AIMIA INC.

SECOND QUARTER 2018

RESULTS CONFERENCE CALL

AUGUST 3, 2018

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FINAL TRANSCRIPT

Aimia Inc.

Second Quarter Results Conference Call

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PRESENTATION

Operator

Good morning. My name is Dan, and I will be your conference operator today. At this time, I would like to welcome everyone to the Aimia Inc. Second Quarter Results Conference Call. (Operator Instructions)

Thank you. I would now like to turn the conference over to Karen Keyes, Head of Investor Relations.

Karen Keyes — Senior Vice President, Investor Relations, Aimia Inc.

Thank you very much, Dan. Good morning to all of you attending on the phone and the webcast this morning. With me on the call today are Jeremy Rabe, who is appointed our Chief Executive Officer on May 8 and is with us for the first time today; as well as Mark Grafton, our Chief Financial Officer; and Steve Leonard, Vice President and Chief Accounting Officer. Before we get underway, I'd like to remind everyone to review our forward-looking statements and the cautions and risk factors pertaining to the statements. For those of you following along with us on the webcast, you should see these on the screen in front of you now. For those of you accessing the presentation, which can be downloaded on the website, these can be found on Slide 2 of the highlights presentation. I'd also like to point out the presentation refers to a number of non-GAAP metrics to help you better understand the results of the business. The definitions of these metrics and the reconciliation to their most comparable GAAP metrics can be found on Pages 3 and 4. We've also included a full income statement on Page 5 and a reconciliation of our return on invested capital metric on Slide 6. Finally, our presentation today will focus on consolidated results with variances excluding the businesses disposed of as set out on Slide 7.

So moving to the agenda now. Jeremy will take you through some strategic highlights before handing over to Mark for the key operational and financial highlights for the quarter. We'll aim to wrap up remarks in around 30 minutes to leave plenty of time for your questions today. And with that, I'll hand over to Jeremy.

Jeremy Rabe — *President and CEO, Aimia Inc*.

Thanks, Karen. Good morning, everyone. As Karen said, as I'm joining today for the first time, I want to share my insights into the opportunity the company finds itself in. And I will, in a few minutes, address the unsolicited proposal from the Current Partner Consortium.

First off, I'm excited to bring my loyalty experience to the table, adding to the bench strength of the people and assets we have in the business already to move our path forward. Along with the people that operate it, partner relationships, long-term contracts, a strong brand and technology are key determinants of the success of any coalition program. Looking at Aimia from the outside, it was clear that many of the elements of a successful coalition program were in place. What excited me about joining Aimia was the opportunity to refine, rebuild and refresh.

Having spent time with the people inside the business as well as investors and partners over my first 90 days, I concluded a few things about our priorities: first, we need to clarify the strategy we're adopting for Aeroplan and how that strategy dictates our key strategic and commercial partnerships; second, drive ongoing business simplification and accelerate cost savings. On these 2 items, in particular, there's an opportunity to go faster, and we've already made good progress. We launched communication to members in late July, reframing our commitment and simplifying it within 3 pillars: flexibility, value and enhanced user experience. And you will see this morning's agreement with Porter, which is an important step in our diversification and growth of our preferred partners, and there are more in the queue.

Investors have also been clear about balance sheet flexibility, an imperative transition and the need to be focused on the returns Aimia is capable of generating from its considerable assets. Over the past week, the board has asked me to make decisions about how to best maximize the value of Aeroplan and PLM, gave us an opportunity to determine whether sale of our assets would be the best route to crystallize and maximize value for all of our stakeholders.

Before I comment on that, let me give you some context into what I know about loyalty programs. I know first-hand about successful loyalty programs, having led Club Premier, Mexico's leading coalition loyalty program, for 6 years and having consulted and invested in the space since then. And what I know from my many years in this space is that, firstly, consumers, especially Canadians, love loyalty programs. Secondly, banks need to continue to differentiate, and loyalty programs are one way to do that. Thirdly, travel rewards programs run by airlines are increasingly moving to dynamic pricing for reward feats, which makes it harder for a member to understand the value they're getting. And fourthly, a program that gets the right balance between the interest of its members, banks and airline partners, and manages its redemption obligations well can generate significant returns. That is very much the case at Club Premier. And you'll have seen Aeromexico last week cite double-digit annualized returns for Aimia over the period since the initial investment was made in 2010.

Club Premier's success has been based on an engaged member base of 5.7 million members, which has continued to grow and is up 12% over last year. Gross billings grew 20% on the back of long-term contracts with Santander and AMEX and a contract with Aeromexico, which runs through 2030. It also exists in a market that has seen supportive credit card trends and a growing population. We had an opportunity to underscore the value of that asset last week, and we rejected $100 million -- $180 million offer for a 49% stake in the business. We rejected it on the strength of future business prospects, and we intend to use our board fees to continue to drive growth there.

