Aimia Inc.

Aimia Reports First Quarter 2019 Results

Record net earnings and EPS at $6.85 in the quarter

MONTREAL, May 14, 2019 /CNW/ - Loyalty and travel-focused consolidator Aimia Inc. (TSX: AIM) today reported its financial results for the quarter ended March 31, 2019.

Chief Executive Officer, Jeremy Rabe, commented: "We are a more efficient, nimbler business with a clear plan to deploy capital. On the back of the strategic direction announced in March, we are building real momentum with employees and customers. Our pipeline of M&A opportunities is also robust and growing.

"In the first quarter, Loyalty Solutions profitability improved as a result of cost reductions implemented over the past several months. We are on track with our plan to deliver profitability during 2020."

Q1 highlights – continuing operations(2), unless otherwise noted:

- Accretive long-term strategy as a loyalty and travel consolidator announced in March 2019
- Record consolidated net earnings and earnings per share as a result of $1,043.6 million accounting gain from Aeroplan transaction
- Exceptional PLM distribution of $18.9 million offset post-restructuring operating loss and drove positive quarterly Adjusted EBITDA of $0.9 million
- Transformation of the Loyalty Solutions business drove a 20% reduction in operating expenses (excluding the impact of restructuring charges incurred in the transformation and a change in accounting treatment for platform development expense)
- Around a quarter of the $632.9 million in cash* on the balance sheet at March 31st is expected to be returned to common shareholders; substantial issuer bid scheduled to close on May 21st

HIGHLIGHTS (1)	Three Months Ended March 31,			
(in millions of Canadian dollars, except per share amounts)	**2019**	**2018**	**YoY % Change**	**YoY % Constant Currency (C.C.)**
Continuing operations(2)				
Total Revenue	**34.7**	45.0	(22.9)	(23.6)
Operating Loss	**(19.0)**	(15.4)	(23.4)	(24.0)
Adjusted EBITDA	**0.9**	(6.5)	**	**
Cash used in Operating Activities(3)	**(19.7)**	(33.3)	40.8	**
Free Cash Flow before Dividends Paid(3)	**(20.0)**	(36.6)	45.4	**
Consolidated (unless otherwise noted)				
Net Earnings(4)(5)(6)(7)	**1,047.1**	21.4	**	**
Earnings per Common Share(4)(5)(6)(7)	**6.85**	0.11	**	**
Loss per Common Share - Continuing operations(4)(6)	**(0.05)**	(0.09)	44.4	**
Earnings per Common Share - Discontinued operations(5)(7)	**6.90**	0.20	**	**
Cash from (used in) Operating Activities (3)	**(47.3)**	43.8	**	**
Free Cash Flow before Dividends Paid(3)	**(47.6)**	40.4	**	**
Free Cash Flow before Dividends Paid per Common				

Share[3]	**(0.54)**	0.27	**	**

* Cash on the balance sheet consisting of cash, cash equivalents, restricted cash and investments in bonds.

** Information not meaningful

This quarterly earnings release should be read in conjunction with the consolidated financial statements and the MD&A which can be accessed on SEDAR as well as at: https://www.aimia.com/investors/quarterly-reports/

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

Strategic update

On March 28, 2019, Aimia announced that its Board of Directors through a special committee of independent directors had concluded its previously announced evaluation of the company's future strategic direction and capital allocation priorities. The Special Committee's recommendation that Aimia evolve its positioning within the growing loyalty and travel markets through a combination of organic growth and sector-focused M&A, building on Aimia's strong existing platforms, unparalleled industry expertise and experience, ability to drive operational improvement as well as its excellent liquidity, ready-to-use capital and long-term approach.

The company also set out its intention for the existing business to become profitable during 2020, with a significant improvement in Loyalty Solutions profitability expected to be a meaningful contributor. Aimia has signed a new multi-year contract with HSBC, its main partner in Air Miles Middle East, which will see the program evolve to a fee-for-services contract from a pay-for-points issuance model. The contractual obligation to fund the redemption liability will now lie with HSBC. In the context of this renewal which will solidify and help build future business in the region, Aimia will make an accelerated payment of $26 million in the second quarter of 2019 to cover the existing HSBC points liability, which will be applied against the cost of rewards in future years as points are redeemed. Air Miles Middle East has enrolled more than 1.6 million members across three countries since it was established in 2001.

In the quarter, Aimia received gross proceeds of $497 million and recorded $15.8 million of transaction costs, including $8.6 million of termination fees paid to certain Canadian airlines. A $1,043.6 million accounting gain was recorded, resulting in record consolidated net earnings at $1,047.1 million and net earnings per share of $6.85.

Substantial issuer bid

On April 8, 2019, Aimia announced the terms of its previously announced substantial issuer bid to purchase for cancellation of up to $150 million of its common shares. The Offer will expire at 5:00 p.m. (Eastern time) on May 21, 2019, unless extended or withdrawn in accordance with applicable securities laws.

