Aimia Inc.

Aimia Reports First Quarter 2017 Results and updates on status of discussions with Air Canada

MONTREAL, May 10, 2017 /CNW Telbec/ - Data-driven marketing and loyalty analytics company Aimia Inc. (TSX: AIM) today reported its financial results for the quarter ended March 31, 2017.

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.

Strategic highlights:

- Update provided around key partnerships, operating model and financing plans
    - Recent discussions lead Aimia to the belief that Air Canada does not currently intend to renew the Aeroplan partnership expiring in June 2020; Aimia exploring post-2020 alternatives
    - Continuing to take action to simplify and focus the business, with annualized savings of $70 million expected from 2019
    - Early redemption of senior secured notes due January 2018 planned
- Rupert Duchesne to retire, with Interim Group Chief Executive David Johnston to assume role permanently
- Newly adopted dividend policy targets future dividend payout ratio linked to cashflow generation

Operational highlights[(1)]:

- Gross Billings of $525.2 million, down 4.3% on a constant currency basis; Aeroplan up 5.0%
- Adjusted EBITDA margin of 11.2%, with strong operating cost discipline resulting in operating expenses 8% lower than the prior year
- Free Cash Flow before Dividends Paid at $(23.8) million reflects seasonal redemption patterns and lower Nectar Gross Billings
- Reconfirmed 2017 guidance; Return on Invested Capital metric introduced
- Quarterly dividend of $0.20 per common share declared

Strategic update

- Over the last three years, Aimia has simplified and refocused the business significantly and has grown its base of financial cardholders under its contracts with TD Bank and CIBC, which run to early 2024. Recognizing that key coalition partnerships, a strongly aligned operating model and a supportive balance sheet are important to anchor the business, these continue to be areas of focus over the next two to three years.

    - Key coalition partnerships: Aimia's coalitions are at the core of a cash generative business and we continue to explore the way our members accumulate and redeem. Upcoming contract renewals with Air Canada and Sainsbury's provide an opportunity to evolve the coalition model to ensure mutually acceptable returns to both Aimia and current or future anchor partners.

      Aimia and Air Canada have been engaging in discussions and the tenor of the very recent discussions leads Aimia to the belief that Air Canada does not currently intend to renew its partnership with Aeroplan on its expiry in June 2020. The existing agreement and Air Canada's purchasing commitments to Aimia remain in place until June of 2020.

      Aimia strongly believes that a renewal of the company's long-term partnership would be the best and least disruptive option for both companies' customers, in particular Air Canada's frequent flyers. While Aimia remains open to further

discussions with Air Canada, the company's strategic planning had already contemplated other post-2020 alternatives in parallel with the goal of ensuring that Aeroplan members retain access to a strong redemption offering around air rewards in the future. Given the state of current discussions, we will continue to pursue these alternatives actively.

"Our partnership has proven to be both powerful and successful over the years, pairing one of the world's best global airlines with one of the world's leading loyalty providers," said David Johnston, incoming Group Chief Executive, Aimia. "The proactive strategic decisions we continue to take are aimed at reinforcing our financial flexibility and ensuring the best possible outcome for our shareholders and stakeholders. Remember that we are more than a frequent flyer program – we offer value, flexibility and availability in air rewards that differentiate Aeroplan for our 5 million members.

"Members can continue to earn and redeem with Air Canada as our contract remains in effect until 2020. We will work with Air Canada to provide uninterrupted service for Aeroplan members."

Members' miles remain with Aeroplan. For the next three years, Aeroplan will continue buying seats from Air Canada to provide rewards to its 5 million members.

Aeroplan's purchasing agreement with Air Canada guarantees capacity to Aeroplan in exchange for a substantial volume and certainty of advance ticket purchases which makes Aeroplan Air Canada's largest single customer and generates significant cash flows to Air Canada.

- **Aligning our operating model:** Aimia is building flexibility into its operating model and run rate to help mitigate any major contract changes, with the acceleration of the cost savings which were originally anticipated to be initiated in 2018 and 2019. Focus will remain on protecting the health, sustainability and growth of our coalitions.

  The company also expects to identify additional savings as it continues to simplify the business. These actions are expected to start delivering benefits during 2018, with total annualized savings targeted at $70 million from 2019, helping to offset any changes to accumulation on Air Canada or changes to the allocation or cost of Fixed Mileage Flight Rewards, which could lead to lower Gross Billings or an increase in purchasing of higher priced flight rewards. A material reduction in capital expenditures is also planned for 2018, mainly as a result of the completion of analytics investments in the International Coalitions business.

  In keeping with its desire to maximize returns to shareholders, the company is also reviewing business units and investments on the basis of their medium-term ROIC contribution and this may lead to further asset sales.

- **Financing maturities profile:** The company plans to extend its financing maturities to 2020 with the drawdown of $200 million of its $300 million revolving credit facility. The proceeds will be used to redeem$200 million of senior secured notes ahead of their January 2018 maturity. This will also have the benefit of reducing the interest rate by around 60bps to 4.4%, whilst maintaining a debt/Adjusted EBITDA ratio of around 2x.

