AIMIA INC.

FIRST QUARTER 2020

RESULTS CONFERENCE CALL

MAY 13, 2020

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Aimia Inc.

First Quarter 2020 Results Call

Event Date/Time: May 13, 2020 — 8:30 a.m. E.T.

Length: 55 minutes

CORPORATE PARTICIPANTS

Tom Tran
Aimia Inc. — Director, Investor Relations

Phil Mittleman
Aimia Inc. — Interim Chief Executive Officer

Steve Leonard
Aimia Inc. — Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Matt Sweeney
Laughing Water Capital — Analyst

Brian Morrison
TD Securities — Analyst

Drew McReynolds
RBC — Analyst

Rahul Bhan
DG Capital Management — Analyst

Chris Colvin
Breach Inlet Capital — Analyst

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Aimia Inc. First Quarter 2020 Results Call. At this time, all participants' lines are in listen-only mode.

After the speakers' presentation, there will be a question-and-answer session. To ask a question during this session, you will need to press *, 1 on your telephone keypad.

I would now like to turn to call over to your speaker today, Mr. Tom Tran, Director of Investors (sic) [Investor Relations]. Thank you.

Please go ahead, sir.

Tom Tran — Director, Investor Relations, Aimia Inc.

Thank you, Brandy, and welcome, everyone, to this morning's call. Today's presentation is available on SEDAR and will be available 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 statement, which can be found on Slide 2 of the Q1 highlights presentation.

The presentation refers to several non-GAAP metrics to help you better understand the results of the business. For all of our non-GAAP metrics, a definition and a reconciliation to their most comparable GAAP metrics can be found Pages 3 and 4. As usual, you will find a full GAAP income statement on Page 5.

With me on the call today are speakers Phil Mittleman, Aimia's new CEO; and Steve Leonard, our CFO. Phil will begin with our strategic highlights before handing over to Steve to take you through the results of the quarter. We will have time for your questions at the end.

With that, let me hand it over to Phil.

Phil Mittleman — Interim Chief Executive Officer, Aimia Inc.

Thanks, Tom. Hello, everyone. I'm extremely proud to be speaking to you as Aimia's new CEO and of the work this reconstituted board has achieved in such a short period of time.

In only 75 days since our board was reconstituted, we have made a remarkable amount of progress. We've announced a new corporate strategy overseen by new management and a new Board of Directors with long track records of creating stakeholder value highlighted by a new ownership mentality at the board level, with each board member having purchased significant amounts of stock in the open market.

Aligned with our new corporate strategy, we have established an ad hoc investment committee to manage the deployment of the company's cash and liquid investments.

We've also announced a significant transaction to merge our two remaining operating loyalty subsidiaries into Kognitiv, highlighting the substantial value that has been created in the Loyalty Solutions business while greatly simplifying Aimia's corporate structure.

We've refreshed and improved our relationships with key partners, including Aeroméxico where the working relationship is now very strong. As we announced last night, Aimia has signed a binding letter of intent with Aeroméxico to negotiate certain amendments to the CPSA and a shareholder agreement that will ensure strong alignment of shareholders' interests in PLM, and establish a minimum sales price at an adjusted EBITDA multiple of 7.5 times the minimum floor of US$400 million for Aimia's stake in PLM.

We have also announced this morning that the company has made an investment in Clear Media Limited, one of the largest outdoor advertising firms in China with market shares in more than 70 percent top-tier cities totalling approximately C$75 million. We will cover these two announcements in greater detail later in my remarks.

Last, but by no means least, we have significantly cut costs and rightsized the corporate expenses with a leaner corporate team, reducing our overall corporate expenses from last year's 27 million to a $15 million run rate, with further savings likely.

I'll now walk you through the process that the company undertook leading to the announcement of its new strategy and the recently announced transactions that support the future strategic direction and vision for Aimia.

In early March, the board formed a special committee to evaluate the company's future strategic direction. A thorough and comprehensive process was undertaken by an ad hoc strategic review committee of independent directors comprised of Karen Basian, Charles Frischer, Sandra Hanington, and David Rosenkrantz who chair the committee. This group evaluated all available strategic options for Aimia to determine which would generate the most attractive long-term returns for stakeholders.

After careful deliberations, the special committee recommended to the Board of Directors to change the company's corporate strategy to become an investment holding company focused on deploying its cash and tax assets towards the acquisitions of free cash flow generating businesses in diverse industries.

Aimia will now seek to make long-term investments in public and private companies on a global basis through controlling and minority stakes. We will target companies that exhibit durable economic advantages, evidenced by a well-established track record of substantial free cash flow generation over complete business cycles headed by a strong, experienced, management team.

As evidenced by our investment in Clear Media, Aimia is now positioned to invest wherever a suitable opportunity can be identified, thus diversifying the corporation away from its prior loyalty-only investment mandate into a more broad and balanced investment holding company.

We believe that leveraging the skills of a world-class board to oversee our new management team's effort is the right combination to unlock the future value of the company's substantial assets and investments and deploy its capital.

To support the corporation's new strategic focus, we announced two M&A transactions that are aligned with our vision and direction for the company. The first M&A transaction is the acquisition of Mittleman Brothers, which provides the company with key management skills and expertise to execute on the new corporate strategy. This transaction was evaluated by the strategic review committee comprised of independent directors, which unanimously recommended that Aimia's Board of Directors approve the acquisition.

