Aimia Inc.

Aimia Reports Second Quarter 2020 Results

TORONTO, Sept. 15, 2020 /CNW Telbec/ - Aimia Inc. (TSX: AIM) today reported its financial results for the three and six-months ended June 30, 2020, which is presented under a new format consistent with its updated corporate strategy as an investment holding company.

Q2 2020 Financial Highlights (with comparisons to Q2 2019 except as otherwise noted):

- Cash from operating activities (continuing operations) of $10.6 million, an improvement of $18.2 million
- On track to achieving an annualized corporate operating expense run-rate of $15 million, including $3 million in share-based compensation, for cash operating expense of $12 million
- Acquired a 10.85% stake in Clear Media Limited for $76.2 million
- Obtained a 49.3% equity stake in Kognitiv through a contribution of Aimia's Loyalty Solutions business and investment of $20.4 million in Kognitiv's 12% convertible preferred equity; a $15.2 million gain was recognized on this transaction
- Acquired Mittleman Investment Management for $6.3 million in cash, and up to 4.2 million common shares subject to achieving future earn out hurdles
- Bought and sold "COVID-crash" equity portfolio of public securities for a profit of $7 million
- Launched a normal course issuer bid (NCIB) to repurchase up to 6.98 million common shares at attractive prices that are at a significant discount to the intrinsic value of the company, under which Aimia repurchased 1.6 million common shares during the quarter, and an additional 1.4 million shares after the quarter end
- Our travel-loyalty investments (PLM and BIGLIFE) generated positive cashflow from operations in spite of the COVID pandemic
- PLM distributions of $8.8 million, up 51.7%

Q2 2020 financial highlights – continuing operations, unless otherwise noted:

HIGHLIGHTS	**Three Months Ended June 30,**		
(in millions of Canadian dollars, except per share amounts)	**2020**	**2019**	**YoY %**
Continuing operations[(1)]			
Income	**9.2**	47.1	-80.5%
Expenses	**1.6**	10.6	-84.9%
Earnings before income taxes	**7.6**	36.5	-79.2%
Net earnings	**6.1**	34.7	-82.4%
Earnings per Common Share	**0.03**	0.22	-85.6%
Distributions received from PLM	**8.8**	5.8	51.7%
Cash from (used) in Operating Activities	**10.6**	(7.6)	**
Consolidated			
Gain on disposal of businesses and other assets	**15.2**	19.5	**
Net earnings	**14.4**	43.5	-66.9%
Earnings per Common Share	**0.12**	0.29	-58.6%
Cash from (used) in Operating Activities	**14.0**	(55.6)	**

** Information not meaningful

1. Continuing operations refers to consolidated results excluding discontinued operations.

After the end of the quarter, Aimia received the remaining funds held in restricted cash of $66.9 million in accordance with the terms of the purchase agreement related to the Aeroplan sale, as well as $2.3 million from the general escrow account related to the Aeroplan transaction.

This quarterly earnings release should be read in conjunction with the condensed interim 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.

Phil Mittleman, Chief Executive Officer, commented: "We are pleased by the significant progress that Aimia has achieved in such a short period of time. During the second quarter, we completed several strategic initiatives including enhancing and extending our PLM relationship with Aeromexico, closing the Kognitiv transaction, and acquiring Mittleman Investment Management to secure key management expertise to execute on the new corporate strategy. We made a $76.2 million investment in Clear Media, one of the largest outdoor advertising firms in China, purchased at 5x normalized EBITDA with significant growth potential. We took advantage of the severe market decline caused by COVID, buying a high-quality portfolio of equities, which we sold when valuations quickly normalized, for a tax-sheltered gain of $7.0 million. This gain was then deployed towards common share repurchases under the company's NCIB, under which we have repurchased 3 million shares year to date. We are on track to achieving an annualized corporate operating expense run-rate of $15 million, or $12 million excluding non-cash charges, and have also received the $66.9 million held in restricted cash in accordance with the terms of the purchase agreement related to the Aeroplan sale, as well as $2.3 million from the general escrow account related to the Aeroplan transaction."

