

AIMIA

# FORWARD-LOOKING AND CAUTIONARY STATEMENTS

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*Forward-looking statements are included in this presentation. These forward-looking statements are typically identified by the use of terms such as “outlook”, “guidance”, “target”, “forecast”, “assumption” and other similar expressions or future or conditional terms such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “will”, “would”, and “should”. Such statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions.*

*Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Any forecasts, predictions or forward-looking statements cannot be relied upon due to, among other things, changing external events and general uncertainties of the business and its corporate structure. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, dependency on significant Accumulation Partners and clients, reliance on Redemption Partners, greater than expected redemptions for rewards, unfunded future redemption costs, supply and capacity costs, regulatory matters, failure to safeguard databases, cyber security and consumer privacy, retail market/economic conditions, industry competition, Air Canada liquidity issues or air travel industry disruption, airline industry changes and increased airline costs, changes to coalition loyalty programs, seasonal nature of the business, other factors and prior performance, reliance on key personnel, legal proceedings, foreign operations, labour relations, pension liability, technological disruptions, inability to use third-party software and outsourcing, failure to protect intellectual property rights, conflicts of interest, leverage and restrictive covenants in current and future indebtedness, uncertainty of dividend declarations and/or payments on either common shares or preferred shares, interest rate and currency fluctuations, credit ratings, audit by tax authorities, as well as the other factors identified throughout this MD&A and throughout Aimia's public disclosure records on file with the Canadian securities regulatory authorities. The forward-looking statements contained herein represent Aimia's expectations as of August 3, 2018, and are subject to change after such date. However, Aimia disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.*

*In particular, slides 20, 33, 36, 39, and 41 of this presentation contain certain forward-looking statements with respect to certain financial metrics in 2018. Aimia made a number of general economic and market assumptions in making these statements, including assumptions regarding currencies, the performance of the economies in which the Corporation operates and market competition and tax laws applicable to the Corporation's operations. The Corporation cautions that the assumptions used to make these statements with respect to 2018, although reasonable at the time they were made, may prove to be incorrect or inaccurate. In addition, these statements do not reflect the potential impact of any non-recurring or other special items or of any new material commercial agreements, dispositions, mergers, acquisitions, other business combinations or transactions that may be announced or that may occur after August 3, 2018. The financial impact of these transactions and non-recurring and other special items can be complex and depends on the facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same way we present known risks affecting our business. Accordingly, our actual results could differ materially from the statements made on slides 20, 33, 36, 39, and 41 of this presentation.*

*The forward-looking statements contained herein represent the Corporation's expectations as of August 3, 2018 and are subject to change. However, Aimia disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.*

***This presentation contains both IFRS and non-GAAP financial measures. Non-GAAP financial measures are defined and reconciled to the most comparable IFRS measures, if applicable, in our MD&A and at slides 3, 4, and 6. See caution regarding Non-GAAP financial measures on slide 3.***

# NON-GAAP FINANCIAL MEASURES

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Aimia uses the following non-GAAP financial measures which it believes provides investors and analysts with additional information to better understand results as well as assess its potential. GAAP means generally accepted accounting principles in Canada and represents International Financial Reporting Standards ("IFRS"). For a reconciliation of non-GAAP financial measures to the most comparable GAAP measure, please refer to the section entitled "Performance Indicators (including certain non-GAAP financial measures)" in our Management Discussion & Analysis on pages 7 to 11 for the three and six months ended June 30, 2018 which can be accessed here: <https://www.aimia.com/en/investors/quarterly-reports.html>. **For ease of reference, we have also included a reconciliation table to the most directly comparable GAAP measure, if any, on slides 4 and 6.**

## **Adjusted EBITDA**

Adjusted EBITDA is not a measurement based on GAAP, is not considered an alternative to operating income or net earnings in measuring performance, and is not comparable to similar measures used by other issuers. We do not believe that Adjusted EBITDA has an appropriate directly comparable GAAP measure. **As an alternative, we do however provide a reconciliation to operating income in our MD&A and on slide 4 in this presentation.** Adjusted EBITDA is used by management to evaluate performance, and to measure compliance with debt covenants. Management believes Adjusted EBITDA assists investors in comparing the Corporation's performance on a consistent basis without regard to depreciation and amortization and impairment charges, which are non-cash in nature and can vary significantly depending on accounting methods and non-operating factors such as historical cost. Adjusted EBITDA is operating income adjusted to exclude depreciation, amortization and impairment charges, as well as adjusted for certain factors particular to the business, such as changes in deferred revenue and Future Redemption Costs. Adjusted EBITDA also includes distributions and dividends received or receivable from equity-accounted investments. Adjusted EBITDA should not be used as an exclusive measure of cash flow because it does not account for the impact of working capital growth, capital expenditures, debt repayments and other sources and uses of cash, which are disclosed in the statements of cash flows.

## **Free Cash Flow**

Free Cash Flow is not a measurement based on GAAP and is unlikely to be comparable to similar measures used by other issuers. Management believes Free cash flow ("Free Cash Flow") provides a consistent and comparable measurement of cash generated from operations and is used as an indicator of financial strength and performance. Free Cash Flow is defined as cash flows from operating activities, as reported in accordance with GAAP, less: (a) total capital expenditures as reported in accordance with GAAP; and (b) dividends paid. **For a reconciliation of Free Cash Flow before Dividends Paid to cash flows from operations (GAAP), please see slide 4 in this presentation.**

## **Free Cash Flow before Dividends Paid and Free Cash Flow before Dividends Paid per Common Share**

Free Cash Flow before Dividends Paid are non-GAAP measures and are not comparable to similar measures used by other issuers. They are used in order to provide a consistent and comparable measurement of cash generated from operations and used as indicators of financial strength and performance. Free Cash Flow before Dividends Paid is defined as cash flows from operating activities as reported in accordance with GAAP, less capital expenditures as reported in accordance with GAAP. Free Cash Flow before Dividends Paid per Common Share is a measurement of cash flow generated from operations on a per share basis. It is calculated as follows: Free Cash Flow before dividends paid minus dividends paid on preferred shares and non-controlling interests over the weighted average number of common shares outstanding. **For a reconciliation of Free Cash Flow before Dividends Paid and Free Cash Flow before Dividends Paid per Common Share to the most directly comparable GAAP measure, if any, please see slide 4 in this presentation.**

## **ROIC**

Return on invested capital ("ROIC") is not a measurement based on GAAP and is not comparable to similar measures used by other issuers. ROIC is used by management to assess the efficiency with which it allocates its capital to generate returns. ROIC is calculated as adjusted operating income after taxes expressed as a percentage of the average invested capital. Adjusted operating income after taxes is Adjusted EBITDA less depreciation and amortization, tax effected at the Canadian statutory rate, on a rolling twelve-month basis. A description of Adjusted EBITDA as well as its reconciliation to operating income is presented in the preceding section. Invested capital is the sum of total equity, deferred revenue margin (calculated as deferred revenue less future redemption cost liability, tax effected at the Canadian statutory rate), accumulated amortization of Accumulation Partners' contracts and customer relationships, and net debt (calculated as long-term debt, including the current portion, less cash and cash equivalents, averaged between the beginning and ending balance over a rolling twelve-month period). **For a reconciliation of ROIC to the most directly comparable GAAP measure, if any, please see slide 6 in this presentation.**

## **Constant Currency**

Because exchange rates are an important factor in understanding period to period comparisons, management believes that the presentation of various financial metrics on a constant currency basis or after giving effect to foreign exchange translation, in addition to the reported metrics, helps improve the ability to understand operating results and evaluate performance in comparison to prior periods. Constant currency information compares results between periods as if exchange rates had remained constant over the periods. Constant currency is derived by calculating current-year results using prior-year foreign currency exchange rates. Results calculated on a constant currency basis should be considered in addition to, not as a substitute for, results reported in accordance with GAAP and may not be comparable to similarly titled measures used by other companies.

# GAAP TO NON-GAAP RECONCILIATION\*

|   | Three Months Ended<br>June 30, |               | Six Months Ended<br>June 30, |               |
|---|--------------------------------|---------------|------------------------------|---------------|
| <i>(in millions of Canadian dollars, except per share information)</i>                  | 2018                           | 2017          | 2018                         | 2017          |
| <b>Operating loss</b>   | <b>(16.5)</b>                  | <b>(36.7)</b> | <b>(3.8)</b>                 | <b>(36.1)</b> |
| Depreciation and amortization   | 13.7                           | 9.6           | 27.6                         | 19.1          |
| Amortization of Accumulation Partners' contracts, customer relationships and technology | 38.7                           | 35.6          | 79.3                         | 60.8          |
| Impairment charges  | 8.0                            | —             | 8.0                          | —             |
| <b>Operating income excluding depreciation, amortization and impairment charges</b>     | <b>43.9</b>                    | <b>8.5</b>    | <b>111.1</b>                 | <b>43.8</b>   |
| <b>Adjustments:</b>   |                                |               |                              |               |
| Change in deferred revenue  |                                |               |                              |               |
| Gross Billings  | 366.8                          | 396.0         | 724.9                        | 790.6         |
| Total revenue   | (375.4)                        | (361.3)       | (781.4)                      | (763.7)       |
| Cost of rewards recorded against deferred revenue                                       | (7.5)                          | (8.9)         | (15.8)                       | (18.5)        |
| Change in Future Redemption Costs   | 14.0                           | (10.6)        | 60.3                         | 9.7           |
| Distributions from equity-accounted investments   | 4.4                            | 5.8           | 8.8                          | 11.1          |
| Subtotal of Adjustments   | 2.3                            | 21.0          | (3.2)                        | 29.2          |
| <b>Adjusted EBITDA</b>  | <b>46.2</b>                    | <b>29.5</b>   | <b>107.9</b>                 | <b>73.0</b>   |
| <b>Adjusted EBITDA as a % of total Gross Billings</b>                                   | <b>12.6%</b>                   | <b>7.4%</b>   | <b>14.9%</b>                 | <b>9.2%</b>   |
| <b>Cash from operating activities</b>   | <b>27.4</b>                    | <b>66.9</b>   | <b>71.2</b>                  | <b>55.2</b>   |
| Capital expenditures  | (7.4)                          | (12.8)        | (10.8)                       | (24.9)        |
| <b>Free Cash Flow before Dividends Paid</b>   | <b>20.0</b>                    | <b>54.1</b>   | <b>60.4</b>                  | <b>30.3</b>   |
| Free Cash Flow before Dividends Paid - Continuing operations                            | 20.0                           | 32.6          | 45.1                         | 68.9          |
| Free Cash Flow before Dividends Paid - Discontinued operations                          | —                              | 21.5          | 15.3                         | (38.6)        |
| Free Cash Flow before Dividends Paid per common share                                   | 0.13                           | 0.36          | 0.40                         | 0.17          |
| Dividends paid to equity holders of the Corporation                                     | —                              | —             | —                            | (34.7)        |
| <b>Free Cash Flow</b>   | <b>20.0</b>                    | <b>54.1</b>   | <b>60.4</b>                  | <b>(4.4)</b>  |

\*THIS SLIDE CONTAINS NON-GAAP FINANCIAL MEASURES. PLEASE REFER TO SLIDE 3 FOR A DETAILED DESCRIPTION OF SUCH NON-GAAP FINANCIAL MEASURES.

# Q2 2018 INCOME STATEMENT

|  | Three Months Ended<br>June 30, |        | Six Months Ended<br>June 30, |        |
|--|--------------------------------|--------|------------------------------|--------|
| <i>(in millions of Canadian dollars, except per share amounts)</i>                         | 2018                           | 2017   | 2018                         | 2017   |
| <b>Revenue</b>   | <b>375.4</b>                   | 361.3  | <b>781.4</b>                 | 763.7  |
| <b>Cost of sales</b>   |                                |        |                              |        |
| Cost of rewards and direct costs   | <b>222.0</b>                   | 212.0  | <b>468.7</b>                 | 441.6  |
| Depreciation and amortization  | <b>13.7</b>                    | 9.6    | <b>27.6</b>                  | 19.1   |
| Amortization of accumulation partners' contracts,<br>customer relationships and technology | <b>38.7</b>                    | 35.6   | <b>79.3</b>                  | 60.8   |
|  | <b>274.4</b>                   | 257.2  | <b>575.6</b>                 | 521.5  |
| <b>Gross margin</b>  | <b>101.0</b>                   | 104.1  | <b>205.8</b>                 | 242.2  |
| Operating expenses   | <b>117.5</b>                   | 140.8  | <b>209.6</b>                 | 278.3  |
| <b>Operating loss</b>  | <b>(16.5)</b>                  | (36.7) | <b>(3.8)</b>                 | (36.1) |
| Gain (loss) on disposal of businesses and other assets                                     | —                              | 6.2    | <b>(5.3)</b>                 | 6.2    |
| Financial income   | <b>2.1</b>                     | 10.0   | <b>4.3</b>                   | 12.9   |
| Financial expenses   | <b>(5.8)</b>                   | (12.8) | <b>(10.5)</b>                | (20.3) |
| Fair value gain on investments in equity instruments                                       | <b>27.5</b>                    | —      | <b>33.8</b>                  | —      |
| Net financial income (expenses)  | <b>23.8</b>                    | (2.8)  | <b>27.6</b>                  | (7.4)  |
| Share of net earnings of equity-accounted<br>investments                                   | <b>5.4</b>                     | 3.7    | <b>15.0</b>                  | 15.4   |
| <b>Earnings (loss) before income taxes</b>   | <b>12.7</b>                    | (29.6) | <b>33.5</b>                  | (21.9) |
| Income tax recovery (expense)  | <b>(1.6)</b>                   | 0.5    | <b>(8.6)</b>                 | (4.3)  |
| <b>Net earnings (loss) from continuing operations</b>                                      | <b>11.1</b>                    | (29.1) | <b>24.9</b>                  | (26.2) |
| Net earnings from discontinued operations  | —                              | 4.0    | 7.6                          | 10.7   |
| <b>Net earnings (loss)</b>   | <b>11.1</b>                    | (25.1) | <b>32.5</b>                  | (15.5) |

