

POINTS INTERNATIONAL LTD

FORM 6-K (Report of Foreign Issuer)

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of May, 2018

Commission File Number: 001-35078

POINTS INTERNATIONAL LTD.

(Translation of registrant's name into English)

111 Richmond St., W. Suite 700, Toronto, ON, M5H 2G4, Canada

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F [] Form 40-F [X]

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): []

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): []

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes [] No [X]

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- _____.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Points International Ltd.
(Registrant)

Date: May 10, 2018

By: /s/ Erick Georgiou

Name: Erick Georgiou

Title: Chief Financial Officer

* Print the name and title under the signature of the signing officer.

NYC#: 108692.1

SEC1815(04-09)

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EXHIBIT INDEX

99.1	Condensed Consolidated Interim Financial Statements for the period ended March 31, 2018
99.2	Management's Discussion and Analysis for the period ended March 31, 2018
99.3	Form 52-109F2 Certification of Interim Filings - CEO
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99.5	News release dated May 10, 2018

Condensed Consolidated Interim Financial Statements

Points International Ltd.

March 31, 2018

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Points International Ltd.
Condensed Consolidated Interim Statements of Financial Position

Expressed in thousands of United States dollars
(Unaudited)

As at	Note	March 31, 2018	December 31, 2017
ASSETS			
Current assets			
Cash and cash equivalents		\$ 70,776	\$ 63,514
Restricted cash		500	500
Funds receivable from payment processors		6,557	15,229
Accounts receivable		7,261	7,741
Prepaid expenses and other assets	10	2,292	2,420
Total current assets		\$ 87,386	\$ 89,404
Non-current assets			
Property and equipment		2,221	2,128
Intangible assets		14,917	15,265
Goodwill		7,130	7,130
Deferred tax assets		2,909	2,557
Other assets		2,650	2,661
Total non-current assets		\$ 29,827	\$ 29,741
Total assets		\$ 117,213	\$ 119,145
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 7,805	\$ 7,998
Income taxes payable		608	695
Payable to loyalty program partners		65,345	65,567
Current portion of other liabilities	10	1,488	1,400
Total current liabilities		\$ 75,246	\$ 75,660
Non-current liabilities			
Other liabilities		478	538
Total non-current liabilities		\$ 478	\$ 538
Total liabilities		\$ 75,724	\$ 76,198
SHAREHOLDERS' EQUITY			
Share capital		\$ 53,813	56,394
Contributed surplus		9,955	10,647
Accumulated other comprehensive income (loss)		(69)	374
Accumulated deficit		(22,210)	(24,468)
Total shareholders' equity		\$ 41,489	\$ 42,947
Total liabilities and shareholders' equity		\$ 117,213	\$ 119,145
<i>Guarantees and commitments</i>	8		
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The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Points International Ltd.
Condensed Consolidated Interim Statements of Comprehensive Income

*Expressed in thousands of United States dollars, except per share amounts
(Unaudited)*

For the three months ended March 31,

		2018	2017 (restated – Note 3(a))
	Note		
REVENUE			
Principal		\$ 83,307	\$ 79,793
Other partner revenue		5,803	3,322
Total Revenue	4	\$ 89,110	\$ 83,115
EXPENSES			
Direct cost of principal revenue		75,594	72,056
Employment costs		6,714	5,881
Marketing and communications		403	525
Technology services		495	432
Depreciation and amortization		866	990
Foreign exchange gain		(158)	(6)
Operating expenses		2,153	2,011
Total Expenses		\$ 86,067	\$ 81,889
Finance Income		77	17
INCOME BEFORE INCOME TAXES		\$ 3,120	\$ 1,243
Income tax expense		862	391
NET INCOME		\$ 2,258	\$ 852
OTHER COMPREHENSIVE INCOME			
Items that will subsequently be reclassified to profit or loss:			
Unrealized gain (loss) on foreign exchange derivatives designated as cash flow hedges		(430)	150
Income tax effect		113	(40)
Reclassification to net income of gain on foreign exchange derivatives designated as cash flow hedges		(171)	(70)
Income tax effect		45	18
Other comprehensive income for the period, net of income tax		\$ (443)	\$ 58
TOTAL COMPREHENSIVE INCOME		\$ 1,815	\$ 910
EARNINGS PER SHARE			
Basic earnings per share	6	\$ 0.16	\$ 0.06
Diluted earnings per share	6	\$ 0.16	\$ 0.06

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Points International Ltd.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

Attributable to equity holders of the Company

*Expressed in thousands of United States dollars except number of shares
(Unaudited)*

		Share Capital		Contributed	Accumulated other comprehensive income (loss)	Accumulated deficit	Total shareholders' equity
		Number of Shares	Amount	Surplus			
Balance at December 31, 2017		14,561,450	\$ 56,394	\$ 10,647	\$ 374	\$(24,468)	\$ 42,947
Net income		-	-	-	-	2,258	2,258
Other comprehensive income, net of tax		-	-	-	(443)	-	(443)
Total comprehensive income		-	-	-	(443)	2,258	1,815
Effect of share option compensation plan	7	-	-	33	-	-	33
Effect of RSU compensation plan	7	-	-	942	-	-	942
Share issuances – RSUs		-	722	(722)	-	-	-
Share capital held in trust	7	-	(2,804)	-	-	-	(2,804)
Shares repurchased	5	(133,463)	(499)	(945)	-	-	(1,444)
Balance at March 31, 2018		14,427,987	\$ 53,813	\$ 9,955	\$ (69)	\$(22,210)	\$ 41,489
Balance at December 31, 2016		14,878,674	\$ 58,412	\$ 9,881	\$ (127)	\$(27,848)	\$ 40,318
Net income		-	-	-	-	852	852
Other comprehensive income, net of tax		-	-	-	58	-	58
Total comprehensive income		-	-	-	58	852	910
Effect of share option compensation plan	7	-	-	107	-	-	107
Effect of RSU compensation plan	7	-	-	566	-	-	566
Share issuances – RSUs		-	210	(210)	-	-	-
Shares repurchased	5	(9,300)	(36)	(34)	-	-	(70)
Balance at March 31, 2017		14,869,374	\$ 58,586	\$ 10,310	\$ (69)	\$(26,996)	\$ 41,831

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Points International Ltd.
Condensed Consolidated Interim Statements of Cash Flows

Expressed in thousands of United States dollars
(Unaudited)

For the three months ended March 31,	2018	2017
	Note	
Cash flows from operating activities		
Net income for the period	\$ 2,258	\$ 852
Adjustments for:		
Depreciation of property and equipment	221	200
Amortization of intangible assets	645	790
Unrealized foreign exchange loss	420	169
Equity-settled share-based payment expense	7 975	673
Deferred income tax recovery	(194)	(164)
Unrealized net gain (loss) on derivative contracts designated as cash flow hedges	(601)	80
Changes in non-cash balances related to operations	9 8,817	(5,656)
Net cash provided by (used in) operating activities	\$ 12,541	\$ (3,056)
Cash flows from investing activities		
Acquisition of property and equipment	(314)	(303)
Additions to intangible assets	(297)	(260)
Net cash used in investing activities	\$ (611)	\$ (563)
Cash flows from financing activities		
Shares repurchased	5 (1,444)	(70)
Purchases of share capital held in trust	7 (2,804)	-
Net cash used in financing activities	\$ (4,248)	\$ (70)
Effect of exchange rate fluctuations on cash	(420)	(169)
Net increase (decrease) in cash and cash equivalents	\$ 7,262	\$ (3,858)
Cash and cash equivalents at beginning of the period	63,514	46,492
Cash and cash equivalents at end of the period	\$ 70,776	\$ 42,634
Interest Received	\$ 60	\$ 23
Taxes Paid	\$ (1,127)	\$ (1,773)

Amounts received for interest and taxes paid were reflected as operating cash flows in the condensed consolidated interim statements of cash flows.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. REPORTING ENTITY

Points International Ltd. (the “Corporation”) is a company domiciled in Canada. The address of the Corporation’s registered office is 111 Richmond Street West, Suite 700, Toronto, Ontario, Canada, M5H 2G5. The condensed consolidated interim financial statements of the Corporation as at and for the three months ended March 31, 2018 comprise the financial results of the Corporation and its wholly-owned subsidiaries, Points International (US) Ltd., Points International (UK) Ltd., Points.com Inc., Points Development (US) Ltd. and Points Travel Inc. The Corporation’s shares are publicly traded on the Toronto Stock Exchange (“TSX”) as PTS and on the NASDAQ Capital Market (“NASDAQ”) as PCOM.

The Corporation operates in three reportable segments (see note 4 below):

Segment	Principal Activities
Loyalty Currency Retailing	Loyalty currency retailing operations for the Corporation’s loyalty partners’ retail consumers.
Platform Partners	A portfolio of technology solutions that enables the broad distribution of loyalty currencies across loyalty partner programs and platforms.
Points Travel	White-label travel booking solution for the loyalty industry that allows retail consumers to earn and/or use their loyalty currency while making certain online hotel and car bookings.

The Corporation’s operations are not subject to significant seasonal fluctuations.

The consolidated financial statements of the Corporation as at and for the year ended December 31, 2017 are available at www.sedar.com or www.sec.gov.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the three months ended March 31, 2018 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”).

The notes presented in these first quarter 2018 condensed consolidated interim financial statements include only significant changes and transactions occurring since December 31, 2017, and are not fully inclusive of all disclosures required by International Financial Reporting Standards (“IFRS”) for annual financial statements. These condensed consolidated interim financial statements should be read in conjunction with the Corporation’s annual audited consolidated financial statements for the year ended December 31, 2017. All amounts are expressed in thousands of United States dollars, except per share amounts, or as otherwise indicated.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 10, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the condensed consolidated interim financial statements follow the same accounting policies and methods of application as those disclosed in the Corporation’s annual audited consolidated financial statements for the year ended December 31, 2017.

POINTS INTERNATIONAL LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)

(a) New standards adopted

Effective January 1, 2018, the Corporation adopted the following standards issued by the IASB.

- IFRS 15, Revenue from Contracts with Customers (“IFRS 15”);

Effective January 1, 2018, the Corporation adopted the new standard and its amendments using the full retrospective transition method. As a result, all comparative information in these financial statements has been restated. The accounting policies set out in note 3(b) have been applied in preparing the condensed consolidated interim financial statements as at and for the three months ended March 31, 2018, and the comparative information presented in these condensed consolidated interim financial statements as at and for the three months ended March 31, 2017.

The application of IFRS 15 did not result in adjustments to the statement of financial position at January 1, 2017 or December 31, 2017, nor did it impact cash flow totals from operating, investing or financing activities. Certain adjustments were identified with respect to the classification and presentation of revenue and expenses which are summarized below:

- Certain revenues previously classified as net are recognized as gross under IFRS 15. In determining whether the Corporation acts as a principal or an agent for each respective product and business line, the Corporation identified the specified good or service in the contract and then evaluated whether the Corporation controls that good or service before it is transferred to the customer. Factors considered in making the determination include whether the Corporation is primarily responsible for fulfilling the promise to provide the specified good or service, has inventory risk and/or has discretion in establishing the prices for the specified goods and services provided. Through this analysis, Management has concluded that:
 - o The Corporation acts as principal for certain buy/gift transactions relating to loyalty partners where it was determined that the Corporation obtains control of the loyalty currency. The Corporation also acts as a principal in the delivery of certain services, including transfer, reinstate, hosting and website development services provided to loyalty partners.
 - o The Corporation acts as an agent for certain buy/gift transactions relating to loyalty partners where it was determined that the Corporation does not obtain control of the underlying loyalty currency. In addition, the Corporation acts as an agent for all of the Platform Partners offerings along with the Points travel products.
- Under IFRS 15, the Corporation reclassified Interest Revenue earned on funds held as part of the sales process that does not represent revenue from contracts with customers to a separate line item called Finance Income. This amount will remain a part of the Corporation’s Adjusted EBITDA calculation (see note 4).
- Under IFRS 15, the Corporation has reclassified losses arising on certain Points Travel promotional offers, from marketing expenses to revenue. The reclassified amount represents the transaction price that the Corporation is entitled to in exchange for the services provided. There was no impact of this adjustment during the three months ended March 31, 2017.

Please refer to note 3(b) for the Corporation’s revised revenue recognition policy.

