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FINAL TRANSCRIPT

Aimia Inc.

Second Quarter 2023 Results Conference Call

Event Date/Time: August 11, 2023 — 8:30 a.m. E.T.

Length: 41 minutes

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Aimia Inc. Second 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.

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

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

Thank you, Lara, 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 please review our forward-looking statements and the cautions and risk factors pertaining to the statements.

My name is Albert Matousek, the Head of IR and Communication. With me on the call 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 and hand over 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.

This quarter marks a significant milestone for Aimia as we continue to execute our stated investment strategy. We are now the majority owner of two operating companies that we expect will provide revenue growth and strong cash flow generation for Aimia shareholders for years to come.

After achieving a fully valued exit of PLM in late 2022 with a potential for up to an additional $27.5 million as an earnout, we have successfully redeployed more than $450 million of capital in 2023. We are excited about our plans to drive further growth for both Bozzetto and Tufropes, guiding these businesses to become global leaders in their respective markets.

Our management teams are recognizing new opportunities to develop partnerships, both new and existing, that will expand our breadth of products, our wallet share with clients, and enter into new markets and geographies.

As an example, Tufropes' recent acquisition of US-based Cortland Industrial significantly enhances Tufropes' presence in the high-performance synthetic fibers and customized solutions to ropes, slings, and tether segments.

Let me quickly recap the Bozzetto and Tufropes businesses.

On May 9th, Aimia acquired Bozzetto. Founded in 1919 and headquartered in Filago, Italy, Bozzetto was one of the world's largest ESG-focused providers of specialty sustainable chemicals offering sustainable textile, water, and dispersion chemical solutions with applications in several end markets including the textile, home and personal care, plasterboard, and agrochemical markets.

Under Aimia's ownership, Bozzetto will seek to substantially expand into the Americas and other geographies organically and through accretive acquisitions, further diversifying Bozzetto's historically European presence.

Over the last five years, Bozzetto has grown revenues organically and through tuck-in acquisitions and has more than doubled its EBITDA. The management team responsible for this success has remained with the business and they have invested a substantial amount of their personal capital.

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. Concurrent with the closing, we secured debt financing of $139.5 million with a weighted average coupon of 8.1 percent.

As part of its growth strategy, Bozzetto is currently in late-stage negotiations with an Americas-based target. This target aligns with Bozzetto’s strategy of further diversifying its geographical presence in end markets while providing a manufacturing platform in the Americas and significant add-on business synergies. Moreover, it presents promising sales opportunities in the US, Mexico, and Central America that have otherwise been unavailable.

Since we closed the Tufropes acquisition at the end of the first quarter of 2023, the leadership team has been busy working on various commercial and strategic initiatives that we expect will provide significant revenue and EBITDA growth.

As part of a strategic plan, Tufropes acquired Cortland on July 11th for $26.6 million. This transaction accelerates Tufropes access to high-performance, heavy industrial, and maritime markets that Tufropes has sought to enter.

Cortland brings valuable design and engineering expertise as well as synergistic opportunities in sales and operations, creating a stronger competitive position for Tufropes in the US and European markets. Cortland provides a highly recognizable brand in the industry. As such, the combined Cortland and Tufropes businesses will be rebranded as Cortland.

Turning to our other investments. Capital A reported strong growth in its aviation segments in the second quarter of 2023, and the Company's valuation is beginning to reflect these results with its stock price having recently achieved a new 52-week high. Once the business submits its remediation plan and exits from Practice Note 17, we expect to see further stock price gains.

Kognitiv successfully closed the sale of a noncore business on August 2, 2023, generating $9.4 million in net cash proceeds with a potential earnout. In addition to the sale, Kognitiv has also commenced an equity raise, which we will discuss in more detail next quarter. Aimia will not be participating in this raise.

The Company's expectation of achieving EBITDA profitability in Q4 2023 remains on track.

Clear Media, while recovering, continues to face macro and economic headwinds in China. During the course of the COVID lockdown and up to this point, the business continues to trim its operating cost structure and has exited lower-yielding advertising panels. As the economy in China strengthens, we expect that Clear Media will benefit from its market-leading position as well as its improved cost structure.