# ROIC RECONCILIATION\*

|  | Twelve Months Ended<br>June 30, |           |
|--|---------------------------------|-----------|
| <i>(in millions of Canadian dollars unless otherwise noted)</i>  | 2018                            | 2017      |
| <b>Calculation of adjusted operating income after taxes</b>  |                                 |           |
| <b>Operating loss</b>  | <b>(26.8)</b>                   | (139.7)   |
| Depreciation, amortization & impairment charges  | 214.3                           | 230.0     |
| Operating income excluding depreciation, amortization and impairment charges   | 187.5                           | 90.3      |
| Adjustments:   |                                 |           |
| Change in deferred revenue   |                                 |           |
| Gross Billings   | 1,491.0                         | 1,731.4   |
| Total revenue  | (1,489.0)                       | (1,630.0) |
| Cost of rewards recorded against deferred revenue  | (32.0)                          | (18.5)    |
| Change in Future Redemption Costs  | 48.6                            | (28.5)    |
| Distributions from equity-accounted investments  | 18.3                            | 20.1      |
| Subtotal of Adjustments  | 36.9                            | 74.5      |
| <b>Adjusted EBITDA</b>   | <b>224.4</b>                    | 164.8     |
| Depreciation and amortization  | (45.6)                          | (44.0)    |
| Tax  | (47.8)                          | (32.1)    |
| <b>Adjusted operating income after taxes</b>   | <b>131.0</b>                    | 88.7      |
| <b>Calculation of invested capital</b>   |                                 |           |
| Net equity:  |                                 |           |
| Total equity   | (190.9)                         | 49.2      |
| Net liabilities (assets) of discontinued operations  | —                               | (72.8)    |
| Deferred revenue margin from continuing operations:  |                                 |           |
| Deferred revenue   | 2,935.7                         | 2,966.7   |
| Future Redemption Cost liability - Unbroken Loyalty Units  | (1,934.9)                       | (2,010.6) |
| Tax  | (267.7)                         | (254.1)   |
| Accumulated amortization of accumulation partners' contracts and customer relationships related to continuing operations | 1,035.0                         | 876.3     |
| Net debt:  |                                 |           |
| Long-term debt (including current portion)   | 329.4                           | 449.1     |
| Cash and cash equivalents  | (248.6)                         | (273.1)   |
| <b>Total Invested capital</b>  | <b>1,658.0</b>                  | 1,730.7   |
| <b>Average Invested capital</b>  | <b>1,694.4</b>                  | 1,849.4   |
| <b>ROIC</b>  | <b>7.7%</b>                     | 4.8%      |

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# Q2 2018 VS 2017 FINANCIAL SUMMARY

| Three Months Ended June 30,   |              |              |               |               |              |              |   |               |  |
|---|--------------|--------------|---------------|---------------|--------------|--------------|---|---------------|--|
|   | Coalitions   |              | ILS           |               | Consolidated |              |   |               | YoY %<br>(excl. Other Businesses) <sup>(1)</sup> |
|   | 2018         | 2017         | 2018          | 2017          | 2018         | 2017         | 2017<br>(excl. Other Businesses) <sup>(1)</sup> | YoY %         |  |
| <b>Gross Billings</b>   | <b>326.3</b> | <b>336.8</b> | <b>40.7</b>   | <b>47.8</b>   | <b>366.8</b> | <b>396.0</b> | <b>384.2</b>                                    | <b>-7.4%</b>  | <b>-4.5%</b>                                     |
| Total revenue   | 341.7        | 310.6        | 33.9          | 40.2          | 375.4        | 361.3        | 350.4   | 3.9%          | 7.1%   |
| Cost of rewards and direct costs  | 217.6        | 205.7        | 4.4           | 6.5           | 222.0        | 212.0        | 212.0   | 4.7%          | 4.7%   |
| <b>Total operating expenses</b>   | <b>70.6</b>  | <b>69.8</b>  | <b>47.1</b>   | <b>41.9</b>   | <b>117.5</b> | <b>140.8</b> | <b>111.5</b>                                    | <b>-16.5%</b> | <b>5.4%</b>                                      |
| Total operating expenses before restructuring   | 61.1         | 65.8         | 46.5          | 40.8          | 107.4        | 135.7        | 106.4   | -20.9%        | 0.9%   |
| <b>Adjusted EBITDA</b>  | <b>57.3</b>  | <b>54.0</b>  | <b>(11.1)</b> | <b>(7.0)</b>  | <b>46.2</b>  | <b>29.5</b>  | <b>47.0</b>                                     | <b>56.6%</b>  | <b>-1.7%</b>                                     |
| <b>Adjusted EBITDA margin %</b>   | <b>17.6%</b> | <b>16.0%</b> | <b>-27.3%</b> | <b>-14.6%</b> | <b>12.6%</b> | <b>7.4%</b>  | <b>12.2%</b>                                    | <b>5.2 pp</b> | <b>0.4 pp</b>                                    |
| Adjusted EBITDA before restructuring  | 66.8         | 58.0         | (10.5)        | (5.9)         | 56.3         | 34.6         | 52.1  | 62.7%         | 8.1%   |
| Adjusted EBITDA margin % (before restructuring)   | 20.5%        | 17.2%        | -25.8%        | -12.3%        | 15.3%        | 8.7%         | 13.6%   | 6.6 pp        | 1.8 pp   |
| <u>Included in Adjusted EBITDA:</u>   |              |              |               |               |              |              |   |               |  |
| Change in Future Redemption Costs   | 14.8         | (11.9)       | (0.8)         | 1.3           | 14.0         | (10.6)       | (10.6)  | **            | **   |
| Cost of rewards recorded against deferred revenue   | -            | -            | (7.5)         | (8.9)         | (7.5)        | (8.9)        | (8.9)   | **            | **   |
| Distributions from equity-accounted investments   | 4.4          | 4.6          | -             | 1.2           | 4.4          | 5.8          | 5.8   | -24.1%        | -24.1%   |
| <b>Free Cash Flow before Dividends Paid (continuing operations)</b>                           |              |              |               |               | <b>20.0</b>  | <b>32.6</b>  | <b>41.2</b>                                     | <b>-38.7%</b> | <b>-51.5%</b>                                    |
| Free Cash Flow before Dividends Paid (continuing operations) (before restructuring and taxes) |              |              |               |               | 29.0         | 38.9         | 46.7  | -25.4%        | -37.9%   |
| Restructuring expenses - divisional structure   | 9.5          | 4.0          | 0.6           | 1.1           | 10.1         | 5.1          | 5.1   | **            | **   |
| Restructuring payments - divisional structure   |              |              |               |               | 8.2          | 4.3          | 4.3   | **            | **   |
| Taxes paid  |              |              |               |               | 0.8          | 2.0          | 1.2   | **            | **   |

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\*\* means not meaningful

(1) Consolidated results less Other Businesses. Other Businesses include the results of the U.S. Channel and Employee Loyalty ("CEL") business, the New Zealand business and the royalty revenue related to the Canadian Air Miles trademarks, until their respective disposals.

# Q2 2018 HIGHLIGHTS

**August 3, 2018**



# TODAY'S SPEAKERS

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**Jeremy Rabe**  
CEO

**Mark Grafton**  
Chief Financial Officer

# AGENDA

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- Strategy update
- Q2 operational and financial highlights
- Key takeaways

# STRATEGIC UPDATE

**Jeremy Rabe**

# OPPORTUNITY TO CAPITALIZE ON GROWING TRAVEL MARKET

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**Opportunity to reset, rebuild and refresh our partner relationships and embark on a new path**



**The key determinants of the success of any coalition program are partner relations, long-term contracts, a strong brand and technology, along with operational expertise**

# PRIORITIES

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**Opportunity exists to go further and move faster**

**Setting out clear strategy against which to progress key Aeroplan partnerships and member offering**

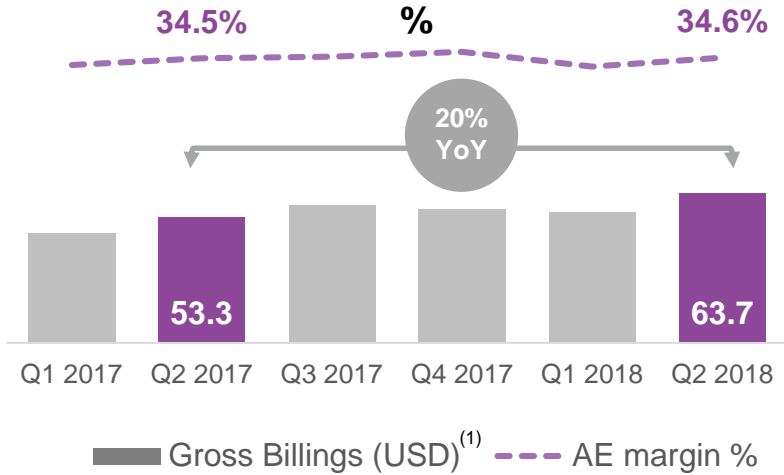
**Ongoing business simplification and acceleration of cost reduction initiatives**

**Preserving a strong cash and liquidity position**

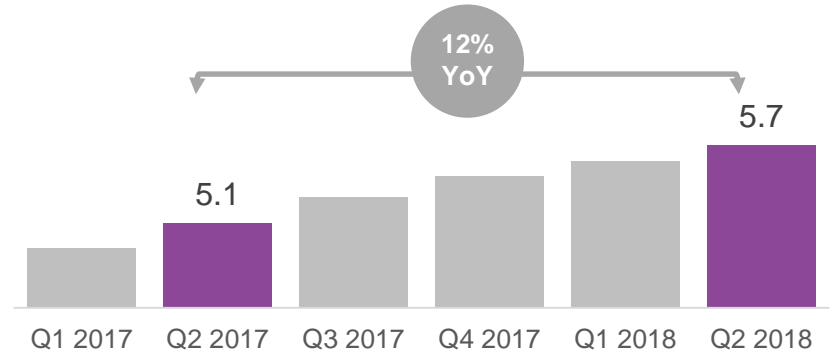
**Maximizing value of investments**

# PLM INVESTMENT

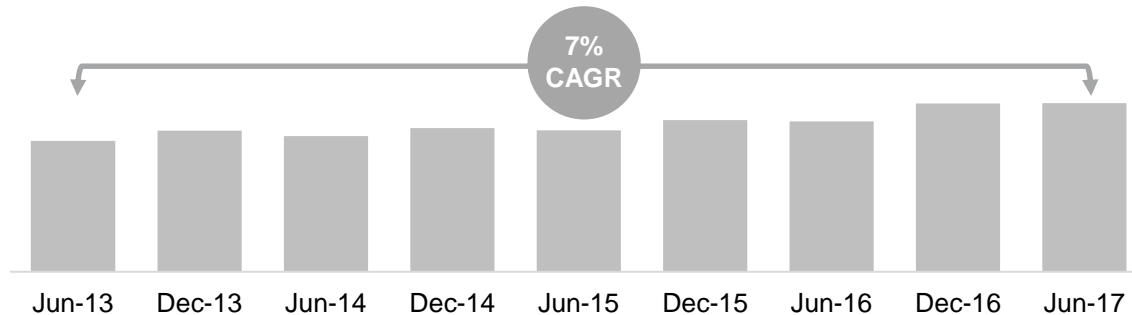
## Gross Billings<sup>(1)</sup> (USD\$ M) and AE margin



## Members enrolled (M)



## Mexico total credit card balances (MXN M)<sup>(2)</sup>



Program growth and positive secular credit card trends driving significant value at PLM

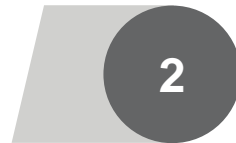
(1) Gross Billings from Loyalty Units.  
 (2) Source: Bank of Mexico - Basic indicators of credit cards reports June 2013 – 2017.

# AEROPLAN OFFERING

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**Increased flexibility**



Great value



Improved member experience

# AEROPLAN

## Making air rewards more flexible

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**Air rewards  
will remain  
our core  
differentiator**

**A valuable air reward proposition is the core of what members want and will continue to be a core differentiator for Aeroplan**

**But the differentiation will go further:**

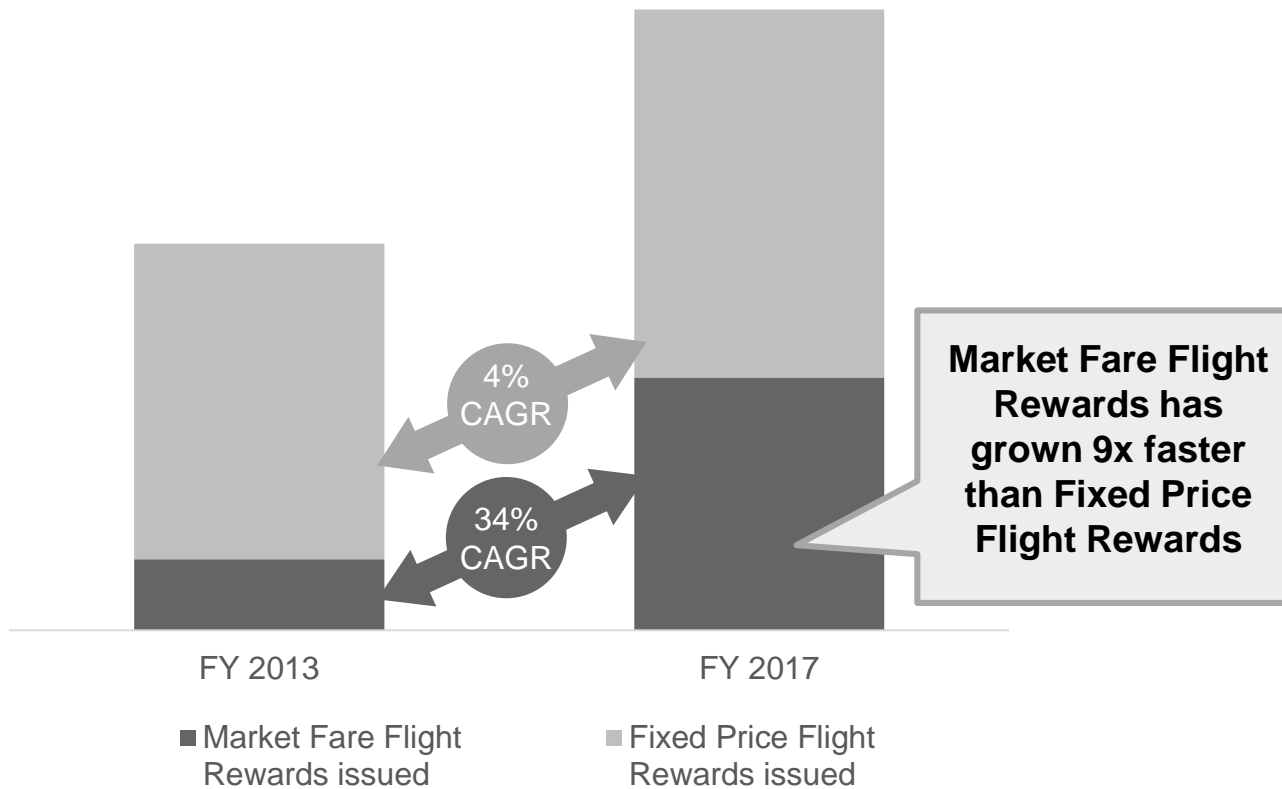
- Type and class of air reward
- Redemption experience
- Time to reward
- Relevant non-air rewards



