FINAL TRANSCRIPT

Aimia Inc.

First Quarter 2023 Results Conference Call

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Aimia Inc. First Quarter 2023 Results Conference call. At this time, all lines are in a listen-only mode.

Following the presentation, we will conduct a question-and-answer session.

If at any time during this call you require immediate assistance, please press *, 0 for the Operator.

This call is being recorded on Friday, May 12, 2023.

I would now like to turn the conference over to Albert Matousek, Head of Investor Relations and Communications. Please go ahead.

Albert Matousek — Head of Investor Relations and Communications, Aimia Inc.

Thank you, Brian, and welcome, everyone, to this morning's call.

Today's presentation is available on SEDAR and on our 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 statement.

My name is Albert Matousek, Head of IR and Communications. 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, Albert, and good morning to everyone on the phone and webcast today.

We are pleased to announce the successful closing of the Bozzetto and Tufropes transactions, as well as the Bozzetto debt financing, two cash-generating businesses with significant value-creation potential for our stakeholders.

Furthermore, we are very excited by the strength being exhibited by all of our current portfolio holdings.

On May 9th, Aimia closed the Bozzetto transaction and the associated debt financing at the subsidiary level. Aimia invested $206.3 million for an equity stake of 94 percent in Bozzetto, investing alongside the management team, who purchased 6 percent of the company at the same valuation as Aimia.

We look forward to working with this remarkable management team as they continue to grow this business organically and through strategic acquisitions and it is in advanced discussions with a potential target in the Americas.

On March 17th, we closed the Tufropes transaction and acquired 100 percent of the company for $239.2 million. Following this acquisition, the leadership team has actively engaged with customers, suppliers, and employees, and the response has been overwhelmingly positive. The team is exploring new opportunities for potential strategic partnerships and is actively pursuing an accretive acquisition target in the US.

Tufropes expects adjusted EBITDA margins to grow above 20 percent within the next two years based on reasonable assumptions, such as operational improvement initiatives, as well as the optimization of product mix.

Turning to our financial results. We ended the first quarter of 2023 in a strong financial position with over $318 million of investable cash and liquid securities, a diversified portfolio of holdings that we believe are poised to deliver strong results in 2023.

In addition, the Company has tax losses of approximately $660 million that will help shield a sizable portion of our taxable income and capital gains for years to come.

As a reminder, at the end of 2022, Aimia utilized $130 million of capital losses to repatriate a portion of the PLM gains.

Turning to our holdings. Clear Media is seeing a sharp recovery in demand beginning in its second quarter of 2023 as China emerged from its COVID lockdown and we expect Clear Media to accelerate the digitization of its panel portfolio.

TRADE X's enhanced asset-light model is achieving some of the highest gross margins to date. TRADE X projects a return to EBITDA profitability by the third quarter of this year.

Eric Gosselin, currently the COO, will be named CEO on June 1st as Founder Ryan Davidson focus on business development.

Kognitiv's new CEO, Tim Sullivan, is overseeing the launch of its new AI-powered product, Kognitiv Pulse, which has been met with industry-wide praise and excitement.

Kognitiv continues to undertake a series of initiatives to reduce costs and increase efficiency, which is expected to drive the company towards EBITDA positivity by the end of the year in 2023.

In addition, Kognitiv is securing additional sources of financing through divestitures of noncore assets.

Capital A is experiencing a strong rebound in its airline business, generating its first profitable quarter since the pandemic began amidst soaring demand.

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

Mike?

Michael Lehmann — President, Aimia Inc.

Yeah. Thanks, Phil, and good morning to everyone.

As announced earlier this week, we closed the Bozzetto transaction and the associated debt financing. Aimia invested $206.3 million for an equity stake of 94 percent of the company.

We're very pleased to have Bozzetto's executive management team invest $13.3 million of their proceeds alongside Aimia into this new investment venture, which represents a minority position of 6 percent.

This investment provides for further alignment with Aimia and our shareholders.