As a result of a slower growth trajectory as TRADE X focuses on achieving profitability, Aimia recorded a $25 million unrealized fair value loss on its investments in TRADE X. We remain optimistic on the long-term opportunities for this business to succeed as it continues to develop its global cross-border trading.

I would also like to highlight some recent changes to our Board of Directors. On July 10th, Tom Little joined as a new independent director, adding valuable expertise. In addition, Karen Basian became our interim chair of the board, succeeding David Rosenkrantz, who leaves after three years of distinguished service. We continue to actively pursue additional enhancements to our Board of Directors.

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. I'm now going to walk you through the operating performance of each of our businesses.

First, let's start with Bozzetto. For the sub-period from May 9th to June 30th, Bozzetto reported revenues of $45.9 million and an adjusted EBITDA of $8.5 million, generating an adjusted EBITDA margin of 18.5 percent.

Had Aimia owned Bozzetto for the entire quarter, revenue would have been $74.3 million and adjusted EBITDA would have been $12.9 million, generating an adjusted EBITDA margin of 17.4 percent.

Bozzetto achieved these results despite experiencing some macroeconomic headwinds that are leading to reduced demand, particularly in Europe and parts of Asia. There is also a degree of customer inventory destocking, which is typical during uncertain periods. This was particularly evident within the textile segment.

Despite these near-term issues, Bozzetto remains steadfast in its commitment to maintaining a premium position in the market without compromising margins.

Bozzetto has navigated the challenging market conditions by strategically leveraging its raw material sourcing as well as its product and segment mix. By carefully adjusting its offerings, Bozzetto aimed to achieve a balanced approach that ensures profitability while continuing to meet the evolving demands of its customers. This proactive approach allows Bozzetto to remain resilient during lean time and positions itself for growth once the market conditions improve.

Now, let me turn to Tufropes. In the second quarter, Tufropes had revenue of $28.9 million on 9,500 metric tonnes of ropes and nets shipped. This compares to 8,200 metric tonnes shipped in the first quarter of 2023, which resulted in $25 million in revenues.

For the second quarter, adjusted EBITDA was $4.6 million, representing an adjusted EBITDA margin of 15.9 percent. The margin was slightly lower than we would typically expect due to near-term pricing adjustments and to ongoing implementation of operating and growth initiatives across the business.

Had Tufropes been owned from January 1st, it would have contributed revenue of $53.9 million and adjusted EBITDA of $9.6 million on a pro forma basis representing a 17.8 percent adjusted EBITDA margin.

Tufropes revenue and gross margins can be sensitive to changes in polymer pricing. The gross margins tend to revert to historical averages over the long term.

Tufropes expects to grow volume of its products shipped sequentially for the remainder of 2023. As previously noted, pricing can be influenced by raw materials, but we’re confident in achieving adjusted EBITDA margins of 18 percent over the balance of the year and reaching 20 percent EBITDA margins within the next two years.

Moving on to Clear Media. Clear Media reported revenue of ¥209 million for the second quarter, a substantial improvement over ¥122 million reported in the prior-year quarter and ¥132 million in the first quarter. While growth remains positive, the pace of reaching pre-level COVID revenues has been hampered due to the slow economic recovery in China.

Clear Media continues to take steps to improve its operating performance, including reducing the number of underperforming outdoor panels within tier three cities. Clear Media expects further revenue improvement in the second half of 2023 as consumer demand strengthens and economic concerns debate. As business levels normalize, so too will the resumption of the digital panel expansion.

Moving on to TRADE X. In the second quarter, TRADE X generated gross vehicle sales of $193.3 million, a decrease of $29 million or 13 percent from the same period last year. This decline was primarily due to refocusing on its enhanced asset-light, higher-margin model with a focus on driving towards profitability.

TRADE X continues to demonstrate improved progress as it refines its auto trading model, prioritizing profit over volume.

