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Aeroplan reports 2007 third quarter results

MONTREAL, Nov. 8 /CNW Telbec/ - Aeroplan Income Fund ("Aeroplan") (TSX: AER.UN) today reported its third quarter consolidated results.

Third Quarter 2007 Financial Highlights

- Gross billings \$236.9 million, up 12.1% from the third quarter of 2006
- Adjusted EBITDA \$64.5 million, compared to \$53.4 million for the third quarter of 2006
- Distributable cash \$63.0 million, compared to \$50.7 million for the third quarter of 2006

"Aeroplan is pleased with our third quarter results and our performance throughout 2007. Our solid growth continues to provide us with the operating leverage and financial flexibility required to execute our business strategies," said Rupert Duchesne, President and CEO, Aeroplan. "On the member front, we continue to respond to demand for more innovative air and non-air products and services. Our results clearly demonstrate that we're finding the right rewards for our members."

Aeroplan's Financial Performance

Gross billings from the sale of Aeroplan Miles for the three months ended September 30, 2007 amounted to \$236.9 million compared to \$211.2 million for the three months ended September 30, 2006, representing an increase of \$25.7 million or 12.1%. This overall increase reflects growth in consumer spending and credit and charge card usage, which translates into increased volume from the related accumulation partners; as well as the positive momentum experienced by the travel industry in general, which has positively affected Aeroplan's air accumulation partners.

Total revenue for the quarter ended September 30, 2007 was \$219.2 million, up 22.9% from \$178.4 million for the same quarter of 2006.

Cost of rewards amounted to \$127.2 million for the third quarter of 2007, compared to \$107.7 million for the corresponding quarter of 2006, an increase of 18.1%. This increase is mainly attributable to a higher proportion of Aeroplan Miles (issued by Aeroplan on or after January 1, 2002), redeemed; higher general redemption activity during the quarter as a result of program growth and increased ClassicFlight and Star Alliance Rewards redemptions, which were partially offset by a lower redemption cost per Aeroplan Mile redeemed, primarily related to air travel rewards.

Operating income (before the effect of the amortization of accumulation partners' contracts and technology) amounted to \$48.1 million for the quarter ended September 30, 2007, compared to \$33.0 million for the corresponding quarter of 2006, a 45.6% increase mainly attributable to higher reward redemption activity, a higher proportion of Aeroplan Miles redeemed, as well as reduced redemption costs.

At the end of the third quarter, Aeroplan had \$717.6 million of cash, cash equivalents and short-term investments, including the Aeroplan redemption reserve of \$400 million.

Adjusted EBITDA and distributable cash amounted to \$64.5 million and \$63.0 million, respectively, compared to \$53.4 million and \$50.7 million for the third quarter of 2006.

By comparison, standardized distributable cash, a non-GAAP measure recommended by the CICA in July 2007, amounted to \$89.7 million for the quarter, and to \$101.0 million for the same quarter of 2006.

Recent Corporate Developments

Partnerships and Rewards

Blue Cross

On August 13, 2007, Aeroplan announced that it signed an agreement with Blue Cross offering Aeroplan members easy access to Blue Cross customized travel insurance packages. Blue Cross offers the following products: trip cancellation, interruption, medical, baggage and accidental death insurance coverage; all plans include emergency travel assistance. Trip cancellation coverage also covers the costs of Aeroplan's change or cancellation fees, as well as any other eligible, non-refundable trip expenses, paid before departure. An annual policy package is also available for Aeroplan members taking more than one trip per year. What's more, Aeroplan members can purchase Blue Cross services and coverage on all flights - even on trips booked without using Aeroplan Miles.

Aeroplan Music Store

On September 5, 2007, Aeroplan launched an innovative new reward, the AEROPLAN MUSIC STORE, in partnership with Hip Digital Media, a full-service digital media agency. Aeroplan's custom branded site, www.aeroplanmusicstore.com, where members can create accounts and download

music by redeeming 6,000 Aeroplan Miles for a 50-song Music Code. The Aeroplan Music Store allows members to participate in the increasingly popular world of online digital music.

