

Alliance Data NYSE: ADS



2014 Results
February 5, 2015



Agenda

- Speakers: Ed Heffernan President and CEO
Charles Horn EVP and CFO
- Fourth Quarter and 2014 Consolidated Results
- Segment Results
- 2014 Wrap-up
- 2015 Guidance

Fourth Quarter and 2014 Consolidated Results

(MM, except per share)

	<u>Quarter Ended December 31,</u>			<u>Year Ended December 31,</u>		
	<u>2014</u>	<u>2013</u>	<u>% Change</u>	<u>2014</u>	<u>2013</u>	<u>% Change</u>
Revenue	\$ 1,486	\$ 1,141	+30%	\$ 5,303	\$ 4,319	+23%
EPS	\$ 0.86	\$ 1.79	-52%	\$ 7.87	\$ 7.42	+6%
Core EPS	\$ 3.45	\$ 2.39	+44%	\$ 12.56	\$ 10.01	+26%
Adjusted EBITDA	\$ 437	\$ 321	+36%	\$ 1,597	\$ 1,374	+16%
Adjusted EBITDA, net	\$ 383	\$ 290	+32%	\$ 1,426	\$ 1,250	+14%
Diluted shares outstanding	61.1	66.0	-7%	62.4	66.9	-7%

- Solid acceleration in growth rate for adjusted EBITDA, net driven by credit improvement and greater than expected performance by BrandLoyalty, our European loyalty operation.
- Stub period ownership of Conversant added approximately \$0.09 to core EPS.
- EPS reduced by \$2.05 for the 4th quarter of 2014 due to acquisition related charges.
 - CNVR deal costs (\$0.08) and BrandLoyalty earn-out (\$1.97)

LoyaltyOne (MM)

	<u>Quarter Ended December 31,</u>			<u>Year Ended December 31,</u>		
	<u>2014</u>	<u>2013</u>	<u>% Change</u>	<u>2014</u>	<u>2013</u>	<u>% Change</u>
Revenue	\$ 398	\$ 245	+62%	\$ 1,407	\$ 919	+53%
Adjusted EBITDA	\$ 115	\$ 68	+69%	\$ 351	\$ 259	+36%
Non-controlling interest	<u>-19</u>	<u>0</u>		<u>-43</u>	<u>0</u>	
Adjusted EBITDA, net	\$ 96	\$ 68	+41%	\$ 308	\$ 259	+19%
Adjusted EBITDA %	29%	28%	+1%	25%	28%	-3%
Key Metrics:						
AIR MILES® reward miles issued	1,821	1,636	+11%	5,501	5,421	+1%
AIR MILES reward miles redeemed	1,013	1,092	-7%	4,101	4,017	+2%
Average CDN FX rate	0.88	0.95	-8%	0.91	0.97	-7%

- Strong 4th quarter performance by BrandLoyalty, which added \$47 million of adjusted EBITDA (\$28 million net of non-controlling interest).
- Unfavorable FX rates reduced 4th quarter segment revenue and adjusted EBITDA, net by \$16 million and \$5 million, respectively.
- Solid 4th quarter issuance growth of 11 percent in Canada. Looking for more consistency in 2015.

Epsilon (MM)

	<u>Quarter Ended December 31,</u>			<u>Year Ended December 31,</u>		
	<u>2014</u>	<u>2013</u>	<u>% Change</u>	<u>2014</u>	<u>2013</u>	<u>% Change</u>
Revenue	\$ 440	\$ 375	+18%	\$ 1,522	\$ 1,380	+10%
Adjusted EBITDA, net	\$ 102	\$ 93	+9%	\$ 309	\$ 290	+7%
Adjusted EBITDA, net %	23%	25%	-2%	20%	21%	-1%

- Conversant acquisition closed December 10, 2014. Integration costs dampened EBITDA flow-through for the stub period.
- Solid 39 percent growth in 4th quarter volumes for Agility Harmony digital messaging platform.
- Offshoring initiatives should moderate human capital cost increases in 2015.

