AIMIA INC.

FIRST QUARTER 2021

RESULTS CONFERENCE CALL

MAY 14, 2021

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Aimia Inc.

First Quarter 2021 Results Call

Event Date/Time: May 14, 2021 — 8:30 a.m. E.T.

Length: 25 minutes

CORPORATE PARTICIPANTS

Tom Tran
Aimia Inc. — Director, Investor Relations

Phil Mittleman
Aimia Inc. — Chief Executive Officer

Michael Lehmann
Aimia Inc. — President

Steve Leonard
Aimia Inc. — Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Brian Morrison
TD Securities — Analyst

Ryan Gunning
Jefferies — Analyst

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Aimia Inc. First Quarter 2021 Results Call. All lines have been placed on mute to prevent any background noise.

After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question at that time, please press *, 1 on your touch-tone phone.

I will now turn the call over to Tom Tran, Head of Investor Relations. Please go ahead.

Tom Tran — Director, Investor Relations, Aimia Inc.

Thank you, Crystal, and welcome, everyone, to this morning's call. Today's presentation is available on SEDAR and the Company's website.

Before we get underway, I would like to remind everyone to review our forward-looking statements and the cautions and risk factors pertaining to the statements.

With me on the call today are speakers Phil Mittleman, Aimia's CEO; Michael Lehmann, our President; and Steve Leonard, our CFO.

Phil will begin with our strategic highlights, followed by Michael, who will cover the performance of our investments, before handing the call over to Steve to take you through the results of the quarter. We will have time for your questions at the end.

With that, let me hand it over to Phil.

Phil Mittleman — Chief Executive Officer, Aimia Inc.

Thanks, Tom, and good morning, everyone on the phone and webcast today. We'll begin with our strategic highlights for the first quarter.

We continued to make progress in executing our strategic objectives to grow our existing investments, while seeking new investment opportunities.

PLM continued to perform well with signs of ongoing recovery in its operating performance. Following a deliberate pause in distributions to shareholders in the second half of 2020 due to the impacts of COVID-19, distributions to shareholders resumed in the first quarter of this year, and Aimia received a distribution of $9.8 million, 3 percent higher than the same period in the prior year.

Our enhanced shareholder agreement with Aeroméxico, including the buyout option, as well as the extension of the CPSA between Aeroméxico and PLM through 2050, continues to be honoured by Aeroméxico, and we expect it will be formally assumed.

We are very pleased to see Kognitiv's sales transaction and partnership agreement with IRI, a global leader in innovative solutions and services for consumer, retail, and media companies.

IRI acquired the ISS business, a leading retail consumer insight provider that enables collaboration between retailers and suppliers. As evidenced by Kognitiv's cash balance at the end of the quarter of over $40 million, the sale of ISS significantly strengthened Kognitiv's liquidity position.

Through this partnership agreement, IRI and ISS will explore opportunities for IRI's retail clients to leverage Kognitiv's unique Platform-as-a-Service to deliver new value to consumers through hyper-personalized experiences within their ecosystem.

This partnership with IRI validates Kognitiv's unique collaborative commerce technology platform and aligns Kognitiv with a global leader in big data and predictive analytics.

We were also pleased to see the exceptional talent added to the Kognitiv leadership team to drive the commercialization of the business, including a new President and CFO, both of whom possess expertise in building commercial scale as well as having capital market experience. Kognitiv has also made several strategic senior hires across its client and product teams to foster strong business partnerships.

At Clear Media, the planned privatization of its business continues with shares in Clear Media remaining suspended, as expected, from trading on the Hong Kong stock exchange.

We are very excited about Clear Media, the largest outdoor advertising firm in China, which we purchased at a very attractive valuation at an opportunistic time, participating alongside a blue-chip consortium of growth-oriented investors.

Since we made our investment in Clear Media, China's economy has continued to recover, and we continue to see these positive economic trends benefitting outdoor advertising sales in China.

