



Alliance Data Reports Third Quarter 2015 Results

October 22, 2015

- Revenue Increases 20 Percent to \$1.6 Billion
- Core EPS Increases 14 Percent to \$3.95
- Conversant Turns the Corner

SUMMARY (in millions, except per share amounts)	Quarter Ended September 30,		
	2015	2014	% Change
Revenue	\$1,589	\$1,319	+20%
Net income	\$ 130	\$ 165	-21%
Net income attributable to Alliance Data stockholders per diluted share ("EPS") (a)	\$ 2.08	\$ 2.74	-24%
Diluted shares outstanding	61.8	59.9	+3%

Supplemental Non-GAAP Metrics (b):			
Adjusted EBITDA	\$497	\$416	+19%
Adjusted EBITDA, net of funding costs and non-controlling interest ("adjusted EBITDA, net") (a)	\$453	\$376	+20%
Core earnings attributable to Alliance Data stockholders per diluted share ("core EPS") (a)	\$3.95	\$3.47	+14%

(a) Profitability measures shown above are net of amounts attributable to the minority interest in Netherlands-based BrandLoyalty, referred to as "non-controlling interest."

(b) See "Financial Measures" below for a discussion of non-GAAP financial measures.

CONSOLIDATED RESULTS

Revenue increased 20 percent to \$1.6 billion while adjusted EBITDA, net increased 20 percent to \$453 million for the third quarter of 2015. EPS decreased 24 percent to \$2.08 for the third quarter of 2015 due to \$0.65 in regulatory settlement charges. Core EPS, which excludes these charges, increased 14 percent to \$3.95 for the third quarter of 2015, exceeding guidance of \$3.90. Unfavorable foreign exchange rates reduced revenue and core EPS by approximately \$59 million and \$0.13, respectively, compared to the third quarter of 2014.

Ed Heffernan, president and chief executive officer of Alliance Data, commented, "It was a strong quarter with both revenue and adjusted EBITDA, net up over 20 percent compared to the same period last year. Importantly, organic revenue growth was a robust 12 percent, exceeding our long-term growth target of 3 times GDP. The quarter can be summed up with a few key takeaways:

- Following sequential revenue declines of 1 percent, 6 percent and 9 percent in the previous three quarters, the "turn" at Conversant materialized during the third quarter. Specifically, after the large decline in the second quarter, revenue rebounded back to flat in the third quarter as the large book of new cross-sell wins with Epsilon began on-boarding. Additionally, adjusted EBITDA increased 9 percent compared to the third quarter of 2014, its first growth in over a year and a half;
- Organic growth at Epsilon accelerated slightly during the third quarter with revenue and adjusted EBITDA up 5 percent and 6 percent, respectively. That compares with revenue and adjusted EBITDA growth of 4 percent and 5 percent, respectively, in the second quarter of 2015;
- BrandLoyalty, our European business, bounced back from a down second quarter as revenue and adjusted EBITDA increased 30 percent and 42 percent, respectively, on a constant currency basis. It remains nicely on track to deliver double-digit revenue and adjusted EBITDA growth for the year on a constant currency basis;
- In Canada, AIR MILES[®] reward miles issued, the key driver of cash flow, increased 5 percent, the fourth consecutive quarter of growth; and
- Finally, our Card Services business had another superb quarter as average card receivables

grew 30 percent, which drove revenue and adjusted EBITDA growth of 23 percent and 14 percent, respectively. Our book of new business in 2015 has officially hit our goal of a \$2 billion vintage, meaning new clients signed this year are expected to add \$2 billion to card receivables after three years."

SEGMENT REVIEW

LoyaltyOne®: Revenue decreased 8 percent to \$299 million, and adjusted EBITDA decreased 8 percent to \$72 million for the third quarter of 2015. On a constant currency basis, revenue increased 10 percent, while adjusted EBITDA increased 11 percent, compared to the third quarter of 2014.

AIR MILES reward miles issuance increased 5 percent compared to the third quarter of 2014 primarily due to strength in the grocer vertical, while AIR MILES reward miles redeemed increased 7 percent compared to the third quarter of 2014, driven by redemptions related to the instant reward option. The instant reward option, AM Cash, represented 19 percent and 21 percent of miles issued and redeemed, respectively, for the third quarter of 2015.

BrandLoyalty's North American expansion efforts continue to develop. Currently, contracts aggregating in excess of \$40 million have been signed in Canada, and a pilot has been scheduled in the U.S.

Epsilon®: Revenue increased 41 percent to \$532 million, and adjusted EBITDA increased 60 percent to \$135 million for the third quarter of 2015, aided by the Conversant acquisition. Excluding Conversant, revenue and adjusted EBITDA increased 5 percent and 6 percent, respectively, for the third quarter of 2015, driven by strength in technology solutions offset by slight weakness in agency offerings. Adjusted EBITDA margin increased by more than 300 basis points to 25 percent for the third quarter of 2015, primarily due to the Conversant acquisition.

