

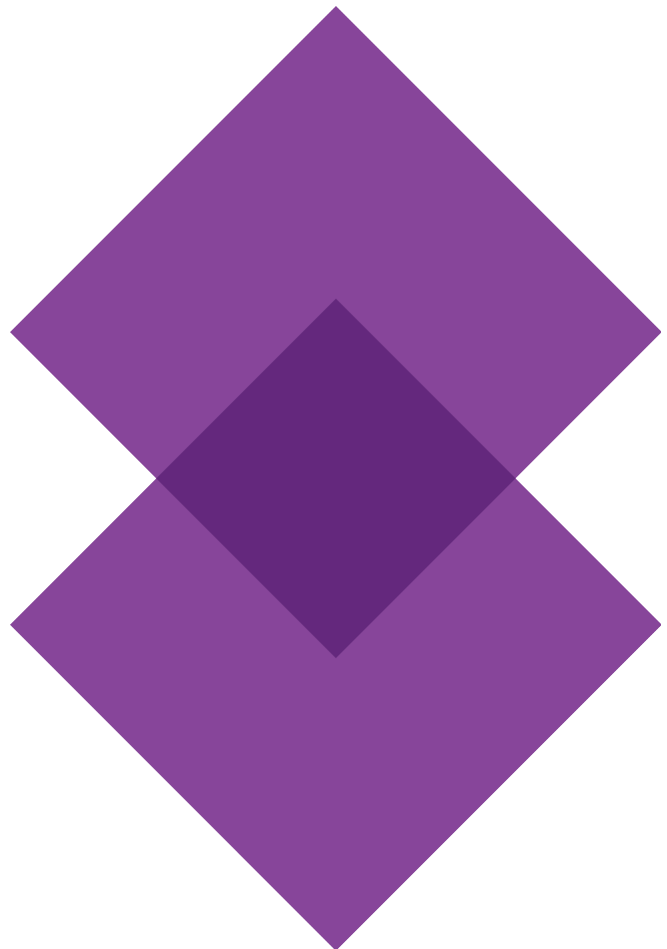


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# MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three and six months ended June 30, 2020 and 2019

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# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*Aimia Inc. (together with its direct and indirect subsidiaries, where the context requires, "Aimia" or the "Corporation") was incorporated on May 5, 2008 under the laws of Canada.*

*The following management's discussion and analysis of financial condition and results of operations (the "MD&A") presents a discussion of the financial condition and results of operations for Aimia.*

*The MD&A is prepared as at September 14, 2020 and should be read in conjunction with the accompanying condensed interim consolidated financial statements of Aimia for the three and six months ended June 30, 2020 and the notes thereto, the audited consolidated financial statements of Aimia for the year ended December 31, 2019 and the notes thereto, and Annual Information Form dated February 24, 2020.*

*The earnings and cash flows of Aimia are affected by certain risks. For a description of those risks, please refer to the [Risks and uncertainties affecting the business](#) section.*

## CAUTION REGARDING FORWARD-LOOKING INFORMATION

*Forward-looking statements are included in this MD&A. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would" and "should", and similar terms and phrases, including references to assumptions. Such statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions.*

*Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Any forecasts, predictions or forward-looking statements cannot be relied upon due to, among other things, changing external events and general uncertainties of the business and its corporate structure. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, risks and uncertainties to Aimia's investment in PLM arising from Aeromexico's Chapter 11 filings, failure to realize the anticipated benefits from the transactions with Kognitiv and/or Mittleman Brothers, the execution of the strategic plan, business and industry disruptions related to natural disasters, security issues and global health crises particularly as they might affect the airline, travel and hospitality sectors, airline industry changes and increased airline costs, investment risks, including in connection with how and when to deploy and invest Aimia's considerable cash and other liquid assets, investment partnerships risks, reliance on key personnel, market price and trading volume of the common shares and preferred shares, passive foreign investment company risk, industry competition, failure to protect intellectual property rights, technological disruptions and inability to use third-party software and outsourcing, regulatory matters - privacy, failure to safeguard databases, cyber security and consumer privacy, uncertainty of dividend declarations and/or payments on either common shares or preferred shares, tax losses, foreign operations, interest rate and currency fluctuations, retail market/economic conditions, legal proceedings, audit by tax authorities, as well as the other factors identified throughout this MD&A and throughout Aimia's public disclosure records on file with the Canadian securities regulatory authorities. The forward-looking statements contained herein represent Aimia's expectations as of September 14, 2020, and are subject to change after such date. However, Aimia disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.*

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# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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**THIS MD&A CONTAINS THE FOLLOWING SECTIONS:**

OVERVIEW	3
Q2 2020 HIGHLIGHTS	4
STRATEGIC UPDATE	7
PERFORMANCE INDICATORS (INCLUDING CERTAIN NON-GAAP FINANCIAL MEASURES)	7
OPERATING AND FINANCIAL RESULTS	8
SELECTED QUARTERLY CONSOLIDATED OPERATING RESULTS	9
SEGMENTED INFORMATION	11
SUMMARY OF QUARTERLY RESULTS	19
FINANCING STRATEGY, LIQUIDITY AND CAPITAL RESOURCES	21
INVESTMENTS IN EQUITY INSTRUMENTS, ASSOCIATES AND JOINT ARRANGEMENTS	24
CONTINGENT LIABILITIES AND GUARANTEES	24
SUMMARY OF CONTRACTUAL OBLIGATIONS AND COMMITMENTS	26
CAPITAL STOCK	26
DIVIDENDS	28
EARNINGS (LOSS) PER COMMON SHARE	30
DISCONTINUED OPERATIONS AND DISPOSAL OF BUSINESSES AND OTHER ASSETS	31
CHANGES IN ACCOUNTING POLICIES	39
CRITICAL ACCOUNTING ESTIMATES	43
CONTROLS AND PROCEDURES	43
RISKS AND UNCERTAINTIES AFFECTING THE BUSINESS	45
NON-GAAP FINANCIAL MEASURES FOR INVESTMENTS	47
GLOSSARY	51
ADDITIONAL INFORMATION	52

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# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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## OVERVIEW

Aimia Inc. ("Aimia" or the "Corporation") was incorporated on May 5, 2008 under the *Canada Business Corporations Act*. The registered and head office of Aimia is located at 777 Bay Street, Suite 2901, Toronto, Ontario, M5G 2C8.

As announced on April 29, 2020, the Corporation has updated its corporate strategy to become an investment holding company with a focus on long-term investments in public and private companies, on a global basis, through controlling or minority stakes. Refer to the *Strategic Update* section for additional information.

The Corporation operates an investment advisory business through its wholly-owned subsidiary Mittleman Investment Management, and owns a diversified portfolio of valuable investments including a 48.9% equity stake in PLM Premier, S.A.P.I. de C.V. (PLM), owner and operator of Club Premier, the leading coalition loyalty program in Mexico, a 49.3% equity stake in Kognitiv, a B2B technology platform and services company, a 20% equity stake in BIGLIFE, the operator of BIG Loyalty, one of the largest loyalty and lifestyle program across Asia, as well as a 10.85% stake in Clear Media Limited, one of the largest outdoor advertising firms in China.

Aimia, through its own operations and those of its subsidiaries, currently operates two reportable and operating segments, namely, Investments and Holdings, and Investment Management.

### *Investments and Holdings*

Investments and Holdings includes Aimia's long-term investments in PLM, BIGLIFE, Kognitiv and Clear Media Limited.

Investments & Holdings also includes central operating costs, including costs related to public company disclosure and Board costs, executive leadership, finance and administration. Until their respective disposals, Aimia also held minority interests in Cardlytics and Fractal Analytics.

### *Investment Management*

Investment Management includes Mittleman Investment Management ("MIM"), a SEC-registered investment adviser that provides discretionary portfolio management to institutional investors and high-net-worth individuals.

### *Discontinued Operations*

Discontinued operations include the results of Aimia's former Loyalty Solution segment until June 18, 2020, the date of the closing of the transaction with Kognitiv. Discontinued Operations also include the results of the Aeroplan coalition loyalty program and related assets until their disposal on January 10, 2019. Please refer to the section *Discontinued Operations and Disposal of Businesses and Other Assets* for additional information.

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# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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## Q2 2020 HIGHLIGHTS

### *Strengthening and extending relationship with Aeromexico*

On June 29, 2020, Aimia announced the signing of a new definitive agreement with Aeromexico reflecting the parties' previously announced agreement to make certain changes to the Shareholders Agreement between them and to the commercial agreement (CPSA) between Aeromexico and PLM. The changes made to the CPSA include a 20-year extension of the current term to September 13, 2050.

Following the initial \$69.3 million (US\$50.0 million) loan to Aeromexico made by PLM under the existing PLM intercompany loan facility upon the signing of the letter of intent between Aimia and Aeromexico announced on May 12, 2020, PLM pre-purchased \$69.3 million (US\$50.0 million) of award tickets upon the execution of the amendments to the CPSA. The loan and pre-purchase are secured by Aeromexico's stake in PLM. Aimia and Aeromexico have also strengthened the Shareholders Agreement, which included granting Aeromexico a 7 year option to purchase Aimia's 48.9% equity interest in PLM at a price of US\$400 million for Aimia's equity interest or at an Adjusted EBITDA multiple of 7.5x, whichever is greater, plus Aimia's pro-rata share of cash held by PLM net of any third party financial debt.

On June 30, 2020, Aeromexico commenced proceedings under Chapter 11 of the United States Bankruptcy Code ("Chapter 11") in the United States to implement a court supervised financial restructuring, while continuing to serve its customers. PLM is not included as a debtor in this filing. While Aimia currently expects that the court supervised restructuring will provide the airline with additional liquidity and the ability to cut costs during this unprecedented reduction in airline travel, and that Aeromexico will exit Chapter 11 proceedings with an enhanced capital structure as a going concern, at this time, the financial restructuring of Aeromexico is still ongoing and it is too early to assess the final outcome and impact on PLM and Aimia. Refer to the *Risks and uncertainties affecting the business* section for more details.

A \$12.5 million (US\$9.0 million) expected credit loss provision has been recorded in the results of PLM in the three months ended June 30, 2020 related to certain unsecured receivables from Aeromexico. This provision impacted the share of net earnings from PLM recorded in the quarter. Aimia continues to monitor the situation closely.

### *Investment in Kognitiv*

On April 29, 2020, Aimia announced it had signed a binding letter agreement to contribute cash and its Loyalty Solutions business, which includes ISS and the Air Miles Middle East program, in exchange for an investment in Kognitiv, a B2B technology platform and services company. The transaction closed on June 18, 2020.

As part of the transaction, and in addition to the contribution of the Loyalty Solutions business, Kognitiv received a total of \$28.7 million (US\$21.1 million) with \$20.4 million (US\$15.0 million) coming from Aimia in funding in the form of 12% cumulative convertible preferred equity, and \$8.3 million (US\$6.1 million) from other investors as of June 30, 2020. After June 30, 2020, Kognitiv obtained additional financing of US\$2.0 million in the form convertible promissory note from another investor. After the closing of both the contribution of Loyalty Solutions and the cash investments, Aimia owns 49.3% of Kognitiv. The results of Loyalty Solutions up to June 18, 2020 are presented in the section *Discontinued Operations and Disposal of Businesses and Other Assets*. Aimia equity-accounts for the results of Kognitiv after June 18, 2020.

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# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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## *Acquisition of Mittleman Brothers LLC*

On April 29, 2020, Aimia announced it had signed a definitive agreement to acquire Mittleman Brothers LLC ("MB"). Mittleman Brothers LLC owns Mittleman Investment Management, LLC ("MIM"), a SEC-registered investment adviser that provides discretionary portfolio management to institutional investors and high-net-worth individuals. Upon the closing of the transaction on June 19, 2020, Philip Mittleman was appointed CEO and Christopher Mittleman was appointed Chief Investment Officer of the Corporation.

The fair value of the total consideration has been estimated at \$16.4 million and includes of \$14.4 million related to the business acquisition and \$2.0 million of deferred compensation. The consideration consists of \$6.3 million (US \$4.6 million) in cash paid at closing and up to approximately 4.2 million common shares of the Corporation. The consideration in common shares include 1.5 million common shares that were issued as initial consideration and up to 2.7 million common shares that will be issued to the sellers subject to the achievement of earn-out and performance related targets. Of those 2.7 million common shares, 1.6 million are subject to forfeiture and/or clawback clauses, and have already been issued and deposited in escrow. The remaining 1.1 million common shares will be issued upon achieving the performance related targets.

The performance related targets include a significant increase in MIM's assets under management or Aimia's share price trading at a weighted average of \$6.00/share or higher over a consecutive 20 day trading period, in each case, prior to the fourth anniversary of the closing of the transaction. A portion of the consideration attributed to Philip Mittleman and Christopher Mittleman is contingent upon their continued employment with Aimia for a 10-year period (with up to 0.9 million common shares available for clawback) and will be accounted for as deferred compensation.

The results of operations of MIM are consolidated with those of the Corporation since June 19, 2020.

## *Investment in Clear Media Limited*

In May 2020, the Corporation invested \$76.2 million (HKD 419.6 million) to acquire 58,774,450 common shares of Clear Media Limited, representing a 10.85% ownership interest in the company. Those common shares were acquired at prevailing market rates through a series of common share purchases in the open market, which included 19.6 million common shares previously held through Mittleman Investment Management's assets under management. At June 30, 2020, Aimia did not acquire control or significant influence in the operations of Clear Media. The investment will be subsequently measured at fair value.