At BIGLIFE, through the close relationship we have developed with AirAsia, we saw a unique opportunity to create value for Aimia's stakeholders. Aimia entered into a binding memorandum of understanding with AirAsia to sell its 20 percent equity stake in AirAsia's loyalty program, BIGLIFE, for a transaction valued at approximately C$31 million to be satisfied by $85.9 million new publicly traded ordinary shares of AirAsia.

Subject to the quarter-end, we signed a formal share purchase agreement, and we expect this transaction to close by quarter-end.

We also participated in a private placement resulting in the acquisition of 35.6 million additional shares for $9.4 million. Upon completion of the BIGLIFE transaction, which is subject to AirAsia shareholder approval, Aimia will own a total of 121.5 million new shares in AirAsia for an approximate 3.1 percent equity stake in the airline.

By exchanging our minority position in BIGLIFE for publicly traded stock in AirAsia, we will enhance the value of BIGLIFE by allowing AirAsia to acquire full ownership and reap the strategic benefits from the many opportunities if affords the airline. At the same time, Aimia is provided liquidity while participating in what we believe will be significant upside in AirAsia's equity.

We fully support the airline's efforts to strengthen its financial position and pursue its digital transformation. And we believe that AirAsia will emerge from the pandemic as a stronger airline, uniquely positioned to capitalize on the sizable pent-up demand that we believe exists for low-cost air travel across Southeast Asia.

Moving to our special purpose vehicle. Aimia fully funded its initial $6.4 million commitment in the quarter in a special-purpose vehicle created to pursue a leveraged buyout of a target. The special purpose vehicle has continued to acquire shares of the target in the open market and has engaged the target's management team to explore opportunities to enhance and unlock shareholder value.

The target is a well-established company with a long history of generating strong earnings and free cash flow. Aimia has the option to acquire a stake of up to 25 percent of the target, representing a cash commitment of up to $50 million upon the successful consummation of the planned LBO.

Our core strategy is to seek the best opportunities, investment opportunities that we can find globally to deploy our cash and potentially utilize the significant tax losses on acquisitions of free cash flow-generating business with taxable income, and with the ability to upstream distributions to the holding company.

As we seek these private company opportunities that are attractive enough to warrant an investment, we have also been investing in public equities that we have identified as significantly undervalued businesses with discernable catalysts.

At the end of the first quarter of 2021, our public securities portfolio totalled $42.6 million, including unrealized gains up until the end of the quarter of $9.8 million.

To expand our global opportunities set beyond traditional public securities investing, Aimia also considers co-investment opportunities with proven investment leaders to provide a streamlined way for Aimia to invest its capital to generate new opportunities. We have a strong pipeline of potential investments, and we remain patient and disciplined.

And with that, let me turn the floor over to Mike to provide you some further updates on our investment portfolio. Mike?

Michael Lehmann — President, Aimia Inc.

Thanks, Phil, and good morning to everyone. We'll begin our discussion with PLM, where I'll be speaking to the operating performance in USD, which is PLM's functional currency.

PLM's operating metrics continue to demonstrate growth and member engagement, which was up 4.4 percent over last year to 7.1 million enrolled members in the first quarter.

Gross billings were $35.5 million in the first quarter, down $44.8 million over last year due to lower accumulation volumes, and down 4.6 percent over last quarter, partly due to seasonality as well as the continued impacts from COVID-19.

Revenues were $28.7 million in the first quarter, down 48 percent over last year and down 19.8 percent over last year due to lower redemption volumes.

Adjusted EBITDA was $11.6 million in the quarter, representing a margin of 32.7 percent, as the impacts of lower gross billings were partly offset by lower unit cost and expense reduction initiatives.

Further, free cash flow was a positive $19.1 million in the first quarter, an increase of $35.3 million compared to the same period in the prior year. The improvement was mainly driven by the prepurchase of award tickets of $15 million that occurred in the first quarter of 2020, as well as the usage of award tickets prepurchase following the execution of the revised PPSA with Aeroméxico in the second quarter of 2020.

