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**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

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**FORM 8-K**

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

Date of report (Date of earliest event reported):  
**March 10, 2008**

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**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.)

**17655 WATERVIEW PARKWAY**  
**DALLAS, TEXAS 75252**  
(Address and Zip Code of Principal Executive Offices)

**(972) 348-5100**  
(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
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**ITEM 2.05 Costs Associated with Exit or Disposal Activities.**

On March 10, 2008 Alliance Data Systems Corporation's (the "Company") board of directors approved management's proposed disposition plan related to the Company's merchant services and utility services business units based on its conclusion that these business units no longer fit within the Company's business strategy of being a leading provider of data-driven and transaction-based marketing and customer loyalty solutions. Management is exploring the potential sale of each of these business units. It is expected that any disposition of our merchant services or utility services business units would be completed within the next twelve months. At the time of this filing, the Company is unable to make a determination of the total estimated amount or range of amounts expected to be incurred with the disposition of these business units.

**ITEM 7.01 Regulation FD Disclosure.**

Beginning with the first quarter of 2008, and for all prior periods, the results of the merchant services and utility services business units have been removed from the Transaction Services segment and reclassified to the discontinued operations line on the Company's Consolidated Statements of Income.

Also, beginning with the first quarter of 2008, the Company has reorganized its businesses into four reportable operating segments as follows:

- (1) Loyalty Services, which includes the Company's Canadian AIR MILES® Reward Program;
- (2) Epsilon Marketing Services;
- (3) Private Label Services, which includes transaction processing, customer care and collections services for the Company's private label and other retail card programs; and
- (4) Private Label Credit, which includes risk management solutions, account origination and funding services for the Company's private label and other retail card programs.

In addition, corporate and all other immaterial businesses will be reported collectively as an "all other" category labeled "Corporate/Other." Neither the reclassification of the Company's merchant services and utility services business units as discontinued operations nor the reorganization of the Company's reportable operating segments had an impact on the Company's net income. Financial and other information reflecting the reorganization of the Company's reportable operating segments and the reclassification of the merchant services and the utility services business units as discontinued operations are furnished in Exhibit 99.1 and incorporated by reference herein.

In addition to the results presented in accordance with generally accepted accounting principles, or GAAP, the Company presents financial measures that are non-GAAP measures, such as adjusted EBITDA, operating EBITDA, cash earnings and cash earnings per diluted share. These non-GAAP financial measures also exclude the impact of the loss associated with the sale of the mail services business unit and merger and other costs. 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 operating segments and the overall effectiveness of senior management. Reconciliations to comparable GAAP financial measures are available in Exhibit 99.1. 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 our various agreements or public filings.

The Company will host a conference call on March 13, 2008 at 4:30 p.m. (Eastern) to provide a business update and conduct a question and answer session. The conference call will be available via the Internet at [www.alliancedata.com](http://www.alliancedata.com). The slide presentation to be discussed during the conference call is furnished as Exhibit 99.2 to this report.

**ITEM 9.01 Financial Statements and Exhibits**

(d) Exhibits

<u>EXHIBIT NUMBER</u>	<u>DESCRIPTION</u>
99.1	Unaudited Consolidated Statements of Income for the quarters ended March 31, 2007, 2006 and 2005; June 30, 2007, 2006 and 2005; September 30, 2007, 2006 and 2005; and December 31, 2007, 2006 and 2005; and for the years ended December 31, 2007, 2006 and 2005.  Unaudited Segment Information for the quarters ended March 31, 2007, 2006 and 2005; June 30, 2007, 2006 and 2005; September 30, 2007, 2006 and 2005; and December 31, 2007, 2006 and 2005; and for the years ended December 31, 2007, 2006 and 2005.  Unaudited Reconciliation of Non-GAAP Information for the quarters ended March 31, 2007, 2006 and 2005; June 30, 2007, 2006 and 2005; September 30, 2007, 2006 and 2005; and December 31, 2007, 2006 and 2005; and for the years ended December 31, 2007, 2006 and 2005.
99.2	Investor Presentation Materials.

*Note:* The information contained in Exhibits 99.1 and 99.2 of this report 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: March 13, 2008

By: /s/ Edward J. Heffernan  
Edward J. Heffernan  
Executive Vice President and  
Chief Financial Officer

**EXHIBIT INDEX**

**EXHIBIT  
NUMBER**

**DESCRIPTION**

99.1

Unaudited Consolidated Statements of Income for the quarters ended March 31, 2007, 2006 and 2005; June 30, 2007, 2006 and 2005; September 30, 2007, 2006 and 2005; and December 31, 2007, 2006 and 2005; and for the years ended December 31, 2007, 2006 and 2005.

Unaudited Segment Information for the quarters ended March 31, 2007, 2006 and 2005; June 30, 2007, 2006 and 2005; September 30, 2007, 2006 and 2005; and December 31, 2007, 2006 and 2005; and for the years ended December 31, 2007, 2006 and 2005.

Unaudited Reconciliation of Non-GAAP Information for the quarters ended March 31, 2007, 2006 and 2005; June 30, 2007, 2006 and 2005; September 30, 2007, 2006 and 2005; and December 31, 2007, 2006 and 2005; and for the years ended December 31, 2007, 2006 and 2005.

99.2

Investor Presentation Materials.

Financial information for the following tables has been revised to reflect our merchant processing and our utility services businesses as discontinued operations. Additionally, segment information has been revised to reflect the Company's organizational changes that were effective in the first quarter of 2008.