I have been appointed interim CEO of Aimia to lead the execution of this new strategy, and upon closing of the transaction, I will be appointed permanently. Chris Mittleman will be joining Aimia as CIO and will become a member of the Board of Directors. While Chris will continue to manage Mittleman Brothers' portfolio independently, he will also provide added insights towards our goal of acquiring operating businesses that can capitalize on Aimia's nearly 700 million in various forms of tax loss assets.

This transaction received a third-party fairness opinion and was structured in a highly favourable way for Aimia, tying the majority of the stock compensation to future earnout hurdles, including a significant increase in Mittleman Brothers' assets under management and/or Aimia's stock trading at a weighted average of $6 per share over a 20-day period.

I’m excited and confident to lead and execute Aimia’s new strategic vision, and I look forward to working closely with the board to execute on our new and promising core strategy.

The second M&A transaction is the merger of Loyalty Solutions and Kognitiv to form a visionary leader in loyalty. For years, Aimia’s stakeholders have watched our loyalty business lose money, with over 80 million in cash burned over the past two years. I am very proud to announce that our successful transformation of these businesses has led to significant improvement, resulting in our announcement today of the first quarter’s solid adjusted EBITDA performance of 3.6 million for the Loyalty Solutions segment.

Loyalty Solutions is well positioned to accelerate its growth as a result of the merger with Kognitiv, with each providing cost and business synergies which should dramatically accelerate their growth trajectories. Aimia was presented an exciting opportunity in Kognitiv.

This proprietary AI peer-to-peer technology allows their partners to distribute and apply rewards via the loyalty capital network to maximize yield and consumer lifetime value. Kognitiv’s extensive investment in technology will enhance and further enable the Loyalty Solutions’ platform and represents a significant acceleration of our combined business models, which are fully funded, with the likely potential to become EBITDA and cash flow positive in 2021 with accelerating growth in that period and beyond that far exceeds our previous internal projections for our Loyalty Services division.

Importantly, Kognitiv’s management and Board of Directors bring an invaluable array of talented business acumen to the newly merged entity. This transaction is structured similarly to our highly successful investment in Cardlytics where Aimia contributed certain IP, operating expertise, and board presence along with funding into a tech-forward company, which was subsequently bought public in an

IPO. We believe this merged entity has a potential for a monetization event that would provide a similar positive outcome.

Concurrent with this merger, Aimia and Kognitiv investors will contribute C$35 million in exchange for 12 percent yield in convertible preferred shares in the newly merged entity, of which Aimia will be contributing 21 million and existing Kognitiv investors and board members will fund the remaining 14 million.

This investment made side by side with Kognitiv's investors signals a strong vote of confidence in the future of the newly merged and financed business with a healthy equity valuation. It also greatly simplifies Aimia's holding company structure and ring-fences these operations outside of the parent company and into an external holding that we will be a minority owner of, providing significant upside to Aimia's stakeholders while limiting future risk.

Integration planning is well underway, and client responses on both sides have been very positive. We remain on track to close the transaction by the end of this month.

The board has also worked with Aimia's management to dramatically reduce corporate costs, leaning to a leaner corporate structure. These reductions create immediate and significant stakeholder value through a substantial reduction in annualized operating run rate expenses from 27 million in 2019 to approximately 15 million with further cuts targeted.

Corporate operating run rate expenses of 15 million include expenses related to central operating costs, such as public company disclosure and board costs, executive leadership, financial reporting, insurance, treasury, tax, M&A, and rent.

In conjunction with these savings and following the close of the Loyalty Solutions and Kognitiv merger and acquisition of Mittleman Brothers, Aimia's total employee count will be reduced from 450 to approximately 20, as a substantial portion of the staffing will be shifted to the newly merged entity.

With those changes will also come substantially reduced operational complexity. This business simplification will help investors better understand the go-forward Aimia story that will consist of a leaner corporate team guided by a highly skilled board focused on growing the value of its five core holdings in the soon to be merged Kognitiv, PLM, BIGLIFE, Mittleman Brothers, and Clear Media.

Each investment is ring-fenced from the parent, which remains debt-free and cash-rich. Going forward, any further acquisitions Aimia makes will be structured as ring-fenced, stand-alone entities that are not financially entangled with Aimia's parent and will not expose Aimia to any risk, other than its equity commitment to the investment.

Post transactions and reflecting for the company's new equity investment in Clear Media, Aimia will retain approximately 190 million on a pro forma basis in cash and liquid investments while maintaining an attractive capital structure reflective of various stock buybacks in 2019, which represented over 40 percent of the outstanding common shares.

As announced last night, Aimia has signed a binding lending of intent with Aeroméxico to negotiate certain amendments to the CPSA, including a 20-year extension of its term through 2050, as well as certain amendments to the shareholder agreement, including granting Aeroméxico a seven-year option to purchase Aimia's 48.9 percent equity interest in PLM at an adjusted EBITDA multiple of 7.5 times with a minimum floor of US$400 million for Aimia's stake, subject to final agreement on certain terms and conditions.

The amendments of the CPSA are intended strengthen the relationship between Aeroméxico and PLM, to grow and improve the program, and align PLM shareholder interest regarding PLM profitability and value. As part of this agreement, PLM has funded using cash from its balance sheet of 50 million US to Aeroméxico in the form of an intercompany loan following the execution of this binding letter of intent with an additional US 50 million of additional liquidity to be funded by PLM to Aeroméxico in the form of prepurchases of award tickets upon the final amendments to the CPSA. Both loans will be secured by Aeroméxico's 51.1 percent equity interest in PLM.

We are happy to provide additional liquidity to our valued partner through these unprecedented times.