The conversations with the consortium around the Aeroplan offer were more complex. You'll have seen our update last night where the discussions had gotten to. To be clear, we did not reject the partner's offer. We remained committed to negotiating in good faith an outcome that protects the inherent program value and eliminates the implied uncertainty for our members and stakeholders in the partner's proposal. But to offer a very conditional $250 million for a business with the assets we had did not fairly value the business and was not in the best interest of our stakeholders. Now let me come back to the unique purchasing strategy and member offering we have to set out for Aeroplan. We're designing Aeroplan to be the best travel loyalty program in Canada. Our Aeroplan's strategy is underpinned by a belief that positive member redemption experiences drive future accumulation behavior. Our ability to drive that accumulation while managing gross margin and operating costs will ensure an acceptable return to investors.

A superior air rewards proposition is at the heart of what members want and will continue to be core to Aeroplan. Our commitment to members stems from 3 pillars that matter to them: increased flexibility, great value and improved member experience. Air rewards will continue to be a core differentiator for us, and our goal is to make those rewards even more flexible. We are strengthening our air offerings by giving members the ability to choose any seat on any airline anywhere at any time. Today, our program is limited to booking with 1 airline and its alliance partners, and we know that our members want the flexibility to fly with any airline. We're going to make that a reality.

On the back of last week's proposal, we have had even more interest than we already had. You'll have seen that we are already in discussions with players like Oneworld and Porter, which we have announced as a preferred -- our first preferred Canadian airline from 2020.

The Porter partnership will offer substantial availability on many of the routes like Ottawa, New York, Chicago and Boston, Montréal, routes our members fly on the eastern corridor. Members will also be able to access attractive earn and revenue ticket booked through flyporter.com or aeroplan.com. It appeals to both business and leisure travelers alike, convenient, downtown airport, with expanded lounge access for everyone.

We have talked about a unique points transfer program with Kaligo. Aeroplan members will be able to convert their miles into close to 20 airline frequent flyer programs from around the world, covering all major alliances. So if they belong to other frequent flyer programs, they can combine the miles they've earned through Aeroplan and add them to reach their travel goals faster. Then they'll be able to select any seat class on a number of global airlines.

Since we've introduced more flexible market players in 2013, pickup of market fare rewards has grown 9x faster than fixed, up almost 35%, representing an increasingly large percentage of total rewards issued. In that time, fixed-price rewards have grown only 4% despite high single-digit capacity increases at our Canada over that time, as they've added claims in new routes. Our research shows that only 7% of our redeemers are flying for business, most are going on holiday or visiting family and friends. In addition to being highly price-sensitive, these leisure travelers focus on schedule rather than the perks of a frequent flyer program. And in that context, 72% of our members see the ability to redeem on any airline as a major improvement to the Aeroplan program.

The key to understanding how to provide flexibility is the data, which tells us where our members fly today. And what do we know? The top 120 routes account for 80% of rewards.

For many members, that flexibility will be the ability to fly to Calgary and Vancouver at the time of their choosing; or to New York, Florida or California at different times of the year; or to London or Paris once every few years in the summer. More flexible access to sun destinations will also add value. Our investors want to know how we will guarantee a solid redemption offering to members at the right margin. With our unique assets, we can buy airline seats in ways that other loyalty programs can't or won't, and increase our ability to provide a high perceived value per mile at a manageable unit cost.

Six differentiators make us unique purchaser: scale, focused on the leisure travel space; our significant data and analytics; our long-standing investment in technology; personalized marketing; a well-recognized brand; and a proprietary distribution channel for airlines.

So let me turn now to that -- to how that translates to our approach to purchasing seats and how that might influence unit cost and value for members come July 2020. Our data gives us certainty around a few things. Survey data suggests that less than half of Aeroplan redemption demand would be recovered by any particular airline. And if that -- if they did not have access to redemptions, around 1/4 of members wouldn't fly at all.

Aeroplan members have long booking windows, and that facilitates wholesale and other purchasing arrangements. On international redemptions, more than 1/2 are booked more than 100 days out. On domestic and transborder, up to 2/3 is booked 50 days out. This concentration and predictability means that there are opportunities for block purchasing from our members favorite airlines on routes with competitive pricing. We could also make use of charters on certain routes, and we will derisk sun destinations for airlines in the winter. Diving benefit for airlines, means, meaningful discounts of between 5% and 40% should be achievable, unlocking differentiation for Aeroplan that others won't match.

