Aimia Inc.

Aimia reports first quarter 2016 results

MONTREAL, May 12, 2016 /CNW Telbec/ - Data-driven marketing and loyalty analytics company Aimia Inc. (TSX: AIM) today reported its financial results for the quarter ended March 31, 2016. All financial information is in Canadian dollars unless otherwise noted. This earnings release contains Non-GAAP financial measures that are further explained at the end of this release.

Highlights(1):

- Solid first quarter and well positioned to deliver against full year guidance
  - Stable Gross Billings at Aeroplan
  - Adjusted EBITDA at $50.6 million and margin unchanged on last year at 8.8%, excluding severance costs
  - Free Cash Flow before Dividends Paid in line with seasonal patterns
- On track for the previously announced $20 million of cost savings to be realized from the beginning of 2017 and continued benefit from 2015 cost savings initiatives
- Enriched digital channels to drive stronger consumer engagement now in market for all of Aimia's core coalition programs
- Expanding reach of our solutions, with ISS win at Aeon Retail, and the Aimia Loyalty Platform now in its third implementation
- Increased annual dividend for the sixth consecutive year, up by 5% to80 cents and payout to common shareholders reflecting consistent cash generation

HIGHLIGHTS (1)	**Three Months Ended March 31,**			
(in millions of Canadian dollars, except per share amounts)	**2016**	**2015**	**YoY % Change**	**YoY % Constant Currency (C.C.)**
Gross Billings	**573.0**	595.2	(3.7)	(6.2)
Total Revenue	**570.1**	660.1	(13.6)	(15.8)
Operating Income (Loss)	**(8.9)**	26.2	**	**
Adjusted EBITDA	**48.7**	52.1	(6.5)	(7.9)
Net Earnings (Loss)	**(13.1)**	23.4	**	**
Earnings (Loss) per Common Share	**(0.12)**	0.10	**	**
Adjusted Net Earnings per Common Share	**0.13**	0.15	(13.3)	**
Cash from Operating Activities(2)	**0.6**	25.7	(97.7)	**
Free Cash Flow before Dividends Paid(2)	**(18.9)**	5.2	**	**
Free Cash Flow before Dividends Paid per Common Share(2)	**(0.15)**	0.00	**	**

** Information not meaningful

Please refer to "Notes" section for details on notations that appear on tables in this Press Release.

"The first quarter marked a good start, with all of divisions meeting our expectations and positioning us well against our guidance for 2016," said Rupert Duchesne, Group Chief Executive.

"Looking forward through 2016, I see us doing two important things in parallel. First, by investing in our core businesses we will continue to significantly improve the member experience in Aeroplan and Nectar. At the same time, we will deliver continued strong margin and free cash flow generation, in part because of the work we have done in reducing costs through 2015 and as a result of our continued discipline on cost structure.

"We've made excellent progress in providing a fully digital engagement for members across all our coalition programs, and have now implemented the Aimia Loyalty Platform for our Air Miles Middle East coalition alongside client roll-outs. The investments we've made into our platform offerings are attracting the top tier clients we've been focused on as well as benefiting our own coalition programs."

Consolidated Financial Highlights[1]
Three months ended March 31, 2016 compared to three months ended March 31, 2015:

- Gross Billings were $573.0 million compared to $595.2 million last year. Gross Billings from the sale of Loyalty Units accounted for 74% of total Gross Billings or $425.2 million.
- On a constant currency basis, Gross Billings declined by $36.9 million mainly due to a decrease in the Nectar Program and closure of the Nectar Italia Program. Additionally, lower Gross Billings from Loyalty Services and Other was driven by lost contracts and lower reward fulfillment activity in Americas Coalitions, partly offset by the signing of Aeon Retail, the core retail subsidiary of Aeon, Japan's largest retailer group. .
- Adjusted EBITDA was $48.7 million or 8.5% of Gross Billings, compared to $52.1 million or 8.8% last year. On a constant currency basis, Adjusted EBITDA decreased by $4.1 million, mostly due to lower Gross Billings which was partly offset by a decrease in cost of rewards and direct costs, net of the change in future redemption costs, and the receipt of $5.3 million in distributions from equity-accounted investments. Excluding the severance costs of $1.9 million related to organizational changes announced on August 14, 2015, Adjusted EBITDA was $50.6 million or 8.8% of Gross Billings.
- Free Cash Flow before Dividends Paid was $(18.9) million compared with $5.2 million last year primarily due to the receipt of an income tax refund of $20.4 million from Revenue Quebec in the first quarter of 2015. The remaining unfavourable variance of $3.7 million is mainly related to lower cash generated in the quarter from operating activities, which included severance payments of $6.9 million related to the organizational changes announced on August 14, 2015. Free Cash Flow before Dividends Paid per common share was $0.15 lower than the prior year mainly due to the reasons mentioned above and a decrease in issued and outstanding common shares.