# AEROPLAN

## Demonstrated demand for flexibility

Total Air Rewards Issued (million)



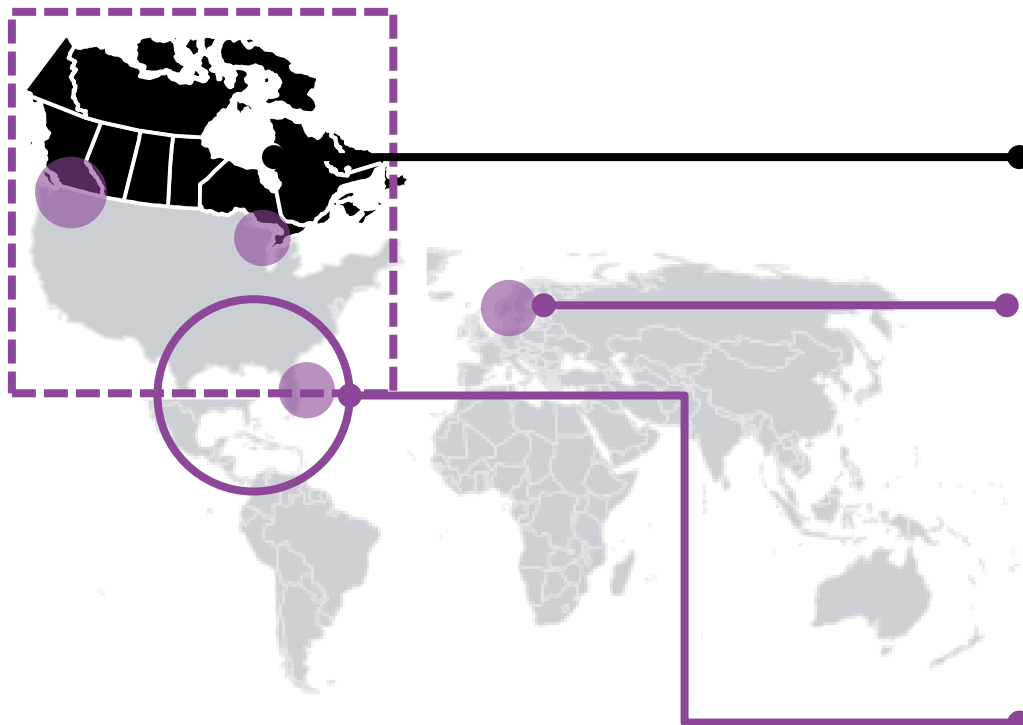
Member desire for convenience and flexibility driving strong growth in demand for Market Fare Flight Rewards

Demand for Fixed Price Flight Rewards has lagged Air Canada's high-single digit capacity increases

# AEROPLAN

## Based around where members fly today

Members used their miles to fly and booked over 2.0 million rewards, with the average member booking once every two years for leisure travel



**Top 120 routes account for around 80% of rewards**

**Within Canada, most popular routes booked account for ~50% of rewards, largely reflecting major Canadian population centres**

**Routes with significant capacity as well as routing and pricing flexibility such as Chicago, California, Florida, NYC, London and Paris were among the most booked for travel outside Canada, with members also much more likely to use Market Fare Flight Rewards when booking these destinations**

**Sun destinations are underrepresented today relative to where we know Canadians travel**

# AEROPLAN OFFERING

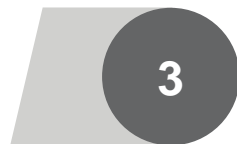
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Increased flexibility



**Great value**



Improved member experience

# AEROPLAN

## Committing to continued value for members

**Committed to offering the following economy round-trip flights beginning at the following Aeroplan Miles:**

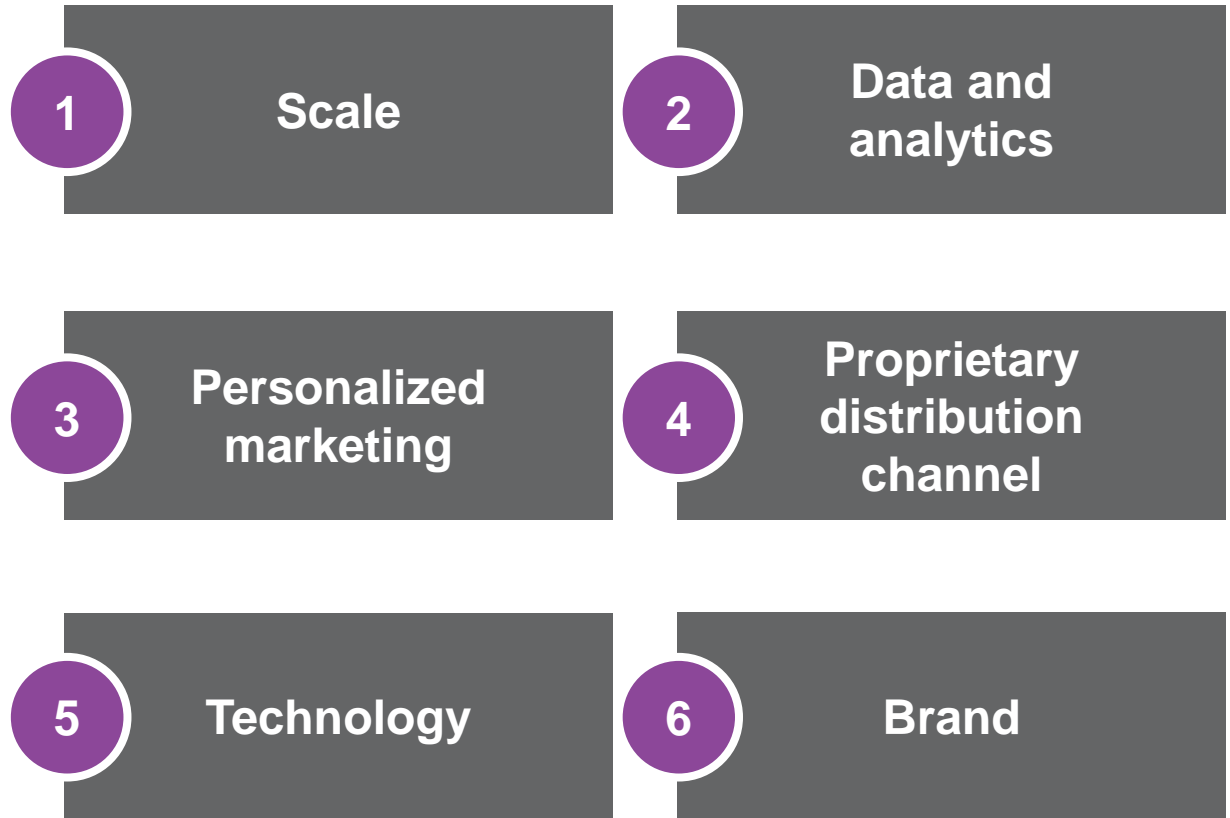


- |                                     |        |
|-------------------------------------|--------|
| ▪ <b>North American short-haul:</b> | 15,000 |
| ▪ <b>North American long-haul:</b>  | 25,000 |
| ▪ <b>Mexico and Caribbean:</b>      | 40,000 |
| ▪ <b>European destinations:</b>     | 60,000 |
| ▪ <b>Asia destinations:</b>         | 75,000 |

# AEROPLAN

## Leveraging Aeroplan capabilities and assets

**Distinct capabilities to buying airline seats in ways that other loyalty programs cannot, providing a high perceived value per mile at a manageable unit cost**

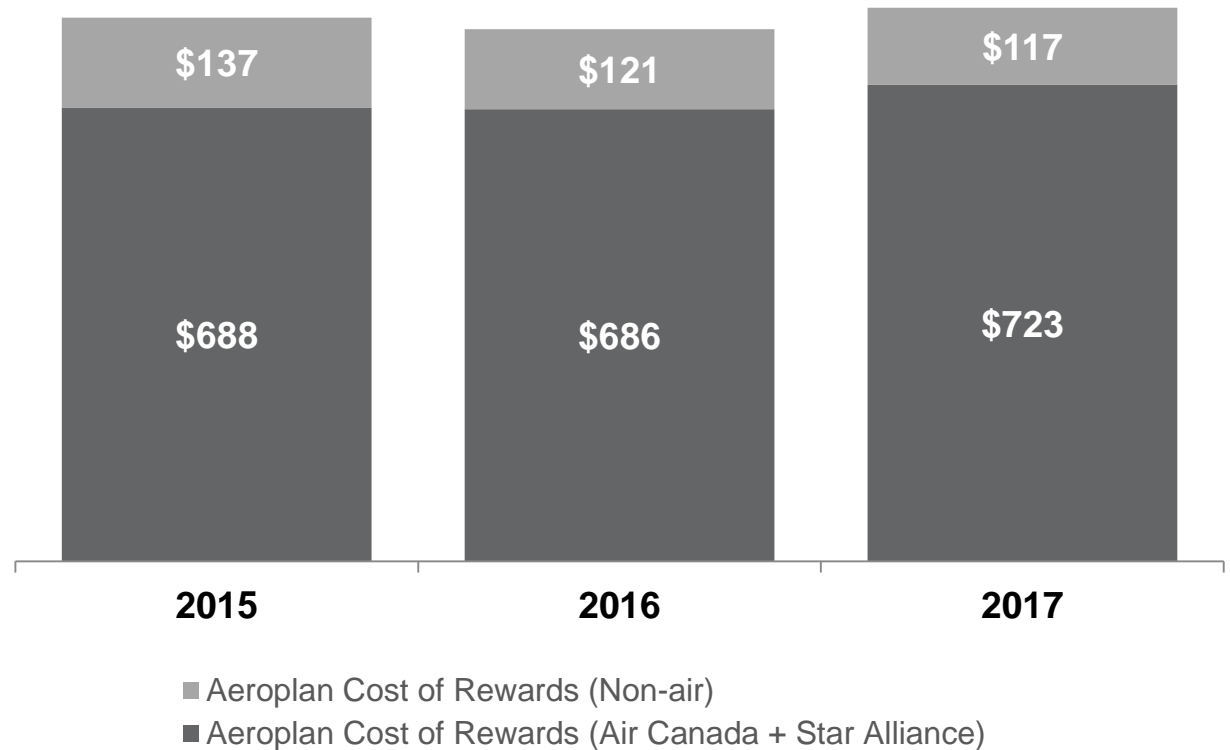


# AEROPLAN

## Cost of rewards today

Around half of the 2.0 million flight rewards issued in 2017 were purchased at market fare or from airlines other than Air Canada, representing two-thirds of the expense

Cost of rewards  
(CAD\$ M)



# AEROPLAN

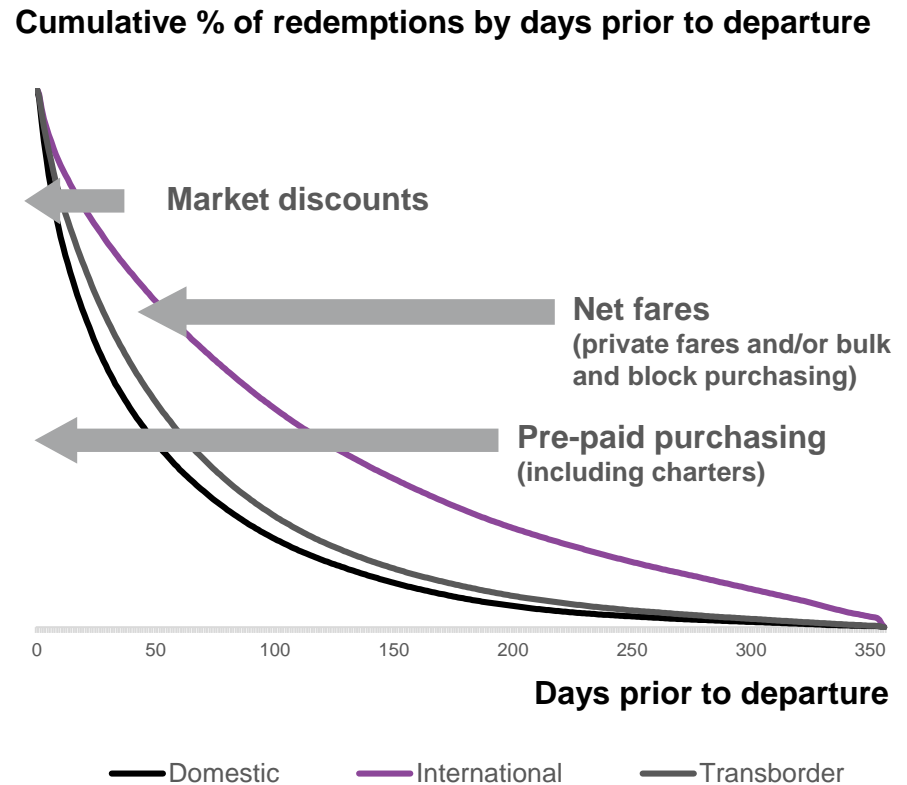
## Driving mutual benefit for airlines

### Aeroplan purchasing benefits airlines

- Purchases a lot of seats and distributes them through a proprietary distribution channel
- Fills seats that would otherwise be empty – distressed seats
- Enables an airline to charge a higher fare on remaining seats
- Allows an airline to derisk a route or their network by
  - Knowing a certain portion of tickets will be sold well in advance
  - Shift demand to flights that have different characteristics
  - Support the introduction of new routes

**Long booking windows create purchasing opportunity unavailable to airlines due to revenue displacement**

### Unlocking differentiated discounts for Aeroplan

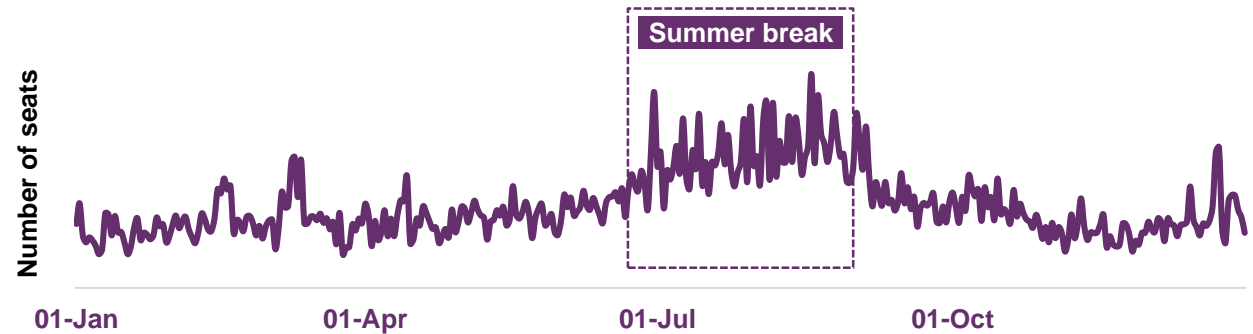


# AEROPLAN

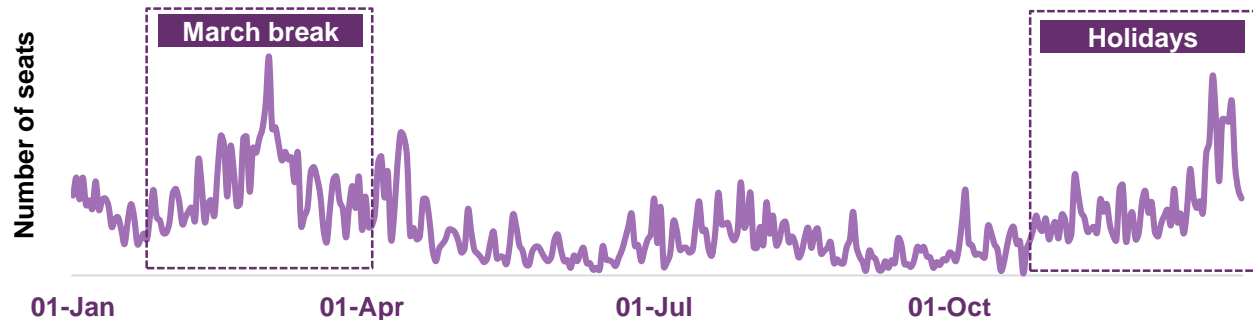
## Redemption seasonality will inform choice