POINTS INTERNATIONAL LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)

Reconciliation of condensed consolidated statement of comprehensive income for the three months ended March 31, 2017

	As originally presented	Loyalty Currency Retailing	Points Travel	Interest Reclassification	Restated
REVENUE					
Principal	\$ 79,488	305	-	-	\$ 79,793
Other partner revenue	3,353	(31)	-	-	3,322
Interest	17	-	-	(17)	-
Total Revenue	\$ 82,858	274	-	(17)	\$ 83,115
EXPENSES					
Direct cost of revenue	71,782	274	-	-	72,056
Marketing and communications	525	-	-	-	525
Total Expenses	\$ 81,615	274	-	-	\$ 81,889
Finance income	-	-	-	17	17
Income before Income Taxes	\$ 1,243	-	-	-	\$ 1,243
NET INCOME	\$ 852	-	-	-	\$ 852

- IFRS 9, Financial Instruments (“IFRS 9”)

IFRS 9 supersedes IAS 39 Financial Instruments Recognition and Measurement. The standard set out revised guidance for classifying and measuring financial instruments, introduced a new expected credit loss model for calculating impairment of financial assets and includes new guidance for the application of hedge accounting. The standard also requires that when a financial liability measured at amortized cost is modified or exchanged, and such modification or exchange does not result in derecognition, that the adjustment to the amortized cost of the financial liability is recognized in profit or loss. The Corporation has adopted IFRS 9 on a retrospective basis without restating comparative periods as it was not possible to do so without the use of hindsight.

The standard does not have an impact on the Corporation’s results and may allow for simplified effectiveness testing going forward. The Corporation has determined that there is no effect on the current or prior year financial statements with regards to the adoption of IFRS 9. Please refer to note 3(c) for the Corporation’s revised financial instrument policy

The Corporation also adopted new amendments to the following accounting standards effective for our interim and annual consolidated financial statements commencing January 1, 2018. These changes did not have a material impact on our financial results.

- IFRS 2, Share-based Payment; and
- IFRIC Interpretation 22, Foreign Currency Translation and Advance Consideration

(b) Revenue recognition

The Corporation’s revenue is categorized as principal or other partner revenue, and is primarily generated through the sale of loyalty currencies, through services provided to loyalty partners’ program members, and through technology and marketing services provided to loyalty partners.

Contracts with customers

The Corporation records revenue from contracts with customers in accordance with the five steps in IFRS 15 as follows:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price, which is the amount the Corporation expects to be entitled to;
4. Allocate the transaction price among the performance obligations in the contract based on their relative stand-alone selling prices; and

5. Recognize revenue when or as the goods or services are transferred to the customer.

Principal Revenue

Principal revenue groups together several streams of revenue that the Corporation realizes in delivering goods or services to various loyalty programs and their customers. The following is a list of revenue streams and the related revenue recognition policy.

- (i) Reseller revenue is transactional revenue for the sale of loyalty currencies that occurs in contracts for which the Corporation takes a principal role in the retailing or wholesaling of loyalty currencies to loyalty program customers. The customer obtains control of the loyalty currency, and hence the performance obligation is satisfied, on completion of the transaction which aligns with the point in the time the loyalty currency is transferred and payment is received. The Corporation's role as the principal in the transaction is determined by the contractual arrangements in place with the loyalty program partner and their members. In this instance, the Corporation has determined that it obtains control of the loyalty currency prior to transferring it to the customer, this is due in part to inventory risk that is assumed by the Corporation. Other factors considered in making the determination include the fact that the Corporation is primarily responsible for fulfilling the promise to provide the specified good, and often has discretion in establishing the prices for the specified goods. Revenue is recorded on a gross basis.
- (ii) Service revenue is transactional revenue for the provision of transfer and reinstate services provided to loyalty program members. The Corporation is primarily responsible for fulfilling the promise to provide the services. Transfer and reinstate service revenue is recognized at the point in time the transaction is completed, which is also when payment is received.
- (iii) Hosting services are provided to loyalty program partners throughout the term of the loyalty program partner agreement. In addition to hosting services, technical design and development work is performed at the commencement of a business relationship with a loyalty program partner. These technical design and development activities are set-up activities that do not transfer a service to the customer. Consequently, there is only one performance obligation in the arrangement. The Corporation receives up-front fees, which are recorded as deferred revenue, to cover the cost of setting up the loyalty program web interface and customizing the look and feel of the site to that of the loyalty program partner. The hosting services begin, and hence revenue recognition commences when the loyalty program partner website is functional. Revenue is recognized on a straight-line basis over the life of the term of the partner agreement. Costs that relate directly to the contract are capitalized to the extent that they are expected to be recovered and are amortized as the services are transferred.
- (iv) Customized technical design and development services are provided to loyalty program partners who require custom programming or web-design work. These services are distinct from hosting services provided to the loyalty program partner. Revenue is allocated to the customization services on the basis of relative stand-alone selling prices and recognized over time based on percentage-of-completion. Progress towards completion is generally measured based on the total hours incurred to date on a contract relative to the total estimated hours.

Other Partner Revenue

Other partner revenue is primarily transactional revenue for facilitating the sale of loyalty currencies or other goods or services to loyalty program members for which the Corporation takes an agency role. The Corporation's role as an agent is determined by the contractual arrangement in place with the loyalty program partner and their members. In this instance, the Corporation has determined that it does not obtain control of the loyalty currency or other goods and services prior to transferring them to the customer, this is due in part to the absence of inventory risk. Other factors considered in making the determination include the fact that the Corporation is not primarily responsible for fulfilling the promise to provide the specified good and generally has limited discretion in establishing the prices for the specified goods. Revenue is recorded on a net basis.

When deciding the most appropriate basis for presenting revenue on either a gross or net basis, both the legal form and substance of the agreements between the Corporation, its partners and their program members are reviewed to determine each party's respective role in the transaction.

This determination requires the exercise of judgment. In making this assessment, management considers whether the Corporation:

- acts on behalf of the loyalty partner or the program member in identifying the customer in certain arrangements;
- controls the good or service being provided, prior to it being transferred to the customer;
- has primary responsibility for providing the goods and service to the customer;
- has inventory risk before or after the customer order
- has discretion in establishing prices for the specified goods and services

(c) Financial instruments

All financial assets and financial liabilities are recognized on the Corporation's consolidated statements of financial position when the Corporation becomes a party to the contractual provisions of the instrument.

(i) Classification and measurement of financial instruments

Under IFRS 9, the Corporation's financial instruments are defined as follows:

Asset/Liability	Measurement
Cash and cash equivalents	Amortized cost
Restricted cash	Amortized cost
Funds receivable from payment processors	Amortized cost
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Payable to loyalty program partners	Amortized cost
Derivatives	Measurement
Expenditure derivatives	FVTOCI

Financial assets held at amortized cost require the asset to be measured using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Derivatives may be in an asset or liability position at a point in time historically or in the future. For derivatives designated as cash flow hedges for accounting purposes, the effective portion of the hedge is recognized in accumulated other comprehensive income and the ineffective portion of the hedge is recognized immediately in profit or loss.

(ii) Impairment of financial instruments

IFRS 9 requires impairment of financial assets to consider the expected lifetime credit losses at initial recognition, which is anticipated to result in earlier recognition of losses. IFRS 9 realigns hedge accounting to more closely reflect the Corporation's risk management strategy.

(d) New standards and interpretations not yet adopted

POINTS INTERNATIONAL LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)

The IASB has issued the following new standards and amendments to existing standards. These changes have not yet been adopted by the Corporation and could have an impact on future periods.

- IFRS 16, Leases (effective January 1, 2019).

This new standard is described in detail in the Corporation's 2017 audited consolidated financial statements. The Corporation continues to assess the impact of this standard on its consolidated financial statements and the Corporation is progressing with its implementation of this standard. As at the date of these condensed consolidated interim financial statements, there have been no significant changes to the disclosure related to the implementation of this standard that was included in the Corporation's 2017 audited financial statements.

4. OPERATING SEGMENTS

The Corporation's reportable segments are Loyalty Currency Retailing, Platform Partners, and Points Travel. These operating segments are organized around differences in products and services. Corporate costs have been allocated to each reportable segment.

The Corporation's measure of segment profit or loss is represented by Adjusted EBITDA which is defined as net income as presented in the consolidated statement of comprehensive income but excludes income taxes, depreciation, amortization, foreign exchange gains and losses, impairment charges and stock based compensation. Segment profit or loss results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Assets and liabilities are not provided to the CODM at the operating segment level and are therefore not allocated to the operating segments for reporting purposes.

For the three months ended March 31, 2018:

	Loyalty Currency Retailing	Platform Partners	Points Travel	Total
Total revenue	86,607	2,037	466	89,110
Direct cost of principal revenue	75,448	134	12	75,594
Gross profit	11,159	1,903	454	13,516
Adjusted operating expenses ¹	4,710	2,167	1,913	8,790
Finance income	(77)	-	-	(77)
Adjusted EBITDA	6,526	(264)	(1,459)	4,803
Equity-settled share-based payment expense ¹				975
Income tax expense				862
Depreciation and amortization				866
Foreign exchange gain				(158)
Net income				2,258

POINTS INTERNATIONAL LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)

For the three months ended March 31,
2017:
(restated, see Note 3)

	Loyalty Currency Retailing	Platform Partners	Points Travel	Total
Total revenue	80,802	2,110	203	83,115
Direct cost of principal revenue	71,882	159	15	72,056
Gross profit	8,920	1,951	188	11,059
Adjusted operating expenses ¹	4,141	2,450	1,585	8,176
Finance income	(17)	-	-	(17)
Adjusted EBITDA	4,796	(499)	(1,397)	2,900
Equity-settled share-based payment expense ¹				673
Income tax expense				391
Depreciation and amortization				990
Foreign exchange gain				(6)
Net income				852

¹ Adjusted operating expenses comprise Employment Costs, Marketing and Communications, Technology Services and Operating Expenses excluding equity-settled share-based payment expense, which is included in Employment Costs in the consolidated statement of comprehensive income.

Enterprise-wide disclosures - Geographic information

For the period ended March 31,	Three months ended			
	2018		2017 (restated, see Note 3)	
Revenue				
United States	\$ 76,561	86%	\$ 74,007	89 %
Europe	8,773	10%	6,848	8 %
Canada and other	3,776	4%	2,260	3 %
	\$ 89,110	100%	\$ 83,115	100%

Revenue earned by the Corporation is generated from sales to loyalty program partners directly or from sales directly to members of loyalty programs with which the Corporation partners. Revenues by geographic region are shown above and are based on the country of residence of each of the Corporation's loyalty partners. At March 31, 2018, substantially all of the Corporation's assets were in Canada.

Dependence on loyalty program partners

For the three month period ended March 31, 2018, there were three (2017 – three) loyalty program partners for which sales to their members individually represented more than 10% of the Corporation's total revenue. In aggregate, sales to the members of these partners represented 67% (2017 – 69%) of the Corporation's total revenue.

5. CAPITAL AND OTHER COMPONENTS OF EQUITY

Authorized with no Par Value

Unlimited common shares
Unlimited preferred shares

Issued

At March 31, 2018, all issued shares are fully paid. The holders of common shares are entitled to receive dividends, if any are declared, and are entitled to one vote per share.

Accumulated other comprehensive income

Accumulated other comprehensive income is comprised of the unrealized gains/losses on foreign exchange derivatives designated as cash flow hedges. The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Normal Course Issuer Bid ("NCIB")

On March 8, 2017, the Board of Directors of the Corporation approved a plan to repurchase the Corporation's common shares. On August 9, 2017 the Toronto Stock Exchange ("TSX") accepted the Corporation's notice of intention to make a normal course issuer bid to repurchase up to 743,468 of its common shares (the "2017 Repurchase"), representing 5% of its 14,869,374 common shares issued and outstanding as of July 31, 2017. The Corporation has entered into an automatic share purchase plan with a broker in order to facilitate the 2017 Repurchase.

The primary purpose of the 2017 Repurchase is for cancellation. Under the automatic share purchase plan, the Corporation may repurchase shares at times when the Corporation would ordinarily not be permitted to due to regulatory restrictions or self-imposed blackout periods. Repurchases will be made from time to time at the brokers' discretion, based upon parameters prescribed by the Corporation's written agreement. Repurchases may be effected through the facilities of the TSX, the NASDAQ Capital Market ("NASDAQ") or other alternative trading systems in the United States and Canada. The actual number of common shares purchased and the timing of such purchases will be determined by the broker considering market conditions, stock prices, the Corporation's cash position, and other factors.

In the three months ended March 31, 2018, the Corporation repurchased and cancelled 133,463 common shares (2017 – 9,300) at an aggregate purchase price of \$1,444 (2017 - \$70), resulting in a reduction of stated capital and contributed surplus of \$499 and \$945 respectively (2017 - \$36 and \$34). These purchases were made under the 2017 Repurchase and are included in calculating the number of common shares that the Corporation may purchase pursuant to the NCIB.

6. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

Thousands of US dollars, except per share amounts	For the three month period ended March 31,	
	2018	2017
Net income available to common shareholders for basic and diluted earnings per share	\$ 2,258	\$ 852
Weighted average number of common shares outstanding – basic	14,474,625	14,869,477
Effect of dilutive securities – share-based payments	46,439	1,767
Weighted average number of common shares outstanding –diluted	14,521,064	14,871,244
Earnings per share - reported:		
Basic	\$ 0.16	\$ 0.06
Diluted	\$ 0.16	\$ 0.06

a) Basic earnings per share

Earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the year.

b) Diluted earnings per share

Diluted earnings per share represents what the net income per share would be if instruments convertible into common shares had been converted at the beginning of the period, or at the time of issuance, if later. In determining diluted earnings per share, the average number of common shares outstanding is increased by the number of shares that would have been issued if all share options with a strike price below the average share price for the period had been exercised at the beginning of the period, or at the time of issuance, if later. The average number of common shares outstanding is also decreased by the number of common shares that could have been repurchased on the open market at the average share price for the year by using the proceeds from the exercise of share options. Share options with a strike price above the average share price for the period are not adjusted because including them would be anti-dilutive.

