

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported):
October 28, 2021

ALLIANCE DATA SYSTEMS CORPORATION
(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-15749
(Commission
File Number)

31-1429215
(IRS Employer
Identification No.)

3095 LOYALTY CIRCLE
COLUMBUS, Ohio 43219
(Address and Zip Code of Principal Executive Offices)

(614) 729-4000
(Registrant's Telephone Number, including Area Code)

NOT APPLICABLE
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, par value \$0.01 per share

Trading symbol
ADS

Name of each exchange on which registered
NYSE

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On October 28, 2021, Alliance Data Systems Corporation (the "Company") issued a press release regarding its results of operations for the third quarter ended September 30, 2021. A copy of this press release is furnished as Exhibit 99.1.

Item 7.01 Regulation FD Disclosure.

On October 28, 2021, the Company issued a press release regarding its results of operations for the third quarter ended September 30, 2021. A copy of this press release is furnished as Exhibit 99.1.

Attached as Exhibit 99.2 is a presentation to be given to investors and others by senior officers of the Company.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Document Description</u>
99.1	Press Release dated October 28, 2021 announcing the results of operations for the third quarter ended September 30, 2021.
99.2	Investor Presentation Materials.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

The information contained in this report (including Exhibits 99.1 and 99.2) shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such a filing.

SIGNATURES

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

Alliance Data Systems Corporation

Date: October 28, 2021

By: /s/ Joseph L. Motes III
Joseph L. Motes III
Executive Vice President, Chief
Administrative Officer, General
Counsel and Secretary



Alliance Data Reports Third Quarter 2021 Results

- o Net income of \$224 million, or \$4.47 per diluted share
- o Third quarter credit sales up 20%, supporting expectations for continued receivables growth
- o Strategic transformation continues as spinoff of LoyaltyOne® segment as Loyalty Ventures Inc. is expected on November 5th, significantly improving Alliance Data's capital ratios and other key metrics
- o Recent agreement with Sezzle leverages Bread's fintech payments platform for installment lending across Sezzle's over 40,000 merchant network

COLUMBUS, Ohio, October 28, 2021 – Alliance Data Systems Corporation (NYSE: ADS), a leading provider of data-driven marketing, loyalty and payment solutions, today announced results for the quarter ended September 30, 2021.

“Alliance Data’s third quarter performance demonstrates considerable operating progress. Net income improved year-over-year and pre-tax pre-provision earnings increased substantially both year-over-year and sequentially, in line with strong credit sales and reduced expense levels,” said Ralph Andretta, president and chief executive officer of Alliance Data. “At the same time, we continued to move forward with the transformation of our company and are demonstrating how the investments we have made and continue to make drive our future growth.”

“Credit sales remained strong in the third quarter as we saw improving performance across our brand partners, which more than offset a previously announced portfolio sale in the third quarter. We saw positive momentum building in the LoyaltyOne segment as campaign activity picked up late in the quarter for BrandLoyalty, and AIR MILES® reward miles redeemed improved to the highest level since the pandemic began.

“Our net loss rate was particularly low in the third quarter, and our delinquency rate remained below historic levels. We expect credit metrics and payment rates to continue to moderate into 2022 as stimulus programs wind down. We continue to monitor uncertainties in the market and remain confident that our full suite of product offerings, combined with our disciplined risk management, will enable us to drive responsible, profitable growth in the periods ahead.

“The upcoming spinoff of our LoyaltyOne segment concludes a multi-year Board initiative to simplify Alliance Data’s business model and strengthen our enterprise-level capital metrics. At the spin-off date, which is expected to be November 5, 2021, Alliance Data will retain a 19% ownership in, and expects to receive a \$750 million cash distribution from Loyalty Ventures Inc., which we will use for deleveraging. The spin is expected to provide a significant improvement in Alliance Data’s capital metrics. Loyalty Ventures will have the opportunity to focus on its own unique strategic priorities and make meaningful investments to drive growth and efficiencies. We are excited about the prospects for both businesses and the long-term potential of each of the companies.”

Mr. Andretta continued, “Our recently announced strategic relationship with Sezzle provides another way to capitalize on the versatility of Bread’s fintech payments platform to open new opportunities for expansion outside of our direct distribution network. Sezzle’s over 40,000 merchants will be able to leverage our digital offerings to provide their consumers with additional flexible installment payment solutions for big ticket purchases. We will continue to expand Bread’s direct merchant partners while enlisting existing Alliance Data retail card partners to launch on Bread’s platform. The business development pipelines across our offerings remain robust, and our focus on portfolio optimization will continue to drive profitability and growth into 2022 and beyond.

2021 FULL-YEAR OUTLOOK

“For full-year 2021, we expect our credit sales to increase at a double-digit growth rate providing positive receivables growth momentum into 2022. Based on our current visibility and payment rate expectations, receivables at year-end 2021 are projected to be in line with year-end 2020 levels. We expect to resume high-single- to low-double-digit average receivables growth in 2022,” said Mr. Andretta. “Given the continued strength of our credit metrics, we now expect a net loss rate in the high 4% range for the year. Total revenue for the year is anticipated to be down low-single-digits compared to 2020 driven by lower receivables. As a result of lower expenses in the third quarter, partially driven by improved credit and collections efficiencies, we now expect total expenses, excluding provision for loan loss, to be flat to modestly down year-over-year while we continue to fund initiatives to position the Company for future growth. In 2021, we are investing over \$100 million in digital innovation and technology enhancements and plan to continue to invest in 2022.”