2016 Guidance

As previously disclosed on February 24, 2016, Aimia expects to report the following for the year ending December 31, 2016:

(in millions of Canadian dollars)	2015 Normalized[a]	2016 Guidance[b] (as previously disclosed on February 24, 2016)
Gross Billings	$2,469.0	Stable
Adjusted EBITDA and margin	$233.4 9.5%	Above 9%
Free Cash Flow before Dividends Paid	$206.8	Between $190 and $220
Capital Expenditures	$93.6	Between $75 and $85

a) Adjusted EBITDA excludes the impact of $45.7 million related to the reduction of the Card Migration Provision and a $15.7 million severance expense. Free Cash Flow before Dividends Paid includes $41.1 million of tax refunds and excludes severance payments amounting to $4.5 million relating to the organizational changes announced on August 14, 2015.

b) Free Cash Flow before Dividends paid for 2016 does not include the impact of severance payments relating to the organizational changes announced on August 14, 2015 or any further actions related to restructuring or the potential disposal of non-core assets.

See "Forward-Looking Statements" section regarding assumptions underlying the above guidance and risks

See "Forward Looking Statements" section regarding assumptions underlying the above guidance and risks relating thereto, including currency fluctuations and currency risk.

Segment Highlights for the First Quarter 2016 [1]

Please refer to "Notes" section for details on notations that appear in this Press Release.

Americas Coalitions – A solid performance at Aeroplan with financial cards broadly stable

- **Gross Billings** were $351.3 million in the first quarter compared to $361.9 million in the same quarter last year. Gross Billings from the sale of Loyalty Units were unchanged on the prior year. An improvement of $3.1 million in the retail and other travel sectors was offset by a decrease of $3.2 million in the airline sector partly explained by a shift in consumer demand towards the program's main airline partner's lower fare product. The financial sector was also broadly stable. Higher purchase volumes from the program's main financial partner were offset by the impact of interchange on yield and reduced purchased volumes from other financial partners despite strong program conversions. Gross Billings from Loyalty Services and Other decreased by $10.0 million or $13.3 million on a constant currency basis, mainly due to lost contracts and lower rewards fulfillment activity.
- Aeroplan miles issued in the quarter were flat and Aeroplan miles redeemed decreased 3.6% in the quarter compared to the prior year.
- **Adjusted EBITDA** was $49.3 million or 14.0% of Gross Billings, compared to $53.4 million or 14.8% of Gross Billings in the same quarter last year. Higher operating expenses across the division resulting in part from the implementation of outsourcing arrangements in technology, as well as reduced contribution from loyalty services, partially offset a decrease in redemption cost per Mile from the Aeroplan program. Excluding the severance costs of $1.2 million incurred related to organizational changes announced on August 14, 2015, Adjusted EBITDA was $50.5 million or 14.4% of Gross Billings.

International Coalitions – New Aeon Retail client win partially offsetting expected declines

- **Gross Billings** were $166.8 million in the quarter compared to $180.3 million in the same period of the prior year. On a constant currency basis, Gross Billings were down by $22.8 million or 12.6%. Gross Billings from the Sale of Loyalty Units decreased by $19.4 million, or $27.1 million on a constant currency basis primarily due to the impact of regulatory restrictions in the energy sector and lower base accumulation in the grocery sector in the Nectar Program, representing $15.5 million, and a decrease of $10.1 million from the wind down of the Nectar Italia Program. Higher Gross Billings from Loyalty Services and Other of $4.3 million on a constant currency basis, mainly due to new ISS client Aeon Retail, partially offset the decrease.
- Nectar points issued decreased 11.5% in the quarter compared to the same period in the prior year due to the impact of regulatory restrictions in the energy sector and the lapping of the change in accumulation structure. Redemption activity decreased 15.2% in the quarter, mainly driven by the prior year change in the accumulation terms which led to higher redemptions in the first quarter in anticipation of the change.
- Air Miles Middle East points issued decreased 1.8% in the quarter. Redemption activity increased 1.5% in the quarter driven by an increase in miles in circulation related to prior year accumulation.
- Nectar Italia points issuance decreased significantly in the quarter compared to the prior year period, primarily due to the closure of the program on March 1, 2016. Redemptions were down significantly in the quarter as the result of the expiry of points in the first quarter of 2015.
- **Adjusted EBITDA** was $17.0 million or 10.2% of Gross Billings in the quarter, compared to $18.5 million or 10.3% of Gross Billings in the prior year, representing a decrease of $2.6 million on a constant currency basis. Lower Gross Billings from Loyalty Units, higher marketing expenses in the Nectar Program, and the closure of the Nectar Italia Program were partially offset by improved performance in Loyalty Services and Other, and operational efficiencies across the division related to organizational changes.