For the three months ended March 31, 2018, 221,573 options that were out of the money (2017 – 624,296) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

The average market value of the Corporation's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding during the three months ended March 31, 2018 and 2017.

7. SHARE-BASED PAYMENTS

As at March 31, 2018, the Corporation had two share-based compensation plans for its employees: a share option plan and a share unit plan.

Share option plan

Under the share option plan, employees, directors and consultants are periodically granted share options to purchase common shares at prices not less than the market price of the common shares for the preceding five consecutive days prior to the date of the grant. The options generally vest over a period of up to three years and expire at the end of five years from the date of grant. Under the plan, share options can only be settled in equity. On May 5, 2016, the shareholders of the Corporation approved a new share option plan which increased the number of options available to grant as described in the Management Information Circular dated March 2, 2016. The new share option plan changed the number of net options authorized to grant to be determined based on 10% of the larger of the outstanding shares as at March 2, 2016 or any time thereafter.

POINTS INTERNATIONAL LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)

The options available to grant as at March 31, 2018 are shown in the table below:

Shares outstanding as at March 2, 2016	15,298,602
Percentage of shares outstanding	10%
Net options authorized	1,529,860
Less: options issued and outstanding	(612,976)
Options available to grant - March 31, 2018	916,884

The options available to grant as at March 31, 2017 are shown in the table below:

Shares outstanding as at March 2, 2016	15,298,602
Percentage of shares outstanding	10%
Net options authorized	1,529,860
Less: options issued and outstanding	(705,269)
Options available to grant - March 31, 2017	824,591

The fair value of each option grant is estimated at the date of grant using the Black-Scholes option pricing model. The Corporation did not grant any share options during the three month period ended March 31, 2018 or the three month period ended March 31, 2017. Expected volatility is generally determined by the historical amount the Corporation's daily share price fluctuated over the expected life of the option.

A summary of the status of the Corporation's share option plan as of March 31, 2018 and 2017, and changes during the three months ended on those dates is presented below.

	2018		2017	
	Number of Options	Weighted Average Exercise Price (in CAD\$)	Number of Options	Weighted Average Exercise Price (in CAD\$)
Balance at January 1	615,843	16.00	723,995	\$ 15.25
Expired and forfeited	(2,867)	15.94	(18,726)	14.63
Balance at March 31	612,976	16.00	705,269	\$ 15.27
Exercisable at March 31	601,127	16.08	548,311	\$ 16.26

POINTS INTERNATIONAL LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)

As at March 31, 2018:

Range of Exercise Prices (in CAD\$)	Options outstanding			Options exercisable	
	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price (in CAD\$)	Number of options	Weighted average exercise price (in CAD\$)
\$5.00 to \$9.99	39,401	2.95	\$ 9.89	39,401	\$ 9.89
\$10.00 to \$14.99	352,002	2.06	\$ 12.27	340,153	\$ 12.27
\$15.00 to \$19.99	116,503	0.18	\$ 15.98	116,503	\$ 15.98
\$20.00 and over	105,070	0.96	\$ 30.84	105,070	\$ 30.84
	612,976			601,127	

As at March 31, 2017:

Range of Exercise Prices (in CAD\$)	Options outstanding			Options exercisable	
	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price (in CAD\$)	Number of options	Weighted average exercise price (in CAD\$)
\$5.00 to \$9.99	120,374	1.35	\$ 9.79	94,105	\$ 9.76
\$10.00 to \$14.99	358,669	3.06	\$ 12.27	228,370	\$ 12.33
\$15.00 to \$19.99	120,334	0.98	\$ 15.98	119,944	\$ 15.97
\$20.00 and over	105,892	1.96	\$ 30.84	105,892	\$ 30.84
	705,269			548,311	

Share unit plan

On March 7, 2012, the Corporation implemented an employee share unit plan, under which employees are periodically granted Restricted Share Units (“RSUs”). The RSUs vest either over a period of up to three years or in full on the third anniversary of the grant date. A total of 66,308 RSUs have been granted for the three months ended March 31, 2018 (2017 – 92,738 RSUs). As at March 31, 2018, 1,032,694 RSUs were outstanding (2017 – 547,971 RSUs).

	Number of RSUs	Weighted Average Fair Value (in CAD\$)
Balance at January 1, 2018	711,936	\$ 10.16
Granted	66,308	\$ 13.76
Vested	(84,553)	\$ 11.00
Forfeited	(2,867)	11.94
Balance at March 31, 2018	690,824	\$ 10.34

	Number of RSUs	Weighted Average Fair Value (in CAD\$)
Balance at January 1, 2017	480,302	\$ 12.17
Granted	92,738	\$ 9.21
Vested	(10,896)	\$ 25.89
Forfeited	(14,173)	\$ 12.80
Balance at March 31, 2017	547,971	\$ 11.38

POINTS INTERNATIONAL LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)

The fair value of each RSU, determined at the date of grant using the volume weighted average trading price per share on the TSX during the immediately preceding five trading days, is recognized over the RSU's vesting period and charged to profit or loss with a corresponding increase in contributed surplus.

Under the Share Unit Plan, share units can be settled in cash or shares at the Corporation's discretion. The Corporation intends to settle all share units in equity at the end of the vesting period. To fulfill this obligation, the Corporation has appointed a trustee to administer the program and purchase shares from the open market on a periodic basis through a share purchase trust. There were 248,115 share units purchased by the trust at a cost of \$2,804 during the three months ended March 31, 2018 (2017 - nil). During the three months ended March 31, 2018, 84,553 RSUs vested and were settled through the issuance of shares held in trust (March 31, 2017 – 10,896). As of March 31, 2018, 357,813 of the Corporation's common shares were held in trust for this purpose (2017 – 73,937 shares held in trust).

The Corporation accounts for the share-based awards granted under both the share option and share unit plans in accordance with the fair value based method of accounting for equity settled share-based compensation arrangements per IFRS 2, Share-based Payment. The estimated fair value of the awards that are ultimately expected to vest is recorded over the vesting period as part of employment costs. The compensation cost for all share-based awards that has been charged against profit or loss and included in employment costs for the three month period ended March 31, 2018 is \$975 (2017 - \$673).

8. GUARANTEES AND COMMITMENTS

	Total	Year 1 (3)	Year 2	Year 3	Year 4	Year 5+
Operating leases (1)	\$ 9,338	\$ 2,116	\$ 1,982	\$ 1,894	\$ 1,841	\$ 1,505
Principal revenue (2)	276,120	128,899	141,988	5,233	-	-
	\$ 285,458	\$ 131,015	\$ 143,970	\$ 7,127	\$ 1,841	\$ 1,505

- (1) The Corporation is obligated under various non-cancellable operating leases for premises and equipment and service agreements for web hosting services.
- (2) For certain loyalty partners, the Corporation guarantees a minimum level purchase of points/miles, for each contract year, over the duration of the contract term between the Corporation and Loyalty Partner. Management evaluates each guarantee at each interim reporting date and at the end of each contract year, to determine if the guarantee will be met for that respective contract year.
- (3) The guarantees and commitments schedule is prepared on a rolling 12-month basis. If a revenue guarantee has been met, it is removed from the principal revenue disclosure above.

9. SUPPLEMENTAL CASH FLOW INFORMATION

For the three months ended March 31,	Three months ended	
	2018	2017
Decrease in funds receivable from payment processors	\$ 8,672	\$ 5,613
Decrease (increase) in accounts receivable	480	(1,727)
Decrease in prepaid expenses and other assets	128	44
Decrease in other assets	11	-
Decrease in accounts payable and accrued liabilities	(193)	(1,040)
Decrease in income taxes payable	(87)	(1,273)
Increase in other liabilities	28	286
Decrease in payable to loyalty program partners	(222)	(7,559)
	\$ 8,817	\$ (5,656)

10. FINANCIAL INSTRUMENTS

Determination of fair value

The fair values of funds receivable from payment processors, accounts receivable, accounts payable and accrued liabilities and payable to loyalty program partners, approximate their carrying values at March 31, 2018 due to their short-term maturities.

Fair value hierarchy

The Corporation has determined the estimated fair values of its financial instruments based on appropriate market inputs and valuation methodologies and assumptions, as disclosed below. Considerable judgment is required to develop certain of these estimates. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies.

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Quoted market prices for an identical asset or liability represent a Level 1 valuation. When quoted market prices are not available, the Corporation maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the use of significant unobservable inputs are considered Level 3. The fair value of financial assets and financial liabilities measured at fair value in the consolidated balance sheet as at March 31, 2018 and December 31, 2017 are as follows:

As at March 31, 2018	Carrying Value		Level 2
Assets:			
Foreign exchange contracts designated as cash flow hedges (i)	\$	165	\$ 165
Liabilities:			
Foreign exchange contracts designated as cash flow hedges (i)		(259)	(259)
	\$	(94)	\$ (94)
<hr/>			
As at December 31, 2017	Carrying Value		Level 2
Assets:			
Foreign exchange contracts designated as cash flow hedges (i)	\$	550	\$ 550
Liabilities:			
Foreign exchange contracts designated as cash flow hedges (i)		(43)	(43)
	\$	507	\$ 507

- (i) The carrying values of the Corporation's forward contracts are included in prepaid expenses and other assets and current portion of other liabilities in the condensed consolidated interim statements of financial position.

There were no material financial instruments categorized in Level 1 or Level 3 as at March 31, 2018 and December 31, 2017 and there were no transfers of fair value measurement between Levels 2 and 3 of the fair value hierarchy in the respective periods.

11. CREDIT FACILITIES

On June 30, 2017, the Corporation amended its bank credit facility agreement with Royal Bank of Canada to extend the expiry date of the credit facility. The following two facilities are available to the Corporation as of March 31, 2018:

- **Revolving operating facility (“Facility #1”) of \$8,500 available until May 31, 2018. The interest rate charged on borrowings from Facility #1 ranges from 0.35% to 0.75% per annum over the bank base rate.**
- **Term loan facility (“Facility #2”) of \$5,000 to be utilized solely for the purposes of financing the cash consideration relating to acquisitions made by the Corporation. This facility is available until May 31, 2018. The interest rate charged on borrowings from Facility #2 ranges from 0.40% to 0.80% per annum over the bank base rate.**

There have been no borrowings to date under these facilities. The Corporation is required to comply with certain financial and non-financial covenants under the agreement. The Corporation is in compliance with all applicable covenants on its facilities during the three months ended March 31, 2018.

POINTS INTERNATIONAL LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The following management's discussion and analysis ("MD&A") of the performance and financial condition of Points International Ltd. and its subsidiaries (which are also referred to herein as "Points" or the "Corporation") should be read in conjunction with the Corporation's unaudited condensed consolidated interim financial statements (including the notes thereto) as at and for the three months ended March 31, 2018, the 2017 annual MD&A and the 2017 audited annual consolidated financial statements and notes thereto and other recent filings with Canadian and US securities regulatory authorities, which may be accessed at www.sedar.com or www.sec.gov.

All financial data herein has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and all dollar amounts herein are in thousands of United States dollars unless otherwise specified. This MD&A is dated as of May 10, 2018 and was reviewed by the Audit Committee and approved by the Corporation's Board of Directors.

FORWARD-LOOKING STATEMENTS

This MD&A contains or incorporates forward-looking statements within the meaning of United States securities legislation and forward-looking information within the meaning of Canadian securities legislation (collectively, "forward-looking statements"). These forward-looking statements relate to, among other things, revenue, earnings, changes in costs and expenses, capital expenditures and other objectives, strategic plans and business development goals, and may also include other statements that are predictive in nature, or that depend upon or refer to future events or conditions, and can generally be identified by words such as "may", "will", "expects", "anticipates", "intends", "plans", "believes", "estimates" or similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These statements are not historical facts but instead represent only the Corporation's expectations, estimates and projections regarding future events. Certain significant forward-looking statements included in this MD&A include statements regarding: revenue growth and guidance; the size of the Corporation's pipeline opportunities; evolving the Corporation's open platform strategy; improving data and transactional capabilities; expected gross profit and gross margin; the Corporation's ability to generate cash through normal course operations to fund capital expenditure needs and current operating and working capital requirements, including under current operating leases; and the financial obligations with respect to revenue guarantees.