Aimia's investment in Clear Media represents an outstanding opportunity, diversifying our holdings and taking advantage of the COVID-19 related economic malaise in the U.S. and China. Aimia now owns a large stake in a leader in the outdoor advertising market in China with 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, namely Ever Harmonic Global Ltd., which is owned by Clear Media's CEO Han Zi Jing, Ant Financial (controlled by Jack Yun Ma), JCDecaux SA (FP: DEC), and JIC Capital Management Ltd.

On July 14, 2020, Clear Media announced that the percentage of the public float of the shares of the company has fallen below 15% and that, at the request of the Clear Media, trading in the shares of Clear Media on The Stock Exchange of Hong Kong Limited were suspended with effect from 9:00 a.m. on July 14, 2020.

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# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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## *Purchase and sale of equity instruments portfolio and NCIB*

On April 2, 2020, Aimia announced the formation of an ad hoc investment committee comprised of members of the reconstituted Board and made amendments to its investment policy, as approved by the Corporation's Board, to permit the company to invest in a diversified portfolio of public company securities, fixed income securities and hybrid securities. During the three months ended June 30, 2020, the Corporation invested \$21.1 million (US\$14.9 million) in various public company securities. None of these investments gave any form of significant ownership, control or influence to Aimia. On June 9, 2020, the company completed the sale of this investment portfolio for proceeds of \$28.1 million (US\$21.0 million) and recorded a net fair value gain of \$7.0 million.

The Corporation intends to use the gain from the sale of the investment portfolio towards repurchases under its current Normal Course Issuer Bid (NCIB) to buy back up to 6,980,010 shares of Aimia's common stock. Refer to the *Capital Stock* section for more details.

## **COVID-19**

Over the past months, we have seen the major impact that the COVID-19 pandemic is having on human health, the global economy and associated government measures to curb the spread of the virus, which included varying degrees of self-quarantine and border closures. Aimia has been addressing the COVID-19 situation, working to mitigate the potential impacts on our employees and business. The change in Aimia's corporate strategy to an investment holding company and our ability to work remotely to perform these activities has enabled Aimia to operate seamlessly in this difficult environment as the Corporation was able to close the Kognitiv and Mittleman Brothers transactions during the second quarter as well as perform other investment activities.

Prior to the close of the Kognitiv transaction, the Loyalty Solutions activities did not experience a significant reduction in business mainly because of its diversified portfolio of clients, its business model centered around subscription-based loyalty platforms and its ability to deliver loyalty services to the customers remotely.

The pandemic has significantly impacted the business of our airline partners in our PLM and BIGLIFE joint ventures due to unprecedented border closures and travel restrictions. On June 30, 2020, Aeromexico voluntarily filed for bankruptcy protection under Chapter 11 in the United States to implement a financial restructuring, while continuing to serve its customers. Refer to the *Risks and uncertainties affecting the business* section for more details.

Despite the above, and while we anticipate reduced cash flows and short-term impacts for our PLM and BIGLIFE joint ventures as a result of the reduced capacity of their associated airlines partners, Aimia does not currently expect the long-term profitability of these programs to be affected. Aimia considers that the recoverable value of these investments is higher than their current carrying value. Aimia will continue to monitor the situation closely.

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# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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## STRATEGIC UPDATE

### *New Corporate Strategy*

As announced on April 29, 2020, the recently reconstituted board of directors of Aimia formed an ad hoc Strategic Review Committee to explore and review strategic alternatives to create lasting shareholder value. The result of that process was an approval by the Board of Directors of a new strategy to focus on long-term investments in public and private companies, on a global basis, through controlling or minority stakes. The targeted companies will exhibit durable economic advantages, evidenced by a well-established track record of substantial free cash flow generation over complete business cycles, guided by strong, experienced management teams. Aimia is now positioned to invest wherever a suitable opportunity can be identified, in any sector. In addition, Aimia will consider investments that may efficiently utilize the Corporation's approximately \$700 million in operating and capital loss carryforwards to further enhance stakeholder value.

### *New executives appointment*

In light of the different skills required by the change in strategy, the Board of Directors appointed Philip Mittleman as Chief Executive Officer, Michael Lehmann as President and Christopher Mittleman as Chief Investment Officer.

## PERFORMANCE INDICATORS (INCLUDING CERTAIN NON-GAAP FINANCIAL MEASURES)

### **GAAP FINANCIAL MEASURES**

To measure performance, the Corporation uses and presents several financial measures in accordance with GAAP, including, but not limited to, various source of Income, Operating expenses, Earnings (loss) before income taxes, Net earnings (loss) and Earnings (Loss) by Common Share. The summary of Aimia's significant accounting policies is included in Note 2 of our audited consolidated financial statements for the year ended December 31, 2019 dated February 24, 2020.

Please refer to the *Critical Accounting Estimates* section for a discussion on the identified areas that are the most subject to judgments, inherently uncertain and which could change significantly in subsequent periods, as well as the *Change in Accounting Policies* section for the list of revised accounting standards and accounting policies adopted during the three and six months ended June 30, 2020 and their impacts on the consolidated financial statements.

### **NON-GAAP FINANCIAL MEASURES**

In order to complement the analysis of the financial performance of its investments, certain Non-GAAP measures are presented in this MD&A. A reconciliation to these investments' most comparable GAAP measure can be found in the *Non-GAAP Financial Measures for Investments* section.



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# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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## OPERATING AND FINANCIAL RESULTS

Certain of the following financial information of Aimia has been derived from, and should be read in conjunction with, the condensed interim consolidated financial statements for the three and six months ended June 30, 2020 and 2019, and the related notes. Results of the Corporation are not significantly impacted by seasonality. However, the operating results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

## SELECTED QUARTERLY CONSOLIDATED OPERATING RESULTS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019 <sup>(e)</sup>	2020	2019 <sup>(e)</sup>
<i>(in millions of Canadian dollars, except share and per share information)</i>				
<b>Continuing operations</b>				
Share of net earnings (loss) of equity-accounted investments	4.0	7.0	(1.5)	13.2
Net fair value gain on investments in equity instruments	4.6	37.7	4.6	60.2
Interest Income	0.5	2.4	2.0	4.8
Revenue from investment management fees	0.1	—	0.1	—
<b>Total Income</b>	<b>9.2</b>	<b>47.1</b>	<b>5.2</b>	<b>78.2</b>
Expenses	1.6 <sup>(b)</sup>	10.6 <sup>(b)</sup>	9.8 <sup>(b)</sup>	25.1 <sup>(b)</sup>
<b>Earning (loss) before income taxes</b>	<b>7.6</b>	<b>36.5</b>	<b>(4.6)</b>	<b>53.1</b>
Distributions from equity-accounted investments	8.8	5.8	18.3	24.7
<b>Including continuing and discontinued operations, unless otherwise noted</b>				
<b>Net earnings (loss) attributable to equity holders of the Corporation</b>	<b>14.4 <sup>(c)(d)</sup></b>	<b>43.5 <sup>(c)(d)</sup></b>	<b>4.8 <sup>(c)(d)</sup></b>	<b>1,090.6 <sup>(c)(d)</sup></b>
Net earnings (loss) attributable to equity holders of the Corporation - Continuing operations	6.1 <sup>(d)</sup>	34.7 <sup>(d)</sup>	(7.4) <sup>(d)</sup>	37.4 <sup>(d)</sup>
Net earnings (loss) attributable to equity holders of the Corporation - Discontinued operations	8.3 <sup>(c)</sup>	8.8 <sup>(c)</sup>	12.2 <sup>(c)</sup>	1,053.2 <sup>(c)</sup>
Weighted average number of common shares	93,844,617	137,252,440	93,831,621	144,738,230
<b>Earnings (loss) per common share <sup>(a)</sup></b>	<b>0.12</b>	<b>0.29</b>	<b>(0.02)</b>	<b>7.47</b>
Earnings (loss) per common share - Continuing operations - Basic and fully diluted <sup>(a)</sup>	0.03	0.22	(0.15)	0.20
Earnings (loss) per common share - Discontinued operations - Basic and fully diluted	0.09	0.07	0.13	7.27
Total assets	473.5	715.3	473.5	715.3
Total long-term liabilities	4.3	16.6	4.3	16.6
Dividends paid on preferred shares	3.1	4.3	6.3	39.1
Dividends paid on common shares	—	—	—	30.4

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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- (a) After deducting cumulative preferred shares dividends (whether declared or not).
- (b) Includes stock-based compensation and other performance awards expense (reversal) of \$0.8 million (2019: nil) and \$0.4 million (2019: \$1.1 million) for the three and six months ended period ended June 30, 2020 and 2019, respectively.
- (c) Includes the impact of the gain of \$1,063.1 million on the disposal of the Aeroplan Program and related assets during the six months ended June 30, 2019. During three month ended June 30, 2019, the gain on disposal was adjusted by \$19.5 million, being an additional \$19.7 million related to final closing adjustments related to working capital, offset by \$0.2 million of transaction fees.

For the three and six months ended June 30, 2020, includes the gain on the loss of control of the Loyalty Solution business and related assets of \$15.2 million.

- (d) Net Earnings (Loss) from continuing operations for the three months ended June 30, 2020 and 2019 include the effect of \$(1.5) million and \$(1.8) million of current income tax recoveries (expenses), respectively. Net Earnings (Loss) from continuing operations for the six months ended June 30, 2020 and 2019 include the effect of \$(2.8) million and \$(15.7) million of current income tax recoveries (expenses), respectively.

For the three and six months ended June 30, 2020, current income taxes related to continuing operations are primarily related to Part VI.1 tax expense recognized in our Canadian operations.

- (e) 2019 financial information was restated to reflect the change in the presentation of expenses. Refer to the *Changes in Accounting Policies* section for additional information.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## SEGMENTED OPERATING RESULTS

This section provides a discussion of the segmented operating results.

## INVESTMENTS AND HOLDINGS

<i>(in millions of Canadian dollars, except share and per share information)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Share of net earnings (loss) of equity-accounted investments	4.0	7.0	(1.5)	13.2
Net fair value gain on investments in equity instruments	4.6	37.7	4.6	60.2
Interest Income	0.5	2.4	2.0	4.8
<b>Total Income</b>	<b>9.1</b>	<b>47.1</b>	<b>5.1</b>	<b>78.2</b>
Expenses	1.5	10.6	9.7	25.1
<b>Earning (loss) before income taxes</b>	<b>7.6</b>	<b>36.5</b>	<b>(4.6)</b>	<b>53.1</b>
<i>Included in Expenses and Earnings (loss) before income taxes:</i>				
Share-based compensation and other performance awards	(1.7)	—	(2.1)	1.1
Distributions from equity-accounted investments	8.8	5.8	18.3	24.7

## SHARE OF NET EARNINGS (LOSS) OF EQUITY-ACCOUNTED INVESTMENTS

The share of net earnings (loss) of equity-accounted investments amounted to \$4.0 million and \$(1.5) million for the three and six months ended June 30, 2020, a decrease of \$3.0 million and \$14.7 million, respectively, compared to the same period in the prior year, and is a direct result of the underlying performance of the equity-accounted investments analyzed below.

Share of net earnings (loss) of equity-accounted investments	Three Months Ended June 30,		Six Months Ended June 30,	
<i>(in millions of Canadian dollars)</i>	2020	2019	2020	2019
PLM Premier, S.A.P.I. de C.V.	(0.2)	6.4	(5.4)	12.9
Kognitiv	(0.1)	—	(0.1)	—
BIGLIFE	4.3	0.6	4.0	0.3
<b>Total</b>	<b>4.0</b>	<b>7.0</b>	<b>(1.5)</b>	<b>13.2</b>

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## Investment in PLM Premier, S.A.P.I. DE C.V.

Presented below is the summarized statement of operations for PLM, excluding amounts relating to identifiable assets and goodwill recognized on a step basis. The information reflects the amounts presented in the financial statements of PLM adjusted for differences in accounting policies between the Corporation and PLM.

### Summarized statement of operations

(in millions of Canadian dollars)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Revenue</b>	<b>32.5</b>	80.4	<b>106.0</b>	157.5
Cost of rewards and operating expenses	(35.5)	(56.3)	(87.0)	(111.5)
Depreciation and amortization	(0.9)	(1.0)	(1.3)	(1.6)
<b>Operating income (loss)</b>	<b>(3.9)</b>	23.1	<b>17.7</b>	44.4
Net financial income (expense)	9.4	(1.9)	(17.1)	(1.2)
Income tax expense	(4.1)	(6.3)	(8.0)	(13.3)
<b>Net earnings (loss)</b>	<b>1.4</b>	14.9	<b>(7.4)</b>	29.9
Share of net earnings of PLM @ 48.9%	<b>0.7</b>	7.3	<b>(3.6)</b>	14.6
Amortization expense related to identifiable assets recognized on a step basis	(0.9)	(0.9)	(1.8)	(1.7)
<b>Aimia's share of PLM net earnings (loss)</b>	<b>(0.2)</b>	6.4	<b>(5.4)</b>	12.9
<b>Additional financial information</b>				
Gross Billings <sup>(a)</sup>	<b>27.8</b>	91.9	<b>114.0</b>	173.8
Adjusted EBITDA <sup>(a)</sup>	<b>(4.7)</b>	28.5	<b>25.5</b>	55.5
Cash from (used in) operating activities	<b>(53.1)</b>	53.5	<b>(75.5)</b>	81.5
Free Cash Flow <sup>(a)</sup>	<b>(54.2)</b>	52.3	<b>(75.8)</b>	81.6

(a) A non-GAAP measurement. Please refer to the *Non-GAAP Financial Measures for Investments* section for additional information on this measure.