Subject to market conditions, Aimia and Aeroméxico will explore alternatives to strengthen PLM's balance sheet and enhance distribution to shareholders. We believe providing Aeroméxico with added liquidity and the option to acquire full control of its loyalty program allows both shareholders' interests to be fully aligned going forward. We expect the renewed relationship with Aeroméxico will enhance the value of PLM for all stakeholders in the year to come.

Finally, let me talk about our new and exciting investment in Clear Media that we announced this morning. Aimia invested approximately $75 million in Clear Media Limited, one of the largest outdoor advertising firms operating in China, with market shares of more than 70 percent in top-tier cities like Beijing, Shanghai, and Guangzhou and publicly listed on the Hong Kong stock exchange.

The investment in Clear Media Limited was acquired through a series of common share purchases totalling 58.8 million common shares, which included 19.6 million common shares previously held by clients of Mittleman Investment Management at an average cost of HK 7.12 per share, reflecting the same price that would have been paid to the clients of Mittleman Investment Management through the current tender offer.

This investment was made in anticipation of a pending change of control transaction, which, if completed, would see current controlling shareholder, Clear Channel Outdoor, sell its 50.9 percent stake in Clear Media to Ever Harmonic Global, which is owned 40 percent by Clear Media's CEO; 30 percent by Ant Financial, which is controlled by Jack Ma; 23 percent of 7 percent by JIC Capital Management Limited.

We believe an investment in Clear Media represents an outstanding opportunity for Aimia's stakeholders, diversifying our holdings, and taking advantage of the COVID-19-related economic malaise in the US and China. Aimia now owns a large stake in the leader in the outdoor advertising market in China that's debt-free with more than a 20-year track record of strong growth and free cash flow generation and 19 years as a public company, backed by a blue-chip consortium of investors and a highly skilled management team.

I'll now hand it over to Steve, who will focus on our financial highlights before I wrap up with closing remarks.

Steve?

Steve Leonard — Chief Financial Officer, Aimia Inc.

Thanks, Phil. We once again delivered on continuing operational progress. The highlight in the first quarter was the positive adjusted EBITDA performance of 5 million, an improvement of 4 million over the same quarter of last year, despite incurring one-time costs of 2 million for IT decoupling, 1 million in severance, and 1 million in litigation and activism-related expenses.

Free cash flow was negative 26 million in the quarter, a decline of 6 million over last year, which included 19 million of Part VI tax paid in the quarter related to preferred dividends paid in 2019, which included 26 million of preferred dividends paid in arrears.

Excluding one-time payments, which included the Part VI tax paid related to dividends and arrears and severance, free cash was negative 10 million, which represents 1 million improvement over the same period, excluding similar items.

Overall, we had a strong first quarter that demonstrated continuing operating performance.

In our Loyalty Solutions division, our focus on delivering great service to our clients, coupled with tight cost discipline, has led to improving profitability for the business.

Loyalty Solutions operating expense was 27 million in the first quarter, an improvement of 19 million over last year's operating expense of 46 million. Reduced headcount, lower technology costs, and benefits from office consolidation were the key drivers of operating expense improvements in the first quarter. Loyalty Solutions adjusted EBITDA performance was positive 3.6 million compared to a loss of 10 million last year, reflecting the successful transformation of that business, which will be merged with Kognitiv to turbocharge the new entity's growth and profitability profile.

Moving to our corporate and other. Operating expenses slightly improved over last year as the benefit from lower headcount was mostly offset by increased restructuring expenses of the corporate team, as well as the impact of the one-time costs related to technology decoupling and shareholder activism.

As highlighted by Phil earlier, corporate operating run rate expenses are expected to be 15 million, reflecting a leaner corporate team with a simplified holding company structure.

Moving to PLM. PLM's financial performance in the first quarter was positive and operating metrics were solid. Member growth was up 8 percent over last year to 6.8 million enrolled members in the first quarter and gross billings were up 3 percent year over year to US 61.5 million, mainly driven by the growth at Aeroméxico.

PLM's adjusted EBITDA performance was up 9 percent over the same period in the previous year to US$22.3 million, or an adjusted EBITDA margin of 34.7 percent from the modest top-line growth and tight cost controls.

Aimia received 9.5 million in distributions in the first quarter, down from last year, which benefitted from a one-time exceptional distribution. Subsequent to the end of the quarter, Aimia and Aeroméxico agreed to an additional distribution. Aimia's share of that incremental amount was 7 million Canadian, which will appear in our second quarter results.

As recently announced, Aimia expects PLM to be negatively impacted by COVID-19, resulting in materially lower gross billings, adjusted EBITDA, and cash flow for the remainder of 2020. Consequently, Aimia now expects no distributions from PLM operations in the second half of this year. The company continues to closely monitor the evolving situation and is working collaboratively with Aeroméxico and PLM. We believe the impacts are transient, and although the timing of a return to normalcy remains uncertain, we do not expect these impacts to be permanent.

Turning now to free cash flow. Reported free cash flow for the quarter declined by 6 million over last year's cash flow of negative 26 million. We included 19 million in Part VI tax paid in the quarter, of which 10 million is assumed to be one-time in nature. Going forward, Part VI tax is expected to be around 5 million per year, or 40 percent of preferred dividends paid.

We collected 1 million in cash interest and working capital and other outflows of 13 million in-quarter, which included restructuring payments of 6 million and other share-based and incentive payments which typically occur in the first quarter of the year.