Management Update

- As announced in a separate news release issued today,Rupert Duchesne has retired from the company after a four-month medical leave of absence. He has also resigned his position on Aimia's Board of Directors. David Johnston, who had assumed the role on an interim basis, has been named Group Chief Executive of Aimia, effective May 11, 2017.
- Johnston will also be nominated to Aimia's Board of Directors at the company's Annual General Meeting of shareholders on May 11, 2017.

HIGHLIGHTS [1]	**Three Months Ended March 31**		
			YoY %
(in millions of Canadian dollars,	**2017**	**2016**	**YoY %**

except per share amounts)			Change	Constant Currency (C.C.)
Gross Billings	525.2	573.0	(8.3)	(4.5)
Total Revenue	524.8	570.1	(7.9)	(4.4)
Operating Income (Loss)	5.5	(8.9)	**	**
Adjusted EBITDA	58.8	48.7	20.7	26.1
ROIC(2)	6.3%	6.5%	(0.2) pp	**
Net Earnings (Loss)	9.6	(13.1)	**	**
Earnings (Loss) per Common Share	0.04	(0.12)	**	**
Adjusted Net Earnings per Common Share	0.22	0.13	69.2	**
Cash from (used in) Operating Activities	(11.7)	0.6	**	**
Free Cash Flow before Dividends Paid	(23.8)	(18.9)	(25.9)	**
Free Cash Flow before Dividends Paid per Common Share	(0.18)	(0.15)	(20.0)	**

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

Strong Aeroplan growth; expected campaign phasing and currency driving Nectar decline

Gross Billings were down 8.3% (or $47.8 million) to $525.2 million in the quarter. Currency accounted for around half of the decline (at $23.4 million or 4.0%) mainly in the International Coalitions division as a result of the weakness of the pound sterling. Gross Billings in the core business(3) were down 7.4% to $492.0 million.

- Gross Billings from Loyalty Units in our coalition programs were down $9.3 million or 2.2%, on a constant currency basis, mainly due to a reduction at Nectar which was offset in part by growth at Aeroplan.
- In Loyalty Services and Other, the decline of $15.1 million or 10.2% on a constant currency basis, included an impact of around $9.6 million due to last year's disposals of Enhancement Services and Cardlytics U.K. as well as the impact of $4.9 million related to the outsourcing of the fulfilment of gift cards in the Americas Coalitions division which resulted in a net revenue accounting treatment.
- **Americas Coalitions** Gross Billings were up $10.2 million or 3.3%. Within this, Aeroplan Loyalty Unit Gross Billings were up 5.4% on higher purchase volumes on financial cards and higher Air Canada Gross Billings as a result of increased capacity.
- **International Coalitions** Gross Billings were down $24.1 million or 14.4% on a constant currency basis, with Loyalty Units Gross Billings down $24.7 million or 17.5% on a constant currency basis. Nectar was the main contributor, down $23.0 million mainly due to the phasing of Sainsbury's campaigns and the expected exit of Homebase.
- **Global Loyalty Solutions** Gross Billings were down $3.1 million or 5.6% on a constant currency basis. Platform-based sales and related services accounted for around 14% of divisional Gross Billings in the quarter.
- In the quarter, Gross Billings from **Corporate and Other**, related to the U.S. CEL business which was presented as held for sale at March 31, 2017 and the Enhancement Services business sold in July 2016, were down $7.5 million or 17.9% on a constant currency basis.

Margin benefiting from higher distributions and lower opex

- Adjusted EBITDA was $58.8 million or 11.2% of Gross Billings, compared to $48.7 million or 8.5% last year. On a pre-severance basis, the core business contributed $59.7 million, representing a margin of 12.1%, compared to 9.7% in the previous year.
- A $12.7 million improvement in Adjusted EBITDA on a constant currency basis was mainly due to strong operating cost discipline, a higher Aeroplan contribution as a result of higher Gross Billings and lower unit cost, and higher distributions from equity accounted investments. The improvement was partially offset by the sale of the Enhancement Services business

and the lower Nectar contribution as a result of lower Gross Billings.

Free Cash Flow reflective of seasonal redemption patterns and lower Nectar Gross Billings

- Cash from operating activities was down $12.3 million to $(11.7) million, mainly due to the unfavourable variance on the timing of working capital, with lower cash operating expenses, cost of rewards and direct costs being positive contributors. Free Cash Flow before Dividends Paid decreased $4.9 million to $(23.8) million. Capital expenditures were down $7.4 million to $12.1 million.
- Free Cash Flow before Dividends Paid in the quarter was $(0.18) per common share or $1.15 per common share on a normalized trailing 12-month basis, reflecting a Free Cash Flow yield of 12.7% based on the closing share price at March 31, 2017.
- $34.7 million in total dividends was paid to shareholders in the quarter, of which $30.5 million was paid to common shareholders.