Global Loyalty Solutions – Transition out of lower margin rewards fulfillment activity partially offset by increased Gross Billings from loyalty platforms

- **Gross Billings** were $55.1 million in the quarter, down 1.1% on a constant currency basis, driven by lower rewards fulfillment activity and consulting projects, partially offset by an increase in Gross Billings from loyalty platforms.
- **Adjusted EBITDA** for the quarter was $(2.8) million, a decrease of $4.3 million on a constant currency basis, mainly due to higher operating expenses related to increased spend to support new clients and the implementation of outsourcing arrangements in technology.

Corporate

- **Adjusted EBITDA** was ($14.8) million in the quarter, an improvement of$6.8 million on a constant currency basis due to the receipt of a $4.5 million distribution from Club Premier and lower operating expenses. Excluding the severance costs of$0.7 million incurred related to organizational changes announced onAugust 14, 2015, Adjusted EBITDA was ($14.1) million.

New Divisional Structure and Non-Core Asset Disposals

The new divisional structure previously announced was implemented from January 2016. The Americas and International Coalitions divisions are building on the strong assets already in place, alongside investing in data analytics which bring even more powerful insights to clients. The platforms to serve individual clients have also been brought together in the Global Loyalty Solutions line of business.

The cost initiatives announced in 2015 included a further $20 million of annualized savings to be realized from the beginning of 2017, mainly from real estate and procurement efficiencies. The plan to achieve those savings is on track.

The company and its advisors remain engaged in the disposal of non-core assets that do not directly align with the company's more streamlined focus.

Capital Expenditures

Capital expenditures were $19.5 million in the quarter and included investments in core products at Aeroplan and ongoing investment in platforms that drive recurring revenue, including a significant refresh of our Intelligent Shopper Solutions (ISS) product.

Dividends Paid

Total dividends paid in the quarter were $33.2 million, of which $29.0 million were paid to common shareholders and the remainder to preferred shareholders.

On May 12, 2016, the Board of Directors of Aimia declared quarterly dividends of$0.20 per common share, an increase of 5.3%, $0.28125 per Series 1 Preferred Share, $0.261811 per Series 2 Preferred Share and $0.390625 per Series 3 Preferred Share, in each case payable on June 30, 2016.

Share Repurchase

Aimia repurchased $21.8 million in common shares in the first two months of the quarter. AtMarch 31, 2016, the period end common shares outstanding were 152,294,611, a 10% decrease over the same period in the prior year.

Under the Normal Course Issuer Bid (NCIB) in effect for the period fromMay 20, 2015 to May 19, 2016, Aimia repurchased 11,213,100 of its common shares for a total consideration of $127.3 million. Aimia has repurchased $275 million in shares since November 2014 and more than $600 million since 2008.

On May 12, 2016, Aimia received approval from the Toronto Stock Exchange for the renewal of its NCIB to purchase up to 11,153,635 of its common shares or 10% of the public float of 111,536,350 common shares during the period from May 20, 2016 to no later than May 19, 2017.

Quarterly Conference Call and Audio Webcast Information

Aimia will host a conference call to discuss its first quarter 2016 financial results at 8:30 a.m. EDT on Friday, May 13, 2016. The call can be accessed by dialling 1-888-231-8191 or 647-427-7450 for the Toronto area. The call will be simultaneously audio webcast at:

http://event.on24.com/r.htm?e=1100883&s=1&k=440FC967B1881367A9AA2B144A8D2205

A slide presentation intended for simultaneous viewing with the conference call will be available the evening of May 12, 2016 at: http://aimia.com/en/investors/presentations.html and an archived audio webcast will be available at: http://aimia.com/content/aimiawebsite/global/en/investors/events.html for ninety days following the original broadcast.