Private Label Services and Credit (MM)

	<u>Quarter Ended December 31,</u>			<u>Year Ended December 31,</u>		
	<u>2014</u>	<u>2013</u>	<u>% Change</u>	<u>2014</u>	<u>2013</u>	<u>% Change</u>
Revenue	\$ 654	\$ 526	+24%	\$ 2,395	\$ 2,035	+18%
Operating expenses	263	216	+21%	920	772	+19%
Provision for loan losses	143	130	+10%	425	346	+23%
Funding costs	<u>35</u>	<u>31</u>	<u>+13%</u>	<u>129</u>	<u>124</u>	<u>+3%</u>
Adjusted EBITDA, net	\$ 212	\$ 149	+43%	\$ 921	\$ 792	+16%
Adjusted EBITDA, net %	32%	28%	+4%	38%	39%	-1%

- On-boarded approximately \$550 million of acquired card receivables during the 4th quarter, which depressed gross yields. Acquired receivables are recorded net of anticipated charge-offs.
- Growth in card receivables drove solid expense leveraging during the 4th quarter.
- The provision for loan losses benefitted from a 120 basis points improvement in loss rates during the 4th quarter.

Private Label Services and Credit (MM)

Key metrics:	<u>Quarter Ended December 31,</u>			<u>Year Ended December 31,</u>		
	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>2014</u>	<u>2013</u>	<u>Change</u>
Credit sales	\$ 6,357	\$ 4,836	+31%	\$ 18,948	\$ 15,252	+24%
Average credit card receivables	\$ 10,071	\$ 7,767	+30%	\$ 8,750	\$ 7,213	+21%
Total gross yield	26.0%	27.1%	-1.1%	27.4%	28.2%	-0.8%
Normalized loss rates	4.1%	5.3%	-1.2%	4.4%	4.8%	-0.4%
Delinquency rate	4.0%	4.2%	-0.2%	4.0%	4.2%	-0.2%

- Active cardholder base grew 10 percent to 35 million, while average balances increased 8 percent to ~\$500 in 2014.
- Over 25 percent of credit sales now come from digital channels.
- Solid tender share pick-up of approximately 150 basis points in 2014
- Ending reserve of 5.4 percent of reservable receivables at December 31, 2014, a spread of approximately 100 basis points to the LTM loss rate.

2014 Wrap-up

LoyaltyOne

- (+) Organic top growth rate of 9 percent (constant currency)
- (+) BrandLoyalty exceeded all expectations
- (+) Brazil collectors up 32 percent to 14 million
- (-) AIRMILES® issuance up only 1 percent compared to 2013; top priority for 2015
- (-) FX translation: hit core EPS for ~15¢ in 2014

EPSILON®

- (+) Solid organic top-line growth of 7 percent
- (+) Rollout of digital platform, Agility Harmony, successful
- (+) Conversant acquisition significantly bolsters digital footprint
(esp. targeted display)
- (-) Limited flow-thru of revenue growth to earnings: top priority for 2015



- (+) Credit sales growth, portfolio growth, revenue, and adjusted EBITDA, net:
up 24 percent, 21 percent, 18 percent and 16 percent, respectively
- (+) Signed 2014 new client vintage: >\$2 billion
- (+) Stable loss and funding rates



2014 Wrap-up

Overall

- (+) \$1 billion or +23 percent in top-line growth
- (+) Robust organic top- line growth of +11 percent or 4 times that of the market and GDP growth rates

<u>Organic</u>		
LoyaltyOne	+9%	• Pro-forma for BrandLoyalty's 2013 results
Epsilon	+7%	• Excludes Conversant stub period ownership
Private Label	<u>+15%</u>	• Excludes acquired card receivables
	<u>+11%</u>	

- (+) Strong flow-thru to earnings (+26 percent)
- (+) Modest net debt levels (leverage ratio ~ 2x)
- (+) Good visibility into 2015
- (+) Solid beat to original core EPS guidance

Original 2014 guidance	\$12.20	+22%
+ FX hit	0.15	
- CNVR stub period	(0.09)	
+ Over-performance	<u>0.30</u>	
Final 2014 results	\$12.56	+26%

2015 Guidance

(\$MM, except per share)

	2014	2015	% Increase
	<i>Actual</i>	<i>Guidance</i>	
Revenue	\$ 5,303	\$ 6,500 ¹	+23%
Core EPS	\$ 12.56	\$ 14.80 ¹	+18%
Diluted shares outstanding	62.4	64 – 64.7	

	Q1 '15			Q1 '15	
Revenue (before FX)	\$ 1,606	+30%	Core EPS (before FX)	\$ 3.52	+26%
FX	(65)		FX	(0.12)	
Revenue	\$ 1,541	+25%	Core EPS	\$ 3.40	+22%

