AIMIA

AIMIA INC.

SECOND QUARTER 2020

RESULTS CONFERENCE CALL

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Aimia Inc.

Second Quarter 2020 Results Conference Call

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Length: 43 minutes

CORPORATE PARTICIPANTS

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Phil Mittleman
Aimia Inc. — Chief Executive Officer

Michael Lehmann
Aimia Inc. — President

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Brian Morrison
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PRESENTATION

Operator

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

After the speakers' presentation, there'll be a question-and-answer session. To ask a question during the session, you'll need to press *, 1 on your telephone. If you require any further assistance, please press *, 0.

I would now like to turn the call over to your moderator today, Tom Tran, Head of Investor Relations. Please go ahead.

Tom Tran — Director, Investor Relations, Aimia Inc.

Thank you, Marcella, and welcome, everyone, to this morning's call. Today's presentation is available on SEDAR and will be available on our website.

Before we get underway, I would like to remind everyone to review our forward-looking statements and the cautions and risk factors pertaining to the statements.

With me on the call today are speakers Phil Mittleman, Aimia's CEO; Michael Lehmann, our newly appointed president; and Steve Leonard, CFO.

Phil will begin with our strategic highlights, followed by Michael, who will cover the performance of our investments, before handing the call over to Steve to take you through the results of the quarter. We will have time for your questions at the end. And with that, let me hand it over to Phil.

Phil Mittleman — Chief Executive Officer, Aimia Inc.

Thanks, Tom, and good morning to everyone on the phone and webcast today. I'm excited to share the significant progress that we've made at the company, and I'm delighted to have Michael Lehmann, Aimia's new president, joining us for his first call. We are lucky and proud to have Mike join us at this critical stage in our company's transformation.

So let me begin by covering our strategic highlights. Our second quarter results reflect an important period for Aimia, marking the continuation of significant changes in our business and strategy. In a very short period, we have rapidly transformed the business to become an investment holding company with a lean cost structure comprised of five core holdings, no debt, $191 million in cash, and approximately $700 million in tax losses.

Year to date, we've bought back 3 million shares under the company's latest NCIB established in June, and management and directors personally have bought more than 1 million shares in the open market during this tumultuous year, showing our unwavering confidence in Aimia's current value and future prospects.

Aimia has rapidly cut costs and rightsized the corporate expenses with a leaner team and simplified structure, and is on track to achieving an annualized operating expense run rate of $15 million or an annualized cash run rate of $12 million, excluding stock-based compensation, as compared to $27 million in 2019, with further savings being evaluated.

Our new strategy provides a broader and more balanced mandate, enabling greater flexibility for the company to capitalize on the best possible investment opportunities globally. This strategic pivot is highlighted by our $76 million investment in Clear Media, one of the largest outdoor advertising firms in China, which was acquired at a very attractive multiple of five times EBITDA at an opportunistic time, participating alongside a blue chip consortium of growth-oriented investors. Mike will elaborate further on this exciting new investment later in his remarks.

We closed the Kognitiv transaction, combining Aimia Loyalty solutions with Kognitiv, concurrent with an investment by Aimia of $20.4 million in Kognitiv's convertible 12 percent preferred equity. Aimia now retains a significant stake in an exciting technology company with substantial potential upside while, at the same, limiting future risks to the holdco.

Additionally, we acquired Mittleman Investment Management, which will help us execute our new corporate strategy, providing a platform to potentially acquire other managers while providing Aimia with key management roles at CEO and CIO. This acquisition has already proven its synergistic benefits by providing the investment opportunity in Clear Media.

We also enhanced the executive team this quarter with the addition of Michael Lehmann, who was appointed president of the company, and Chris Mittleman, joining as chief investment officer and a newly appointed member of our Board of Directors. Mike brings an established investment management pedigree, most recently as a top executive and partner at one of Wall Street's most successful value investing firms, Third Avenue Management.