Program scale and rich member data on travel patterns enable Aeroplan to optimize inventory for better leisure-oriented itineraries

### Redemption Seat Demand



### Redemption Seat Demand





# AEROPLAN OFFERING

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Increased flexibility



Great value



**Improved member experience**

# BUILDING ON AEROPLAN

## Tiers and sophisticated CRM and user interfaces

New travel rewards platform provide members with flexibility to pay in miles and cash for all their travel – including flights

The screenshot shows the Aeroplan Travel Rewards website. At the top left is the Aeroplan logo with the tagline "behind your plan there's". To the right, there is a search icon, a language selector set to "Français", and a "LOG OUT" button. Below this, a user greeting reads "Welcome SON, you have 6,843,684 Aeroplan miles" and "Aeroplan Number: 101 026 524". A navigation bar contains links for "My Account", "Earn Miles", "Book Travel", "Get Merchandise", "Status", and "Help centre". The main banner features a scenic landscape with the text "Travel Rewards" and "Search for flights, hotels and cars, or get inspired!". Below the banner is a horizontal menu with icons for "Flights", "Hotels", "Cars", "Packages", "Insurance", and a shopping cart icon. The search form includes a "Destination" field with "Toronto (Pearson Intl.)", "Check-in" and "Check-out" date pickers set to "08/16/2018" and "08/18/2018" respectively, a "Guests" field set to "Guests 2", and an orange "search" button.

# TRANSFORMING AEROPLAN

## To be the best travel loyalty program

---

**We will guarantee flexibility with more airlines at great value; with access to economy and business class and it will be an improved member experience**

- **Based on listening to members and the data we have about them**
- **Based on what we think can add value to banks**
- **Based on how we think dynamic pricing will affect airline programs**
- **Based on how we think airlines will evolve to serve global clients**

AIMIA

# Q2 OPERATIONAL AND FINANCIAL HIGHLIGHTS

**Mark Grafton**

# Q2 2018 Highlights\*

(CAD\$ M)

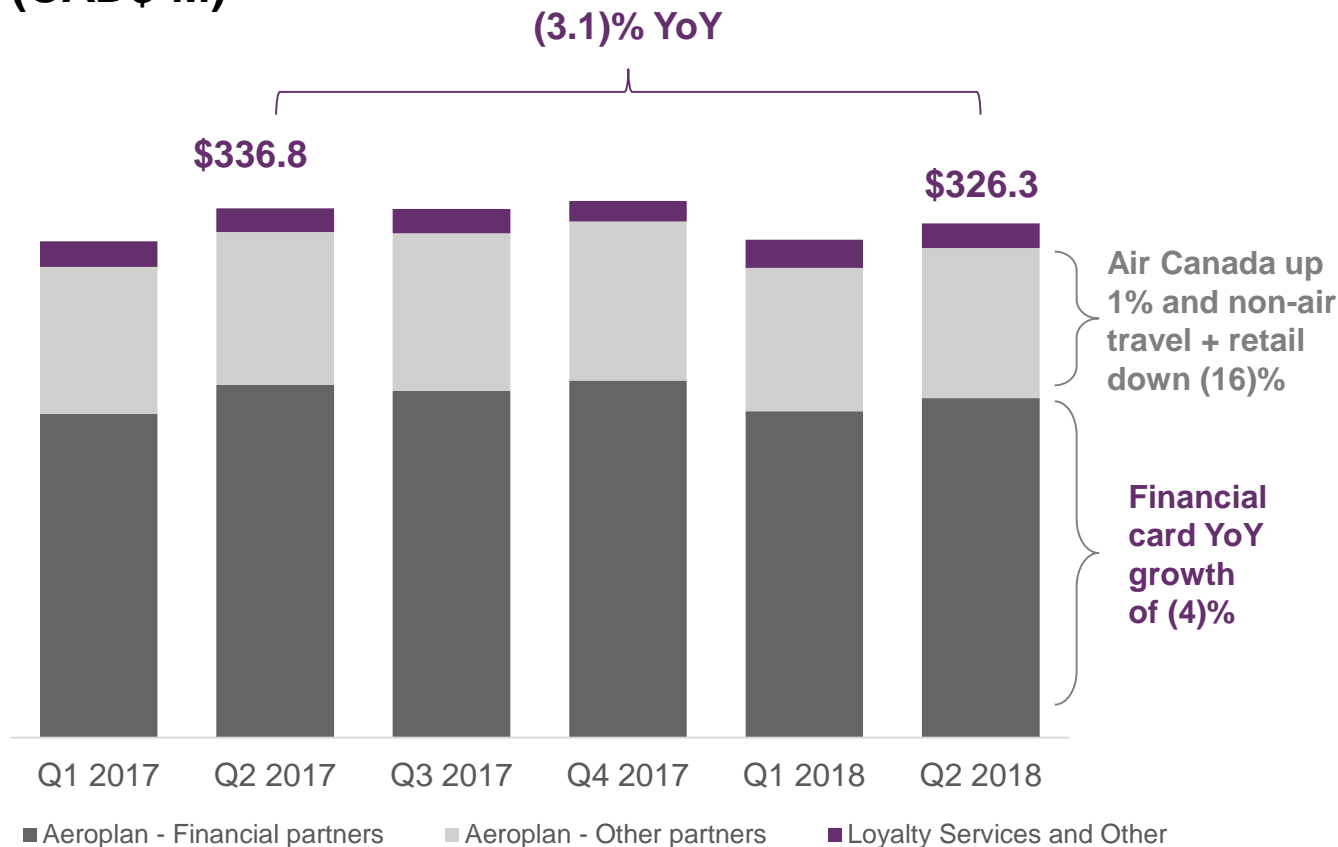
|   | Consolidated (excl. Other Businesses) <sup>(1)</sup> |                | Coalitions   |                |
|---|--|----------------|--------------|----------------|
|   | \$   | YoY %          | \$           | YoY %          |
| Gross Billings                                      | 366.8  | -4.5%          | 326.3        | -3.1%          |
| Revenue   | 375.4  | 7.1%           | 341.7        | 10.0%          |
| Adjusted EBITDA                                     | 46.2   | -1.7%          | 57.3         | 6.1%           |
| AE margin %   | 12.6%  | 40 bps         | 17.6%        | 160 bps        |
| <b>Adjusted EBITDA excluding restructuring</b>      | <b>56.3</b>  | <b>8.1%</b>    | <b>66.8</b>  | <b>15.2%</b>   |
| <b>AE margin % excluding restructuring</b>          | <b>15.3%</b>   | <b>180 bps</b> | <b>20.5%</b> | <b>330 bps</b> |
| Free Cash Flow before Dividends Paid <sup>(2)</sup> | 20.0   | -37.9%         | 29.0         | -47.3%         |

\*THIS SLIDE CONTAINS NON-GAAP FINANCIAL MEASURES. PLEASE REFER TO SLIDE 3 FOR A DETAILED DESCRIPTION OF SUCH NON-GAAP FINANCIAL MEASURES AND SLIDE 4 FOR A RECONCILIATION TABLE TO THE MOST DIRECTLY COMPARABLE GAAP MEASURE, IF ANY.

(1) Variance vs Q2 2017 consolidated results excluding Other Businesses. Other Businesses include the results of the U.S. Channel and Employee Loyalty ("CEL") business, the New Zealand business and the royalty revenue related to the Canadian Air Miles trademarks, until their respective disposals.

# COALITIONS Gross Billings\*

(CAD\$ M)



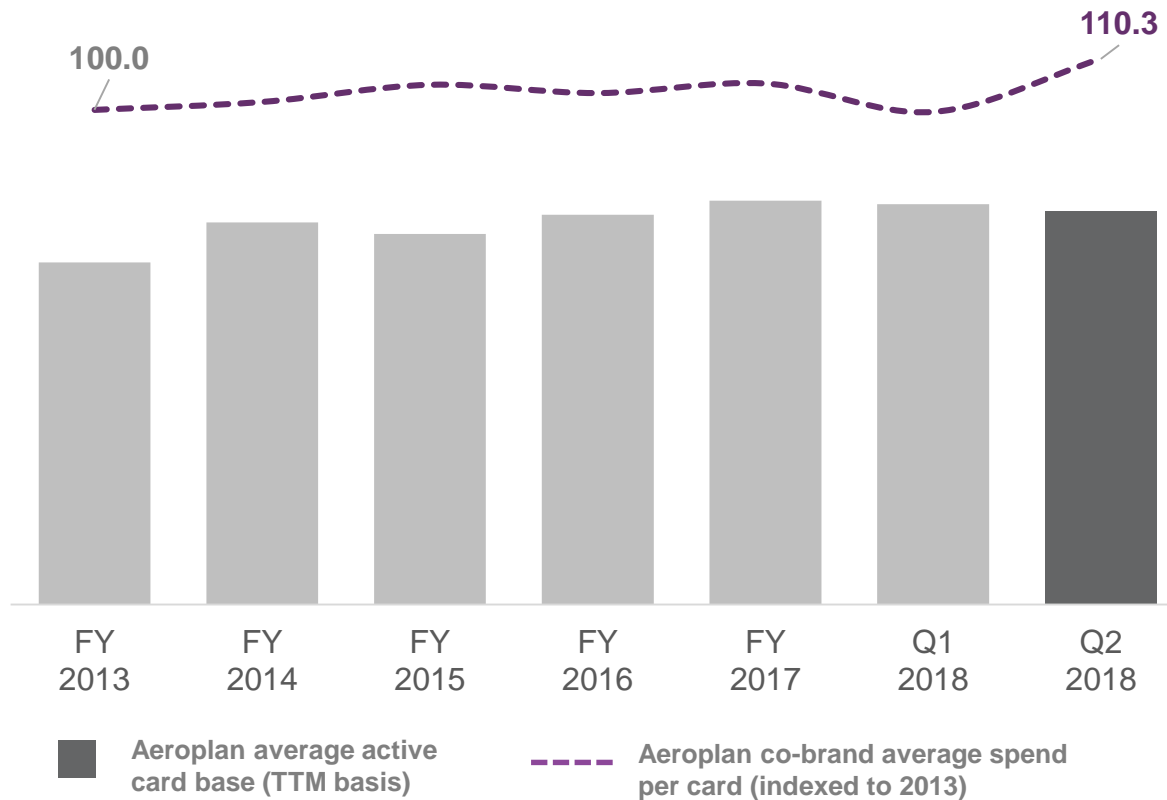
**Strong AMEX performance and increased credit card spend offset by lower active card base**

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# COALITIONS - AEROPLAN

## Financial card trends

Aeroplan co-brand average spend vs. active base<sup>(1)</sup>



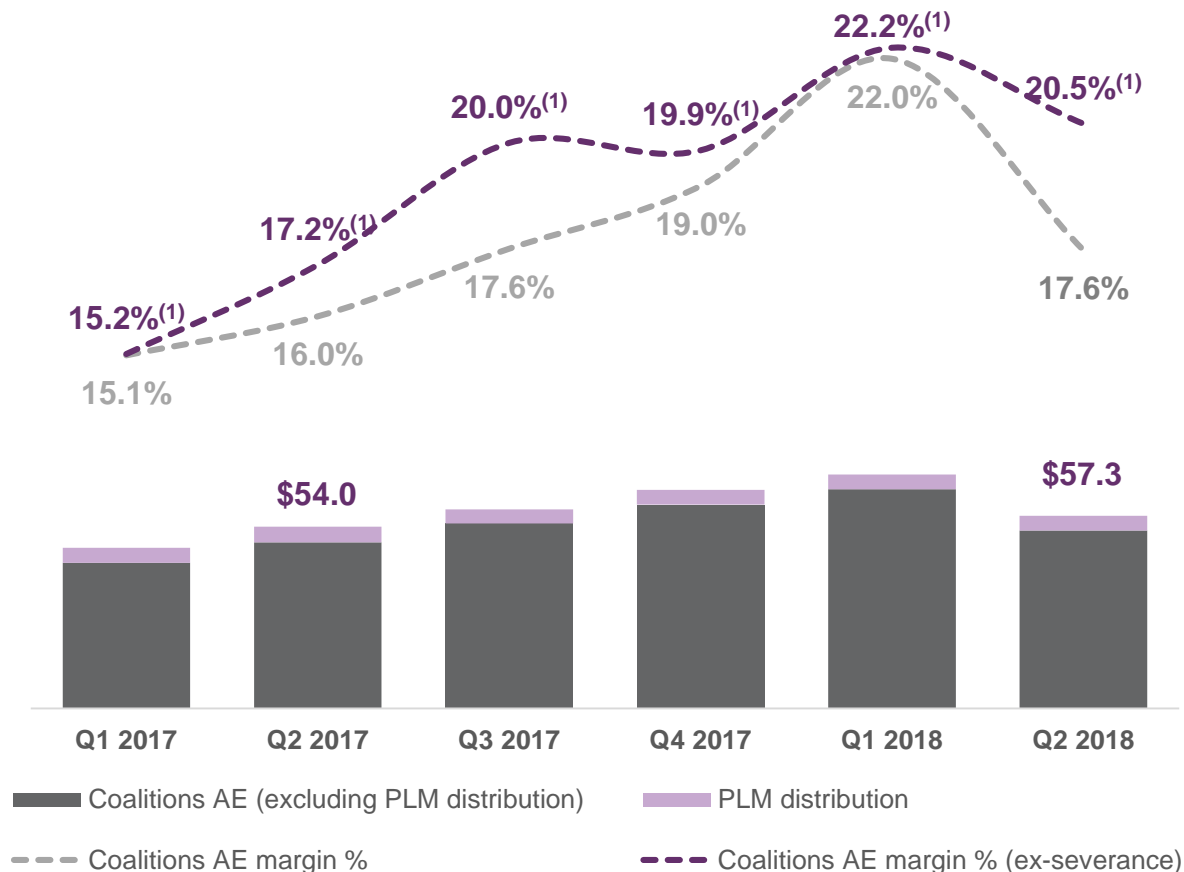
Members continued to re-engage and spend

(1) One-month co-brand average active card base on a trailing twelve months basis.