Our choice on what mechanism to use will be determined according to route. As you can see in these examples, at certain times of the year, the route could likely sustain a charter, while at other times of the year, we might be better served by block purchasing, which can be released, if not used, by on-demand market purchases. Program scale and rich member data on travel patterns will enable Aeroplan to optimize inventory for better leisure-oriented itineraries. And all of this will be combined with a transformed member experience that will make it easier for members to book while also incentivizing cash travel bookings with us by offering Aeroplan miles.

We will also introduce more competitive capacity -- more price-competitive capacity for members looking to redeem for nonflight rewards, such as hotels. And in 2019, our new platform will give members a seamless way to mix and match cash and miles booking for all of their travel, including flights, effectively enabling our members to earn or redeem miles for every part of their travel journey.

Our plan is aligned with what members want. And we will be competitive in a marketplace where banks will struggle to match our purchasing data, where we can continue to add value to our core banking partners and where simplified grid, with starting out levels, unchanged from today will differentiate, again, airline programs. We're not starting from a blank slate. We have considerable assets, strong bench strength, and my first few months in the company leave me enthusiastic that we can execute on the longer-term strategy in place. And the business continued to perform. We delivered broadly to our expectations through Q2, which I will now ask Mark to take you through.

Mark Grafton — Chief Financial Officer, Aimia Inc.

Thanks, Jeremy. We had a solid second quarter, generating positive free cash flow of $20 million, improved contribution from the Aeroplan program and lower OpEx globally, with the key drivers of adjusted EBITDA margin expansion in the quarter, which we saw adjusted EBITDA margin in the Coalitions business rise to 17.6%, up 160 basis points and a consolidated margin of 15.3%, up 180 basis points, if you exclude the $10 million of severance expense, which fell in the quarter.

In Coalitions, total gross billings were $326 million and some of the drivers were the same as last quarter. In financial cards, AMEX conversion campaigns were strong for the third quarter in a row. However, that was offset by a lower issuance with TD and CIBC, as we continued to cycle the card acquisition campaign in the spring of 2017 and see the impact of lower card acquisitions since then, which in turn drove the decline in gross billings in financial cards.

At Air Canada, new differentiated fare classes with lower miles accumulation have had the dampening effect we talked about last quarter, but those have been offset by bonusing and capacity increases. In non-air travel and retail, billings were down against last year when we had a very strong hotel conversion campaign with Marriott.

So turning now to Slide 33 for more detailed look at the drivers in the financial cards portfolio. The overall number of financial cards in circulation is down due to a slowing in card acquisition post the May 2017 announcement. However, when we look at financial card trends and the behaviors of cardholders, we're encouraged by 2 things: first, since this time last year, we have seen cardholders remain loyal to the card. Attrition in the financial cards portfolio has remained at pre-announcement levels. Secondly, card quality remained strong. Aeroplan cobranded card spend continues to be well above the average Canadian credit card spend. Spend has continued to increase against the 2013 base, and in the quarter, we saw solid growth.

Turning now to Slide 32. Profitability in the Coalitions business continues to be a positive. Severance was $5 million higher than in the same period last year, but excluding that, adjusted EBITDA was up from $54 million to $57 million and adjusted EBITDA margin was 330 basis points above last year as we continued to reduce costs, and so people costs as well as advertising and marketing spend decreased.

Unit costs were also down in the quarter to $0.01. On a trailing 12-month basis, redemptions are now up 8%, but we start the cycle of post-announcement period from May, which should mean this should be the peak. Our forecast is for a more moderate growth in redemptions in the remainder of the year. A key factor in the second quarter and one of the variables affecting redemption volumes at the moment is the growth in capacity being made available to us by Air Canada, with allocations at times higher than the contractual 8% requirement. Increased capacity on desirable routes that Air Canada flies as well as more Star Alliance capacity on European routes drove increased redemption in the quarter.

While redemptions have been elevated in recent quarters, it is interesting to note that members are continuing to reengage post redemption at similar rate to prior years. The medium miles balance and the member miles distribution have also not changed materially when compared to the period before the May 2017 Air Canada announcement.

So turning now to the ILS business on Slide 35, where we continue to transition clients onto more platform-based solutions. Platform-based and recurring revenues now account for around 34% of the total. These transitions, along with a client exited ISS last year, a new pricing terms in the transition year of the contract with HSBC in the Middle East meant gross billings were down 15% in Q2. We remain focused on reducing operating costs in this business to better align the cost base to the changing shape of the business, which drove underlying operating costs down 10% in the quarter.

An $8 million impairment charge was taken in the quarter to better reflect the scale we expect this business to be able to achieve.