We enhanced and extended our PLM relationship with Aeroméxico this quarter with the signing of an enhanced shareholder agreement and CPSA between Aeroméxico and PLM, which incorporated numerous modifications that strengthen the loyalty program. We took advantage of the severe market decline caused by COVID, buying a high-quality portfolio of equities, which we sold when valuations quickly normalized, for a tax-sheltered gain of $7 million, which was deployed toward repurchases of the company's common shares through our NCIB, under which we have bought back 3 million shares year to date.

Last and by no means least, in July we received $67 million previously held in a restricted cash account established at the time of the Aeroplan sale. This was in addition to $2 million that was held in escrow related to the transaction, and we are in the process to recover a $33 million deposit related to a tax assessment when we held the Aeroplan business, which we are attempting to recover through a Notice of Objection.

Our strategic vision is to continue to build a diversified portfolio of investments that can deliver sustainable value for stakeholders, uniquely accessible to investors through Aimia's common stock. As a permanent capital vehicle that can invest in both public and private investments for an indefinite period, Aimia has the unique ability to hold investments for long durations of time, ensuring investment decisions are made with a long-term view, allowing for maximum value to be realized with maximum tax efficiency.

Within our current portfolio, we are focused on the ongoing enhancement of our existing investments. When possible, we employ an active owner's mentality to growing our investments by adding strategic partners to complement our holdings' existing management teams to drive opportunities for additional value creation. At the same time, we are also continually evaluating and aggressively pursuing new investments to deploy capital to build this portfolio further with a focus on assets that can generate additional cash flow and distributions that can be upstreamed to the holding company.

At the end of June, in addition to our investments, we held $191 million in cash, approximately $700 million in valuable tax losses, with no debt, and preferred shares that provide an attractive source of long-term financing. We view this as an optimal holding company structure.

The company's capital allocation priorities are to deploy its cash towards investments that we expect will earn an IRR greater than 15 percent on a CAGR basis by seeking long-term investments in public and private companies on a global basis through controlling and minority stakes. We will target companies that exhibit durable, economic advantages, evidenced by a well-established track record of substantial free cash flow generation over complete business cycles, guided by strong, experienced management teams.

Ideally, these investments will utilize the company's operating and capital tax losses to further enhance stakeholder value. Any potential investment will be structured as a ring-fenced, stand-alone entity that is not financially entangled with Aimia, and will not expose the parent company to any risk other than its initial investment. If we deem it necessary to use leverage for potential investment, it will only be incurred at the subsidiary level.

In addition to pursuing acquisitions of controlling stakes, we will consider participating as minority investors in significantly larger transactions and/or co-investing in outstanding opportunities alongside like-minded investors. We will remain patient and disciplined, waiting for, identifying, and capitalizing on the best investment opportunities we can find and will continue to buy back our common stock opportunistically. We believe Aimia's stock is significantly undervalued and provides a significant return to shareholders through opportunistic buybacks, underscored by the company having repurchased 40 percent of its outstanding shares over the past 18 months alone.

Finally, let me spend a moment to provide you an update on our progress with Aeroméxico and PLM. We are encouraged to see Aeroméxico take the necessary steps to address the significant impacts of COVID-19 on its business. Aeroméxico has commenced proceedings under Chapter 11 to implement the restructuring that is expected to provide the airline with additional liquidity and the ability to cut costs during this unprecedented reduction in airline travel. We believe Aeroméxico will emerge from this process as a much stronger airline and thus, further strengthen the loyalty program. We expect our definitive agreement with Aeroméxico will remain intact, including the recently signed 20-year CPSA extension between PLM and Aeroméxico as well as the option to acquire Aimia's stake in PLM at US$400 million, or 7.5 times EBITDA, whichever is higher, and adjusted for net cash on the balance sheet.

The CPSA, as recently amended, is being honoured during the bankruptcy process, and we expect it to be formally assumed by Aeroméxico during the Chapter 11 process. We will pursue a leverage recap of PLM's balance sheet when the right conditions are in place, and we expect a healthier Aeroméxico will be in a stronger position to acquire our stake in the future.

In the meantime, we expect dividends from PLM to return as the business returns to normalcy. We have seen encouraging recent improvements in worldwide air travel with Labour Day weekend volume exceeding 1 million worldwide travellers for the first time since March.