Mr. Mittleman continued: "While we continue to seek investment opportunities around the globe, our immediate focus is our current portfolio of existing investments, including maximizing the value of PLM and BIGLIFE. Despite the COVID-induced crisis that has plunged the airline industry into disarray, both of our travel-loyalty investments, PLM (Aeromexico) and BIGLIFE (AirAsia), generated positive operating cashflow in the quarter – a testament to the resilience of the coalition business model in the face of the worst downturn the airline industry has ever experienced. We believe loyalty programs are the most valuable part of an airline's ecosystem and can serve an instrumental role in creating value and liquidity for the airline during distressed times. As 49% owners and board members of PLM and 20% owner and board member of BIGLIFE, we recognize the substantial value inherent in these businesses. We are working tirelessly to ensure we are maximizing these and all of our existing assets and investments as we continue to seek out additional opportunities to utilize our strong, debt-free balance sheet and significant tax assets. Lastly, beyond just authorizing share buybacks, management and directors personally bought more than 1 million shares purchased in the open market during this tumultuous year, showing our unwavering confidence in Aimia's current value and future prospects."

Q2 2020 Strategic Highlights

During the second quarter, Aimia executed on its corporate transformation which included:

- Implemented a new strategy to become an investment holding company focused on strategic acquisitions in public and private companies, on a global basis, through controlling or minority stakes
- Combined the Loyalty Solutions business with Kognitiv to retain a significant interest in a transformative company with large potential upside while limiting future risk to Aimia
- Completed the acquisition of Mittleman Investment Management which will serve as a solid platform for the company to execute its new strategy
- Enhanced the executive leadership team with the appointment of Michael Lehmann as President and Chris Mittleman as Chief Investment Officer, joining Phil Mittleman who was appointed permanent CEO
- Enhanced and extended our PLM relationship with Aeromexico with the signing of a definitive agreement that provides modifications that strengthened the program, including a 20-year extension of the current CPSA term to 2050 between Aeromexico and PLM, while granting the airline a 7-year option to purchase Aimia's 48.9% equity interest in PLM with a minimum price of US$400 million plus Aimia's pro-rata share of cash in PLM, net of any third party financial debt
- Invested $76.2 million in Clear Media Limited (HK: 100), one of the largest outdoor advertising firms in China with market shares of more than 70% in top-tier cities, alongside a blue-chip consortium of investors and experienced management team seeking a privatization of the business to execute its digital plan

Segment Highlights for Q2 2020

With effect from Q2 2020, Aimia operates two reportable segments: Investments and Holdings (formerly Corporate and Other) and Investment Management.

The Investments and Holdings segment includes Aimia's long-term investments in PLM, BIGLIFE, Kognitiv and Clear Media Limited, as well as central operating costs related to public company disclosure and Board costs, executive leadership, finance and administration.

The Investment Management segment consists of the discretionary portfolio management services provided to institutional investors and high net worth individuals, currently operated under Mittleman Investment Management, LLC.

Investments and Holdings segment results

Aimia has rapidly cut costs and rightsized the corporate expenses with a leaner team and simplified structure led by its new CEO, Phil Mittleman and its President, Michael Lehmann, with further savings being evaluated. Aimia is on track to achieving an annualized operating expense run-rate of $15 million, or an annualized cash run-rate of $12 million excluding $3 million in share-based compensation, as compared to $27 million in 2019.

During the second quarter of 2020, corporate expenses were $1.5 million, down from $10.6 million in the prior-year quarter driven mostly by a $3.1 million reduction in severance expenses, the net reversal of share-based and performance based compensation of $1.7 million, financial income of $1.3 million, lower technology spend as well as reduced professional and advisory fees. Excluding non-recurring items that lowered the expenses by $2.3 million, corporate operating expenses were $3.8 million – on track to achieve the company's run-rate expense target.

Investment Management segment results

To support the company's new strategic direction, Aimia acquired Mittleman Investment Management to secure key management skills and expertise to execute on the new corporate strategy.