Overall, PLM continues to demonstrate signs of recovery despite the continued challenging airline environment.

Moving on to Kognitiv, in the first quarter revenues were $14.4 million due to the roll-off of clients from the legacy Loyalty Solutions business as well as a $5 million impact from the sale of the ISS business to IRI.

Adjusted EBITDA from continuing operations was a loss of $11.4 million, mainly due to lower revenues, offset by reduced costs and operating expenses.

Kognitiv continues to be focused on the commercialization of its business as it transitions toward a higher-margin, subscription-based Platform-as-a-Service offering. In addition, clients are offered managed loyalty solutions to provide additional expertise, strategy, and resources to deliver and manage their programs, campaigns, and customer experiences.

Moving on to our Investment Management business, revenue from investment management fees were approximately $500,000, and a loss before income taxes was a negative $400,000, or a negative $100,000 excluding D&A.

Assets under management grew to $244.8 million in the first quarter of the year from $201 million, an improvement of 6.3 percent quarter on quarter as a result of the rebound in its concentrated and value-oriented investment strategy.

And finally, moving on to Clear Media. Clear Media's financial results continue to improve as it projects materially higher revenues in 2021 compared to the prior year. Major operators in the region, such as JCDecaux and Focus Media, are seeing signs of recovery in the Chinese domestic advertising market with revenues almost back to pre-COVID levels.

We expect Clear Media's management team to execute on its growth-oriented plans to digitize its 59,000 commercial panels with a goal of attracting new, higher-margin advertising revenue streams and clientele. With less than 1 percent of its panels currently digital, we believe there remains significant runway for digital penetration over the coming years.

And with that, let me turn it over to Steve to take you through the financial results. Steve?

Steve Leonard — Chief Financial Officer, Aimia Inc.

Thank you, Michael, and good morning to everyone. Let's begin by covering the consolidated results before we move to the segment performance and cash movements in the quarter.

In the first quarter, total income was $1.7 million, mostly driven by a $5.4 million net fair value gain from investments in public securities.

Reported expenses were $8.8 million, a slight increase compared to last year, mostly due to a non-cash $3.5 million expense related to deferred share units granted to executives to maintain continuous alignment with stakeholders.

Within the Holdings segment, total income was $1.2 million, up from a loss of $4 million in the same quarter last year.

Total expenses were $7.9 million in the first quarter of 2021, down from $8.2 million in the same quarter last year. Within total expenses, corporate operating expenses, which includes compensation, professional and advisory fees, as well as technology and other office expenses, were $7.2 million in the quarter, down 10 percent from the $8 million in the same period last year.

The drivers of the expense savings were reduced technology spend and other office expenses and also lower professional and advisory fees. These expense savings were partially offset by the higher share-based compensation and other compensation awards, mainly due to a 25 percent increase in Aimia's common share price during the quarter and the current-quarter amortization of the deferred share units granted to executives in the second quarter of 2020, which resulted in a non-cash charge of $3.5 million in the quarter, as previously mentioned.

Excluding share-based compensation and other performance awards, corporate cash operating expenses were $3.7 million, down 56 percent from $8.4 million in the same period last year. We currently expect our holdco cash operating expenses will range between $13 million and $14 million for 2021 as we exit some legacy activities to complete our transformation, progress through maximizing the value of our existing investments, and experience some due diligence related to new investment opportunities.

Moving on to cover the major cash movements for the quarter. We ended the first quarter with a total cash balance of $134.8 million, down $11.3 million from the $146 million last quarter. The main movements in cash this quarter compared to last quarter were a $9.8 million distribution from PLM and $4.3 million in cash received related to the Kognitiv closing working capital adjustment. These were offset by a $17.7 million investment in various public securities.

We made a $3.2 million payment towards the remaining portion of our commitment to fund the special purpose vehicle.

We paid preferred dividends of $3.2 million and related Part VI tax of $1.3 million.

And corporate cash operating costs were $3.7 million, offset by tax refunds and other working capital items.