Despite the COVID-induced crisis impacting our airline-based loyalty businesses, PLM and BIGLIFE generated positive operating cash flow in the quarter, a testament to the resilience of the coalition business model in the face of the worst downturn the airline industry has ever experienced.

It is refreshing to see the markets begin to appreciate and understand the durability and value of these programs. We believe loyalty programs are the most valuable part of an airline's ecosystem and can serve an instrumental role in creating value and liquidity for the carrier during distressed times. As 49 percent owners of PLM, we recognize the substantial value inherent in the PLM business, and we are working tirelessly to ensure that we are maximizing the value of PLM. And we are considering all options that we believe will benefit Aimia's stakeholders.

We look forward to sharing more of our progress with you as soon as we can.

And with that, let me turn the floor over to Mike to provide you some further updates on our investment portfolio. Mike?

Michael Lehmann — President, Aimia Inc.

Thanks, Phil, and good morning to everyone. I’m excited to be speaking to you all for the first time as president of the company.

During my career, I’ve been involved in numerous holding companies, and Aimia is amongst the most exciting assembly of assets and the strongest capital structure that I’ve seen.

With the change in strategic direction to an investment holding company, we recognize the importance of providing more information about the business and operating performance of each investment. Starting this quarter we’ve added enhanced disclosure on our investments in PLM and BIGLIFE and with more to come on Kognitiv to provide investors with more transparency on the underlying performance of each investment.

So let’s kick off our discussion with PLM. PLM has been highly successful in growing its loyalty program and has an established track record of profitability and cash generation that has supported steady and growing distributions to its shareholders, Aimia and Aeroméxico. In the second quarter, PLM’s member base was up 5 percent over last year to 6.8 million enrolled members. And PLM’s distributions paid to Aimia increased 52 percent to C$8.8 million.

I’ll be speaking to the operating performance in USD, which is PLM’s functional currency.

PLM’s financial results reflected the tough operating environment. Gross billings were down 71 percent over last year to $20 million in the second quarter as accumulation volumes declined. Airline partners were impacted severely by travel restrictions and border closures, and banking partners were affected by reduced activity from lower card acquisitions and member spend.

PLM has been successful in diversifying its sources of accumulation over time with around half of its gross billings generated by banking partners followed by its anchor airline partner Aeroméxico.

Partner diversification has contributed to a more resilient business model, which has proven successful as members continue to spend on their credit cards and earn loyalty points during the pandemic.

Revenues were down 61 percent, compared to last year, to $23 million as redemption volumes fell significantly due to the dramatic reduction in airline capacity. Consequently, we saw a strong shift towards non-air redemptions, which had a favourable impact on unit costs during the quarter. Adjusted EBITDA was a loss of $3 million, mainly to lower gross billings and one-time $9 million provision on unsecured receivables with the airline.

It’s important to note that absent the one-time provision, adjusted EBITDA would have been a positive $6 million in the quarter as the benefit of lower unit costs and operating expense savings offset the reductions of the top line.

Free cash flow was a negative $39 million, which included the $50 million pre-purchased ticket award provided with the execution of the CPSA amendment. Excluding this prepayment, free cash flow performance in the second quarter would have been a positive $11 million.

Cash at the end of the quarter was $35 million, which was lower than normal as a result of the extraordinary financial support provided to Aeroméxico in the form of $50 million intercompany loan and the $50 million pre-purchased ticket award, both of which are secured by Aeroméxico’s stake in PLM.

As previously announced, the company expects PLM to continue to be negatively impacted by COVID-19 resulting in materially lower gross billings, adjusted EBITDA, and cash flow for the remainder of 2020. Consequently, Aimia does not expect to receive further distributions from PLM in the second half of this year. We expect the impact of COVID to be transient and not a permanent impact to PLM’s business, as evidenced by positive operating cash flow during the quarter.

We continue to closely monitor the evolving Chapter 11 process and are working collaboratively with Aeroméxico, PLM, and our advisors on achieving the best outcome for Aimia. While the timing of a return to pre-COVID airline travel and PLM profitability levels remains uncertain, we have seen recent positive trends at PLM. We expect the PLM business to slowly ramp back up as more travel and leisure restrictions are lifted.