During the 11 days of portfolio management activity in the second quarter post the transaction close on June 19, 2020, revenue from management fees were $0.1 million and earnings (loss) before income tax were nil. Assets under management were US$148 million as of June 30, 2020.

Equity-accounted Investment Performance Summary:

Our equity-accounted investments include PLM (48.9%), BIGLIFE (20%), and Kognitiv (49.3%).

PLM and BIGLIFE are coalition loyalty programs that are in different stages of their lifecycle. PLM is a mature loyalty program with a long track record of profitability and cash generation, providing consistent and growing distributions to its shareholders. BIGLIFE has been growing quickly with 7.6 million active members and has not required further funding by its shareholders since Aimia invested in 2014.

Due to travel restrictions and border closures globally, the anchor airline partners of PLM and BIGLIFE have been materially affected by COVID-19. Aeromexico has commenced proceedings under Chapter 11 of the United States Bankruptcy Code to implement a restructuring that is expected to provide the airline with additional liquidity and the ability to cut costs during this unprecedented reduction in airline travel. We believe Aeromexico will emerge from this process as a much stronger airline, and thus, further strengthen the loyalty program.

Kognitiv is a B2B technology company with a transformative peer-to-peer technology platform. Its recent merger with Aimia Loyalty Solutions provides greater opportunities for accelerated revenue growth, margin expansion, and cost synergies. While Kognitiv has yet to reach profitability, we anticipate the combined business will reach EBITDA profitability and positive cash flow in 2021.

The table below summarizes the performance of our equity-accounted investments for the three and six months ended June 30, 2020.

A detailed analysis on the performance of each equity-accounted investment is available in our MD&A:

PLM *(Millions of Canadian dollars)*	**Q2 2020**	**Q2 2019**	**1H 2020**	**1H 2019**
Revenue	32.5	80.4	106.0	157.5
Net earnings (loss)	1.4	14.9	(7.4)	29.9
Gross Billings	27.8	91.9	114.0	173.8
Adjusted EBITDA*(1)	(4.7)	28.5	25.5	55.5
Cash from (used in) operating activities(2)	(53.1)	53.5	(75.5)	81.5
Free Cash Flow*(2)	(54.2)	52.3	(75.8)	81.6

(1) Includes a $12.5 million (US$9 million) expected credit loss in the three months ended June 30, 2020 related to certain unsecured receivables.

(2) Includes a $69.3 million (US$50.0 million) advance to Aeromexico by PLM through pre-purchases of award tickets provided with the execution of the amendments to the CPSA.

BIGLIFE *(Millions of Canadian dollars)*	**Q2 2020**	**Q2 2019**	**1H 2020**	**1H 2019**
Revenue and other income	27.4	13.7	33.8	25.1
Net earnings (loss)	24.4	(1.3)	23.0	(3.4)
Gross Billings	3.0	10.8	12.4	22.9
Adjusted EBITDA*	(0.8)	(3.4)	(0.2)	(4.5)
Cash from (used in) operating activities	1.1	(3.2)	(0.6)	(0.5)
Free Cash Flow*	1.0	(4.2)	(0.7)	(2.2)

*A non-GAAP measurement. Non-GAAP financial measures are defined and reconciled to the most comparable IFRS measures, if applicable, in our MD&A. See caution regarding Non-GAAP financial measures in our MD&A.

Balance sheet

Our cash position on June 30, 2020, was $191.1 million, which included cash and cash equivalents, and restricted cash. Subsequent to the quarter end, $66.9 million of the restricted cash was released to Aimia in July 2020 in accordance with the terms of the SPA between Aimia and Air Canada, as well as $2.3 million from the general escrow account related to the Aeroplan transaction. Aligned with the new corporate strategy, the company's investment committee will seek opportunities to deploy this cash towards the acquisition of free cash flow generative businesses in diverse industries.