Our focus on removing cost is well illustrated on the next chart, with overall operating expenses, excluding severance and share-based compensation, down around 16% in the quarter and down 14% year-to-date. Much of this has come from lower headcount as well as lower IT, consulting and marketing costs. Including business disposals, headcount is down 28% to around 1,600, and we're in the process of further consolidating our real estate. As Jeremy highlighted earlier, looking at priorities for cost reduction remains a strategic priority. We continue to target the $70 million we identified in 2016, but have also initiated a new exercise to look at further cost reductions across technology and procurement.

So turning now to cash on Slide 37. Lower gross billings and higher redemptions were the main drivers of lower cash flow in the quarter, while the main variance compared to last year was the unfavorable $17 million movement in working capital. PLM distributions were stable at $4 million.

As you will recall, we pay interest on our bonds in May and November. Q2 net cash interest paid was $6 million, reflecting lower levels of debt and charges associated with last year's bond redemption. CapEx was down more than 30% to $7 million, as we reduced spending in ISS. We expect total CapEx to come down further in 2018.

Turning now to Slide 38, where balance sheet flexibility continues to be a priority. We ended the quarter with over $0.5 billion of cash and investments, giving us plenty of optionality around our

2019 maturity. A further debt reduction of $10 million is expected in August on the back of Q2 free cash flow generation, which will reduce the drawn amount on our credit facility to around $80 million, including $9 million letters of credit.

Lastly, turning to Slide 39 on full year guidance. We are maintaining our 2018 guidance as member behavior has been within our range of expected outcomes, and we continue to make progress against our cost initiatives. We have reduced our cash tax assumption for the year, reflecting expected utilization of tax credits, but this is no impact to our guidance as we have provided our free cash flow expectations on a pretax basis. And with that, I will hand back to Jeremy to wrap up.

Jeremy Rabe — *President and CEO, Aimia Inc*.

Thanks, Mark. Now let me conclude with a few key points. We have set out a very clear and compelling strategy for Aeroplan. We're moving very fast, making a lot of progress against our plan. We're really focused on making strategic decisions that drive value for our stakeholders, and we are very optimistic about the future. We believe our members and partners like Porter share in our enthusiasm. And with that, let me turn it over to the operator for questions.

Q&A

Operator

At this time, I’d like to remind everyone, in order to ask a question, please press *, and the number 1 on your telephone keypad. We’ll pause for just a moment to compile the Q&A roster. Your first question comes from the line of Kenric Tyghe with Raymond James.

Kenric Tyghe - Raymond James

I'd like to kick off on the discussion around the heightened level of interest in the Aimia assets that the various bids this week have generated. Could you perhaps speak to the Porter announcement this morning and perhaps more specifically the Porter announcement in the context of the Oneworld discussions that were also mentioned earlier in the week? I'd just like to understand that dynamic and how Porter perhaps impacts the discussions if at all.

Jeremy Rabe — President and CEO, Aimia Inc.

Thanks, Kenric. Yes, we've been in talks with Porter for some time now. I think the announcement last week certainly kind of accelerated the speed of those discussions and kind of made things come to a crystallized fashion more quickly. In parallel, we were in chat with Oneworld, and those were separate chats; the 2 are not linked. Of course, they're linked in a sense that we're looking to establish preferred partnership relationships, but one was not contingent on the other, I guess, is the way to put it. Oneworld is a tremendous opportunity for us. There's seven Airlines that fly into Canada, 8 gateways, 1,000 destinations. It's really a significant player. When you look at the number of passengers that fly on oneworld members -- member airlines, 2 are from Canada. It's around 4 million people per year. It's about 1 in 10 in the whole travel market. So it's really a tremendous opportunity for us. We're excited by these conversations we're having with Porter, with oneworld and more to come.

Kenric Tyghe - Raymond James

Great. And then if I could just switch to some of the announcements overnight as well, Jeremy, the -- it sounds as if the initial $250 million was a soft $250 million given the reference to all the restrictions, et cetera, in it, but perhaps that the updated offer of $325 million was a cleaner offer. Could you sort of, to the extent you can, speak to the updated offer and all the thinking around that $450 million number as referenced in your press release last night.?

Jeremy Rabe — President and CEO, Aimia Inc.

Sure. That's correct, Kenric, that the $250 million initial number was highly conditional. I'd say there is less conditionality around the $325 million, but it's still far below what we think the fair value of Aeroplan is. We went through and did a variety of valuation techniques -- used a variety of valuation techniques to try to understand what should the business be worth, using comps, DCFs, all that kind of stuff, looking at our business plan. There is just no way that you can get to a number like $325 million, whether it's conditional or not. We think that $450 million was a very fair offer.