Concurrent with the closing, we secured debt financing of $139.5 million with a weighted average coupon of 8.1 percent and total leverage will be roughly 3 times, as we previously targeted.

Transaction costs and debt financing fees totalled $19.1 million, excluding the transaction costs of $12.3 million, and accounting for cash on hand of $14.2 million, the enterprise value at closing was $333 million, representing approximately 7 times fiscal 2022 pro forma adjusted EBITDA.

For the fiscal year 2022, Bozzetto reported revenue of $320.6 million and adjusted EBITDA of $45 million. Including the recent Levaco transaction that closed at the end of 2022, pro forma annual revenue was $335.3 million and adjusted EBITDA was approximately $47 million.

Given the Bozzetto acquisition closed after this quarter ended, the results of Bozzetto have not been recorded in Aimia's financial statements for the quarter.

Bozzetto is one of the world's largest ESG-focused providers of specialty chemicals. Through its innovative technologies, it is deeply interconnected with its clients' production process and allows for efficiencies and superior final product quality. Their focus on ESG formulations allows for a lower environmental impact on the entire value chain.

We're currently in advanced discussions with a potential target in the Americas, which would significantly increase and diversify Bozzetto's geographical and end-market footprint, as well as give greater exposure to different trends, drivers, and structural long-term growth.

We see significant opportunities to grow this business, both organically and through accretive acquisition.

On March 17th, we closed the Tufropes transaction for $239.2 million. Since the acquisition, the leadership team has met with two-thirds of its top customers spanning across Europe, North America, and Asia, and the feedback has been exceptional.

During these discussions, the management team has uncovered many opportunities for further collaboration, both by gaining client wallet share, as well as evaluating new business opportunities, one of which is already underway.

These opportunities are within general maritime and aquaculture and are both through our distribution channel, as well as direct to client.

In addition, Tufropes is in discussions for a potential acquisition in the US within the high-performance ropes industry. We'll report back at the proper time.

For the first quarter on a pro forma basis, Tufropes reported adjusted EBITDA of $5 million on revenues of $25 million.

As previously disclosed, Tufropes expects adjusted EBITDA margins to grow to above 20 percent within the next two years based on its reasonable assumptions on operational improvement initiatives, as well as on the optimization of product mix.

In the near term, with operational initiatives underway, we expect EBITDA margins to be in the range of 18 percent on a full-year basis.

For the full fiscal year ending March 31, 2023, Tufropes achieved revenue of approximately $114.3 million and adjusted EBITDA of $20.7 million on a pro forma basis.

Fiscal 2023 revenues came in slightly below expectations due to a delay in shipments associated with the post-closing transaction, as well as the timing of customer orders, which are expected to be reversed over the next two quarters.

As we previously discussed, we continue to explore debt financing for Tufropes, in line with our general strategy of reasonable leverage on our operating asset.

Moving on to Clear Media. Clear Media is seeing a sharp recovery in demand for its outdoor advertising displays beginning in March and has continued into the second quarter as China has ended its mobility restrictions. And we expect Clear Media to rapidly accelerate their digital panel conversions in 2023.

Moving on to TRADE X. TRADE X generated gross vehicle sales of $156.7 million in the quarter, down from $248.3 million recorded in the same period last year, mainly the result of focusing its business away from being primarily volume-focused and embracing its enhanced, higher-margin, asset-like business model.

The company will continue to benefit as the number of global car dealers utilizing its online trading platform grows.

TRADE X continues to streamline and innovate the process of cross-border used-car trading by announcing a strategic partnership with PAVE, allowing dealers globally to perform reliable vehicle inspections, which ensures a trustworthy purchasing process and protects sellers from any condition disputes upon delivery.

Moving on to Kognitiv. In the first quarter, revenues from continuing operations were $11.5 million. Adjusted EBITDA from continuing operations was a loss of $5.6 million, a significant improvement of $4 million from a loss of $9.6 million in the prior-year's quarter.