Like PLM, BIGLIFE financial results reflected a tough operating environment due to the COVID pandemic, which drove lower accumulation and redemption volumes in the second quarter.

Despite challenging operating conditions on both accumulation and redemption, BIGLIFE was able to generate positive operating cash flow during the second quarter, reflecting the durability of the coalition business model.

BIGLIFE is one of the largest loyalty programs across Asia and is the frequent flyer program of Air Asia, Asia's leading low-cost airline. The loyalty program has been growing quickly and has evolved its business model over time starting from an airline frequent flyer loyalty program to become a comprehensive lifestyle program with an expanded reward offering from over 300 partners across lifestyle, travel, and financial services categories.

We're excited about the tremendous opportunities to grow the business, currently with an active membership of 7.6 million and growing, and are continuing to explore opportunities to maximize the value of this unique investment.

Moving on to Kognitiv. After recently completing a successful turnaround in loyalty solutions following years of negative cash flow, Aimia's Loyalty Solutions business was combined with Kognitiv during the second quarter. Kognitiv is a developing technology venture that has evolved its business model through six strategic acquisitions made during the last decade. Having invested over $142 million in R&D, it has developed a peer-to-peer technology program called the Loyalty Capital Network.

The Loyalty Capital Network has a fast-growing user base supporting 3,000 hotel properties, more than 20 loyalty programs, and $1.3 billion in transactions last year on the platform. Combined with Aimia Loyalty Solutions' blue chip client roster to add to Kognitiv's network, we believe the opportunities here are immense.

Kognitiv is in the business of rewarding loyalty by providing a higher-value dividend to consumers than existing value propositions such as discounts or cash back. It does this via the Loyalty Capital Network by allowing subscribers to collaborate directly with zero-party data and create personalized enhanced rewards to target mutually desirable consumers identified through Kognitiv's AI and machine learning proprietary capabilities.

Consumer brands with large membership programs, like banks and retailers, seek to drive deeper engagement with their members and increase lifetime value. With Kognitiv, they run campaigns that incentivize their members through targeted offers to achieve their business objective.

The platform allows for the loyalty program to source their offers directly from businesses who own desirable assets, such as hotels and airlines, who are looking to optimize their use of their capacity and increase their yield. It also provides for enhanced value returns to each participant, the bank, the hotel, and the consumer; a win-win-win scenario. This approach is truly revolutionary, and has the potential to enhance and redefine the loyalty industry.

Kognitiv's recent merger with Aimia Loyalty Solutions provides great opportunities for accelerated revenue growth through access to some of the largest loyalty programs around the globe, margin expansion as well as cost synergies. While Kognitiv has yet to reach profitability, we anticipate, with the business combination, the revenue and the cost synergies underway, should support its goal of reaching EBITDA profitably and positive cash flow in 2021.

We see the Kognitiv trajectory as similar to our highly successful investment in Cardlytics where Aimia participated during its private-company phase and was subsequently brought public in an IPO and achieved great success. We believe our investment in Kognitiv has the same potential for a monetization event that would provide a similar positive outcome.

Moving on to talk about our new exciting investment in Clear Media. Aimia invested $76.2 million in Clear Media for a 10.85 percent stake in one of the largest operators of bus shelter advertising panels in China, with market shares of more than 70 percent in top tier cities like Beijing, Shanghai, and Guangzhou, and broad presence in the fast-growing cities across the country. This investment was made in anticipation of a pending change-in-control transaction leading to a privatization of the business by a consortium of buyers with shares in Clear Media having been suspended, as expected, from trading on the Hong Kong Stock Exchange, effective July 13.

Clear Media has a network covering 24 cities with over 58,000 display panels in China. We expect the new controlling shareholder group to execute on its growth-oriented plan to digitize those commercial panels with the goal of attracting new advertising revenue streams. Early signs of recovery in China are expected to drive a strong recovery in outdoor ad sales.

The acquisition price was approximately five times normalized EBITDA, representing outstanding value created for Aimia shareholders as major precedent transactions are greater than 10 times EBITDA.