Operational Performance (Continuing Operations) for the quarter ended March 31, 2019

With effect from January 1, 2019, the bulk of Aimia's activities will fall into one reportable and operating segment (Loyalty Solutions). Other costs, along with distributions from its equity-accounted investments (PLM and BIGLIFE), will be reported under "Corporate and Other".

Continuing Operations[(2)]

The increase in **operating loss** from ($15.4) million to $(19.0) million was mainly explained by the revenue and gross margin declines from Loyalty Solutions, offset in part by lower depreciation and amortization and a $0.9 million improvement in operating expenses as Aimia continued to execute on the significant business transformation announced previously. Excluding the $4.9 million increase in restructuring, operating loss was $(13.7) million, compared to $(15.0) million last year.

Total headcount was 590 at March 31, 2019, down from 890 at March 31, 2018, as a result of business disposals and ongoing transformation.

Adjusted EBITDA was $0.9 million, as a result of the positive contribution from the Corporate and Other segment, largely resulting from the exceptional PLM distribution received in the quarter.

Loyalty Solutions

Revenue from Loyalty Solutions was $34.7 million, a decrease of $10.3 million. The decline in Loyalty Services revenue was mainly attributable to client losses, lower customer spend and lower one-time project revenue. Revenue from loyalty units from the Air Miles Middle East program was down mainly due to lower yield.

Operating expenses were down by $1.6 million in the quarter to $42.7 million, despite a $5.1 million increase in restructuring charges and $2.3 million of platform development expense being expensed in 2019. In 2018, around $3.3 million of platform development expense was recorded as capital expenditures. Excluding the impact of higher restructuring charges, operating expenses were down $6.7 million or 15% to $37.4 million.

Operating loss was $(10.9) million, compared to $(7.9) million in the same quarter last year, as a result of lower gross margin, which was partly offset by lower depreciation and amortization and operating expenses.

Adjusted EBITDA was $(10.0) million, compared to $(3.6) million in the prior year, due to the higher operating loss (before depreciation and amortization). Excluding restructuring expenses of $5.3 million, Adjusted EBITDA was $(4.7) million.

Corporate and Other

Membership in Mexican coalition loyalty program, Club Premier, continued to grow, with the program adding 0.2 million members to 6.3 million at the end of March 2019. PLM continued to generate solid results, with Gross Billings from Loyalty Units up by 6.6% to US$59.5 million and PLM Adjusted EBITDA(8) up by US$1.0 million to US$20.4 million.

Corporate and Other **Adjusted EBITDA** amounted to $10.9 million, an improvement of $13.8 million. An exceptional distribution from Aimia's 48.9% investment in PLM more than offset an operating loss of $(8.1) million. The $18.9 million PLM distribution was up $14.5 million compared to the same quarter last year. Total PLM distributions for full year 2019 are expected to approximate $37 million, compared to $17.9 million in 2018.

Operating expenses were $8.0 million, compared to $7.3 million in the same quarter last year, with the increase attributable to a $3.2 million increase in share-based compensation. Operating expenses excluding share-based compensation decreased by $2.5 million or 26.6%, mainly due to reduced headcount and the adoption of IFRS 16, which lowered rent expense.

Free Cash Flow before Dividends Paid

Free Cash Flow before Dividends Paid from continuing operations was $(20.0) million, an improvement of $16.6 million. The favourable movement in Free Cash Flow was mainly due to the PLM distribution. Excluding restructuring payments of $7.6 million, Free Cash Flow before Dividends Paid from continuing operations was $(12.4) million.

Free Cash Flow before Dividends Paid was $(47.6) million, compared to $40.4 million in the prior year. The variance is mainly explained by a decrease of $104.6 million related to discontinued operations (including Aeroplan and Nectar). Free Cash Flow before Dividends Paid per Common Share was $(0.54).

Balance sheet

Cash (consisting of cash, cash equivalents, restricted cash and investments in corporate and government bonds) was $632.9 million at March 31, 2019, which included restricted cash of $100 million set aside as part of the Aeroplan transaction. Around $65 million of the restricted cash should be released into available cash during 2019, pending the expected tax audit re-assessment from the Canada Revenue Agency.

The company's long term investments in equity instruments included its stake in a Nasdaq-listed purchase intelligence company, Cardlytics, against which a $22.5 million fair value increase was recorded in the quarter. Since the end of 2018, the Cardlytics share price has increased by over 95%, resulting in Aimia's stake being valued at approximately $85 million at the close of trading on May 10, 2019.

Dividends

Dividends of $65.2 million were paid on March 29, 2019, in relation to the June 2017 declared dividends to common and preferred shareholders, as well as the cumulative accrued, undeclared and unpaid Preferred Share dividends at December 31, 2018, together with the quarterly dividend for the first quarter of 2019 on all series of Preferred Shares. Part VI taxes with respect to preferred share dividends are only expected to be paid in 2020 and would be mitigated by any 2019 Canadian taxable income.

The Board of Directors has also today declared a quarterly dividend in respect of its three series of preferred shares for the second quarter of 2019. Dividends will be payable on June 28, 2019, to shareholders of record at the close of business on June 18, 2019.

