Aimia Inc.

Aimia Reports Fourth Quarter 2019 Results

TORONTO, Feb. 25, 2020 /CNW Telbec/ - Aimia Inc. (TSX: AIM) today reported its financial results for the quarter ended December 31, 2019. During the quarter, the company delivered on improved financial performance from continuing operations highlighted by:

Q4 2019 Highlights

- Positive EPS from continuing operations, up $1.18 to $0.20 per share
- Operating expenses down 45% YoY to $55.4 million
- Operating loss reduced significantly, improving by 68% YoY to $(20.4) million
- Adjusted EBITDA* loss narrowed, substantially improving by 45% YoY to $(13.2) million
- $125 million repurchase of Common and Preferred Shares
- Comprehensive settlement agreement reached with shareholders settling outstanding legal proceedings and providing for reconstitution of Board effective today

Chief Executive Officer, Jeremy Rabe, commented on the fourth quarter performance of the company: "We had a good fourth quarter highlighted by an improvement in Adjusted EBITDA and we delivered what we set out to achieve at the beginning of the year by substantially improving the operating and financial performance of our business."

Mr. Rabe continued: "Looking ahead, with the business now significantly stabilized, we are placing a sharper focus on our core capabilities to enable operating growth by building on Aimia's strong loyalty technology platforms, leveraging our extensive brand recognition and deep industry knowledge from decades of experience as an operator."

*A non-GAAP measurement. Refer to the section below entitled "Non-GAAP Financial Measures".

Q4 2019 financial highlights – continuing operations, unless otherwise noted:

HIGHLIGHTS (1)	**Three Months Ended December 31,**		
(in millions of Canadian dollars, except per share amounts)	**2019**	**2018**	**YoY % Change**
Continuing operations(2)			
Total Revenue	**35.0**	36.8	(4.9)
Operating Loss(4)	**(20.4)**	(63.7)	68.0
Adjusted EBITDA	**(13.2)**	(23.9)	44.8
Net Earnings (loss)(3)(4)	**4.9**	(144.4)	**
Earnings (loss) per Common Share(3)(4)	**0.20**	(0.98)	**
Cash used in Operating Activities	**(11.9)**	(11.0)	(8.2)
Free Cash Flow before Dividends Paid	**(12.1)**	(12.8)	5.5
Consolidated			
Net Earnings (loss)(3)(4)(5)	**4.9**	(126.2)	**
Earnings (loss) per Common Share(3)(4)(5)	**0.20**	(0.86)	**
Cash from (used in) Operating Activities	**(12.1)**	25.0	**
Free Cash Flow before Dividends Paid	**(12.3)**	17.1	**
Free Cash Flow before Dividends Paid per Common Share	**(0.15)**	0.11	**

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

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

Significant improvements in transforming the operating business

Cost Transformation

In 2019, Aimia made significant progress in improving the performance of our business to deliver future profitability and positive cash flow.

To reduce our corporate costs and improve the performance of our Loyalty Solutions business, we put in place an ambitious plan to radically simplify our operating model and optimize the cost base. In the fourth quarter of 2019, operating expenses excluding impairments in 2018 declined by $15 million over last year, as the company implemented its cost transformation plan. Total headcount was 450 as at December 31, 2019, down from 520 last quarter and from 750 at the beginning of the year. On technology, we have now substantially completed our decoupling from Aeroplan, insourced our enterprise loyalty platform application development work, and are progressing well in executing on our renegotiated IT infrastructure contract which will reduce this IT spend by annualized savings of more than 40% YoY once fully implemented by the end of Q2 2020. On real estate, we have lowered the overall cost base by having exited presences in India and Indonesia, as well as from office consolidation and footprint reduction in our various global offices including in Singapore, Sydney, Toronto, and London, and our Montreal office will be moving in the first half of this year into a shared-office space.

Overall, excellent progress has been made on reducing the key elements of the company's cost structure and improving the long-term health of the business.

New Client Wins and Strategic Partnerships

Our customer focus is producing enhanced results and we are seeing good traction with both existing client growth and new customer wins. In the fourth quarter of 2019, we signed new strategic consulting contracts with a leading South American food retailer and a U.S.-based travel entertainment company. In our Air Miles Middle East coalition program, member engagement remains healthy supported by the recent launch in February 2020 of the loyalty program's new online travel shop designed to provide members with more options to redeem and book their travel using cash.