We expect to see a continued reduction in losses as the year progresses and is expected to drive the company towards positive EBITDA by year-end 2023.

We would also like to welcome Jon Ott, an executive with deep experience in enterprise sales who has recently joined as Chief Revenue Officer at Kognitiv.

Next up is Capital A. Capital A, formerly AirAsia, continues to experience a strong rebound in all four of its businesses. In Q4 2022, Capital A recorded its first positive net profit since COVID began.

While revenue has grown substantially, it remains only 77 percent of the level it reached during Q4 2019. However, EBITDA is 108 percent of Q4 2019, due to better seat pricing and expense management. This was accomplished while only operating 56 percent of the 2019 fleet.

The group operated 14.8 million seats in the first quarter of 2023, which is 71 percent of first quarter 2019 levels, with a load factor of 89 percent, at par with pre-pandemic levels.

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

Steve?

Steve Leonard — Chief Financial Officer, Aimia Inc.

Thanks, Mike.

Before I begin covering the consolidated financial results for the quarter, starting in the second quarter we will be presenting our consolidated income statement, as well as our segment reporting with a focus on the operating results of our new holdings in Bozzetto and Tufropes.

Our goal is to provide additional clarity and insight into each of our holdings.

Let me now cover the consolidated results before we move to the segment performance and cash movements in the quarter, starting with our consolidated results.

In the first quarter, income from investments was $14.1 million compared to a loss of $14.3 million last year. The income from investments in the quarter was mainly due to an increase in fair value of investments in equity instruments of $10.8 million; interest, dividend, and other investment income of $7.2 million; and revenue of $2 million mainly associated with a 14-day stub holding period of Tufropes.

Our total expenses were $33.2 million for the quarter, which included a number of nonrecurring expenses. These included transaction costs of $11.6 million; non-cash costs of $10.8 million related to the Paladin carried interest and option rights; activism-related costs of $1 million; and accelerated amortization of a MIM intangible asset for $1.1 million.

Excluding these items, total expenses were $7.3 million, of which $3.4 million were related to the Tufropes business for the 14-day period held since acquisition, where we had no comparables versus the prior year.

Accounting for all these items, total expenses were approximately $4 million, which is in line with the prior-year's quarter.

For the Holdings segment, corporate operating expenses were $5.4 million in the quarter, up by $1.3 million, mainly due to the expenses incurred related to the shareholder activism.

Moving on to cover the major cash movements for the quarter. We started the quarter with cash and cash equivalents of $505 million.

The main movements in the quarter were $256 million used to fund the Tufropes acquisition. As a note, this funding was offset by a working capital adjustment to derive our $239 million net consideration and it's been funded by the sellers by having liquid mutual fund securities of $17 million, which are being converted to cash in the second quarter.

Eight-point nine million dollars of transaction costs were related to the Tufropes acquisition and $4.7 million of holdco costs. We also had the $3 million of dividends and the $1.3 million of Part VI tax.

Moving on to the pro forma unrestricted cash and liquid securities to reflect the Bozzetto acquisition as of March 31st, 2023. We had $318.6 million prior to the Bozzetto acquisition of cash and liquid securities and we ended up funding $206 million to acquire the 94 percent stake in Bozzetto. In turn, Bozzetto had $14 million in cash on hand at closing.

Taking these two cash movements into consideration, we estimate the pro forma cash and liquid investments of $126 million post closing. This liquidity position provides sufficient cash and liquid resources to support the funding of our holdco, as well as opportunities to support our businesses, or renew the NCIB.

Should we conclude financing on Tufropes, we would expect up to $100 million in additional liquidity.

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

Phil?

Phil Mittleman

Thanks, Steve. Since the close of the PLM transaction last summer, we have been carefully planning to redeploy the proceeds to create value for our shareholders.

We said at the time that we would return a portion of our capital directly to shareholders, as well as seeking opportunities to acquire established businesses with long track records of growth and free cash flow generation.