### Summarized balance sheet

As at	June 30,	December 31,
(in millions of Canadian dollars)	2020	2019
Cash and cash equivalents	47.9	114.3
Other current assets	47.6	172.6
Total current assets	95.5	286.9
Total non current assets	290.6	145.2
<b>Total assets</b>	<b>386.1</b>	432.1
Total current liabilities	(270.7)	(312.2)
Total non-current liabilities	(297.9)	(256.5)
<b>Total liabilities</b>	<b>(568.6)</b>	(568.7)
<b>Net liabilities</b>	<b>(182.5)</b>	(136.6)

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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On June 29, 2020, Aimia announced the signature of a new definitive agreement with Grupo Aeromexico S.A.B. de C.V. ("Aeromexico") reflecting the parties' previously announced agreement to make certain changes to the Shareholders Agreement between them and the commercial agreement (CPSA) between Aeromexico and PLM. The changes made to the CPSA include a 20-year extension of the current term to September 13, 2050 (refer to [Q2 2020 Highlights](#) section for more details).

### *Quarter ended June 30, 2020 compared to quarter ended June 30, 2019*

Revenue for the three months ended June 30, 2020 amounted to \$32.5 million, a decrease of \$47.9 million, mostly due to a decrease in redemption volume as a result of the COVID-19 impact on Aeromexico and other commercial partners. Cost of rewards and operating expenses amounted to \$35.5 million, a decrease of \$20.8 million, mainly due to the decrease in redemption volume, lower unit cost of rewards driven by a higher proportion of non-air rewards, and cost reduction initiatives, offset in part by a \$12.5 million (\$US9.0 million) expected credit loss provision related to certain unsecured receivables that PLM has with Aeromexico that was recorded based on Aeromexico's voluntary Chapter 11 filing on June 30, 2020.

Gross Billings for the three months ended June 30, 2020 amounted to \$27.8 million, a decrease of \$64.1 million, mostly due to a decrease in accumulation volume as a result of the COVID-19 impact on Aeromexico and other accumulation partners. Adjusted EBITDA amounted to \$(4.7) million, a decrease of \$33.2 million, mainly due to lower Gross Billings and the \$12.5 million provision related to unsecured Aeromexico receivables, partly offset by lower unit costs of rewards and other operating expenses related to cost reduction initiatives.

Cash flow from (used in) operating activities for the three months ended June 30, 2020 amounted to \$(53.1) million. Cash flow used in operating activities included a \$69.3 million (US\$50.0 million) advance to Aeromexico by PLM through pre-purchases of award tickets provided with the execution of the amendments to the CPSA. Excluding this advance, cash flow from operations was \$16.2 million, a decrease compared to the three months ended June 30, 2019 due to lower Gross Billings resulting from the current pandemic, offset by lower cost of rewards and operating expenses. Free Cash Flow amounted to \$(54.2) million. Excluding the \$69.3 million advance through pre-purchase of award tickets, Free Cash Flow for the three months ended June 30, 2020 amounted to \$15.1 million.

PLM also paid distributions of \$18.0 million to its shareholders during the quarter, with Aimia's share being \$8.8 million.

### *Six months ended June 30, 2020 compared to six months ended June 30, 2019*

Revenue for the six months ended June 30, 2020 amounted to \$106.0 million, a decrease of \$51.5 million, mostly due to a decrease in redemption volume as a result of the COVID-19 impact on Aeromexico and other commercial partners. Cost of rewards and operating expenses amounted to \$87.0 million, a decrease of \$24.5 million mainly due to the decrease in redemption volume, lower unit cost of rewards driven by a higher proportion of non-air rewards, and cost reduction initiatives, offset in part by a \$12.5 million (US\$9.0 million) expected credit loss provision related to certain unsecured receivables that PLM has with Aeromexico that was recorded based on Aeromexico's voluntary Chapter 11 filing on June 30, 2020.

Gross Billings for the six months ended June 30, 2020 amounted to \$114.0 million, a decrease of \$59.8 million, mostly due to a decrease in accumulation volume as a result of the COVID-19 impact on Aeromexico and other

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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accumulation partners, slightly offset by higher yield. Adjusted EBITDA amounted to \$25.5 million, a decrease of \$30.0 million, mainly due to lower Gross Billings and the \$12.5 million provision related to unsecured Aeromexico receivables, partly offset by lower costs of rewards and operating expenses.

Cash flow from (used in) operating activities for the six months ended June 30, 2020 amounted to \$(75.5) million. Cash flow used in operating activities included a \$69.3 million (US\$50.0 million) advance to Aeromexico by PLM through pre-purchases of award tickets provided with the execution of the amendments to the CPISA as well as an additional \$20.1 million (US\$15.0 million) pre-purchase of air tickets was done in the first quarter of 2020. Excluding this advance and the prepayment done in the first quarter of 2020, cash flow from operations was \$13.9 million, a decrease compared to the six months ended June 30, 2019 due to lower Gross Billings resulting from the current pandemic, offset by lower cost of rewards and operating expenses. Free Cash Flow amounted to \$(75.8) million. Excluding the \$69.3 million advance through pre-purchase of award tickets and \$20.1 million pre-purchase in the first quarter of 2020, Free Cash Flow for the six months ended June 30, 2020 amounted to \$13.6 million.

PLM also paid distributions of \$35.6 million were paid during the six months ended June 30, 2020, with Aimia's share being \$18.3 million.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## Investment in BIGLIFE

(in millions of Canadian dollars)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue and other income	27.4	13.7	33.8	25.1
Cost of rewards and operating expenses	(2.8)	(14.6)	(10.3)	(27.7)
<b>Operating Income (loss) before depreciation and amortization</b>	<b>24.6</b>	<b>(0.9)</b>	<b>23.5</b>	<b>(2.6)</b>
Net earnings (loss)	24.4	(1.3)	23.0	(3.4)
Gross Billings <sup>(a)</sup>	3.0	10.8	12.4	22.9
Adjusted EBITDA <sup>(a)</sup>	(0.8)	(3.4)	(0.2)	(4.5)
Cash from (used in) operating activities	1.1	(3.2)	(0.6)	(0.5)
Free Cash Flow <sup>(a)</sup>	1.0	(4.2)	(0.7)	(2.2)

(a) A non-GAAP measurement. Please refer to the *Non-GAAP Financial Measures for Investments* section for additional information on this measure.

## Summarized balance sheet

As at	June 30,	December 31,
(in millions of Canadian dollars)	2020	2019
Cash, cash equivalents and short-term investment	18.8	19.4
Other current assets	4.1	8.9
Total current assets	22.9	28.3
Total non current assets	1.5	1.7
<b>Total assets</b>	<b>24.4</b>	<b>30.0</b>
Total current liabilities	(30.9)	(33.3)
Total non-current liabilities	(15.0)	(27.5)
<b>Total liabilities</b>	<b>(45.9)</b>	<b>(60.8)</b>
<b>Net liabilities</b>	<b>(21.5)</b>	<b>(30.8)</b>

## Quarter ended June 30, 2020 compared to quarter ended June 30, 2019

Revenue and other income for the three months ended June 30, 2020 amounted to \$27.4 million, an increase of \$13.7 million compared to the same period in the prior year. Revenue and other income for the three months ended June 30, 2020 include an amount of \$24.5 million related to the first year application of a point expiry policy. Excluding this impact, revenue for the three months ended June 30, 2020 amounted to \$2.9 million, a decrease of \$10.8 million compared to the same period in the prior year, mostly due to a decrease in redemption volume as a result of the COVID-19 impact on AirAsia and other commercial partners. Cost of rewards and operating expenses amounted to \$2.8 million, a decrease of \$11.8 million, mainly due to the decrease in redemption volume and cost reduction initiatives.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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Gross Billings for the three months ended June 30, 2020 amounted to \$3.0 million, a decrease of \$7.8 million, mostly due to a decrease in accumulation volume as a result of the COVID-19 impact on AirAsia and other accumulation partners. Adjusted EBITDA amounted to \$(0.8) million, an improvement of \$2.6 million, explained mainly by lower cost of rewards and operating expenses, offset in part by lower Gross Billings.

Cash flow from (used in) operating activities for the three months ended June 30, 2020 amounted to \$1.1 million and Free Cash Flow amounted to \$1.0 million.

### *Six months ended June 30, 2020 compared to six months ended June 30, 2019*

Revenue and other income for the six months ended June 30, 2020 amounted to \$33.8 million, an increase of \$8.7 million compared to the same period in the prior year. Revenue and other income for the six months ended June 30, 2020 include an amount of \$24.5 million related to the first year application of a point expiry policy. Excluding this impact, revenue for the three months ended June 30, 2020 amounted to \$9.3 million, a decrease of \$15.8 million, mostly due to a decrease in redemption volume as a result of the COVID-19 impact on AirAsia and other commercial partners. Cost of rewards and operating expenses amounted to \$10.3 million, a decrease of \$17.4 million mainly due to the decrease in redemption volume and cost reduction initiatives.

Gross Billings for the six months ended June 30, 2020 amounted to \$12.4 million, a decrease of \$10.5 million, mostly due to a decrease in accumulation volume as a result of the COVID-19 impact on AirAsia and other accumulation partners. Adjusted EBITDA amounted to \$(0.2) million, an improvement of \$4.3 million, mainly due to Gross Billings mix, lower cost per point and reduced operating expenses.

Cash flow from (used in) operating activities for the six months ended June 30, 2020 amounted to \$(0.6) million and Free Cash Flow amounted to \$(0.7) million.

### *Investment in Kognitiv*

Aimia has been equity-accounting Kognitiv's results since June 19, 2020. For the 12 days period ended June 30, 2020, a \$(0.1) million share of net loss has been recognized.

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# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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## *NET FAIR VALUE GAIN (LOSS) ON INVESTMENTS IN EQUITY INSTRUMENTS*

The net fair value gain on investment in equity instruments amounted to \$4.6 million for the three and six months ended June 30, 2020 and is related to a net fair value gain of \$7.0 million realized on investments in various public company securities, offset by a fair value loss of \$2.4 million related to the investment in Clear Media Limited, mainly due to the underlying foreign currency impact.

The net fair value gain on investment in equity instruments for the three and six months ended June 30, 2019 consists of the net fair value gain of \$37.7 million and \$60.2 million on Aimia's previous investment in Cardlytics.

## *INTEREST INCOME*

The interest income for the three and six months ended June 30, 2020 and 2019 mainly consist of interest income on investments in corporate and government bonds. The decrease compared to previous three and six months period is explained by the lower level of investment in bonds given that redeemed investments were not replaced, and the associated capital was allocated differently. All of the investments in corporate and government bonds were redeemed in the six months ended June 30, 2020.

## *EXPENSES*

Expenses for the three months ended June 30, 2020 amounted to \$1.5 million, a decrease of \$9.1 million and is mainly due to lower compensation and benefits expense driven by a decrease of \$3.1 million in severance expenses and a reversal of share-based compensation and other compensation awards expense. The decrease is also due to lower technology expense in the quarter due to phasing of expense, net financial income recognized mostly due to foreign exchange, as well as lower professional, advisory and service fees.

Expenses for the six months ended June 30, 2020 amounted to \$9.7 million, a decrease of \$15.4 million and is mainly due to lower financial expenses due to interest expense of \$4.9 million on long-term debt, including an early redemption premium of \$2.8 million related to the Senior Secured Notes Series 4, recognized in the six months ended June 30, 2019. This decrease is also explained by lower compensation and benefits expense driven by lower severance expense as well as a reversal of share-based compensation and other performance awards expense.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## INVESTMENT MANAGEMENT

<i>(in millions of Canadian dollars, except share and per share information)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue from investment management fees	0.1	—	0.1	—
<b>Total Income</b>	<b>0.1</b>	<b>—</b>	<b>0.1</b>	<b>—</b>
Expenses	0.1	—	0.1	—
<b>Earning (loss) before income taxes</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

Aimia closed the MIM acquisition on June 19, 2020. The above results are from the acquisition date to June 30, 2020.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## SUMMARY OF QUARTERLY RESULTS

This section includes sequential quarterly data for the eight quarters ended June 30, 2020.