We have a number of shareholders that are, frankly, pretty upset that we offered a number that low. But after going through a very thorough analysis with financial advisers in conjunction with our Board of Directors and the special committee, we think that, that was a very reasonable number, perhaps too reasonable. But what we wanted to show by issuing the press release last night, we were engaged in a very constructive -- trying to be constructive in this process. And so we think that, that's the right value for the business given what we know about the business today and, of course, that may change as our business plan continues to unfold.

Kenric Tyghe - Raymond James

Great. Can I sneak one quick one in?

Karen Keyes - Aimia Inc. - SVP of IR

Yes.

Kenric Tyghe - Raymond James

Just on the -- you referenced how 72% of customers focus on schedule and see any airline -- any seat any airline is a major improvement. I think we'll know that for most of the any airline -- any seat any airline partners, that's a little bit of a game of optics, given how the redemptions actually end up skewing so with that as context for the question, would I be correct in saying that the market price for an available seat on Air Canada is the market price? And that any of the any seat any airline programs would be paying a price in a very narrow range? I'm just trying to ascertain a handicap here, when all said and done, that, that is the case and that the economics would hold or equivalent across all of the any seat any airline programs for purchase of Air Canada seat inventory.

Jeremy Rabe — President and CEO, Aimia Inc.

Yes. I mean, I think when you -- when there is no kind of special purchasing arrangement, then everybody is kind of on equal footing, right, in terms of buying market fare rewards, where -- that, obviously, gives a tremendous amount of flexibility to members. And any one airline is always going to represent the minority of all the options available for different itineraries. So that flexibility is highly valued. I think we've -- you've seen that also even within our Air Canada redemptions how market fare rewards have grown so much over time, that, that flexibility is really important. We think that our differentiation will come, and this is really going to be -- the world has never seen a loyalty program like the one that we're going to be launching, which is the ability to have this flexibility to redeem on any airline anytime anywhere any seat and, in addition, have great value on preferred airlines, like Porter, and, hopefully, the discussions that we're having with oneworld are very optimistic that, that would be an additional 13 airlines like other airlines that we will be announcing soon. And that plus our ability to engage in these unique types of capacity purchasing agreements through block purchasing, bulk purchasing and charter flying, that will give us the ability to offer this tremendous value that you typically don't get in a program that offers the flexibility that we'll have. So it's really the perfect trifecta of flexibility, value and all packaged in a beautiful member experience.

Operator

Your next question comes from the line of Adam Shine with National Bank Financial.

Adam Shine - National Bank Financial

Jeremy, I guess, going back to the consortium offer and maybe starting with your $450 million context, I understand some of the sort of DCF analysis. I imagine you would have done discounting some degree of uncertainty and execution risk. But as you said maybe it is too reasonable. When I think of 3 sort of values: one, the inherent value right now within the construct of status quo and, arguably, maybe less redemptions in Air Canada, TD, CIBC world; number two, a deeper post-June 2020 sort of valuation, which speaks to, I think, almost a $450 million value that I can get to in a pretty acute redemption type of environment with reduced accumulation; and then, arguably, your value that I would have thought would have been perhaps assigned something -- a little bit higher than $450 million. So maybe any further insight to the $450 million would indeed be helpful. And as a follow-up, in regards to conditions, I don't know if you can share anything further. But where do we go in terms of conditions beyond just Air Canada citing the need to secure the credit card partnerships with TD and CIBC?

Jeremy Rabe — President and CEO, Aimia Inc.

Sure. So on the $450 million, I mean, I think, reasonable people can disagree, right? As you know, there are good ways to do valuation techniques, but there's always some subjectivity to that and, of course, how you weigh execution risk versus potential upside is a subjective exercise. So we did go through a very thorough analysis. I feel very comfortable we were advised by a very competent financial advisers. And so we felt, after a determination with the board, that, that was a fair number. And again, we wanted to make that public to show that we were engaging in good faith in these discussions. Our partners and our relationship with our partners are very important to us. So I think that was the intent. And on the conditions, I just say that in addition to offers being contingent on the banks achieving agreement with Air Canada on a future cobranded credit card deal, there were also some deducts or financial conditions within those offers that make -- there is a substantial difference between the initial headline offer and what the net cash impact would have been for our business.

Adam Shine - National Bank Financial

I appreciate that. Maybe one last follow-up. Just in regards to PLM, obviously, a very quick rejection of a truly lowball offer, arguably, below book value. Is there a ballpark number you could throw out in the context of how you perceive the value currently at PLM?

