Aimia Inc.

Aimia reports third quarter 2016 results

MONTREAL, Nov. 8, 2016 /CNW Telbec/ - Data-driven marketing and loyalty analytics company Aimia Inc. (TSX: AIM) today reported its financial results for the quarter ended September 30, 2016. All financial information is in Canadian dollars unless otherwise noted. This earnings release contains Non-GAAP financial measures that are further explained in the section entitled "Non-GAAP Financial Measures".

This quarterly earnings release should be read in conjunction with the consolidated financial statements and the MD&A which can be accessed at: http://aimia.com/en/investors/quarterly-reports.html

Highlights[1]:

- Gross Billings of $558.5 million, stable on a constant currency basis with growth in core coalitions
- Adjusted EBITDA margin of 10.8%, driven by Americas Coalitions performance
- Full year 2016 guidance unchanged, based on expectations of a seasonally weighted fourth-quarter for Gross Billings and Free Cash Flow
- Aeroplan partnerships with Amex Bank of Canada extended and Avis Budget Group deepened
- Optimizing capital structure with repayment of $200 million of senior secured notes that come due in January 2017 from available cash

HIGHLIGHTS [1]	**Three Months Ended September 30,**			
(in millions of Canadian dollars, except per share amounts)	**2016**	**2015**	**YoY % Change**	**YoY % Constant Currency (C.C.)**
Gross Billings	**558.5**	580.3	(3.8)	(0.4)
Total Revenue	**503.6**	529.3	(4.9)	(2.0)
Operating Loss	**(13.9)**	(32.5)	57.2	57.2
Adjusted EBITDA	**60.5**	46.1	31.2	35.8
Net Loss	**(1.5)**	(26.1)	94.3	**
Loss per Common Share	**(0.04)**	(0.20)	80.0	**
Adjusted Net Earnings per Common Share	**0.29**	0.14	**	**
Cash from Operating Activities[2]	**102.8**	79.0	30.1	**
Free Cash Flow before Dividends Paid[2]	**86.7**	59.0	46.9	**
Free Cash Flow before Dividends Paid per Common Share[2]	**0.54**	0.34	58.8	**

** Information not meaningful
Please refer to "Notes" for details on notations that appear on tables in this Press Release.

"A strong September solidified the good growth we saw in our Aeroplan and Nectar coalitions, while operational efficiencies are showing through in improved margins," said Rupert Duchesne, Group Chief Executive, Aimia. "Fourth quarter results will be supported by Nectar holiday campaigns, while Aeroplan growth will be driven by both air travel and our financial card business.

"The simplification of the business, strong operating cost discipline and a sound balance sheet continue to be priorities for the rest of the year and into 2017."

Consolidated Financial Highlights[1]

Core coalitions growing on a constant currency basis; streamlining the business and ongoing transition in Global Loyalty Solutions impacting overall Gross Billings

- Gross Billings were down 3.8% (or $21.8 million) to $558.5 million. Currency accounted for $19.6 million of the decline, almost entirely in the International Coalitions division as a result of the weakness of the pound sterling.
- The previously announced disposals of Enhancement Services and Cardlytics U.K., which are part of an ongoing streamlining of the business, accounted for $6.1 million of the decline on a constant currency basis.
- Gross Billings from Loyalty Units in our coalition programs were up 3.2%, excluding currency impacts.
- Gross Billings from Loyalty Units in the **International Coalitions** division were stable on a constant currency basis with a strong September performance at Nectar, driven by Sainsbury's bonusing campaigns. International Coalitions showed modest growth overall, up 1.4% on a constant currency basis.
- Aeroplan continues to be the core driver of **Americas Coalitions** performance. Aeroplan Loyalty Unit Gross Billings were up 4.4%, mainly as a result of higher purchase volumes on financial cards and higher Air Canada Gross Billings as a result of increased capacity.
- The $6.0 million decline in **Global Loyalty Solutions** reflects the continuing transition out of lower margin rewards work into more platform-based recurring sales. The latter accounted for around 16% of divisional Gross Billings in the quarter. A key win in the quarter was with Ireland's Musgrave for the transformation of its SuperValu Rewards program on the Aimia Loyalty Platform – Enterprise.

Margin reflecting benefits of prior year operational efficiencies and lower Aeroplan unit costs

- Adjusted EBITDA was $60.5 million or 10.8% of Gross Billings, compared to 7.9% margin last year.
- The increase of $16.5 million on a constant currency basis was mostly due to higher profitability from the Americas Coalitions driven by higher Gross Billings, lower unit costs, and progress on operating expenses.

Solid Free Cash Flow conversion and returns to shareholders

- Cash from Operating Activities included the receipt of a $50.3 million tax refund. Free Cash Flow before Dividends Paid totalled $86.7 million, benefiting from the tax refund, lower cost of rewards and direct costs, lower operating expenses and a $3.9 million decrease in capital expenditures, offset by lower Gross Billings and higher working capital outflows.
- Free Cash Flow before Dividends Paid was $0.54 per common share or $0.67 per common share on a normalized trailing 12-month basis, reflecting a Free Cash Flow yield of 8.1% based on the closing share price at September 30, 2016.
- $34.7 million in total dividends was paid to shareholders in the quarter, of which $30.5 million paid to common shareholders.
- The Board of Directors has authorized the company to proceed with the early repayment of $200.0 million of senior secured notes that come due in January 2017. A notice of redemption has been provided to the noteholders, in accordance with the terms of the prospectus document. The repayment will be made from available cash, in line with the ongoing optimization of the company's capital structure.

