

Aimia Inc. – Event Driven Long Thesis

AIMIA

Ticker: AIM (TSX)

November 2021

Event driven long thesis for AIM with 63% upside in 3-6 month window

Recommendation:

- This is an event driven long investment thesis for Aimia Inc. (AIM - CN). I see 63% upside to my case valuation and expect the event to occur in the next 3-6 months as Aeromexico emerges from bankruptcy reorganization. Disclosure: I own this stock in my personal account

Company Description & Overview:

- Aimia is an investment holding company controlled by the Mittleman brothers (Co-Founders of Mittleman Investment Management)
- The Mittleman's ousted the prior management team in an activist campaign that ended in November 2019
- Aimia's legacy holdings are travel & leisure loyalty programs
- Under the Mittleman's stewardship the company opportunistically manages these assets including redeploying capital towards unrelated businesses

Investment Thesis:

- Aimia is an investment Hold Co. trading at discount to NAV – The company will sell its largest investment (PLM) converting most of its balance sheet to cash
- With a cash rich balance sheet and existing buyback program in place the significant gap to NAV will rapidly close
- Management will redeploy the transaction proceeds into value generative investments & activities
- Aeromexico, Aimia's partner in PLM, will acquire Aimia's stake as it emerges from bankruptcy reorganization in Q1 2022

Valuation:

- Base Case NAV of \$7.92 (63% upside)
- Upside Case NAV of \$8.48 (75% upside)
- Current Stock Price \$4.85

Catalysts:

- Aeromexico emergence from bankruptcy reorganization
- Announcement of a transaction to divest PLM
- Up listing to a US stock exchange
- Trade X monetization event (IPO, equity raise)
- Increase size of Normal Course Issuer Bid (NCIB)

Risks:

- Aeromexico reorganization plan is not approved in December 2021 –
 - Mitigant: Aimia & Aeromexico can transact PLM subsequent to reorg. Or through an amended reorg. plan
 - Mitigant: AIM has a 7.3M share buyback authorization in place (8.0% of diluted share count) & will repurchase shares below NAV into a decline

Key Assets & Trading Performance



Aimia recently confirmed discussions with Aeromexico regarding a potential divestiture of the PLM/Club Premier business

Key Assets

Investment

Description



Premier Loyalty & Marketing (PLM) is the owner & operator of the Club Premier loyalty program.



Trade X is a global B2B automotive trading platform specializing in cross border used automobile sales.



Clear Media is one of the largest outdoor advertising firms in China covering 24 cities including Shanghai, Guanzhou & Beijing.



Kognitiv is a B2B technology company that leverages data to create hyper-personalized offers driving customer lifetime value. Clients include major retailer & banks.

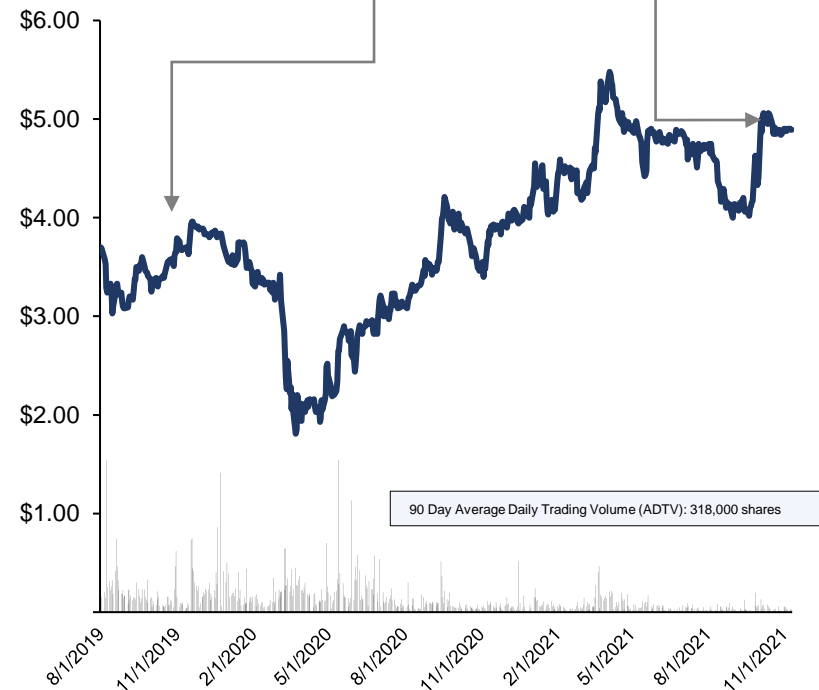


Air Asia is a Malaysian based multi-national carrier with HQ in Kuala-Lumpur. Aimia initiated its investment in the company through a share purchase and sale agreement for BIGLIFE.