CONSOLIDATED RESULTS

SUMMARY

(in millions, except per share amounts)

	Quarter Ended September 30,				
	2021		2020		Change
Revenue	\$	1,099	\$	1,050	5%
Income before income taxes (“EBT”)	\$	291	\$	176	65%
Net income	\$	224	\$	133	68%
Net income per diluted share	\$	4.47	\$	2.79	60%
Weighted average shares outstanding – diluted		50.0		47.8	

Supplemental Non-GAAP Metrics (a):

Pre-tax pre-provision earnings (“PPNR”)	\$	452	\$	384	18%
---	----	-----	----	-----	-----

(a) See “Financial Measures” for a discussion of non-GAAP Financial Measures.

Third Quarter: Consolidated revenue increased 5% to \$1,099 million compared to the third quarter of 2020, resulting from the ongoing consumer recovery from pandemic lows. PPNR increased \$68 million, or 18%, as a result of the increase in revenue and lower interest expense in the quarter. EBT increased 65% to \$291 million, impacted by a lower provision for loan loss during the third quarter of 2021 versus prior year. Net income was \$224 million, or \$4.47 per diluted share.

SEGMENT RESULTS

Card Services: Revenue increased 7% to \$930 million compared to the third quarter of 2020, primarily due to the negative impact from the pandemic on gross revenue yields in the third quarter of 2020. EBT increased \$102 million to \$314 million compared to the third quarter of 2020, attributable to the improvement in revenue, lower interest expense, and a lower provision for loan loss. The net principal loss rate was 3.9% in the third quarter of 2021, an improvement of 190 basis points from the prior year period, while the delinquency rate of 3.8% improved 90 basis points from the prior year period.

Credit sales increased 20% to \$7.4 billion compared to the third quarter of 2020, as consumer spending recovers.

LoyaltyOne: Segment revenue declined 8% to \$169 million compared to the third quarter of 2020. BrandLoyalty revenue decreased 18%, or \$21 million, due to a decline in retailer programs associated with the continuing impact of COVID-19. AIR MILES revenue increased 9%, or \$6 million, compared to the third quarter of 2020, due in part to higher redemptions, as well as the impact of favorable currency exchange rates. EBT for the LoyaltyOne segment increased 143% to \$45 million due to lower cost of redemptions and amortization expense.

Issuance of AIR MILES reward miles decreased 7% compared to the third quarter of 2020, reflecting certain promotional activity in the prior year not present in the current year. AIR MILES reward miles redeemed increased 30% compared to the third quarter of 2020, reflecting an improvement in travel-related categories.

Contacts:

Investor Relations: Brian Vereb (brian.vereb@alliancedata.com), 614-528-4516

Media Relations: Shelley Whiddon (shelley.whiddon@alliancedata.com), 214-494-3811
Rachel Stultz (Rachel.stultz@alliancedata.com), 614-729-4890

Forward-Looking Statements

This release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements give our expectations or forecasts of future events and can generally be identified by the use of words such as "believe," "expect," "anticipate," "estimate," "intend," "project," "plan," "likely," "may," "should" or other words or phrases of similar import. Similarly, statements that describe our business strategy, outlook, objectives, plans, intentions or goals also are forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements we make regarding, and the guidance we give with respect to, our anticipated operating or financial results, initiation or completion of strategic initiatives including the proposed spinoff of our LoyaltyOne segment, future dividend declarations, and future economic conditions, including, but not limited to, fluctuation in currency exchange rates, market conditions and COVID-19 impacts related to relief measures for impacted borrowers and depositors, labor shortages due to quarantine, reduction in demand from clients, supply chain disruption for our reward suppliers and disruptions in the airline or travel industries.

We believe that our expectations are based on reasonable assumptions. Forward-looking statements, however, are subject to a number of risks and uncertainties that could cause actual results to differ materially from the projections, anticipated results or other expectations expressed in this release, and no assurances can be given that our expectations will prove to have been correct. These risks and uncertainties include, but are not limited to, factors set forth in the Risk Factors section in our Annual Report on Form 10-K for the most recently ended fiscal year, which may be updated in Item 1A of, or elsewhere in, our Quarterly Reports on Form 10-Q filed for periods subsequent to such Form 10-K. Our forward-looking statements speak only as of the date made, and we undertake no obligation, other than as required by applicable law, to update or revise any forward-looking statements, whether as a result of new information, subsequent events, anticipated or unanticipated circumstances or otherwise.

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 pre-tax pre-provision earnings. Pre-tax pre-provision earnings is calculated by adding the provision for loan loss to income before taxes. 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.

Reconciliation of Non-GAAP Financial Measures

Reconciliations to comparable GAAP financial measures are available in the accompanying schedules, which are posted as part of this earnings release in both the News and Investors sections on the Company's website (www.AllianceData.com). The events necessitating a non-GAAP adjustment are inherently unpredictable and may have a material impact on the Company's future results.