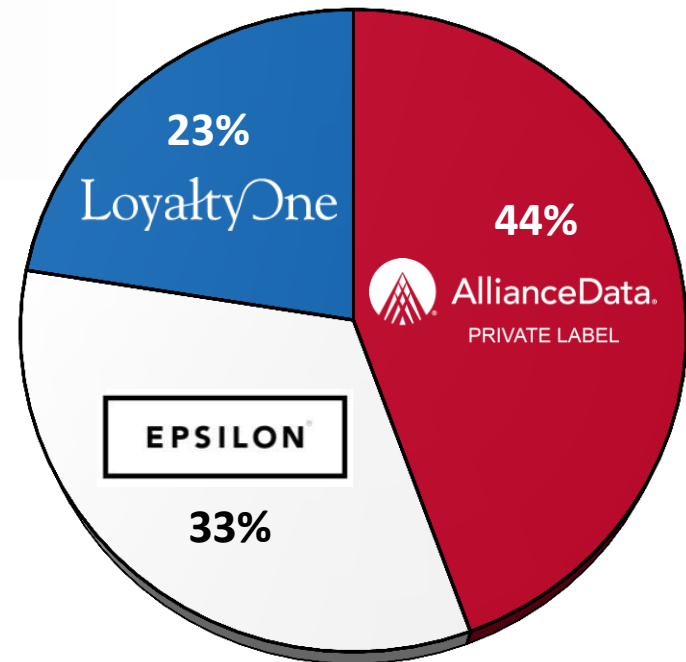
¹ Original revenue guidance was \$6.625 billion or 25 percent growth. Original core EPS guidance was a range of \$14.80 to \$15.00. The decrease in revenue and elimination of range for core EPS are due to changes in foreign currency translation rates since the date of that guidance.

Revenue by Segment

2015E Revenues - \$6.5bn

Diversification and balance across multiple platforms:

- Attracts the **widest variety** of verticals
 - Financial Services | Retail | Travel Insurance | Telecom | CPG | Grocery Auto | Technology | Healthcare | B2B
- Enhances **financial visibility**
 - Businesses/Platforms cycle differently



All Businesses Are Growing

LoyaltyOne

EPSILON

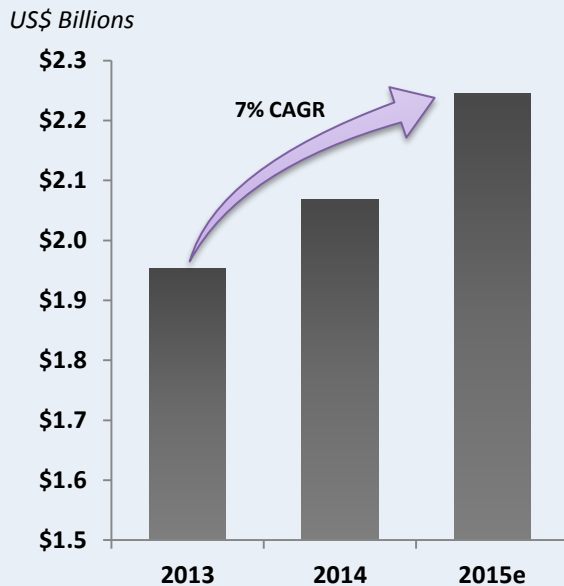
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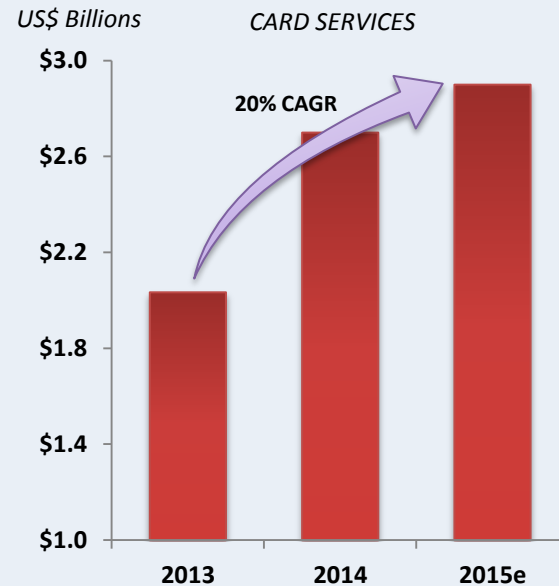
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Pro-forma for BrandLoyalty
Constant Currency



Pro-forma for Conversant



Q & A