The consolidated financial statements and the MD&A will be accessible on the investor relations website at: http://aimia.com/en/investors/quarterly-reports.html

Notes

1. Non-GAAP financial measures (Adjusted EBITDA, Adjusted Net Earnings per common share, Free Cash Flow before Dividends Paid and Free Cash Flow before Dividends Paid per Common Share) and constant currency are explained in the section entitled "Non-GAAP Financial Measures".
2. Cash from Operating Activities, Free Cash Flow before Dividends Paid and Free Cash Flow before Dividends Paid per Common Share for the three months ended March 31, 2015 include tax proceeds of $20.4 million related to the income tax refund of loss carry back applied in Canada.

About Aimia

Aimia Inc. (TSX:AIM) is a data-driven marketing and loyalty analytics company. We provide our clients with the customer insights they need to make smarter business decisions and build relevant, rewarding and long-term one-to-one relationships, evolving the value exchange to the mutual benefit of both our clients and consumers.

With about 3,200 employees across 17 countries, Aimia partners with groups of companies (coalitions) and individual companies to help generate, collect and analyze customer data and build actionable insights.

We do this through our own coalition loyalty programs such as Aeroplan in Canada, Nectar in the UK, and Air Miles Middle East, and through provision of loyalty strategy, program development, implementation and management services underpinned by leading products and technology platforms such as the Aimia Loyalty Platform and Smart Button, and through our analytics and insights business, including Intelligent Shopper Solutions. In other markets, we own stakes in loyalty programs, such as Club Premier in Mexico and Think Big, a partnership with Air Asia and Tune Group. Our clients are diverse, and we have industry-leading expertise in the fast-moving consumer goods, retail, financial services, and travel and airline industries globally to deliver against their unique needs.

For a full list of our partnerships and investments, and more information about Aimia, visit www.aimia.com.

Non-GAAP Financial Measures

Aimia uses the following non-GAAP financial measures which it believes provides investors and analysts with additional information to better understand results as well as assess its potential. GAAP means generally accepted accounting principles in Canada and represents International Financial Reporting Standards ("IFRS").

Adjusted EBITDA

Adjusted EBITDA is not a measurement based on GAAP, is not considered an alternative to operating income or net earnings in measuring performance, and is not comparable to similar measures used by other issuers. We do not believe that Adjusted EBITDA has an appropriate directly comparable GAAP measure. As an alternative, we do however provide a reconciliation to operating *income in our MD&A. Adjusted EBITDA is used by management to evaluate performance, and to measure compliance with debt covenants. Management believes Adjusted EBITDA assists investors in comparing the Corporation's performance on a consistent basis without regard to depreciation and amortization and impairment charges, which are non-cash in nature and can vary significantly depending on accounting methods and non-operating factors such as historical cost.*

Adjusted EBITDA is operating income adjusted to exclude depreciation, amortization and impairment charges, as well as adjusted for certain factors particular to the business, such as changes in deferred revenue and Future Redemption Costs. Adjusted EBITDA also includes distributions and dividends received or receivable from equity-accounted investments. Adjusted EBITDA should not be used as an exclusive measure of cash flow because it does not account for the impact of working capital growth, capital expenditures, debt repayments and other sources and uses of cash, which are disclosed in the statements of cash flows.

Adjusted Net Earnings

Adjusted Net Earnings 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.

Adjusted Net Earnings provides a measurement of profitability calculated on a basis consistent with Adjusted EBITDA. Net earnings attributable to equity holders of the Corporation are adjusted to exclude Amortization of Accumulation Partners' contracts, customer relationships and technology, share of net earnings (loss) of equity accounted investments and impairment charges. Adjusted Net Earnings includes the Change in deferred revenue and Change in Future Redemption Costs, net of the income tax effect and non-controlling interest effect (where applicable) on these items at an entity level basis. Adjusted Net Earnings also includes distributions and dividends received or receivable from equity-accounted investments.

Adjusted Net Earnings per Common Share

Adjusted Net Earnings per Common Share is not a measurement based on GAAP, is not considered an alternative to Net Earnings per Common Share in measuring profitability per Common Share and is not comparable to similar measures used by other issuers.

