Aimia Inc.

Aimia reports fourth quarter 2016 results

MONTREAL, Feb. 16, 2017 /CNW Telbec/ - Data-driven marketing and loyalty analytics company Aimia Inc. (TSX: AIM) today reported its financial results for the quarter ended December 31, 2016.

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):

Q4 results

- Gross Billings of $647.5 million, broadly stable on a constant currency basis with growth at Aeroplan and Nectar
- Adjusted EBITDA margin of 10.0%, with strong operating cost discipline and a lower Club Premier distribution
- Expected seasonality of Gross Billings and a return to more normalized levels of capital expenditures drove strong Free Cash Flow before Dividends Paid of $121.6 million

2016 achievements and 2017 guidance

- Delivered against 2016 guidance(2): Gross Billings were $2,339.7 million, with reduced operating expenses across the business delivering an improving margin of 10.4%; Full year Free Cash Flow before Dividends Paid was $206.1 million
- Simplified and focused the business: lower operating run rate, exit of non-core US assets announced today and Mail Newspapers set to launch as a major new Nectar partner during Q2 2017
- Entered 2017 with a healthy balance sheet, following year-end review of assets and investments and the early redemption of January 2017 senior secured notes in December 2016
- 2017 guidance reflects a more focused and higher margin core business

HIGHLIGHTS (1)	**Three Months Ended December 31,**			
(in millions of Canadian dollars, except per share amounts)	**2016**	**2015**	**YoY % Change**	**YoY % Constant Currency (C.C.)**
Gross Billings	**647.5**	688.2	(5.9)	(0.6)
Total Revenue	**689.0**	734.3	(6.2)	1.5
Operating Loss(3)(4)	**(46.5)**	(18.2)	**	**
Adjusted EBITDA	**64.7**	63.2	2.4	10.4
Net Loss(3)(4)	**(57.2)**	(24.7)	**	**
Loss per Common Share(3)(4)	**(0.40)**	(0.19)	**	**
Adjusted Net Earnings per Common Share	**0.20**	0.17	17.6	**
Cash from Operating Activities(5)	**139.8**	108.3	29.1	**
Free Cash Flow before Dividends Paid(5)	**121.6**	78.9	54.1	**
Free Cash Flow before Dividends Paid per Common Share(5)	**0.77**	0.48	60.4	**

** Information not meaningful

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

"Our team's work resulted in improving member satisfaction over the year and strong underlying issuance in our major coalitions in the quarter. With a focus on operational discipline, we delivered against our full year guidance," said David Johnston, Interim Group Chief Executive, Aimia. "The balance sheet review, ongoing operational progress and simplification of the business mean Aimia began the year with a healthy base on which we expect to deliver improved profitability and cash flow in 2017."

Consolidated Financial Highlights[1]

Growth in core coalitions offset by impact of currency and disposals

Gross Billings were down 5.9% (or $40.7 million) to $647.5 million in the quarter. Currency accounted for 5.3% (or $36.3 million) of the decline, almost entirely in the International Coalitions division as a result of the weakness of the pound sterling. Excluding currency impacts, Gross Billings were broadly stable.

- Gross Billings from Loyalty Units in our coalition programs were up $12.4 million or 2.4%, excluding currency impacts.
- In Loyalty Services and Other, the net constant currency decline of $16.8 million or 9.3% included an impact of around $10.0 million due to the previously announced disposals of Enhancement Services and Cardlytics UK.
- **International Coalitions** Gross Billings were up 1.9% on a constant currency basis against strong Nectar comparatives in the fourth quarter of last year. Loyalty Units Gross Billings were up 3.2% on a constant currency basis, mainly due to strong Sainsbury's campaigns in the quarter.
- Aeroplan Loyalty Unit Gross Billings were up 2.0% on higher purchase volumes on financial cards and higher Air Canada Gross Billings as a result of increased capacity. Overall, **Americas Coalitions Gross Billings** were up 0.8%.
- **Global Loyalty Solutions** Gross Billings were down 5.1% or $3.5 million on a constant currency basis. A $9.5 million decline from the transition of a UK rewards client was the main contributor offsetting increased sales from other legacy clients and growth in platform-based sales. The latter accounted for around 15% of divisional Gross Billings in the quarter.