	Three Months Ended				Year Ended
	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007	December 31, 2007
	(In thousands, except per share amounts)				
<b>Total revenue</b>	\$466,347	\$481,820	\$ 492,026	\$ 521,966	\$1,962,159
<b>Operating expenses</b>					
Cost of operations (exclusive of depreciation and amortization disclosed separately below)	293,591	319,870	319,085	372,085	1,304,631
General and administrative	23,303	21,216	22,488	13,891	80,898
Depreciation and other amortization	13,749	14,919	15,368	15,652	59,688
Amortization of purchased intangibles	15,133	17,423	17,380	17,387	67,323
Loss on the sale of assets	—	—	—	16,045	16,045
Merger costs	—	6,171	2,133	4,045	12,349
Total operating expenses	345,776	379,599	376,454	439,105	1,540,934
Operating income	120,571	102,221	115,572	82,861	421,225
Interest income	(2,775)	(1,997)	(2,851)	(2,817)	(10,440)
Interest expense	18,575	20,931	20,622	19,693	79,821
Income from continuing operations before income taxes	104,771	83,287	97,801	65,985	351,844
Provision for income taxes	40,056	31,752	36,535	29,060	137,403
Income from continuing operations	64,715	51,535	61,266	36,925	214,441
Discontinued operations, net of taxes <sup>(1)</sup>	(7,855)	(7,446)	(32,093)	(2,986)	(50,380)
<b>Net income</b>	<u>\$ 56,860</u>	<u>\$ 44,089</u>	<u>\$ 29,173</u>	<u>\$ 33,939</u>	<u>\$ 164,061</u>
Per share data:					
Basic – Income from continuing operations	\$ 0.82	\$ 0.66	\$ 0.78	\$ 0.47	\$ 2.74
Basic – Discontinued operations	\$ (0.10)	\$ (0.10)	\$ (0.41)	\$ (0.04)	\$ (0.64)
Basic – Net income	\$ 0.72	\$ 0.56	\$ 0.37	\$ 0.43	\$ 2.09
Diluted – Income from continuing operations	\$ 0.80	\$ 0.64	\$ 0.76	\$ 0.46	\$ 2.65
Diluted – Discontinued operations	\$ (0.10)	\$ (0.09)	\$ (0.40)	\$ (0.04)	\$ (0.62)
Diluted – Net income	\$ 0.70	\$ 0.55	\$ 0.36	\$ 0.42	\$ 2.03
Weighted average shares:					
Basic	79,016	78,160	78,201	78,226	78,403
Diluted	81,109	80,504	80,734	81,011	80,811

<sup>(1)</sup> During the third quarter of 2007, the Company recorded a pre-tax impairment charge of \$40.0 million related to the write-down of certain long-lived assets in the Company's utility services business. The amount net of tax is classified as part of our discontinued operations.

	Three Months Ended				Year Ended
	March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006	December 31, 2006
	(In thousands, except per share amounts)				
<b>Total revenue</b>	\$392,700	\$402,233	\$ 416,961	\$ 438,655	\$1,650,549
<b>Operating expenses</b>					
Cost of operations (exclusive of depreciation and amortization disclosed separately below)	248,552	271,071	270,696	305,610	1,095,929
General and administrative	19,966	21,001	28,150	22,698	91,815
Depreciation and other amortization	11,502	11,595	12,360	13,042	48,499
Amortization of purchased intangibles	7,660	11,390	10,414	11,462	40,926
<b>Total operating expenses</b>	<b>287,680</b>	<b>315,057</b>	<b>321,620</b>	<b>352,812</b>	<b>1,277,169</b>
Operating income	105,020	87,176	95,341	85,843	373,380
Interest income	(1,737)	(1,230)	(1,534)	(1,767)	(6,268)
Interest expense	10,126	11,206	12,107	13,551	46,990
Income from continuing operations before income taxes	96,631	77,200	84,768	74,059	332,658
Provision for income taxes	36,548	29,818	32,041	27,854	126,261
<b>Income from continuing operations</b>	<b>60,083</b>	<b>47,382</b>	<b>52,727</b>	<b>46,205</b>	<b>206,397</b>
Discontinued operations, net of taxes	(3,663)	(2,587)	(3,947)	(6,595)	(16,792)
<b>Net income</b>	<b>\$ 56,420</b>	<b>\$ 44,795</b>	<b>\$ 48,780</b>	<b>\$ 39,610</b>	<b>\$ 189,605</b>
<b>Per share data:</b>					
Basic – Income from continuing operations	\$ 0.75	\$ 0.59	\$ 0.66	\$ 0.58	\$ 2.59
Basic – Discontinued operations	\$ (0.05)	\$ (0.03)	\$ (0.05)	\$ (0.08)	\$ (0.21)
Basic – Net income	\$ 0.70	\$ 0.56	\$ 0.61	\$ 0.50	\$ 2.38
Diluted – Income from continuing operations	\$ 0.74	\$ 0.58	\$ 0.65	\$ 0.57	\$ 2.53
Diluted – Discontinued operations	\$ (0.04)	\$ (0.03)	\$ (0.05)	\$ (0.08)	\$ (0.21)
Diluted – Net income	\$ 0.69	\$ 0.55	\$ 0.60	\$ 0.48	\$ 2.32
<b>Weighted average shares:</b>					
Basic	80,065	80,074	79,612	79,269	79,735
Diluted	81,667	81,924	81,491	81,743	81,686

	Three Months Ended				Year Ended
	March 31, 2005	June 30, 2005	September 30, 2005	December 31, 2005	December 31, 2005
	(In thousands, except per share amounts)				
<b>Total revenue</b>	\$ 305,393	\$ 292,569	\$ 298,056	\$ 336,462	\$ 1,232,480
<b>Operating expenses</b>					
Cost of operations (exclusive of depreciation and amortization disclosed separately below)	196,526	201,110	200,129	232,783	830,548
General and administrative	24,299	18,611	23,050	25,572	91,532
Depreciation and other amortization	9,519	9,777	9,997	11,252	40,545
Amortization of purchased intangibles	5,656	5,646	5,614	6,088	23,004
Total operating expenses	236,000	235,144	238,790	275,695	985,629
Operating income	69,393	57,425	59,266	60,767	246,851
Interest income	(751)	(671)	(855)	(1,525)	(3,802)
Interest expense	3,283	2,931	3,137	8,356	17,707
Income from continuing operations before income taxes	66,861	55,165	56,984	53,936	232,946
Provision for income taxes	24,553	20,488	21,294	19,983	86,318
Income from continuing operations	42,308	34,677	35,690	33,953	146,628
Discontinued operations, net of taxes	(5,126)	(295)	162	(2,624)	(7,883)
<b>Net income</b>	<u>\$ 37,182</u>	<u>\$ 34,382</u>	<u>\$ 35,852</u>	<u>\$ 31,329</u>	<u>\$ 138,745</u>
Per share data:					
Basic – Income from continuing operations	\$ 0.51	\$ 0.42	\$ 0.43	\$ 0.42	\$ 1.78
Basic – Discontinued operations	\$ (0.06)	\$ 0.00	\$ 0.00	\$ (0.03)	\$ (0.10)
Basic – Net income	\$ 0.45	\$ 0.42	\$ 0.43	\$ 0.39	\$ 1.69
Diluted – Income from continuing operations	\$ 0.49	\$ 0.40	\$ 0.42	\$ 0.41	\$ 1.73
Diluted – Discontinued operations	\$ (0.06)	\$ 0.00	\$ 0.00	\$ (0.03)	\$ (0.09)
Diluted – Net income	\$ 0.43	\$ 0.40	\$ 0.42	\$ 0.38	\$ 1.64
Weighted average shares:					
Basic	82,329	82,750	82,755	81,003	82,208
Diluted	85,713	85,638	85,249	82,423	84,637