Although the Corporation believes the expectations reflected in such forward-looking statements are reasonable, such statements are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. Undue reliance should not be placed on such statements. Certain material assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. Known and unknown factors could cause actual results to differ materially from those expressed or implied in the forward-looking statements. In particular, the financial outlooks herein assume the Corporation will be able to maintain its existing contractual relationships and products, that such products continue to perform in a manner consistent with the Corporation's past experience, that the Corporation will be able to generate new business from its pipeline at expected margins, in-market and newly launched products and services will perform in a manner consistent with the Corporation's past experience and the Corporation will be able to contain costs. The Corporation's ability to convert its pipeline of prospective partners and product launches is subject to significant risk and there can be no assurance that the Corporation will launch new partners or new products with existing partners as expected or planned nor can there be any assurance that the Corporation will be successful in maintaining its existing contractual relationships or maintaining existing products with existing partners. Other important assumptions, factors, risks and uncertainties are included in the press release announcing the Corporation's first quarter 2018 financial results, and those described in Points' other filings with applicable securities regulators, including Points' AIF, Form 40-F, annual and interim MD&A, and annual and interim consolidated financial statements and the notes thereto. These documents are available at www.sedar.com and www.sec.gov.

The forward-looking statements contained in this MD&A are made as at the date of this MD&A and, accordingly, are subject to change after such date. Except as required by law, Points does not undertake any obligation to update or revise any forward-looking statements made or incorporated in this MD&A, whether as a result of new information, future events or otherwise.

USE OF NON-GAAP MEASURES

The Corporation's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Management uses certain non-GAAP measures, which are defined in the appropriate sections in the body of this MD&A, to better assess the Corporation's underlying performance. These measures are reviewed regularly by management and the Corporation's Board of Directors in assessing the Corporation's performance and in making decisions about ongoing operations. These measures are also used by investors as an indicator of the Corporation's operating performance. Readers are cautioned that these terms are not recognized GAAP measures and do not have a standardized GAAP meaning under IFRS and should not be construed as alternatives to IFRS terms, such as net income.

BUSINESS OVERVIEW

Points International Ltd.

Points International Ltd. is the global leader in providing loyalty e-commerce solutions to the loyalty industry. Loyalty programs generate substantial economic benefits and are increasingly seen as strategic marketing and business assets for their parent companies. The Corporation does not compete directly with loyalty programs, but rather acts as a business partner by providing products and services that help make programs more valuable and engaging. The Corporation delivers e-commerce solutions to loyalty programs on both a privately branded and Points branded basis.

The Corporation's products and services are available to numerous loyalty program partners simultaneously through the Loyalty Commerce Platform ("LCP"), which is the backbone of Points' product and service offerings. The LCP has been designed as an Application Program Interface ("API") driven transactional platform that provides internal and external product developers easy access to the loyalty industry. The LCP offers a consistent interface for third party developers and loyalty programs that is self-serve capable, providing broad access to loyalty transaction capabilities, program integration, analytics, reporting, security and fraud services. With direct integrations into almost 60 loyalty program partners and access to over 1 billion loyalty program members, the LCP uniquely positions the Corporation to connect third party channels with highly engaged loyalty program members and the broader loyalty market.

The Corporation is directly integrated with and provides e-commerce solutions to leading loyalty programs, including:

- AF-KLM Flying Blue
- Alaska Airlines Mileage Plan
- American Airlines AAdvantage
- ANA Mileage Club
- British Airways Executive Club
- Delta Air Lines SkyMiles
- JetBlue TrueBlue
- LATAM Pass KMS
- Lufthansa's Miles & More
- Saudi Arabian Airlines Alfursan
- Etihad Guest
- Emirates Skywards
- Southwest Airlines Rapid Rewards
- United Airlines MileagePlus
- Virgin Atlantic Flying Club
- Hilton Honors
- Hyatt Gold Passport
- InterContinental Hotels Group
- La Quinta Returns
- Starwood Preferred Guest
- Chase Ultimate Rewards
- Citi ThankYou
- Velocity Frequent Flyer
- Copa Airlines ConnectMiles

The Corporation's headquarters are located in Toronto, Canada and its shares are dual listed on the Toronto Stock Exchange as PTS and on the NASDAQ Capital Market as PCOM.

UNDERSTANDING OUR BUSINESS AND THE LOYALTY INDUSTRY

The Corporation has three operating segments which are organized based on how Management views business activities:

Loyalty Currency Retailing:

The Loyalty Currency Retailing segment provides products and services designed to help loyalty program members unlock the value of their loyalty currency and accelerate the time to a reward. Included in this segment are the Corporation's buy, gift and accelerator products and transfer and reinstate services. These offerings provide loyalty program members the ability to buy loyalty program currency (such as frequent flyer miles or hotel points) for themselves or as gifts to others, perform a transfer of loyalty currency to another member within the same loyalty program or reinstate previously expired loyalty currency.

The Corporation has direct partnerships with over 35 loyalty programs who leverage the Loyalty Currency Retailing services and the functionality offered by the LCP. Loyalty Currency Retailing services provide high margin revenue and profitability to Points' loyalty programs while increasing member engagement by unlocking the value of loyalty currency in the members accounts.

Revenue in this segment is primarily derived through the online sale or transfer of loyalty currencies direct to loyalty program members at retail rates while purchasing points and miles at wholesale rates. The Corporation may take a principal role in the retailing of loyalty currencies. As part of this principal role, the Corporation has a contractual obligation to fulfill a revenue guarantee to the loyalty program based on the terms of the contract between the Corporation and the loyalty program. Under a principal arrangement, the Corporation will assume credit and/or inventory risk in the form of the revenue guarantee to the loyalty program and will have a substantial level of responsibility with respect to marketing, pricing and commercial transaction support. Revenue earned under a principal arrangement is included in Principal Revenue in the Corporation's consolidated financial statements. Alternatively, the Corporation may assume an agency role in the retailing and wholesaling of loyalty currencies, where it takes a less active role in the relationship and receives a commission on each transaction. Revenue earned under an agency role is included in Other Partner Revenue in the Corporation's consolidated financial statements.

Platform Partners:

The Corporation's Platform Partners segment comprises a broad range of applications that are connected to and enabled by the functionality of the LCP. Loyalty programs, merchants and other consumer service applications leverage the LCP to broadly distribute loyalty currency and loyalty commerce transactions through multiple channels, including loyalty program, co-branded, and 3rd party channels.

Included in Platform Partners are multiple third party managed applications that are enabled by the LCP including the Points Loyalty Wallet, one of the Corporation's newest services. Revenue in this segment is earned on a commission or set fee basis per transaction or from recurring monthly fixed fees and are predominantly included in Other Partner Revenue in the consolidated financial statements.

Points Travel:

The Points Travel segment connects the world of online travel bookings with the broader loyalty industry and consists of the Corporation's Points Travel product and its PointsHound product.

In 2014 the Corporation acquired Accruity Inc., the San Francisco based start-up operator of the PointsHound loyalty-based hotel booking service, which today continues to offer consumers the ability to earn loyalty currency from 20 loyalty programs. Leveraging the PointsHound technology, the Corporation developed its Points Travel product, the first white-label travel hotel booking service specifically designed for loyalty programs. Points' partners with loyalty programs to provide a seamless travel booking experience for loyalty program members and enables the members to earn and redeem their loyalty currency while making hotel and car bookings online. Points Travel offers a rewarding value proposition for loyalty program members as they can earn high levels of points/miles per night for a hotel booking or redeem points/miles in whole or with cash for hotel stays and car rentals.

Revenue in this segment is generated from commissions, which are typically the gross amount charged to end consumers less the wholesale cost of hotel rooms or car rentals, cost of loyalty currencies delivered to the consumers and other directly related costs for online hotel and car rental bookings or redemptions. This revenue is included in Other Partner Revenue in the Corporation's consolidated financial statements.

The Loyalty Industry

Year-over-year, loyalty programs continue to generate a significant source of ancillary revenue and cash flows for companies that have developed and maintain these loyalty programs. According to the Colloquy group, a leading consulting and research firm focused on the loyalty industry, the number of loyalty program memberships in the US increased from 3.3 billion in 2014 to 3.8 billion in 2016, representing an increase of 15% (source: 2017 Colloquy Loyalty Census Report, June 2017). As the number of loyalty memberships continues to increase, the level of diversification in the loyalty landscape is evolving. While the airline, hotel, specialty retail, and financial services industries continue to be dominant in loyalty programs in the US, smaller verticals, including the restaurant and drug store industries are beginning to see larger growth in their membership base. Further, newer loyalty concepts, such as large e-commerce programs, daily deals, and online travel agencies, are becoming more prevalent. As a result of this changing landscape, loyalty programs must continue to provide innovative value propositions in order to drive activity in their programs.

In response to these market changes and customer dynamics, the Corporation has implemented a strategy to leverage its unique position in the global loyalty industry. By continuing to focus on innovation and enhance its LCP, the Corporation aims to advance its Loyalty Currency Retailing segment while also diversifying its revenue streams into areas that match its capabilities and strategy.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following information is provided to give a context for the broader comments elsewhere in this report.

(In thousands of US dollars, except share and per share amounts) (unaudited)	For the three months ended			
	31-Mar-18	31-Mar-17 ⁵	Variance \$	Variance %
Consolidated				
Revenue	\$ 89,110	\$ 83,115	5,995	7%
Gross profit ¹	13,516	11,059	2,457	22%
Gross margin ²	15%	13%		
Adjusted operating expenses ³	8,790	8,176	614	8%
Adjusted EBITDA ⁴	4,803	2,900	1,903	66%
Adjusted EBITDA ⁴ as a % of Gross profit ¹	36%	26%		
Total Expenses	86,067	81,889	4,178	5%
Net income	\$ 2,258	\$ 852	1,406	165%
Earnings per share				
Basic	\$ 0.16	\$ 0.06	0.10	167%
Diluted	\$ 0.16	\$ 0.06	0.10	167%
Weighted average shares outstanding				
Basic	14,474,625	14,869,477	(394,852)	(3%)
Diluted	14,521,064	14,871,244	(350,180)	(2%)
Total assets	117,213	95,091	22,122	23%
Total Liabilities	75,724	53,260	22,464	42%
Shareholders' equity	41,489	41,831	(342)	(1%)
Loyalty Currency Retailing				
Revenue	86,607	80,802	5,805	7%
Gross profit ¹	11,159	8,920	2,239	25%
Adjusted operating expenses ³	4,710	4,141	569	14%
Adjusted EBITDA ⁴	6,526	4,796	1,730	36%
Platform Partners				
Revenue	2,037	2,110	(73)	(3%)
Gross profit ¹	1,903	1,951	(48)	(2%)
Adjusted operating expenses ³	2,167	2,450	(283)	(12%)
Adjusted EBITDA ⁴	(264)	(499)	235	47%
Points Travel				
Revenue	466	203	263	130%
Gross profit ¹	454	188	266	141%
Adjusted operating expenses ³	1,913	1,585	328	21%
Adjusted EBITDA ⁴	(1,459)	(1,397)	(62)	(4%)

¹ Gross profit is a non-GAAP financial measure and is defined as Total Revenue less Direct Cost of Principal Revenue. Refer to the "Performance indicators and Non-GAAP financial measures" section for definition and explanation.

² Gross margin is a non-GAAP financial measure and is defined as Gross profit as a percentage of Total revenue. Refer to the "Performance indicators and Non-GAAP financial measures" section for definition and explanation.

³ Adjusted operating expenses is a non-GAAP financial measure and is defined as Total Expenses less Direct Cost of Principal Revenue, Depreciation and Amortization, Foreign Exchange Loss (Gain) and Stock Based Compensation. Refer to the "Performance indicators and Non-GAAP financial measures" section for definition and explanation.

⁴ Adjusted EBITDA is a non-GAAP financial measure and is defined as Gross Profitless Adjusted Operating Expenses and Finance Income. Refer to the "Performance indicators and Non-GAAP financial measures" section for definition and explanation.

⁵ Results as at March 31, 2017 have been restated under IFRS 15.

BUSINESS DEVELOPMENTS AND OUTLOOK

- Total revenue increased 7% to \$89,110 in Q1 2018 compared to \$83,115 in Q1 2017.
- Gross profit increased \$2,457 or 22% to \$13,516 in Q1 2018 compared to 11,059 in Q1 2017.
- Adjusted EBITDA increased 66% to \$4,803 in Q1 2018 compared to \$2,900 in Q1 2017.
- Net income increased \$1,406 or 165% to \$2,258 in Q1 2018 compared to \$852 in Q1 2017.

Financial results for the quarter ended March 31, 2018 were strong, with the Corporation generating quarterly record gross profit and adjusted EBITDA, driven by the strength of the Corporation's Loyalty Currency Retailing segment. In addition, the Corporation continued to add new partnerships across all three segments in 2018, building on the new business momentum from 2017.

For the year ended 2018, the Corporation expects to generate year over year gross profit growth between 10% and 20%. From a profitability perspective, the Corporation expects to increase full year 2018 adjusted EBITDA between 20% and 40% over 2017 levels.

