Aimia Inc.

Aimia Reports Third Quarter 2019 Results

MONTREAL, Oct. 28, 2019 /CNW Telbec/ - Aimia Inc. (TSX: AIM) today reported its financial results for the quarter ended September 30, 2019. During the quarter, the company delivered on improved financial performance from continuing operations highlighted by:

- Positive EPS from continuing operations, up $0.12 to $0.11 per share
- Substantial improvement in Q3 2019 Free Cash Flow generation, up 95% QoQ and improved 73% YoY to $(3.1) million
- Operating expenses down 16% YoY to $42.2 million from cost transformation
- Operating loss narrowed, improving by 25% YoY to $(12.1) million
- Adjusted EBITDA loss narrowed, improving by 39% YoY to $(4.4) million

The company has sold its entire stake in Cardlytics (including 1.3 million shares sold after September 30th) for net proceeds of $131.5 million.

Chief Executive Officer, Jeremy Rabe, commented on the improved performance of the company: "As demonstrated by our third quarter results, including the positive EBITDA for the Loyalty Solutions business, the company is making meaningful progress enhancing our current business and investments. We are building a stronger company and our cost transformation plans are improving operations and financial performance. We remain on track to deliver profitability and substantially improving free cash flow during 2020."

Mr. Rabe continued: "We are pleased with Aimia's strong assets and solid prospects to accelerate the company's growth through a combination of organic growth and sector-focused M&A as a leading consolidator in the vast and growing loyalty and travel markets."

Q3 2019 financial highlights – continuing operations[2], unless otherwise noted:

HIGHLIGHTS [1]	**Three Months Ended September 30,**			
(in millions of Canadian dollars, except per share amounts)	**2019**	**2018**	**YoY % Change**	**YoY % Constant Currency (C.C.)**
Continuing operations[2]				
Total Revenue	**33.3**	42.5	(21.6)	(20.9)
Operating Loss	**(12.1)**	(16.1)	24.8	21.7
Adjusted EBITDA	**(4.4)**	(7.2)	38.9	31.9
Net Earnings[3]	**17.2**	3.2	**	**
Earnings (loss) per Common Share[3]	**0.11**	(0.01)	**	**
Cash used in Operating Activities	**(2.8)**	(8.3)	66.3	**
Free Cash Flow before Dividends Paid	**(3.1)**	(11.3)	72.6	**
Consolidated				
Net Earnings[3]	**16.9**	21.7	(22.1)	**
Earnings per Common Share[3]	**0.11**	0.11	**	**
Cash from (used in) Operating Activities	**(2.9)**	45.6	**	**
Free Cash Flow before Dividends Paid	**(3.2)**	37.5	**	**
Free Cash Flow before Dividends Paid per Common Share	**(0.07)**	0.25	**	**

** 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.corp.aimia.com/investors/quarterly-reports/

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

Strategic update

The company has made substantial headway executing on its strategic plan. Significant changes have been made in fiscal 2019 to strengthen and align the Board with the company's strategic direction and capital allocation priorities. Aimia continues to apply its capital allocation framework and review capital allocation opportunities, including potential returns of capital. Senior management's long-term incentives have also been aligned with shareholder value creation.

Building on Aimia's strong existing assets and investments, unparalleled industry expertise and ability to drive operational improvement, the company continues to evolve its positioning within the growing loyalty and travel markets through a combination of organic growth and sector-focused M&A.

The company is progressing well in improving the operating business through its cost transformation plan. In its Loyalty Solutions segment, the company is seeing good momentum with a new contract win in the U.S. expanding the company's work with a leading global consumer goods client to support their full portfolio of brands. In addition, the company renewed professional services contracts in the U.S. with a leading airline partner, a global payments provider, as well as with a worldwide entertainment company and leading telecommunication service provider in the Middle East.

In the third quarter of 2019, operating expenses declined by 16%, as the company implemented its transformation plan. Total headcount was 520 as at September 30, 2019, down from 560 as at June 30, 2019 and from 780 as at September 30, 2018, as a result of ongoing cost transformation. During the quarter, the company executed on its new long-term technology contracts to decouple its joint-IT environment with Aeroplan, as well as begin insourcing its enterprise loyalty platform application development activities expected to reduce run-rate costs beginning in 2020. The sub-lease of the Sydney office and relocations of our Toronto office at the end of September and the UK by year-end 2019 will contribute towards achieving a lower real estate footprint and cost beginning in 2020.