We reviewed a robust pipeline of potential targets around the world and narrowed our focus to the most compelling candidates. We knew we could act swiftly when presented with the right opportunities and we did so with the recent acquisitions of Tufropes and Bozzetto.

We are very excited to have completed the purchase of these two businesses that check all of our boxes. Both companies are global players in growing markets, with solid financial track records, sustainable competitive advantages serving diverse customer bases, geographies, and revenue streams with proven management teams.

The Bozzetto and Tufropes investments will form the foundation of the "New Aimia," with plans to grow both organically and through carefully planned accretive acquisitions.

We will continue to execute our strategy of maximizing the value of our current portfolio holdings while redeploying our capital into new investments with significant upside.

2023 is off to a strong start for our entire portfolio, and we look forward to providing you further updates as soon as we can.

We look forward to a very exciting 2023.

Albert Matousek

Operator, that concludes today’s prepared remarks. Please go ahead and prompt for questions.

Q&A

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session.

Should you have a question, please press the *, followed by the number 1 on your touchtone phone. You will hear a three-tone prompt acknowledging your request.

If you would like to withdraw your request, please press the *, followed by the number 2.

First question, we have Surinder Thind with Jefferies. Please go ahead.

Surinder Thind — Jefferies

Thank you. A few questions here related to the portfolio holdings. I'd like to start with Tufropes. Can you provide any additional colour on kind of what impacted the timing of customer orders? It sounded like it was a combination of customers waiting to deal—the deal closed, but was there other things here that we should consider in terms of what is the general outlook for the remainder of the year?

Phil Mittleman

Yeah. Certainly. How are you? Yeah. There was there were registration and licensing issues that we could only take care of after closing. So there was a lot of red tape involved. We also were re-domiciling the company to Canada, which added a little additional complexity. That caused shipment delays, which we expect to be pushed into the next two quarters. So those are the primary reasons for those issues.

Surinder Thind

So at this point, should we assume that things are operating on a fully normalized basis?

Phil Mittleman

Yes. Yes, we're fully normalized now.

Surinder Thind

Got it. And in this environment, any colour on what demand looks like?

Phil Mittleman

We're seeing signs of strengthening demand. We're also, more importantly, seeing signs of opportunities that could have dramatic impacts on our EBITDA.

So we're seeing—we immediately were met with a potential joint-venture opportunity with one of the largest distributors, which would be very meaningful. We're pursuing that.

As we mentioned, we met with all the top—most of the top customers, and many of them validated our thesis, which was that this company had not really been actively marketing their products around the world. So one of the customers said, well, we hadn't heard from you in two years. So glad you're here because we want to expand our relationship. So we're very excited about what we're seeing there.

So overall, we're seeing the kind of demand that we expected, but we're finding opportunities to grow this materially outside of just organic growth.

We're also pursuing, as we mentioned, an acquisition in the US, which would provide a whole other platform for us here and would also potentially allow us to utilize some of our US NOLs. So we're pursuing that as well.

Michael Lehmann

So, Surinder, hi. It's Mike Lehman. It's Mike, if I could just jump in a second. So just to expand on a little bit what Phil said. The discussions with both existing and new customers have been going extraordinarily well.

The future collaboration that we've been discussing has not only been on growing existing client wallet share, increasing business with existing clients, but also it's multifaceted, creating new opportunities and new products for those existing clients, and through distributors creating products for new markets. All right? So the largest of which is maritime and shipping customers, but it's really across the board.

We're seeing opportunities that through the due diligence process we highlighted and now that we're out there seeing 20, 30, 40 of the top customers, we are recognizing that not only are those opportunities that we highlighted in due diligence there, but there's a lot more as well.

And as Phil said, one of the opportunities is already ongoing and in the works, which is real exciting and the research and development within the company is examining other ways to continue to participate with new clients, as well as develop the new markets that we discussed.

Surinder Thind

That's helpful. And then just related to that in terms of as you've identified these opportunities as you have these discussions with the existing clientele for new opportunities, can you talk about the harvesting of that? Is the idea that we'll see the impact in 2024? Or should we begin to see the impact on growth before that?