Including our public securities portfolio, we had a market value of $42.6 million as of the end the first quarter. Aimia's cash plus liquid investments totalled $177.4 million.

And with that, let me turn it over now to Phil to wrap up with a few concluding remarks.

Phil Mittleman

Thanks, Steve. 2021 is shaping up to be an exciting year, highlighted by the significant progress made in executing our new strategy as a holding company and the positive developments in our various investments.

We remain focused on continuing to grow our existing assets while seeking new investment opportunities to deliver enduring value to Aimia's stakeholders.

So with that, we'll turn it over to questions. Operator?

Q&A

Operator

At this time if you would like to ask an audio question, please press *, 1 on your touch-tone phone. Once again that is *, 1 to ask an audio question.

Your first question comes from the line of Brian Morrison with TD Securities.

Brian Morrison — TD Securities

Hey. Good morning, guys.

Phil Mittleman

Hey, Brian.

Michael Lehmann

Good morning, Brian.

Brian Morrison

Hey. Good morning, Mike. Just in terms of PLM, maybe I can start there. I see in your MD&A there's a claim to be heard on May 21st. Can you maybe just walk us through? Is this procedural? Is it acrimonious? What are the potential outcomes of this hearing? And can this pave the way for a formal assumption of the contract?

Phil Mittleman

Yeah. We can't comment on ongoing legal issues, but you're right. This is procedural. It's not acrimonious. I'll just say that, again, that PLM is honouring the contracts. They're paying us dividends. And we do expect the contracts to be assumed.

Brian Morrison

Okay. And then maybe just operationally, how much of the prebuys have been worked through? And is there any active management by PLM or by the airline that's encouraging or limiting redemption activity?

Michael Lehmann

I'll take that, Brian. PLM used about C$5 million of the prebuys related to last year in the quarter. In terms of the redemption activity, we're not seeing anything unusual. As Phil mentioned, the airline has been honouring the agreements, and there's nothing unusual. You'll notice that the quarter-over-quarter redemption was down a bit versus last quarter, but that's more seasonal-related than anything else.

Brian Morrison

Okay. And then if I shift gears to Clear. I realize it's private. But I think, if I heard you correct, did you say that they're already back or close to pre-pandemic levels? And if so, can you just update on the progression of digitization of the 59,000 displays? How far along are we on that?

Phil Mittleman

Sure. We can't forecast beyond what Clear Media themselves are forecasting. And so, anecdotally, you've seen from other industry leaders there's been a lot of bullishness on the Chinese outdoor advertising business. So we can read in from there. But in terms of what the Company's forecast, it's just what we said.

In terms of the progress on the digitization, again, they haven't revealed anything publicly, but we do know that this is their focus and that less than 1 percent of their panels were digital when this effort began. So we think there's a tremendous amount of upside there and a long runway to growth, but we can't give you any details beyond that at this time.

Michael Lehmann

Brian, the comment on the pre-pandemic levels, that was a comment made by JCDecaux and further evidenced in Focus Media and other venues in Asia. They are seeing portions of their business that are approaching and exceeding pre-pandemic levels. So after initially pulling back pretty dramatically on the advertising and marketing expenses, companies are very quickly and actively putting those programs back into play.

So I think everybody—this is raising all boats, and there's an opportunity set to be gleaned by all. But certainly, all the leaders continue to increase and perhaps even take share. So we're pretty pleased with the progress to date.

Brian Morrison

Okay. Thank you. That's encouraging. And then last question on Kognitiv. Maybe just update us on your financial targets in 2021. Do you still plan to be breakeven after the IRI transaction? I see the

EBITDA looks to be down this quarter, and with bond yields weighing on tech valuations, is there any change on your views to timing or the path to monetization on this investment?

Phil Mittleman

Yeah. I think the sale of ISS to IRI was an exciting transaction in a few ways. I think number one, from the perspective of investors outside, one of the difficult things in any tech company, especially in one like Kognitiv that has such a unique product, is, is it real. Is this something that—it's hard to understand.