Recent Equity Trading Performance

Nov 2019: The company announces a comprehensive settlement with Mittleman Investment Management, equity rallies

Oct 2021: The company confirms it is in talks with Aeromexico regarding potential PLM transaction



Aimia's Key Leadership



Phillip & Chris Mittleman co-founded an investment firm in 2005 and have generated 12.5% IRR since inception, outperforming the S&P500

Mittleman Investment Management (MIM)

Phillip Mittleman

Chief Executive Officer, Aimia



- Chief Executive Officer of Aimia
- Member of AIMIA's investment committee & Board of Directors
- Serves on several portfolio company boards (Kognitiv, PLM & previously BIGLIFE)
- Before joining AIMIA he was the CEO of Mittleman Brothers LLC & its subsidiaries
- Co-Founded Mittleman Brothers in 2005
- Prior to Mittleman Brothers Mr. Mittleman was a Managing Partner of Blue Hill Ventures LLC

Chris Mittleman

*Chief Investment Officer, Aimia
Chief Investment Officer, MIM*

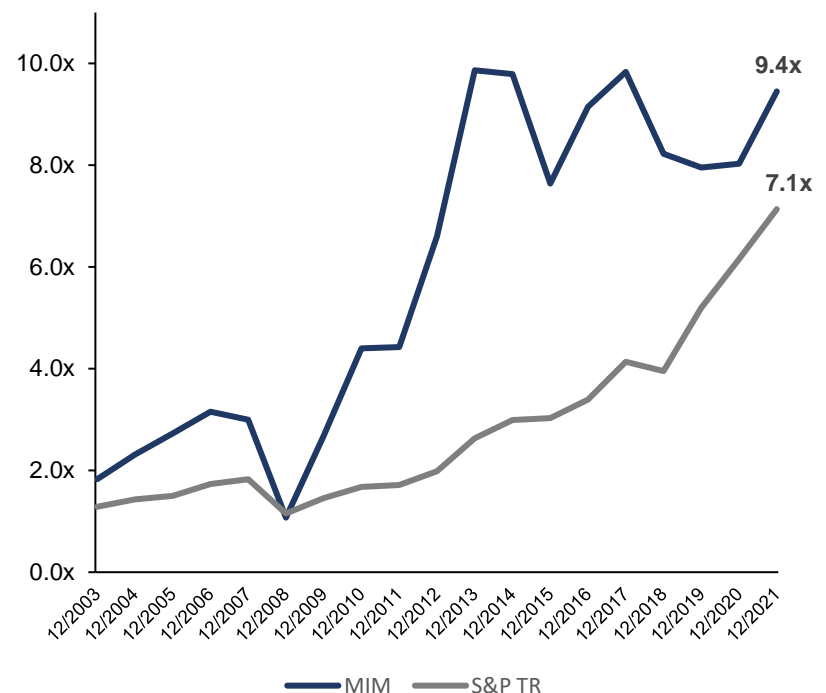


- Chief Investment Officer of Aimia & MIM
- Chair of AIMIA's investment committee & a member of the Board of Directors
- Twenty years of investment management & strategy experience
- Co-Founded Mittleman Brothers in 2005
- Prior to Mittleman Brothers Mr. Mittleman held various investing roles at Spencer Clark, UBS & Shearson Lehman Hutton

MIM Investment Performance

- MIM has generated 9.4x MOC since inception; ~12.5% IRR
- S&P500 TR Index has generated 7.1x MOC ; ~11% IRR over the same period
- MIM has generated negative returns since 2013

MOC



Potential Transaction Overview



A potential transaction to divest PLM is likely to generate up to ~\$540M CAD proceeds to Aimia



- ▶ Aimia owns a 48.9% equity stake in PLM Premier the owner and operator of “Club Premier”, a travel loyalty program in Mexico
- ▶ Aimia’s partner in the venture, Aeromexico, filed for Chapter 11 bankruptcy on June 30, 2020 (Case #20-11563)
- ▶ The hearing to confirm the reorganization plan is scheduled for **mid-December 2021**
- ▶ Aeromexico’s reorganization plan includes a **specific carve out raising USD \$375M to acquire Aimia’s stake in PLM**
- ▶ Estimated **potential proceeds to Aimia of \$540M CAD**

Figures in \$USD Millions

PLM Stock Participation Transaction	375.0
Aimia’s share of excess cash on balance sheet (9/30)	50.2
Aimia’s share of interim cash generated by PLM	6.9
Potential Transaction Economics to Aimia (USD)	\$432.1M
USDCAD	1.2500
Potential Economics to Aimia (CAD)	\$540.1M

- ▶ This equity value is in line with an existing shareholder agreement whereby Aeromexico has the ability to acquire Aimia’s PLM interest for a minimum of USD \$400M
- ▶ Q3 Earnings Call: Management indicated a transaction would be done **“in a very tax efficient manner”**