Moving on to the balance sheet. We ended the quarter with cash, restricted cash, and investment and bonds totalling 322 million. Restricted cash was 94 million at the end of March, of which 68 million was set aside as restricted cash as part of the Aeroplan transaction. Around 65 million of the restricted cash is expected to be released to Aimia in accordance with the terms of the share purchase agreement.

On a pro forma cash basis, the company continues to maintain a robust balance sheet with a healthy level of cash to operate and grow the business. Following the closing of the transactions and reflecting Aimia's new equity investment in Clear Media, pro forma cash is expected to be approximately 190 million. This includes the 7 million payment for the acquisition of Mittleman Brothers, 21 million payment for the funding of the 12 percent convertible preferred equity in a newly merged Kognitiv, and the 75 million in Clear Media, as well as some related expenses and transaction costs.

And with that, I'll hand it back to Phil to wrap up with closing remarks.

Phil?

Phil Mittleman

Thanks, Steve. This is an historic moment for Aimia, and we have an exciting and promising future. And I'm delighted to lead Aimia as its CEO, but I am also an investor and I'm now surrounded and overseen by investors, each with their own skill sets to offer, but all of whom are focused on one thing: creating stakeholder value.

Our corporate transformation, including a refreshed strategy that's led by a new and leaner management team overseen by a world-class board having proven their ownership mentality by purchasing stock in the open market, will contribute to and oversee this focus.

And as evidenced by the expansion of our relationship with Aeroméxico and PLM announced last night, the Kognitiv transaction, and our investment in Clear Media Limited that we announced this morning, we continue to take advantage of dislocations in the worldwide economy and the markets that are providing investment opportunities for Aimia. We are very confident that as stakeholders you can now look to the future with optimism and excitement.

In less than 90 days, we have demonstrated clear and definitive value creation. Through the merger of Loyalty Solutions and Kognitiv, we will retain significant upside to the new entity while greatly simplifying the holding company structure and limiting future risk.

The amendments to the CPSA and the shareholders' agreement that we will finalize with Aeroméxico are meant to ensure that both shareholders' interests are fully aligned going forward and is expected to value Aimia's stake at PLM in a minimum of US$400 million, representing more than C$5.75 per share.

Furthermore, our investment in Clear Media provides an exciting long-term investment in a well-established free cash flow generating business backed by a blue-chip consortium of investors at an attractive valuation that we believe can deliver substantial returns to stakeholders.

This board and management team are fuelled by an urgency to achieve our goals as quickly and as efficiently as we can, and these recent achievements should be a strong harbinger of the exciting future that lies ahead for Aimia stakeholders.

So with that, we'll turn it over to your questions. Operator, please go ahead.

Q&A

Operator

As a reminder, to ask questions, you will need to press *, 1 on your telephone keypad. To withdraw your question, press the # key. We respectfully ask that you please limit your questions to two.

Please stand by while we compile the Q&A roster.

And your first question comes from Matt Sweeney of Laughing Water Capital.

Matt Sweeney — Laughing Water Capital

Hi. How are you doing, guys?

Phil Mittleman

Hey, Matt.

Matt Sweeney

So first question in terms of PLM and Aeroméxico, there's obviously a lot of uncertainty with global airlines these days. So can you kind of talk about how you got comfortable with sending cash from PLM to Aeroméxico in context of any potential bankruptcy risk at Aeroméxico? And then can you also talk about how the deal was funded? And what the pro forma cash or working capital situation is at PLM?

Phil Mittleman

Sure. Yeah. I think there's very few people appreciate and understand the strength of PLM's balance sheet. This is a company with when you net out the ticket pre-buys, it's got almost 170 million, $180 million in cash on the balance sheet with no debt and tremendous earning power. This company generates significant amounts of EBITDA and free cash flow year over year.

So when you look at how we're funding this transaction, we had to take into account a lot of variables. We've been in very close contact with Aeroméxico and we've evaluated their financial position. And they're in one of the strongest positions of the airlines. They've got significant liquidity and runway to make it through this. They've managed their costs extremely well. We think that this transaction helps them further and is part of other initiatives that they're working on to further enhance their liquidity.

So the way we structured this was to loan them cash off the balance sheet of PLM secured by their stake in PLM. So from a PLM perspective, we're now getting a reasonable interest rate on money that we're lending to a partner that's benefitting a partner that, obviously, its health is important to us and to the future of PLM. And we're getting back in exchange something very significant for Aimia stakeholders.

So there's a balancing act here and it's one that we're very careful about and wary of Aeroméxico situation, but in an Armageddon situation where Aeroméxico did go bankrupt, I think history has shown us that these loyalty businesses not only survive, but they typically thrive during periods like this, and often times help out their partner airline in a way that benefits them financially as well.

So I think even in that situation, if you just recently saw Avianca declare bankruptcy and Air Miles, their provider who recently did a leverage recap and went public, still has their bonds trading around $0.80 on the dollar. And I think the perception there is that they'll do fine as well because these airlines, even if they go through a restructuring, typically continue to operate and their loyalty companies continue to operate.

So we see this as a win-win transaction for everybody and we're very close with Aeroméxico now. And it's a very positive relationship, and I think that we all have the same goal, which is to benefit

PLM, which benefits Aimia and benefits Aeroméxico, which is the partner, obviously, feeding PLM its business. So we've weighed all of the different elements of this, and I think we made a great deal.

Matt Sweeney

Great. Thank you. I didn't realize that it was secured by Aeroméxico's stake in PLM. That's great to hear. And then in the event that Aeroméxico eventually exercises their purchase option, can you talk about any tax implications for Aimia, if any?