Aimia now owns a large stake in the leader in the outdoor advertising market in China with a high growth, high ROI, and a scalable business that’s debt free with a proven track record of free cash flow generation backed by a blue chip consortium of investors and a highly skilled management team.

And finally, I'll wrap up with a few comments on our acquisition of Mittleman Investment Management. This acquisition added a solid investment manager and a platform that complements Aimia's core strategy. The acquisition was structured in a highly favourable way for Aimia.

This transaction's rationale was, in part, as an acquihire for Aimia to secure the management expertise and investment capabilities of Phil and Chris, which have benefitted the Company already, from improving our relationships with key partners to accessing innovative and value-enhancing ideas. While Chris will continue to manage the Mittleman investment portfolios independently, seeking investment opportunities in publicly listed companies for Mittleman client portfolios, he'll also play an integral role in finding investment targets for Aimia with the goal of enhancing stakeholder value.

And with that, let me turn it over to Steve to take you through the financial results. Steve?

Steve Leonard — Chief Financial Officer, Aimia Inc.

Thanks, Michael. First, some housekeeping. With the disposal of the Aimia Loyalty Solutions business, the format of our financial statements has changed to reflect our investment-holding strategy. The Loyalty Solutions business was contributed into the Kognitiv merger, and we have reported its financial results and the related $15 million gain within discontinued operations.

The results of operations from the acquisition of the Mittleman Investment Management have been consolidated within our financial statements from June 19th and are presented as a unique segment labelled Investment Management. Our other segment, Investment and Holdings, formerly known as Corporate and Other, is comprised of the holding company costs held alongside our equity-accounted investments in PLM, BIGLIFE, Kognitiv, and our investment in Clear Media.

In the second quarter, income was $9.2 million, driven mostly by a $4.6 million net value gain as a result of the $7 million gain on the sale of the diversified equity portfolio, offset by the foreign exchange movement on our investment in Clear Media. As well, a $4 million equity pickup from our shares in the net earnings of the equity accounting investments was recorded.

Reported expenses were $1.6 million, lower this quarter mainly due to several nonrecurring items impacting the Investment and Holding segment, which I will now cover.

Within Investment and Holdings, expenses were $1.5 million due to the reversal of share-based compensation expense, the phasing of technology spend, offset by expenses associated with the Mittleman Brothers and Clear Media transactions and severance. Excluding these nonrecurring items, expenses were $3.8 million, on track to achieving our expense run rate target. Results from investment management were not meaningful in the quarter, reflecting only 11 days of portfolio management activity post the transaction close.

Let me take a moment now, I'll walk you through the key drivers of cash flow from our new holding company structure. Our operating activities now consist of distributions received from the equity-accounted investments and interest income earned on our cash balance, which are reduced by operating expenses as well as income taxes paid. Corporate expenses are expected to be $15 million annually on a run-rate basis or $12 million annualized on a cash basis, excluding $3 million in share-based compensation. And we are looking to reduce this further as we decouple from the legacy business and structures such as technology and other third-party services.

Our preferred shares paid dividends of approximately $3 million in the quarter, and we have the Part VI tax at a rate of 40 percent on the preferred share dividends paid.

Given BIGLIFE and Kognitiv are in their development stage, we do not anticipate receiving distributions from these investments any time soon. Our expectation for these investments is for growth in the underlying business over the next few years, setting up potential monetization events.

While Clear Media has a strong track record of distributions paid to shareholders as a public company, we do not expect to receive distributions from this investment in the near term as we anticipate the new controlling group will be redeploying its capital back into the business to drive its digital transformation.

On the Investment Management segment, the revenue from investment management fees are not significant to drive meaningful cash in excess of operating costs, but this business has the potential to scale up with the growth in future assets under management. With $191 million in cash, interest income will also contribute to cash inflows.

Taken together, the way we think about the holding-company structure is that once PLM distributions return to pre-COVID levels, we expect this should cover our corporate cash costs, preferred dividend payments, and Part VI tax.

Moving on to cover the major cash movements for the quarter. We ended the second quarter with a total cash balance of $191 million, which included $67 million previously held in restricted cash that was released to the company post the end of the second quarter, as well as $2 million released from a general escrow account related to the Aeroplan transaction.