	2020		2019				2018 <sup>(f)</sup>	
<i>(in millions of Canadian dollars, except per share amounts)</i>	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
<b>Total Income</b>	<b>9.2</b> <sup>(f)</sup>	(4.0)	19.0 <sup>(f)</sup>	30.1 <sup>(f)</sup>	47.1 <sup>(f)</sup>	31.1 <sup>(f)</sup>	(69.2) <sup>(f)</sup>	26.3 <sup>(f)</sup>
Expenses	<b>1.6</b>	8.2	7.2	10.5	10.6	14.5	20.2	13.7
<b>Earnings (loss) before tax from continuing operations</b>	<b>7.6</b>	(12.2)	11.8	19.6	36.5	16.6	(89.4)	12.6
<b>Net earnings (loss) attributable to equity holders of the Corporation</b>	<b>14.4</b> <sup>(c)</sup>	(9.6)	4.9	16.9	43.5 <sup>(b)</sup>	1,047.1 <sup>(b)</sup>	(126.2) <sup>(d)</sup> <sub>(g)</sub>	21.7 <sup>(e)</sup>
Net earnings (loss) attributable to equity holders of the Corporation - Continuing operations	<b>6.1</b>	(13.5)	10.1	17.1	34.7	2.7	(89.9)	12.8
Net earnings (loss) attributable to equity holders of the Corporation - Discontinued operations	<b>8.3</b> <sup>(c)</sup>	3.9	(5.2)	(0.2)	8.8 <sup>(b)</sup>	1,044.4 <sup>(b)</sup>	(36.3) <sup>(d)</sup> <sub>(g)</sub>	8.9 <sup>(e)</sup>
<b>Earnings (loss) per common share</b> <sup>(a)</sup>	<b>0.12</b> <sup>(c)</sup>	(0.14)	0.20	0.11	0.29 <sup>(b)</sup>	6.85 <sup>(b)</sup>	(0.86) <sup>(d)</sup> <sub>(g)</sub>	0.11 <sup>(e)</sup>
Earnings (loss) per common share - Continuing operations <sup>(a)</sup>	<b>0.03</b>	(0.18)	0.25	0.11	0.22	(0.01)	(0.62)	0.05
Earnings (loss) per common share - Discontinued operations	<b>0.09</b> <sup>(c)</sup>	0.04	(0.05)	—	0.07 <sup>(b)</sup>	6.86 <sup>(b)</sup>	(0.24) <sup>(d)</sup> <sub>(g)</sub>	0.06 <sup>(e)</sup>
Distribution from equity-accounted investments - continuing operations	<b>8.8</b>	9.5	4.8	5.8	5.8	18.9	4.6	4.5

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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- (a) After deducting cumulative preferred shares dividends (whether declared or not) for the period and after adding the excess of preferred shares' assigned value over consideration paid for the repurchase.
- (b) Includes the impact of the gain of \$19.5 million and \$1,043.6 million related to the disposal of the Aeroplan Program and related assets during the three months ended June 30, 2019 and March 31, 2019, respectively.
- (c) Includes the impact of the gain of \$15.2 million related to the loss of control of the Loyalty Solutions business and related assets during the three months ended June 30, 2020.
- (d) Net loss from discontinued operations and Net loss attributable to equity holders of the Corporation for the three months ended December 31, 2018 include an impairment charge of \$20.4 million related to the International ISS business and an impairment charge of \$10.0 million related to the Middle East loyalty solutions business.
- (e) Net loss from discontinued operations and Net loss attributable to equity holders of the Corporation include an impairment charge of \$8.0 million recorded during the three months ended June 30, 2018 related to the International ISS business.
- (f) Includes net fair value gains (losses) related to investments in equity instruments of \$4.6 million for the three months ended June 30, 2020, \$5.6 million for the three months ended December 31, 2019, \$23.8 million for the three months ended September 30, 2019, \$37.7 million for the three months ended June 30, 2019, \$22.5 million for the three months ended March 31, 2019, \$(49.6) million for the three months ended December 31, 2018 and \$12.7 million for the three months ended September 30, 2018 .
- (g) Includes the impact of the loss of \$3.8 million which was recorded during the three months ended December 31, 2018 related to the disposal of the Nectar Program and related assets.
- (h) The Corporation used the modified retrospective approach for its adoption of IFRS 16, therefore 2018 financial information was not restated.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## FINANCING STRATEGY, LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2020, Aimia had \$121.2 million of cash and cash equivalents and \$69.9 million of restricted cash and cash held in escrow for a total of \$191.1 million. These sources of capital provide sufficient resources to fund its working capital and capital allocation requirements as well as preferred shares dividends, if and when declared and paid, for the foreseeable future. In July 2020, \$66.9 million of restricted cash and \$2.3 million of cash held in escrow were released to Aimia.

During the three months ended June 30, 2020, the Corporation early redeemed its corporate and government bonds scheduled to mature in 2021 and \$22.3 million of restricted cash related to the Loyalty Solutions operations were included in the assets and liabilities disposed of in the Kognitiv transaction (refer to the *Discontinued Operations and Disposal of Businesses and Other Assets* section for more details).

The following table provides an overview of Aimia's cash flows for the periods indicated:

<i>(in millions of Canadian dollars)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Cash and cash equivalents, beginning of period</b>	<b>122.4</b>	<b>280.1</b>	<b>98.6</b>	<b>311.9</b>
Cash from (used in) operating activities	14.0	(55.6)	(11.8)	(102.9)
Cash from (used in) investing activities	(6.9)	65.4	44.8	448.7
Cash from (used in) financing activities	(7.9)	(169.1)	(11.6)	(535.7)
Translation adjustment related to cash	(0.4)	(1.1)	1.2	(2.3)
<b>Cash and cash equivalents, end of period</b>	<b>121.2</b>	<b>119.7</b>	<b>121.2</b>	<b>119.7</b>

## OPERATING ACTIVITIES

Following the loss of control of the Loyalty Solutions business and investment in Kognitiv, Cash from (used in) operating activities is generated from distributions received from equity-accounted investments, revenues from investment management, and interest income, and is reduced by operating expenses as well as income taxes paid. Cash from (used in) operating activities was previously generated from the collection of Gross Billings and was reduced by the cash required to provide loyalty services, cash required to deliver rewards when Loyalty Units are redeemed and by operating expenses.

Cash flows from (used in) operating activities amounted to \$14.0 million for the three months ended June 30, 2020, compared to \$(55.6) million for the three months ended June 30, 2019. Cash flows from (used in) operating activities amounted to \$(11.8) million and \$(102.9) million for the six months ended June 30, 2020 and 2019, respectively.

Cash flows from (used in) operating activities attributable to the continuing operations amounted to \$10.6 million for the three months ended June 30, 2020, compared to \$(7.6) million for the three months ended June 30, 2019. The positive cash flows for the three months ended June 30, 2020 are primarily due to the net proceeds associated with the gain of \$7.0 million realized on investments in various public company securities and the \$8.8 million in distributions received from PLM, offset by operating expenses.

Cash flows from (used in) operating activities attributable to the continuing operations amounted to \$(8.8) million and \$(8.0) million for the six months ended June 30, 2020 and 2019, respectively. The negative cash flows for the six

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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months ended June 30, 2020 were mainly due to an amount of \$18.7 million paid related to Part VI.1 tax during the three months ended March 31, 2020 as a result of preferred dividends paid in 2019, which included \$26.0 million cumulative preferred dividends not previously declared, payments of \$4.9 million related to restructuring expenses, as well as operating expenses. This was offset in part mainly by the net proceeds associated with the gain of \$7.0 million realized on investments in various public company securities, distributions of \$18.3 million received from PLM and \$2.5 million of interest received.

### INVESTING ACTIVITIES

Aimia deployed capital through several transactions during the three months ended June 30, 2020. These investment activities included an investment of \$76.2 million to acquire a 10.85% stake in Clear Media Limited, an investment of \$34.3 million in Kognitiv (including cash disposed in the business and transaction related costs paid during the quarter) and \$6.2 million for the acquisition of Mittleman Brothers (net of cash acquired). Aimia also redeemed its remaining corporate and government bonds for proceeds of \$106.0 million for the three months ended June 30, 2020 (\$154.6 million for the six months ended June 30, 2020).

Investing activities for the three and six months ended June 30, 2019 reflect the net proceeds from the disposal of the Aeroplan Program and related assets of \$14.7 million and \$500.5 million, respectively, including proceeds of \$450.0 million on the closing of the transaction and a closing adjustments payment of \$66.4 million, offset by transaction and termination fees of \$15.9 million. Additionally, investing activities for the six months ended June 30, 2019 reflect an amount of \$100.0 million set aside in a restricted account related to the 2013 CRA audit, \$10.0 million set aside in a restricted account to act as cash collateral for previously issued irrevocable letters of credit and \$2.3 million set aside in an escrow account to cover potential general indemnity claims related to the sale of the Aeroplan Program. During the three months ended June 30, 2019, \$2.0 million of cash collateral was released.

Investing activities for the three and six months ended June 30, 2019 also reflect proceeds from investments in corporate and government bonds of \$48.7 million and \$271.8 million, respectively, and proceeds of \$9.8 million from the sale of the investment in Fractal Analytics and purchases of investments in corporate and government bonds of \$223.1 million for the six months ended June 30, 2019.

### FINANCING ACTIVITIES

Financing activities for the three and six months ended June 30, 2020 reflect the payment of \$3.1 million and \$6.3 million, respectively, related to preferred share dividends, payments of \$4.5 million and \$4.6 million, respectively, for repurchases of common shares through the normal course issuer bid as well as the principal elements of lease payments of \$0.3 million and \$0.7 million, mostly related to discontinued operations.

Financing activities for the six months ended June 30, 2019 reflect the repayment of the revolving facility of \$51.1 million and the early redemption of the Senior Secured Notes Series 4 of \$250.0 million. Financing activities for the three and six months ended June 30, 2019 also reflect the payment of \$4.3 million and \$69.5 million, respectively, related to common and preferred dividends, as well as the principal elements of lease payments of \$0.4 million and \$0.7 million, respectively. Financing activities for the three months ended June 30, 2019 also reflect \$162.1 million of repurchases of common shares through substantial and normal course issuer bids, as well as \$2.3 million representing the final installment of the base consideration related to the acquisition of the remaining 40% ownership interest in Aimia Middle East (discontinued operations).

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# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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## LIQUIDITY

Aimia anticipates to have an annualized operating expense run-rate of approximately \$15.0 million going forward. The cash requirements for operations as well as payments for preferred shares dividends, if and when declared and paid, will be comfortably met from the Corporation's significant existing cash and cash equivalents, as well as from the restricted cash and cash held in escrow released in July 2020.

The amount held in cash, cash equivalents and investments, as well as the types of securities in which it may be invested, are based on policies established by the Board of Directors, which are reviewed periodically. As of June 30, 2020, the Corporation held \$191.1 million in cash and cash equivalents, restricted cash and cash held in escrow.

## CREDIT FACILITIES AND LONG-TERM DEBT

Following the completion of the sale of the Aeroplan Program and related assets (refer to the *Discontinued Operations and Disposal of Businesses and Other Assets* section), the Corporation's revolving facility was fully repaid and terminated. In connection with the termination of the credit facility, previously issued irrevocable letters of credit in the aggregate amount of \$10.0 million were replaced by security in the form of cash collateral. Additionally, the Senior Secured Notes Series 4 in the principal amount of \$250.0 million, bearing interest at 6.85% per annum, were early redeemed on February 8, 2019. Aimia paid interest accrued on the Senior Secured Notes Series 4 up to repayment date, representing \$4.0 million, as well as an early redemption premium of \$2.8 million.



# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## INVESTMENTS IN EQUITY INSTRUMENTS, ASSOCIATES AND JOINT ARRANGEMENTS

The table below summarizes Aimia's investments in equity instruments, associates and joint arrangements at June 30, 2020:

Name	Nature of business	Nature of investment	Reporting segment	Country of incorporation and place of business	% of ownership interest	Measurement method
PLM	Coalition Loyalty	Joint venture	Investments and Holdings	Mexico	48.9	Equity
BIGLIFE	Coalition Loyalty	Joint venture	Investments and Holdings	Malaysia	20.0	Equity
Kognitiv	B2B Technology platform and services	Associate	Investments and Holdings	Canada	49.3	Equity

## CONTINGENT LIABILITIES AND GUARANTEES

### *Guarantees and indemnifications*

Aimia has agreed to indemnify its directors and officers, and the directors and officers of its subsidiaries, to the extent permitted under corporate law, against costs and damages incurred as a result of lawsuits or any other judicial, administrative or investigative proceeding in which said directors or officers are sued as a result of their services. The directors and officers are covered by directors' and officers' liability insurance.

In limited circumstances, Aimia may provide guarantees and/or indemnifications to third parties to support the performance obligations of its subsidiaries under commercial contracts or in regards to representations and warranties made by Aimia when Aimia disposed of businesses and other assets. No amount has been recorded in these financial statements with respect to the indemnification and guarantee agreements.

### *Kognitiv transaction*

Refer to the *Discontinued Operations and Disposal of Businesses and Other Assets* for a description of the indemnification clauses related to the Kognitiv transaction.

### *Aeroplan transaction*

Refer to the *Discontinued Operations and Disposal of Businesses and Other Assets* section for a description of the indemnification clauses related to the disposal of Aeroplan.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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### *Class actions*

#### *a) Class action contesting changes to Aeroplan's mileage accumulation and expiry rules*

Following the completion of the sale of the Aeroplan Program and related assets on January 10, 2019, any liability associated with the class action, including the liability related to the proposed settlement, has transferred to Air Canada. For more information on the Aeroplan transaction, please refer to the *Discontinued Operations and Disposal of Businesses and Other Assets* section.

#### *b) Class actions seeking reimbursement of fuel surcharges, airport improvement fees and passenger charges*

Following the completion of the sale of the Aeroplan Program and related assets on January 10, 2019, Aimia will bear 50% of the liability and costs, if any, associated with these class action proceedings against Aeroplan, up to a cap of \$25 million for Aimia, after which Air Canada is solely responsible. For more information on the Aeroplan transaction, please refer to the *Discontinued Operations and Disposal of Businesses and Other Assets* section.