Consequently, Aimia recorded an unrealized fair value loss of $22.6 million on its convertible preferreds and a $2.3 million unrealized fair value loss on the warrants held in TRADE X.

Moving on to Kognitiv. In the second quarter, revenues from continuing operations was $11.7 million, down $200,000 from the prior year.

Adjusted EBITDA from continuing operations was a loss of $5 million, an improvement of $4.6 million from the loss of $9.6 million in the prior year.

Kognitiv is commercializing its new AI-powered product, Kognitiv Pulse, which enables global brands to design, build, and manage loyalty. This product is generating significant interest from existing clients as well as new commercial opportunities, which could result in revenue growth as early as Q4.

Next up is Capital A. Capital A, formerly AirAsia, reported strong growth in all segments in the second quarter. Aviation achieved an 88 percent load factor, carrying 14.2 million passengers, almost double the amount versus the previous year, and is rapidly recovering to pre-pandemic levels.

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.

Thanks, Mike. Before I begin discussing our financial results, I'd like to highlight that we have made changes to the income statement and segmented result presentation in our financial statements and MD&A due to the recent acquisition of Bozzetto and Tufropes. We think you'll find the information helpful in understanding the performance of these two businesses as well as following the investment results and operating costs associated with our Holdings segment.

As Mike spoke to the operating performance of Bozzetto and Tufropes and some of the underlying performance of the investments, I will focus more on the overall cash position as well as the operating expenses at holdco. Starting next quarter, I'll provide more commentary on the consolidated results.

We ended the second quarter with $63.9 million of cash and $53 million in liquid securities. As a reminder, subsequent to the end of the quarter, we deployed $26.6 million of that cash to acquire Cortland. We also sold our remaining position in Cineplex for $3 million. Taking these items into account, the pro forma cash and liquidity position is $93.4 million.

We continue to work towards obtaining financing at the Tufropes-Cortland combined business subsidiary level. Efforts have been delayed due to shareholder activism.

Now, let me turn to the operating costs of the Holdings segment. Corporate operating costs were $7.2 million in the quarter, up $3.3 million. The variance is mainly due to expenses of $2.9 million incurred in relation to shareholder activism and legal costs associated with the termination of employment of a former executive of one of the corporation's subsidiaries.

In addition, holding costs included $700,000 of Mittleman Investment Management-related expenses as this business is being wound down. This compares to around $700,000 in the same period last year for this business.

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

Phil Mittleman

Thanks, Steve. For the first half of 2023, we continued to execute our strategy by deploying the proceeds from the PLM transaction into two significant cash-generative companies, which will create long-term value for our shareholders.

After carefully evaluating numerous potential targets worldwide, we acquired Tufropes and Bozzetto. Both companies aligned with our strategic vision, boasting strong financial track records, significant competitive advantages, strong growth prospects, and proven management teams.

As we move forward, our focus remains on maximizing the value of our current holdings while exploring opportunities for organic growth, accretive acquisitions, and further utilization of our tax losses. There is momentum across our entire portfolio, and we look forward to keeping you updated on our progress for the remainder of 2023.

We are proud to announce that we are holding our first investor day on September 27th in Toronto. We will be providing an update on the Company's strategy and businesses, including presentations and Q&A with the leadership teams from Bozzetto, Tufropes, Kognitiv, and TRADE X. We look forward to seeing you there.

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 *, followed by the number 1 on your touch-tone phone. Again, that's *, followed by the number 1. If you would like to withdraw your request, please press * followed by the number 2. Please stand by while we compile the Q&A roster.

Your first question comes from the line of Surinder Thind from Jefferies. Please go ahead.

Surinder Thind — Jefferies

Thank you. I'd like to start with a question with Bozzetto.

Can you talk a little bit about the acquisition strategy here and if, ultimately, that kind of gets you to your target footprint? Or what's the big picture here?

Phil Mittleman

I think Bozzetto has been very well managed, and they've been great at finding and integrating accretive acquisitions that are not only stand-alone good acquisitions, but they've allowed them to expand into other areas.

And one of the biggest I wouldn't say problems, but exciting opportunities has been that they can't deliver product to the Americas just because of the logistics.