Returns to shareholders

Earlier this year, Aimia completed a $150 million substantial issuer bid, under which it purchased for cancellation 34.9 million common shares at a price of $4.30 per share.

Following the substantial issuer bid, the company commenced and completed a normal course issuer bid, under which it purchased for cancellation 8.9 million shares for an aggregate repurchase price of $32.7 million at an average price of $3.67 per share.

Operational Performance (Continuing Operations) for the quarter ended September 30, 2019

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

Continuing Operations(2)

The improvement in **Operating loss** from $(16.1) million to $(12.1) million was mainly explained by a $8.1 million reduction in operating expenses as Aimia continued to execute on the significant business transformation, which more than offset revenue and gross margin declines from Loyalty Solutions. The decline in operating expenses was mostly driven by reduced headcount and lower share-based compensation and lower rent from the favourable impact of IFRS 16, and a gain on a sublease of office space, partially offset by IT decoupling and transition costs, as well as higher professional and advisory fees.

Adjusted EBITDA was $(4.4) million, compared to $(7.2) million, with a positive $3.8 million variance from Loyalty Solutions, partially offset by a $1.0 million decrease in Corporate and Other.

Net earnings from continuing operations was $17.2 million, compared to $3.2 million, mostly due to the improvement in operating loss and a $23.8 million fair value gains, which includes $11.3 million of gain realized from the sale of 1.7 million common shares in Cardlytics during the third quarter of 2019.

Loyalty Solutions

Revenue from Loyalty Solutions was $33.3 million, a decrease of $(9.2) million from the same period in the prior year. The decline in Loyalty Services revenue was mainly attributable to client attrition, lower customer spend and lower one-time project revenue. Lower revenue from loyalty units from the Air Miles Middle East program was mainly due to lower yield.

Operating expenses were down by $10.4 million in the quarter to $30.7 million, mostly reflecting reduced headcount, lower share-based compensation and reduced rent, and a gain on a sublease of office space.

Operating loss was $(0.6) million, compared to $(6.8) million in the same quarter last year as lower gross margin was more than offset by lower depreciation and amortization and reduced operating expenses.

Adjusted EBITDA was $1.3 million, compared to $(2.5) million in the third quarter of the prior year mostly due to a $2.7 million gain from a subleased office space.

Corporate and Other

Corporate and Other **Adjusted EBITDA** amounted to $(5.7) million, a decline of $(1.0) million from higher operating expenses due to technology decoupling and transition costs and higher professional and advisory fees partially offset by a higher PLM distribution of $1.3 million. Total PLM distributions for full year 2019 are expected to be approximately $35 million, compared to $17.9 million in 2018.

Membership in Club Premier, the Mexican coalition loyalty program, continued to grow, with enrolled members up 11.9% YoY totaling 6.6 million at the end of September 2019. Increased Gross Billings growth in the third quarter was mainly from promotional activities by the program's anchor airline partner. PLM Gross Billings from Loyalty Units were up by 9.8% to US$67.3 million and PLM Adjusted EBITDA[4] was US$21.5 million, up 12.6% over last year benefitting from strong top line growth and operating leverage.

Free Cash Flow before Dividends Paid

Free Cash Flow before Dividends Paid from continuing operations was $(3.1) million, compared to $(11.3) million for the same period in the prior year. The $8.2 million improvement was largely due to increased cash from operating activities of $5.5 million and lower capital expenditures of $3.0 million due to previously capitalized costs which are now expensed.

Free Cash Flow before Dividends Paid was $(3.2) million, compared to $37.5 million in the same quarter of the prior year. The variance, mainly explained by the decrease of $48.9 million related to discontinued operations (including Aeroplan and Nectar) offset by the improvement in continuing operations. Free Cash Flow before Dividends Paid per Common Share was $(0.07).

Balance sheet

Cash and cash equivalents (which includes restricted cash and investments in corporate and government bonds) was $437.0 million as at September 30, 2019, of which $73.1 million was set aside as restricted cash in connection with the Aeroplan transaction.

The company's long-term investments in equity instruments as at September 30, 2019 included its holding of 1.3 million shares in a

Nasdaq-listed purchase intelligence company, Cardlytics. In the third quarter of 2019, Aimia sold 1.7 million shares for net proceeds of $71.0 million and recorded fair value gains of $23.8 million, which includes $11.3 million of gain realized from the sale of the common shares. In October, Aimia sold its remaining stake of 1.3 million shares in Cardlytics for additional net proceeds of $60.5 million.