Progress on simplifying and focusing the business

- Significant progress continues to be made on reducing operating expenses. First quarter operating expenses excluding share-based compensation were down $9.1 million or 5.6% on a constant currency basis over the same period last year, reflecting the ongoing streamlining of operations and the exit of non-core activities. This reduction took quarterly operating expenses in the core business excluding share-based compensation and severance to $118.6 million. Further measures currently underway will simplify our finance and global brand organizations and are expected to help underpin an improvement in full year Adjusted EBITDA margin to around 12.0%.
- The sale of U.S. Channel and Employee Loyalty business was completed on May 1, 2017, and Aimia's rewards sourcing and fulfillment business in New Zealand was sold on May 8, 2017, to the local management team. Over 500 employees were transferred out of Aimia's business in conjunction with these two transactions. The management buyout in New Zealand will also see Aimia exit its local presence and centralize customer support for loyalty solutions clients in that market out of the other offices, which is expected to contribute to margin improvement in Global Loyalty Solutions.

Return on Invested Capital[(1)]

- The introduction of a Return on Invested Capital (ROIC) metric is aimed at assessing the efficiency with which capital is being allocated to generate returns.
- For the year ended 2016, ROIC was 6.0%. For the twelve months ended March 31, 2017, it was 6.3%, compared to 6.5% for the twelve months ended March 31, 2016. The decrease was attributable to the migration provision reversal included in the comparative period Adjusted EBITDA.

2017 Guidance

Aimia is reconfirming its guidance for the year ending December 31, 2017 and continues to expect 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, any further actions related to restructuring, disposals of non-core assets or as a consequence of any changes in major partner contracts.

The "core business" excludes the results of the U.S. Channel and Employee Loyalty business sold in May 2017 within the Corporate & Other division. Comparatives for the prior year also exclude the results of the Enhancement Services business sold in July 2016. The results of both these businesses have been reported within the Corporate & Other division. Guidance has not been adjusted for the results of the New Zealand business which had been expected to deliver around $36 million of Gross Billings and $0.4 million of

Adjusted EBITDA in 2017 and had been taken into account within the core business. At the sale completion date, the New Zealand business had delivered Gross Billings of around $15 million and Adjusted EBITDA of $0.1 million.

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

Quarterly Dividends to Shareholders

- Aimia's business model is cash generative and the Board recognizes that the dividend on the common shares has been an important element of the investment proposition for investors.
- The Board has declared a quarterly dividend of $0.20 per common share, payable on June 30, 2017, to shareholders of record at the close of business on June 16, 2017. On an annualized basis and on the basis of current guidance, this dividend level would reflect a payout of around 55% of the annual Free Cash Flow before Dividends Paid.
- The common share dividend level reflects the Board's intention to more closely align to a payout ratio based on the expected annual Free Cash Flow before Dividends Paid and subject to the Board's evaluation of the Company's medium term strategy, outlook, cash flow expectations and balance sheet development.

Quarterly Conference Call and Audio Webcast Information

Aimia will host a conference call to discuss its first quarter 2017 financial results at 8:30 a.m. EDT on Thursday, May 11, 2017. The call can be accessed by dialling 1-888-231-8191 or 647-427-7450 for the Toronto area. The call will be simultaneously webcast at: http://event.on24.com/r.htm?e=1350491&s=1&k=027FD2435D81C21F7AA3E8C54F1B1915

A slide presentation for Q1 2017 results intended for simultaneous viewing with the conference call will be available the evening of May 10, 2017 at: http://www.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, Return on Invested Capital, 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. ROIC for the twelve-month period ended March 31, 2016 includes 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. The "core business" excludes the results of the U.S. Channel and Employee Loyalty (CEL) business sold in May 2017. Comparatives for the prior year also exclude the results of the Enhancement Services business sold in July 2016. The results of both these businesses have been reported within the Corporate & Other division.

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 2,300 employees across 15 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 14 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 14 of the Management Discussion & Analysis (MD&A) for the three months ended March 31, 2017. 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.

Return on Invested Capital

Return on invested capital ("ROIC") is not a measurement based on GAAP and is not comparable to similar measures used by other issuers. ROIC is used by management to assess the efficiency with which it allocates its capital to generate returns.

ROIC is calculated as adjusted operating income after taxes expressed as a percentage of the average invested capital. Adjusted operating income after taxes is Adjusted EBITDA less depreciation and amortization, tax effected at the Canadian statutory rate, on a rolling twelve-month basis. A description of Adjusted EBITDA as well as its reconciliation to operating income is presented in the preceding section. Invested capital is the sum of total equity, deferred revenue margin (calculated as deferred revenue less future redemption cost liability, tax effected at the Canadian statutory rate), accumulated amortization of Accumulation Partners' contracts and customer relationships, and net debt (calculated as long-term debt, including the current portion, less cash and cash equivalents, net of any contractually required redemption reserve amount included in cash and cash equivalents), averaged between the beginning and ending balance over a rolling twelve-month period.

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 14 of the Management Discussion & Analysis for the three months ended March 31, 2017.

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. Within Corporate & Other, the U.S. Channel and Employee Loyalty business operates in U.S. dollars and global product development activities 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 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 May 10, 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 ofMay 10, 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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