They can't manufacture the chemicals they need where they are and ship them in time for that to be practical. So the first acquisition that they've targeted is not only an accretive acquisition and it makes a lot of sense on a stand-alone basis, but it provides them with a footprint to expand into the Americas, which can dramatically enhance the sales opportunities.

So when we looked at Bozzetto, and we didn't count on that as part of our thesis, but it's something that they have a list of those type of opportunities that they've had internally that they've been working on. And we think that we have the opportunity to double or triple their EBITDA and continue to grow the business further by expanding into other geographies and allowing other customers to have access to their innovative solutions and, obviously, high-margin products.

Surinder Thind

Thank you. And then in terms of just the margin profile for Bozzetto, how much volatility should we generally expect just based on volatility, let's say, in raw materials or other commodities?

Phil Mittleman

I mean the management at Bozzetto, one other skill set that they have is managing raw material prices and passing them along really well. You've obviously just saw a very high margin for this passing quarter. We enjoy that, but we would expect margins to normalize where they've been in the past, which is the 14.5 percent, 15.5 percent range.

So while we'd like to see them maintain this, and maybe they do, it's not something that I would count on. I think historically, we would see kind of the return to that 15 percent kind of area.

Michael Lehmann

If I could chime in just for a second, Surinder. It's Mike Lehmann. Thanks for the question.

As Phil said, the resiliency is a hallmark at Bozzetto. And there are several elements that contribute to that. The ability to reengineer and optimize their formulations to cope with raw material shortages and or price spikes, that's something that they've been exceptional at.

It was actually something that was going on during the time that we were conducting our due diligence. Very high raw materials pricing, energy cost spiking due to the war in Europe, fears of recession leading to customers being a little bit more conservative. All of these things, they are able to balance extraordinarily well.

One of the aspects that enables to do this is the flexible industrial footprint. They've got plants in different geographies that allow them to reallocate production based on things like energy, demand, raw materials, et cetera that allow them to balance out the operating costs and to fully optimize margins.

Phil Mittleman

And just to add to that, Surinder, just to underscore how well this company's managed, the results you just saw were a result of a period where there was very high uncertainty in the market where customers were destocking. There was a lot of recession fears that I think are starting to abate now. And people are getting more bullish. And I think the second half of the year is something that both of our companies are optimistic about.

But in spite of all that, you saw them generate a significant amount of cash, a very high margin, and maintain [audio gap].

It's a very, very well-run company. And we're very happy with it.

Surinder Thind

Thank you. And then two related questions.

One more on Bozzetto. Just in terms of pricing, pricing power, how should we think about where the economic cycle is and just in light of the earlier comments that you made?

Phil Mittleman

Bozzetto is, I think, on a weekly basis in touch with their customers. And they've managed to pass on and adjust cost based on raw materials pricing almost in real time. So they've managed really well. And we expect them to continue that going forward.

Surinder Thind

Got it. And then for Tufropes, you mentioned near-term pricing adjustments. Any colour there?

Phil Mittleman

Yeah. I mean Steve will give you a little more detail, but it's just about the tying to the polymer prices. And if customers expect, when they see a change in polymer prices, which is a result of oil moving, they kind of expect that either passed on or expect to pay higher prices based on those moves. And again, that's pretty dynamic as well.

Steve Leonard

Yeah. They kind of hold their margin on the material side. But sometimes, in a quarter, you may get a temporary misalignment. But over the longer term, over the course of the year, things kind of balance out.

Surinder Thind

Okay. That was actually the clarification I was looking for was the lead lag in terms of the price itself.

And then just two other really quick questions. In Clear Media, you talked about panels underperforming, and I apologize if I missed this. Are we talking about traditional panels? Are we talking about digital panels here?

It just seems, obviously, that the recovery in China has been a bit slower than anticipated and that we can see that in kind of the economic numbers that have recently come out.

Phil Mittleman

Yeah. I think we don't mean to say that Clear Media is underperforming. I think what we mean to say is that just the slower recovery in the economy has caused a slower recovery just in general in the business. But they have not digitized many panels yet because they've kind of been waiting for the inflection point to really start aggressively converting them.