Management believes that Aeroplan has a strong defence to these class actions and believes that it is more likely than not that its position will ultimately be sustained; therefore, no amount was recorded in the Corporation's consolidated financial statements as at December 31, 2019 and June 30, 2020.

### *Other claims and litigations*

From time to time, Aimia becomes involved in various claims and litigation as part of its normal course of business. While the final outcome thereof cannot be predicted, based on the information currently available, management believes the resolution of current pending claims and litigation will not have a material impact on Aimia's financial position and results of operations.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## SUMMARY OF CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at June 30, 2020, estimated future minimum payments under Aimia's contractual obligations and commitments are as follows:

<i>(in millions of Canadian dollars)</i>	Total	2020	2021	2022	2023	2024	Thereafter
Short-term operating leases	0.3	0.1	0.2	—	—	—	—
Technology infrastructure and other	1.2	1.2	—	—	—	—	—
<b>Total Contractual Obligations and Commitments</b>	<b>1.5</b>	<b>1.3</b>	<b>0.2</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

## CAPITAL STOCK

At June 30, 2020, Aimia had 95,320,107 common shares, 5,083,140 Series 1 Preferred Shares and 4,355,263 Series 3 Preferred Shares issued and outstanding for an aggregate amount of \$236.1 million. In addition, there were 1,260,862 stock options issued and outstanding under the Aimia Long-Term Incentive Plan.

## COMMON SHARES

### *Normal course issuer bid*

On June 8, 2020, the Corporation announced it had received approval from the Toronto Stock Exchange to purchase up to 6,980,010 of its issued and outstanding common shares under a normal course issuer bid during the period from June 10, 2020 to no later than June 9, 2021.

From June 10, 2020 to June 30, 2020, Aimia repurchased 1,590,850 common shares for a total consideration of \$4.6 million. Of this total, 1,555,450 common shares were paid and cancelled during the period representing \$4.5 million, with the remainder being paid and cancelled during the third quarter of 2020. Share capital was reduced by a negligible amount and the remaining \$4.6 million was accounted for as a reduction of contributed surplus.

Subsequent to June 30, 2020, Aimia repurchased 1,396,405 common shares for a total consideration of \$4.4 million.

## PREFERRED SHARES

### *Preferred shares, series 1 and preferred shares, series 2*

On February 24, 2020, the Board of Directors resolved that the Corporation would not exercise its right to redeem all or any number of the currently issued and outstanding 2,921,275 Cumulative Rate Reset Preferred Shares, Series 1 (the "Series 1 Preferred Shares") nor all or any number of the currently issued and outstanding 2,161,865 Cumulative Floating Rate Preferred Shares, Series 2 (the "Series 2 Preferred Shares") on March 31, 2020. As a result and subject to certain conditions set out in the rights, privileges, restrictions and conditions attaching to the Series 1 Preferred Shares, the holders of the Series 1 Preferred Shares had the right to convert all or any number of their Series 1 Preferred Shares, on a one-for-one basis, into Series 2 Preferred Shares and subject to certain conditions

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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set out in the rights, privileges, restrictions and conditions attaching to the Series 2 Preferred Shares, the holders of the Series 2 Preferred Shares had the right to convert all or any number of their Series 2 Preferred Shares, on a one-for-one basis, into Series 1 Preferred Shares of Aimia; in each case on March 31, 2020.

During the conversion notice period, 1,774,254 Series 2 Preferred Shares were tendered for conversion into Series 1 Preferred Shares. In accordance with the rights, privileges, restrictions and conditions attaching to the Series 2 Preferred Shares and the Series 1 Preferred Shares, since there would be fewer than 1,000,000 Series 2 Preferred Shares outstanding on March 31, 2020, after having taken into account all Series 2 Preferred Shares tendered for conversion into Series 1 Preferred Shares, all Series 2 Preferred Shares were automatically converted into Series 1 Preferred Shares on March 31, 2020.

In addition, despite the fact that during the conversion notice period, 17,370 Series 1 Preferred Shares were tendered for conversion into Series 2 Preferred Shares, since there would be fewer than 1,000,000 Series 2 Preferred Shares outstanding on March 31, 2020, after having taken into account all Series 1 Preferred Shares tendered for conversion into Series 2 Preferred Shares, holders of Series 1 Preferred Shares who elected to tender their shares for conversion did not have their Series 1 Preferred Shares converted into Series 2 Preferred Shares on March 31, 2020 in accordance with the rights, privileges, restrictions and conditions attaching to the Series 1 Preferred Shares and the Series 2 Preferred Shares.

As a result, all 2,161,865 Series 2 Preferred Shares were automatically converted into Series 1 Preferred Shares on March 31, 2020 and no Series 2 Preferred Shares remain issued and outstanding after March 31, 2020. The dividend rate of the Series 1 Preferred Shares for the five-year period from and including March 31, 2020 up to but excluding March 31, 2025 will be 4.802%, being 3.75% over the five-year Government of Canada bond yield, as determined in accordance with the rights, privileges, restrictions and conditions attaching to the Series 1 Preferred Shares. As of June 30, 2020, there are 5,083,140 issued and outstanding Series 1 Preferred Shares, all of which are listed on the Toronto Stock Exchange.

### ***Substantial issuer bids***

On March 27, 2019, Aimia's Board of Directors approved a substantial issuer bid to repurchase a portion of its outstanding common shares for cancellation, commencing on April 11, 2019. In accordance with the terms and conditions of this substantial issuer bid, Aimia purchased for cancellation 34,883,702 common shares. In addition, on November 18, 2019 Aimia's Board of Directors approved an additional substantial issuer bid to repurchase a portion of its outstanding common shares for cancellation. In accordance with the terms and conditions of this substantial issuer bid, Aimia purchased for cancellation 14,705,863 common shares. Of this amount, 9,906 common shares were effectively canceled in January 2020.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## DIVIDENDS

Quarterly dividends declared to preferred shareholders of Aimia during the six months ended June 30, 2020 and 2019, excluding cumulative preferred dividends not previously declared and not recorded as at December 31, 2018, were as follows:

Three months ended <i>(in millions of Canadian dollars, except per share information)</i>	2020		2019	
	Amount	Per preferred share	Amount	Per preferred share
<b>Series 1</b>				
March 31,	0.8	0.28125	1.1	0.28125
June 30,	1.5	0.30013	1.1	0.28125
<b>Total</b>	<b>2.3</b>	<b>0.58138</b>	2.2	0.56250
<b>Series 2</b>				
March 31,	0.7	0.33670	1.0	0.336760
June 30,	—	—	1.0	0.338570
<b>Total</b>	<b>0.7</b>	<b>0.33670</b>	2.0	0.675330
<b>Series 3</b>				
March 31,	1.7	0.375688	2.4	0.390625
June 30,	1.6	0.375688	2.2	0.375688
<b>Total</b>	<b>3.3</b>	<b>0.751376</b>	4.6	0.766313

As communicated on June 14, 2017, the Corporation was prohibited from paying dividends declared on May 10, 2017 originally scheduled to have been paid on June 30, 2017, as well as declaring any further dividends on any of the outstanding common shares or preferred shares, based on Aimia's determination that the capital impairment test set forth in paragraph 42(b) of the *Canada Business Corporations Act* (the "CBCA") would not be satisfied.

Following the approval of a reduction in stated capital by the common shareholders on January 8, 2019, and having taken into account the effect of the sale of the Aeroplan Program on the Corporation's financial position, the Board of Directors approved the following matters on February 22, 2019:

- a reduction to the stated capital account maintained in respect of the common shares to an aggregate amount of \$1.0 million;
- the payment on March 29, 2019 of the dividends originally declared on May 10, 2017 to common and preferred shareholders. As at December 31, 2018, the dividends declared but not paid to common and preferred shareholders, representing an amount of \$34.7 million, were presented in accounts payable and accrued liabilities; and
- the payment on March 29, 2019 of cumulative preferred dividends not previously declared and recorded amounting to \$26.0 million as at December 31, 2018.

In reaching its decision, the Board of Directors considered the Corporation's ability to satisfy the applicable tests under the CBCA and the Corporation's obligation to pay unpaid dividends with a view to remaining in good standing with the applicable rules and policies of the Toronto Stock Exchange (the "TSX") and maintaining its listing on the TSX.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Given the facts listed above, the Corporation's common and preferred dividends activity for the six months ended June 30, 2019 was as follows:

Six Months Ended June 30,	2019	
	Declared	Paid
<i>(in millions of Canadian dollars)</i>		
Preferred dividends originally declared on May 10, 2017	—	4.3
Cumulative preferred dividends not previously declared and recorded	26.0	26.0
Quarterly preferred dividends	8.8	8.8
<b>Total preferred dividends on Series 1, Series 2 and Series 3</b>	<b>34.8</b>	<b>39.1</b>
Common dividends originally declared on May 10, 2017	—	30.4
<b>Total common and preferred dividends</b>	<b>34.8</b>	<b>69.5</b>

Aimia is subject to Part VI.1 tax under the Income Tax Act (Canada) (the "ITA") at an imposed tax rate of 40% associated with dividends paid on its preferred shares. For the three and six months ended June 30, 2020, the gross amount of Part VI.1 tax expense is \$1.2 million and \$2.5 million, respectively (\$1.7 million and 15.6 million in 2019). In prior years when Aimia paid dividends on its Preferred Shares, Aimia transferred all of its Part VI.1 tax liability to its related Canadian subsidiaries, which included Aeroplan (refer to the *Discontinued Operations and Disposal of Businesses and Other Assets* section) to offset the Part VI.1 tax by reducing the taxable income of its Canadian subsidiaries and Part 1 tax liability. However, following the sale of Aeroplan, Aimia and its related Canadian subsidiaries do not have sufficient Canadian taxable income to benefit entirely from the Part VI.1 tax deduction to offset the Part 1 tax. Any unused Part VI.1 tax deduction will be carried forward as non-capital losses under the rules specifically provided under the ITA.

During the six months ended June 30, 2020, the Corporation paid \$19.2 million of Part VI.1 tax.

On September 14, 2020, the Board of Directors of Aimia declared quarterly dividends of \$0.300125 per Series 1 preferred share and \$0.375688 per Series 3 preferred share, in each case payable on September 30, 2020 to shareholders of record on September 23, 2020.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### EARNINGS (LOSS) PER COMMON SHARE

<i>(in millions of Canadian dollars, except share and per share information)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net earnings (loss) attributable to equity holders of the Corporation	14.4	43.5	4.8	1,090.6
Deduct: Dividends declared on preferred shares related to the period	(3.1)	(4.3)	(6.3)	(8.8)
Net earnings (loss) attributable to common shareholders	11.3	39.2	(1.5)	1,081.8
Weighted average number of basic and diluted common shares	93,844,617	137,252,440	93,831,621	144,738,230
Earnings (loss) per common share – Basic and fully diluted	\$ 0.12	\$ 0.29	\$ (0.02)	\$ 7.47
Continuing operations - Basic and fully diluted	\$ 0.03	\$ 0.22	\$ (0.15)	\$ 0.20
Discontinued operations - Basic and fully diluted	0.09	0.07	0.13	7.27

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# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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## DISCONTINUED OPERATIONS AND DISPOSAL OF BUSINESSES AND OTHER ASSETS

### DISCONTINUED OPERATIONS

#### *Kognitiv transaction - Loss of control in Loyalty Solutions business and related assets*

On June 18, 2020, Aimia completed the Kognitiv transaction previously announced on April 29, 2020. The transaction is a contribution of cash and Aimia's Loyalty Solutions business, which includes Intelligent Shopper Solutions and the Air Miles Middle East program, in exchange of an ownership interest in Kognitiv, a B2B technology platform and services company. As part of the transaction, Kognitiv received a total of \$28.7 million (US\$21.1 million) with \$20.4 million (US\$15.0 million) coming from Aimia in funding in the form of 12% cumulative convertible preferred equity of Kognitiv and \$8.3 million (US\$6.1 million) from other investors. These preferred shares have similar voting rights as, and are convertible into, common shares of Kognitiv. Prior to the transaction close, Aimia had advanced \$3.5 million (US\$2.5 million) of that investment in the form of a convertible note that converted into convertible preferred equity at the transaction close. After the closing of both the contribution of the Loyalty Solutions business and the cash investment, Aimia owns 49.3% of Kognitiv.

The investors rights associated with its ownership percentage does not give Aimia control or joint control over Kognitiv or its operations, but rather a significant influence per the definition of IAS 28. Therefore, the transaction is accounted as a loss of control over the Loyalty Solutions business and related assets and a new investment in Kognitiv, which is accounted using the equity method. Under the equity method, net earnings are calculated on the same basis as if the two entities had been consolidated. The difference between the fair value of the investment and the net book value of Kognitiv's assets will be allocated to the fair value of identifiable assets, including finite and indefinite life intangible assets, and any remaining difference to be assigned to notional goodwill. At this time, the Corporation has not finalized its notional purchase price allocation and difference between the fair value of the net assets acquired and the fair value of the investment has been temporarily assigned to goodwill. The proportionate share of Kognitiv's net earnings has been recorded since the closing of the transaction on June 18, 2020. The fair value of Aimia's investment in Kognitiv has been estimated at \$88.7 million and is based on a combination of valuation techniques and inputs, including the financing round completed concurrently with the transaction, other recent Kognitiv financing rounds, discounted future cash flows generated from the new combined business and a market approach derived using a multiple of projected earnings.