	Three Months Ended				Year Ended
	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007	December 31, 2007
	(In thousands, except per share amounts)				
Income from continuing operations (GAAP Measure)	\$ 64,715	\$ 51,535	\$ 61,266	\$ 36,925	\$ 214,441
Stock compensation expense	10,434	10,185	14,539	13,153	48,311
Provision for income taxes	40,056	31,752	36,535	29,060	137,403
Interest expense, net	15,800	18,934	17,771	16,876	69,381
Loss on sale of assets	—	—	—	16,045	16,045
Merger and other costs	—	6,171	6,049	7,373	19,593
Depreciation and other amortization	13,749	14,919	15,368	15,652	59,688
Amortization of purchased intangibles	15,133	17,423	17,380	17,387	67,323
<b>Adjusted EBITDA</b>	<b>\$159,887</b>	<b>\$150,919</b>	<b>\$ 168,908</b>	<b>\$ 152,471</b>	<b>\$ 632,185</b>
Change in deferred revenue	13,058	73,612	65,986	24,186	176,842
Change in redemption settlement assets	(16,630)	(11,391)	(26,623)	(1,452)	(56,096)
Foreign currency impact	(4,888)	(38,737)	(29,798)	(5,083)	(78,506)
<b>Operating EBITDA</b>	<b>\$151,427</b>	<b>\$174,403</b>	<b>\$ 178,473</b>	<b>\$ 170,122</b>	<b>\$ 674,425</b>
<b>Cash Earnings:</b>					
Income from continuing operations (GAAP Measure)	\$ 64,715	\$ 51,535	\$ 61,266	\$ 36,925	\$ 214,441
Add back non-cash operating items and merger and other costs:					
Amortization of purchased intangibles	15,133	17,423	17,380	17,387	67,323
Stock compensation expense	10,434	10,185	14,539	13,153	48,311
Loss on the sale of assets	—	—	—	16,045	16,045
Merger and other costs	—	6,171	6,049	7,373	19,593
Income tax effect	(9,040)	(12,189)	(13,486)	(17,203)	(51,918)
<b>Cash Earnings</b>	<b>\$ 81,242</b>	<b>\$ 73,125</b>	<b>\$ 85,748</b>	<b>\$ 73,680</b>	<b>\$ 313,795</b>
Weighted average diluted shares	81,109	80,504	80,734	81,011	80,811
Cash earnings per diluted share	\$ 1.00	\$ 0.91	\$ 1.06	\$ 0.91	\$ 3.88

	Three Months Ended				Year Ended
	March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006	December 31, 2006
	(In thousands, except per share amounts)				
Income from continuing operations (GAAP Measure)	\$ 60,083	\$ 47,382	\$ 52,727	\$ 46,205	\$ 206,397
Stock compensation expense	5,530	10,633	9,793	9,835	35,791
Provision for income taxes	36,548	29,818	32,041	27,854	126,261
Interest expense, net	8,389	9,976	10,573	11,784	40,722
Depreciation and other amortization	11,502	11,595	12,360	13,042	48,499
Amortization of purchased intangibles	7,660	11,390	10,414	11,462	40,926
<b>Adjusted EBITDA</b>	<b>\$ 129,712</b>	<b>\$ 120,794</b>	<b>\$ 127,908</b>	<b>\$ 120,182</b>	<b>\$ 498,596</b>
Change in deferred revenue	8,253	43,541	16,087	(26,908)	40,973
Change in redemption settlement assets	(5,431)	(14,371)	(9,188)	28,996	6
Foreign currency impact	1,958	(17,308)	(120)	17,440	1,970
<b>Operating EBITDA</b>	<b>\$ 134,492</b>	<b>\$ 132,656</b>	<b>\$ 134,687</b>	<b>\$ 139,710</b>	<b>\$ 541,545</b>
<b>Cash Earnings:</b>					
Income from continuing operations (GAAP Measure)	\$ 60,083	\$ 47,382	\$ 52,727	\$ 46,205	\$ 206,397
Add back non-cash operating items and merger and other costs:					
Amortization of purchased intangibles	7,660	11,390	10,414	11,462	40,926
Stock compensation expense	5,530	10,633	9,793	9,835	35,791
Income tax effect	(4,343)	(7,711)	(6,927)	(7,299)	(26,280)
<b>Cash Earnings</b>	<b>\$ 68,930</b>	<b>\$ 61,694</b>	<b>\$ 66,007</b>	<b>\$ 60,203</b>	<b>\$ 256,834</b>
Weighted average diluted shares	81,667	81,924	81,491	81,743	81,686
Cash earnings per diluted share	\$ 0.84	\$ 0.75	\$ 0.81	\$ 0.74	\$ 3.14