The company had approximately $700 million in operating and capital loss carryforwards at the end of the second quarter of 2020, consisting of approximately $400 million in capital losses in Canada and around $300 million in operating losses, with around two-thirds in the U.S. and approximately one-third in Canada. Aimia will consider investments that may efficiently utilize the Company's operating and capital loss carryforwards to further enhance stakeholder value.

Returns to Shareholders

Normal Course Issuer Bid (NCIB)

On June 8, 2020, Aimia announced the establishment of a NCIB to repurchase for cancellation up to 6.98 million common shares.

During the second quarter of 2020, Aimia began purchasing shares under its NCIB beginning onJune 10, 2020, and repurchased 1.6 million shares for a total cost of $4.5 million. After the end of the second quarter, the company continued to purchase shares, taking the year-to-date amount purchased to $9.0 million or 3.0 million shares as of September 14, 2020.

Dividends

Dividends of $3.1 million were paid on June 30, 2020 on the two series of outstanding preferred shares in respect of the second quarter of 2020. At the end of the second quarter of 2020, there were 9.4 million preferred shares outstanding comprised of 5.1 million Series 1 preferred shares and 4.3 million Series 3 preferred shares.

The Board of Directors has declared a quarterly dividend in respect of its two series of preferred shares for the third quarter of 2020. Dividends on the Series 1 and Series 3 preferred shares will be payable on September 30, 2020, to shareholders of record at the close of business on September 23, 2020.

Quarterly Conference Call and Audio Webcast Information

Aimia will host a conference call to discuss its second quarter 2020 financial results at8:30 a.m. EST on September 15, 2020. The call will be webcast at:

https://produceredition.webcasts.com/starthere.jsp?ei=1349094&tp_key=ec11c141f3

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/

Aimia's second quarter 2020 Financial Statements, Management Discussion & Analysis, and Financial Highlights Presentation will be filed on SEDAR around 7:00 a.m. EST on September 15, 2020 available here, as well as the company's investor relations website accessible here later that day.

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.

Appendix

The highlights for the six months ended June 30, 2020, are as follows:

HIGHLIGHTS	**Six Months Ended June 30,**		
(in millions of Canadian dollars, except per share amounts)	**2020**	**2019**	**YoY %**
Continuing operations(1)			
Income	**5.2**	78.2	-93.4%
Expenses	**9.8**	25.1	-61.0%
Earnings (loss) before income taxes	**(4.6)**	53.1	**
Net earnings (loss)	**(7.4)**	37.4	**
Earnings (loss) per Common Share	**(0.15)**	0.20	**
Distributions received from PLM	**18.3**	24.7	-25.9%
Cash used in Operating Activities	**(8.8)**	(8.0)	-10.0%
Consolidated			
Gain on disposal of businesses and other assets	**15.2**	1,063.1	**

Net earnings	**4.8**	1,090.6	**
Earnings (loss) per Common Share	**(0.02)**	7.47	**
Cash used in Operating Activities	**(11.8)**	(102.9)	**

** Information not meaningful

1. Continuing operations refers to consolidated results excluding discontinued operations.

About Aimia

Aimia Inc. (TSX: AIM) is an investment holding company with a focus on long-term investments in public and private companies, on a global basis, through controlling or minority stakes.

The company operates an investment advisory business through its wholly-owned subsidiary Mittleman Investment Management, LLC, and owns a diversified portfolio of valuable investments including a 48.9% equity stake in PLM Premier, S.A.P.I. de C.V. (PLM), owner and operator of Club Premier, the coalition loyalty program in Mexico that operates the Aeromexico Frequent Flyer program, a 49.3% equity stake in Kognitiv, a B2B technology company with a transformative peer-to-peer technology platform, a 20.0% equity stake in BIGLIFE, the operator of BIG Loyalty, one of the largest loyalty programs across Asia, as well as a 10.85% stake in Clear Media Limited, one of the largest outdoor advertising firms in China.

For more information about Aimia, visit corp.aimia.com.