Also, in February 2020, our Loyalty Solutions business transformed the way we deliver our contact centre services inCanada through a more cost-effective outsourced model, as well as announced a strategic partnership with Microsoft to distribute our loyalty technology SaaS platform online through Microsoft's Azure Marketplace for brands worldwide seeking a dynamic customer loyalty management platform. We are excited about the first phase of this partnership in broadening our reach in helping brands globally to accelerate the digital transformation of their customer loyalty program and look forward to continuing our partnership, furthering both innovation and co-sales of Aimia's ALP SaaS platform.

Maximizing our investments and accretive capital allocation

The company made substantial headway in 2019 in maximizing the performance of our travel loyalty investments in PLM and BIGLIFE, realizing the value of investments at strong valuations, and deploying significant capital to generate strong returns over the long run.

Management's close involvement and active participation as Board members of PLM and BIGLIFE oversaw strong member growth in

2019 at both loyalty programs, with Club Premier growing 10% YoY and BIG increasing by 14% YoY. Distributions received from PLM totaled $35 million in 2019, almost double to those received in 2018, supported by continued strong financial performance as Gross Billings and Adjusted EBITDA both grew by 8% YoY to US$263 million and US$85 million, respectively.

In October 2019, the company sold its remaining stake of 1.3 million shares in Cardlytics for net proceeds of $60.5 million, taking total net proceeds from the sale of this investment to $131.5 million.

Furthermore, in 2019 we developed a robust capital allocation process to make smart decisions around the use of cash. Although the company evaluated numerous potential M&A opportunities, Aimia remained disciplined against this framework and concluded the optimal use of cash was through further share repurchases which it executed throughout the year.

Finally, significant and positive changes have been made in 2019 to strengthen and align the Board with the company's strategic direction and capital allocation priorities. Aimia is pleased to announce it has completed the process of reconstituting the Board with the new members detailed in the company's separate press release issued this morning.

With the reconstitution of the Board just announced, Aimia may share further information regarding its plans and expectations for the Company going forward.

Returns to shareholders

Following on its share repurchases earlier in the year, in December 2019, Aimia completed two concurrently launched substantial issuer bids totalling $125 million, under which it purchased for cancellation 14.7 million common shares, 1.0 million Series 1 preferred shares, 0.8 million Series 2 preferred shares and 1.6 million Series 3 preferred shares.

For the full year 2019, the company repurchased a total of $307.7 million of its common and preferred shares demonstrating the company's commitment to maximize the return on the use of its cash for shareholders. Also, in 2019 the company paid out a total of $78.3 million in dividends, of which $43.6 million were declared in 2019 and $34.7 million were previously declared in 2017.

Operational Performance (Continuing Operations) for the quarter ended December 31, 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 the PLM and BIGLIFE equity-accounted investments are being reported under "Corporate and Other".

Consolidated Results from continuing operations[(2)] in Q4 2019:

Operating loss significantly narrowed by $43.3 million to $(20.4) million mainly due to a $45.1 million improvement in operating expenses, which included an impairment charge of $30.4 million in 2018. Excluding the impact of the impairment charge in 2018, Aimia delivered $14.7 million in cost savings as it continues to execute on its business transformation. The improvement in operating expenses was mainly due to lower headcount leading to reduced compensation and benefits of $10.0 million, as well as reduced professional, advisory, and service fees, and lower rent from the favourable impact of IFRS 16 partially offset by higher IT decoupling expenses.

Adjusted EBITDA was $(13.2) million, compared to $(23.9) million in the fourth quarter of 2018, representing an improvement of $10.7 million mostly due to the substantial progress made in narrowing the Adjusted EBITDA loss in Loyalty Solutions by $11.0 million.

Net earnings (loss) from continuing operations was $4.9 million, compared to $(144.4) million in the fourth quarter of 2018, mostly due to the improvement in operating loss of $43.3 million, fair value gains of $5.6 million in Q4 2019 compared to fair value loss of $49.6 million in Q4 2018 and improvement in equity earnings of $39.1 million mainly explained by Q4 2018 PLM breakage adjustment.