Phil Mittleman

Yeah. The way that that investment is structured, we should be shielded from any tax liability. We have a Canadian capital loss, we have a UK ownership structure that will have no tax there, and we believe that we can exit Mexico in a very tax-efficient manner, and we have a path to do that. So we don't see any significant tax on the transaction going forward.

I'd also add that part of this agreement is that we are going to pursue a recapitalization of PLMs balance sheet that, if we can succeed, would yield a significant additional amount of cash to PLM's balance sheet, which we would dividend out our share to ourselves and to Aeroméxico to them.

So there's a lot of power on PLM's balance sheet that is not being tapped between its cash and the fact that it has no debt and the leverage. So it's a very exciting opportunity going forward to maximize that value for all of us.

Matt Sweeney

Great. And then if I could just sneak one more in quickly on—

Phil Mittleman

Sure.

Matt Sweeney

—Clear Media. So I know Mittleman Brothers are long-term owners of Clear Media, and then a group of investors came together to take the company private because Clear Channel Outdoor was—

Phil Mittleman

Yeah.

Matt Sweeney

—somewhat of a forced seller, given their own leverage problems. So is the right way to think about this simply that Mittleman Brothers' clients couldn't participate in a going-private transaction, but Aimia can, so Aimia is able to step in and basically become part of the consortium that's taking this private?

Phil Mittleman

That's exactly right. Yeah. We had no choice. Mittleman Brothers clients are not allowed to hold private investments, and this is most likely going to become a private investment. So we would be forced to sell at the 7.12 tender. So Aimia purchased those shares as part of these purchases. And I think some of the stock we got from other people out in the open market are probably exposed in the same way.

So this is an amazing investment that we would love to hold, and we've held it for seven years and experienced how smart management is and how well they've managed this business. And the incredible free cash flow generation that's taken place, I mean these guys have dividend out 250 million in cash. We received almost our entire investment back just from dividends over the period we've owned it.

So this is something we didn't want to part with. And this transaction is effectively allowing this group to purchase this company with a normalized 5 times EBITDA with huge growth possibilities and really enhanced growth possibilities because of the group getting involved.

Previously this had been run as kind of a cash-funding mechanism for Clear Channel, who needed the cash. So it had been deprived of cash that should have been used towards growth initiatives like converting to digital billboards. So this new group coming in, you can clearly argue that going forward this is even more attractive than it was before. So even though we’re looking at 5 times EBITDA as a normalized number, you’re looking at a much more enhanced profile going forward.

They have no debt. They can do a leverage recap themselves. And the group of people involved, and you have Jack Ma involved now running this and you have JCDecaux, a very large public company and the leader in the space, you’ve got a—this is a deal that you would dream of participating in as an outsider.

And we had the opportunity because Mittleman Brothers had some stock and because other people had stock that they couldn’t hold, Aimia as a permanent capital vehicle has the opportunity to hold it. So this is really evidenced of kind of a synergy you can see between Mittleman Brothers and Aimia where both parties can benefit from an opportunity like this, where even though Mittleman Brothers’ clients had to sell, they now get at least to participate in it through their ownership of Aimia. So it’s a little upside for them. But in general, this is an opportunity that Aimia can be afforded because of its structure.

And also to add to that, we have this very large capital loss in Aimia that could shield gains from this as well. So that’s an added benefit as well.

Matt Sweeney

Great. Thanks very much. That’s all I have.

Phil Mittleman

No, thank you, Matt.

Operator

Thank you. Your next question comes from the line of Brian Morrison of TD Securities.

Phil Mittleman

Hi, Brian.

Brian Morrison — TD Securities

Hey. Good morning. Hey. Good morning, Phil. Many of my questions asked there, but I just want to follow up on Clear Media. Is there any kind of rationale or benefit behind the 10 percent stake that you've taken there?

Phil Mittleman

Yes.

Brian Morrison

Go ahead.

Phil Mittleman

Yes. There is. In the proposed structure if you owned less than 10 percent, you could conceivably be crammed down. I'm not saying they would do that, but by owning more than 10 percent you protect yourselves. They cannot take the stake away from us, and we're allowed to maintain that stake going forward. So it really it protects you against that possibility.

Brian Morrison

Okay. And if I can follow up on the Club Premier transaction. I agree they can—it's beneficial to utilize the frequent flyer program in the event of a bankruptcy filing. But in terms of a recap, can you maybe just goalpost the potential size of a distribution? And then you provided us with the net cash on balance sheet, but maybe you could also provide us what the size of the redemption liability is on the balance sheet as well?

Phil Mittleman

Sure. I think that we—Steve, what's the number? Is it like—do we know what the liability is on the balance sheet?

Steve Leonard

Yeah. It's about 230 million.

Phil Mittleman

Yeah. I think, Brian, with regard to the leverage recap, so obviously the debt markets froze up, but we've been monitoring them. And if you look at the Air Miles transaction, it's held up really well even though Avianco went bankrupt and the debt market has frozen up. So that's a really good indicator.

I think that based on a normalized EBITDA production resuming relative EBITDA normalcy, we could probably do a transaction in the 3 to 4 times range, and it would provide about 200 million to 300 million to PLM in a leverage recap and we would dividend half of that to each of us.

Brian Morrison

Okay. That's impressive. Last question is on Kognitiv. And maybe you can just do it in laymen terms, but maybe just explain the rationale behind Kognitiv taking a material haircut to its October valuation—

Phil Mittleman

Sure.

Brian Morrison

—in the merger transaction.