The financial measures presented are consistent with the Company's historical financial reporting practices. 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 28, 2021 at 8:30 a.m. (Eastern Time) to discuss the Company's third quarter 2021 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 (866) 813-9403 or (929) 458-6194 and enter "859154". The replay will be available at approximately 11:59 a.m. (Eastern Time) on Thursday, October 28, 2021.

About Alliance Data

Alliance Data® (NYSE: ADS) is a leading provider of data-driven marketing, loyalty and payment solutions serving large, consumer-based industries. The Company creates and deploys customized solutions that measurably change consumer behavior while driving business growth and profitability for some of today's most recognizable brands. Alliance Data helps its partners create and increase customer loyalty across multiple touch points using traditional, digital, mobile and emerging technologies. Headquartered in Columbus, Ohio, Alliance Data is an S&P MidCap 400 company that consists of businesses that together employ approximately 8,000 associates at more than 45 locations worldwide.

Alliance Data's Card Services business is a comprehensive provider of market-leading private label, co-brand, general purpose and business credit card programs, digital payments, including Bread® and Comenity-branded financial services. LoyaltyOne® owns and operates the AIR MILES® Reward Program, Canada's most recognized loyalty program, and Netherlands-based BrandLoyalty, a global provider of tailor-made loyalty programs for grocers. More information about Alliance Data can be found at www.AllianceData.com.

Follow Alliance Data on Twitter, Facebook, LinkedIn, Instagram and YouTube.

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,	
	2021	2020	2021	2020
Revenue	\$ 1,099.3	\$ 1,050.5	\$ 3,196.5	\$ 3,411.5
Operating expenses:				
Cost of operations	523.7	511.7	1,559.7	1,547.9
Provision for loan loss	161.1	207.7	180.3	1,113.7
Depreciation and amortization	31.7	40.1	97.2	120.3
Total operating expenses	<u>716.5</u>	<u>759.5</u>	<u>1,837.2</u>	<u>2,781.9</u>
Operating income	382.8	291.0	1,359.3	629.6
Interest expense, net:				
Securitization funding costs	26.0	37.5	89.9	130.1
Interest expense on deposits	37.3	52.9	124.7	172.1
Interest expense on long-term and other debt, net	28.8	24.7	87.9	79.1
Total interest expense, net	<u>92.1</u>	<u>115.1</u>	<u>302.5</u>	<u>381.3</u>
Income before income tax	\$ 290.7	\$ 175.9	\$ 1,056.8	\$ 248.3
Income tax expense	67.0	42.6	273.4	46.6
Net income	<u>\$ 223.7</u>	<u>\$ 133.3</u>	<u>\$ 783.4</u>	<u>\$ 201.7</u>
Per share data:				
Weighted average shares outstanding – basic	49.8	47.7	49.7	47.7
Weighted average shares outstanding – diluted	50.0	47.8	50.0	47.7
Basic – Net income	<u>\$ 4.50</u>	<u>\$ 2.79</u>	<u>\$ 15.75</u>	<u>\$ 4.23</u>
Diluted – Net income	<u>\$ 4.47</u>	<u>\$ 2.79</u>	<u>\$ 15.68</u>	<u>\$ 4.23</u>
Pre-tax pre-provision earnings:				
Income before income tax	\$ 290.7	\$ 175.9	\$ 1,056.8	\$ 248.3
Provision for loan loss	161.1	207.7	180.3	1,113.7
Pre-tax pre-provision earnings	<u>\$ 451.8</u>	<u>\$ 383.6</u>	<u>\$ 1,237.1</u>	<u>\$ 1,362.0</u>

ALLIANCE DATA SYSTEMS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions)
(Unaudited)

	September 30, 2021	December 31, 2020
Assets		
Cash and cash equivalents	\$ 3,172.2	\$ 3,081.5
Credit card and loan receivables:		
Credit card and loan receivables	15,689.9	16,784.4
Allowance for loan loss	(1,644.8)	(2,008.0)
Credit card and loan receivables, net	14,045.1	14,776.4
Redemption settlement assets, restricted	734.0	693.5
Right of use assets - operating	208.0	233.2
Intangible assets, net	64.1	81.7
Goodwill	1,342.7	1,369.6
Other assets	2,691.2	2,311.2
Total assets	<u>\$ 22,257.3</u>	<u>\$ 22,547.1</u>
Liabilities and Stockholders' Equity		
Deferred revenue	\$ 1,020.9	\$ 1,004.0
Deposits	9,885.5	9,792.6
Non-recourse borrowings of consolidated securitization entities	4,588.7	5,709.9
Long-term and other debt	2,733.9	2,805.7
Operating lease liabilities	271.8	300.0
Other liabilities	1,510.9	1,413.3
Total liabilities	20,011.7	21,025.5
Stockholders' equity	2,245.6	1,521.6
Total liabilities and stockholders' equity	<u>\$ 22,257.3</u>	<u>\$ 22,547.1</u>
Shares of common stock outstanding	49.8	49.7