	Three Months Ended				Year Ended
	March 31, 2005	June 30, 2005	September 30, 2005	December 31, 2005	December 31, 2005
	(In thousands, except per share amounts)				
Income from continuing operations (GAAP Measure)	\$42,308	\$34,677	\$ 35,690	\$ 33,953	\$ 146,628
Stock compensation expense	802	1,203	1,257	7,699	10,961
Provision for income taxes	24,553	20,488	21,294	19,983	86,318
Interest expense, net	2,532	2,260	2,282	6,831	13,905
Depreciation and other amortization	9,519	9,777	9,997	11,252	40,545
Amortization of purchased intangibles	5,656	5,646	5,614	6,088	23,004
<b>Adjusted EBITDA</b>	<b>\$85,370</b>	<b>\$74,051</b>	<b>\$ 76,134</b>	<b>\$ 85,806</b>	<b>\$ 321,361</b>
Change in deferred revenue	2,712	4,387	44,092	12,219	63,410
Change in redemption settlement assets	(312)	4,748	(18,265)	(3,642)	(17,471)
Foreign currency impact	1,689	3,599	(18,329)	(1,351)	(14,392)
<b>Operating EBITDA</b>	<b>\$89,459</b>	<b>\$86,785</b>	<b>\$ 83,632</b>	<b>\$ 93,032</b>	<b>\$ 352,908</b>
Cash Earnings:					
Income from continuing operations (GAAP Measure)	\$42,308	\$34,677	\$ 35,690	\$ 33,953	\$ 146,628
Add back non-cash operating items and merger and other costs:					
Amortization of purchased intangibles	5,656	5,646	5,614	6,088	23,004
Stock compensation expense	802	1,203	1,257	7,699	10,961
Income tax effect	(2,372)	(2,544)	(2,568)	(4,523)	(12,007)
<b>Cash Earnings</b>	<b>\$46,394</b>	<b>\$38,982</b>	<b>\$ 39,993</b>	<b>\$ 43,217</b>	<b>\$ 168,586</b>
Weighted average diluted shares	85,713	85,638	85,249	82,423	84,637
Cash earnings per diluted share	\$ 0.54	\$ 0.46	\$ 0.47	\$ 0.52	\$ 1.99

	Three Months Ended				Year Ended
	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007	December 31, 2007
(In thousands, except percentages)					
<b>Revenue:</b>					
Loyalty Services	\$ 131,816	\$ 153,228	\$ 150,304	\$ 193,444	\$ 628,792
Epsilon Marketing Services	98,582	109,369	122,866	127,793	458,610
Private Label Services	97,896	91,546	92,552	88,838	370,832
Private Label Credit	219,816	206,251	207,587	194,298	827,952
Corporate/Other	11,186	10,183	8,633	3,358	33,360
Eliminations	(92,949)	(88,757)	(89,916)	(85,765)	(357,387)
Total	<u>\$ 466,347</u>	<u>\$ 481,820</u>	<u>\$ 492,026</u>	<u>\$ 521,966</u>	<u>\$1,962,159</u>
<b>Adjusted EBITDA:</b>					
Loyalty Services	\$ 25,495	\$ 32,295	\$ 35,520	\$ 38,826	\$ 132,136
Epsilon Marketing Services	20,941	23,595	36,820	36,863	118,219
Private Label Services	32,503	24,620	24,222	17,739	99,084
Private Label Credit	99,975	89,360	89,041	71,703	350,079
Corporate/Other	(19,027)	(18,951)	(16,695)	(12,660)	(67,333)
Total	<u>\$ 159,887</u>	<u>\$ 150,919</u>	<u>\$ 168,908</u>	<u>\$ 152,471</u>	<u>\$ 632,185</u>
<b>Stock compensation expense:</b>					
Loyalty Services	\$ 1,922	\$ 1,804	\$ 1,833	\$ 1,794	\$ 7,353
Epsilon Marketing Services	2,036	2,469	2,871	4,004	11,380
Private Label Services	1,344	1,314	1,292	1,663	5,613
Private Label Credit	202	193	190	189	774
Corporate/Other	4,930	4,405	8,353	5,503	23,191
Total	<u>\$ 10,434</u>	<u>\$ 10,185</u>	<u>\$ 14,539</u>	<u>\$ 13,153</u>	<u>\$ 48,311</u>
<b>Depreciation and amortization:</b>					
Loyalty Services	\$ 5,455	\$ 6,035	\$ 6,146	\$ 6,965	\$ 24,601
Epsilon Marketing Services	15,403	18,425	18,794	19,279	71,901
Private Label Services	2,353	2,165	2,009	1,902	8,429
Private Label Credit	2,830	2,789	2,776	2,836	11,231
Corporate/Other	2,841	2,928	3,023	2,057	10,849
Total	<u>\$ 28,882</u>	<u>\$ 32,342</u>	<u>\$ 32,748</u>	<u>\$ 33,039</u>	<u>\$ 127,011</u>
<b>Operating expenses<sup>(1)</sup>:</b>					
Loyalty Services	\$ 106,321	\$ 120,933	\$ 114,784	\$ 154,618	\$ 496,656
Epsilon Marketing Services	77,641	85,774	86,046	90,930	340,391
Private Label Services	65,393	66,926	68,330	71,099	271,748
Private Label Credit	119,841	116,891	118,546	122,595	477,873
Corporate/Other	30,213	29,134	25,328	16,018	100,693
Eliminations	(92,949)	(88,757)	(89,916)	(85,765)	(357,387)
Total	<u>\$ 306,460</u>	<u>\$ 330,901</u>	<u>\$ 323,118</u>	<u>\$ 369,495</u>	<u>\$1,329,974</u>
<b>Operating income from continuing operations:</b>					
Loyalty Services	\$ 18,119	\$ 24,456	\$ 27,540	\$ 30,069	\$ 100,184
Epsilon Marketing Services	3,501	2,701	15,154	13,579	34,935
Private Label Services	28,806	21,142	20,921	14,173	85,042
Private Label Credit	96,943	86,378	86,076	68,678	338,075
Corporate/Other	(26,798)	(32,456)	(34,119)	(43,638)	(137,011)
Total	<u>\$ 120,571</u>	<u>\$ 102,221</u>	<u>\$ 115,572</u>	<u>\$ 82,861</u>	<u>\$ 421,225</u>
<b>Adjusted EBITDA margin<sup>(2)</sup>:</b>					
Loyalty Services	19.3%	21.1%	23.6%	20.1%	21.0%
Epsilon Marketing Services	21.2%	21.6%	30.0%	28.8%	25.8%
Private Label Services	33.2%	26.9%	26.2%	20.0%	26.7%
Private Label Credit	45.5%	43.3%	42.9%	36.9%	42.3%
Total	<u>34.3%</u>	<u>31.3%</u>	<u>34.3%</u>	<u>29.2%</u>	<u>32.2%</u>
<b>Segment operating data:</b>					
AIR MILES reward miles issued	942,106	1,036,083	1,019,968	1,144,844	4,143,001
AIR MILES reward miles redeemed	644,329	673,923	615,348	789,924	2,723,524
Private Label statements generated	34,425	33,748	33,931	33,157	135,261
Credit sales	\$1,586,455	\$1,917,194	\$1,773,529	\$2,225,769	\$7,502,947
Average managed receivables	\$3,916,191	\$3,853,346	\$3,901,632	\$3,967,339	\$3,909,627

(1) Operating expenses excludes stock compensation expense, depreciation, amortization, loss on the sale of assets, merger and other costs.