The calculation of the discounted future cash flows was based on the following key assumptions:

- Cash flows were projected based on on past experience, actual operating results and the financial long range plan approved by Kognitiv management;
- Discount rate of 18%;
- Terminal growth rate of 3%;

Rates were determined based on economic indicators and other specific risks related to Kognitiv.

The key assumptions for the market approach included earnings projected based on on past experience, actual operating results and the financial long range plan approved by Kognitiv management. The multiples were determined on the basis of historical and publicly available information of comparable companies.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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Aimia and Kognitiv have agreed to provide each other transition services until December 31, 2020. These services include finance, technology, human resources and facility management. Aimia has also agreed to maintain certain guarantees as well as security in the form of cash collateral related to certain specified contracts for a period of up to 12 months in the case of guarantees and up to 24 months in the case of cash collateral. The current amount of such cash collateral as of June 30, 2020 is \$0.5 million and is included in restricted cash on the statements of financial position.

The transaction agreement also provides that, as of and after the closing date, each of Aimia and Kognitiv shall indemnify one another, as well as certain affiliates and their respective representatives, for losses suffered as a result of, or arising in connection with, any inaccuracy, misrepresentation or breach of any representation or warranty made or given in the agreement or any certificate delivered pursuant thereto and any failure to observe, fulfill or perform any covenant or obligation in the agreement as well as for losses suffered as a result of customer terminated contracts pursuant to a change in control clause. With respect to those indemnification clauses, Aimia has no obligation to indemnify Kognitiv unless and until the aggregate amount of the losses incurred exceeds \$2.25 million (US\$ 1.7 million), in which case all losses are indemnifiable. Aimia's liability for such indemnity claims shall not exceed \$15.0 million in all cases except with respect to (i) Aimia's fundamental representations and (ii) inaccuracy, misrepresentation or breach of any representation or warranty involving fraud, where Aimia's liability is uncapped.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

<b>Consideration associated with the Kognitiv transaction</b>	
Investment in Kognitiv recognized at fair value	88.7
Cash investment	(20.4)
Transaction costs related to the loss of control	(4.2)
<b>Consideration relating to disposed assets and liabilities, net of transaction costs</b>	<b>64.1</b>
Preliminary closing adjustments related to working capital	5.1
<b>Net consideration</b>	<b>69.2</b>
<b>Assets and liabilities disposed of</b>	
Cash and cash equivalents	11.1
Restricted cash	22.3
Accounts receivable	42.5
Inventories	0.6
Prepaid expenses and deposits	9.6
Property and equipment	1.0
Software and technology	0.2
Equity-accounted investment	0.7
Accumulation partners' contracts and customer relationships	8.6
Trade names	8.6
Other long-term assets	4.3
Accounts payable and accrued liabilities	(28.6)
Customer deposits	(19.2)
Deferred revenue	(22.3)
Other long-term liabilities	(7.0)
<b>Net assets (liabilities) disposed of</b>	<b>32.4</b>
<b>Gain before reclassification to net earnings of cumulative translation</b>	<b>36.8</b>
Reclassification to net earnings of cumulative translation adjustments	(21.6)
<b>Gain on the loss of control of the Loyalty Solutions business and related assets</b>	<b>15.2</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The operating results are presented as discontinued operations and prior periods have been restated.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Results of the Loyalty Solutions business and related assets</b>				
Total revenue	<b>22.9</b>	31.0	<b>52.5</b>	65.7
Compensation and benefits	<b>10.8</b>	18.2	<b>23.4</b>	40.2
Technology	<b>8.9</b>	14.2	<b>16.8</b>	29.4
Professional, advisory and service fees	<b>2.1</b>	2.6	<b>4.9</b>	4.9
Rent and office costs	<b>0.7</b>	1.2	<b>1.5</b>	3.1
Travel and employee expenses	<b>0.2</b>	1.3	<b>0.9</b>	2.4
Depreciation and amortization	<b>0.8</b>	1.1	<b>1.9</b>	2.0
Other	<b>1.3</b>	3.0	<b>2.5</b>	5.2
Total operating expenses	<b>24.8</b>	41.6	<b>51.9</b>	87.2
Operating income	<b>(1.9)</b>	(10.6)	<b>0.6</b>	(21.5)
Gain on disposal of businesses and other assets	<b>15.2</b>	—	<b>15.2</b>	—
Net financial income (expenses)	<b>(0.3)</b>	(0.2)	<b>(0.3)</b>	—
Share of net earnings of equity-accounted investments	<b>0.2</b>	0.3	<b>0.6</b>	1.0
Income tax (expense) recovery	<b>(4.9)</b>	(0.2)	<b>(3.9)</b>	3.9
Net earnings (loss)	<b>8.3</b>	(10.7)	<b>12.2</b>	(16.6)

The performance of Loyalty Solutions for the three months ended June 30, 2020 is mostly driven by lower revenue mostly due to lost clients and reduced existing client spend, lower operating expense mainly explained by reduced headcount related expenses and lower severances, lower technology expenses associated with lost clients and operational efficiencies and lower overall other expenses due to offices consolidation and other cost reduction initiatives. The variance compared to the three months ended June 30, 2019 is also due to the partial period of results, Aimia having lost control of the Loyalty Solutions business in the Kognitiv transaction on June 18, 2020. The same main drivers explain the performance of the Loyalty Solutions business for the six months ended June 30, 2020 compared to the six months ended June 30, 2019.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cash flows from (used in) discontinued operations included within the consolidated statements of cash flows are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Net cash flows of the Loyalty Solutions business and related assets</b>				
Cash flows from (used in):				
Operating activities	3.4	(48.0)	(3.0)	(67.3)
Investing activities - Payments for the disposal of businesses, including cash disposed	(34.3)	—	(34.3)	—
Financing activities - Acquisition of non-controlling interest	—	(2.3)	—	(2.3)
Financing activities - Principal elements of lease payments	(0.3)	(0.4)	(0.7)	(0.7)
<b>Total</b>	<b>(31.2)</b>	<b>(50.7)</b>	<b>(38.0)</b>	<b>(70.3)</b>

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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### *Aeroplan coalition loyalty program and related assets*

On January 10, 2019, Aimia completed the sale of Aeroplan Inc., the owner and operator of the Aeroplan loyalty program, to Air Canada, pursuant to the share purchase agreement entered into and announced on November 26, 2018 (the "SPA"). Gross transaction proceeds amounted to \$516.4 million, after final closing adjustments of \$66.4 million which were primarily related to favourable working capital adjustments relative to the working capital target set out in the share purchase agreement. Offsetting this cash consideration is an aggregate of \$16.0 million, consisting of transaction fees of \$7.4 million as well as \$8.6 million in termination fees associated with agreements entered into with Porter Airlines, Air Transat and Flair Airlines.

Aimia and Air Canada agreed to provide each other transition services for a period of up to 15 months. These services include finance, technology, human resources and facility management.

The SPA provides that, as of and after the closing date, each of Aimia and Air Canada shall indemnify one another, as well as certain affiliates and their respective representatives, for losses suffered as a result of or arising in connection with any inaccuracy, misrepresentation or breach of any representation or warranty made or given in the agreement or any certificate delivered pursuant thereto and any failure to observe, fulfill or perform any covenant or obligation in the agreement. With respect to those general indemnification clauses, Aimia has no obligation to indemnify Air Canada unless and until the aggregate amount of the losses incurred exceeds \$2.25 million, in which case all losses above \$2.25 million are indemnifiable. Aimia's liability for such indemnity claims shall not exceed \$55 million in all cases except with respect to (i) Aimia's fundamental representations, where its liability shall not exceed the purchase price (ii) tax claims for pre-closing tax periods, where Aimia's liability is uncapped, and (iii) non-compliance with anti-spam laws, consumer protection laws, privacy laws or other laws pertaining to the security and protection of personal information, where Aimia's liability is uncapped.

In addition to the foregoing, Aimia has agreed to indemnify Air Canada for income tax payments that may arise after the closing date relating to pre-closing tax periods for Aeroplan Inc. This includes the income tax audit conducted by the CRA regarding certain Aeroplan income tax matters dating back to 2013 (the "2013 CRA audit").

In regards to the indemnification clauses described above, \$2.25 million of the purchase price proceeds were deposited with a third-party escrow agent to cover any potential valid general indemnity claims that may be made by Air Canada against Aimia under the SPA and \$100 million of the purchase proceeds were deposited in a separate interest-bearing account jointly controlled by Aimia and Air Canada pending the conclusion of the 2013 CRA audit. The escrow amount was released to Aimia in July 2020.

During the year ended December 31, 2019, Aimia received notices of reassessment for the 2012 through 2017 taxation years and notices of assessment for the 2018 and 2019 taxation years from the CRA for an aggregate amount of \$26.9 million, including \$4.1 million interest. Aimia received notices of reassessment for the 2012 through 2017 taxation years and the notice of assessment for the 2018 taxation year from Revenu Québec for a total amount of \$5.5 million, including interest of \$0.3 million. During the three months ended June 30, 2020, Aimia also received a notice of reassessment for the 2019 taxation year from Revenu Québec for a total amount of \$0.8 million. Aimia has funded the amounts due upon receipt of the assessments from the restricted cash account. Aimia also received a refund of \$0.3 million of interest from the CRA. The restricted cash account balance was \$66.9 million as at June 30, 2020 and was released to Aimia in July 2020 in accordance with the terms of the SPA between Aimia and Air Canada.

Aimia, in conjunction with Aeroplan Inc., has initiated the process to vigorously contest these matters. Based on external advice it has received, the Corporation believes that it is more likely than not that Aeroplan Inc. will prevail in

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

the recourse procedures available to taxpayers in these situations, which could eventually lead to a court contestation. Based on this assessment, Aimia did not record any income tax expenses related to discontinued operations in its financial statements. Should Aeroplan Inc. be successful in its recourse procedures, any amounts that were remitted to the CRA from the \$100 million restricted cash account would be returned to Aimia.

Consideration associated with the disposal of the Aeroplan Program and related assets	
Cash	450.0
Transaction and termination fees	(16.0)
<b>Consideration relating to disposed assets and liabilities, net of transaction and termination fees</b>	<b>434.0</b>
Closing adjustments related to working capital and future redemption liability	66.4
<b>Net consideration <sup>a)</sup></b>	<b>500.4</b>
Assets and liabilities disposed of	
Cash and cash equivalents	0.2
Accounts receivable	163.7
Prepaid expenses	12.5
Property and equipment	14.4
Software and technology	77.7
Accumulation partners' contracts and customer relationships	423.4
Trade names	275.0
Goodwill	1,675.8
Accounts payable and accrued liabilities	(153.1)
Provisions	(10.7)
Deferred revenue	(2,905.1)
Pension and other long-term liabilities	(47.7)
Deferred income taxes	(88.8)
<b>Net assets (liabilities) disposed of</b>	<b>(562.7)</b>
<b>Gain on disposal of the Aeroplan Program and related assets <sup>b)</sup></b>	<b>1,063.1</b>

(a) The net consideration related to the disposal of the Aeroplan program and related assets includes the following:

- \$496.7 million of gross transaction proceeds received at initial transaction closing, of which \$100.0 million was set aside in a restricted account until conclusion of an ongoing CRA audit and \$2.25 million set aside in an escrow account;
- \$16.0 million of transaction and termination fees paid during the year ended December 2019.

(b) As of March 31, 2019 the preliminary gain on disposal of the Aeroplan program was \$1,043.6 million. During three month ended June 30, 2019, the gain on disposal was adjusted by \$19.5 million, being an additional \$19.7 million related to final closing adjustments related to working capital, offset by \$0.2 million of transaction fees.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

A discussion of the operating results of the discontinued operations for the three months ended June 30, 2020 and 2019 follows.

<i>(in millions of Canadian dollars unless otherwise noted)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue from Loyalty Units	—	—	—	35.3
Revenue from Loyalty Services and Other	—	—	—	1.0
<b>Total revenue</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>36.3</b>
Cost of rewards and direct costs	—	—	—	24.5
Gross margin	—	—	—	11.8
Operating expenses before share-based compensation and other performance awards	—	—	—	4.2
Share-based compensation and other performance awards	—	—	—	(0.2)
<b>Total operating expenses</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4.0</b>
<b>Operating income</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>7.8</b>
Gain on disposal of businesses and other assets	—	19.5	—	1,063.1
Income tax expense	—	—	—	(1.1)
<b>Net earnings from the Aeroplan Program and related assets</b>	<b>—</b>	<b>19.5</b>	<b>—</b>	<b>1,069.8</b>

Cash flows from (used in) the Aeroplan Program and related assets included within the consolidated statements of cash flows are as follows:

<i>(in millions of Canadian dollars)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Net cash flows of the Aeroplan Program and related assets</b>				
Cash flows from (used in):				
Operating activities	—	—	—	(27.6)
Investing activities - Net proceeds from the disposal of businesses and other assets	—	14.7	—	500.5
Investing activities - Restricted Cash	—	—	—	(100.0)
Investing activities - Cash held in escrow	—	—	—	(2.3)
<b>Total</b>	<b>—</b>	<b>14.7</b>	<b>—</b>	<b>370.6</b>

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# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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## CHANGES IN ACCOUNTING POLICIES

The interim financial statements have been prepared using the same accounting policies as those presented in the Corporation's audited annual consolidated financial statements for the year ended December 31, 2019, except as described below.