ALLIANCE DATA SYSTEMS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Nine Months Ended September 30,	
	2021	2020
Cash Flows from Operating Activities:		
Net income	\$ 783.4	\$ 201.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	97.2	120.3
Deferred income taxes	20.0	(157.7)
Provision for loan loss	180.3	1,113.7
Non-cash stock compensation	24.6	16.2
Amortization of deferred financing costs	23.5	26.6
Asset impairment charges	—	34.2
Change in operating assets and liabilities, net of sale of business	25.4	121.6
Other	53.6	12.0
Net cash provided by operating activities	<u>1,208.0</u>	<u>1,488.6</u>
Cash Flows from Investing Activities:		
Change in redemption settlement assets	(47.3)	(31.3)
Change in credit card and loan receivables	87.9	3,107.8
Proceeds from sale of business	—	26.7
Purchase of credit card portfolios	(99.5)	—
Sale of credit card portfolio	512.2	289.5
Capital expenditures	(58.8)	(37.9)
Other	(13.8)	10.0
Net cash provided by investing activities	<u>380.7</u>	<u>3,364.8</u>
Cash Flows from Financing Activities:		
Borrowings under debt agreements	38.0	1,150.0
Repayments of borrowings	(114.1)	(1,194.5)
Net increase (decrease) in deposits	88.4	(2,012.0)
Non-recourse borrowings of consolidated securitization entities	2,767.5	435.0
Repayments/maturities of non-recourse borrowings of consolidated securitization entities	(3,891.2)	(3,380.0)
Payment of deferred financing costs	(13.0)	(16.2)
Dividends paid	(31.6)	(50.5)
Other	(1.1)	3.9
Net cash used in financing activities	<u>(1,157.1)</u>	<u>(5,064.3)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(4.2)	3.7
Change in cash, cash equivalents and restricted cash	427.4	(207.2)
Cash, cash equivalents and restricted cash at beginning of period	3,463.2	3,958.1
Cash, cash equivalents and restricted cash at end of period	<u>\$ 3,890.6</u>	<u>\$ 3,750.9</u>

ALLIANCE DATA SYSTEMS CORPORATION
SUMMARY FINANCIAL HIGHLIGHTS
(In millions)
(Unaudited)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Change	2021	2020	Change
Segment Revenue:						
LoyaltyOne	\$ 169.3	\$ 184.8	(8)%	\$ 496.7	\$ 533.9	(7)%
Card Services	930.0	865.7	7	2,699.8	2,877.5	(6)
Corporate/Other	—	—	nm*	—	0.1	nm*
Total	\$ 1,099.3	\$ 1,050.5	5%	\$ 3,196.5	\$ 3,411.5	(6)%
Segment Earnings Before Taxes:						
LoyaltyOne	\$ 44.5	\$ 18.3	143%	\$ 100.7	\$ 88.9	13%
Card Services	314.2	212.1	48	1,128.5	314.5	259
Corporate/Other	(63.9)	(54.5)	17	(168.3)	(155.1)	9
Eliminations	(4.1)	—	nm*	(4.1)	—	nm*
Total	\$ 290.7	\$ 175.9	65%	\$ 1,056.8	\$ 248.3	326%
Key Performance Indicators:						
Credit sales	\$ 7,380	\$ 6,152	20%	\$ 20,825	\$ 17,050	22%
Average receivables	\$ 15,471	\$ 15,300	1%	\$ 15,512	\$ 16,570	(6)%
End of period receivables	\$ 15,690	\$ 15,599	1%	\$ 15,690	\$ 15,599	1%
Card Services gross revenue yield	24.0%	22.5%	1.5%	23.2%	23.0%	0.2%
Net principal loss rate	3.9%	5.8%	(1.9)%	4.7%	6.8%	(2.1)%
Delinquency rate	3.8%	4.7%	(0.9)%	3.8%	4.7%	(0.9)%
AIR MILES reward miles issued	1,155	1,240	(7)%	3,406	3,609	(6)%
AIR MILES reward miles redeemed	896	687	30%	2,436	2,289	6%

* nm- not meaningful

Alliance Data

Third Quarter 2021 Results

Ralph Andretta
President & CEO

Perry Beberman
EVP & CFO

October 28, 2021



© 2021 ADS Alliance Data Systems, Inc.

Forward-Looking Statements

This release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements give our expectations or forecasts of future events and can generally be identified by the use of words such as "believe," "expect," "anticipate," "estimate," "intend," "project," "plan," "likely," "may," "should" or other words or phrases of similar import. Similarly, statements that describe our business strategy, outlook, objectives, plans, intentions or goals also are forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements we make regarding, and the guidance we give with respect to, our anticipated operating or financial results, initiation or completion of strategic initiatives including the proposed spinoff of our LoyaltyOne segment, future dividend declarations, and future economic conditions, including, but not limited to, fluctuation in currency exchange rates, market conditions and COVID-19 impacts related to relief measures for impacted borrowers and depositors, labor shortages due to quarantine, reduction in demand from clients, supply chain disruption for our reward suppliers and disruptions in the airline or travel industries.