(2) Adjusted EBITDA margin is adjusted EBITDA divided by revenue. Management uses adjusted EBITDA margin to analyze the operating performance of the segments and the impact revenue growth has on operating expenses.

	Three Months Ended				Year Ended
	March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006	December 31, 2006
(In thousands, except percentages)					
<b>Revenue:</b>					
Loyalty Services	\$ 116,875	\$ 132,223	\$ 135,998	\$ 156,131	\$ 541,227
Epsilon Marketing Services	58,654	75,385	80,551	87,480	302,070
Private Label Services	96,589	94,371	94,760	96,960	382,680
Private Label Credit	202,037	180,134	185,064	178,101	745,336
Corporate/Other	8,679	8,472	9,527	10,347	37,025
Eliminations	(90,134)	(88,352)	(88,939)	(90,364)	(357,789)
Total	<u>\$ 392,700</u>	<u>\$ 402,233</u>	<u>\$ 416,961</u>	<u>\$ 438,655</u>	<u>\$1,650,549</u>
<b>Adjusted EBITDA:</b>					
Loyalty Services	\$ 20,350	\$ 23,950	\$ 29,977	\$ 29,375	\$ 103,652
Epsilon Marketing Services	10,500	16,992	21,342	25,324	74,158
Private Label Services	32,168	29,668	30,390	27,609	119,835
Private Label Credit	87,052	67,143	71,189	57,321	282,705
Corporate/Other	(20,358)	(16,959)	(24,990)	(19,447)	(81,754)
Total	<u>\$ 129,712</u>	<u>\$ 120,794</u>	<u>\$ 127,908</u>	<u>\$ 120,182</u>	<u>\$ 498,596</u>
<b>Stock compensation expense:</b>					
Loyalty Services	\$ 1,701	\$ 2,050	\$ 1,867	\$ 1,874	\$ 7,492
Epsilon Marketing Services	1,127	1,425	1,462	1,475	5,489
Private Label Services	1,276	1,491	1,336	1,379	5,482
Private Label Credit	204	237	213	215	869
Corporate/Other	1,222	5,430	4,915	4,892	16,459
Total	<u>\$ 5,530</u>	<u>\$ 10,633</u>	<u>\$ 9,793</u>	<u>\$ 9,835</u>	<u>\$ 35,791</u>
<b>Depreciation and amortization:</b>					
Loyalty Services	\$ 5,333	\$ 5,893	\$ 5,769	\$ 5,798	\$ 22,793
Epsilon Marketing Services	6,369	8,707	8,997	10,400	34,473
Private Label Services	2,609	2,621	2,592	2,603	10,425
Private Label Credit	2,531	3,262	2,817	2,798	11,408
Corporate/Other	2,320	2,502	2,599	2,905	10,326
Total	<u>\$ 19,162</u>	<u>\$ 22,985</u>	<u>\$ 22,774</u>	<u>\$ 24,504</u>	<u>\$ 89,425</u>
<b>Operating expenses<sup>(1)</sup>:</b>					
Loyalty Services	\$ 96,525	\$ 108,273	\$ 106,021	\$ 126,756	\$ 437,575
Epsilon Marketing Services	48,154	58,393	59,209	62,156	227,912
Private Label Services	64,421	64,703	64,370	69,351	262,845
Private Label Credit	114,985	112,991	113,875	120,780	462,631
Corporate/Other	29,037	25,431	34,517	29,794	118,779
Eliminations	(90,134)	(88,352)	(88,939)	(90,364)	(357,789)
Total	<u>\$ 262,988</u>	<u>\$ 281,439</u>	<u>\$ 289,053</u>	<u>\$ 318,473</u>	<u>\$1,151,953</u>
<b>Operating income from continuing operations:</b>					
Loyalty Services	\$ 13,317	\$ 16,006	\$ 22,342	\$ 21,704	\$ 73,369
Epsilon Marketing Services	3,004	6,860	10,884	13,448	34,196
Private Label Services	28,283	25,556	26,461	23,627	103,927
Private Label Credit	84,317	63,645	68,158	54,308	270,428
Corporate/Other	(23,901)	(24,891)	(32,504)	(27,244)	(108,540)
Total	<u>\$ 105,020</u>	<u>\$ 87,176</u>	<u>\$ 95,341</u>	<u>\$ 85,843</u>	<u>\$ 373,380</u>
<b>Adjusted EBITDA margin<sup>(2)</sup>:</b>					
Loyalty Services	17.4%	18.1%	22.0%	18.8%	19.2%
Epsilon Marketing Services	17.9%	22.5%	26.5%	28.9%	24.5%
Private Label Services	33.3%	31.4%	32.1%	28.5%	31.3%
Private Label Credit	43.1%	37.3%	38.5%	32.2%	37.9%
Total	<u>33.0%</u>	<u>30.0%</u>	<u>30.7%</u>	<u>27.4%</u>	<u>30.2%</u>
<b>Segment operating data:</b>					
AIR MILES reward miles issued	856,434	963,921	936,553	984,926	3,741,834
AIR MILES reward miles redeemed	554,311	580,252	578,564	743,806	2,456,933
Private Label statements generated	33,681	33,591	33,562	34,930	135,764
Credit sales	\$1,494,090	\$1,884,168	\$1,763,339	\$2,302,701	\$7,444,298
Average managed receivables	\$3,581,879	\$3,556,953	\$3,602,336	\$3,819,060	\$3,640,057

(1) Operating expenses excludes stock compensation expense, depreciation and amortization.

(2) Adjusted EBITDA margin is adjusted EBITDA divided by revenue. Management uses adjusted EBITDA margin to analyze the operating performance of the segments and the impact revenue growth has on operating expenses.