The key cash movements in the quarter compared to last quarter were: the investment in Clear Media for $76 million; cash outflows of $34 million related to the Kognitiv transaction, which included $20 million in funding the A2 preferred equities, convertible preferred equity; $11 million of cash applied to the Aimia Loyalty Solutions business that went over with the transaction; and $3 million of transaction costs that were paid in the quarter with another $1 million to follow after the second quarter.

We expect approximately $5 million will return to Aimia based on the closing working capital position. Separately, we also have noted on the slide that there's $22 million in restricted cash associated with the Loyalty Solutions business that went over with the transaction. It's important to note that this cash was purely tied to the customer deposits and was not cash consideration. Six million was paid with the initial consideration to acquire Mittleman Investment Management, and, as mentioned earlier, we received $9 million in distributions from PLM and earned $7 million from the sale of the equity portfolio.

Finally, we paid $3 million in preferred dividends and repurchased 1.6 million shares for $4.5 million under the NCIB during the quarter. After the end of the quarter, we repurchased another 1.4 million shares for $4.5 million of cash proceeds, with approximately 4 million shares available to repurchase under the program.

And finally, I'll wrap up with a few comments on our tax position and various ways we are able to leverage available tax loss carry-forwards to enhance our after-tax profits. The company has approximately $700 million in operating and capital loss carryforwards at the end of the second quarter, consisting of $400 million in capital losses in Canada and around $300 million in operating losses, of which two-thirds are in the US and approximately one-third in Canada. To utilize the operating tax losses, we would need to acquire an operating business that generates taxable income, either in the US or Canada. Our tax losses provide the company with a competitive advantage and higher economic return on potential investments.

And with that, let me turn it over to Phil to wrap up with a few concluding remarks. Phil.

Phil Mittleman

Thanks, Steve. We are entering an exciting new phase in the company's history, and 2020 is shaping up to be very promising with several strategic initiatives already completed and others underway.

As you've seen, Aimia is making significant progress with its existing holdings and continues to evaluate opportunistic investments. In a very short period of time, you've seen our extension with PLM, the Kognitiv transaction, the Clear Media investment, The Mittleman Investment Management acquisition, our opportunistic gains from our equity portfolio during the COVID crash, the holding company cost reductions, significant insider buying and company share buybacks overseen by a strong new management team and an outstanding Board of Directors.

I would expect to see more of the same going forward as we remain committed to creating stakeholder value as quickly and as efficiently as we can, and we'll continue actively pursuing various transactions that will deliver lasting stakeholder value.

So with that, we'll turn it over to your questions. Operator?

Q&A

Operator

At this time, I'd like to remind everyone, in order to ask a question, please press *, and the number 1 on your telephone keypad.

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

Brian Morrison — TD Securities

Thank you. Good morning, guys. Maybe first question for Michael, and it's on Clear Media. With it being delisted now, can you maybe just provide an update to the degree possible on the operations? If you're seeing any post-pandemic demand improvement? And more so, I'm interested if the digital investments that you talk about to drive growth, whether they'll be in place for the 2022 Beijing Games.

Michael Lehmann

Terrific. Yeah, thank you for the question. So Clear Media did just halt trading in July, as expected. Moving forward, the economic recovery within China does appear to be underway. The typical patterns are once corporations are confident consumers are back and spending, they come back and engage on the marketing and advertising front, and we're starting to recognize that now.

For the first time since COVID began, China reported higher year-over-year retail sales for August. So that's certainly an indicator. So we think plans for the digitization of the panels are underway. The timing of that is not public yet, but we do think between—there are 500 days between now and when the Winter 2022 Olympics happen. So the expectation is they're going to start implementing the plan, and it'll continue for the next several years, typically spending cash flow to both grow the number of panels as well to digitize them. So Beijing and Yanqing, that's where the Beijing Winter Olympics are being held. Yanqing is about 20 kilometres outside of Beijing. So the likelihood of them focusing on the fastest-growing cities that see the most eyes is the most likely. So yeah. We expect that it's going to start but certainly not be finished by the winter of 2022.