Phil Mittleman

Sure. I think this transaction is very exciting, and I don't think anybody's giving much credence to it, but I think they will in the future. Kognitiv, you have to look at Kognitiv kind of as a late-stage venture capital play merging with LS, which is a more mature business in loyalty.

So when Kognitiv came to us, it was because when COVID hit they were just about to close the funding. And the funding entity, a pretty blue-chip Canadian group, just froze all their investments. So it was an opportunity that came to us as a funding opportunity. But once we spoke, we were really stunned by the synergies between our Loyalty Solutions and their business. And I was struck by how exciting their business model is. I mean, they did 1.3 billion in transactions last year are now starting to see this kind of critical mass that they're about to hit in their model.

So Peter Schwartz, the CEO, and I just immediately hit it off. And basically in one afternoon we structured this deal where we saw it as a merger of equals.

Now they had just funded themselves. They have an amazing group of investors, and they had been funding themselves at a very high valuation. Their last round was roughly the same as this combined entity. So they took a 50 percent haircut. And they weren't really getting hurt by COVID much. Their entire projected hit was only about $5 million from COVID. So it really wasn't about that. It was about them being able to cross-pollinate with our Loyalty Solutions customers and vice versa. And I would argue that maybe this is the perfect merger you could ever ask for because there's not competitive overlap. It's really supportive overlap.

So I'll give you an example. We have HSBC is a banking client with Air Miles, and that's one of our customers, obviously. And currently HSBC will go, they'll say, okay, Phil Mittleman has a gold card. I want to upgrade him to a platinum card. So I'll give him 10,000 Air Miles. And that's what they can do to try to promote their cards or to sign a new card member up.

What they can do if they sign up with Kognitiv is Kognitiv will link up with HSBC, and HSBC will now know that Phil Mittleman likes to go to the Ocean Club in the Bahamas, and he likes a certain restaurant that he goes to in New York City. And what they could do is they can say, okay. Phil, we're going to offer you an upgrade to a platinum card. And also, you can have a free night at the Ocean Club in the Bahamas, and you can have a 50 percent-off gift certificate at this restaurant in the city that they happen to know that I eat at.

So that type of synergy is incredible. And there's the same synergy possibility with, for example, with Aeroméxico, who could sign up for a similar type of arrangement. So enabling banks to enhance their loyalty offerings via Kognitiv is just a tremendous opportunity.

So Kognitiv saw that, and we also saw tremendous cost synergies that we think propel this to significant profitability in the not too distant future. So you don't want to cut your way to success and growth, but in this case, we're getting both. We have business synergies, significant business synergies. I think Kognitiv is being—I don't think people understand what they do. And so it took me about a week to figure out what they did, and it's very complicated, but once you grasp what they're doing it's a completely unique and innovative way to distribute loyalty points from partner to partner in a peer-to-peer way with no middleman and cutting out all these different fees and typically markups along the way that otherwise inhabit that sector.

So they saw the value in LS and ISS and, frankly, if you look at Aimia's stock, I mean what were people valuing our Loyalty Solutions business at? It was either zero or negative for most people. And people weren't appreciating the fact that we've invested $350 million in these businesses and they're not profitable. And there's a lot of upside in them, but we weren't getting that. We weren't realizing that value for those entities, and I could see it being very difficult to in the future because people would want to see years of growth there before, they would give it any value.

But in Kognitiv, together you have a much more exciting entity that now that the benefits of being stand-alone and the benefits of that are, they can do certain joint ventures, partnerships, financing. They can do other mergers and different things we couldn't have done inside the Aimia holding company, so. And ring-fencing, it's very valuable. Now if there was, for example, if everything went horribly wrong and it needed more financing or something happened it can do that as a stand-alone entity versus the parent, Aimia, being responsible for funding it.

So it's a great transaction all around. It catalyzed the value in it. It's showing people that Kognitiv sees the value in Loyalty Solutions and we see it in Kognitiv. And I think it's a perfect merger of equals and that it should yield a significant return for Aimia.

Brian Morrison

All very good colour. Thank you kindly.

Phil Mittleman

Thank you.

Operator

Your next question comes from the line of Drew McReynolds of RBC.

Drew McReynolds — RBC

Yeah. Thanks very much. Good morning. Just to follow up, a quick follow-up on Kognitiv for Phil or Steve. Just in terms of disclosure going forward, clearly with PLM we do get some disclosure. Is there a sense right now that you have in terms of some financial disclosure on the results from an Aimia standpoint?

Steve Leonard

Yeah. Drew, it's Steve. We're evaluating that because we're basically taking most of our operating entities and contributing them into the merged entity. So what we'll be left with is the three equity positions that we hold in PLM, Kognitiv, BIG, and the position in Clear Media. We'll likely do more enhanced reporting on each of the equity positions. How much we're going to do, we're still evaluating. But yeah, we understand that the orientation of the disclosure will have to change with the changing business structure.

Drew McReynolds

Okay. That's perfectly reasonable. Also, on the strategy for crystallizing some of these tax losses, Phil was just kind of mentioning how you can kind of tap into that eventually at the holdco level here in Canada. I think there's some others over in the UK. Just remind us where you're at in terms of that. I guess from my standpoint, they'd all presumably reside at the holdco or Aimia level, which then makes it, I think, a little awkward to try and crystallize the ones in the UK. Like are you able to outright kind of sell these tax losses? Just maybe some options there going forward.