Michael Lehmann

No, we're anticipating you'll be able to see growth before 2024; new products that will take a while to get through R&D and to get through testing and certification, et cetera. But expanding current wallet share within customers, either direct to customer or distribution channels, we're looking to increase those relationships immediately. So that could be over the next several quarters.

Phil Mittleman

And, Surinder, when we first announced this deal and our stock went down, one of the main things we were hearing was, oh this is a commodity business, you guys bought a commodity business. And that couldn't be further from the truth.

What you learn about this business, which is pretty incredible, is that one net will hold up to $20 million worth of fish. So you can imagine how important that net is to the person dragging it.

So if a fish comes and bites a piece of the net off, $20 million worth of fish can fly out your window. So the quality of these nets is critical.

And when we were diligent in this, what we heard from anonymous professionals, even the competitors were saying, look, Tufropes has some of the best product out there. There are competitors that white label it because their product is just better than theirs. These are leaders in the industry.

So when we went and visited every one of their factories, we saw women sitting on the floor with the nets. And my first reaction was, wow, you're so automated, you don't automate that. And they said, no, you don't understand. This is this is a skill set that is so valuable. Tying these nets at the end of these nets and the quality of these nets is the reason that they don't break. And it's the reason that our quality is so high. There's some of the highest-paid women in India, highly skilled. And so this is not like some simple thing where you're just making nets.

So some of the technological advances Mike was referring to is putting sensors on the nets that alert the boat when there's a rip in the net or a tear or any type of damage to it. That allows you to maybe save $14 million worth of the $20 million that's going to escape. I mean, these are huge numbers.

So it's a very important part of the business. And we're expanding it. And it's very high margin. And we're very excited about the future of that business.

Surinder Thind

Got it. And then moving on to Clear Media here. We've now kind of had a quarter to two quarters where the Chinese economy has started to open up. Any colour on how we should think about the revenue trajectory here in a return to normal now that the conditions themselves or the factors influencing them have normalized?

Phil Mittleman

Yeah. I think, first of all, let me just say that the period that Clear Media went through over the past couple years, I would almost look at it like you had the ability to do a prepackaged bankruptcy without a prepackaged bankruptcy.

You went and you could go and cancel bad contracts, you could improve terms. So it's actually been a very healthy process for them for the launching point they're at now.

So I think the same thing happened with Capital A. When they were going through their period in COVID, they basically went to people and said, look, we're going to file bankruptcy unless you do A, B, and C. And they restructured their whole cost structure. And now Capital A is triply as profitable as it was at the same time at the same load size they were back in 2019.

So Clear Media has been by no means impaired. And in fact, the business and the structure and their deals have been enhanced over this period of time. So in terms of how quickly that launch proceeds, first of all, it will be more profitable quicker because of the deals they had in place and because of unprofitable leases that were jettisoned and others that were signed up.

And remember, this new consortium includes the Chinese government. So licensing becomes, you would imagine, more favourable and the ability to get things lined up for the digitization rollout.

So when we first invested, we invested $75 million. We thought it was the perfect timing. It was the depths of COVID. We paid 5 times normalized EBITDA. So the day we bought it for $75 million, we thought it was worth $150 million.

Today, it's on our books for $50 million because we've just been prudent taking write-downs; there's been currency over time. So we think that when you saw the last—from the first time we bought, it was a very, very quick snapback. It was recovering very quickly.

And then the second wave of COVID hit and then the zero-COVID policy was enacted, so it shut everything down. So we can't predict with precise timing how fast it recovers, except to say that right now they're seeing the strongest demand recovery to date.

I think you're going to see a rapid recovery and you're going to see a focus, an accelerated focus on digitizing the panels, which obviously increases revenue and profitability dramatically. So very excited about that going forward.

Right partners, company's in a perfect position in the economy, and that business has now got a hurricane at its back and we're very excited about it going forward.