	Three Months Ended				Year Ended
	March 31, 2005	June 30, 2005	September 30, 2005	December 31, 2005	December 31, 2005
(In thousands, except percentages)					
<b>Revenue:</b>					
Loyalty Services	\$ 86,757	\$ 95,117	\$ 95,749	\$ 110,580	\$ 388,203
Epsilon Marketing Services	47,225	47,556	46,977	65,024	206,782
Private Label Services	88,747	82,385	84,693	89,898	345,723
Private Label Credit	153,308	132,662	139,142	144,661	569,773
Corporate/Other	9,998	9,346	8,108	7,553	35,005
Eliminations	(80,642)	(74,497)	(76,613)	(81,254)	(313,006)
Total	<u>\$ 305,393</u>	<u>\$ 292,569</u>	<u>\$ 298,056</u>	<u>\$ 336,462</u>	<u>\$ 1,232,480</u>
<b>Adjusted EBITDA:</b>					
Loyalty Services	\$ 17,927	\$ 19,398	\$ 18,095	\$ 16,746	\$ 72,166
Epsilon Marketing Services	7,485	9,042	9,191	15,023	40,741
Private Label Services	28,831	21,791	23,355	24,508	98,485
Private Label Credit	57,559	41,597	48,168	48,257	195,581
Corporate/Other	(26,432)	(17,777)	(22,675)	(18,728)	(85,612)
Total	<u>\$ 85,370</u>	<u>\$ 74,051</u>	<u>\$ 76,134</u>	<u>\$ 85,806</u>	<u>\$ 321,361</u>
<b>Stock compensation expense:</b>					
Loyalty Services	\$ 72	\$ 108	\$ 108	\$ 1,287	\$ 1,575
Epsilon Marketing Services	54	54	54	121	283
Private Label Services	49	73	73	732	927
Private Label Credit	2	3	3	91	99
Corporate/Other	625	965	1,019	5,468	8,077
Total	<u>\$ 802</u>	<u>\$ 1,203</u>	<u>\$ 1,257</u>	<u>\$ 7,699</u>	<u>\$ 10,961</u>
<b>Depreciation and amortization:</b>					
Loyalty Services	\$ 3,477	\$ 3,424	\$ 3,632	4,020	14,553
Epsilon Marketing Services	4,722	4,751	4,619	6,423	20,515
Private Label Services	3,308	3,349	3,425	3,359	13,441
Private Label Credit	1,948	1,876	1,894	929	6,647
Corporate/Other	1,720	2,023	2,041	2,609	8,393
Total	<u>\$ 15,175</u>	<u>\$ 15,423</u>	<u>\$ 15,611</u>	<u>\$ 17,340</u>	<u>\$ 63,549</u>
<b>Operating expenses<sup>(1)</sup>:</b>					
Loyalty Services	\$ 68,830	\$ 75,719	\$ 77,654	\$ 93,834	\$ 316,037
Epsilon Marketing Services	39,740	38,514	37,786	50,001	166,041
Private Label Services	59,916	60,594	61,338	65,390	247,238
Private Label Credit	95,749	91,065	90,974	96,404	374,192
Corporate/Other	36,430	27,123	30,783	26,281	120,617
Eliminations	(80,642)	(74,497)	(76,613)	(81,254)	(313,006)
Total	<u>\$ 220,023</u>	<u>\$ 218,518</u>	<u>\$ 221,922</u>	<u>\$ 250,656</u>	<u>\$ 911,119</u>
<b>Operating income from continuing operations:</b>					
Loyalty Services	\$ 14,379	\$ 15,866	\$ 14,356	\$ 11,438	\$ 56,039
Epsilon Marketing Services	2,709	4,237	4,518	8,480	19,944
Private Label Services	25,474	18,368	19,855	20,418	84,115
Private Label Credit	55,608	39,718	46,272	47,236	188,834
Corporate/Other	(28,777)	(20,764)	(25,735)	(26,805)	(102,081)
Total	<u>\$ 69,393</u>	<u>\$ 57,425</u>	<u>\$ 59,266</u>	<u>\$ 60,767</u>	<u>\$ 246,851</u>
<b>Adjusted EBITDA margin<sup>(2)</sup>:</b>					
Loyalty Services	20.7%	20.4%	18.9%	15.1%	18.6%
Epsilon Marketing Services	15.8%	19.0%	19.6%	23.1%	19.7%
Private Label Services	32.5%	26.5%	27.6%	27.3%	28.5%
Private Label Credit	37.5%	31.4%	34.6%	33.4%	34.3%
Total	<u>28.0%</u>	<u>25.3%</u>	<u>25.5%</u>	<u>25.5%</u>	<u>26.1%</u>
<b>Segment operating data:</b>					
AIR MILES reward miles issued	710,762	816,186	830,604	889,001	3,246,553
AIR MILES reward miles redeemed	459,647	514,041	475,400	574,130	2,023,218
Private Label statements generated	31,028	30,374	30,879	32,555	124,836
Credit sales	\$1,339,222	\$1,637,592	\$1,508,123	\$2,097,863	\$6,582,800
Average managed receivables	\$3,137,368	\$3,070,988	\$3,114,452	\$3,359,131	\$3,170,485

(1) Operating expenses excludes stock compensation expense, depreciation and amortization.

(2) Adjusted EBITDA margin is adjusted EBITDA divided by revenue. Management uses adjusted EBITDA margin to analyze the operating performance of the segments and the impact revenue growth has on operating expenses.

Alliance Data  
NYSE:ADS



Investor/Analyst  
Call  
March 13, 2008



## Alliance Data's Safe Harbor Statement/Forward-Looking Statements

- This presentation 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," "estimate," "expect," "intend," "predict," "project" 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. These risks, uncertainties and assumptions include those made with respect to and any developments related to the proposed merger with an affiliate of The Blackstone Group, including the risk that conditions to closing, including the condition relating to OCC approval, may not be satisfied and that the proposed merger may not be consummated, as well as risks and uncertainties arising from actions that the respective parties to the merger agreement may take in connection therewith. The Company cannot provide any assurance that the conditions to closing the transaction will be satisfied or that the proposed merger will be completed. 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.
- "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.





## Financial Measures

- In addition to the results presented in accordance with generally accepted accounting principles, or GAAP, the Company presents financial measures that are non-GAAP measures, such as adjusted EBITDA, operating EBITDA and cash earnings per share. The Company believes that these non-GAAP measures, viewed in addition to and not in lieu of the Company's reported GAAP results, provide useful information to investors regarding its 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. Definitions of these financial terms and reconciliations of these financial measures to comparable GAAP measures are available on the Company's website, except where, as in the case of adjusted EBITDA, operating EBITDA and cash earnings per share, the appropriate GAAP financial measure is not available on a forward-looking basis. The financial measures presented are consistent with the Company's historical financial reporting practices, except as noted with respect to the Company's revised segment reporting. The non-GAAP measures presented herein may not be comparable to similarly titled measures presented by other companies, and are not identical to corresponding measures used in our various agreements or public filings.