Loyalty Currency Retailing

Revenue for the Loyalty Currency Retailing segment increased \$5,805 or 7%, to \$86,607 for the quarter ended March 31, 2018, as compared to Q1 2017, primarily due to organic growth across both principal and agency partnerships. Gross profit increased \$2,239 or 25% to \$11,159, which was primarily due to organic growth from existing partnerships and the impact of new partnerships added in 2017. Adjusted operating expenses in Q1 2018 increased 14% or \$569 compared to Q1 2017, largely due to increased employment costs that were attributed to the segment. The segment continues to generate strong bottom line profitability, with Adjusted EBITDA of \$6,526 for the quarter ended March 31, 2018, an increase of 36% over Q1 2017.

From a business development standpoint, the Corporation continues to add new loyalty program partnerships in this segment in 2018. In the second quarter of 2018, the Corporation announced and launched a new long-term partnership with Emirates Skywards, the loyalty program of Emirates Airline. The new partnership gives Emirates Skywards members a new way to Buy, Gift, Transfer and Reinstatement Skywards miles, and expands Points' reach into the growing Middle East market.

Platform Partners

Platform Partners revenue of \$2,037 for the quarter ended March 31, 2018 was relatively flat with the prior year quarter, decreasing 3%. In line with revenue, gross profit for the segment decreased 2% to \$1,903, compared to \$1,951 in Q1 2017. Adjusted operating expenses attributable to this segment decreased by \$283, or 12% in Q1 2018 to \$2,167 compared to \$2,450 in Q1 2017. Overall, the Platform Partners segment generated an Adjusted EBITDA loss of \$264 in Q1 2018, an improvement of 47%, or \$235 relative to Q1 2017.

Early in the second quarter, Points announced a new partnership with Drop Tank, a leading fuel loyalty technology company, Points will power Marathon Petroleum Company LP's new rewards program, MakeItCount. MakeItCount members can now earn loyalty currency on fuel and featured non-fuel items, including points in Southwest Airlines Rapid Rewards and La Quinta Returns programs.

Points Travel

Revenue in the Points Travel segment for the quarter ended March 31, 2018 increased 130% to \$466 compared to \$203 for the similar period in 2017. Correspondingly, gross profit increased 141% to \$454 in Q1 2018, compared to \$188 in Q1 2017. The growth in revenue and gross profit was reflective of strong transactional growth across existing Points Travel partners, as well as the impact of new partners added in 2017. Transaction growth was driven by increased customer awareness and traffic to Points Travel sites associated with these new products, which are still in the early phases of their growth trajectories.

Adjusted operating expenses for the quarter ended March 31, 2018 increased \$328 or 21%, largely due to increased operational costs and increased resourcing relative to the prior year period. As a result, the Adjusted EBITDA loss generated in the segment in Q1 2018 increased by 4%, or \$62, to \$1,459.

The Corporation continues to focus on adding new loyalty programs to its suite of Points Travel services. In the first quarter of 2018, Points successfully launched Amtrak as a new loyalty partner in this segment, enabling program members the ability to earn Guest Rewards points on hotel and car rental bookings. Just after the first quarter of 2018, the Corporation launched and announced a new partnership with the Singapore Airlines KrisFlyer frequent flyer program. KrisFlyer members are now able to redeem their miles for hotel and car bookings across the globe. In addition, the Corporation launched a new partnership with Air Europa's SUMA loyalty program in May of 2018, enabling SUMA members the ability to earn and redeem miles when booking hotels.

KEY CHANGES IN FINANCIAL RESULTS COMPARED TO 2017

REVENUE, GROSS PROFIT AND GROSS MARGIN

The Corporation generated consolidated revenue of \$89,110 for the three months ended March 31, 2018, an increase of \$5,995 or 7% over the first quarter of 2017. The increase in consolidated revenue was primarily driven by organic growth from existing partnerships in the Loyalty Currency Retailing segment, which saw strong consumer response to promotional activities during the quarter with specific partners. Organic revenue growth across all segments in the first quarter, which is defined as the growth in existing partnerships and products that have been in market for at least one year, was approximately 5%.

Consolidated gross profit for the first quarter of 2018 was \$13,516, an increase of \$2,457 or 22% from the first quarter of 2017. The majority of the year over year increase was generated by the Loyalty Currency Retailing segment. The Corporation also generated increased gross profit in the Points Travel segment in Q1 2018, increasing \$266 or 141%, albeit of a small baseline in the prior year quarter. Gross profit from the Platform Partners segment was \$1,903 in the first quarter of 2017, a slight decrease of 2% relative to the prior year quarter.

Gross margin for the first quarter of 2018 was 15%, a 2% increase over the same period in 2017 due to the relative mix of partner revenue in the Loyalty Currency Retailing segment and increased gross profit in the Points Travel segment.

Total Expenses and Adjusted Operating Expenses

The Corporation incurred consolidated total expenses, as disclosed in the condensed consolidated interim financial statements, of \$86,067 for the first quarter of 2018, an increase of \$4,178 or 5% over the comparable prior year period. The majority of this increase was driven by higher direct costs of principal revenue, in line with the increase in principal revenue.

The Corporation incurred consolidated adjusted operating expenses of \$8,790 in the first quarter of 2018, an increase of \$614 or 8% compared to the first quarter of 2017. The increases were primarily due to increased personnel related expenses across all three segments driven by increased resourcing levels, and to a lesser extent, the impact of a strengthening Canadian dollar relative to the prior year quarter.

Net Income and Adjusted EBITDA

The Corporation generated consolidated net income, of \$2,258 for the first quarter of 2018, an increase of \$1,406 or 165% compared to the prior year quarter.

The Corporation generated consolidated Adjusted EBITDA of \$4,803 during the first quarter of 2018, an increase of \$1,903 or 66% compared to the first quarter in 2017. The increase was largely due to increased Adjusted EBITDA in the Loyalty Currency Retailing and Platform Partners segments, partially offset by a decrease in Points Travel Adjusted EBITDA.

REVIEW OF CONSOLIDATED PERFORMANCE

This section discusses the Corporation's consolidated net income and other expenses that do not form part of the segment discussions above.

<i>(In thousands of US dollars) (unaudited)</i>	For the three months ended			
	March 31, 2018	March 31, 2017	Variance \$	Variance %
Adjusted EBITDA	\$ 4,803	\$ 2,900	1,903	66%
Deduct (add):				
Stock based compensation	975	673	302	45%
Depreciation and amortization	866	990	(124)	(13%)
Foreign exchange loss (gain)	(158)	(6)	(152)	2,533%
Income tax expense	862	391	471	120%
Net income	\$ 2,258	\$ 852	1,406	165%

Stock based compensation

The Corporation incurs certain employment related expenses that are settled in equity-based instruments. During the first quarter of 2018, stock based compensation expense was \$975, an increase of \$302 or 45% over the same period in 2017. The increase in stock based compensation expense reflects a higher number of Restricted Share Units allocated during the period due to employee bonuses, relative to the prior year quarter.

Depreciation and amortization

Depreciation and amortization expense in the first quarter of 2018 decreased \$124, or 13% to \$866, from the first quarter of 2017. The decrease from the prior year periods was due to certain intangible assets becoming fully amortized during the year ended 2017, leading to less amortization recognized in the current quarter.

Foreign exchange loss (gain)

The Corporation is exposed to Foreign Exchange ("FX") risk as a result of transactions in currencies other than its functional currency, the US dollar. FX gains and losses arise from the translation of the Corporation's balance sheet, revenue and expenses. The Corporation holds balances in foreign currencies (e.g. non-US dollar denominated cash, accounts payable and accrued liabilities, and deposits) that give rise to exposure to foreign exchange risk. At period end, non-US dollar monetary balance sheet accounts are translated at the period-end FX rate. The net effect after translating the balance sheet accounts is recorded in the condensed consolidated interim statement of comprehensive income for the period.

The majority of the Corporation's revenues in the first quarter of 2018 were transacted in US dollars and EUROS. The direct cost of principal revenue is denominated in the same currency as the revenue earned, minimizing the FX exposure related to the EURO. Adjusted operating expenses are incurred predominantly in Canadian dollars, exposing the Corporation to FX risk.

As part of the risk management strategy of the Corporation, management enters into foreign exchange forward contracts extending out to approximately one year to reduce the foreign exchange risk with respect to the Canadian dollar. These contracts have been designated as cash flow hedges. The Corporation does not use derivative instruments for speculative purposes.

For a derivative instrument designated as a cash flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income and is subsequently recognized in income when the hedged exposure affects income. Any ineffective portion of the derivative's gain or loss is recognized in current income. For the quarter ended March 31, 2018, the Corporation reclassified a gain of \$126, net of tax, from other comprehensive income into net income (2017 - reclassified gain of \$52, net of tax, from other comprehensive loss into net income). The cash flow hedges were effective for accounting purposes during the three months ended March 31, 2018. Realized gains from the Corporation's hedging activities, in 2018, were driven by the changes in the relative strength of the US dollar compared to the Canadian dollar.

For the quarter ended March 31, 2018, the Corporation recorded a foreign exchange gain of \$158 compared with a foreign exchange gain of \$6 in the first quarter of 2017. Foreign exchange gains and losses fluctuate from period to period due to movements in foreign currency rates.

Income tax expense

The Corporation is subject to income tax in multiple jurisdictions and assesses its taxable income to ensure eligible tax deductions are fully utilized. The Corporation recorded an income tax expense of \$862 for the quarter ended March 31, 2018 compared to \$391 in the prior year quarter. This increase is mainly due to the higher net income recognized by the Corporation in the first quarter of 2018, as compared to the prior year quarter.

Net income and earnings per share

<i>(In thousands of US dollars, except per share amounts) (unaudited)</i>	For the three months ended			
	March 31, 2018	March 31, 2017	\$ Variance	% Variance
Net income	\$ 2,258	\$ 852	1,406	165%
Earnings per share				
Basic	\$ 0.16	\$ 0.06	0.10	167%
Diluted	\$ 0.16	\$ 0.06	0.10	167%

The Corporation reported net income of \$2,258 for the quarter ended March 31, 2018 compared with net income of \$852 for the quarter ended March 31, 2017. This increase was largely due to the increase in revenue and Gross Profit in the current period.

The Corporation's basic earnings per share is calculated on the basis of the weighted average number of outstanding common shares for the period, which amounted to 14,474,625 common shares for the quarter ended March 31, 2018, compared with 14,869,477 common shares for the quarter ended March 31, 2017. The Corporation reported basic earnings per share and diluted earnings per share of \$0.16 for the first quarter of 2018 compared to \$0.06 basic earnings per share and diluted earnings per share for in the first quarter of 2017.

LIQUIDITY AND CAPITAL RESOURCES

Consolidated Balance Sheet Data as at <i>(In thousands of US dollars)(unaudited)</i>	March 31, 2018	December 31, 2017	\$ Variance	% Variance
Cash and cash equivalents	\$ 70,776	\$ 63,514	7,262	11%
Restricted cash	500	500	-	-
Funds receivable from payment processors	6,557	15,229	(8,672)	(57%)
Total funds available	\$ 77,833	79,243	(1,410)	(2%)
Total current assets	\$ 87,386	\$ 89,404	(2,018)	(2%)
Total current liabilities	75,246	75,660	(414)	(1%)
WORKING CAPITAL ¹	\$ 12,140	\$ 13,744	(1,604)	(12%)

¹ Working Capital is a Non-GAAP financial measure. Refer to the "Performance indicators and Non-GAAP financial measures" section for definition and explanation.

The Corporation's financial strength is reflected in its balance sheet. As at March 31, 2018, the Corporation continues to remain debt free with total funds available of \$77,833. The Corporation's working capital was \$12,140 at March 31, 2018 compared to working capital of \$13,744 as at December 31, 2017. Consistent with the prior years, working capital continues to be positive. The Corporation has been able to generate sufficient cash through normal course operations to fund capital expenditure needs, current operating and working capital requirements, and purchases of shares under the Corporation's Normal Course Issuer Bid ("NCIB").

As at March 31, 2018, the following two credit facilities are available through its principal banker until May 31, 2018. The first facility is a revolving operating facility in the amount of \$8,500 at an interest rate range of 0.35% to 0.75% per annum over the bank base rate. The second facility is a term loan facility of \$5,000 to be used solely for the purpose of financing the cash consideration relating to acquisitions made by the Corporation, at an interest rate range of 0.40% to 0.80% per annum over the bank base rate. There have been no borrowings to date under these facilities. The Corporation is required to comply with certain financial and non-financial covenants under the agreement. The Corporation is in compliance with all applicable covenants on its facilities during the three months ended March 31, 2018.

Sources and Uses of Cash

<i>(In thousands of dollars) (unaudited)</i>	For the three months ended			
	<i>US</i> March 31, 2018	March 31, 2017	\$ Variance	% Variance
Operating activities	\$ 12,541	\$ (3,056)	15,597	510%
Investing activities	(611)	(563)	(48)	9%
Financing activities	(4,248)	(70)	(4,178)	5,969%
Effects of exchange rates	(420)	(169)	(251)	149%
Change in cash and cash equivalents	\$ 7,262	\$ (3,858)	11,120	288%

Operating Activities

Cash flows from operating activities, which increased in the quarter ended March 31, 2018 compared to the prior year quarter, are primarily generated from funds collected from miles and points transacted from the various products and services offered by the Corporation and are reduced by cash payments to loyalty partners and payment of operating expenses. Cash flows from operating activities can fluctuate depending on the timing of promotional activity and partner payments. In the first quarter of 2018, the Corporation experienced an increase in cash from operating activities compared to the prior year quarter primarily due to increased revenue, the timing of payments to loyalty program partners, and the timing of receipts from the Corporation's payment processors.