Michael Lehmann

Just with regarding to timing, Surinder, you have to remember when the mobility restrictions were lifted, it was December, January. As those lifted, it's been widely reported that the COVID outbreak substantially increased for the early part of the first quarter. And that kind of led people to kind of hunker down and to get through that period.

So it was really only in March where we started to see normal activity, normal mobility, people getting back out, people getting back to work. And the marketing dollars will clearly follow that and they have been. So there are current active marketing plans that are getting put back in place. And clearly, Clear Media is a huge beneficiary to that.

So the timing is, I would say, uncertain to get back to normal, but we're certainly on a very, very strong trajectory starting in March and flowing through into the second quarter.

Surinder Thind

Thank you. And then one or two more quick ones. Moving on to TRADE X here. When I think about the revenue profile and the transformation that the business has been going through, would you say that on a run rate basis that, all else equal, platform sales have stabilized at this point?

Phil Mittleman

I think just so everyone has a little background and I know we've touched on it, but just to kind of remind everybody. TRADE X started last year on a full speed ahead buy as much inventory as you can, limitless supply, limitless financing available, ramp up revenues as fast as you can. It was following the exact trajectory of an exciting tech play.

They raised $12.5 million at more than double the valuation we paid. And they were targeting a raise there of additional money and they were using all that money to load up on inventory, anticipating sales into these new corridors.

So suddenly, the music stopped in the middle of the year. The tech funding just shut off for everybody. The used car market went through a pullback. Everything kind of froze and TRADE X was forced to adjust their model.

They had to go through a period of liquidating inventory, just refocusing their model on no longer speculating. They wanted to get to a point where we had the proper credit facility in place, which we now do, and focus on riskless transactions, transactions that are not reliant on price moves up or down.

So where we are today after all of that change, we obviously—and we mentioned we have a new CEO starting. We have a COO who's been fantastic who's migrating to the CEO position on the 1st, and Ryan is focusing on business development. And as such, we're seeing some very strong traction in Nigeria, for example, where we're seeing the highest margins we've ever seen there and significant volume.

So in terms of normalization, we're much more—we stopped focusing on volume. We focus on profitability. We got the right credit facility in place. We cut costs where necessary. It's a very asset-light model now. We're 100 percent funded by the credit facility. Transactions are only done when there's a buyer and seller and it's riskless for TRADE X.

So that resulted in us getting to this kind of launching pattern and launching point, I think, from a revenue standpoint.

The company's projecting a dramatic increase in those revenues, but we're much more concerned to focus on just maintaining profitability and growing it, and we see a clear path there.

So I would say definitely stabilized now focusing on growth again and the right type of growth, and we're very excited. And I think that they're on the right path now.

Surinder Thind

And any colour on the new margin profile versus the old in terms of the differences in the business model?

Phil Mittleman

We want to give a lot more colour on these subsidiaries. I think we're trying to be prudent and let these kind of mature for a couple of quarters before we start to give numbers. But I'll say that, for example, in some of the territories we've opened, we're seeing margins as high as 20 percent, and that's a significant increase from the type of margins we were seeing in just kind of like Canada, US, for example.

So I think what's evolving here is a very specialized market that they've opened up that nobody else is transacting in. For example, Nigeria is a great example. Nigeria, people are paying as much as $450,000 for a G-wagon over in Nigeria.

The process of getting a G-wagon into Nigeria is impossible almost for most people, but TRADE X spends a lot of time and money partnering with the right people in Nigeria, getting the proper government approvals, and getting that window open to where they can now do significant volume there.

So there was a cost to get there. There were some missteps, but they've righted that, and I think the margins for us— Steve didn't believe them at first, and so we were pretty stunned to see what they're doing.

Hopefully, if they maintain that, we're going to have a very profitable company.

Surinder Thind

Thank you. That's it for me.

Phil Mittleman

Thanks, Surinder.

Operator

Thank you. Next question, we have Brian Morrison with TD Securities. Please go ahead.