Jeremy Rabe - Aimia Inc. - President, CEO & Director

I mean, that's a good question. Again, in that case, I think there's also some good public metrics and some good comps in terms of what other private sales have happened in the space. Over the past few years, I've been involved in a number of those. I could tell you that my kind of starting place for these types of business is around 10x EBITDA. But when you look at Club Premier and all the tailwinds in that business, you've got to believe that, that's the business that's poised for tremendous growth going forward. It has great bank partners, the airline is very strong, the management at the airline is tremendous. I have a great relationship with Andres and Ricardo, who've just done a tremendous job over the past years in establishing Aeromexico into the airline that it is, really the leader in Mexico. So we -- I'd be hesitant to kind of give out an exact number, but I think that's probably the ballpark that you should be thinking of.

Operator

Your next question comes from the line of Martin Landry with GMP Securities.

Martin Landry - GMP Securities

Wondering if your offer of $450 million, what kind of sales -- what kind of income tax would that trigger, if you can share that with us?

Mark Grafton - Aimia Inc. - CFO

Martin, yes, I think it would be dependent upon the ultimate structure of the deal, which was one of the things that was needed to be worked through. So that would -- it would really be driven by that.

Martin Landry - GMP Securities

Can you give us just a ballpark range for us to work with?

Mark Grafton - Aimia Inc. - CFO

As I said, it would depend upon the structure of how any transaction was consummated, yes, but that's as far as I can go. What I would say is, we would be very cognizant of the net proceeds that we would come out of a deal with. So when we're looking at a price that we will be happy with, we'd be considering the tax implications of that.

Martin Landry - GMP Securities

Okay. And just to be clear, is that offer still on the table? Or now that you have secured Porter, you've stopped negotiations with the consortium?

Jeremy Rabe - Aimia Inc. - President, CEO & Director

Yes, we never stopped negotiating. So should the consortium want to engage with us in a constructive dialogue, we would be happy to entertain that. At the same time, we feel very confident about our future plans. And so either/or, we're happy to go down either path.

Operator

Your next question comes from the line of Cetus Capital.

Bart Stout - Cetus Capital

Can you hear me?

Karen Keyes - Aimia Inc. - SVP of IR

We can hear you.

Bart Stout - Cetus Capital

Considered as one of the shareholders that is upset and frustrated with such a low offer price, we're scratching our heads as to why the offer is so low in light of the significant and substantial strategic and financial benefits to Air Canada and the consortium partners. I'd like to point out a few reasons as to why it's so strategically important to Air Canada, first. Aeroplan generates significant cash such that Air Canada is virtually getting Aeroplan for free. Second, the incremental billings that Air Canada otherwise would not have access to is worth several billion dollars. Third, Air Canada would see a significant increase in its valuation multiple, which is currently depressed relative to comps, which we believe is due to Air Canada not having a sizable in-house royalty program. The valuation path to Air Canada from acquiring Aeroplan would result in hundreds of millions of dollars, if not billions of dollars, of incremental value crystallized virtually overnight. Fifth, the consortium banks would reach tremendous value from being included in a -- as a credit card partner and is at risk of not being chosen as a partner to Air Canada, if Air Canada chooses to develop its own stand-alone plan. Sixth, we believe the acquisition dramatically reduces execution risk and ramp-up cost to Air Canada starting an in-house loyalty program. So those reasons and a whole lot more, we're just -- we're scratching heads as to the offer price. We understand the valuation metrics and frameworks you may have utilized and your advisers may have utilized. But in light of the strategic and financial benefits to Air Canada, we're struggling to understand that disconnect.

Jeremy Rabe - Aimia Inc. - President, CEO & Director

Those are great points. It's hard to argue with any of that. I think you're spot on in all of those points. Of course, we discussed those at the board. We took that into account. At the end of the day, we can't, obviously, go into all the details of our financial announcements or anything like that. But clearly, everything that you just mentioned is spot on. So I can't really add too much other than to say that I kind of agree with you. And at the end of the day, we did have a board discussion. We felt like $450 million, again, was a very, very reasonable number. And if there was a real willingness to engage from the consortium, that would have been accepted and then it just kind of leaves you wondering if there was really a real willingness or not. But...

Bart Stout - Cetus Capital

Got it. Okay. We just -- we consider -- we continue to believe that Air Canada is acting very penny wise, pound foolish as it relates to their tactics here. They should be more than willing, more than excited to acquire Aeroplan. Frankly, we believe the value that they should be acquiring Aeroplan for should be significantly more than $450 million.

Operator

Your next question comes from the line of Drew McReynolds with RBC.