# COALITIONS

## Adjusted EBITDA margin\*

(CAD\$ M, except percentages)



(1) Excluding divisional restructuring expenses of \$0.1 million in Q1 2017, \$4.0 million in Q2 2017, \$8.2 million in Q3 2017, \$2.8 million in Q4 2017, \$15.1 million in FY 2017, \$0.8 million in Q1 2018, and \$9.5 million in Q2 2018, respectively.

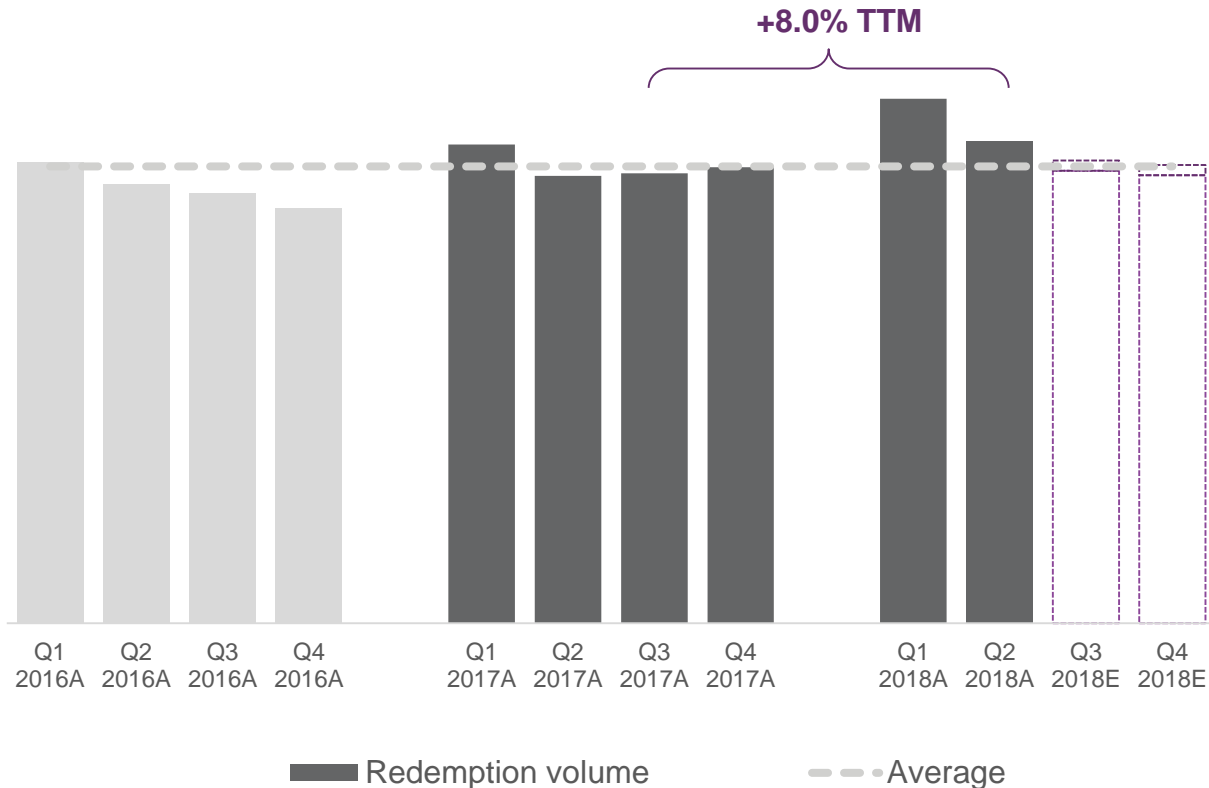
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# COALITIONS - AEROPLAN

## Actual and forecast redemption volumes

Redemption volume (billion miles)

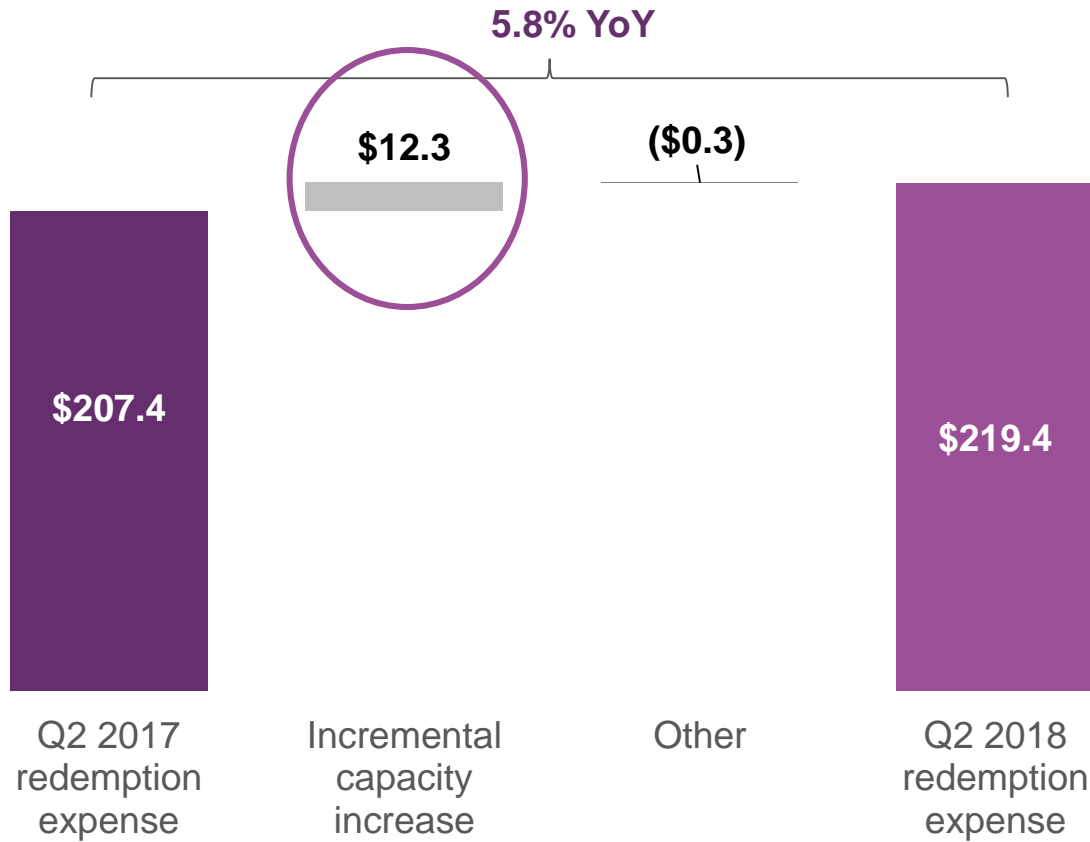


2018 guidance assumes slower pace of redemption growth against elevated levels in Q3 and Q4 last year

# COALITIONS - AEROPLAN

## Redemption expense breakdown

(CAD\$ M)

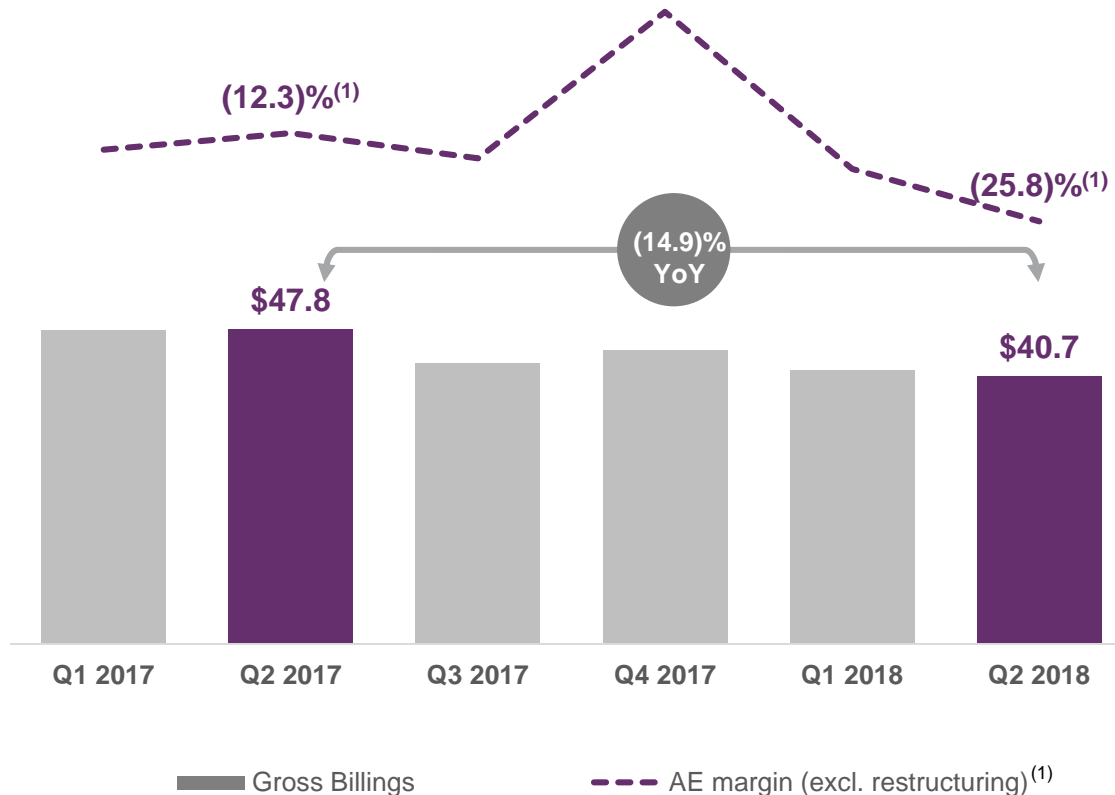


Take-up of increased capacity was the main driver of Q2 2018 redemptions

# INSIGHTS AND LOYALTY SOLUTIONS

## Adjusted EBITDA margin\*

(CAD\$ M)



**Focused on reducing operating costs in the business to better align profitability**

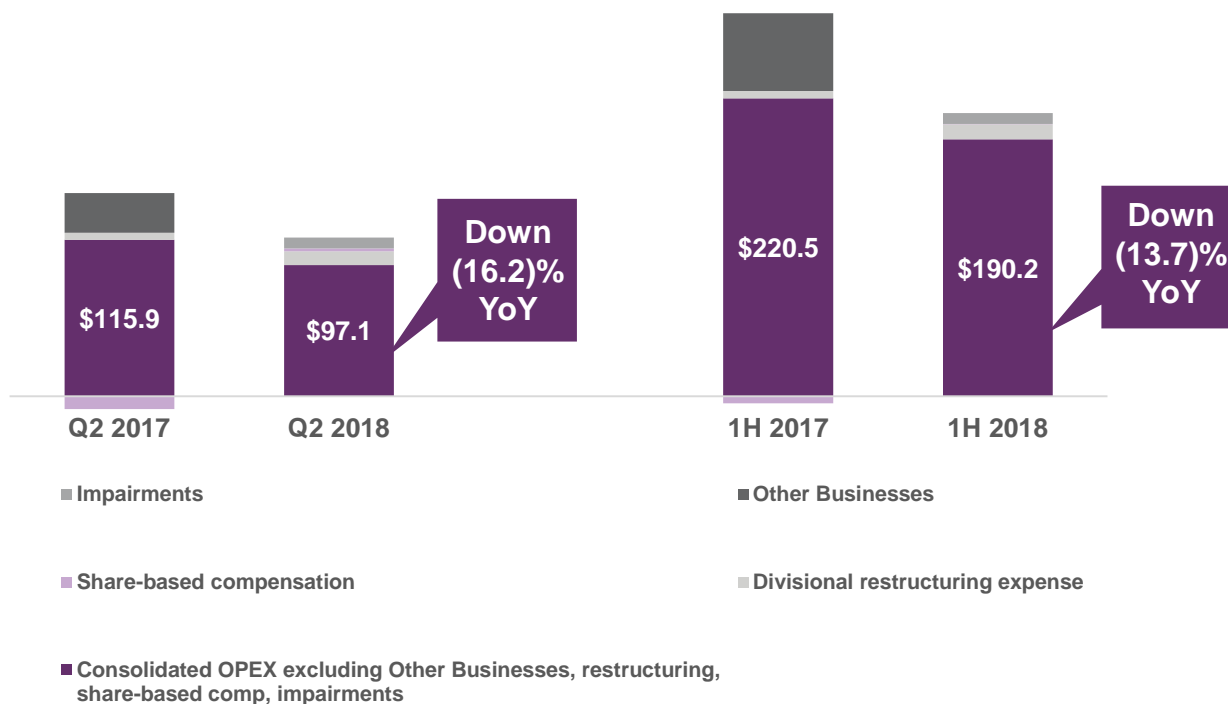
(1) Excluding divisional restructuring expenses of \$0.4 million in Q1 2017, \$1.1 million in Q2 2017, \$1.8 million in Q3 2017, \$1.8 million in Q4 2017, \$0.2 million in Q1 2018, and \$0.6 million in Q2 2018, respectively.

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# Q2 2018

## Operating expenses\*

### Consolidated OPEX excluding Other Businesses (normalized)<sup>(1)</sup> (CAD\$ M)



**Reduced OPEX in Q2 and YTD 2018** benefitting from operational efficiency related to lower headcount, timing of marketing, and reduced spend on IT and consulting.