Brian Morrison — TD Securities

Good morning. Maybe I can do a little bit higher-level questions here. Just in terms of the acquisition—or, pardon me, the closing of the acquisitions of Tufropes and Bozzetto, it sounds like all of your free cash flow from these acquisitions will go towards M&A. Will any of that be repatriated back to the parent company?

Phil Mittleman

Yeah. We'll do that as needed, or if we want to, but our current plans are to grow these businesses and use the cash flows to continue to grow them. We have, as we mentioned, a couple of acquisitions, for example, that are underway. Both of those anticipate being 100 percent debt, but you never know.

Going forward, there might be ones that require equity. There are some capital investments we're making to grow these businesses. So in the meantime, we plan on keeping the cash in the subs.

Some of them are also restricted by debt covenants, as you know, so sometimes there's periods of time where you can't pay dividends even if you wanted to, but we're not planning to. So we're budgeting ourselves so that we can spend a couple of years growing these businesses, keeping their internal cash flow there, and at the same time have enough capital to aggressively buy back our stock and, obviously, maintain our other businesses and be available for other opportunities that may arise.

Brian Morrison

Okay. I want to get to your buyback in a minute, but can I just ask a question on Tufropes with respect to the status of the financing? Is it in process? Is it delayed because of the underperformance of

Tufropes, the demographics, geographics where it's located? Maybe just update us on the status of the financing.

Phil Mittleman

Yeah. No, well, there's no real underperformance of Tufropes. There was the delays that were associated with the closing. And there was a period, for example, of two weeks where we weren't allowed to transact or buy or sell any product because we didn't have the proper licences. So there's no concern about underperformance there.

We're in very advanced discussions on a debt deal for Tufropes. I wouldn't be concerned about it. I would just say that these companies and banks are committing to us and it's like a marriage and they want to know who they're marrying.

The activism stuff that came out was not helpful. It definitely delayed things a little bit. We've rectified that, and we're very confident that we'll close a transaction for Tufropes that is on our terms and the proper terms.

And we're not in a rush. We want to do it right, but we anticipate that being in the $100 million range and we're definitely confident that that will take place.

Brian Morrison

Yeah. Phil, I'm actually using the wording out of your slide deck. In terms of the Tufropes and Bozzetto, can you just expand upon what your relationship is with Paladin?

Phil Mittleman

Sure. Yeah. This has been—I'm glad you asked because there's been a lot of misinformation out there about Paladin. I'd love to set the record straight.

So Paladin was referred to us by one of our board members who has a long, successful track record in private equity. He told us that he knew a group that had two deals under exclusivity that were exactly what we were looking for, but they had a noncompete until at the time it was April 1st, and so they couldn't raise any funds to finance these transactions.

So they were left with two deals that they were likely going to lose and they fit the bill exactly. When we met with them, they were very like-minded, very smart guys, long track record, primarily at Castle Harlan, a great history and track record of success in private equity deals.

And in fact, their two most successful deals happened to be in India and in the chemical business in Europe. So it was really a—their expertise was very valuable in those respects.

We went and did the diligence on these deals. We were very excited about them. We knew that these guys needed the capital. So the deal, we think we made a great deal for Aimia and there's been a lot of value add from Paladin since.

First of all, they had been scouring the world for—part of their job is to scout the world for M&A opportunities, for these acquisitions, which they've been doing. They've brought us, I would say, at least five potential targets for each of these entities.

They brought us Tufropes, which had never been in the market. These are deals that we're not out competing with Blackstone. We're not going into auctions. We had to find opportunities that Aimia could take advantage of that preferably other people didn't have access to.

So Tufropes, they had spent almost three years courting the management of Tufropes to get them to sell. So this was a deal that wasn't available to the general market. They brought it to us. We jumped in on the seventh inning, and we took advantage.