Drew McReynolds - RBC Capital Markets

I hopped on a little late here. Maybe, Jeremy, just big picture from Aimia's perspective. Has there been any discussion at the board level? And I know this is speculative at this point, but should a Aeroplan transaction occur? And what would be the ultimate kind of end point here for Aimia? Is it kind of a wind up ultimately? Has there been any discussion there as to kind of what the outcomes would be? And then second, just on PLM, thanks for your perspective on the offer that was received and declined. Can you comment there on any potential tax implications ultimately? And then I understand, you are contractually committed through 2030, I believe, just on the current agreement. If ultimately something can't be determined here in terms of a transaction, I guess, asking kind of -- are you pleased with your contractual rights in that relationship that, ultimately, you can seek the value that you think it's worth?

Jeremy Rabe - Aimia Inc. - President, CEO & Director

Yes. So on the first one, yes, I mean, I think our -- we did have some discussion around what would Aimia potentially look like and what would the strategy be, should we have consumed -- or consummated a transaction around Aeroplan. I think there's a number of options that would have been available to us. You mentioned one. When you kind of look across our assets and what the balance sheet would look like, there would be a great deal of flexibility with how to deploy those assets going forward. If you kind of look across the Aimia senior level management, there is a good deal of bench strength around how to deploy capital successfully in the space. And so I think that would be something that we would develop in a more wholesome manner should there be a transaction. But I think there is a lot of alternatives that would be available for us, and we would go into a more detailed analysis at an appropriate time. Your second question was around tax implications around PLM. I don't know, Mark, if you want to hit that, and I'll take the last one.

Mark Grafton - Aimia Inc. - CFO

Yes. I mean, it's a bit similar to when talked about this before, the tax implications of any sort of transaction will always be in the devil of the detail around how any transaction may take place. Clearly, we'll be very focused were we to do any transaction to make sure that the net proceeds that we would receive from any transaction would be as high as possible.

Jeremy Rabe - Aimia Inc. - President, CEO & Director

And then your last question was just around the contract with Aeromexico. Yes, I mean, I think we are comfortable with the contract. And – but it's really -- I mean, that's clearly part of it. But I think more important is, we really have the obligation to add value to the companies where we're invested. And so a bit of my background recently coming from private equity world is -- you're not just an owner getting a check, but we're also trying to very actively see how we can support and grow the value of our assets. And so I think that plus making sure that there is a very constructive, well-aligned relationship with our partners there is -- that's going to be our focus rather than just trying to enforce contract.

Operator

Your next question comes from the line of Turan Quettawala with Scotiabank.

Turan Quettawala - Scotiabank

I was wondering if you can comment a little bit on whether you -- as you work with oneworld, you are a potentially -- has there been any thought given to how much capacity that alliance could deploy in Canada?

Jeremy Rabe - Aimia Inc. - President, CEO & Director

Yes. As I mentioned, there's 7 airlines that fly into Canada today across oneworld. Obviously, the extent to which those airlines would increase capacity to Canada based on an Aeroplan relationship is -- that's probably a question more well suited for those airlines to answer. But certainly, I think it would give oneworld a tremendous marketing platform in the country and the amount of capacity, which kind of we've modeled that we would purchase from oneworld would be very significant. And so that would certainly help support load factor deals, et cetera, for those carriers should they decide to increase capacity to the region.

Turan Quettawala - Scotiabank

Would you have any requirement for a minimum because capacity obviously changes over time, right?

Jeremy Rabe - Aimia Inc. - President, CEO & Director

Yes. And within the alliances, there's a fair amount of kind of guidelines and regulations around how capacity is done. And so I probably wouldn't want to get into exactly how those guidelines work. But that's something that we're going to be working through, I think, in more detail over the coming months.

Operator

Your next question comes from the line of Robert Hedlund with River Birch Capital.

Robert Hedlund - River Birch Capital

You guys are, obviously, working really hard to develop an attractive program here for your members, assuming that you proceed on a stand-alone basis. What I'm wondering is, obviously, our plan historically was started as the Air Canada loyalty program. And there, if your talks break down, they're going to launch with a new card partner and their new loyalty program. And I think they've, obviously, hinted that there'll be some attractive signing bonuses and like and perks like free bags and boarding and so forth, which your members have historically been accustomed to. How are you thinking about -- of the 5 million members that you have? What percent are you anticipating losing to that launch? I know, obviously, it's speculative, but presumably you're not assuming none. And then how many can you lose and then, from a continuing billings point of view, be able to support the $2 billion in existing liabilities that you have to currently accrued miles?