But when IRI came in, they're an industry leader in this sector, and they came in and scrubbed this business. And not only did they buy ISS, which was a great transformational transaction for Kognitiv I'll address in a second, but they decided that they wanted to partner with Kognitiv and sell Kognitiv's product to their client base. Now that is a very telling decision because it shows that they have something real and something that an industry leader wants to sell. I mean, that's the purest form of capitalism. So we're very excited about that.

In terms of the actual sale of ISS, that was transformative for Kognitiv. It yielded a lot of cash, but it did take away some revenues. So in terms of the targets, there's still a lot of smoke to clear. We now have ISS is gone. We have a new partnership. We have legacy Aimia clients dropping off. We have new commercialization and higher-margin PaaS-model sales that they're focused on that we're seeing some traction with.

So until the smoke clears there, we don't have the clarity yet to give you new targets. But I would just say, overall, the picture is improving dramatically as far as all the different metrics we care about.

In terms of the possibility of a liquidity event, I think they're commercializing their product now. And when that opportunity arises and the moment's right, we're going to take it. We're not too focused on the day-to-day of the markets and rising rates. As you know, if a tech product is working out and people want it, they'll pay for it. And I think that opportunity hopefully will come. And when it does, we'll take advantage of it.

Brian Morrison

All right. Thanks very much for all the colour. Appreciate it.

Phil Mittleman

No. Thank you, Brian.

Michael Lehmann

Thanks, Brian.

Operator

Your next question comes from the line of Hamzah Mazari with Jefferies.

Ryan Gunning — Jefferies

Hey. It's actually Ryan Gunning on for Hamzah. Just following up on Kognitiv, with the increased liquidity, just wondering if you're seeing any kind of attractive M&A targets in the market. Or do you think growth will come more organically?

Phil Mittleman

Kognitiv has made a lot of acquisitions in the past. They consider new acquisitions to further bolster their offerings. And so the answer is yes, there are targets, and there's some exciting technologies out there that can extend their offering. So the answer would be yes.

Michael Lehmann

The acquisitions, they're a couple-fold. There are acquisitions that can grow the product set to further push toward the commercialization of the model, right? And then there are also technological acquisitions that can either get us to where we're trying to go faster or more efficiently by reducing costs. So several of those options are on the table, and we continue to evaluate them.

In terms of where growth is coming from, both organically as well as through acquisition. The commercialization process is ongoing. The merging of Kognitiv and Aimia's loyalty business, the attractiveness of that and the thesis was combining cutting-edge technology and a collaborative product with Aimia Loyalty long-standing clients. So we're in the process of converting Aimia Loyalty customers to the PaaS model and, while doing so, also offering a managed services element, which is kind of like a consulting element to make the model more profitable and the user experience more positive.

Ryan Gunning

Got it. Thanks. Thanks, guys. That's very helpful. And then lastly, I guess, just on capital allocation plans for the balance of 2021. Just wondering, doesn't sound like they've changed at all but, just in terms of like buybacks and everything, if they have changed.

Phil Mittleman

Yeah. No. Our capital allocation priorities are never going to change. We're always evaluating the best ways to allocate our cash to create shareholder value. As you know, we've bought back over 40 percent of our shares over the past couple of years. So we're always aggressive about that and opportunistic about that.

We'll continue to—we're looking at larger investments, things that can utilize our US NOLs. We have a significant amount of US tax losses and also capital losses in Canada to shield our gains. So we're evaluating a lot of different opportunities always. And those priorities will not change.

Ryan Gunning

Got it. Thanks a lot, guys.

Phil Mittleman

Thank you.

Michael Lehmann

Thanks, Ryan.

Operator

There are no further questions. I will now turn the call back to Tom Tran for closing remarks.

Tom Tran

Thank you, everyone, for joining today's call and webcast. We hope to connect with you soon at our AGM, also held virtually this morning at 10:30 a.m. If you have any questions, please reach out to Investor Relations. Thank you.

Operator

This concludes today's conference call. You may now disconnect.