



**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):  
**May 16, 2005**

**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 7.01. Regulation FD Disclosure.**

Attached is a slide presentation to be given to investors and others by senior officers of Alliance Data Systems Corporation (the “**Registrant**”).

*Note:* The information contained in this report (including Exhibit 99.1) 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.

**ITEM 9.01. Financial Statements and Exhibits.**

(c) *Exhibits.*

<u>Exhibit Number</u>	<u>Description</u>
99.1*	Investor Presentation Materials.

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\* Filed herewith

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: May 16, 2005

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

**EXHIBIT INDEX**

<u>Exhibit Number</u>	<u>Description</u>
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\* Filed herewith



# Alliance Data Systems

## NYSE: ADS

Q2 2005

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## Forward-Looking Statements

Statements contained in this presentation may be 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 Alliance Data Systems or our management. When we make forward-looking statements, we are basing them on our management's beliefs and assumptions, using information currently available to us. Although we believe that the expectations reflected in the forward looking statements are reasonable, these forward-looking statements are subject to risks, uncertainties and assumptions including those discussed in our filings with the Securities and Exchange Commission. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from what we projected. Any forward-looking statements contained in this presentation reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. We have no intention, and disclaim any obligation, to update or revise any forward-looking statements, whether as a result of new information, future results or otherwise.



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## **Alliance Data: Integration of Transaction Processing and Marketing Services**

- **Build and Strengthen Customer Loyalty for Our Clients**
- **Focus on 300 Specialized Relationships, not “Commodity” Items**
- **Offer Full Suite of Services**
  - Transaction, Credit, Loyalty and Database Marketing
- **Three Engines All Offering Double-Digit Growth**
  - Private Label Services
  - Utility Outsourcing
  - Marketing Services – Air Miles Reward Program  
– Epsilon

## **2005: Five Themes**

- **Growth Engines Continue to “Cycle”**
  - Momentum Builds Throughout the Year
- **Private Label**
  - Returns to Its Solid Historical Growth Rate
- **Utility**
  - Topline Continues Its Growth Drive
  - EBITDA Impacted by Consolidation Efforts
- **Marketing**
  - Canada: Air Miles Stronger than Ever
  - U.S.: Epsilon Off to Excellent Start
- **Overall**
  - Consolidation Efforts in Utility Comfortably Offset by Marketing Overperformance
  - Another Solid Year

## Private Label Services (50% of Company)

- **Attractive Market – 1998-03: Double-digit Annual Growth for Outsourcers**
- **Services:**
  - Private Label Processing
  - Customer Care / Call Center
  - Credit: 700 Score, No Sub-Prime Targeting
  - Database Marketing Services
- **Income Streams:** Split Between Processing and Credit
- **Clients:** Victoria's Secret, Pottery Barn, Abercrombie & Fitch, Ann Taylor, Crate & Barrel, Dress Barn, Eddie Bauer, Fortunoff
- **Market Opportunity:**
  - 220 Potential Clients
    - 107 Existing Programs Today (Outsourced and In-House)
      - 67 Alliance Clients
      - 4 New Client Adds Per Year (6 This Year)

P O T T E R Y B A R N

VICTORIA'S SECRET

ANN TAYLOR

Crate&Barrel

dressbarn.

*Eddie Bauer*  
EST. 1920

fortunoff  
THE SOURCE

## Private Label Services

2005

- Momentum to Increase as Year Unfolds
- Financial Drivers:

	<u>Impact</u>
- Portfolio Growth – Solid; Higher Avg. Balances	(+)
- Funding Costs – Rising Rates Mitigated	(+)
- Credit Losses – Continuing to Improve	(+)
- Operating Leverage – Continuing to Improve	(+)
- Credit Sales – Tepid, but Outlook Promising	(-) → (+)
• 2004 Ramp-ups	
• 2005 Pipeline	
• Tough Comp Anniversary	
- Financial Results: Expect Double Digit Growth

## Utility Services (15% of Company)

- **Serving Both Regulated & De-regulated**
- **Services:**
  - Core Processing
  - Customer Care / Call Center
  - Database and Marketing Services
- **Income Stream:** Earnings Based on Monthly # Statements
- **Clients:** Duke, Entergy, Puget Sound, AEP, Centrica, Georgia Natural Gas, Orlando, City of Austin
- **Market Opportunity:**
  - 200 - 250 Potential Clients (US & Canada)
    - \$2 - \$3 Billion Market
    - \$5MM - \$10MM Revenue per Client
    - 2 - 3 New Client Adds Per Year