**On track to deliver \$70M cost savings** target with headcount reduced to 1,625 (down from 2,250)

Aeroplan employee base of 1,000 at the end of Q2 2018; anticipate further real estate consolidation

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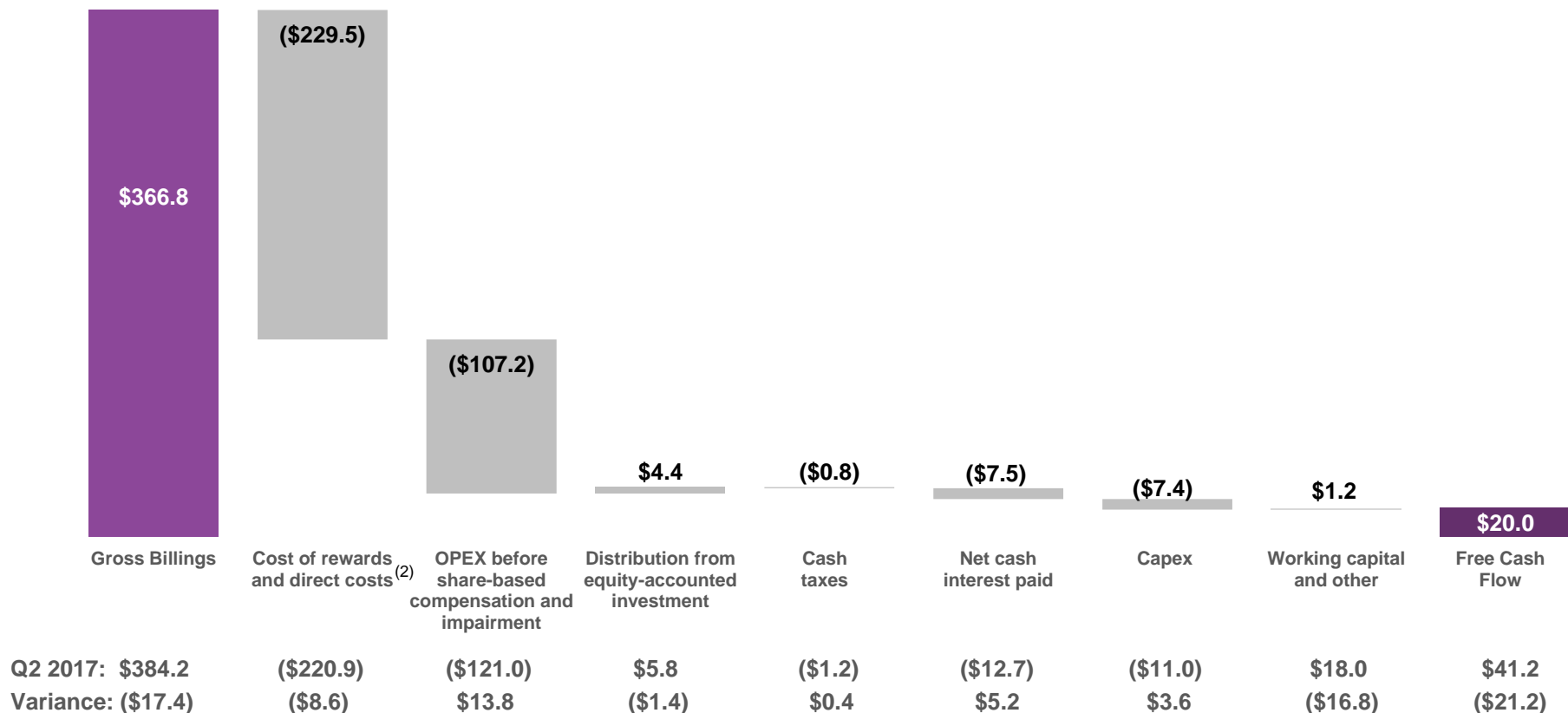
(1) Consolidated total operating expenses excluding Other Businesses, share-based compensation, restructuring expense, and impairments. Other Businesses include the results of the U.S. Channel and Employee Loyalty ("CEL") business, the New Zealand business and the royalty revenue related to the Canadian Air Miles trademarks, until their respective disposals.

Q2 2018

# GB to FCF - Continuing operations<sup>\*(1)</sup>

## Positive FCF generation in the quarter

(CAD\$ M)



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(1) Consolidated results excluding Other Businesses. Other Businesses include the results of the U.S. Channel and Employee Loyalty ("CEL") business, the New Zealand business and the royalty revenue related to the Canadian Air Miles trademarks, until their respective disposals. <sup>37</sup>  
 (2) Cost of rewards and direct costs including cost of rewards recorded against deferred revenue.

# Q2 2018

## Building financial flexibility

| CASH & INVESTMENTS (CAD\$ M)   | June 30, 2018 |
|--------------------------------|---------------|
| Cash and cash equivalents      | 249           |
| Restricted cash                | 22            |
| Short-term investments         | 95            |
| Long-term investments in bonds | 165           |
| <b>Cash and Investments</b>    | <b>531</b>    |

| DEBT (CAD\$ M)                    | Interest Rate        | Maturing      | June 30, 2018  |
|-----------------------------------|----------------------|---------------|----------------|
| Revolving Facility <sup>(1)</sup> | 4.70% <sup>(5)</sup> | Apr. 23, 2020 | 79.8           |
| Senior Secured Notes 4            | 6.85% <sup>(6)</sup> | May 17, 2019  | 250.0          |
| <b>Total Long-Term Debt</b>       |                      |               | <b>329.8</b>   |
| <b>Less Current Portion</b>       |                      |               | <b>(260.0)</b> |
| <b>Long-Term Debt</b>             |                      |               | <b>69.8</b>    |

| PREFERRED SHARES (CAD\$ M)    | Dividend Rate           | Maturing  | June 30, 2018 |
|-------------------------------|-------------------------|-----------|---------------|
| Preferred Shares (Series 1)   | 4.50% <sup>(2)</sup>    | Perpetual | 98.8          |
| Preferred Shares (Series 2)   | Floating <sup>(3)</sup> | Perpetual | 73.7          |
| Preferred Shares (Series 3)   | 6.25% <sup>(4)</sup>    | Perpetual | 150.0         |
| <b>Total Preferred Shares</b> |                         |           | <b>322.5</b>  |

- (1) As of June 30, 2018, Aimia had a \$208.0 million revolving credit facility maturing on April 23, 2020. Interest rates on this facility are tied to the Corporation's credit ratings and range between Canadian prime rate plus 1.00% to 2.00% and Bankers' Acceptance and LIBOR rates plus 2.00% to 3.00%. As of June 30, 2018, Aimia also had irrevocable outstanding letters of credit in the aggregate amount of \$9.0 million which reduces the available credit under this facility.
- (2) Annual dividend rate is subject to a rate reset on March 31, 2020 and every 5 years thereafter. No dividends declared in Q2 2018 due to restrictions under CBCA.
- (3) Annual dividend rate is based on the 90-day Government of Canada Treasury Bill yield + 3.75%. No dividends declared in Q2 2018 due to restrictions under CBCA.
- (4) Annual dividend rate is subject to a rate reset on March 31, 2019 and every 5 years thereafter. No dividends declared in Q2 2018 due to restrictions under CBCA.
- (5) At June 30, 2018, amounts borrowed under the revolving facility had an interest rate of 4.7%, an increase from 3.58% reported at Q3 2017.
- (6) Based on credit rating downgrades by DBRS and S&P in August 2017, the Senior Secured notes 4 interest rate is now 6.85% per annum, an increase from 5.60% at issuance.

# Q2 2018

## Maintaining 2018 guidance\*

| CAD\$ M  | 2017 <sup>(1)</sup> | 2018 guidance              |
|--|---------------------|----------------------------|
| <b>Coalitions<br/>Gross Billings</b>                                     | \$1,341             | Around \$1.3 billion       |
| <b>Coalitions<br/>Adjusted EBITDA<br/>and margin<sup>(1)</sup></b>       | \$241<br>17.9%      | Around 18%                 |
| <b>Coalitions<br/>Free Cash Flow<br/>(pre-tax basis)<sup>(1)</sup></b>   | \$214               | Between<br>\$155 and \$175 |
| <b>Consolidated<br/>Free Cash Flow<br/>(pre-tax basis)<sup>(2)</sup></b> | \$169               | Between<br>\$120 and \$145 |

**Guidance is based on current expectations around redemption expense at Aeroplan and is on an IFRS 15 basis. The guidance excludes the impact of taxes and restructuring and costs that may be incurred as a result of the Consortium Proposal issued on July 25, 2018. Further to the utilization of prior tax loss carry forwards, the company expects to pay cash taxes in 2018. Cash taxes could be in a range of between \$15 million and \$20 million based on current expectations around profitability, mainly against profit generated in the Coalitions business. Restructuring expenses and payments, which are now expected to total between \$20 and \$25 million, are also excluded from the guidance.**

(1) \$15.1 million restructuring expense added back to 2017 Coalitions Adjusted EBITDA and \$13.1 million restructuring payment added back to 2017 Coalitions Free Cash Flow.

(2) Consolidated Free Cash Flow from continuing operations on a pre-tax basis.

**\*THIS SLIDE CONTAINS NON-GAAP FINANCIAL MEASURES. PLEASE REFER TO SLIDE 2 FOR A DESCRIPTION OF THE ASSUMPTIONS MADE WITH RESPECT TO AND RISKS RELATED TO THE 2018 FORECASTS, SLIDE 3 FOR A DETAILED DESCRIPTION OF SUCH NON-GAAP FINANCIAL MEASURES, AND SLIDES 4 AND 6 FOR A RECONCILIATION TABLE TO THE MOST DIRECTLY COMPARABLE GAAP MEASURE, IF ANY.**

# KEY TAKEAWAYS

**JEREMY RABE**



# KEY Q2 TAKEAWAYS

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**Opportunities exist to move faster** in a streamlined organization with a clear strategy

**Clear plan for Aeroplan**

**Execution against cost savings and simplification of the business** driving margin improvement and positive cash generation

**Balance sheet remains strong** with over \$0.5 billion of cash and investments at the end of June 2018



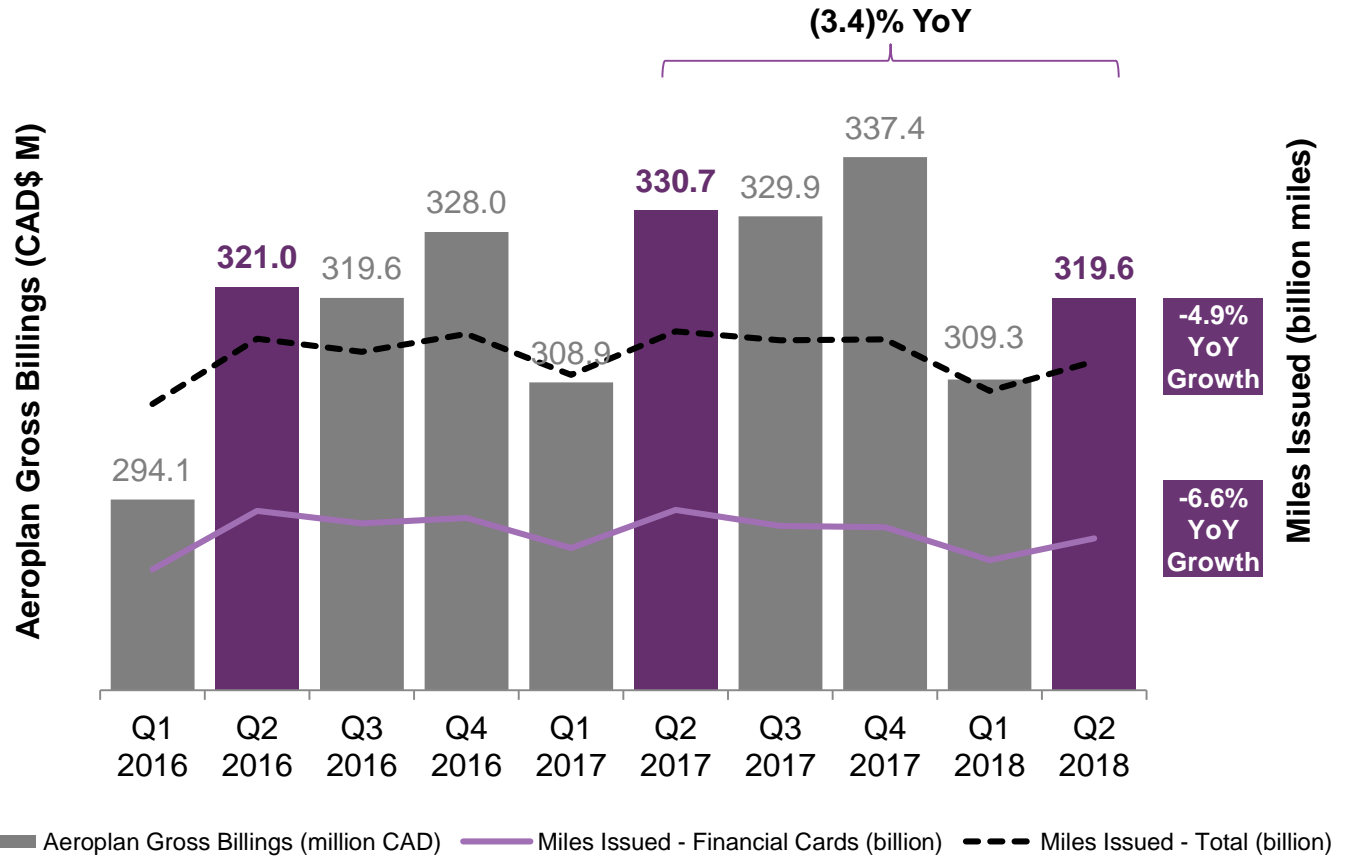
AIMIA

# Q&A

# AEROPLAN Gross Billings

Aeroplan Gross Billings down versus prior year driven by reduced financial sector and lower non-air travel and retail sector

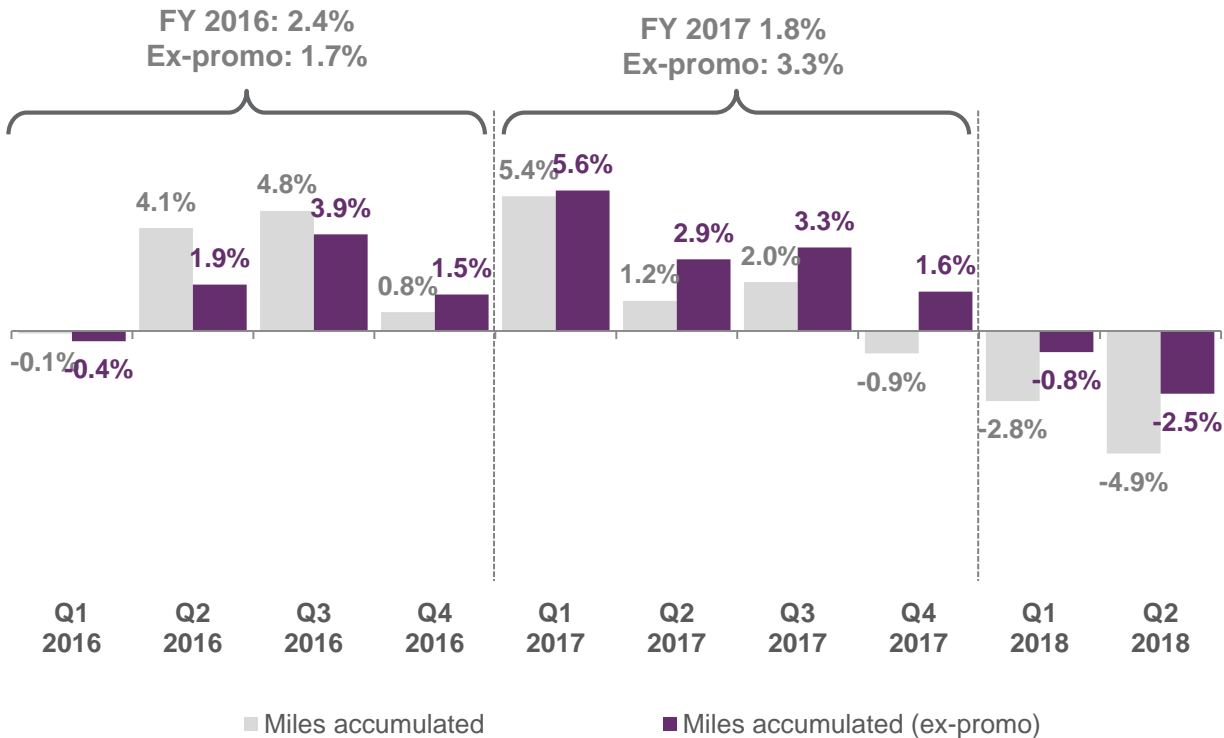
Gross Billings (CAD\$ M)