Transaction Pro Forma NAV



Pro Forma for the potential PLM transaction Aimia will have \$6.71 per share in cash with a \$7.92 NAV ; 63% upside versus the current stock price

Aimia Inc.						
Net Asset Value (NAV)						
Base Case						
<i>Figures in \$CAD</i>						
	9/30/2021	Transaction Impact		Transaction Pro Forma	Per FDSO Pro Forma	Commentary:
		+	-			
Cash ¹	70.2	540.1		610.3	\$6.71	PF for PLM sale transaction
PLM	540.1		(540.1)	0.0	\$0.00	PF for PLM sale transaction
Clear Media	150.0			150.0	\$1.65	10x normalized EBITDA
Trade X	43.8			43.8	\$0.48	\$35M investment, \$43.8M CAD
Kognitiv	101.6			101.6	\$1.12	60% Discount to last round
Air Asia (Formerly BIG REWARDS)	40.8			40.8	\$0.45	Mark to market stake in Air Asia
Stocks, SPV's & Misc.	68.5			68.5	\$0.75	Market value of various vehicles
Mittleman Brothers	16.4			16.4	\$0.18	Transaction value + Earn out
Tax Assets	0.0			0.0	\$0.00	\$C 400M value, zero value for NAV calc
Total Assets	\$1,031.4			\$1,031.4	\$11.34	
Less: Perpetual Pref Stock (Par Value)	(236.0)			(236.0)	(\$2.60)	Preferred Equity at Face Value
Less: Corporate	(75.0)			(75.0)	(\$0.82)	\$15M cost @ 5x
(=) NAV	\$720.4			\$720.4	\$7.92	
FDSO (millions)	90.9			90.9		As of 9/30/2021
NAV/FDSO	\$7.92			\$7.92		
AIM Last	\$4.85			\$4.85		
Upside / (Downside)	63.4%			63.4%		

Memo: See Appendix for detailed NAV breakout

1) Subsequent to quarter end the company sold its stake in Newmark Group for \$18.7M reducing its investment in Stocks, SPV's & Misc. by that amount with an offsetting increase in cash

Appendix

Net Asset Value Detail



Breakdown of NAV calculation

Aimia Inc.
NAV Detail
\$CAD Millions

Aimia Assets & Sum of the Parts		
	Base	Upside
Potential PLM Transaction		
Potential Transaction Proceeds	540	540
Potential PLM Transaction	\$540.1	\$540.1
Trade X		
Pre Money Valuation (USD)	\$250	\$250
Aimia Investment (USD)	\$35	\$35
Aimia Equity Ownership	12.3%	12.3%
USDCAD	1.2500	1.2500
Trade X Asset Value	\$43.8	\$43.8
Kognitiv		
Kognitive Post Merger Equity Value	\$525.0	\$525.0
Aimia Ownership %	48.4%	48.4%
Implied Value of Aimia Stake	\$254.1	\$254.1
Haircut	60.0%	40.0%
Kognitive Asset Value	\$101.6	\$152.5
Air Asia (Formerly BIG REWARDS)		
Aimia Shares Owned (millions)	121.5	121.5
Air Asia Stock Price (MYR)	1.12	1.12
CADMYR	0.30	0.30
Air Asia Stock Price (CAD)	0.34	0.34
Air Asia Asset Value	\$40.8	\$40.8
Clear Media		
Clear Media (10x 2019 EBITDA)	\$150.0	\$150.0
Stocks, SPV's & Misc.	68.5	68.5
Mittleman Brothers	16.4	16.4
Tax Assets	0.0	0.0
Aimia Investment Value (Excl. Cash)	\$961.2	\$1,012.0

Aimia Equity NAV		
	Base	Upside
Aimia Total Investment Value	\$961.2	\$1,012.0
Less: Preferred Stock (Face Value)	(236.0)	(236.0)
Less: Corporate	(75.0)	(75.0)
Plus: Cash	70.2	70.2
Aimia Equity Value NAV	\$720.4	\$771.3
FDSO (millions)	90.9	90.9
NAV / FDSO	\$7.92	\$8.48

Rate Reset Perpetual Preferred Equity

Aimia's perpetual preferred stock is an efficient form of capital with 5.4% cost

Aimia Inc.

Preferred Equity

	<u>Annual Dividend</u>	<u>Unit Face Value</u>	<u>Units Outstanding</u>	<u>Total Preferred Face Value</u>
Series 1	\$1.2	\$25.0	5.1 M	\$127.1M
Series 3	\$1.5	\$25.0	4.4 M	\$108.9M
Total Preferred Equity				\$236.0M

Annual Preferred Share Dividends \$12.6M

Cost of Preferred Equity 5.4%