Jeremy Rabe - Aimia Inc. - President, CEO & Director

Yes. So I think the way to think about it, we kind of divide the worlds into 2 buckets, right, so there is altitude members and non-altitude members. So when you look at altitude members, actually, the majority of those members do not have a cobranded credit card with Aeroplan today. So that indicates that even among kind of the most frequent Air Canada passengers, there has been and there is today willingness to split points accumulation between the credit card and their flying experience. So we think that we can compete among those members. And in addition, when you look at the non-altitude members, there -- that's really a credit card base. It's not so much a flyer base. So there is some accumulation with Air Canada, but it's very small. Frequent spenders are 80% of our gross billings. And so the impact of not having accumulation with Air Canada is minimal. And in that sense, so what are those credit cards holders interested in? They want to earn points that can be redeemed in a flexible way with good value and across a great member experience. We're going to be highly competitive on those 3 dimensions. And with regards to the mileage liability, I feel very confident that as business continues to attract members to generate gross billings, we're going to be very comfortable with continuing to pay for redemptions and manage that perfectly well. So we're very comfortable in that sense.

Robert Hedlund - River Birch Capital

Just -- I was kind of wondering what are you sort of budgeting for in terms of potential customer migration. Your answer would suggest, on some level, none. We're going to have a great offering, et cetera, but it's hard -- I mean, given their market share in terms of flight segments in the Canadian market, are you really not anticipating any customer migration to Air Canada's offerings?

Jeremy Rabe - Aimia Inc. - President, CEO & Director

No. I don't think we're that naive. I'm very optimistic, but not that naive. So I think we've done a variety of scenarios, and we think that the business model is very robust and will deliver great returns under a whole variety of different scenarios, I'll put it that way. We, obviously, have kind of our base case and everything like that. But even if that doesn't play out, the business model will work well.

Operator

And your next question comes from the line Kenric Tyghe with Raymond James.

Kenric Tyghe - Raymond James

Just wanted to quickly circle back on the bid revisions. Do the revised bids include the assumption of all assets and liabilities. Or could you just clarify what assets and liabilities would be included or could potentially be included in these revised bids?

Mark Grafton - Aimia Inc. - CFO

Yes, I mean, I can't -- I mean, that was -- the intention would be that it was the Aeroplan business that they were looking to acquire. As we said, there was still some devil in the detail to work through on that. But you should -- we were assuming -- the conversations we're assuming and you should assume that, that is in effect the asset operation entity that they were looking to acquire.

Operator

And your next question comes from the line of Adam Shine with National Bank Financial.

Adam Shine - National Bank Financial

I guess, I'm tag-teaming with Kenric. Just as a follow-up, Jeremy, to your earlier response to me. Just with respect to the deducts that you were talking about in regards to financial conditions, a little nuance from, I guess, the answer that Mark just gave. Is there any further elaboration you can provide as to what deductions because if indeed assets and liabilities were moving over, you would have had from your perspective, the Aimia perspective, some working capital adjustments to shift over. Presumably, some pension-related liability would have shifted over to Aeroplan as well. So I am curious what these deducts could have been. And you did acknowledge that it ultimately made the net cash offer lower.

Mark Grafton - Aimia Inc. - CFO

Yes. I mean, Adam, I won't go into this little laundry list of deductions that were within the initial amount, but there's lots of things that you're talking about with the items that were coming up in conversation. I mean, clearly, some of those things -- some of those deduction-type items that you normally come across can turn into a cash requirement in the short term and some of them never do. So -- but it was -- I won't go into the details, but you're thinking about the right things. Just a clarification that I will make. The offer they made, it was -- it was on a cash-free, debt-free basis. So the cash that we hold within that program wasn't going across as part of that.

Adam Shine - National Bank Financial

By that you mean sort of the redemption reserve in particular or anything else?

Mark Grafton - Aimia Inc. - CFO

Yes, it will be cash-free, debt-free and intercompany free, all of that (inaudible).

Operator

And I have no further questions in the telephone queue at this time. I would now like to turn the call back over to Jeremy for closing remarks.

Jeremy Rabe - Aimia Inc. - President, CEO & Director

Thanks, everyone. I appreciate your time and joining us today. Let me just conclude with a few key points for reiterating. I think we've set out a very clear compelling strategy for Aeroplan going forward. We've made tremendous progress in executing on that plan and articulating it in a very short period of time. And frankly, we're just getting started, and the speed is picking up. So we're really excited and stay tuned for more information on that front. We think that with regards to our businesses, we're going to make very sound decisions around the value of those businesses and making sure that those decisions are going to drive value for our shareholders and other stakeholders. And again, we're just very optimistic about the future. We believe that members and partners, like Porter, share our enthusiasm, and we look forward to more updates coming soon.

Operator

Thank you to everyone for attending today. This will conclude today's call, and you may now disconnect.

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