We believe that our expectations are based on reasonable assumptions. Forward-looking statements, however, are subject to a number of risks and uncertainties that could cause actual results to differ materially from the projections, anticipated results or other expectations expressed in this release, and no assurances can be given that our expectations will prove to have been correct. These risks and uncertainties include, but are not limited to, factors set forth in the Risk Factors section in our Annual Report on Form 10-K for the most recently ended fiscal year, which may be updated in Item 1A of, or elsewhere in, our Quarterly Reports on Form 10-Q filed for periods subsequent to such Form 10-K. Our forward-looking statements speak only as of the date made, and we undertake no obligation, other than as required by applicable law, to update or revise any forward-looking statements, whether as a result of new information, subsequent events, anticipated or unanticipated circumstances or otherwise.

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 pre-tax pre-provision earnings. Pre-tax pre-provision earnings is calculated by adding the provision for loan loss to income before taxes. 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.

Third Quarter 2021 Key Takeaways

Business development and product update

- Strong pipeline and robust business development activities
- Balanced mix of portfolios and products
- Continued investment in Bread/Digital to scale for growth in 2022
- Announced new Sezzle strategic business relationship

Credit sales and performance remain strong

- Credit sales improvement impacted by non-renewal
- Credit performance reflective of disciplined risk management & environment
- Payment rates remain elevated, but expected to lessen over time

Streamlining businesses through spin

- Advances our strategic transformation to deliver long-term, sustainable growth
- Positions both companies to focus on their unique growth opportunities
- Spin will strengthen Alliance Data's balance sheet and improve key ratios
- Spin expected to be completed 11/5/21

Third Quarter 2021 Financial Highlights

\$1.1BN

Revenue

\$224MM

Net Income

\$4.47

Diluted EPS

- Revenue increased 5% year-over-year, while total expenses excluding provision for loan loss declined 3%
- Net Income of \$224 million was up 68% year-over-year
- Credit sales of \$7.4 billion were up 20% year-over-year
- Average receivables were up 1% year-over-year
- Credit metrics remained strong with a net loss rate of 3.9% for the quarter

Brand Partner Highlights

Select New Brand Partners

TOURNEAU

New Bread Strategic Relationship



Brand Partner Renewals

GameStop

Petland
PETLAND PETS MAKE LIFE BETTER!

Select New Bread Direct Acquisition Partners

EL DORADO
FURNITURE

META






NICE

Quick N Mobile



Bread Business Update

Direct Acquisition	Distribution Partners	Platform-as-a-Service
 <p>Select new brand partners include El Dorado and Nikon Nearly 30 new direct partners signed within 30 days</p>	 <p>New relationship with Sezzle on Bread platform to offer installment lending Fiserv in-store capabilities and full roll-out in early 2022</p>	 <p>RBC/Bread launched with Xbox All Access at Best Buy and The Source RBC/Bread went live with several new SME partners</p>



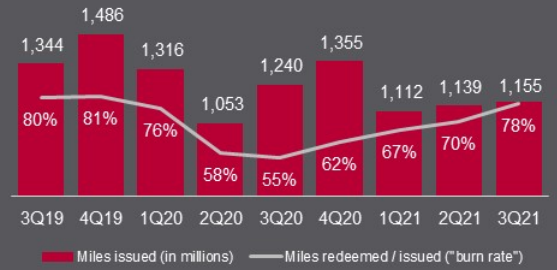
AIR MILES™

- AIR MILES® reward miles issued and redeemed increased versus 2Q21 as airline bookings improved and merchandise redemptions remained strong
- We remain optimistic on the long-term outlook as travel returns to steady-state levels
- Rebranded and relaunched AIR MILES to the marketplace with enhanced benefits, new logo and digital properties

Brand Loyalty

- BrandLoyalty had strong initial campaign launches in September with momentum continuing into the fourth quarter
- Consumers are actively engaged in loyalty campaigns with particular success in products focused on the home

LoyaltyOne® Performance Highlights



Financial Results – Consolidated

(\$ in millions, except per share)	3Q21	3Q20	% Change
Total revenue	\$1,099	\$1,050	5 %
Total operating expenses, excl. provision for loan loss	555	552	1
Interest expense, net	92	115	(20)
Total expenses excl. provision for loan loss	647	667	(3) %
Pre-tax pre-provision earnings (PPNR)	\$452	\$384	18 %
Provision for loan loss	161	208	(22)
Total earnings before tax (EBT)	\$291	\$176	65 %
Income tax	67	43	57
Net income	\$224	\$133	68 %
Net income per diluted share	\$4.47	\$2.79	60 %
Weighted average shares outstanding – diluted	50.0	47.8	

See "Financial Measures" in earnings press release for a discussion of non-GAAP Financial Measures
Totals may not sum due to rounding

Financial Results – Segments

(\$ in millions)

