about the business going forward.

Let me give you some insight into the plans we are putting in place. Aimia's loyalty services businesses have been and will continue to be global leaders in next-generation loyalty solutions. Aimia has been recognized as a leader in the loyalty services space by Forrester for five years running. We have been cited for our global reach and strategy capabilities, which have been put to the test in blue-chip clients around the world. Our loyalty platforms and marketing services are helping them create a unique customer-focused journey and experience serving hundreds of millions of loyalty members.

We have partnered with P&G globally on one of their premium brands for over nine years. We have continued to support Hallmark, a client since 1993. And more recently, we partnered with

PetSmart on the design of a new loyalty program launched across the US, Puerto Rico and Canada. We've also worked alongside Nordstrom, as they launched and now rebranded their loyalty program and have seen it grow to more than 10 million members in the US and Canada.

In energy, Husky Energy has been a partner since 2012, while ExxonMobil has been a partner for over 15 years. In Canada, Australia and the Middle East, our loyalty services teams are working with major banks, including leading customer-focused brands like BMO, NAB, ANZ and HSBC.

But while we have been able to deliver great service to our customers, our shareholders have not seen the same benefit. As we invested in global platforms to grow the business, the cost base got ahead of our ability to generate new revenue, and more recently, perceived uncertainty around Aimia, contributing to client losses.

Our focus now must be on realigning the shape of the business from where we are today, ensuring costs more closely reflect the future revenue mix. What we need is a more efficient service delivery model to improve profitability and generate better returns for our shareholders, while maintaining the expertise and service levels our customers have come to expect.

We have a new plan centred on simplification, efficiencies, and core technologies and services. We are working to put those changes in place. With the exit of our presence in Indonesia, which we announced to customers and our team in the region over the last two weeks, being an example of the kind of action we are prepared to take. After executing on that plan over the next 12 to 18 months, we believe our loyalty services businesses will form a great platform for growth in the expanding loyalty marketing sector.

So let me conclude with a few takeaways. Aeroplan performance in the quarter was solid, with redemptions trending well and card spend remaining strong. We continue to focus on delivering value, flexibility, and improved member experience, while continuing to make progress towards finalizing the Aeroplan transaction. And the plans we are putting in place in our loyalty services businesses should lead to improving returns there.

We have begun to turn our attention to a mid and long-term strategic future and direction and what we believe will deliver the best outcome for shareholders. This will include considering how to leverage the well-recognized management expertise acquired through Aimia's decades-long history in loyalty, the remaining operating companies and investments of Aimia, and our strong financial position following the completion of a potential transaction.

That will be our focus as we enter the year-end planning. And we look forward to sharing more details around our future plans when we're able to in the new year.

And with that, let me open the call to questions.

Q&A

Operator

At this time, I would like to remind everyone in order to ask a question, please press *, 1 on your telephone keypad. Please limit yourself to two questions.

Your first question comes from Adam Shine with National Bank Financial. Your line is open.

Adam Shine — National Bank Financial

Thanks a lot. With respect to, Karen, I mean your stock's not moving on the operating metric, so I have to ask you a few more strategic questions.

We thought on the Aeroplan transaction that it might be a matter of weeks with respect to a potential circular coming into maybe the October time frame. I know Air Canada has sort of stuck with a sort of year-end sort of timing perspective. But perhaps, Jeremy, you can share a little bit in terms of what might be going on in the background. Is this more a function of the consortium itself working through its sort of new loyalty and network agreements? Or are there actually ongoing discussions still between you and the consortium?

And then as a follow-up. Just with respect to Aeromexico, I mean you talked a lot on PLM as to how it's performing, but any update in regards to any negotiations or potential discussions with Aeromexico vis-à-vis PLM and the asset? Thanks.

Jeremy Rabe

Thanks, Adam. So first, let me speak to just kind of the timing of the deal and what's going on. As you can imagine, this is a pretty complex deal. So there's four different parties in the consortium. There's us. This is not only a carve out of Aeroplan, but it's also typical M&A transaction-type documentation. There's also some significant commercial agreements that are being negotiated on the co-brand and network side. So all of that makes for a relatively kind of complex transaction. We're still targeting the end of the year. Eating and sleeping are optional up until we get definitive agreements. But I think things are progressing, and we'll hopefully have some good news on that shortly.

I think also, importantly, whilst everybody is working hard towards getting a deal done, we have to make sure that this is the right deal for our shareholders. We can't just enter anything just to hit the timing. So we have to make sure it makes sense, and I think the parties are working towards that.

Adam Shine

Can I just—with respect to timing, can you just help me a little bit? Do we expect to see perhaps a definitive agreement signed by year-end as per, I think, how I'm interpreting things? And then subsequent to that, we would get the circular, a special vote on the part of the Aimia shareholders, which would likely happen in the Q1 next year in theory. Is that correct as to timing?

Jeremy Rabe

So we're actually, I think, even being more aggressive than that in saying we're looking to a year-end closing of the transaction, which would mean definitive documentation and a circular being distributed well in advance of that closing.

Adam Shine

Oh. Okay. Thanks for that. And then just on to Aeromexico, if you don't mind.

Jeremy Rabe

So Aeromexico, I think is going well. That's a business that we're believers in, in the long term. There's been some uncertainty given the new administration that's coming in there and developments around the Mexico airport. But the trends that we see in that market from growth in the middle class, growing usage of credit cards, air travel, it's a great management team with a very strong brand and program, commercial agreements that are established for the very long term. We feel very comfortable with that agreement, we have a great working relationship with the Aeromexico guys. It's a well-governed asset, and we're not pursuing any divestiture of that business.

Adam Shine

Okay. I'll leave it there. Thank you.

Operator

Once again, if you would like to ask a question, please press *, 1 on your telephone keypad.

And we do not seem to have any questions at this time. I will turn the call over to Mr. Rabe.

Jeremy Rabe

Very good. Well, thanks, everyone, for joining the call today. I'd like to thank all of our employees who have been working incredibly diligently over the past couple of months. I'd also like to thank all of our customers for giving us the privilege of working with you and entrusting us with the relationship with your most important customers. Also, to our shareholders for your continued support. We'll keep you posted on developments as and when they happen and look forward to keeping you updated in the near future.

Operator

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

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