The first-half of 2015 was devoted to the transition of Conversant's business model from its historic site-based advertising approach to a richer, data-driven, audience-based approach. This transition entailed deemphasizing certain commodity-like offerings, which led to an 8 percent decrease in proforma revenue compared to the first-half of 2014. While the transition process is still ongoing, the negative impact of pruning these lower margin offerings is abating. For the third quarter of 2015, proforma revenue was flat, while proforma adjusted EBITDA increased a robust 9 percent. Importantly, cross-selling efforts to Epsilon's and Card Services' clients continue to go well with over 16 contracts signed aggregating an expected \$70 million in annual contract value.

Card Services (previously named Private Label Services and Credit): Revenue increased 23 percent to \$764 million and adjusted EBITDA, net increased 14 percent to \$289 million for the third quarter of 2015.

Operating expenses increased 20 percent to \$266 million, representing 9.4 percent of average receivables compared to 10.1 percent in the third quarter of 2014. The loan loss provision increased 50 percent to \$172 million, driven by strong growth in average card receivables and a slight increase in principal loss rates from historical lows. Portfolio funding costs were \$37 million for the third quarter of 2015, or 1.3 percent of average credit card receivables, 16 basis points better than the third quarter of 2014.

Credit sales increased 34 percent to \$6 billion for the third quarter of 2015, supported by a 9 percent increase in core cardholder spending as tender share gains continued. Average credit card receivables increased 30 percent to \$11.4 billion compared to the third quarter of 2014, while net principal loss rates for the third quarter of 2015 were 4.4 percent, up 40 basis points from last year. The increase is primarily due to the seasoning of the large 2013 vintage, which consisted mostly of start-up programs.

Previously, the Federal Deposit Insurance Corporation ("FDIC") notified Comenity Bank and Comenity Capital Bank, both subsidiaries of Alliance Data, that it planned to pursue an enforcement action against them with respect to practices associated with certain credit card add-on products. This matter was resolved during the third quarter with the banks collectively agreeing to a penalty of \$2.5 million and restitution of approximately \$62 million covering practices engaged in between 2008 and September 30, 2014. Before the FDIC's review began, both banks had made changes to these add-on products that they believe substantially addressed the FDIC's concerns.

YEAR-TO-DATE RESULTS AND GUIDANCE

Ed Heffernan, president and chief executive officer of Alliance Data, commented, "Our year-to-date performance has been very strong, and we expect the fourth quarter to be equally strong. Of note, we expect mid-single-digit revenue growth for Conversant, completing the 'turn'."

Year-to-Date September 30, 2015 Revenue		Adjusted EBITDA, net			
		<i>In millions</i>			
LoyaltyOne:	Reported	\$ 989	-2%	\$ 197	-7%
	Constant Currency	\$ 1,163	+15%	\$ 229	+8%
Epsilon:	Organic	\$ 1,134	+5%	\$ 218	+5%
	Total	\$ 1,533	+42%	\$ 351	+70%
Card Services:	Total	\$ 2,189	+26%	\$ 822	+16%

Guidance

The Company is maintaining its revenue and core EPS guidance of \$6.5 billion and \$15.00, respectively, for 2015. A weaker than projected Canadian dollar entering the fourth quarter is expected to offset the \$0.05 of over-performance during the third quarter.

Looking into 2016, the Company believes the overall global macro environment will not impact its ability to deliver on its long-term organic model of high single-digit revenue growth, or 3 times GDP, and low-teens core EPS growth. Accordingly, the initial guidance for 2016 is revenue of at least \$7.2 billion, representing an 11 to 12 percent growth rate and core EPS of at least \$17.00, representing 13 percent growth over 2015. Both measures are given on a constant currency basis.

Financial Measures

In addition to the results presented in accordance with generally accepted accounting principles, or GAAP, the Company may present financial

measures that are non-GAAP measures, such as constant currency financial measures, adjusted EBITDA, adjusted EBITDA margin, adjusted EBITDA, net of funding costs and non-controlling interest, core earnings and core earnings per diluted share (core EPS). The Company believes that these non-GAAP financial measures, viewed in addition to and not in lieu of the Company's reported GAAP results, provide useful information to investors regarding the Company's performance and overall results of operations. These metrics are an integral part of the Company's internal reporting to measure the performance of reportable segments and the overall effectiveness of senior management. Reconciliations to comparable GAAP financial measures are available in the accompanying schedules and on the Company's website. The financial measures presented are consistent with the Company's historical financial reporting practices. Core earnings and core earnings per diluted share represent performance measures and are not intended to represent liquidity measures. The non-GAAP financial measures presented herein may not be comparable to similarly titled measures presented by other companies, and are not identical to corresponding measures used in other various agreements or public filings.