Bell Canada

On October 15, 2007, Aeroplan and Bell Canada announced that their agreement to offer Aeroplan Miles to Bell Canada customers will not be renewed upon its expiry on January 18, 2008.

ACE Secondary Offering

On October 22, 2007, ACE Aviation Holdings Inc. (ACE) completed a secondary offering of 22.0 million units of Aeroplan at a price of \$21.90 per unit, for gross proceeds of \$481.8 million. Aeroplan did not receive any of the proceeds from this offering. ACE retains 40,292,088 units, representing 20.1% of the 199,999,854 units issued and outstanding with the public holding the balance. ACE maintains the right to nominate a majority of the Board until its interest in Aeroplan falls below 20%.

Non-GAAP Measures

In order to provide a better understanding of the results, Aeroplan uses the following terms:

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization

("Adjusted EBITDA")

EBITDA adjusted for certain factors particular to Aeroplan's business, such as changes in deferred revenue and future redemption costs ("Adjusted EBITDA") is used by management to evaluate performance, and is used in measuring compliance with debt covenants and in making decisions relating to distributions to unitholders. Management believes Adjusted EBITDA assists investors in comparing a company's performance on a consistent basis without regard to depreciation and amortization, 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 a non-GAAP measurement and may not be comparable with similar measures reported by other entities, and is not considered an alternative to operating income or net income in measuring performance. For a reconciliation with GAAP, please refer to the Summary of Operating results and reconciliation of Adjusted EBITDA and Distributable Cash. 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 repayment and other sources and uses of cash, which are disclosed in the statements of cash flows.

Refer to the attached schedule for a summary of operating results and reconciliation of Adjusted EBITDA and Distributable Cash.

Standardized Distributable Cash

Standardized Distributable cash is a non-GAAP measure recommended by the CICA in order to provide a consistent and comparable measurement of distributable cash across entities.

Standardized distributable cash is defined as cash flows from operating activities, as reported in accordance with GAAP, less adjustments for:

- (a) total capital expenditures as reported in accordance with GAAP; and
- (b) restrictions on distributions arising from compliance with financial covenants restrictive at the date of the calculation of standardized distributable cash.

For a reconciliation to cash from operating activities to Standardized distributable cash and Distributable cash, refer to the attached schedule.

Distributable Cash

Distributable cash is a non-GAAP measure generally used by Canadian open-ended trusts as an indicator of financial performance, and it should not be seen as a measurement of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. Distributable cash may differ from similar calculations as reported by other entities and, accordingly, may not be comparable to distributable cash as reported by such entities.

Aeroplan intends to make equal monthly distributions to its unitholders of record on the last business day of each month. The board of directors will periodically review cash distributions in order to take into account Aeroplan's current and prospective performance.

Refer to the attached schedule for a reconciliation of Distributable cash and Standardized distributable cash to cash flows from operations.

The unaudited interim financial statements, the Investor Presentation and the unaudited supplementary information will be accessible on Aeroplan's investor relations website at aeroplan.com.

Quarterly Investor Conference Call / Audio Webcast

Aeroplan will hold an analyst call at 10 a.m. (Eastern Time) on Thursday, November 8, 2007 to discuss its third quarter results. The call may be accessed by dialling 416-340-2217, pass code 3238697#, within the Toronto area, or 1-866-696-5910 (toll free), pass code 3238697#, outside of Toronto.

The call will be simultaneously audio webcast at <http://events.startcast.com/events/20/B0053>.

The conference call webcast and the Investor Presentation will be archived on Aeroplan's investor relations website at aeroplan.com. A playback of the call can also be accessed until midnight ET, December 8, 2007 by dialling 416-695-5800, pass code 3238697# from within the Toronto area, or 1-800-408-3053, pass code 3238697# outside of Toronto.

About Aeroplan

Aeroplan is an unincorporated, open-ended trust established under the laws of the Province of Ontario.

Aeroplan is Canada's premier loyalty marketing company, dedicated to developing and executing programs designed to engage the loyalty of its prestigious membership.