Investing Activities

Cash used in investing activities during the first quarter of 2018 included cash used for internally developed intangible assets and the purchase of property and equipment. Development efforts in the first quarter included developing new integration capabilities of the LCP and the advancement of the Platform Partners segment.

Financing Activities

Cash flows used in financing activities during the first quarter of 2018 were primarily related to purchases of shares under the Corporation's NCIB in the amount of \$1,444 and additional purchases for shares held in trust to fulfill the Corporation's obligations related to its employee share unit plan totalling \$2,804.

Contractual Obligations and Commitments

	Total	Year 1 (3)	Year 2	Year 3	Year 4	Year 5+
Operating leases (1)	\$ 9,338	\$ 2,116	\$ 1,982	\$ 1,894	\$ 1,841	\$ 1,505
Principal revenue (2)	276,120	128,899	141,988	5,233	-	-
	\$ 285,458	\$ 131,015	\$ 143,970	\$ 7,127	\$ 1,841	\$ 1,505

(1) The Corporation is obligated under various non-cancellable operating leases for premises and equipment and service agreements for web hosting services.

(2) For certain loyalty partners, the Corporation guarantees a minimum level purchase of points/miles, for each contract year, over the duration of the contract term between the Corporation and Loyalty Partner. Management evaluates each guarantee at each interim reporting date and at the end of each contract year, to determine if the guarantee will be met for that respective contract year.

(3) The guarantees and commitments schedule is prepared on a rolling 12-month basis. If a revenue guarantee has been met, it is removed from the principal revenue disclosure above.

Operating lease and principal revenue obligations will continue to be funded through working capital. The Corporation has made contractual commitments on the minimum value of transactions processed over the term of its agreements with certain loyalty program partners. Under this type of guarantee, in the event that the sale of loyalty program currencies are less than the guaranteed amounts, the Corporation would be obligated to purchase additional miles or points from the loyalty program partner equal to the value of the revenue commitment shortfall. The Corporation has recorded an asset of \$2,650 due to reward currencies acquired as a result of a revenue guarantee shortfall in prior years.

BALANCE SHEET VARIANCES

Consolidated Balance Sheet Data as at <i>(In thousands of US dollars) (unaudited)</i>	March 31, 2018	December 31, 2017
Cash and cash equivalents	\$ 70,776	\$ 63,514
Restricted cash	500	500
Funds receivable from payment processors	6,557	15,229
Accounts receivable	7,261	7,741
Prepaid expenses and other assets	2,292	2,420
Total current assets	\$ 87,386	\$ 89,404
Property and equipment	2,221	2,128
Intangible assets	14,917	15,265
Goodwill	7,130	7,130
Deferred tax assets	2,909	2,557
Other assets	2,650	2,661
Total non-current assets	\$ 29,827	\$ 29,741
Accounts payable and accrued liabilities	\$ 7,805	\$ 7,998
Income taxes payable	608	695
Payable to loyalty program partners	65,345	65,567
Current portion of other liabilities	1,488	1,400
Total current liabilities	\$ 75,246	\$ 75,660
Other liabilities	478	538
Total non-current liabilities	\$ 478	\$ 538
Total shareholders' equity	\$ 41,489	\$ 42,947

Cash and cash equivalents

The Corporation's cash and cash equivalents balance increased \$7,262 in the first quarter of 2018 compared to the end of 2017. The increase in cash and cash equivalents was due to changes in working capital balances, which was partially offset by cash outflows related to increased investment in property and equipment and intangible assets, corporate income tax payments and purchases of share capital held in trust and under the NCIB.

Funds receivable from payment processors

The Corporation's funds receivable from payment processors balance decreased \$8,672 compared to the end of 2017, which is attributable to the timing of promotional activities at the end the quarter. In general, the Corporation will experience a higher balance when promotions are timed towards the end of the period when the receivable balances have not been settled in cash by payment processors.

Accounts receivable

The Corporation's accounts receivable balance decreased \$480 compared to the end of 2017 primarily due to business activities with a certain loyalty program partner and decreased revenue in the Platform Partners segment. The Corporation is confident that the full amount of the outstanding accounts receivable balance will be collected.

Accounts payable and accrued liabilities

The Corporation's accounts payable and accrued liabilities balance decreased \$193 compared to the end of 2017, and is primarily due to the timing of payments including the Corporation's annual employee incentives.

Income taxes payable

The Corporation's income taxes payable decreased by \$87 compared to the end of 2017 due to the timing of corporate income tax payments made to tax authorities.

Payable to loyalty program partners

The Corporation's payable to loyalty program partners decreased \$222 compared to the end of 2017, which is primarily attributable to the timing of payments made to loyalty partners. The Corporation will typically remit funds to loyalty program partners approximately 30 days after the month of loyalty currency sales.

Cash from Exercise of Options

Certain options are due to expire within 12 months from the date of this MD&A. If exercised in full, issued and outstanding common shares will increase by 221,890 shares.

Securities with Near-Term Expiry Dates – Outstanding Amounts as at November 8, 2017 (exercise price in CAD\$).

Security Type	Month of Expiry	Number	Exercise Price
Option	May 31, 2018	116,820	15.94
Option	March 17, 2019	105,070	30.84
Total		221,890	

OUTSTANDING SHARE DATA

As of May 10, 2018, the Corporation has 14,427,987 common shares outstanding.

As of the date hereof, the Corporation has outstanding options to acquire up to 612,976 common shares. The options have exercise prices ranging from \$9.89 to \$30.84 with a weighted average exercise price of \$16.00. The expiration dates of the options range up to August 22, 2021.

The following table lists the common shares issued and outstanding as at May 10, 2018 and the securities that are currently convertible into common shares along with the maximum number of common shares issuable on conversion or exercise.

	Common Shares	Proceeds
Common Shares Issued & Outstanding	14,427,987	
Convertible Securities: Share options	612,976	CAD\$ 9,809,641
Common Shares Issued & Potentially Issuable	15,040,963	CAD\$ 9,809,641
Securities Excluded from Calculation:		
Options Available to grant from ESOP ⁽¹⁾	916,884	

(1) “ESOP” is defined as the Employee Stock Option Plan. The number of options available to grant is calculated as the total share option pool less the number of share options exercised and the number of outstanding share options.

SUMMARY OF QUARTERLY RESULTS

(in thousands of US dollars, except per share amounts)

Three month period ended	Total Revenue ¹	Net income	Basic earnings per share	Diluted earnings per share
March 31, 2018	\$ 89,110	\$ 2,258	\$ 0.16	\$ 0.16
December 31, 2017	88,131	1,191	0.08	0.08
September 30, 2017	91,590	605	0.04	0.04
June 30, 2017	85,807	732	0.05	0.05
March 31, 2017	83,115	852	0.06	0.06
December 31, 2016	81,955	(3,674)	(0.24)	(0.24)
September 30, 2016	82,442	335	0.02	0.02
June 30, 2016	83,864	931	0.06	0.06
March 31, 2016	73,560	893	0.06	0.06
December 31, 2015	80,228	961	0.06	0.06
September 30, 2015	81,133	768	0.05	0.05
March 31, 2015	67,117	1,715	0.11	0.11

¹ 2017 revenues have been restated due to the impacts of IFRS 15. Revenues prior to the year ended 2017 were not restated by the Corporation.

Generally, increases in transaction levels, revenues and gross profit will drive higher overall profitability. The Corporation’s revenues are primarily impacted by retention of existing partnerships and products, new partnerships and products launched during the year, and the level and type of promotional activity offered to loyalty program members during the year. In the absence of any new partner or products launched, quarterly revenues will be impacted by the level of marketing and promotional activity carried out with loyalty program members which will vary quarter over quarter.

Through the addition of new partnerships year after year, the Corporation has been able to generate increased revenues on a consistent basis. In addition, the Corporation has been able to grow revenues with existing partnerships year over year as it improves its direct marketing and data analytics capabilities and enhances the functionality of the LCP and associated products. Revenue growth has also come from the ability to sell additional loyalty products and services to existing partners.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

For the Corporation's accounting policies and critical accounting estimates and judgments, refer to the Corporation's MD&A and consolidated financial statements for the year ended December 31, 2017. The preparation of the consolidated financial statements in accordance with IFRS, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. Significant changes in these assumptions, including those related to our future business plans and cash flows, could materially change the amounts we record. Actual results may differ from these estimates.

In the current quarter, the Corporation has adopted the following new standards and amendments to existing standards

- IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

Effective January 1, 2018, the Corporation adopted the new standard and its amendments using the full retrospective transition method. As a result, all comparative information in these financial statements has been restated. The accounting policies set out in note 3(b) have been applied in preparing the condensed consolidated interim financial statements as at and for the three months ended March 31, 2018, and the comparative information presented in these condensed consolidated interim financial statements as at and for the three months ended March 31, 2017.

The application of IFRS 15 did not result in adjustments to the statement of financial position at January 1, 2017 or December 31, 2017, nor did it impact cash flow totals from operating, investing or financing activities. Certain adjustments were identified with respect to the classification and presentation of revenue and expenses which are summarized below:

Certain revenues previously classified as net are recognized as gross under IFRS 15. In determining whether the Corporation acts as a principal or an agent for each respective product and business line, the Corporation identified the specified good or service in the contract and then evaluated whether the Corporation controls that good or service before it is transferred to the customer. Factors considered in making the determination include whether the Corporation is primarily responsible for fulfilling the promise to provide the specified good or service, has inventory risk and/or has discretion in establishing the prices for the specified goods and services provided. Through this analysis, Management has concluded that:

- The Corporation acts as principal for certain buy/gift transactions relating to loyalty partners where it was determined that the Corporation obtains control of the loyalty currency. The Corporation also acts as a principal in the delivery of certain services, including transfer, reinstate, hosting and website development services provided to loyalty partners.
- The Corporation acts as an agent for certain buy/gift transactions relating to loyalty partners where it was determined that the Corporation does not obtain control of the underlying loyalty currency. In addition, the Corporation acts as an agent for all of the Platform Partners offerings along with the Points travel products.

Under IFRS 15, the Corporation reclassified Interest Revenue earned on funds held as part of the sales process that does not represent revenue from contracts with customers to a separate line item called Finance Income. This amount will remain a part of the Corporation's Adjusted EBITDA calculation (see note 4).

Under IFRS 15, the Corporation has reclassified losses arising on certain Points Travel promotional offers, from marketing expenses to revenue. The reclassified amount represents the transaction price that the Corporation is entitled to in exchange for the services provided. There was no impact of this adjustment during the three months ended March 31, 2017.

- IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 supersedes IAS 39 Financial Instruments Recognition and Measurement. The standard set out revised guidance for classifying and measuring financial instruments, introduced a new expected credit loss model for calculating impairment of financial assets and includes new guidance for the application of hedge accounting. The standard also requires that when a financial liability measured at amortized cost is modified or exchanged, and such modification or exchange does not result in derecognition, that the adjustment to the amortized cost of the financial liability is recognized in profit or loss. The Corporation has adopted IFRS 9 on a retrospective basis without restating comparative periods as it was not possible to do so without the use of hindsight.

The standard does not have an impact on the Corporation's results and may allow for simplified effectiveness testing going forward. The Corporation has determined that there is no effect on the current or prior year financial statements with regards to the adoption of IFRS 9. Please refer to note 3(c) for the Corporation's revised financial instrument policy. The Corporation also adopted new amendments to the following accounting standards effective for our interim and annual consolidated financial statements commencing January 1, 2018. These changes did not have a material impact on our financial results.

- IFRS 2, Share-based Payment; and
- IFRIC Interpretation 22, Foreign Currency Translation and Advance Consideration

The IASB has issued new standards and amendments to existing standards. These changes have not yet been adopted by Corporation and could have an impact on future periods.

- IFRS 16, Leases (effective January 1, 2019).

This new standard is described in detail in the Corporation's 2017 audited consolidated financial statements. The Corporation continues to assess the impact of this standard on its consolidated financial statements and the Corporation is progressing with its implementation of this standard. As at the date of these condensed consolidated interim financial statements, there have been no significant changes to the disclosure related to the implementation of this standard that was included in the Corporation's 2017 audited financial statements.

PERFORMANCE INDICATORS AND NON-GAAP FINANCIAL MEASURES

REVENUE, DIRECT COSTS OF REVENUE AND GROSS PROFIT

The Corporation's revenue is primarily generated by transacting points and/or miles online. Revenue is principally derived from the sale or transfer of loyalty currencies directly to loyalty program members. The Corporation categorizes its revenue in three ways: principal revenue, other partner revenue and interest income.