### *Adoption of revised accounting standards*

The Corporation has adopted the following revised standards as detailed below:

#### *IFRS 9/IAS 39 and IFRS 7 Amendments, Interest rate benchmark reform*

The IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 - *Financial Instruments: Disclosures*. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. The Corporation has assessed the impact of the amendments and concluded that they had no impact on its consolidated financial statements.

#### *IFRS 3 Amendments, Definition of a business*

The IASB issued amendments to IFRS 3 - *Business combinations* to revise the definition of a business. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

#### *IAS 1 and IAS 8 Amendments, Definition of material*

The IASB issued amendments to IAS 1 - *Presentation of financial statements* and IAS 8 - *Accounting policies, changes in accounting estimates and errors* to revise the definition of material. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. The Corporation has assessed the impact of the amendments and concluded that they had no impact on its consolidated financial statements.

#### *Conceptual framework*

The IASB issued the revised *Conceptual framework for financial reporting* to replace its 2010 conceptual framework. The revised conceptual framework is effective for annual periods beginning on or after January 1, 2020, with earlier application permitted. The Corporation assessed the revised conceptual framework and concluded that there is no impact on its consolidated financial statements.



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# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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## *Change in accounting policy*

The Corporation added precision to its accounting policies as detailed below:

### REVENUE RECOGNITION

#### *Investment Management*

Through MIM, Aimia derives investment management fees providing discretionary portfolio management to institutional and high-net-worth investors. Management fees are calculated based on a percentage of assets under management and are usually payable quarterly. Aimia recognizes this revenue on an over time basis, as the services are provided.

### FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

#### *Recognition and Initial Measurement*

Trade receivables and debt securities issued are initially recognized when they are originated. Regular way purchases of equity instruments are recognized using the settlement date, which is the date that the equity instruments are delivered to the Corporation. All other financial assets and financial liabilities are initially recognized when the Corporation becomes a party to the contractual provisions of the instrument.

The added precision has no impact on comparative information presented in these financial statements. There is no other change to the "Financial Instruments and Hedge Accounting" policy. Refer to the Corporation's audited annual consolidated financial statements for the year ended December 31, 2019 for the complete accounting policies.

### PRINCIPLES OF CONSOLIDATION

#### *Investments in Associates and Joint Arrangements*

When the Corporation contributes a controlled business to a joint venture or associate or when it decreases its stake in a controller business to that of an investment in a joint venture or associate, the Corporation recognizes a full gain under the IFRS 10 - *Consolidated Financial Statements* approach. IFRS 10 requires the retained interest in an associate or joint venture to be measured at fair value, with the full disposal gain recognized in the income statement. The Corporation recorded the gain on the Kognitiv investment using this approach.

#### *Change in presentation of expenses*

##### *Aimia as an investment holding company*

The disposal of the Loyalty Solutions business combined with the change in the corporate strategy to become an investment holding company represents another significant change in the nature of the Corporation's operations. As a result of this change, the format of the consolidated statements of operations has been reorganized to reflect the new nature of Aimia's ongoing activities. While the Corporation has kept the same presentation of expenses by nature and continues to disclose the discontinued operations of Loyalty Solutions results per this format, certain nature of expenses are not significant for Aimia as an investment holding company. Therefore, expenses formerly presented

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

separately as Technology, Rent and office costs, Travel and employee expenses and Other have been combined into the new "Technology and other office expenses" label. This reorganization has been applied retrospectively.

### *Aimia as a loyalty solutions company*

The disposal of the Aeroplan coalition loyalty program and related assets represented a significant change in the nature of the Corporation's former loyalty solutions operations in 2019. Following a review of its financial statements at the time, the Corporation believed that a classification of its expenses by nature instead of by function was more aligned with the services the Corporation was rendering and therefore provided information that was more useful and relevant to the users of its financial statements. That classification of expenses by nature was first applied in the Corporation's audited consolidated financial statements for the year ended December 31, 2019 and was applied retrospectively.

Comparative information has been reclassified as follows. This information has been split between continuing and discontinued operations following the Kognitiv transaction.

	Three months Ended June 30, 2019		
	As originally presented	Change in classification	Restated
<b>Statement of operations (extract)</b>			
<b>Revenue</b>	<b>31.0</b>	<b>—</b>	<b>31.0</b>
<b>Cost of sales</b>			
Cost of rewards and direct costs	2.2	(2.2)	—
Depreciation and amortization	0.3	(0.3)	—
Amortization of accumulation partner's contract, customer relationships and technology	0.8	(0.8)	—
	<b>3.3</b>	<b>(3.3)</b>	<b>—</b>
<b>Operating Expenses</b>			
Selling and marketing expenses	28.8	(28.8)	—
General and administrative expenses	20.6	(20.6)	—
	<b>49.4</b>	<b>(49.4)</b>	<b>—</b>
Compensation and benefits	—	23.8	23.8
Technology	—	15.4	15.4
Professional, advisory and service fees	—	6.0	6.0
Rent and office costs	—	1.5	1.5
Travel and employee expenses	—	1.7	1.7
Depreciation and amortization	—	1.1	1.1
Other	—	3.2	3.2
	<b>—</b>	<b>52.7</b>	<b>52.7</b>
<b>Operating loss</b>	<b>(21.7)</b>	<b>—</b>	<b>(21.7)</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

	Six months Ended June 30, 2019		
	As originally presented	Change in classification	Restated
<b>Statement of operations (extract)</b>			
<b>Revenue</b>	<b>65.7</b>	<b>—</b>	<b>65.7</b>
<b>Cost of sales</b>			
Cost of rewards and direct costs	4.2	(4.2)	—
Depreciation and amortization	0.5	(0.5)	—
Amortization of accumulation partner's contract, customer relationships and technology	1.6	(1.6)	—
	<b>6.3</b>	<b>(6.3)</b>	<b>—</b>
<b>Operating Expenses</b>			
Selling and marketing expenses	57.4	(57.4)	—
General and administrative expenses	42.7	(42.7)	—
	<b>100.1</b>	<b>(100.1)</b>	<b>—</b>
Compensation and benefits	—	49.7	49.7
Technology	—	32.5	32.5
Professional, advisory and service fees	—	10.1	10.1
Rent and office costs	—	3.5	3.5
Travel and employee expenses	—	3.1	3.1
Depreciation and amortization	—	2.1	2.1
Other	—	5.4	5.4
	<b>—</b>	<b>106.4</b>	<b>106.4</b>
<b>Operating loss</b>	<b>(40.7)</b>	<b>—</b>	<b>(40.7)</b>

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# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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## CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with the International Financial Reporting Standards (“IFRS”) requires management to make estimates, judgments and assumptions that management believes are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from those estimates (refer to *Caution regarding forward-looking information*). Significant estimates made in the preparation of the consolidated financial statements include those used in accounting for breakage, income taxes, the determination of amortization period for long-lived assets, the impairment considerations on long-lived assets, particularly future cash flows and cost of capital as well as provisions and contingencies. For the three and six months ended June 30, 2020, significant estimates made in preparation of the consolidated financial statements also include:

- Measurement of the fair value of the investment in Kognitiv;
- Contingent consideration and deferred compensation associated with the purchase of Mittleman Brothers;
- Impact of COVID-19 on the value of Aimia's investments.

Additional details about these estimates can be found in the condensed interim consolidated financial statements of Aimia for the three and six months ended June 30, 2020 and the notes thereto.

## CONTROLS AND PROCEDURES

### **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The Corporation has adopted disclosure controls and procedures, with management's assistance, that are under the responsibility of the Chief Executive Officer and Chief Financial Officer, in order to provide reasonable assurance that they are made aware of material information. The Corporation has also adopted internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

Because of inherent limitations, internal controls over financial reporting and disclosure controls can provide only reasonable assurances and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Audit, Finance and Risk Committee reviewed this MD&A, and the condensed interim consolidated financial statements, and the Board of Directors of Aimia approved these documents prior to their release.

#### ***Material Change***

A material change in internal control over financial reporting (ICFR) is a change that has, or is reasonably likely to materially affect, the issuer's ICFR. During the six months period ended on June 30, 2020, the Corporation has implemented the Workday financial system for its financial operations. The Workday solution enhanced and streamlined the Corporation's financial operations by placing Aimia and all of its former Loyalty Solutions subsidiaries

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

on the same transactional platform. The Corporation lost control over its Loyalty Solutions subsidiaries with the Kognitiv transaction (refer to the *Discontinued Operations and Disposal of Businesses and Other Assets* section for more details).

Given the material nature of the transactions that are now processed through this new system, management considers this implementation to be a material change in ICFR. Accordingly, management has evaluated this change, and determined that ICFR under the Workday system has been appropriately designed.

### Scope limitation

The Corporation Chief Executive Officer and the Chief Financial Officer have limited the scope of design of internal controls over financial reporting for Kognitiv and MB. This scope limitation is in accordance with National Instrument 52-109 section 3.3 (1) (a) & (b), which allows for an issuer to limit scope for equity-accounted investments and businesses it acquired not more than 365 days prior to the end of the fiscal period.

The financial information related to Kognitiv presented in Aimia's condensed interim consolidated financial statements and MD&A for the three and six months ended June 30, 2020 is as follows:

<i>(in millions of Canadian dollars)</i>	June 30, 2020
Aimia's share of net earnings (loss) of Kognitiv	(0.1)

The summarized financial information (including the purchase price allocation temporarily assigned to goodwill) related to MB consolidated in the interim consolidated financial statements of Aimia as at June 30, 2020 is as follows:

<i>(in millions of Canadian dollars)</i>	June 30, 2020
Total assets	14.8
Total liabilities	0.4
Revenue	0.1
Net earnings (loss)	—

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# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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## RISKS AND UNCERTAINTIES AFFECTING THE BUSINESS

The results of operations and financial condition of Aimia are subject to a number of risks and uncertainties and are affected by a number of factors outside of the control of Management.

For more information, and for a complete description of the risk factors that could materially affect the business, please refer to the corresponding section in the MD&A of the Corporation for the financial years ended December 31, 2019 and 2018 filed on SEDAR on February 24, 2020, as amended and supplemented in the MD&A of the Corporation for the period ended March 31, 2020, which is further amended and supplemented by the addition of the following risk factors.

The risks described therein and in the MD&A of the Corporation for the financial years ended December 31, 2019 and 2018 may not be the only risks faced by Aimia. Other risks which currently do not exist or which are deemed immaterial may surface and have a material adverse impact on Aimia's results of operations and financial condition.

### *Chapter 11 Filing by Grupo Aeromexico*

In June 2020, Grupo Aeroméxico S.A.B. de C.V. ("Aeromexico") and certain of its affiliates commenced proceedings under Chapter 11 of the United States Bankruptcy Code ("Chapter 11"). Aeromexico owns a 51.1% equity stake in PLM Premier, S.A.P.I. de C.V. ("PLM"), owner and operator of Club Premier, the leading coalition program in Mexico. Aimia owns the remaining 48.9% equity interest in PLM and shares joint control of PLM with Aeromexico. Flight redemptions are Club Premier's most popular redemption, with members able to access Aeromexico, Aeromexico Connect and other SkyTeam member airlines or code-share airlines flights and promotions. Prior to Aeromexico's Chapter 11 filing, PLM had made a US\$50.0 million loan to Aeromexico under an intercompany loan facility and an additional US\$50.0 million advance to Aeromexico through pre-purchases of award tickets. This financial support totals US\$100.0 million and is secured by Aeromexico's stake in PLM.

There are a number of risks and uncertainties to Aimia's investment in PLM arising from Aeromexico's Chapter 11 proceedings, including whether Aeromexico will successfully assume its commercial, loan and financing agreements with PLM and Aimia under the Chapter 11 proceedings, whether Aeromexico will emerge from Chapter 11 proceedings and continue to operate its airline business in Mexico and internationally, the treatment of PLM's financial support to Aeromexico in the Chapter 11 proceedings, the length of time Aeromexico will operate under Chapter 11 proceedings and the potential adverse effects of the Chapter 11 proceedings on Aeromexico's liquidity and operations. Any further disruptions to Aeromexico's business could have an adverse impact on PLM and Aimia's investment therein. In particular, an inability to fulfill Club Premier members' flight redemption requests or to provide sufficient accumulation opportunities would adversely affect Aimia's financial results as a result of lower returns on our investment in PLM. A reduction in member use of the Club Premier loyalty program could impact its ability to retain other current commercial partners and members and to attract new commercial partners and members and adversely affect returns on investment. Aimia is actively monitoring Aeromexico's Chapter 11 proceedings.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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### *Business and Industry Disruptions Related to Global Health Crises, Natural Disasters and Security Issues*

The following paragraph provide an update and supersede the risk factor entitled "*Business and Industry Disruptions Related to Global Health Crises, Natural Disasters and Security Issues*" included in our MD&A for the three months ended March 31, 2020.