Quarterly Conference Call and Audio Webcast Information

Aimia will host a conference call to discuss its first quarter 2019 financial results at 8:30 a.m. EST today (Tuesday, May 14, 2019). The call will be webcast at: https://event.on24.com/wcc/r/1860351/4BF12C2261EACC1B9D4A1D5DE2B7F195

A slide presentation intended for simultaneous viewing with the conference call is available at: https://www.aimia.com/investors/presentations/ and an archived audio webcast will be available at: https://www.aimia.com/investors/events/ for 90 days following the original broadcast.

This 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, 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. Continuing operations refers to consolidated results excluding discontinued operations.
3. Cash from Operating Activities, Cash used in Operating Activities from continuing operations, Free Cash Flow before Dividends Paid, Free Cash Flow before Dividends Paid from continuing operations and Free Cash Flow before Dividends Paid per Common Share for the three months ended March 31, 2018 include a rent prepayment of $11.8 million related to a London office space. The prepayment covers the period from February 2018 to December 2019.
4. Net Earnings, Earnings per Common Share and Loss from continuing operations per Common Share include net fair value gains related to investments in equity instruments of $22.5 million for the three months ended March 31, 2019 and $6.3 million for the three months ended March 31, 2018.
5. Net Earnings, Earnings per Common Share and Earnings from discontinued operations per Common Share for the three months ended March 31, 2019 include the impact of the gain of $1,043.6 million on the disposal of the Aeroplan Program and related assets.
6. Net Earnings, Earnings per Common Share and Loss from continuing operations per Common Share for the three months ended March 31, 2018 include the unfavourable impact of the reversal of the contingent consideration receivable related to the sale of the Canadian Air Miles trademarks of $5.3 million as well as an income tax recovery of $1.3 million.
7. Net Earnings, Earnings per Common Share and Earnings from discontinued operations per Common Share for the three months ended March 31, 2018 include the impact of the gain of $5.4 million on the disposal of the Nectar Program and related assets.
8. PLM utilizes a definition of Adjusted EBITDA, which differs from Aimia's. PLM Adjusted EBITDA refers to operating income adjusted to exclude depreciation, amortization and impairment charges related to non-financial assets, as well as

adjusted for certain factors particular to the business, such as changes in deferred revenue and Future Redemption Costs.

About Aimia

Aimia Inc. (TSX: AIM) is a loyalty and travel consolidator focused on growing earnings though its existing investments and the targeted deployment of capital in loyalty solutions and other sub-sectors of the rapidly-expanding loyalty and travel markets.

Its investments in travel loyalty include the Club Premier program inMexico, which it jointly controls with Aeromexico through its investment in PLM, and an investment alongside Air Asia in travel technology company BIGLIFE, the operator of BIG Loyalty.

Aimia also operates a loyalty solutions business, which is a well-recognized, global full-service provider of next-generation loyalty solutions for many of the world's leading brands in the retail, CPG, travel & hospitality, and financial services verticals.

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 6 to 9 for a complete definition on all non-GAAP financial measures and page 17 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 17 of the Management Discussion & Analysis (MD&A) for the three months ended March 31, 2019. Adjusted EBITDA is used by management to evaluate performance. Management believes Adjusted EBITDA assists investors in comparing the company's performance on a consistent basis without regard to depreciation and amortization and impairment charges related to non-financial assets, which are non-cash in nature and can vary significantly depending on accounting methods and non-operating factors such as historical cost. Unless otherwise noted, Adjusted EBITDA for the current and comparable periods exclude the results of discontinued operations.

Adjusted EBITDA is operating income adjusted to exclude depreciation, amortization and impairment charges related to non-financial assets. 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.

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; (b) principal elements of lease payments; and (c) 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 and principal elements of lease payments.

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 17 of the MD&A for the three months ended March 31, 2019.

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). The ILS segment operates under varying foreign currencies, primary the US and Australian dollars, the British Pound and the United Arab Emirates Dirham.

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 Adjusted EBITDA) 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 company operates and market competition and tax laws applicable to the company's operations. The company 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 14, 2019. 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, Aimia's business, the results of operations therefrom and the risks associated therewith are significantly different following the sale of Aimia Canada Inc., the execution of the new strategic plan, investment risks, investment partnerships risks, reliance on key personnel, market price and trading volume of the common shares and preferred shares, passive foreign investment company risk, industry competition, failure to protect intellectual property rights, technological disruptions and inability to use third-party software and outsourcing, regulatory matters - privacy, failure to safeguard databases, cyber security and consumer privacy, uncertainty of dividend declarations and/or payments on either common shares or preferred shares, tax losses, air, travel and hospitality industry disruptions, airline industry changes and increased airline costs, foreign operations, interest rate and currency fluctuations, retail market/economic conditions, legal proceedings, audit *by tax authorities, as well as the other factors identified throughout this MD&A and 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 of May 14, 2019, 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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