Brian Morrison

Okay. Thank you. And I apologize because I did get dropped from the call, but Phil or Steve, Phil, you did mention a potential tax recovery, I think you said, of $33 million. Can you just elaborate on that? And is that just incremental to your current balance if you were to receive it? Any timing potential would be appreciated as well.

Phil Mittleman

Yeah. So we, with the Aeroplan transaction, you'll recall we set aside $100 million in restricted cash relative to a potential audit, which we were assessed subsequent to the transaction. And we paid the tax on that assessment of $33 million. We have filed a Notice of Objection on that payment. So you'll see on our balance sheet in long-term assets, we have the $33 million in the notes to the long-term assets on the balance sheet. In terms of timing, with COVID and things that are going on, that's why we have it long term. We're unsure of when we'll finally get the Notice of Objection resolved, but we're confident enough to record it as an asset on our balance sheet that we'll prevail.

Brian Morrison

Okay. Thank you. And then last question for me in terms of the additional disclosure on the frequent flyer programs, that is appreciated. Wondering if you might be able to go one step further and provide us with the burn/earn ratio at PLM in the quarter.

Phil Mittleman

Yeah. Michael, you want to take it? Or you want me to do it?

Michael Lehmann

I don't have the exact burn/earn ratio for the (phon) quarter. It did start improving down into the 90s after the quarter, so we're seeing an improvement there.

Brian Morrison

Thanks.

Phil Mittleman

Yeah. I would just add that you can't look at a quarter, especially during COVID, as unique for the long-term burn/earn ratio of the program because what's happened is you have, on the accumulation side, we mentioned it's gone down quite a bit. And members are still able to redeem. The good thing about the program is they're getting value. They're redeeming in the non-air rewards. And if anything, that's a benefit for the program because it's going out at a lower unit cost.

Brian Morrison

Absolutely understood. Thank you.

Operator

Your next question comes from the line of Hamzah Mazari from Jefferies. Your line is open.

Analyst — Jefferies

Hey, guys. This is actually Ryan coming on for Hamzah. I just wanted to ask on cost take-outs, are any of those temporary? And then could you give a sense about future take-outs, like where there's more room? And then if any of that's changed given COVID, which I'm sure it has? But just any more colour there then.

Michael Lehmann

So let me start there, and then, Steve, jump in. So in cost savings, we continue to rightsize our operating expense structure going from a much larger entity prior to the amalgamation of Loyalty with Kognitiv. So there was a lot of low-hanging fruit early on. So that's permanent, not transitory in nature. As we continue the evolution of the company, we're finding more ways to be productive and to be efficient. So that's what Phil referenced earlier with regard to further expense saves on the way.

Steve Leonard

Yeah. I would just add that the one area where we made an immediate change was the size of the corporate team, the headcount. So that was taken down to the size that we expect to be running the holding company going forward. So we don't see a lot of changes relative to that. But where we do see opportunities, as we sold the Loyalty Solutions business, we were tied into some legacy agreements, et cetera, that were tailing off and then just on professional services and third-party services, we believe we still have some opportunities in the future.

Phil Mittleman

And, Ryan, to specifically answer your first question, these are all permanent cuts. Nothing is transitory.

Analyst

Great. That's very helpful. Thanks, guys. And then in terms of the acquisition pipeline, is there anything you're looking at now? Like how our valuations looking? If you could provide more colour there, that'd be great.

Phil Mittleman

Yeah. I think we're always evaluating new investments. I think we're finding—as you probably know the US is the most expensive place. We found an amazing opportunity in Clear Media, and I think that's really a great example of the type of investment we seek and how opportunistic we are about timing.

We're currently considering numerous investments that kind of fit that bill. And I think we'll provide more colour in the near future. But, yes, we are actively involved in potential new investments, and we're very excited about them.

Analyst

Great. That's all from me. Thanks, guys.

Operator

Again, if you'd like to ask a question, please press *, and the number 1 on your telephone keypad. Your next question comes from the line of Chris Colvin from Breach Inlet. Your line is open.