Phil Mittleman

Yeah. I don't think—yeah, we definitely don't want to sell these tax losses. We see these as very valuable. And I think part of our strategy is to utilize them, and we have various forms of losses. There are the capital losses, which reside in Canada, which at a parent level we can shelter any investment gain that we make, including whether it be PLM, or our stake in Kognitiv, or Clear Media. So those are the capital losses.

There's a significant operating loss in the US and the UK. The UK's a little different. It's a step-up loss. But in the US, we would expect to seek to acquire an operating business that we could shelter those losses within the US. So it would fit the same parameters that we seek in our investments, but we would get a steady cash flow generating business in the US that we could utilize those tax losses for in the US on an operating basis.

Drew McReynolds

Okay. That’s great, Phil. My last question here, just at the holdco level for modelling purposes. You brought operating costs down to 15 million, so clearly a good job there. And, Phil, you say maybe some more to go. If you exclude any investment income coming up to the holdco level, is that just an almost a pure P&L here, that 15 million run rate going forward?

Phil Mittleman

Well, we’ve got the 15 million plus the preferred dividends or the holdco costs. So you’re looking at basically a 24 million, $25 million overall expense when you add in the preferred dividends to operate going forward. We think there’s some reasonably sized cuts to make at the holdco going forward. But in a normalized situation, we would expect that PLM’s dividend alone would be covering that. And so I think we’re in a great position there going forward.

Drew McReynolds

Yeah. Understood. Okay. Thanks, Phil.

Phil Mittleman

Thank you.

Operator

Your next question comes from the line of Rahul Bhan of DG Capital Management.

Phil Mittleman

Hi.

Rahul Bhan — DG Capital Management

Hey, Phil. Hey, Phil. How are you doing?

Phil Mittleman

Great. How are you?

Rahul Bhan

Pretty good. Pretty good.

Phil Mittleman

Good.

Rahul Bhan

Had a couple of quick questions on PLM. In the announcement from last night, thought the language around strengthening the shareholder agreement was pretty interesting and wanted to see if you could provide some more colour just around that comment. And when you talk about the stronger alignment and strengthening of shareholder rights, what does that mean relative to the current structure that's in place?

Phil Mittleman

Sure. I think when you have to look at as part of being able to repair this relationship and create this going-forward plan was to acknowledge the fact that in order to ask Aeroméxico to extend this agreement was asking them to increase the value significantly. So they didn't have to tell me this, but when I ask them for it I'm basically saying, okay, well, if you're going to extend this, you're going to create the value; you're going to have to pay up for it later if you want to acquire it.

So we had to really look at this as a situation whereby doing this stuff for us, they're creating significant value for us as well and at significant cost for themselves going forward if they want to acquire it. That's a natural progression because these airlines always want to fold in these businesses eventually. So we had to take that all into account.

The changes that we're talking about making towards the agreement are all changes that will benefit PLM. And we're not looking to do anything to transfer value to Aeroméxico that would hurt PLM shareholders. So we're evaluating all of the different—a lot of different—I wouldn't say kind of frozen in the past, but there's been—part of Aeroméxico's frustration was that previous management and previous people involved at Aimia had been blocking certain initiatives that they thought were progressive and happening at all the other loyalty companies and they were being restricted from doing.

And they have a lot of good ideas to kind of broaden the scope of their offerings and diversifying away from just purely Aeroméxico as the prime source of their earn and bringing up earn and burn.

So I think the goal of those changes is we're going to run a careful analysis of how the changes will affect PLM, but overall it should enhance the value of it going forward. And we're very cognizant of where the value goes and they're aware of it with us. And the changes will be positive.

Rahul Bhan

Yeah. Okay. So in terms of the—but is anything changing with respect to minority voting rights? Or just rights as a—

Phil Mittleman

No.

Rahul Bhan

—49-percent shareholder?

Phil Mittleman

No. I think all we're doing here is acknowledging that Aeroméxico knows how to run this business better than we do and we don't want to stand in the way of that. Just taking in as long as this is all structured in the framework of protecting us as minority shareholders and our rights remaining the same; just making sure that we're not making a change that will transfer too much value over to Aeroméxico and not enough value to PLM.

So yeah, you want the airline to succeed and you want it to be healthy, but you want PLM to participate as well. And we don't want—part of the reason why we have the minimum $400 million purchase price is just to protect against whether it's intentional or accidental drop in EBITDA or free cash flow that might be caused by some of these changes. Although we don't expect that to be the case, we have a floor that we believe is fair and a multiple that we believe is fair. So I think no, maintaining all of those rights is the answer to that question.

Rahul Bhan

Got it. Okay. And then just one follow-up. I think I missed it earlier, but did you give the cash balance or the pro forma cash balance at PLM?

Phil Mittleman

Yeah. Approximately—there's a little—we had done some ticket pre-buys in the past, and the way those ticket pre-buys work is you use them to burn off the tickets, as they're called. So it's a form of kind of an advance to Aeroméxico.

So once those are normalized and returned, I think you wind up with around 180 million, 170 million, 180 million on the balance sheet. Now very few people—it's been frustrating because people don't realize that half of that's ours. So you don't see any valuation models where they have our cash on the balance sheet at PLM included, but it's a real asset.

And so that cash is sitting there. And what we are using it for is we're using it in the right way, which is to make secured loans to Aeroméxico to help them, which helps us. And yield, there's a higher yield from an interest rate perspective. That money will come back. And as Aeroméxico recovers, we will pursue the leverage recap to provide a significant amount of cash to the balance sheet that we can then distribute out.