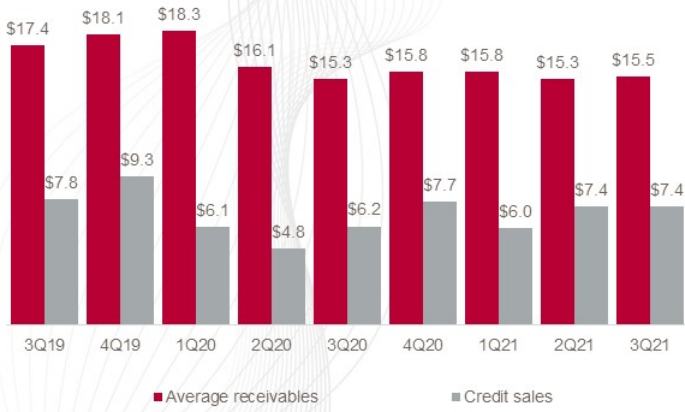
	3Q21	3Q20	% Change
LoyaltyOne	\$169	\$185	(8)%
Card Services	930	866	7
Corporate/Other	-	-	nm
Total revenue	\$1,099	\$1,050	5%
LoyaltyOne	\$45	\$18	143%
Card Services	314	212	48
Corporate	(64)	(55)	17
Eliminations	(4)	-	nm
Total earnings before tax (EBT)	\$291	\$176	65%



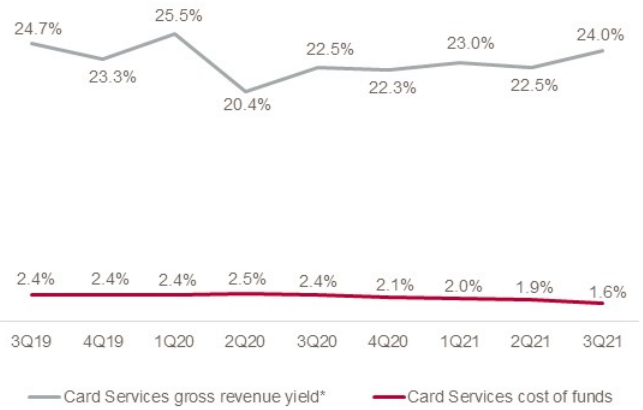
* Percentages based on Card Services and LoyaltyOne segments combined as reported excluding Corporate/Other and intersegment eliminations. Totals may not sum due to rounding; nm = not meaningful

Key Business Metrics

Average receivables and credit sales
(\$ in billions)

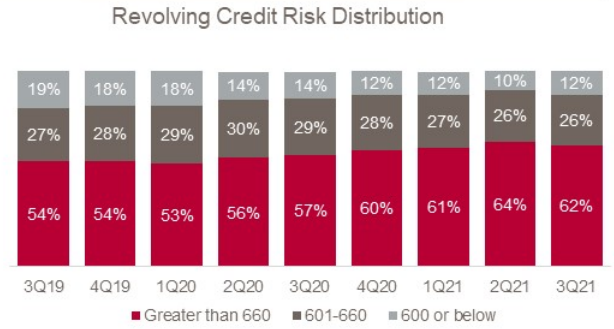
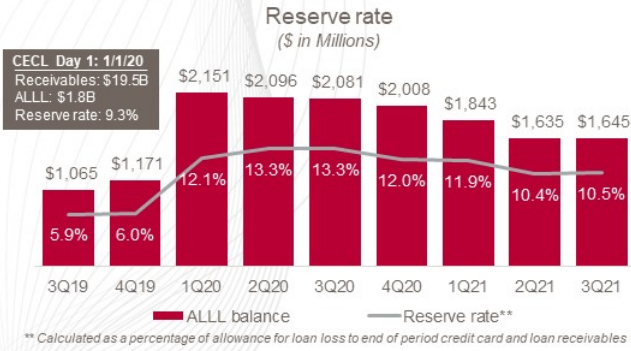
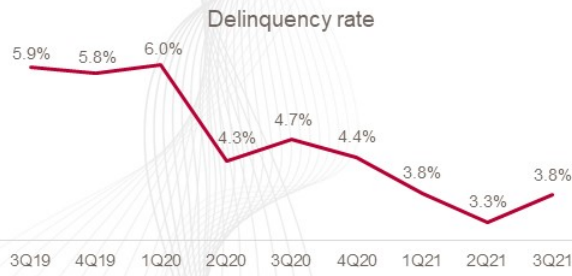


Card Services gross revenue yield and cost of funds



*Revenue divided by average receivables and held-for-sale receivables

Credit Quality and Allowance



2021 Financial Outlook

Full Year 2020 Actuals	Full Year 2021 Outlook	Commentary
Average receivables \$16,367 million	Down mid-single-digits	<ul style="list-style-type: none"> • Flat year-over-year in 2H21 • Expect year-end receivables to be in line with year-end 2020 • Credit sales up double-digits in 2021
Total revenue \$4,521 million	Down low-single-digits	<ul style="list-style-type: none"> • LoyaltyOne full year revenue growth in 2021 • 1Q21 Card Services revenue suppressed with receivable balances rebuilding from pandemic-related reductions • Card Services gross revenue yield remains steady
Total expenses* (Excludes provision for loan loss) \$2,861 million	Flat to down	<ul style="list-style-type: none"> • Includes accelerated digital investment and an increase in marketing spend from depressed levels in 2020 • Impacted by Bread® & Fiserv investment transition expenses
Net loss rate 2020 = 6.6%	High 4% range	<ul style="list-style-type: none"> • Credit performance reflective of disciplined risk management and environment

* Total expenses represent total operating expenses excluding provision for loan loss plus total interest expense, net