Strong demand for air travel in the loyalty programs operated by Aimia's investee companies creates a significant dependency on the airline industry in general. Any disruptions or other material adverse changes in the airline industry, whether domestic or international, affecting any airline related to any of the loyalty programs which Aimia invests in could have a material adverse impact on its business. This could manifest itself in an inability to fulfill member's flight redemption requests or to provide sufficient accumulation opportunities, and would adversely affect Aimia's financial results as a result of lower returns on investment, particularly our investments in PLM as operator of the Club Premier business and in BIGLIFE as the operator of BIG Loyalty given those investments' exposure to the airline and travel sectors. A reduction in member use of these loyalty programs could impact their ability to retain their current commercial partners and members and to attract new commercial partners and members and adversely affect returns on investments. Such disruptions or changes may result from global health crises, war, terrorist attacks and security measures, casualty losses, extreme weather events, global and changes in domestic and foreign regulation. The global airline and travel industry is facing a severe and abrupt drop in traffic as a result of the coronavirus ("COVID-19") pandemic and the travel restrictions imposed in many countries around the world. The system-wide impact of the COVID-19 pandemic began to be felt in traffic and sales figures commencing in early March 2020. In June 2020, Aeroméxico commenced proceedings under Chapter 11 of the United States Bankruptcy Code. Aeromexico owns a 51.1% equity stake in PLM, owner and operator of Club Premier, the leading coalition program in Mexico. Aimia owns the remaining 48.9% equity interest in PLM and shares joint control of PLM with Aeromexico. There is very limited visibility on travel demand given government restrictions in place and concerns about travel due to the COVID-19 virus and passenger expectations about the need for certain precautions such as physical distancing. We cannot predict the full impact or the timing for when conditions improve. Aimia is actively monitoring the situation and will respond as the impact of the COVID-19 pandemic evolves, which will depend on a number of factors including the course of the pandemic, government actions, and traveler reaction, none of which can be predicted with any degree of certainty.

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# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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## NON-GAAP FINANCIAL MEASURES FOR INVESTMENTS

### PLM PREMIER, S.A.P.I. DE C.V.

#### *PLM Adjusted EBITDA*

Adjusted EBITDA for PLM ("PLM Adjusted EBITDA") is earnings before net financial income (expense) and net income tax expense adjusted to exclude depreciation, amortization and impairment charges related to non-financial assets, as well as adjusted for certain factors particular to PLM, such as changes in deferred revenue and Future Redemption Costs.

Change in deferred revenue is calculated as the difference between Gross Billings and revenue recognized, including recognition of Breakage.

Future Redemption Costs represent management's estimated future cost of rewards in respect of Loyalty Units sold which remain outstanding and unbroken at the end of any given period. Future Redemption Costs are revalued at the end of any given period by taking into account the most recently determined average unit cost per Loyalty Unit redeemed for that period (cost of rewards / Loyalty Units redeemed) and applying it to the total Unbroken Loyalty Units outstanding at the end of that period. As a result, Future Redemption Costs and the change in Future Redemption Costs must be calculated at the end of any given period and for that period. The simple addition of sequential inter-period changes to arrive at a cumulative change for a particular period may result in inaccurate results depending on the fluctuation in the Average Cost of Rewards per Loyalty Unit redeemed for the period in question.

PLM Adjusted EBITDA is not a measurement based on GAAP, is not considered an alternative to net earnings in measuring profitability, and is not comparable to similar measures used by other issuers. Aimia and PLM's management do not believe that PLM Adjusted EBITDA has an appropriate directly comparable GAAP measure. However, a reconciliation to earnings before net financial income (expense) and net income tax expense is provided below.

PLM Adjusted EBITDA is used by Aimia and PLM's management to evaluate performance. Aimia and PLM's management believe PLM Adjusted EBITDA assists investors in comparing PLM's performance on a consistent basis without regard to depreciation and amortization and impairment charges related to non-financial assets, which are non-cash in nature and can vary significantly depending on accounting methods, and non-operating factors such as historical cost.



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

<i>(in millions of Canadian dollars)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Earnings (loss) before net financial income (expense) and net income tax expense</b>	<b>(3.9)</b>	23.1	<b>17.7</b>	44.4
Depreciation and amortization	0.9	1.0	1.3	1.6
<b>Adjustments:</b>				
Change in deferred revenue				
Gross Billings	27.8	91.9	114.0	173.8
Revenue	(32.5)	(80.4)	(106.0)	(157.5)
Change in Future Redemption Costs <sup>(b)</sup>	3.0	(7.1)	(1.5)	(6.8)
Subtotal of adjustments	<b>(1.7)</b>	4.4	<b>6.5</b>	9.5
<b>PLM Adjusted EBITDA <sup>(a)</sup></b>	<b>(4.7)</b>	28.5	<b>25.5</b>	55.5

(a) A non-GAAP measurement.

(b) Represents the change in the estimated Future Redemption Cost liability for any quarter (for interim periods) or fiscal year (for annual reporting purposes). For the purposes of this calculation, the opening balance of the Future Redemption Cost liability is revalued by retroactively applying to all prior periods the latest available Average Cost of Rewards per Loyalty Unit. It is calculated by multiplying the change in estimated Unbroken Loyalty Units outstanding between periods by the Average Cost of Rewards per Loyalty Unit for the period.

### Free Cash Flow

Free Cash Flow is a non-GAAP measure, does not have a standardized meaning and is not comparable to similar measures used by other issuers. It is used in order to provide a consistent and comparable measurement of cash generated from operations and used as indicators of financial strength and performance.

Free Cash Flow is defined as cash flows from operating activities as reported in accordance with GAAP, less capital expenditures as reported in accordance with GAAP.

A reconciliation of Free Cash Flow to cash flows from operating activities (GAAP) is presented below.

<i>(in millions of Canadian dollars)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Cash flows from (used in) operating activities</b>	<b>(53.1)</b>	53.5	<b>(75.5)</b>	81.5
Capital expenditures	(1.1)	(1.2)	(0.3)	0.1
<b>Free Cash Flow <sup>(a)</sup></b>	<b>(54.2)</b>	52.3	<b>(75.8)</b>	81.6

(a) A non-GAAP measurement.

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# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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## BIGLIFE

### *BIGLIFE Adjusted EBITDA*

Adjusted EBITDA for BIGLIFE ("BIGLIFE Adjusted EBITDA") is earnings before depreciation, amortization and impairment charges related to non-financial assets and net income tax expense adjusted for certain factors particular to BIGLIFE, such as changes in deferred revenue and Future Redemption Costs.

Change in deferred revenue is calculated as the difference between Gross Billings and revenue recognized, including recognition of Breakage.

Future Redemption Costs represent management's estimated future cost of rewards in respect of Loyalty Units sold which remain outstanding and unbroken at the end of any given period. Future Redemption Costs are revalued at the end of any given period by taking into account the most recently determined average unit cost per Loyalty Unit redeemed for that period (cost of rewards / Loyalty Units redeemed) and applying it to the total Unbroken Loyalty Units outstanding at the end of that period. As a result, Future Redemption Costs and the change in Future Redemption Costs must be calculated at the end of any given period and for that period. The simple addition of sequential inter-period changes to arrive at a cumulative change for a particular period may result in inaccurate results depending on the fluctuation in the Average Cost of Rewards per Loyalty Unit redeemed for the period in question.

BIGLIFE Adjusted EBITDA is not a measurement based on GAAP, is not considered an alternative to net earnings in measuring profitability, and is not comparable to similar measures used by other issuers. Aimia and BIGLIFE's management do not believe that BIGLIFE Adjusted EBITDA has an appropriate directly comparable GAAP measure. However, a reconciliation to earnings before depreciation and amortization and net income tax expense is provided below.

BIGLIFE Adjusted EBITDA is used by Aimia and BIGLIFE's management to evaluate performance. Aimia and BIGLIFE's management believe BIGLIFE Adjusted EBITDA assists investors in comparing BIGLIFE's performance on a consistent basis without regard to depreciation and amortization and impairment charges related to non-financial assets, which are non-cash in nature and can vary significantly depending on accounting methods, and non-operating factors such as historical cost.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

<i>(in millions of Canadian dollars)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Earnings (loss) before depreciation and amortization and net income tax expense</b>	<b>24.6</b>	(0.9)	<b>23.5</b>	(2.6)
<b>Adjustments:</b>				
Change in deferred revenue				
Gross Billings	3.0	10.8	12.4	22.9
Revenue	(27.4)	(13.7)	(33.8)	(25.1)
Change in Future Redemption Costs <sup>(b)</sup>	(1.0)	0.4	(2.3)	0.3
Subtotal of adjustments	<b>(25.4)</b>	(2.5)	<b>(23.7)</b>	(1.9)
<b>BIGLIFE Adjusted EBITDA <sup>(a)</sup></b>	<b>(0.8)</b>	(3.4)	<b>(0.2)</b>	(4.5)

(a) A non-GAAP measurement.

(b) Represents the change in the estimated Future Redemption Cost liability for any quarter (for interim periods) or fiscal year (for annual reporting purposes). For the purposes of this calculation, the opening balance of the Future Redemption Cost liability is revalued by retroactively applying to all prior periods the latest available Average Cost of Rewards per Loyalty Unit. It is calculated by multiplying the change in estimated Unbroken Loyalty Units outstanding between periods by the Average Cost of Rewards per Loyalty Unit for the period.

### Free Cash Flow

Free Cash Flow is a non-GAAP measure, does not have a standardized meaning and is not comparable to similar measures used by other issuers. It is used in order to provide a consistent and comparable measurement of cash generated from operations and used as indicators of financial strength and performance.

Free Cash Flow is defined as cash flows from operating activities, as reported in accordance with GAAP, less capital expenditures as reported in accordance with GAAP.

A reconciliation of Free Cash Flow to cash flows from operating activities (GAAP) is presented below.

<i>(in millions of Canadian dollars)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Cash flows from (used in) operating activities</b>	<b>1.1</b>	(3.2)	<b>(0.6)</b>	(0.5)
Capital expenditures	(0.1)	(1.0)	(0.1)	(1.7)
<b>Free Cash Flow <sup>(a)</sup></b>	<b>1.0</b>	(4.2)	<b>(0.7)</b>	(2.2)

(a) A non-GAAP measurement.

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# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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## GLOSSARY

**"Accumulation Partners"** - means Commercial Partners that purchase coalition loyalty services, including Loyalty Units;

**"Aeroplan"** - means Aeroplan Inc. (formerly Aimia Canada Inc.);

**"Aeroplan Program"** - means the coalition loyalty program owned and operated by Aeroplan, which was sold on January 10, 2019;

**"Aimia" or the "Corporation"** - means Aimia Inc., and where the context requires, includes its subsidiaries and affiliates;

**"Aeromexico"** - means Aerovias de Mexico, S.A de C.V.;

**"Aimia Middle East"** - means Aimia Middle East Free Zone LLC, the company that owns and operates the Air Miles Middle East program;

**"Average Cost of Rewards per Loyalty Unit"** - means for any reporting period, the cost of rewards for such period divided by the number of Loyalty Units redeemed for rewards during the period;

**"BIGLIFE"** - means BIGLIFE Sdn Bhd (formerly Think Big Digital Sdn Bhd), the owner and operator of BIG Loyalty, a loyalty and lifestyle program;

**"Breakage"** - means the estimated Loyalty Units sold which are not expected to be redeemed. By its nature, Breakage is subject to estimates and judgment. The breakage estimate of the Air Miles Middle East program at June 30, 2020 is 30% (June 30, 2019: 30%);

**"Broken Loyalty Units"** - means Loyalty Units issued, but not expired and not expected to be redeemed;

**"Cardlytics"** - means Cardlytics, Inc., a publicly traded US-based company;

**"Commercial Partners"** - means Accumulation Partners and Redemption Partners;

**"CPSA"** - means the Amended and Restated Commercial Participation and Services Agreement, dated June 29, 2020, between Aeromexico and PLM;

**"CRA"** - means the Canada Revenue Agency;

**"Future Redemption Costs"** - means the total estimated liability of the future costs of rewards for Loyalty Units which have been sold and remain outstanding, net of Breakage and valued at the Average Cost of Rewards per Loyalty Unit, experienced during the most recent rolling twelve-month period;

**"GAAP"** - means generally accepted accounting principles in Canada which are in accordance with IFRS;

**"Gross Billings"** - means gross proceeds from the sale of loyalty services rendered or to be rendered and Loyalty Units;

**"IFRS"** - means International Financial Reporting Standards;

**"Kognitiv"** - means Kognitiv Corporation, a Canadian B2B technology platform and services company;

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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**"Loyalty Units"** - means the miles, points or other loyalty program units issued by Aimia's equity-accounted investments under the respective programs owned and operated by each of the entities;

**"Nectar Program"** - means the coalition loyalty program in the United Kingdom, which was sold on January 31, 2018;

**"PLM"** - means PLM Premier, S.A.P.I. de C.V., together with its predecessor Premier Loyalty & Marketing, S.A.P.I. de C.V., owner and operator of Club Premier, a Mexican coalition loyalty program;

**"Redemption Partners"** - means Commercial Partners that offer air travel, shopping discounts or other rewards to members upon redemption of Loyalty Units;

**"Unbroken Loyalty Units"** - means Loyalty Units issued, not expired and expected to be redeemed;

### ADDITIONAL INFORMATION

Additional information relating to Aimia and its operating businesses, including Aimia's Annual Information Form dated February 24, 2020, is available on SEDAR at [www.sedar.com](http://www.sedar.com) or on Aimia's website at [corp.aimia.com](http://corp.aimia.com) under "Investors".