With Bozzetto, for example, Bozzetto was going to auction themselves and then you saw the debt markets in Europe froze, you saw raw materials skyrocket, you saw fuel prices skyrocket, and it was pulled. And we saw that as an opportunity, swept right in, made a deal. I think we paid a lot less than they would have gotten otherwise. And even by the time we closed, things had stabilized.

We had a competitive debt situation. We got a great deal there. Raw material prices have been dropping. Fuel prices have been dropping. The supply chain has stabilized.

So the Paladin relationship is one that provided us these opportunities. They had these deals. The deal that we made with them was and is different than I think a lot of people interpret.

For starters, the fee that they get is nominal. They receive a fee of a few hundred thousand dollars a year per deal. They have a long list of duties to help us with on those deals and we're a small team. So for example, we're not spending our time scouring every orifice of the world for M&A opportunities. They are.

They've helped us a lot on the ground in India bringing the right personnel in to help us with Tufropes. Their chemical expertise has helped us with Bozzetto. So they're doing a lot of service.

For such a small team, they only have three people basically. It's almost like an extension of our management team with these holdings. They live and breathe these deals.

They have the right, as we've said, to buy up to 20 percent of each. They can't cherry-pick. They can't do one or the other. They can't do 12 percent of one and 18 percent of the other. It's all or nothing on both. So that's important that we're aligned that way.

If they do purchase that 20 percent, they pay us an 8 percent warehousing fee, and they only have a year to do that, so we'd get paid 8 percent on that.

And then they receive a carried interest of 20 percent, but only after we've received an 8 percent compounded annual return. So it's a very productive relationship, very helpful to us.

The value add they bring is very much worth the money we spend and would spend, and we're very excited about the relationship. And going forward, I think they're going to add a lot more value than they would cost us.

Brian Morrison

Okay. Thank you for clarifying that. If I can turn to your cash position. It looks like you have $50 million on hand pre your Tufropes financing, pre-liquid assets. Should we expect to see some monetizations of your liquid assets near term?

And then your NCIB, it's not going to get you to your $100 million target. Just your thoughts on other potential return of capital of shareholders?

Phil Mittleman

Sure. Sure. So once we close the Tufropes debt transaction, we'll be in the range of kind of $250 million of available kind of when you talk about liquid investments. These are readily saleable securities, including Capital A. So we're at $200 million without reaching into some of those pockets.

So we're confident that we're going to have plenty of cash to execute when we need to execute. And yes, we will monetize those when the time is right.

I think AirAsia, for example, Capital A has a lot of upside, so we want to let that run. But we're not looking to be long-term investors in airlines either. So those are at the top of the list of liquidations.

We shut down one of our SBVs. You should expect us over time to be liquefying those type of investments and to be selling the minority stakes we own when the time is right and focusing on the cash flowing businesses and redeploying into that.

I think we've learned and the market has told us clearly that they don't want to value these minority investments. It's hard to because they don't have enough information. We don't blame them. And we don't need to focus our resources on opaque investments that people can't value.

So going forward, you're going to see us redeploying this capital into either deals that enhance and expand the current two businesses we just purchased, or you might see a third. But it will share the same characteristics and cash flow type of free cash flow generation that you're going to see from these two.

In terms of the buyback, we obviously think our stock is extremely undervalued, and we would like to aggressively buy it back as rapidly and as sizably as we can.

I think the NCIB, which you mentioned, renews in June. Beyond that, there are other buyback mechanisms we would employ. I think when you talk about return of capital, I think as long as the stock price is anywhere near where it is now, buybacks are far more preferable to us than dividends and to our stakeholders.

So we're going to utilize this mechanism as quickly as we can, and then we will focus on other mechanisms, such as SIBs or direct issuer bid.

Brian Morrison

Appreciate the colour.

Phil Mittleman

Thanks, Brian.

Operator

Thank you, and there are no further questions. I'll turn the call over for any closing remarks.

Albert Matousek

Thank you, everyone, for joining today's call and webcast. I wish you a great rest of the day.

Thank you.

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating, and ask that you please disconnect your lines.