Our Business Transformation Continues

- 
- ✓ Simplifying our Business Model
 - ✓ Expanding our Product Suite
 - ✓ Leveraging our Bread Fintech Platform & Developing Strategic Relationships
 - ✓ Enhancing our Core Technology & Advancing Digital Capabilities
 - ✓ Attracting Top Talent, Activating DE&I Strategy, Driving Inclusive Culture
 - ✓ Changing the Way We Work
 - ✓ Improving our Leverage and Capital Ratios
 - ✓ Increased Prioritization of ESG Strategy, in Alignment with Business Transformation

Appendix



Key Business Metrics

	3Q21	3Q20	3Q21 vs 3Q20	2Q21	3Q21 vs 2Q21
LoyaltyOne (in millions)					
AIR MILES reward miles issued	1,155	1,240	(7)%	1,139	1%
AIR MILES reward miles redeemed	896	687	30%	800	12%
Card Services (\$ in millions)					
Credit sales	\$7,380	\$6,152	20%	\$7,401	-%
Average receivables	\$15,471	\$15,300	1%	\$15,282	1%
End of period receivables	\$15,690	\$15,599	1%	\$15,724	-%
Total gross revenue yield %	24.0%	22.5%	1.5%	22.5%	1.5%
Cost of funds	1.6%	2.4%	(0.8)%	1.9%	(0.3)%
Principal loss rate	3.9%	5.8%	(1.9)%	5.1%	(1.2)%
Reserve rate	10.5%	13.3%	(2.8)%	10.4%	0.1%
Delinquency rate	3.8%	4.7%	(0.9)%	3.3%	0.5%
Return on equity	37%	14%	23%	36%	1%

Key Business Metrics – Quarterly

	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
LoyaltyOne (in millions)									
AIR MILES reward miles issued	1,344	1,486	1,316	1,053	1,240	1,355	1,112	1,139	1,155
AIR MILES reward miles redeemed	1,078	1,199	994	608	687	838	739	800	896
Card Services (\$ in millions)									
Credit sales	\$7,824	\$9,297	\$6,099	\$4,799	\$6,152	\$7,657	\$6,043	\$7,401	\$7,380
Year-over-year change	6%	4%	-3%	-36%	-21%	-18%	-1%	54%	20%
Average receivables	\$17,449	\$18,096	\$18,294	\$16,116	\$15,300	\$15,759	\$15,785	\$15,282	\$15,471
Year-over-year change	-1%	8%	9%	-4%	-12%	-13%	-14%	-5%	1%
End of period receivables	\$17,928	\$19,463	\$17,732	\$15,809	\$15,599	\$16,784	\$15,537	\$15,724	\$15,690
Year-over-year change	3%	9%	5%	-10%	-13%	-14%	-12%	-1%	1%
Total gross revenue yield %	24.7%	23.3%	25.5%	20.4%	22.5%	22.3%	23.0%	22.5%	24.0%
Cost of funds	2.4%	2.4%	2.4%	2.5%	2.4%	2.1%	2.0%	1.9%	1.6%
Principal loss rate	5.6%	6.3%	7.0%	7.6%	5.8%	6.0%	5.0%	5.1%	3.9%
Reserve rate	5.9%	6.0%	12.1%	13.3%	13.3%	12.0%	11.9%	10.4%	10.5%
Delinquency rate	5.9%	5.8%	6.0%	4.3%	4.7%	4.4%	3.8%	3.3%	3.8%
Return on equity	28%	23%	18%	15%	14%	16%	27%	36%	37%

Financial Results – Quarterly

(\$ in millions, except per share)

	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
Total revenue	\$1,438	\$1,461	\$1,382	\$979	\$1,050	\$1,110	\$1,085	\$1,012	\$1,099
Total operating expenses, excl. provision for loan loss	836	771	562	555	552	699	548	553	555
Interest expense, net	140	142	139	128	115	113	109	102	92
Total expenses excl. provision for loan loss	976	913	701	683	667	812	657	655	647
Pre-tax pre-provision earnings (PPNR)	\$462	\$548	\$681	\$297	\$384	\$299	\$428	\$358	\$452
Provision for loan loss	297	381	656	250	208	152	33	(14)	161
Total earnings before tax (EBT)	\$164	\$167	\$25	\$47	\$176	\$146	\$394	\$372	\$291
Income tax	43	37	(5)	9	43	53	108	98	67
Income from continuing operations	\$122	\$130	\$30	\$38	\$133	\$93	\$286	\$273	\$224
Income from continuing operations per diluted share	\$2.41	\$2.74	\$0.63	\$0.81	\$2.79	\$1.93	\$5.74	\$5.47	\$4.47
Weighted average shares outstanding – diluted	50.4	47.6	47.7	47.7	47.8	48.4	49.8	50.0	50.0

(Including discontinued operations)									
Net income (loss)	\$(108)	\$98	\$30	\$38	\$133	\$12	\$286	\$273	\$224
Net income (loss) per diluted share	\$(2.13)	\$2.05	\$0.63	\$0.81	\$2.79	\$0.25	\$5.74	\$5.47	\$4.47