Loyalty Solutions segment performance in Q4 2019:

Revenue from Loyalty Solutions was $35.0 million, a decrease of $1.8 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.

Operating expenses were down by $45.6 million to $40.1 million. Excluding impairments of $30.4 million recorded in the quarter of the prior year, the operating expense improvement mostly reflected reduced headcount and technology costs.

Operating loss was $(5.1) million, compared to $(48.9) million in the same quarter of last year. Excluding impairments in 2018, the substantial improvement in operating expenses more than offset lower revenue.

Adjusted EBITDA was $(2.7) million, compared to $(13.7) million in the fourth quarter of the prior year as a result of the improvement in operating expenses.

Corporate and Other performance in Q4 2019:

Operating expenses was $15.3 million, compared to $14.8 million in the same quarter of last year, up by $0.5 million as a result of incurring one-time costs related to technology decoupling and litigation and activism expenses that more than offset the benefits from lower compensation and advisory fees.

Adjusted EBITDA amounted to $(10.5) million, a decrease of $0.3 million mainly from higher operating expenses offsetting an increase in PLM distributions received.

Membership in Club Premier, the Mexican coalition loyalty program, continued to grow, with enrolled members up 9.8% YoY totaling 6.7 million at the end of December 2019. Gross Billings from Loyalty Units was US$70.6 million, surging 11.5% over last year from growth across all its major accumulation partners. PLM Adjusted EBITDA[(6)] performance was steady at US$21.7 million due to a strong top line performance offset by rewards mix impact from targeted promotions and technology investments to support the program's digital transformation.

Free Cash Flow before Dividends Paid

Free Cash Flow before Dividends Paid from continuing operations improved by $0.7 million to $(12.1) million as improvements in the current quarter operating cash flows were offset by the timing of working capital in the comparable period last year.

Free Cash Flow before Dividends Paid was $(16.7) million compared to $17.1 million in the same quarter of the prior year. The variance is mainly explained by the decrease of $30.1 million related to discontinued operations (including Aeroplan and Nectar) in the same period of last year.

Balance sheet

Cash and cash equivalents (which includes restricted cash and investments in corporate and government bonds) was $349.8 million as at December 31, 2019.

Restricted cash was $97.1 million at the end of December 2019, of which $73.2 million set aside as restricted cash as part of the Aeroplan transaction. Around $65 million of the restricted cash is expected to be released to Aimia in accordance with the terms of the share purchase agreement between Aimia and Air Canada.

Dividends

Dividends of $4.4 million were paid on December 31, 2019 on the three series of outstanding preferred shares in respect of the fourth quarter of 2019.

The Board of Directors has also declared a quarterly dividend in respect of its three series of preferred shares for the first quarter of

2020. Dividends will be payable on March 31, 2020, to shareholders of record at the close of business on March 20, 2020.

Quarterly Conference Call and Audio Webcast Information

Aimia will host a conference call to discuss its fourth quarter 2019 financial results at 8:30 a.m. EST on February 25, 2020. The call will be webcast at:

https://event.on24.com/wcc/r/2157551/BC077E24D9B405FF2A60B4FDBAC7F528

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 for the three months ended December 31, 2019

1. Non-GAAP financial measures (Adjusted EBITDA, Free Cash Flow before Dividends Paid and Free Cash Flow before Dividends Paid per Common Share) are explained in the section entitled "Non-GAAP Financial Measures".
2. Continuing operations refers to consolidated results excluding discontinued operations.
3. Net loss from continuing operations, Earnings (loss) from continuing operations per Common Share, Net Earnings (loss) and Earnings (loss) per Common Share include net fair value gains (losses) related to investments in equity instruments of $5.6 million for the three months ended December 31, 2019 and $(49.6) million for the three months ended December 31, 2018.
4. Operating loss from continuing operations, Net loss from continuing operations, Earnings (loss) from continuing operations per Common Share, Net Earnings (loss) and Earnings (loss) per Common Share for the three months ended December 31, 2018 include an impairment charge of $20.4 million related to the International ISS business and an impairment charge of $10.0 million related to the Middle East loyalty solutions business.
5. Net Earnings (Loss) and Earnings (loss) from discontinued operations per Common Share include the impact of the loss of $3.8 million recorded during the three months ended December 31, 2018, related to the disposal of the Nectar Program and related assets.
6. 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 twelve months ended December 31, 2019, are as follows:

HIGHLIGHTS [1]	**Years Ended December 31,**		
(in millions of Canadian dollars, except per share amounts)	**2019**	**2018**	**YoY % Change**
Continuing operations[2]			
Total Revenue	**134.0**	167.1	(19.8)
Operating Loss[8]	**(73.2)**	(134.7)	45.7
Adjusted EBITDA	**(31.5)**	(60.3)	47.8
Net Earnings (loss)[4][6][8]	**42.9**	(161.6)	**

Earnings (loss) per Common Share(4)(6)(8)	**0.37**	(1.18)	**
Cash used in Operating Activities(3)	**(90.0)**	(79.2)	(13.6)
Free Cash Flow before Dividends Paid(3)	**(91.2)**	(88.9)	(2.6)
Consolidated			
Net Earnings(4)(5)(6)(7)(8)	**1,112.4**	(72.0)	**
Earnings per Common Share(4)(5)(6)(7)(8)	**8.80**	(0.59)	**
Cash from (used in) Operating Activities(3)	**(117.9)**	141.8	**
Free Cash Flow before Dividends Paid(3)	**(119.1)**	115.0	**
Free Cash Flow before Dividends Paid per Common Share(3)	**(1.32)**	0.76	**

Notes for the twelve months ended December 31, 2019

1. Non-GAAP financial measures (Adjusted EBITDA, Free Cash Flow before Dividends Paid and Free Cash Flow before Dividends Paid per Common Share) are explained in the section entitled "Non-GAAP Financial Measures".
2. Continuing operations refers to consolidated results excluding discontinued operations.
3. Cash from (used in) 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 year ended December 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 (loss) from continuing operations, Earnings (loss) from continuing operations per Common Share, Net Earnings and Earnings per Common Share include net fair value gains (losses) related to investments in equity instruments of $89.6 million for the year ended December 31, 2019 and $(3.1) million for the year ended December 31, 2018.
5. Net Earnings and Earnings per Common Share for the year ended December 31, 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 year ended December 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 and Earnings per Common Share for the year ended December 31, 2018 include the impact of the gain of $1.6 million on the disposal of the Nectar Program and related assets.
8. Operating Loss from continuing operations, Net Earnings (loss) from continuing operations, Earnings (loss) from continuing operations per Common Share, Net Earnings, Earnings per Common Share for the year ended December 31, 2018 include impairment charges amounting to $28.4 million related to the International ISS business and an impairment charge of $10.0 million related to the Middle East loyalty solutions business.

About Aimia

Aimia Inc. (TSX: AIM) 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.

Aimia is focused on growing earnings through its existing business and investments, including the Club Premier program in Mexico, 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.

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 8 to 10 for a complete definition on all non-GAAP financial measures and pages 11 to 13 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, does not have a standardized meaning, and is not comparable to similar measures used by other issuers. We provide a reconciliation to operating income on pages 11 to 13 of the Management Discussion & Analysis (MD&A) for the three and twelve months ended December 31, 2019. Adjusted EBITDA is used by management to evaluate performance. Management believes Adjusted EBITDA assists investors in comparing Aimia's performance on a consistent basis excluding 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 as well as non-operating factors such as historical cost. Management believes that the inclusion of distributions and dividends received or receivable from equity-accounted investments in Adjusted EBITDA assists investors by adding a performance indicator representative of earnings from equity-accounted investments accessible to the Corporation. 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, do not have a standardized meaning, 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 (all as reported in accordance with GAAP): (a) total capital expenditures; (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 pages 11 to 13 of the MD&A for the three and twelve months ended December 31, 2019.

Forward-Looking Statements

Forward-looking statements are included in this news release. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would" and "should", and similar terms and phrases, including references to assumptions. Such statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions.

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 Aeroplan Inc., the execution of the strategic plan, investment risks, including in connection with how and when to deploy and invest Aimia's considerable cash and other liquid assets, 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, business and industry disruptions related to natural disasters, security issues and global health crises particularly as they might affect the airline, travel and hospitality sectors, 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 news release 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 ofFebruary 25, 2020, 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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