Non-GAAP Financial Measures

Following the Corporation strategic update, Aimia does not present Non-GAAP financial measures for its consolidated results. However, in order to complement the analysis of the financial performance of its investments, certain Non-GAAP measures are presented. A reconciliation to these investments' most comparable GAAP measure is provided in our MD&A section – "Non-GAAP Financial Measures for Investments".

PLM Adjusted EBITDA

Adjusted EBITDA for PLM ("PLM Adjusted EBITDA") is earnings before net financial income (expense) and net income tax expense adjusted to exclude depreciation, amortization and impairment charges related to non-financial assets, as well as adjusted for certain factors particular to PLM, such as changes in deferred revenue and Future Redemption Costs. Change in deferred revenue is calculated as the difference between Gross Billings and revenue recognized, including recognition of Breakage. Future Redemption Costs represent management's estimated future cost of rewards in respect of Loyalty Units sold which remain outstanding and unbroken at the end of any given period. Future Redemption Costs are revalued at the end of any given period by taking into account the most recently determined average unit cost per Loyalty Unit redeemed for that period (cost of rewards / Loyalty Units redeemed) and applying it to the total Unbroken Loyalty Units outstanding at the end of that period. As a result, Future Redemption Costs and the change in Future Redemption Costs must be calculated at the end of any given period and for that period. The simple addition of sequential inter-period changes to arrive at a cumulative change for a particular period may result in inaccurate results depending on the fluctuation in the Average Cost of Rewards per Loyalty Unit redeemed for the period in question. PLM Adjusted EBITDA is not a measurement based on GAAP, is not considered an alternative to net earnings in measuring profitability, does not have a standardized meaning, and is not comparable to similar measures used by other issuers. Aimia and PLM's management do not believe that PLM Adjusted EBITDA has an appropriate directly comparable GAAP measure. However, a reconciliation to PLM's operating income is provided in our MD&A section – "Non-GAAP Financial Measures for Investments". PLM Adjusted EBITDA is used by Aimia and PLM's management to evaluate performance. Aimia and PLM's management believe PLM Adjusted EBITDA assists investors in comparing PLM'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.

BIGLIFE Adjusted EBITDA

Adjusted EBITDA for BIGLIFE ("BIGLIFE Adjusted EBITDA") is earnings before depreciation, amortization and impairment charges related to non-financial assets and net income tax expense adjusted for certain factors particular to BIGLIFE, such as changes in deferred revenue and Future Redemption Costs. Change in deferred revenue is calculated as the difference between Gross Billings and revenue recognized, including recognition of Breakage. Future Redemption Costs represent management's estimated future cost of rewards in respect of Loyalty Units sold which remain outstanding and unbroken at the end of any given period. Future Redemption Costs are revalued at the end of any given period by taking into account the most recently determined average unit cost per Loyalty Unit redeemed for that period (cost of rewards / Loyalty Units redeemed) and applying it to the total Unbroken Loyalty Units outstanding at the end of that period. As a result, Future Redemption Costs and the change in Future Redemption Costs must be calculated at the end of any given period and for that period. The simple addition of sequential inter-period changes to arrive at a cumulative change for a particular period may result in inaccurate results depending on the fluctuation in the Average Cost of Rewards per Loyalty Unit redeemed for the period in question. BIGLIFE Adjusted EBITDA 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. Aimia and BIGLIFE's management do not believe that BIGLIFE Adjusted EBITDA has an appropriate directly comparable GAAP measure. However, a reconciliation to earnings before depreciation and amortization and net income tax expense is provided in our MD&A section – "Non-GAAP Financial Measures for Investments". BIGLIFE Adjusted EBITDA is used by Aimia and BIGLIFE's management to evaluate performance. Aimia and BIGLIFE's management believe BIGLIFE Adjusted EBITDA assists investors in comparing BIGLIFE'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.

Forward-Looking Statements

Forward-looking statements are included in this press 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, risks and uncertainties to Aimia's investment in PLM arising from Aeromexico's Chapter 11 filings, failure to realize the anticipated benefits from the transactions with Kognitiv and/or Mittleman Brothers, the execution of the strategic plan, 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, 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, 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 press 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 of September 14, 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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