# Agenda

- Introduction
- Business Update
- Q&A



## Business Update

- Business Model & Key Financial Objectives
- Loyalty Services (AIR MILES® Reward Program - Canada)
- Epsilon Marketing Services
- Private Label Services
- Private Label Credit
- New Segmentation and Discontinued Operations
- Consolidated Alliance Data Financials & Guidance
- Consolidated Free Cash Flow
- Liquidity
- Q&A



## Business Model

### Largest and Most Comprehensive Provider of Transaction-based Marketing and Loyalty Solutions

- Highly sophisticated transaction-based programs are measurable, trackable and allow for micro-segmentation of clients' customers.
- Drives high ROIs for our clients and displaces traditional marketing channels, a \$670 billion market.
- Comprehensive nature of our programs cuts across many traditional industries.
  - Multi-channel marketing strategy
  - Data products
  - Database design and build
  - Analytics
  - Permission-based email
  - Customer care
  - Processing
  - Credit

Very "sticky" programs: recession resistant and resilient pricing power



# Business Model



## Example:

Captures past and current transactions from purchases, in-store and online interactions, responses to offers, etc.

Analyzes the data to know that the customer opts in to receive email offers, buys newest book releases online using special membership rate, also likes to browse in-store for paperbacks and music.

Develops permission-based email campaign for advance orders of newest release, suggests additional book titles and announces autograph signing at nearby store the following month.

Customer receives email and buys promoted book and makes another selection, attends autograph signing the following month where additional book purchase was made. The program yielded higher response rate to email campaign, larger average ticket and increased store traffic.



## Four Key Financial Objectives

1. Double-digit Organic Growth
2. Strong Free Cash Flow Conversion
  - Double-digit organic business growth, plus
  - Margin expansion: 14% (2000) → 32% (2007); >250bps a year
  - Capex improving from 5% → 3% of top-line
3. Strong Visibility, Predictability and Transparency
  - 27 consecutive quarters since IPO
  - High recession resiliency
4. Excellent Liquidity
  - \$3.8BN Capacity in Place → \$1.8BN Unused
  - Leverage <1x

Comfort at 3x → (“investment grade”)	<u>\$2.0BN Available</u> <u>\$3.8BN Unused/Available</u>
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## 2008 Outlook: Loyalty Services - Canada

- **AIR MILES® Reward Program is the Largest Mass Consumer Coalition Loyalty Program in Canada**
- 70% of Canadian Households Active in the Program
- One of Canada's Most Recognizable Brands
- Despite Name, Revenues are not Driven by Airline Industry.
- Revenues Generated from Consumers' Non-discretionary, High Frequency, Everyday Spend
  - Gas, Grocery, Pharmacy, Etc.
- Long Term Contracts with High Renewal Rate
- 2007 Operating EBITDA of \$174MM
  - (Adjusted EBITDA plus Loyalty Adjustment)
- Expect Mid-teens Adjusted EBITDA Growth in 2008
  - 100% Organic; driven by network effect, new sponsors, and larger commitments from current sponsors



Canada Safeway Limited



Shell Oil of Canada



## 2008 Outlook: Epsilon Marketing Services

- **Only Recognized Leader in Both Database Marketing and Email Marketing Services by Forrester**
- Most Comprehensive and Only Integrated Database Marketing Services Firm in the Industry
  - Marketing Strategy
  - Database Management
  - Proprietary Data Services
  - Analytical Services
  - Distribution (35 BN+ Permission-based Emails Sent Annually)
- Coalition Programs: Abacus, Citi ThankYou Network
- Individual Programs: Hilton HHonors, Barnes & Noble, Pfizer
- Top 25 Clients have Average Tenure of 10 Years
- 2007 Adjusted EBITDA of \$118MM
- Expect Mid-teens Adjusted EBITDA Growth in 2008
  - \$670BN Market: TV, radio, newspapers, magazines, outdoor, direct response & mail, events & promos
  - Massive Shift to ROI-based Programs
  - 100% Organic: Larger Commitments from Existing Clients and New Clients



Hilton



BARNES & NOBLE





## 2008 Outlook: Private Label Services

- **Fully Integrated Loyalty-driven Private Label and Co-brand Programs**
  - Loyalty & Marketing Programs
  - High-end Customer Care
  - Transaction Processing
- Consumer's Choice Driven by Loyalty and Relationship to Retailer, not a Need for Credit
- 2 of 3 Services (Loyalty/Marketing and Customer Care) Provide "Special Sauce" That Makes the Business Unique
- High Renewal Rate; Key Clients with Long Tenure
- 2007 Adjusted EBITDA of \$99MM
- Expect Mid-single Digit Adjusted EBITDA Growth in 2008
  - Grow-over from Lane Bryant
  - 280+ potential clients (50% have a program today)
    - Sign 4-5 new clients per year

ANN TAYLOR

J. CREW

Crate&Barrel

VICTORIA'S SECRET

*Eddie Bauer*  
EST. 1920

POTTERY BARN



## 2008 Outlook: Private Label Credit

- 11MM Active Households Each Month
  - 85% Female; Mid-to High-Income
  - Customer Views as Loyalty Program, not an Extension of Credit
  - 700 Average Bureau Score; Small Average Balances (\$350/acct.)
    - No Sub-prime Targeting
  - 2007 Adjusted EBITDA of \$350MM
  - Expect Mid-single Digit Adjusted EBITDA Growth in 2008 – It's Not the Macro Issues; It's Lane Bryant v. ramp-ups
    - (+) Yields Solid
    - (+) Portfolio Growth Solid – excl. Lane Bryant: 6%; including : flat
    - (+) Portfolio Sales Decent – excl. Lane Bryant: 5%; including: flat
- 
- (+) Funding Rates
  - (-) Slight Creep in Credit Losses – Master Trust } **Offset – Natural Hedge**

	<u>Sep '07</u>	<u>Oct '07</u>	<u>Nov '07</u>	<u>Dec '07</u>	<u>Jan '08</u>	<u>Feb '08</u>
Delinquencies	5.4%	5.5%	5.3%	5.1%	5.4%	5.3%
Losses	5.7%	5.4%	6.2%	5.7%	6.5%	6.3%



## Historical Segment Presentation

Segment:

Products  
and  
Services:

	<b>Marketing</b>	<b>Transaction</b>	<b>Credit</b>
	<ul style="list-style-type: none"> <li>• Loyalty AIR MILES Reward Program (Canada)</li> <li>• Epsilon Marketing Services</li> <li>• Corporate</li> </ul>	<ul style="list-style-type: none"> <li>• Transaction Processing/Customer Care/Marketing (Private Label)</li> <li>• Merchant Bankcard Acquiring Services</li> <li>• Utility Services</li> <li>• Corporate</li> </ul>	<ul style="list-style-type: none"> <li>• Credit (Private Label)</li> <li>• Corporate</li> </ul>

- Original Reporting Unchanged in 8 Years



## New Segment Presentation

Transparency Objective Plus Shift in Business Mix Dictate  
“More User Friendly” Approach

Segment:	<b>Loyalty Services</b>	<b>Epsilon Marketing Services</b>	<b>Private Label Services</b>	<b>Private Label Credit</b>
Services and Products:	Loyalty AIR MILES Reward Program	Epsilon	Private Label (processing, customer care, loyalty)	Private Label (credit)

- Corporate: will be reported separately
- Inter-segment: processing, customer care and loyalty/marketing services for Private Label will be marked up based on public comps and charged to Credit. Inter-segment revenues eliminated during consolidations.
- Discontinued Ops: due to commodity-type nature of Merchant Bankcard Acquiring Services & Utility Services businesses, fit is no longer strategic and will be moved to discontinued ops. Positive EBITDA, but, overall, negative cash flow due to capex.
- A complete PDF file of the new segment presentations will be posted on our website at: <http://www.alliancedata.com/downloads/segments.pdf>



## 2008 Outlook – Consolidated Alliance Data

	<u>2007</u>		<u>2008</u>		
	<u>Operating EBITDA*</u>				
• Loyalty Services	\$174MM				
• Epsilon Marketing Services	\$118MM				
• Private Label Services	\$ 99MM				
• Private Label Credit	<u>\$350MM</u>				
	<u>\$741MM</u>				
• Corporate	<u>\$(67)MM</u>				
	-----		-----		
• Operating EBITDA	<table border="1"><tr><td>\$674MM</td></tr></table>	\$674MM	→	<table border="1"><tr><td>&gt;\$730MM</td></tr></table>	>\$730MM
\$674MM					
>\$730MM					
• Adjusted EBITDA	<table border="1"><tr><td>\$632MM</td></tr></table>	\$632MM	→	<table border="1"><tr><td>&gt;\$700MM</td></tr></table>	>\$700MM
\$632MM					
>\$700MM					

\*Reflects impact of discontinued operations



## 2008 Guidance

- Reiterate Organic Growth Targets:

- Operating EBITDA >\$730MM
- Adjusted EBITDA >\$700MM
- Cash EPS \$4.30

### Cash EPS: Mid-teens Organic Growth

Q1: Flat (\$0.98-1.00)	(-) Lane Bryant Drag (-) 2008's Most Difficult Comps	
Q2: Low to Mid-teens (\$1.00)	(-) Lane Bryant Drag (+) Funding Benefits	(+) Private Label Ramp-ups
Q3: Mid to High-teens (\$1.15)	(-) Lane Bryant Drag (+) Funding Benefits	(+) Private Label Ramp-ups (+) Loyalty & Epsilon
Q4: Mid-20's (>\$1.15)	(+) Lane Bryant Anniv. (+) Funding Benefits	(+) Private Label Ramp-ups (+) Loyalty & Epsilon

Note: Adjusted EBITDA Will Follow A Similar Distribution



## 2008 Est. Free Cash Flow

(\$MM, Except per Share)

Adjusted EBITDA	> \$700	
Loyalty Adjustment	<u>30</u>	
Operating EBITDA	> <u>\$730</u>	
Less Capex/Int./Taxes	<u>(330)</u>	
Free Cash Flow	<u>\$400</u>	
Per Share	<u>\$5.00</u>	(11% yield)
+ Asset Sales / Other Initiatives	<u>TBD</u>	



## Liquidity - \$1.5 Billion New or Renewed Since October - Barclay's, Wachovia, J.P. Morgan, RBS

1. CDs	}	\$3.8 Billion Capacity	→	\$1.8 Billion Unused
2. Conduits (Off B/S)				
3. Revolver (Off B/S)				
4. Warehouse (Off B/S)				
5. Cash				

---

6. Net Debt (excludes CDs)	\$655		
Corp. 2008 FCF	<u>(\$400)</u>		
	\$255		
2008 Op. EBITDA	<u>\$730</u>		
Leverage	0.3x	→	\$2.0 Billion Available at 3x (Investment Grade)

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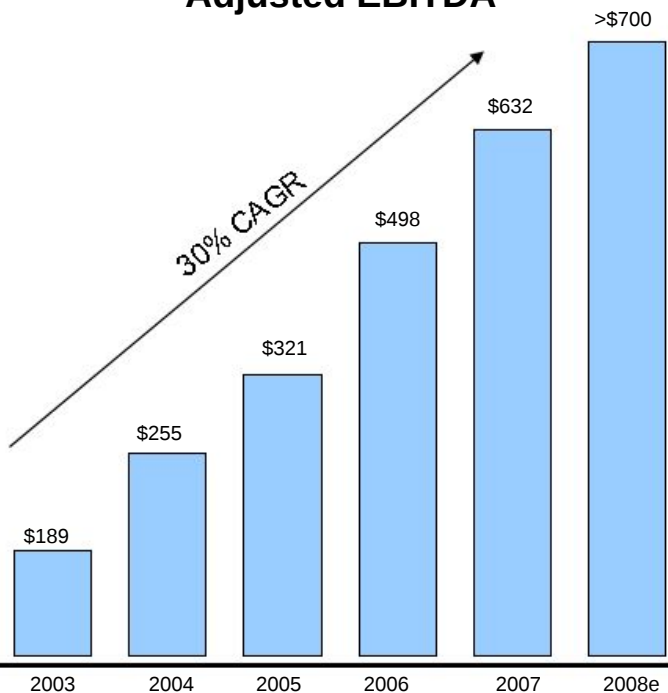
- 7. Private Markets
- 8. Public ABS



# 2003-2008e

(in \$MM, except per share)

## Adjusted EBITDA



## Cash EPS