It doesn’t make a lot of sense to convert panels if no one’s paying for them. So it’s been only just kind of the analog panels. And just the recovery in that has been tied to the economy. And it’s gone a little more slowly than—it’s been a fit and a start. A couple months ago, it was kind of a rapid recovery and then things were going to slow down again. So and it’s kind of in a—I would just say as soon as China starts to take off again, you’ll see them go from kind of defensive cost cutting and chugging along to an aggressive digitization of the panels and monetization that way.

Michael Lehmann

We’ve actually been really encouraged to see Clear Media management; they continue to reduce expenses and focus on operating efficiency of their business and business returns because not all outdoor panel economics are equal. Right? So each of the agreements kind of stands on its own.

Rents are paid for specific panels, and advertising dollars are paid on those panels, and you net out the expense allocation in each. So during the quarter, they allowed 3,000 panels to last, essentially not renewing them as the contracts came due. And that was because the economics didn’t fit.

That’s a very, very healthy thing for the Company to be focusing on, and we’re glad that they’re doing it.

Surinder Thind

Excellent. And then the final question here, just on TRADE X, obviously, it seems like they’re at their target operating model. How much seasonality should we expect? Obviously, when we think of the various global markets, there’s a seasonal component, especially here in the US. But when we think about TRADE X and where it’s focused, how should we think about just the seasonality component of things?

Phil Mittleman

We’re not really seeing a lot of seasonality. What we’re seeing at TRADE X is, I think if you had to summarize, you would say that they aggressively expanded and spent much more capital than they should have on kind of focusing on sales growth versus profitability. And they tried to expand into a lot of different corridors.

And the result of that was figuring out the model they should be focused on. They figured out what are the highest margin corridors. What are the ones that we see the most continuous demand in? And they’re focused on that now.

So what they’ve done instead rather than focus on 20 corridors, let’s focus on these 3. And so what you’re seeing is the shift to that. And they’re in the process now of developing key partnerships and the kind of things that you need to really push forward in those sectors. And because of the margin profile of those areas and because of, obviously, the new asset-light model, which is only selling pre-sold cars, now there’s no more inventory. So there are only going to be selling cars that are already sold in those markets.

So that’s really what you’re seeing here. And that’s why we took the right time just because it’s a wait-and-see until we see that actual execution take place, which we expect it to, and we’re excited about. We’re just taking a conservative approach until we see that.

In the meantime, I think you could expect to see in success some exciting trade corridors that people are not really transacting in around the world that are very high margin. And there’s a lot of demand for vehicles and certain types of vehicles in these areas that TRADE X is trying to facilitate and hopefully will.

Surinder Thind

Got it. And just a clarification there. So when I think about there's a meaningful improvement in terms of the gross vehicle sales from quarter over quarter from Q2 to Q1. So is the indicator, if I interpret your comments correctly, that this is primarily improvement in the underlying business fundamentals less driven by seasonality? That that's kind of what you're talking about?

Phil Mittleman

Yeah. We're not seeing a seasonality to it. It's kind of an opportunistic thing for them. When they see that people want a certain type of car in a certain type of area, they'll focus on that, and you might see higher sales uplift. But we're not seeing really a correlation of seasonality. No.

Surinder Thind

Okay. Excellent. Thank you. That's all for me.

Albert Matousek

Thanks, Surinder.

Operator

Thank you. Ladies and gentlemen, just a reminder, should you have a question, please press * followed by the number 1 on your touch-tone phone. Please stand by while we compile for additional questions.

Albert Matousek

Hi, Lara. As we're waiting for questions, I just wanted to mention that we've introduced a new format for our conference call. So we'll be addressing questions that we received from our investors that we received by email. So I'll start with those questions.

Mr. Mittleman, you've spoken in the past about Kognitiv Innovative Products, but revenues remain flat. Any insights into why they do not appear to be getting traction with customers?