Margin reflecting benefits of prior year operational efficiencies and lower Q4 costs

- Adjusted EBITDA was $64.7 million or 10.0% of Gross Billings, compared to $63.2 million or 9.2% last year. Excluding severance expenses, like-for-like Adjusted EBITDA margin was 10.5% compared to 11.0% in the previous year.
- On a constant currency basis, Adjusted EBITDA increased by $6.6 million, mostly due to lower operating expenses across the business and a higher Aeroplan contribution due to increased Gross Billings, partly offset by a lower Club Premier distribution. Ongoing operating cost discipline and the timing of marketing and severance expenses at Aeroplan and Nectar combined with the impact of client transitions, business exits, and disposals led to lower operating expenses.

Strong fourth quarter Free Cash Flow and returns to shareholders

- Cash from Operating Activities was up $31.5 million to $139.8 million, with lower cash operating expenses, cost of rewards and direct costs being positive contributors. Free Cash flow before Dividends Paid increased $42.7 million to $121.6 million. Higher cash from operating activities and increased capital discipline resulting in an $11.2 million decrease in capital expenditures were set against higher distributions and tax refunds received in 2015.
- Free Cash Flow before Dividends Paid in the quarter was $0.77 per common share or $1.24 per common share on a normalized trailing 12-month basis, reflecting a Free Cash Flow yield of 14.0% based on the closing share price at December 31, 2016.
- $34.7 million in total dividends was paid to shareholders in the quarter, of which $30.4 million was paid to common shareholders.
- On December 9, 2016, total debt was reduced to $450.0 million, with the early redemption of $200.0 million of senior secured notes from available cash.

Progress on Simplifying and Focusing the Business

- Full year operating expenses were down $37.0 million or 5.3% on a constant currency basis (excluding the impact of the $45.7 million migration provision in 2015 and impairment charges in both years), reflecting the ongoing streamlining of operations and exit of non-core activities.
- Aimia's review of non-core assets has resulted in an agreement for the sale of its US Channel and Employee Loyalty (CEL)

business to CM Insights for an undisclosed amount. The transaction is expected to close within the next 90 days. The US Channel and Employee Loyalty business and the Enhancement Services business (which was sold in July 2016) are being reported within the Corporate & Other division from Q4 2016. In 2016, these businesses represented annual Gross Billings of around $168 million, of which around $20 million related to Enhancement Services.
- Review of assets on the balance sheet has also resulted in impairment charges of $66.0 million in the quarter, related to the US Channel and Employee Loyalty business, the Global Loyalty Solutions business and certain software assets in Global Products. Reductions in the carrying value of investments in the quarter were $24.1 million, bringing the total for 2016 to $52.0 million. This was partly offset by the addition of $39.2 million related to convertible notes of Cardlytics during 2016. The company will also take a more consulting-led approach to providing loyalty services in certain markets and is in the process of exiting investments in China Rewards and Travel Club in Spain.

2017 Guidance

Aimia is issuing guidance for the year ending December 31, 2017.

Aimia currently expects to report the following:

- Gross Billings: core business to be broadly stable at around $2.1 billion
- Adjusted EBITDA margin: core business to be around 12.0%
- Free Cash Flow before Dividends Paid: above $220 million

The guidance excludes the impact of severance expenses or payments or any further actions related to restructuring or any disposals of non-core assets. The "core business" excludes "other" within the Corporate & Other Division, which represents the results of the US CEL business agreed for sale on February 14, 2017, as well as the results of the Enhancement Services business sold in July 2016.

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

Quarterly Conference Call and Audio Webcast Information

Aimia will host a conference call to discuss its fourth quarter 2016 financial results at 8:30 a.m. EST on Friday, February 17, 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=1350040&s=1&k=94918B49F05EFED7512479562FF28A07

A slide presentation intended for simultaneous viewing with the conference call will be available the evening of February 16, 2017 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. 2016 guidance (as provided in February 2016 and updated in August 2016 and January 2017) excluded severance costs in relation to the restructuring announced in August 2015 and tax refunds. $9.0 million of severance costs have been excluded from Adjusted EBITDA for comparison with guidance, while Free Cash Flow before Dividends Paid excludes severance payments of $16.3 million, 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. The early redemption of the January 2017 maturity also incurred an interest payment of $6.5 million which was not anticipated at the time of guidance and has also been excluded in the calculation of Free Cash Flow before Dividends Paid.