Aeroplan's millions of members earn Aeroplan Miles with its network of more than 70 world-class partners, representing more than 150 brands in the financial, retail, and travel sectors. Miles earned may be redeemed for Aeroplan's industry-leading ClassicFlight Rewards, innovative ClassicPlus Flight Rewards, and global Star Alliance Flight Rewards, offering travel to more than 850 destinations worldwide. In 2006 alone, more than 1.4 million round-trip flight rewards were issued. Aeroplan's roster of non-flight rewards includes more than 400 exciting specialty, merchandise, and experiential rewards, as well as hotel and car rental rewards. Members are encouraged to stay engaged with Aeroplan and avoid mileage expiration due to inactivity by earning or redeeming Aeroplan Miles at least once in any consecutive twelve-month period.

For more information about Aeroplan, please visit www.aeroplan.com.

Caution Concerning Forward-Looking Statements

This news release should be read in conjunction with Aeroplan's 2007 third quarter MD&A dated November 7, 2007 filed with Canadian securities regulatory authorities (available at www.sedar.com). Certain statements in this news release may contain forward-looking statements. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions. 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 or forward-looking predictions or statements cannot be relied upon due to, amongst 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 Aeroplan's top three accumulation partners, Air Canada or travel industry disruptions, reduction in activity, usage and accumulation of Aeroplan Miles, greater than expected redemptions for rewards, industry competition, supply and capacity costs, unfunded future redemption costs, seasonal nature of the business, regulatory matters, restrictions on certain unitholders and liquidity of units, as well as the other factors identified in the "Risks and Uncertainties Affecting the Business" section of the 2006 MD&A (available at www.sedar.com). The forward-looking statements contained in this discussion represent Aeroplan's expectations as of November 7, 2007, and are subject to change after such date. However, Aeroplan 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.

SUMMARY OF OPERATING RESULTS AND RECONCILIATION OF ADJUSTED EBITDA AND DISTRIBUTABLE CASH

unaudited

(in thousands, except miles, unit and per unit information)

	Three months ended September 30,	Nine months ended September 30,	% change
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	2007	2006(4)	2007(3)	2006(4)	Q3	YTD
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Number of Aeroplan Miles issued (in billions)	19.5	17.2	57.5	51.1	13.4	12.5
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Number of Total Miles redeemed (in billions)	15.6	12.9	50.6	42.2	20.8	20.0
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Number of Aeroplan Miles redeemed

(in billions)	14.1	11.2	44.9	35.8	25.9	25.4
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Gross Billings from the sale of Aeroplan Miles	\$236,877	\$211,245	\$703,785	\$625,123	12.1	12.6
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Aeroplan Miles revenue	205,074	164,678	640,721	515,714	24.5	24.2
Tier management, contact centre management and marketing fees from Air Canada	1,539	1,647	6,719	6,599	(6.6)	1.8
Other revenue	12,626	12,066	37,397	38,670	4.6	(3.3)
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Total revenue	219,239	178,391	684,837	560,983	22.9	22.1
Cost of rewards	(127,205)	(107,741)	(410,880)	(345,094)	18.1	19.1
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Gross margin	92,034	70,650	273,957	215,889	30.3	26.9
Selling, general and admin- istrative expenses	(40,713)	(34,464)	(121,824)	(101,955)	18.1	19.5
Depreciation and amorti- zation	(3,230)	(3,155)	(8,745)	(10,781)	2.4	(18.9)
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Operating income before amorti- zation of accumulation partners' contracts and techno- logy	\$48,091	\$33,031	\$143,388	\$103,153	45.6	39.0
Depreciation and amorti- zation	3,230	3,155	8,745	10,781		
Change in deferred revenue						
Gross billings from the sale of Aeroplan Miles	236,877	211,245	703,785	625,123		
Aeroplan Miles revenue	(205,074)	(164,678)	(640,721)	(515,714)		
Change in Future Redemption Costs (1)	(18,605)	(29,394)	(26,754)	(64,261)	(36.7)	(58.4)
(Change in Net Aeroplan Miles outstanding x Average Cost of Rewards per Mile for the period)						
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Adjusted EBITDA	\$64,519	\$53,359	\$188,443	\$159,082	20.9	18.5
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Net Interest Income (Expenses)	3,280	1,760	8,551	3,316		
Maintenance						