Rahul Bhan

Got it. So the 100 million that's going to Aeroméxico, that's basically you got to take 100 million off that 170 to 180.

Phil Mittleman

You're taking it temporarily. You're taking 100 million off that.

Rahul Bhan

Yeah.

Phil Mittleman

Half of that are ticket pre-buys. So again, you're just kind of advancing against what you're going to be using to pay off people that are burning tickets. And so those will—you're basically—it's almost like an operational—it's going to fund your operations going forward in terms of the burn. The other 50 is a secured loan. They're both secured loans. But the other 50 is a loan that is paid back; 25 million of it is paid back upon the event of a leverage recap.

Rahul Bhan

Mm-hmm.

Phil Mittleman

So leaving 25 outstanding. So the cash finds its way back to the balance sheet in a relatively quick manner.

Rahul Bhan

Got it. And that 170 to 180, is that US? Or is that Canadian?

Phil Mittleman

US. US.

Rahul Bhan

US. Okay.

Phil Mittleman

All the numbers involving PLM are US.

Rahul Bhan

Okay. Got it. And what's the interest rate that you're earning on the loan?

Phil Mittleman

The interest rate's 6 percent.

Rahul Bhan

Got it. Okay. Thank you.

Phil Mittleman

Thank you.

Operator

Your next question comes from Chris Colvin of Breach Inlet Capital.

Phil Mittleman

Hey, Chris.

Chris Colvin — Breach Inlet Capital

Hey. First want to say congrats on all the work you guys have done here in the less than three months, I guess two-and-a-half months. It's very, very impressive.

Phil Mittleman

Thank you.

Chris Colvin

My questions have basically been answered, but maybe a little more clarity just on Clear Media. The diligence process that the board took before acquiring the stake, I understand that you and your firm had a long history there, so there was a lot of front diligence you could help. But just discuss kind of what was the process that the AIM board took before acquiring that stake.

Phil Mittleman

Yeah. I mean, the diligence level at Aimia was actually heightened because of involvement of other shareholders, including Mittleman Brothers. So they wanted to be very, very careful about getting involved. And we had a very long experience, so we could provide a streamlined version for them of all of our experiences with management and kind of the business history of the company.

So the investment committee spent a great amount of time analyzing this and presenting to the board and the company, not only diligence provided by Mittleman, but we did a lot of external due diligence, including people that had been involved in these transactions before, third parties that had no tie to this that we got a lot of great insights from.

When you look at the people getting involved with this, that speaks very much to kind of the— we addressed a lot of the risks of governance in a situation like this in China and all the things that you would want to cover as an investor, Aimia was very, very careful about covering all those bases. And we wanted to make sure that we were moving into something that—especially when you're dealing with China and you're dealing with an investment in something that had been significantly hurt by COVID. And obviously, China's economy had taken a significant hit. So we looked into all of that stuff. And what came out was all very, very positive.

And we're very confident with the governance situation there. We're very confident with the finances. We're very comfortable with the go-forward strategy and the people involved. I would say that if you're an investor looking at this and someone told you that you could partner with Jack Ma and JCDecaux and JIC and get involved with a leading outdoor advertising firm in China at the bottom of an economic cycle and you could do it at 5 times EBITDA, normalized EBITDA, I mean, it's almost unimaginable that you'd be able to participate in that.

So we recognized all of that, and I think that buying in at the price we did and having all the diligence that we had, which was including a lot of third-party involvement, made Aimia very comfortable with the transaction.

Chris Colvin

That's very helpful. And then you touched on this as well, but just for clarity, your stake, which I guess in theory can block a delisting, given you have 10 percent plus, is the intention for your stake to remain public? Or ultimately, you'll go private with this buyout? And then obviously, I'm sure you plan to hold it for a while, but if it is to go private what would be the potential exit strategy?

Phil Mittleman

Yeah. I think the 10 percent stake is not to protect against delisting as much as it is to protect against a cram-down. So we just want to be able to make sure that we could control to maintain the stake, which that allows us to do.

I think that there's a possibility that it could remain a public holding. But I think it's beneficial for everybody to have them go private with this. It's what we expect to happen so that they can—you know the concept of anchoring. People would have in a liquid stub that they would have to value, and I don't think when you're in a private company situation with these people that are involved, I think they want to kind of hyper grow this and do what they want to do without having to deal with public market expense and disclosure.

And then I think the plan would be, from our perspective, we believe that they'll wind up doing IPO for this in a few years, and that would be the exit strategy. I mean, the people involved here are incredibly smart and connected. And I think that they—Clear Media before this happened was a very attractive business, and it's something that anyone should want to invest in.

But going forward, I mean, you now have such an added level of growth potential and expertise and financing connections and government connections in China that this should be able to grow at a much more rapid rate. And there's a lot of things that can probably happen here that we're not even anticipating. There's probably roll-up opportunities, other merger opportunities. I mean, these are things that are more easily done in the private company state. So I would expect that that's what will happen. And we're happy to go along for the ride.

Chris Colvin

Great. Well, I appreciate the colour, and congrats again on everything you all have accomplished so far.

Phil Mittleman

Thank you very much. Appreciate it.

Operator

There are no further questions. I would now like to hand the call back over to Phil Mittleman, CEO, for closing.

Phil Mittleman

Sorry, guys. So thank you, everybody. I think I actually made my closing statement already. But I will say thank you, everybody, for your time. And we really appreciate your support. We couldn't be more excited about what we're doing here and the go-forward strategy. And I think there's a lot more to come.

Operator

Thank you. And that does conclude today's conference call. You may now disconnect.