Dividends

Dividends of $4.4 million were paid on September 30, 2019 on the three series of outstanding preferred shares in respect of the third quarter of 2019.

The Board of Directors has also declared a quarterly dividend in respect of its three series of preferred shares for the fourth quarter of 2019. Dividends will be payable on December 31, 2019, to shareholders of record at the close of business on December 24, 2019.

Quarterly Conference Call and Audio Webcast Information

Aimia will host a conference call to discuss its third quarter 2019 financial results at 8:30 a.m. EST on October 29, 2019. The call will be webcast at:

https://event.on24.com/wcc/r/1860385/8CBD1B20D2BEBDBD87A306C4C8236C20

A slide presentation intended for simultaneous viewing with the conference call and an archived audio webcast will be available for 90 days following the original broadcast available at:

https://corp.aimia.com/investors/events-presentations/

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. Net Earnings from continuing operations, Earnings (loss) from continuing operations per Common Share, Net Earnings and Earnings per Common Share include net fair value gains related to investments in equity instruments of $23.8 million for the three months ended September 30, 2019 and $12.7 million for the three months ended September 30, 2018.
4. 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.

Appendix

The highlights for the nine months ended September 30, 2019, are as follows:

HIGHLIGHTS [1]	**Nine Months Ended September 30,**			
(in millions of Canadian dollars, except per share amounts)	**2019**	**2018**	**YoY % Change**	**YoY % Constant Currency (C.C.)**
Continuing operations[2]				
Total Revenue	**99.0**	130.3	(24.0)	(24.2)

Operating Loss(8)	**(52.8)**	(71.0)	25.6	24.4
Adjusted EBITDA	**(18.3)**	(36.4)	49.7	47.3
Net Earnings (loss)(4)(6)(8)	**38.0**	(17.2)	**	**
Earnings (loss) per Common Share(4)(6)(8)	**0.19**	(0.20)	**	**
Cash used in Operating Activities(3)	**(78.1)**	(68.2)	(14.5)	**
Free Cash Flow before Dividends Paid(3)	**(79.1)**	(76.1)	(3.9)	**
Consolidated				
Net Earnings(4)(5)(6)(7)(8)	**1,107.5**	54.2	**	**
Earnings per Common Share(4)(5)(6)(7)(8)	**8.23**	0.27	**	**
Cash from (used in) Operating Activities (3)	**(105.8)**	116.8	**	**
Free Cash Flow before Dividends Paid(3)	**(106.8)**	97.9	**	**
Free Cash Flow before Dividends Paid per Common Share(3)	**(1.13)**	0.64	**	**

Notes

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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 nine months ended September 30, 2018 include a rent prepayment of$11.8 million related to a London office space. The prepayment covers the period fromFebruary 2018 to December 2019.
4. Net Earnings (loss) from continuing operations, Earnings (loss) from continuing operations per Common Share, Net Earnings and Earnings per Common Share include net fair value gains related to investments in equity instruments of $84.0 million for the nine months ended September 30, 2019 and $46.5 million for the nine months ended September 30, 2018.
5. Net Earnings and Earnings per Common Share for the nine months endedSeptember 30, 2019 include the impact of the gain of $1,063.1 million on the disposal of the Aeroplan Program and related assets.
6. Net Earnings (loss) from continuing operations, Earnings (loss) from continuing operations per Common Share, Net Earnings and Earnings per Common Share for the nine months ended September 30, 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 and Earnings per Common Share for the nine months endedSeptember 30, 2018 include the impact of the gain of $5.4 million on the disposal of the Nectar Program and related assets.
8. Operating Loss, Net Earnings (loss) from continuing operations, Earnings (loss) from continuing operations per Common Share, Net Earnings, Earnings per Common Share for the nine months ended September 30, 2018 include an impairment charge of $8.0 million related to the ISS business.

About Aimia

Aimia Inc. (TSX: AIM) is a loyalty and travel consolidator focused on growing earnings through 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 AirAsia 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, financial services and entertainment verticals.

For more information about Aimia, visit corp.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 and nine months ended September 30, 2019. Adjusted EBITDA is used by management to evaluate performance. 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 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 and nine months ended September 30, 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 Loyalty Solutions 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 October 28, 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 ofOctober 28, 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.

SOURCE Aimia Inc.

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