Conference Call

Alliance Data will host a conference call on Thursday, October 22, 2015 at 8:30 a.m. (Eastern Time) to discuss the Company's third quarter 2015 results. The conference call will be available via the Internet at www.alliancedata.com. There will be several slides accompanying the webcast. Please go to the website at least 15 minutes prior to the call to register, download and install any necessary software. The recorded webcast will also be available on the Company's website.

If you are unable to participate in the conference call, a replay will be available. To access the replay, please dial (855) 859-2056 or (404) 537-3406 and enter "51561281". The replay will be available at approximately 11:45 A.M. (Eastern Time) on Thursday, October 22nd.

About Alliance Data

[Alliance Data](#)[®] (NYSE: ADS) is a leading global provider of data-driven marketing and loyalty solutions serving large, consumer-based industries. The Company creates and deploys customized solutions, enhancing the critical customer marketing experience; the result is measurably changing consumer behavior while driving business growth and profitability for some of today's most recognizable brands. Alliance Data helps its clients create and increase customer loyalty through solutions that engage millions of customers each day across multiple touch points using traditional, digital, mobile and emerging technologies. An S&P 500 and Fortune 500 company headquartered in Plano, Texas, Alliance Data consists of three businesses that together employ more than 15,000 associates at approximately 100 locations worldwide.

[Alliance Data's Card Services](#) business is a leading provider of marketing-driven branded credit card programs. [Epsilon](#)[®] is a leading provider of multichannel, data-driven technologies and marketing services, and also includes [Conversant](#)[®], the leader in personalized digital marketing. [LoyaltyOne](#)[®] owns and operates the [AIR MILES](#)[®] Reward Program, Canada's premier coalition loyalty program, and holds a majority interest in Netherlands-based [BrandLoyalty](#), a global provider of tailor-made loyalty programs for grocers.

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Safe Harbor Statement/Forward Looking Statements

This release may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may use words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "predict," "project," "would," and similar expressions as they relate to us or our management. When we make forward-looking statements, we are basing them on our management's beliefs and assumptions, using information currently available to us. Although we believe that the expectations reflected in the forward-looking statements are reasonable, these forward-looking statements are subject to risks, uncertainties and assumptions, including those discussed in our filings with the Securities and Exchange Commission.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from what we projected. Any forward-looking statements contained in this presentation reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. We have no intention, and disclaim any obligation, to update or revise any forward-looking statements, whether as a result of new information, future results or otherwise, except as required by law.

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: Statements in this presentation regarding Alliance Data Systems Corporation's business which are not historical facts are "forward-looking statements" that involve risks and uncertainties. For a discussion of such risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements, see "Risk Factors" in the Company's Annual Report on Form 10-K for the most recently ended fiscal year. Risk factors may be updated in Item 1A in each of the Company's Quarterly Reports on Form 10-Q for each quarterly period subsequent to the Company's most recent Form 10-K.

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ALLIANCE DATA SYSTEMS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share amounts)
(Unaudited)

Three Months Ended September 30, Nine Months Ended September 30,

	2015	2014	2015	2014
Revenue	\$ 1,589.1	\$ 1,319.1	\$ 4,690.9	\$ 3,817.2
Operating expenses:				
Cost of operations	941.9	806.5	2,899.5	2,424.8
Provision for loan loss	171.7	114.6	461.9	281.8
Regulatory settlement	64.6	—	64.6	—
Depreciation and amortization	123.4	76.4	367.1	224.7
Total operating expenses	1,301.6	997.5	3,793.1	2,931.3
Operating income	287.5	321.6	897.8	885.9
Interest expense, net				
Securitization funding costs	23.1	22.8	71.5	68.0
Interest expense on deposits	13.7	9.1	37.1	25.5
Interest expense on long-term and other debt, net	45.3	29.6	132.2	98.6
Total interest expense, net	82.1	61.5	240.8	192.1
Income before income tax	\$ 205.4	\$ 260.1	\$ 657.0	\$ 693.8
Income tax expense	75.0	95.2	231.7	253.9
Net income	\$ 130.4	\$ 164.9	\$ 425.3	\$ 439.9
Less: net income attributable to non-controlling interest	2.0	0.7	3.0	0.8
Net income attributable to common stockholders	\$ 128.4	\$ 164.2	\$ 422.3	\$ 439.1
Per share data:				
Numerator				
Net income attributable to common stockholders	\$ 128.4	\$ 164.2	\$ 422.3	\$ 439.1
Less: accretion of redeemable non-controlling interest	—	—	15.2	—
Net income attributable to common stockholders after accretion of redeemable non-controlling interest	\$ 128.4	\$ 164.2		