# AEROPLAN

## Accumulation pattern

### Miles accumulated y/y%

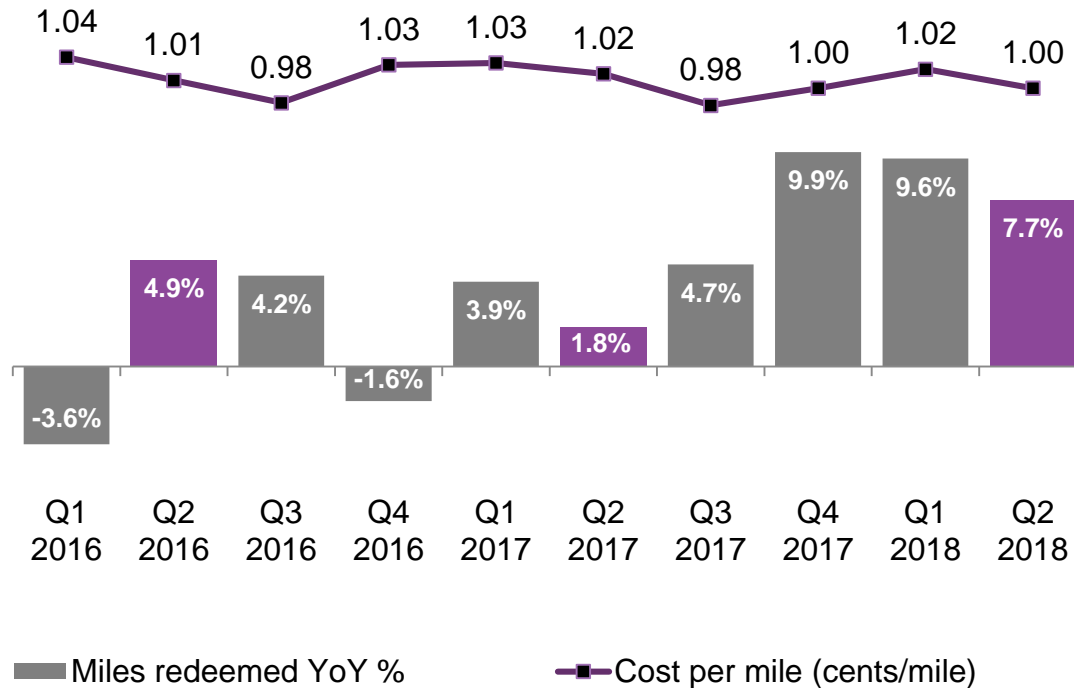


Miles accumulated lower from reduced promotional miles

# AEROPLAN

## Redemption and unit cost trends

### Mileage burn and unit cost



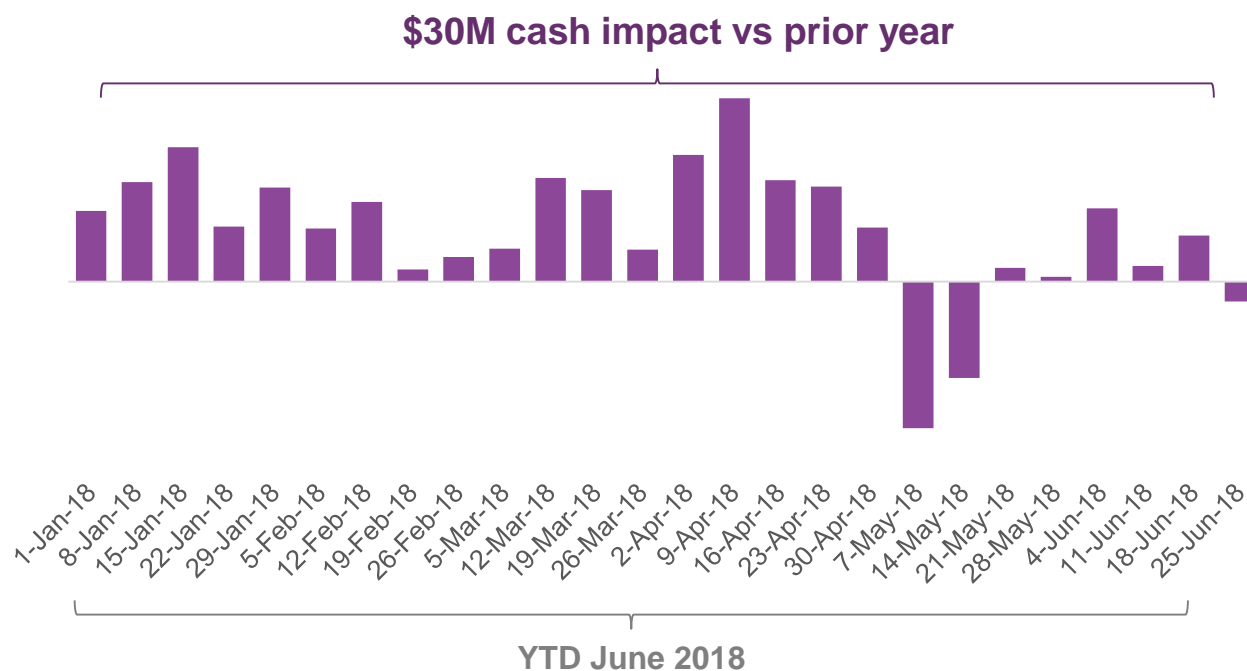
Average unit cost down from favourable impact of foreign exchange and product mix

# AEROPLAN

## Redemption trends

### Weekly redemptions cash impact vs. prior year

(CAD\$ M)

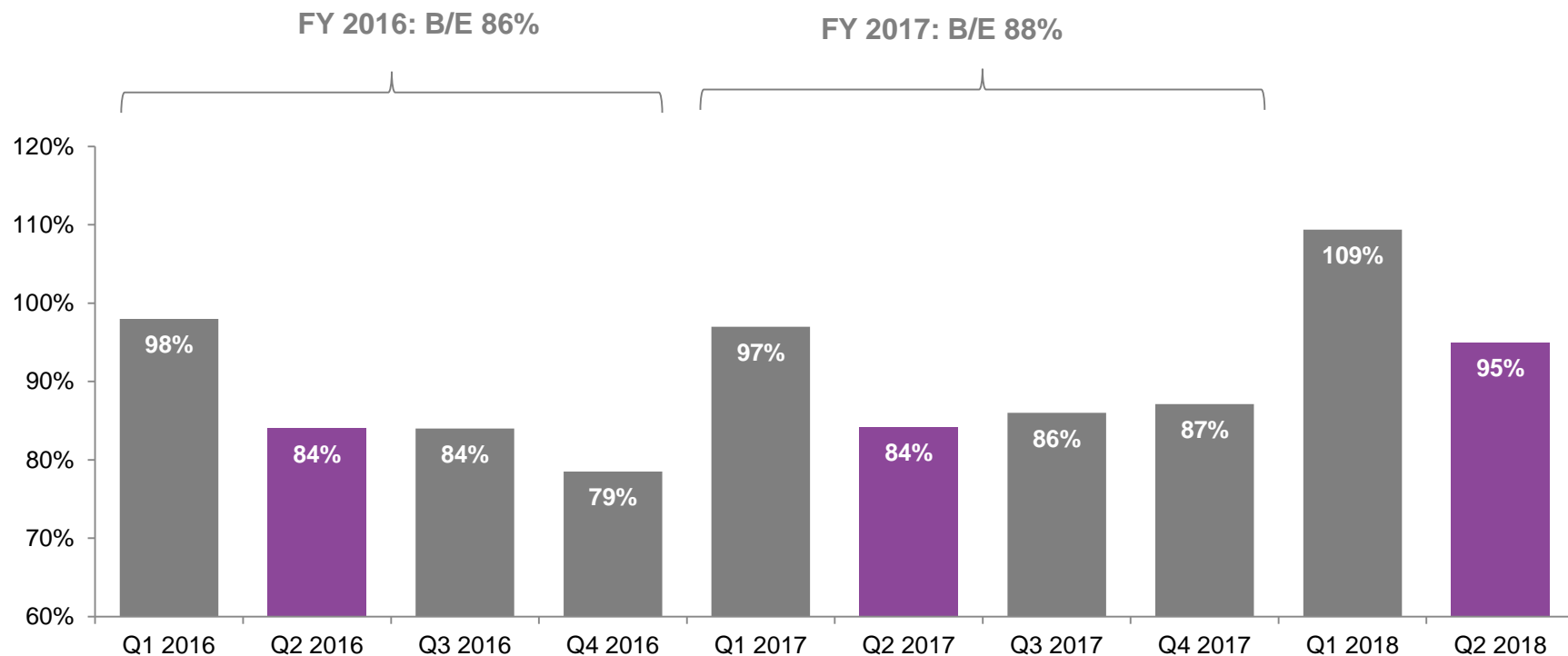


**2018  
cumulative  
cash impact  
up 7% YTD**

# AEROPLAN

## Burn/earn ratio

### Burn/earn ratio



# AEROPLAN Revenue

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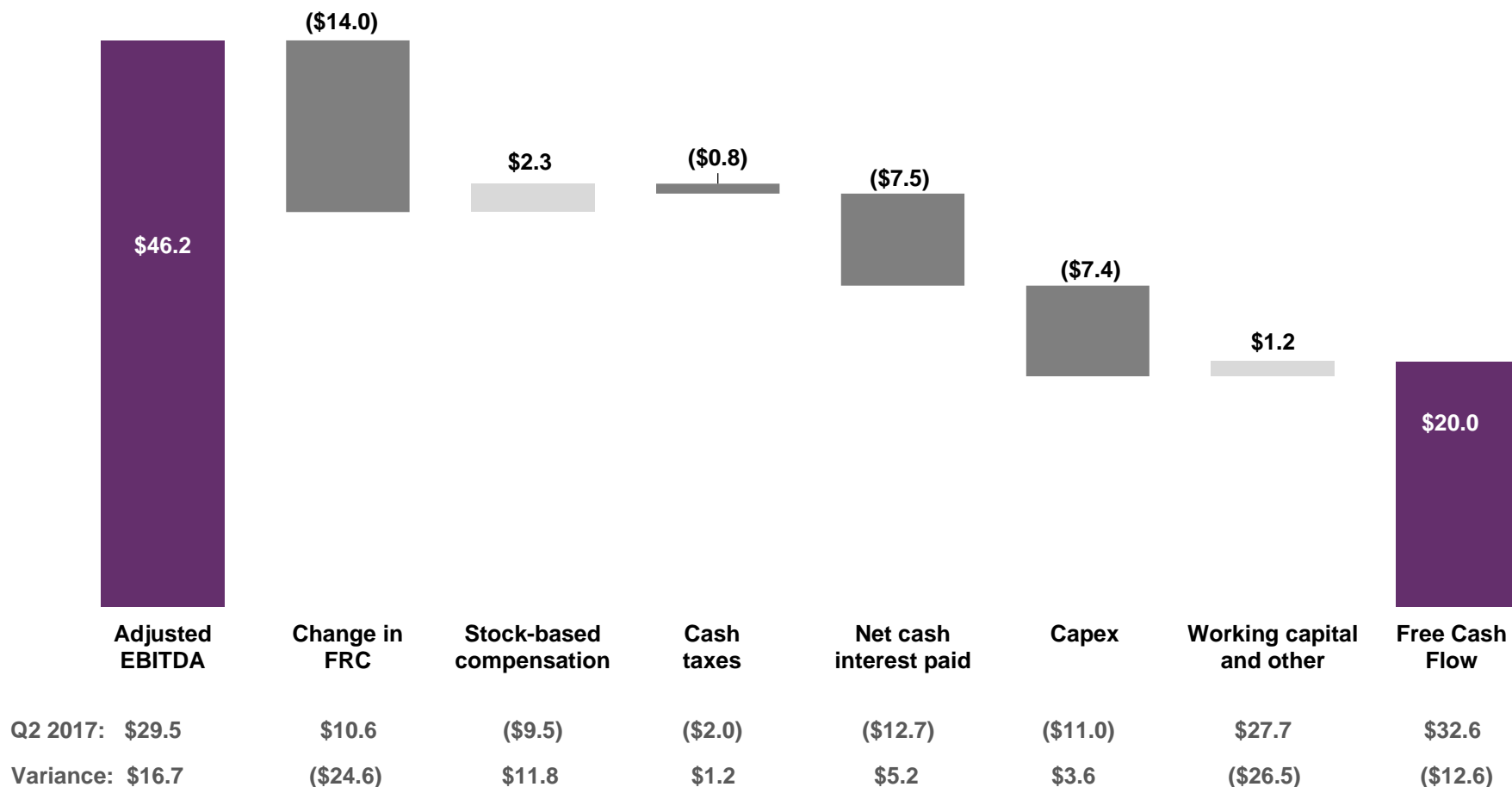
| CAD\$ M                 | Q2 2018 | Q2 2017 |
|-------------------------|---------|---------|
| <b>Miles Revenue</b>    | 291.1   | 263.1   |
| <b>Breakage Revenue</b> | 34.8    | 32.5    |
| <b>Other Revenue</b>    | 9.1     | 8.8     |
| <b>Total Revenue</b>    | 335.0   | 304.4   |



# Q2 2018

## AE to FCF - Continuing operations\*

(CAD\$ M)



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# Q2 2018

## Working capital trends - Continuing operations\*

(CAD\$ M)



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# Q2 2018 FINANCIAL HIGHLIGHTS\*