Phil Mittleman

Well, I wouldn't say they're not getting traction. Actually, I would say the opposite. Their new product, this is AI-based and is really exciting, was just launched only recently. And the process that it takes and there's a lead time with customers.

And I don't know if you've noticed, but Kognitiv's customer base is pretty much all blue-chip companies. And getting products into these large companies is a process. It goes through a lot of different levels of management.

And so it starts with a pilot program. And there are numerous pilot programs going on with this product. And they're confident enough to expect that significant revenue growth is on the horizon as early as Q4. And we've heard from people that this product is a game changer for loyalty. It happens to have the buzzword AI associated, but it actually is using AI. And it's doing it in a really unique way. There's actually four new products as part of that.

So Kognitiv is now run by a very, very strong CEO. They've done significant cost-cutting, as you've seen. And we're seeing a very, very clear and exciting light at the end of this tunnel of a period of significant losses over many years. As a result of merging our money, losing loyalty business into Kognitiv, we're seeing that come to fruition. And we are excited about what's happening there including the recent sale for almost $10 million in cash of a noncore division, which has obviously helped their financial situation.

So we're actually more excited about Kognitiv than we've been ever. So stay tuned.

Albert Matousek

Okay. Thank you.

Lara, I'm just wondering if we received any other questions.

Operator

No other questions at this time. Please continue, sir.

Albert Matousek

Okay. How are the tax losses being utilized now that you own both Tufropes and Cortland?

Phil Mittleman

So one of the immediate criticisms we got when we did the Tufropes deal was oh, you guys said you're only going to be in North America and you're not using your tax losses. And that was something that we understood that reaction. But we had a plan.

And the first, the most important part of our strategy, is to find the right businesses. Obviously, we want to utilize our tax losses always. But more important is to get a great business with significant growth potential. So when we acquired Tufropes, the first thing we did was planned and immediately redomiciled to Canada so that we could utilize our NOLs, obviously sheltering it with our capital losses as we would with any investment. But we did redomicile to Canada, utilizing our NOLs there.

As a reminder for people because people sometimes just slip through the cracks, we utilized $130 million of our capital losses when we facilitated the PLM transaction. So that's $130 million in taxable income that we did not pay, our shareholders did not endure (phon), and that's probably in the range of $30 million in cash that we saved. So we are using those losses. And we have a lot more.

We, as I mentioned, we redomiciled Tufropes to Canada. We just acquired Cortland, which we expect to allow us to utilize some of our US tax losses, which are sizable. We have almost $200 million in US NOLs available.

And with regard to Bozzetto, when we bought Bozzetto, the entire world was frozen in fear. Nobody was transacting in M&A, especially in Europe. The debt markets had fallen apart. Raw material prices were skyrocketing. The supply chain was in disarray. And no one wanted to touch these businesses.

So Bozzetto was going to be auctioned by a fund that was shutting down, and they would have gotten a much higher price than we paid. We stepped in as the only buyer. We came in. We said we'll pay cash. We will close quickly.

We quickly created a relationship with management, and we're on the same page in terms of the growth strategies. And we decided that that opportunity and the terms of EBITDA that we paid lower than we probably should have or other would have far exceeded the inability to utilize NOLs right off the bat.

Having said that, we expect to, as we just did with Cortland, to execute on certain types of acquisitions that may allow us to utilize losses going forward at Bozzetto. So we're doing wherever we can, we're utilizing. And as we mentioned, all of our capital gains are sheltered by the capital losses in the event of liquidity events for another $400 million or so.

Albert Matousek

Okay. Well, thank you. The next question is, can you update us on the Mithaq situation? Are you working towards a resolution?

Phil Mittleman

The activist situation has been an unfortunate distraction. It's been disruptive. And it came really at the wrong time. It's kind of been, as we're proving our strategy, we kind of immediately got attacked. And I think it was confusing for us and unfortunate.

We've been successfully executing, as you can see on the strategy we've stated, we had put forward for the past few years. We think Tufropes and Bozzetto proved that. And the majority of our shareholders have been very, very supportive.