Principal Revenue:

Principal revenue includes all principal revenue derived from reseller sales, technology design, development and maintenance revenue, and hosting fees. Under a reseller arrangement, the Corporation takes on a principal role whereby it purchases points and miles from loyalty program partners at wholesale rates and resells them directly to consumers. The Corporation has a substantial level of responsibility with respect to operations, marketing, pricing and commercial transaction support. In addition, the Corporation may assume additional responsibility when assuming a principal role, such as credit and/or inventory risk.

Other Partner Revenue:

Other partner revenue includes transactional revenue that is realized when the Corporation assumes an agency role in the retailing and wholesaling of loyalty currencies for loyalty program partners and other revenue received from partners which is not transactional in nature. The Corporation also earns Other Partner Revenue through commissions, per transaction charges, and recurring fixed fees from the products and services it provides through its Platform Partners segment and commission for online bookings or redemptions of hotel accommodations or car rentals through its Points Travel segment.

Gross profit, defined by management as total revenues less direct costs of revenue, is a non-GAAP financial measure which does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. Gross profit is viewed by management to be an integral measure of financial performance as it represents an internal measure of ongoing growth and the amount of revenues retained by the Corporation that are available to fund operating expenses, including incremental spending that is in line with the long term investment strategy of the Corporation. Management continues to drive a shift in the Corporation's revenue mix toward reseller relationships (with higher partner engagement) that are expected to lead to sustained profitability for the Corporation. In general, the Corporation seeks to maximize the gross profit generated from each loyalty partner relationship. For this reason, these new deals and products are expected to be accretive to overall profitability.

Direct cost of principal revenue consists of variable direct costs incurred to generate principal revenues earned under the reseller model, which include the wholesale cost of loyalty currency paid to partners for the purchase and resale of such currency, and credit card processing fees.

Revenue and gross profit growth is dependent on various factors, including the timing and size of promotional campaigns that are placed in market by the Corporation, the growth in loyalty program partner's membership base, and the effectiveness of merchandising and marketing efforts and channels initiated by the Corporation to generate incremental revenues.

Reconciliation of Revenue to Gross Profit

<i>(In thousands of US dollars)</i> <i>(unaudited)</i>	For the three months ended	
	March 31, 2018	March 31, 2017 ¹
	\$	
Revenue	\$ 89,110	83,115
Less:		
Direct cost of principal revenue	75,594	72,056
	\$	
Gross profit	\$ 13,516	11,059

¹ Results as at March 31, 2017 have been restated under IFRS 15.

ADJUSTED OPERATING EXPENSES

Adjusted operating expenses is a non-GAAP financial measure, which is defined as Employment Costs, Marketing and Communications, Technology Services and Operating Expenses, excluding equity-settled share-based payment expense. Adjusted operating expenses are predominantly cash based expenditures. The closest GAAP measure is Total Expenses in the consolidated financial statements and the reconciliation from Total Expenses to Adjusted Operating Expenses is shown below.

Reconciliation of Total Expenses to Adjusted Operating Expenses

<i>(In thousands of US dollars)(unaudited)</i>	For the three months ended	
	March 31, 2018	March 31, 2017
		\$
Total Expenses	\$ 86,067	81,889
Subtract (add):		
Direct cost of principal revenue	75,594	72,056
Depreciation and amortization	866	990
Foreign exchange gain	(158)	(6)
Stock-based compensation	975	673
Adjusted Operating Expenses	\$ 8,790	\$ 8,176

ADJUSTED EBITDA AND ADJUSTED EBITDA AS A PERCENTAGE OF GROSS PROFIT

Adjusted EBITDA is a non-GAAP financial measure, which is defined as earnings before income tax expense, depreciation and amortization, share-based compensation, impairment charges and foreign exchange. Management excludes these items because they affect the comparability of the Corporation's financial results and could potentially distort the analysis of trends in business performance.

Management believes that Adjusted EBITDA is an important indicator of the Corporation's ability to generate liquidity through operating cash flow to fund future working capital needs and fund future capital expenditures and uses the metric for this purpose. Adjusted EBITDA is also used by investors and analysts for the purpose of valuing an issuer. The presentation of Adjusted EBITDA is to provide additional useful information to investors and analysts and the measure does not have any standardized meaning under IFRS. Adjusted EBITDA should therefore not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate Adjusted EBITDA differently.

Adjusted EBITDA as a percentage of gross profit is viewed by management as a key internal measure of operating efficiency. This measure demonstrates the Corporation's ability to generate profitability after it has funded operating costs and strategic investments.

Reconciliation of Net Income to Adjusted EBITDA

<i>(In thousands of US dollars)</i> <i>(unaudited)</i>	For the three months ended	
	March 31, 2018	March 31, 2017
		\$
Net income	\$ 2,258	852
Income tax expense	862	391
Depreciation and amortization	866	990
Foreign exchange gain	(158)	(6)
Stock-based compensation	975	673
Adjusted EBITDA	\$ 4,803	\$ 2,900

WORKING CAPITAL

Management defines Working Capital as total current assets less total current liabilities. Management believes that this non-GAAP financial measure provides a useful measure of the Corporation's liquidity. Other issuers may include other items in their definition of 'Working Capital' therefore it may not be comparable to similar measures presented by other issuers.

CERTIFICATION OF INTERIM FILINGS

I, Robert MacLean, Chief Executive Officer of Points International Ltd., certify the following:

1. *Review:* I have reviewed the interim financial report and interim MD&A, (together, the “interim filings”) of Points International Ltd. (the “issuer”) for the interim period ended March 31, 2018.

2. *No misrepresentations:* Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. *Fair presentation:* Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

4. *Responsibility:* The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.

5. *Design:* Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer and I have, as at the end of the period covered by the interim filings:

- (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that:
 - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
 - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 *Control framework:* The control framework the issuer's other certifying officer and I used to design the issuer's ICFR is the *Internal Control – Integrated Framework* (COSO Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission.

5.2 *ICFR -- material weakness relating to design:* N/A.

5.3 *Limitation on scope of design:* N/A.

7. Reporting changes in ICFR: The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on January 1, 2018 and ended on March 31, 2018 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: May 10, 2018

/s/ Robert MacLean

Robert MacLean
Chief Executive Officer

CERTIFICATION OF INTERIM FILINGS

I, Erick Georgiou, Chief Financial Officer of Points International Ltd., certify the following:

1. Review: I have reviewed the interim financial report and interim MD&A, (together, the “interim filings”) of Points International Ltd. (the “issuer”) for the interim period ended March 31, 2018.

2. No misrepresentations: Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. Fair presentation: Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

4. Responsibility: The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.

5. Design: Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer and I have, as at the end of the period covered by the interim filings:

- (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that:
 - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
 - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 Control framework: The control framework the issuer's other certifying officer and I used to design the issuer's ICFR is the *Internal Control – Integrated Framework* (COSO Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission.

5.2 ICFR -- material weakness relating to design: N/A.

5.3 Limitation on scope of design: N/A.

7. Reporting changes in ICFR: The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on January 1, 2018 and ended on March 31, 2018 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: May 10, 2018

/s/ Erick Georgiou

Erick Georgiou
Chief Financial Officer



Points International Reports Record First Quarter 2018 Results

- Gross Profit up 22% to \$13.5 Million, with Significant Increase in Net Income and 66% Increase in Adjusted EBITDA to \$4.8 Million -

TORONTO – May 10, 2018 – Points International Ltd. (TSX: PTS) (Nasdaq: PCOM) (Points), the global leader in powering loyalty commerce, is reporting financial results for the first quarter ended March 31, 2018. Points adopted International Financial Reporting Standard 15 - *Revenue from Contracts with Customers* (IFRS 15) - effective January 1, 2018 and applied these new accounting policies retrospectively. Accordingly, 2017 comparative amounts have been restated.

Unless otherwise noted, all comparisons are on a year-over-year basis and all amounts are in USD. The complete first quarter Condensed Consolidated Interim Financial Statements and Management Discussion & Analysis, including segmented results, are available at www.sedar.com and www.sec.gov.

First Quarter 2018 Financial Highlights

- Total revenue increased 7% to \$89.1 million compared to \$83.1 million.
- Gross profit¹ increased 22% to a Q1 record \$13.5 million compared to \$11.1 million.
- Net Income increased significantly to \$2.3 million or \$0.16 per share, compared to \$0.9 million or \$0.06 per share.
- Adjusted EBITDA² increased 66% to a Q1 record \$4.8 million compared to \$2.9 million.

Recent Operational Highlights

- Launched a new Loyalty Currency Retailing partnership with Emirates, one of the world's fastest growing airlines, to expand their Skywards program.
- Launched new Points Travel partnership with Singapore Airlines, enabling their members to redeem miles for hotel and car bookings worldwide.
- Launched a first-of-its kind fuel rewards program with Marathon Fuels.
- Launched new Points Travel service with current partner, Amtrak.
- Launched new hotel distribution partnership with Priceline Partner Network, opening additional wholesale access to leading hotels worldwide for the Points Travel service

Management Commentary

“Our strong momentum from last year has carried into 2018, as reflected by our record first quarter gross profit and adjusted EBITDA, the most important financial metrics in our business,” said Rob Maclean, CEO of Points International. “These results were driven by continued robust growth in our core Loyalty Currency Retailing (LCR) segment, which continues to benefit from organic growth with existing clients and new partner wins over the course of 2017.

¹ Gross profit is defined as total revenues less the direct cost of revenues. Gross profit is considered by management to be an integral measure of financial performance and represents the amount of revenues retained by the Corporation after incurring direct costs. However, gross profit is not a recognized measure of profitability under IFRS.

² Adjusted EBITDA (Earnings before income tax expense, depreciation and amortization, foreign exchange and share-based compensation) is considered by management to be a useful supplemental measure when assessing financial performance. Management believes that adjusted EBITDA is an important indicator of the Corporation's ability to generate liquidity through operating cash flow to fund future capital expenditures and working capital needs. However, adjusted EBITDA is not a measure of financial performance under IFRS and should not be considered a substitute for Net Income, which we believe to be the most directly comparable IFRS measure.



“We are also gaining increased traction in our Platform Partners and Points Travel segments. In fact, today we are happy to announce the launch of a new Points Travel engagement with Singapore Airlines, a flagship carrier and one of the strongest brands in the Asia-Pacific region. Additionally, we are pleased to now offer hotel inventory from the Priceline Partner Network. With Priceline inventory now added as another wholesale option, our Points Travel service now has access to more than 250,000 worldwide hotel properties and our competitive position in the marketplace continues to strengthen.

“Looking ahead, we plan to carry this momentum through 2018, led by a healthy pipeline of new business opportunities, strong cash generation from our LCR services and the increasing traction of Platform Partners and Points Travel. We expect the execution of our strategy across all three business segments to generate another record year of gross profit and adjusted EBITDA.”

First Quarter 2018 Financial Results

Total revenue in the first quarter of 2018 increased 7% to \$89.1 million compared to \$83.1 million in the year-ago quarter. Principal revenue increased 4% to \$83.3 million, and other partner revenue increased 75% to \$5.8 million.

Gross profit in the first quarter increased 22% to a record \$13.5 million compared to \$11.1 million in the year-ago quarter. The increase was primarily driven by organic growth from existing partners and new partner wins in LCR, and to a lesser extent, growth in Points Travel.

Total adjusted operating expenses ³ in the first quarter of 2018 were \$8.8 million compared to \$8.2 million in the year-ago quarter. As a percentage of gross profit, adjusted operating expenses improved significantly to 65.0% compared to 73.9% .

Net income increased significantly to \$2.3 million or \$0.16 per share, compared to \$0.9 million or \$0.06 per share in the year-ago quarter.

Adjusted EBITDA in the first quarter increased 66% to a record \$4.8 million compared to \$2.9 million in the year-ago quarter. The increase was primarily driven by the aforementioned increase in gross profit and prudent cost management.

At March 31, 2018, total funds available, comprised of cash and cash equivalents together with restricted cash and amounts receivable from payment processors, was \$77.8 million compared to \$79.2 million at December 31, 2017. The company continues to be debt free.

During the first quarter, Points repurchased for cancellation approximately 133,000 shares of common stock at an average price of \$10.82 per share through its Automatic Share Purchase Plan in conjunction with its Normal Course Issuer Bid (NCIB). As of March 31, 2018, the company had approximately 285,000 shares remaining in its NCIB authorization.

2018 Outlook

Points continues to expect gross profit to increase between 10% and 20% compared to \$47.0 million in 2017. The company also continues to expect adjusted EBITDA to increase between 20% and 40% compared to \$13.2 million in 2017.

³ Adjusted operating expenses consist of employment expenses excluding stock based compensation, marketing and communications, technology services and other operating expenses. Adjusted operating expense is not a measure of financial performance under IFRS and should not be considered a substitute for total expenses, which we believe to be the most directly comparable IFRS measure.



Conference Call

Points will hold a conference call today at 4:30 p.m. Eastern time to discuss its first quarter 2018 results, followed by a question-and-answer session.