Adjusted Net Earnings per Common Share provides a measurement of profitability per Common Share on a basis consistent with Adjusted Net Earnings. Calculated as Adjusted Net Earnings less dividends declared on preferred shares divided by the number of weighted average number of basic and diluted common shares.

Free Cash Flow, Free Cash Flow before Dividends Paid and Free Cash Flow before Dividends paid per Common Share

Free Cash Flow and Free Cash Flow before Dividends Paid are non-GAAP measures and are not comparable to similar measures used by other issuers. They are 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 adjustments for: (a) total capital expenditures as reported in accordance with GAAP; and (b) dividends paid.

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

Free Cash Flow before Dividends Paid per Common Share is a measurement of cash flow generated from operations on a per share basis. It is calculated as follows: Free Cash Flow before Dividends Paid minus dividends paid on preferred shares and non-controlling interests over the weighted average number of common shares outstanding.

Reconciliation to GAAP

For a reconciliation of the above Non-GAAP financial measures to GAAP, please refer to the Management Discussion & Analysis for the three months ended March 31, 2016.

Constant Currency

Because exchange rates are an important factor in understanding period to period comparisons, the presentation of various financial metrics on a constant currency basis or after giving effect to foreign exchange translation, in addition to the reported metrics, help improve the ability to understand operating results and evaluate performance in comparison to prior periods. Constant Currency information compares results between periods as if exchange rates had remained constant over the periods. Constant Currency is derived by calculating current period results using foreign currency exchange rates from the same period in the prior year. Results calculated on a Constant Currency basis should be considered in addition to, not as a substitute for, results reported in accordance with GAAP and may not be comparable to similarly titled measures used by other companies. Constant Currency is a basis of consideration mostly for Aimia's foreign operations (those with a functional currency which is not the Canadian dollar). Our International Coalitions and GLS segments operate under varying foreign currencies, the U.S. Channel and Employee Loyalty business in our Americas Coalitions segment operates in U.S. dollars and global product development activities in Corporate operate primarily in pounds sterling.

Forward-Looking Statements

Forward-looking statements are included in this news release. These forward-looking statements are typically identified by the use of terms such as "outlook", "guidance", "target", "forecast", "assumption" and other similar expressions or future or conditional terms such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and "should". Such statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions.

The above guidance (including Gross Billings, Adjusted EBITDA and Adjusted EBITDA margin, Free Cash Flow before Dividends Paid, Free Cash Flow before Dividends Paid per Common Share and capital expenditures) constitutes forward-looking statements. Aimia made a number of economic and market assumptions in preparing its above guidance as well as assumptions regarding currencies and the performance of the economies in which the Corporation operates and market competition and tax laws applicable to the Corporation's operations. The Corporation cautions that the assumptions used to prepare the above guidance, although reasonable at the time they were made, may prove to be incorrect or inaccurate. In addition, the above guidance does not reflect the potential impact of any non-recurring or other special items or of any new material commercial agreements, dispositions, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after May 12, 2016. The financial impact of these transactions and non-recurring and other special items can be complex and depends on the facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same way we presently know about the risks affecting our business. Accordingly, our actual results could differ materially from our expectations as set forth in this news release.

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, dependency on Significant Accumulation Partners and clients, failure to safeguard databases, cyber security and consumer privacy, changes to the Aeroplan program, reliance on Redemption Partners, conflicts of interest, greater than expected redemptions for rewards, regulatory matters, retail market/economic conditions, industry competition, Air Canada liquidity issues or air travel industry disruptions, airline industry changes and increased airline costs, supply and capacity costs, unfunded future redemption costs, changes to coalition loyalty programs, seasonal nature of the business, other factors and prior performance, foreign operations, legal proceedings, reliance on key personnel, labour relations, pension liability, technological disruptions, inability to use third-party software and outsourcing, failure to protect intellectual property rights, interest rate and currency fluctuations (including currency risk on our foreign operations which are denominated in a currency other than the Canadian dollar, mainly the pound sterling, and subject to fluctuations as a result of foreign exchange rate variations), leverage and restrictive covenants in current and future indebtedness, uncertainty of dividend payments, managing growth, credit ratings, audit by tax authorities, as well as the other factors identified 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 ofMay 12, 2016 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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