Totals may not sum due to rounding

Financial Results – Segments by Quarter

(\$ in millions)	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
LoyaltyOne	\$246	\$332	\$198	\$151	\$185	\$231	\$177	\$151	\$169
Card Services	\$1,192	1,128	1,184	828	866	879	908	861	930
Corporate/Other	-	-	-	-	-	-	-	-	-
Total revenue	\$1,438	\$1,461	\$1,382	\$979	\$1,050	\$1,110	\$1,085	\$1,012	\$1,099
LoyaltyOne	\$(5)	\$58	\$47	\$24	\$18	\$22	\$32	\$24	\$45
Card Services	300	162	32	70	212	187	410	404	314
Corporate/Other	(131)	(52)	(53)	(47)	(55)	(63)	(47)	(57)	(64)
Eliminations	-	-	-	-	-	-	-	-	(4)
Total earnings before tax (EBT)	\$164	\$167	\$25	\$47	\$176	\$146	\$394	\$372	\$291

Totals may not sum due to rounding

Funding, Capital and Liquidity

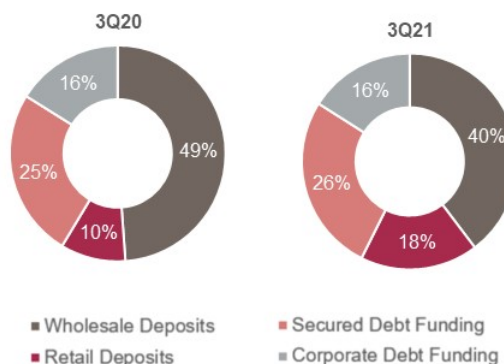
Parent Level

- Liquidity at 9/30 of \$1.1 billion, consisting of cash on hand plus revolver capacity
- Approximately \$332 million in cash and cash equivalents, ~\$750 million in unused revolver
- 9/30 TCE/TA ratio of ~4.0%. Expect ~300 basis point improvement in TCE/TA as a result of the spin

Bank Level

- Banks finished the quarter with \$2.8 billion in cash and \$3.3 billion in equity
- Total risk based capital ratio at 23.9% - over double the 10% threshold to be considered well-capitalized; CET1 at 22.6%
- Funding readily available with heavy demand for FDIC-insured deposit products – continued strategic focus on retail growth

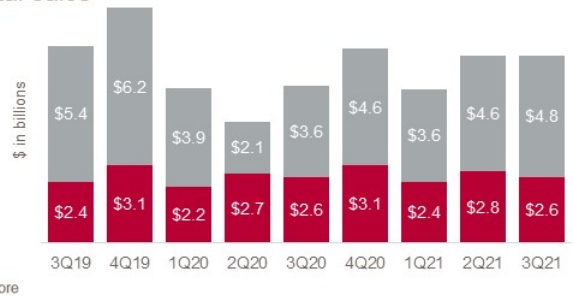
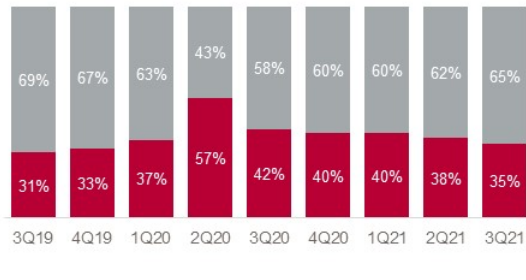
Funding Mix



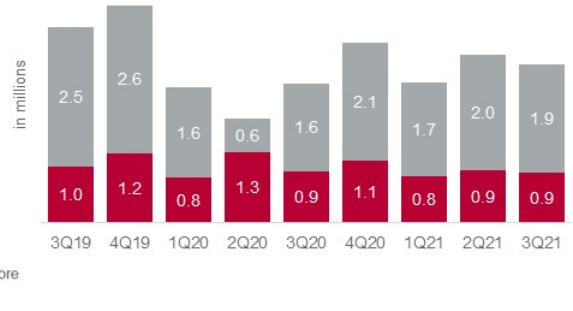
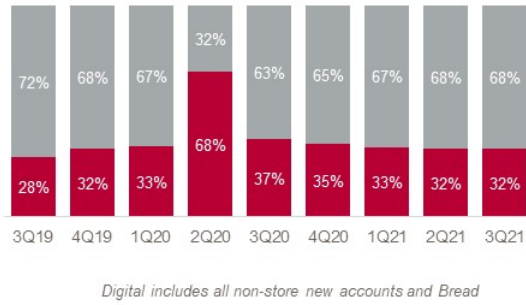
Combined Banks Capital Ratios	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
Common equity tier 1 capital ratio	15.5%	14.5%	15.9%	18.3%	18.8%	18.4%	21.0%	22.1%	22.6%
Tier 1 capital ratio	15.5%	14.5%	15.9%	18.3%	18.8%	18.4%	21.0%	22.1%	22.6%
Total risk based capital ratio	16.8%	15.8%	17.3%	19.7%	20.1%	19.7%	22.3%	23.4%	23.9%
Tier 1 leverage capital ratio	13.4%	12.5%	12.8%	14.2%	16.1%	17.1%	17.8%	19.2%	19.5%

Card Services Sales Data

In-store vs. digital sales



In-store vs. digital new accounts



Digital includes all non-store new accounts and Bread