Date: Thursday, May 10, 2018

Time: 4:30 p.m. Eastern time (1:30 p.m. Pacific time)

Toll-free dial-in number: 1-877-407-0784

International dial-in number: 1-201-689-8560

Conference ID: 13679236

Please call the conference telephone number 5-10 minutes prior to the start time, and an operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Liolios at 1-949-574-3860.

The conference call will also be broadcast live and available for replay [here](#) and via the Events & Presentations section of the Company's IR website at investor.points.com.

A replay of the conference call will be available after 7:30 p.m. Eastern time on the same day through May 24, 2018.

Toll-free replay number: 1-844-512-2921

International replay number: 1-412-317-6671

Replay ID: 13679236

About Points International Ltd.

[Points](#) (TSX: PTS) (Nasdaq: PCOM) provides loyalty e-commerce and technology solutions to the world's top brands to power innovative services that drive increased loyalty program revenue and member engagement. The company has a growing network of nearly 60 global loyalty programs integrated into its unique Loyalty Commerce Platform. Points offers three core private or co-branded services: its Loyalty Currency Retailing service, which retails loyalty points and miles directly to consumers; its Platform Partners service, which offers developers transactional access to dozens of loyalty programs and hundreds of millions of members via a package of APIs; and its Points Travel service, which helps loyalty programs increase revenue from hotel bookings, while enabling members to more effectively earn and redeem loyalty rewards. Points is headquartered in Toronto with offices in San Francisco and London.

For more information, please visit company.points.com, follow Points on Twitter ([@ PointsLoyalty](#)) or read the [Points blog](#). For Points' financial information, visit investor.points.com.

Caution Regarding Forward-Looking Statements

This press release contains or incorporates forward-looking statements within the meaning of United States securities legislation, and forward-looking information within the meaning of Canadian securities legislation (collectively, "forward-looking statements"). These forward-looking statements include, among other things, opportunities for new products and partners and incremental revenue, including the expected launch of announced products and partner relationships, potential for growth in revenue and gross margin, and our guidance for 2018 with respect to gross profit and adjusted EBITDA expectations. These statements are not historical facts but instead represent only Points' expectations, estimates and projections regarding future events.

Although Points believes the expectations reflected in such forward-looking statements are reasonable, such statements are not guarantees of future performance and are subject to important risks and uncertainties that are difficult to predict. Certain material assumptions or estimates are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. Undue reliance should not be placed on such statements. In particular, the financial outlooks herein assume Points will be able to maintain its existing contractual relationships and products, that such products continue to perform in a manner consistent with Points' past experience, that Points will be able to generate new business from our pipeline at expected margins, our in-market and newly launched products and services will perform in a manner consistent with the company's past experience and we will be able to contain costs. Our ability to convert our pipeline of prospective partners and product launches is subject to significant risk and there can be no assurance that we will launch new partners or new products with existing partners as expected or planned nor can there be any assurance that Points will be successful in maintaining its existing contractual relationships or maintaining existing products with existing partners. Other important risk factors that could cause actual results to differ materially include the risk factors discussed in Points' annual information form, Form-40-F, annual and interim management's discussion and analysis, and annual and interim financial statements and the notes thereto. These documents are available at www.sedar.com and www.sec.gov.



The forward-looking statements contained in this press release are made as at the date of this release and, accordingly, are subject to change after such date. Except as required by law, Points does not undertake any obligation to update or revise any forward-looking statements made or incorporated in this press release, whether as a result of new information, future events or otherwise.

Non-GAAP Financial Measures

The corporation's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Management uses certain non-GAAP measures, which are defined in the appropriate sections of this press release, to better assess the corporation's underlying performance. These measures are reviewed regularly by management and the corporation's Board of Directors in assessing the corporation's performance and in making decisions about ongoing operations. We believe that these measures are also used by investors as an indicator of the corporation's operating performance. Readers are cautioned that these terms are not recognized GAAP measures and do not have a standardized GAAP meaning under IFRS and should not be construed as alternatives to IFRS terms, such as net income.

Investor Relations Contact

Sean Mansouri or Cody Slach
Liolios Group, Inc.
949-574-3860
PCOM@liolios.com



Key Financial Measures and Schedule of Non-GAAP Reconciliations

Gross Profit Information ⁴

Expressed in thousands of United States dollars

	For the three months ended	
	March 31, 2018	March 31, 2017 ⁵
Total Revenue	\$ 89,110	\$ 83,115
Direct cost of principal revenue	75,594	72,056
Gross Profit	\$ 13,516	\$ 11,059
Gross Margin	15%	13%

Reconciliation of Net Income to Adjusted EBITDA ⁶

Expressed in thousands of United States dollars

	For the three months ended	
	March 31, 2018	March 31, 2017
Net Income	\$ 2,258	\$ 852
Share-based compensation	975	673
Income tax expense	862	391
Depreciation and Amortization	866	990
Foreign Exchange gain	(158)	(6)
Adjusted EBITDA	\$ 4,803	\$ 2,900

⁴ Gross Profit is defined as total revenues less the direct cost of principal revenues. Gross profit is considered by Management to be an integral measure of financial performance and represents the amount of revenues retained by the Corporation after incurring direct costs. However, gross profit is not a recognized measure of profitability under IFRS.

⁵ Results as at March 31, 2017 have been restated under IFRS 15.

⁶ Adjusted EBITDA (Earnings before income tax expense, depreciation and amortization, foreign exchange and share-based compensation) is considered by Management to be a useful supplemental measure when assessing financial performance. Management believes that adjusted EBITDA is an important indicator of the Corporation's ability to generate liquidity through operating cash flow to fund future capital expenditures and working capital needs. However, adjusted EBITDA is not a measure of financial performance under IFRS and should not be considered a substitute for Net Income, which we believe to be the most directly comparable IFRS measure.



Reconciliation of Total Expenses to Adjusted Operating Expenses ⁷

Expressed in thousands of United States dollars

	For the three months ended	
	March 31, 2018	March 31, 2017
Total Expenses	\$ 86,067	\$ 81,889
Subtract (add):		
Direct cost of revenue	75,594	72,056
Depreciation and amortization	866	990
Foreign Exchange gain	(158)	(6)
Stock-based compensation	975	673
Adjusted Operating Expenses	<u>\$ 8,790</u>	<u>\$ 8,176</u>

⁷ Adjusted operating expenses consist of employment expenses excluding stock based compensation, marketing, technology, and other operating expenses. Adjusted operating expense is not a measure of financial performance under IFRS and should not be considered a substitute for total expenses, which we believe to be the most directly comparable IFRS measure.



Points International Ltd.
Consolidated Statements of Financial Position

Expressed in thousands of United States dollars
(Unaudited)

As at	March 31, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 70,776	\$ 63,514
Restricted cash	500	500
Funds receivable from payment processors	6,557	15,229
Accounts receivable	7,261	7,741
Prepaid expenses and other assets	2,292	2,420
Total current assets	87,386	89,404
Non-current assets		
Property and equipment	2,221	2,128
Intangible assets	14,917	15,265
Goodwill	7,130	7,130
Deferred tax assets	2,909	2,557
Other assets	2,650	2,661
Total non-current assets	29,827	29,741
Total assets	\$ 117,213	\$ 119,145
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 7,805	\$ 7,998
Income taxes payable	608	695
Payable to loyalty program partners	65,345	65,567
Current portion of other liabilities	1,488	1,400
Total current liabilities	75,246	75,660
Non-current liabilities		
Other liabilities	478	538
Total non-current liabilities	478	538
Total liabilities	\$ 75,724	\$ 76,198
SHAREHOLDERS' EQUITY		
Share capital	53,813	56,394
Contributed surplus	9,955	10,647
Accumulated other comprehensive income (loss)	(69)	374
Accumulated deficit	(22,210)	(24,468)
Total shareholders' equity	\$ 41,489	\$ 42,947
Total liabilities and shareholders' equity	\$ 117,213	\$ 119,145



Points International Ltd.
Consolidated Statements of Comprehensive Income

*Expressed in thousands of United States dollars, except per share amounts
(Unaudited)*

For the three months ended March 31,	2018	2017 ⁸
REVENUE		
Principal	\$ 83,307	\$ 79,793
Other partner revenue	5,803	3,322
Total Revenue	\$ 89,110	\$ 83,115
EXPENSES		
Direct cost of revenue	75,594	72,056
Employment costs	6,714	5,881
Marketing and communications	403	525
Technology services	495	432
Depreciation and amortization	866	990
Foreign exchange gain	(158)	(6)
Operating expenses	2,153	2,011
Total Expenses	\$ 86,067	\$ 81,889
Finance Income	77	17
INCOME BEFORE INCOME TAXES	\$ 3,120	\$ 1,243
Income tax expense	862	391
NET INCOME	\$ 2,258	\$ 852
OTHER COMPREHENSIVE INCOME		
Items that will subsequently be reclassified to profit or loss:		
Unrealized gain (loss) on foreign exchange derivatives designated as cash flow hedges	(430)	150
Income tax effect	113	(40)
Reclassification to net income of gain on foreign exchange derivatives designated as cash flow hedges	(171)	(70)
Income tax effect	45	18
Other comprehensive income for the period, net of income tax	\$ (443)	\$ 58
TOTAL COMPREHENSIVE INCOME	\$ 1,815	\$ 910
EARNINGS PER SHARE		
Basic earnings per share	\$ 0.16	\$ 0.06
Diluted earnings per share	\$ 0.16	\$ 0.06

⁸ Results as at March 31, 2017 have been restated under IFRS 15.



Points International Ltd.
Consolidated Statements of Changes in Shareholders' Equity

*Expressed in thousands of United States dollars
except
number of shares
(Unaudited)*

	Attributable to equity holders of the Company						
			Accumulated				
	Share Capital Number of Shares	Amount	Contributed Surplus	other comprehensive income (loss)	Accumulated deficit	Total shareholders' equity	
Balance at December 31, 2017	14,561,450	\$ 56,394	\$ 10,647	\$ 374	\$ (24,468)	\$ 42,947	
Net Income	-	-	-	-	2,258	2,258	
Other comprehensive income	-	-	-	(443)	-	(443)	
Total comprehensive income	-	-	-	(443)	2,258	1,815	
Effect of share option compensation plan	-	-	33	-	-	33	
Effect of RSU compensation plan	-	-	942	-	-	942	
Share issuances – RSUs	-	722	(722)	-	-	-	
Share capital held in trust	-	(2,804)	-	-	-	(2,804)	
Shares repurchased	(133,463)	(499)	(945)	-	-	(1,444)	
Balance at March 31, 2018	14,427,987	\$ 53,813	\$ 9,955	\$ (69)	\$ (22,210)	\$ 41,489	
Balance at December 31, 2016	14,878,674	\$ 58,412	\$ 9,881	\$ (127)	\$ (27,848)	\$ 40,318	
Net loss	-	-	-	-	852	852	
Other comprehensive income	-	-	-	58	-	58	
Total comprehensive loss	-	-	-	58	852	910	
Effect of share option compensation plan	-	-	107	-	-	107	
Effect of RSU compensation plan	-	-	566	-	-	566	
Share issuances – RSUs	-	210	(210)	-	-	-	
Shares repurchased	(9,300)	(36)	(34)	-	-	(70)	
Balance at March 31, 2017	14,869,374	\$ 58,586	\$ 10,310	\$ (69)	\$ (26,996)	\$ 41,831	



Points International Ltd.
Consolidated Statements of Cash Flows
Expressed in thousands of United States dollars
(Unaudited)

For the three months ended March 31,	2018	2017
Cash flows from operating activities		
Net income for the period	\$ 2,258	\$ 852
Adjustments for:		
Depreciation of property and equipment	221	200
Amortization of intangible assets	645	790
Unrealized foreign exchange loss	420	169
Equity-settled share-based payment expense	975	673
Deferred income tax recovery	(194)	(164)
Unrealized net gain on derivative contracts designated as cash flow hedges	(601)	80
Changes in non-cash balances related to operations	8,817	(5,656)
Net cash provided by (used in) operating activities	\$ 12,541	\$ (3,056)
Cash flows from investing activities		
Acquisition of property and equipment	(314)	(303)
Additions to intangible assets	(297)	(260)
Net cash used in investing activities	\$ (611)	\$ (563)
Cash flows from financing activities		
Shares repurchased	(1,444)	(70)
Purchase of share capital held in trust	(2,804)	-
Net cash used in financing activities	\$ (4,248)	\$ (70)
Effect of exchange rate fluctuations on cash held	(420)	(169)
Net increase (decrease) in cash and cash equivalents	\$ 7,262	\$ (3,858)
Cash and cash equivalents at beginning of the period	\$ 63,514	\$ 46,492
Cash and cash equivalents at end of the period	\$ 70,776	\$ 42,634
Interest Received	\$ 60	\$ 23
Taxes Paid	\$ (1,127)	\$ (1,773)

Amounts paid and received for interest were reflected as operating cash flows in the consolidated statements of cash flows.