Progress on Simplifying and Focusing the Business

- Aimia's coalitions continue to be underpinned by long term partnerships. Post the end of quarter, Aimia and Amex Bank of Canada ("AMEX") extended the term of their existing Aeroplan agreements to December 31, 2018. The company also announced today that starting in the first half of 2017, Avis Budget Group and Aeroplan will further deepen their long term partnership, redefining the car rental category with Avis Budget Group becoming the program's exclusive car rental partner.
- 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 continues to evaluate and consider further disposals of non-core investments and assets to enhance shareholder value.

2016 Guidance

Aimia's full year guidance is unchanged from last quarter.

For the year ending December 31, 2016, Aimia currently expects to report the following:

- Gross Billings: between $2,300 million and $2,350 million
- Adjusted EBITDA margin: around 9.5%
- Free Cash Flow before Dividends Paid: between $190 million and $210 million
- Capital Expenditures: between $70 million and $80 million

The guidance above continues to reflect the update provided on August 11, 2016, to reflect the unfavourable currency impact on Gross Billings following Brexit, the impact from the disposals of the Cardlytics U.K. and Enhancement Services businesses in the second and third quarters of 2016, and progress on operational efficiencies. The guidance does not include the benefit of the $50.3 million tax refund received in the third quarter and the impact of severance expenses or payments or any further actions related to restructuring or the potential disposal of non-core assets or further currency fluctuation.

See "Forward-Looking Statements" below regarding assumptions underlying the above guidance and risks related to thereto.

Quarterly Conference Call and Audio Webcast Information

Aimia will host a conference call to discuss its third quarter 2016 financial results at 8:30 a.m. EST on Wednesday, November 9, 2016. The call can be accessed by dialling 1-888-231-8191 or 647-427-7450 for theToronto area. The call will be simultaneously audio webcast at:

http://event.on24.com/r.htm?e=1290818&s=1&k=7CEB72B04D07A4FBCE61ED538D369F97

A slide presentation intended for simultaneous viewing with the conference call will be available the evening of November 8, 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.

This quarterly earnings release was reviewed by Aimia's Audit Committee and was approved by the company's Board of Directors, on the Audit Committee's recommendation, prior to its release.

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 September 30, 2016 include tax proceeds of $50.3 million, inclusive of interest in the amount of $1.6 million, related to the income tax refund of loss carry back applied in Canada.

Appendix

The highlights for the nine months ending September 30, 2016 are as follows:

HIGHLIGHTS [(1)]	**Nine Months Ended September 30,**			
(in millions of Canadian dollars, except per share amounts)	**2016**	**2015**	**YoY % Change**	**YoY % Constant Currency (C.C.)**
Gross Billings	**1,692.2**	1,780.8	(5.0)	(4.8)
Total Revenue	**1,599.1**	1,726.3	(7.4)	(7.4)
Operating Income (Loss)[(2)]	**(39.9)**	17.0	**	**
Adjusted EBITDA [(2)]	**162.8**	204.9	(20.5)	(19.4)

Adjusted EBITDA				
Net Earnings (Loss)(2)(3)(4)	**(7.4)**	29.9	**	**
Earnings (Loss) per Common Share(2)(3)(4)	**(0.14)**	0.08	**	**
Adjusted Net Earnings per Common Share(2)(3)(4)	**0.73**	0.82	(11.0)	**
Cash from Operating Activities(5)(6)	**162.0**	187.6	(13.6)	**
Free Cash Flow before Dividends Paid(5)(6)	**112.0**	123.4	(9.2)	**
Free Cash Flow before Dividends Paid per Common Share(5)(6)	**0.65**	0.65	-	**

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. Operating Income and Adjusted EBITDA for the nine months ended September 30, 2015 include the favourable impact of $45.7 million related to the reduction of the Card Migration Provision. Net Earnings, Earnings per Common Share and Adjusted Net Earnings per Common Share for the nine months ended September 30, 2015 include the favourable impact of the adjustment to the Card Migration Provision of $33.6 million, net of an income tax expense of $12.1 million.
3. Net Loss, Loss per Common Share and Adjusted Net Earnings per Common Share for the nine months ended September 30, 2016 include the impact of the gain on the disposal of the commercial rights in the UK card-linked loyalty business of $23.2 million.
4. Net Earnings, Earnings per Common Share and Adjusted Net Earnings per Common Share for the nine months ended September 30, 2015 include the impact of the gain on the sale of the investment in Air Canada Class B shares of $18.6 million, net of an income tax expense of $2.9 million.
5. Cash from Operating Activities, Free Cash Flow before Dividends Paid and Free Cash Flow before Dividends Paid per Common Share for the nine months ended September 30, 2016 include tax proceeds of $50.3 million, inclusive of interest in the amount of $1.6 million, related to the income tax refund of loss carry back applied in Canada.
6. Cash from Operating Activities, Free Cash Flow before Dividends Paid and Free Cash Flow before Dividends Paid per Common Share for the nine months ended September 30, 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 – Enterprise and Aimia Loyalty Platform – SaaS, 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 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 on page12 of the Management Discussion & Analysis(MD&A) for the three months ended September 30, 2016. 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 page 12 of the Management Discussion & Analysis for the three months ended September 30, 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 November 8, 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 ofNovember 8, 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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