## Coalitions

| Periods ended June 30,<br>CAD\$ M | Three months ended |                 |
|-----------------------------------|--------------------|-----------------|
|                                   | 2018               | 2017            |
|                                   | <b>Reported</b>    | <b>Reported</b> |
| <b>Gross Billings</b>             |                    |                 |
| Aeroplan                          | 319.6              | 330.7           |
| Loyalty Services & Other          | 9.1                | 8.6             |
| Intercompany eliminations         | (2.3)              | (2.5)           |
| <b>Total revenue</b>              |                    |                 |
| Aeroplan                          | 335.0              | 304.4           |
| Loyalty Services & Other          | 9.0                | 8.6             |
| Intercompany eliminations         | (2.3)              | (2.4)           |
| <b>Gross margin<sup>(1)</sup></b> |                    |                 |
| Aeroplan                          | 115.7              | 97.1            |
| Loyalty Services & Other          | 8.4                | 7.9             |
| Intercompany eliminations         | 0.0                | (0.1)           |
| <b>Adjusted EBITDA</b>            |                    |                 |
| <i>Adjusted EBITDA margin</i>     | 17.6%              | 16.0%           |
| Aeroplan                          | 53.7               | 51.0            |
| Loyalty Services & Other          | 3.6                | 3.0             |

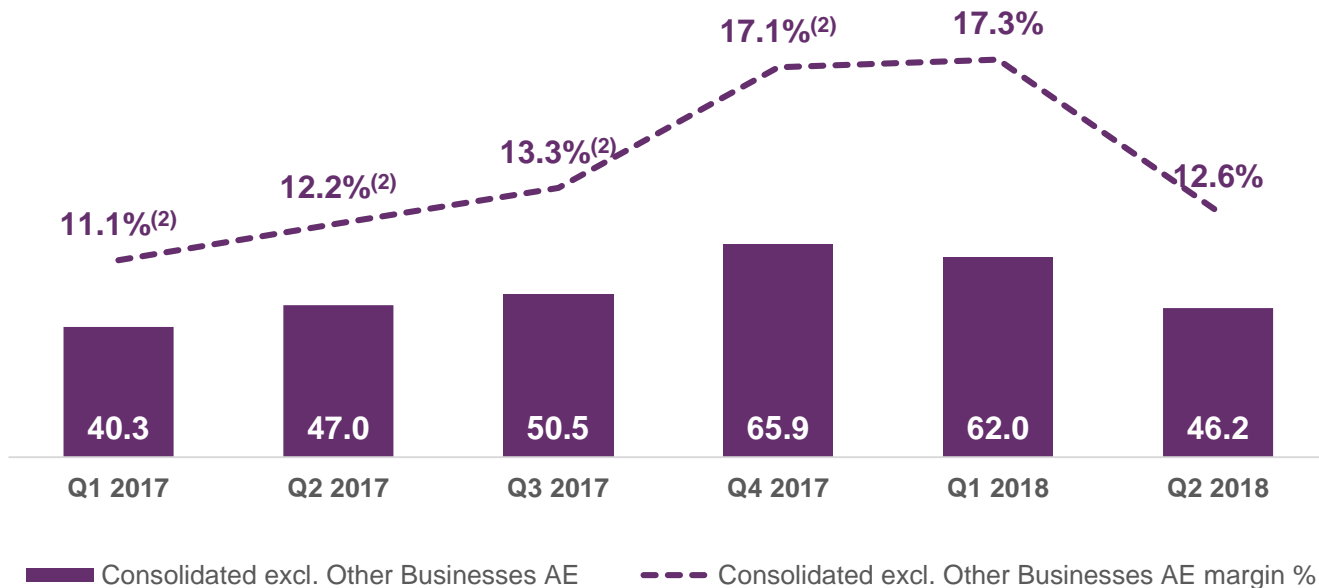
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# Q2 2018

## Adjusted EBITDA trends\*

### Consolidated excluding Other Businesses<sup>(1)</sup> AE margin %

(CAD\$ M)



- (1) Consolidated results excluding Other Businesses. Other Businesses include the results of the U.S. Channel and Employee Loyalty (“CEL”) business, the New Zealand business and the royalty revenue related to the Canadian Air Miles trademarks, until their respective disposals.
- (2) IFRS 15 impact on Coalitions Gross Billings were \$(3.8) million in Q1 2017, \$(1.7) million in Q2 2017, \$(2.0) million in Q3 2017, \$(2.7) million in Q4 2017 and on ILS Gross Billings were \$(16.1) million in Q1 2017, \$(17.8) million in Q2 2017, \$(22.0) million in Q3 2017, and \$(30.2) million in Q4 2017.

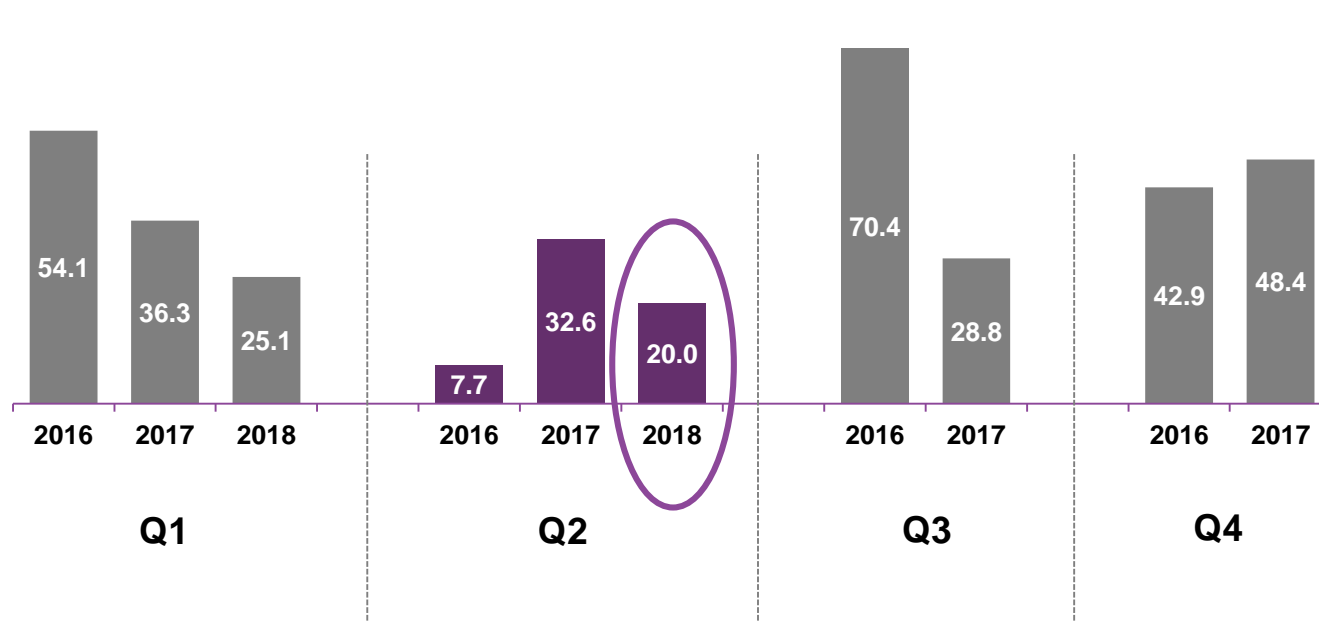
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# AEROPLAN

## Positive Free Cash Flow generation\*

### Free Cash Flow before Dividends Paid – Continuing operations

(CAD\$ M)

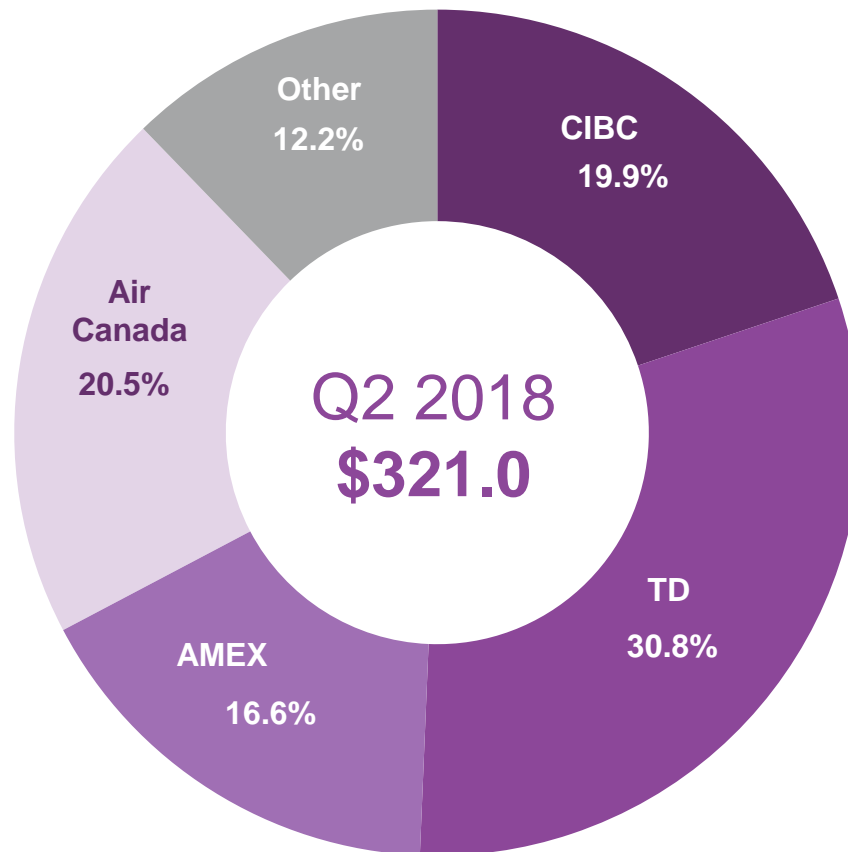
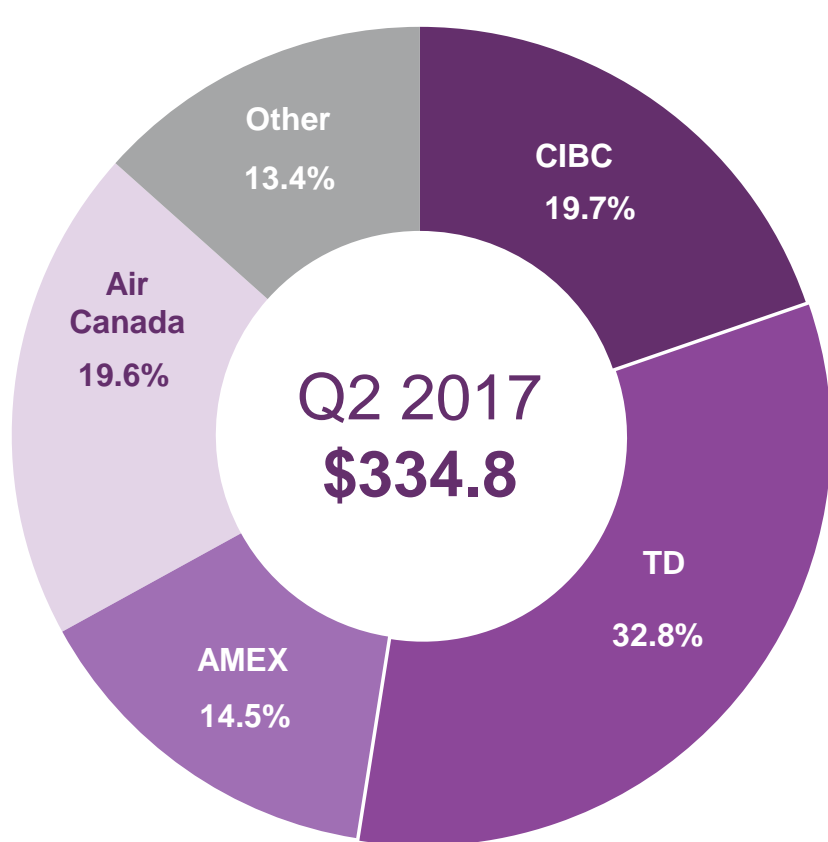


Positive FCF generation in the quarter

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# AEROPLAN

## Gross Billings from sale of loyalty units by major partner



# FOREIGN EXCHANGE RATES

|                  | Q2 2018         |             |                 | Q2 2017         |             |                 | % Change        |             |                 |
|------------------|-----------------|-------------|-----------------|-----------------|-------------|-----------------|-----------------|-------------|-----------------|
|                  | AVERAGE QUARTER | AVERAGE YTD | PERIOD END RATE | AVERAGE QUARTER | AVERAGE YTD | PERIOD END RATE | AVERAGE QUARTER | AVERAGE YTD | PERIOD END RATE |
| <b>£ to \$</b>   | 1.7565          | 1.7570      | 1.7355          | 1.7191          | 1.6791      | 1.6890          | 2.2%            | 4.6%        | 2.8%            |
| <b>AED to \$</b> | 0.3513          | 0.3476      | 0.3592          | 0.3662          | 0.3633      | 0.3545          | -4.1%           | -4.3%       | 1.3%            |
| <b>USD to \$</b> | 1.2904          | 1.2770      | 1.3196          | 1.3453          | 1.3346      | 1.3023          | -4.1%           | -4.3%       | 1.3%            |
| <b>€ to \$</b>   | 1.5391          | 1.5459      | 1.5371          | 1.4782          | 1.4443      | 1.4859          | 4.1%            | 7.0%        | 3.4%            |

# ACCOUNTING:

## Key things to remember\*

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### **Gross Billings from the sale of Loyalty Units:**

- Recognize upon issuance of Loyalty Units
- Key indicator of top line growth

### **Liabilities Recognition:**

Deferred revenue on the Balance Sheet represents the accumulated unredeemed Loyalty Units valued at their weighted average selling price and unrecognized breakage

As part of external disclosure, the total estimated consolidated future redemption cost liability of unredeemed Loyalty Units is disclosed in the MD&A under the Redemption Reserves section and is calculated at the TTM average cost of rewards per Loyalty Unit redeemed

### **Revenue Recognition:**

- Recognize upon redemption of Loyalty Units

### **Breakage Recognition:**

- Recognize upon redemption of Loyalty Units

### **Cost of Rewards Recognition:**

- Recognize upon redemption of Loyalty Units

### **Adjusted EBITDA:**

- Key indicator of operating profit performance

### **Free Cash Flow:**

- Key indicator of cash generation

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\*THIS SLIDE CONTAINS NON-GAAP FINANCIAL MEASURES. PLEASE REFER TO SLIDE 3 FOR A DETAILED DESCRIPTION OF SUCH NON-GAAP FINANCIAL MEASURES AND SLIDES 4 AND 6 FOR A RECONCILIATION TABLE TO THE MOST DIRECTLY COMPARABLE GAAP MEASURE, IF ANY.



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