3. Operating Loss, Net Loss and Loss per Common Share for three months ended December 31, 2016 includes impairment charges amounting to $66.0 million, of which $53.2 million related to the GLS group of CGUs and$12.8 million to the U.S. CEL business. Net Loss and Loss per Common Share for the three months ended December 31, 2016 also include an income tax recovery of $1.4 million related to these impairment charges.
4. Operating Loss, Net Loss and Loss per Common Share for three months ended December 31, 2015 includes impairment charges amounting to $13.5 million related to the Canada Loyalty Solutions group of CGUs. Net Loss and Loss per Common Share for the three months ended December 31, 2015 also include an income tax recovery of $3.6 million related to these impairment charges.
5. 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 December 31, 2015 include the receipt of $20.7 million from Revenue Quebec, representing the reimbursement of a deposit made in the third quarter of 2014.

Appendix

The highlights for the year ending December 31, 2016 are as follows:

HIGHLIGHTS (1)	**Years Ended December 31,**			
(in millions of Canadian dollars, except per share amounts)	**2016**	**2015**	**YoY % Change**	**YoY % Constant Currency (C.C.)**
Gross Billings	**2,339.7**	2,469.0	(5.2)	(3.6)
Total Revenue	**2,288.1**	2,460.6	(7.0)	(4.7)
Operating Loss(2)(3)(4)	**(86.4)**	(1.2)	**	**
Adjusted EBITDA(2)	**234.2**	263.4	(11.1)	(11.8)
Net Earnings (Loss)(2)(3)(4)(5)(6)	**(64.6)**	5.2	**	**
Loss per Common Share(2)(3)(4)(5)(6)	**(0.55)**	(0.11)	**	**
Adjusted Net Earnings per Common Share(2)(5)(6)	**0.98**	0.96	2.1	**
Cash from Operating Activities(7)(8)	**301.8**	295.9	2.0	**
Free Cash Flow before Dividends Paid(7)(8)	**233.6**	202.3	15.5	**
Free Cash Flow before Dividends Paid per Common Share(7)(8)	**1.42**	1.12	26.8	**

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. Operating Loss and Adjusted EBITDA for the year ended December 31, 2015 include the favourable impact of $45.7 million related to the reduction of the Card Migration Provision. Net Earnings, Loss per Common Share and Adjusted Net Earnings per Common Share for the year ended December 31, 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. Operating Loss, Net Loss and Loss per Common Share for year ended December 31, 2016 includes impairment charges amounting to $66.0 million, of which $53.2 million related to the GLS group of CGUs and$12.8 million to the U.S. CEL business. Net Loss and Loss per Common Share for the year ended December 31, 2016 also include an income tax recovery of $1.4 million related to these impairment charges.
4. Operating Loss, Net Earnings and Loss per Common Share for year ended December 31, 2015 includes impairment charges amounting to $13.5 million related to the Canada Loyalty Solutions group of CGUs. Net Loss and Loss per Common Share

for the year ended December 31, 2015 also include an income tax recovery of $3.6 million related to these impairment charges.

5. Net Loss, Loss per Common Share and Adjusted Net Earnings per Common Share for the year ended December 31, 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.
6. Net Earnings, Loss per Common Share and Adjusted Net Earnings per Common Share for the year ended December 31, 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.
7. Cash from Operating Activities, Free Cash Flow before Dividends Paid and Free Cash Flow before Dividends Paid per Common Share for the year ended December 31, 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.
8. Cash from Operating Activities, Free Cash Flow before Dividends Paid and Free Cash Flow before Dividends Paid per Common Share for the year ended December 31, 2015 include tax proceeds of $20.4 million related to the income tax refund of loss carry back applied in Canada and the receipt of $20.7 million from Revenue Quebec, representing the reimbursement of a deposit made in the third quarter of 2014.

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 2,900 employees across 16 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 U.K., 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"). Please refer to the MD&A on pages 8 to 11 for a complete definition on all non-GAAP financial measures and page 12 for a reconciliation of non-GAAP financial measures to GAAP.

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 page 12 of the Management Discussion & Analysis(MD&A) for the year ended December 31, 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 year ended December 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 operates in U.S. dollars and global product development activities in Corporate & Other 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 and Free Cash Flow before Dividends Paid) 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 February 16, 2017. 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, 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 ofFebruary 16, 2017 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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