Chris Colvin — Breach Inlet

Thanks, guys, for taking my questions, and congrats on the progress. Three questions I don't think you touched on. First, are you considering a dual listing? And if so, when would that occur? And then maybe the second question is somewhat related. Are you still considering some type of stock split or, I guess, reverse stock split?

Phil Mittleman

Yeah. I think the dual listing is something that's on our list. We've had, as you can tell, so many different things happening at the company that it's logistically very complicated to get that done. But it's definitely on our to-do list. And in conjunction with that would be the reverse split. So those two are tied together, and they're on the list. They've been pushed down the list just because of so many other things going on, but they're definitely on the list.

Chris Colvin

Good to hear. And then, and sorry if I missed this, but on the pro forma corporate operating expenses, which is now going to be $12 million on a cash basis, did that come down because initially we were thinking it was going to be $15 million on a cash basis. So it's nice to see its going to be $12 million.

Phil Mittleman

Yeah. We've made further cuts. So we're constantly evaluating our cost structure, and we're, as Steve mentioned, there's a lot of legacy stuff that we're wrestling with. And Mike's done a great job on working on the insurance side and things like that. So there's a lot of places that we've cut costs. With the board's expertise and management's expertise, we haven't had the need for all the different advisors that had previously been paid and stuff like that. So we're always evaluating cost cuts, and we will continue to. And we think there's more work to be done.

Chris Colvin

Good to hear. That's all I have. Keep up the good work.

Phil Mittleman

Thank you.

Operator

Your next question comes from the line of Riley Gray from RBC. Your line is open.

Riley Gray — RBC

Thanks, and good morning. Thanks for all the colour on the Aeroméxico situation. Bit of a housekeeping question here. Do you see any risk to Aimia's stake in PLM, given the way the financing terms played out in the bankruptcy with the financier pursuing Aeroméxico's PLM stake as collateral even though PLM did not give their consent?

Phil Mittleman

As you know, bankruptcy's a very complicated place, and we can't definitively say anything. I think that we are very confident that our stake is safe. We're very confident that the contract will be assumed. We're collaborating and working with all the parties involved, and it's been very positive collaboration.

I think that it's in everybody's best interest, as you've seen, these companies are very valuable, and they're very important to the airlines. You've seen all the different transactions across the spectrum from other airlines that underscore how important these businesses are to keep the airlines flying, especially when they're in a bankruptcy situation and need to get their most important and valuable flyers back in the seats as soon as possible.

So I think that there's always a risk in bankruptcy, but I think that when you look at the way that this has played out, which starting with the fact that we had just renegotiated our contract with Aeroméxico right before the bankruptcy. So I think it's important that, entering this process, that they were happy with the agreement as it was restructured and renegotiated.

So I think we're trying. We've been very helpful on a liquidity basis for the airline through this important time. I think we're—constructively, everyone's been very constructive in this process. We have a very strong relationship with Aeroméxico. They've done a great job in this process of what I think will ultimately a much strong Aeroméxico emerging from this. And I think that we have a lot of legal protections in place for our stake if something was to go wrong. But we don't anticipate that. And we think that everybody has the same interest aligned, which is to maintain a strong and intact loyalty company.

Michael Lehmann

If I could just add it wasn't unusual or unexpected that the diff lender would seek as much collateral as they possible could. So that was part of the roadmap. We understood that that was going to happen.

To Phil's point, by far the most important thing at Aeroméxico is to retain the cash flow to get through this kind of unprecedented period and to be increasing flying, get more people in the seats. And as that utilization increases and the cash flow increases, that just flows right to the loyalty program.

The loyalty programs are showing how valuable they are. Delta just raised, or is in the process of raising, $6.5 billion. We saw that just over the past couple of days. United, Spirit, they're all doing it. And the reason is because as long as that airline is flying, the cash flow from the loyalty program is very persistent. And that's what we've recognized through this downturn and through multiple cycles before. So it wasn't a surprise and we're working well with, as I said in my remarks, with Aeroméxico, with PLM, with all of our advisors and their advisors to protect our assets.

Riley Gray

Appreciate it. Thanks.

Michael Lehmann

Sure. Thanks for the question.

Operator

There are no further questions at this time. And we are going to conclude today. You can now disconnect.