Capital Expendi- tures	(4,784)	(4,455)	(10,136)	(16,319)		
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Distributable Cash	\$63,015	\$50,664	\$186,858	\$146,079	24.4	27.9
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Standardized Distributable Cash	\$89,667	\$100,969	\$228,750	\$204,285	(11.2)	12.0
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Weighted average number of units	199,500,476	200,000,001	199,513,426(2)	200,000,001		
Distributable Cash per unit	\$0.32	\$0.25	\$0.94	\$0.73	24.7	28.2
Standardized Distributable Cash per unit	\$0.45	\$0.50	\$1.15	\$1.02	(11.0)	12.2

Adjusted net earnings = Net earnings, in accordance with GAAP + amorti- zation of accumu- lation partners' contracts and techno- logy + income taxes	\$51,371	\$34,320	\$150,937	\$105,060	49.7	43.7
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Earnings per unit, in accordance with GAAP, adjusted for amorti- zation of accumulation partners' contracts and techno- logy, and income taxes	\$0.26	\$0.17	\$0.76	\$0.53	50.1	44.0
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Distributions declared	\$42,000	\$37,500	\$126,000	\$107,460	12.0	17.3
Distributions declared per unit	\$0.21	\$0.19	\$0.63	\$0.54	12.3	17.5

- (1) The per unit cost derived from this calculation is retroactively applied to all prior periods with the effect of revaluing the liability on the basis of the latest available average unit cost;
- (2) Represents weighted average number of units outstanding for the Partnership, as the YTD weighted average number of units for Aeroplan is not comparative;
- (3) Has been derived by adding the year to date Q2 2007 information presented for the Partnership and the Q3 2007 information presented above for Aeroplan;
- (4) 2006 results presented for comparative purposes are those of the Partnership.

RECONCILIATION OF CASH FLOWS FROM OPERATIONS TO STANDARDIZED
DISTRIBUTABLE CASH AND DISTRIBUTABLE CASH
Unaudited

(in thousands)	Three months ended September 30,	Nine months ended September 30,
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	2007	2006(4)	2007(3)	2006(4)
Cash flows from operations	\$ 94,451	\$ 105,424	\$ 238,886	\$ 220,604
Maintenance Capital Expenditures	(4,784)	(4,455)	(10,136)	(16,319)
Standardized Distributable Cash	89,667	100,969	228,750	204,285
Changes in non-cash working capital items(1)	(7,337)	(19,518)	(14,427)	8,805
Stock Based compensation(1)	(710)	(1,393)	(2,240)	(2,750)
Funding of stock-based compensation plans(1)	-	-	1,529	-
Change in future redemption costs(2)	(18,605)	(29,394)	(26,754)	(64,261)
Distributable Cash	\$ 63,015	\$ 50,664	\$ 186,858	\$ 146,079
Distributions declared	\$ 42,000	\$ 37,500	\$ 126,000	\$ 107,460
Payout ratio - Distributions declared / Standardized Distributable Cash	47%	37%	55%	53%
Payout ratio - Distributions declared / Distributable Cash	67%	74%	67%	74%
Standardized Cumulative Distributable Cash since IPO (June 29, 2005)	\$ 705,408			
Cumulative distributions declared since IPO	\$ 343,200			
Cumulative payout ratio since inception	49%			

- (1) The impact of the respective items is considered in the calculation of Standardized Distributable Cash but they are not part of the Distributable Cash definition in accordance with the Limited Partnership Agreement. This eliminates the potential impact of timing distortions relating to the respective items;
- (2) Changes in future redemption costs is included to reflect the expected change in the future redemption liability on the basis of the most recently experienced redemption costs;
- (3) Has been derived by adding the year to date Q2 2007 information presented for the Partnership, to the Q3 2007 information of Aeroplan (presented above) and \$64 of interest earned by Aeroplan in Q1 and Q2 2007.
- (4) 2006 results presented for comparative purposes are those of the Partnership.

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