



## CIBC Sells Half of its Visa Aeroplan Portfolio to TD Bank

### Description

*By: Cameron Conway*

When **Aimia** (TSX: Aimia), the company behind the Aeroplan rewards program, announced that they would be ending their 20 year partnership with **CIBC** (TSX: CM NYSE: CM) in favour of a new deal with **TD Bank** (TSX: TD, NYSE: TD) it sent ripples through the banking and rewards sectors.

Needless to say, CIBC was not impressed by this development. After some negotiations with both TD Bank and Amia, a deal was struck (TD's [release](#), CIBC's [release](#)) where TD Bank would purchase 550,000 accounts or 50% of CIBC's Aeroplan Visa portfolio.

The cost of the deal is approximately \$3.5 billion; the amount is split between a \$3.3 billion payment to cover the credit card receivables of the newly acquired accounts, \$50 and \$150 million in upfront payments from TD and Aimia respectively, and finally another \$37.5 million a year for the next 3 years from TD to complete the purchase.

### TD steps up to the rewards plate

In this deal, TD also becomes the primary issuer of Aeroplan Visa credit cards for the next 10 years. And as I mentioned earlier, they have added 550,000 credit card accounts to their books which are expected to translate into \$19-billion of annual retail spending.

Insiders at TD expect that this deal will "contribute approximately 10 cents per share to 2014 earnings on an adjusted basis, and to be dilutive by approximately 7 cents per share on a reported basis."

By offering Aeroplan Visa cards TD Bank has finally "caught up" with other "Big 5" who have a long history of offering rewards programs to their customers. The new 550, 000 members brings them half way to competing with RBC's Avion program which has about 1 million members

### CIBC's penguin parade

While CIBC is giving up 550,000 customers, they stated that they will only be transferring accounts

held by customers who do not have an existing retail banking relationship with CIBC.

Although they are giving up half of their Aeroplan portfolio, CIBC is not without a replacement program. Back in October CIBC introduced their [Aventura](#) Visa card program, offering the ability to use their points on any airline.

CIBC claims that “the enhanced program isn’t meant to compete with Aerogold but to complement it, noting that CIBC can now appeal to clients who want to fly Air Canada and those who want to fly with other airlines”

Another benefit for CIBC customers having access to both plans could be that there is a requirement for \$60,000 personal annual income or \$100,000 per family annual income needed to qualify for the Aventura Visa program. Those are some well off penguins.

### **Do you offer rewards points for a conclusion?**

In a market sector where most of the players operate “on-par” with each other, rewards programs become an integral part of attracting and retaining customers. And any advantage people could get, can be enough to either switch banks or at least pick up another credit card to add to their arsenal.

For TD, the added customers will help out their bottom line immediately. On the other hand, CIBC will need time to see if their new Aventura program pays off – or if the new program is just for the birds.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:AIM (Aimia Inc.)
4. TSX:CM (Canadian Imperial Bank of Commerce)
5. TSX:TD (The Toronto-Dominion Bank)

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