Our preference has always been to resolve that situation as quickly as possible. And we're always open to reasonable solutions. But in the meantime, we're just trying to focus on the business.

We have a responsible ability to all of our shareholders, not just one. We see significant opportunities to add value in order to continue to do that and hope that the situation works out amicably.

Albert Matousek

Okay. And what is the status of the PLM earnouts? How are they doing?

Phil Mittleman

Well, first of all, Aeroméxico is doing extremely well. And we are, to remind people, as part of the sale of PLM, we also received an earnout opportunity of up to $27.5 million based on certain business metrics that they could achieve during a given year. And we're happy to say that during this year, we're seeing it track in such a way that if it continues, we expect to receive a portion of that earnout as a result of this year's results if it continues as they're tracking now. So good news there.

Albert Matousek

Okay. Thank you. And how have Cortland's employees reacted so far to the deal? How is the integration coming along?

Phil Mittleman

It couldn't have been more exciting actually. The first day we had a town hall when we acquired Cortland. And the first question that came was from one of their sales team. And he said, I just looked through your catalog, Tufropes catalog. He said, can I start selling this today? I have customers that will buy these products today. This is amazing.

Like they were, at Tufropes, they said are we allowed to sell these Cortland products now? We could do this. Can we get Cortland to help us on this project? It was really, really exciting.

So we saw an immediate, a very positive, immediate reaction. The integration is going well. Obviously, it's early stage, but there's a lot of complementary things in these businesses, especially on the sales side. But even we even see the opportunity to utilize some of our unused capacity in India to produce some of their products at much lower prices.

So a lot of opportunities there. Very excited about it. Really good acquisition. That was also a competitive situation that we won by really primarily convincing them about our strategy going forward and getting the support of management. So we're very happy with that so far.

Albert Matousek

Great. And the last question is how does Capital A fit into your investment strategy.

Phil Mittleman

So again, to remind shareholders that maybe don't recall, when we owned PLM, Aeroméxico went into bankruptcy, and it was a very scary time, and we utilized PLM's own balance sheet. We lent $100 million to Aeroméxico. At the time, we were under a lot of pressure saying what are you doing, the airline's bankrupt; are you crazy?

That $100 million saved the airline. We can definitively say saved the airline because they went through, if you look at the cash burn they had in the early stages of bankruptcy before they had dip financing, that money was the money that they had to survive. So we helped the airline survive and ultimately yielded a tremendous outcome for us once the airline recovered and emerged from bankruptcy.

So when Capital A was facing a similar situation, they were teetering there. They were going through a lot of difficulties. We owned 20 percent of their loyalty company.

So the loyalty company there was different. It was not profitable. We did not have the type of control that we had in shareholder rights that we had in PLM. So we weren't going to be sharing in the cash flows there once they eventually achieved that. So we didn't see that as an asset that we wanted to maintain, and it had a lot more value to Capital A.

So we transacted, I think, it was a very smart deal where we sold them that 20 percent stake for stock. So we got stock in Capital A, and at the same time, we participated in a rights offering alongside management to fund the airline through that period of time.

So the net result was we monetized that asset. We got liquid stock and RCUIDs in the airline. We've held them and now we're seeing the fruits of that as the Company roars back, and we're seeing the results in those securities.

So it's not a core. Airlines are not something we look to invest in typically. These have been unique situations in both fronts, but this looks like a very successful investment. We're very happy we made it.

Incredible management team at Capital A. Tony Fernandes is not only a great manager, but he put his money where his mouth is and wrote a personal check for almost 30 percent of that rights offering. So we have that confidence level as well.

So this is something that is not a core part of our strategy, but it was an opportunistic move, and we're very happy we executed it.

Albert Matousek

Well, great, thanks for providing all this additional information, it was really helpful.

Lara, do you have any other questions?

Operator

We have no further questions at this time. Please continue, sir.

Albert Matousek

Okay. Well thank you very much. I would like to thank everyone for joining us on today's call and webcast. Wish you all a great rest of your day. Bye bye. Thank you.

Operator

Thank you, sir. Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines. Have a lovely day.