**centrica**



# Utility Services

2005

- Momentum to Increase as Year Unfolds
  - Revenues:
    - Entergy and Direct Energy Conversions
    - 2005 Pipeline
  - EBITDA: Streamlining Project to be Completed by Summer
- Financial Results: Expect Solid Growth to Continue

## Marketing Services (30% of Company)

### (1) Canada: Loyalty AIR MILES® Program

- **Solid Mid-teens Growth**
- **Coalition Loyalty Program**
  - Based Upon Everyday Spend - - Not an Airline Program
- **2/3 of Canada Active**
- **Clients:** Shell Oil, Safeway, American Express, Bank of Montreal
- **Three Sources of Future Growth:**
  - New Sponsor Categories
  - Deeper Commitments from Existing Sponsors
  - Additional Household Penetration



Canada Safeway Limited



Shell Oil of Canada

## Marketing Services (cont.) (2) US: Epsilon

- **Solid Mid-teens Growth**
- **Top 25 Clients:** 10 Year Average Tenure
- **Customer Management and Loyalty Solutions:**
  - Customized Marketing Campaigns
  - Design and Management of Loyalty Databases
  - Analytical Services
  - Back-end Processing
- **Clients:** Hilton Hotels, Principal Financial Group, Pfizer, Nestle Purina PetCare, AstraZeneca, Midas, Bank of America





## Marketing Services 2005

- Top Performer Throughout the Year
- Three Drivers of Performance
  - Loyalty: 10% Miles Issued Growth/18-22% Redeemed → Mid-teens Growth
  - Loyalty: Per Mile Margin Increasing → Additional Growth
  - Epsilon: Strong Start; Solid Pipeline → Mid-teens Growth
- Financial Results: Strongest of the Three Engines

## Management Team

Name	Responsibility	Years of Experience	Background
Mike Parks	Chairman, CEO and President	28	First Data
Ed Heffernan	EVP and CFO	18	First Data, Citigroup, CS First Boston
Ivan Szeftel	EVP, President, Retail Credit Services	23	Charming Shoppes
John Scullion	EVP, President, Loyalty and Marketing Services	16	The Rider Group
Dwayne Tucker	EVP, President, Utility and Transaction Services	25	Northwest Airlines, First Data
Alan Utay	EVP, General Counsel & CAO	15	Akin Gump Strauss Hauer and Feld
Dan Finkelman	EVP, Corp. Dev. & Innovation	24	Limited Brands, Cardinal, McKinsey

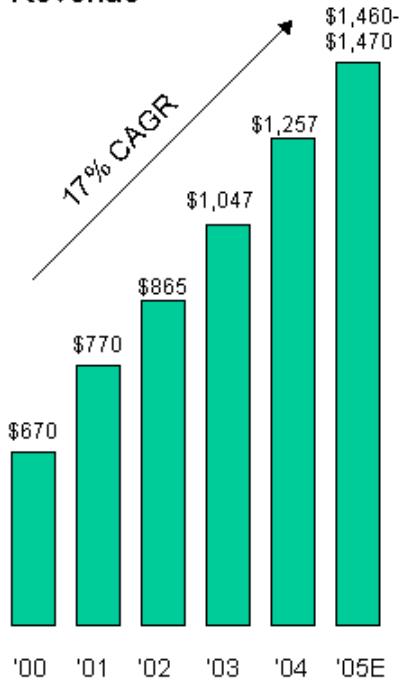


## Financial Themes

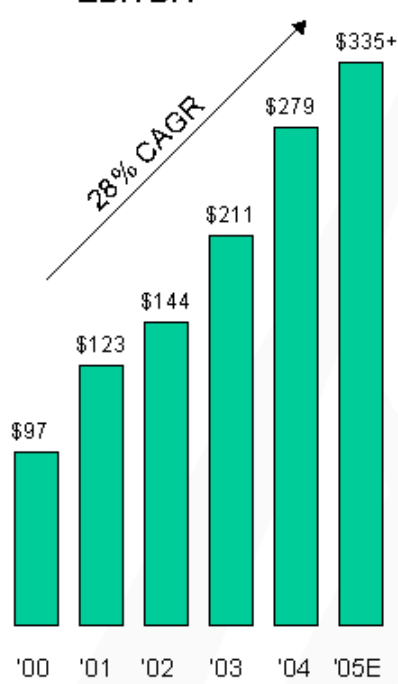
- Growth
- Operating Leverage
- Free Cash Flow

**2000 – 2005**  
 (in \$MM, except per share)

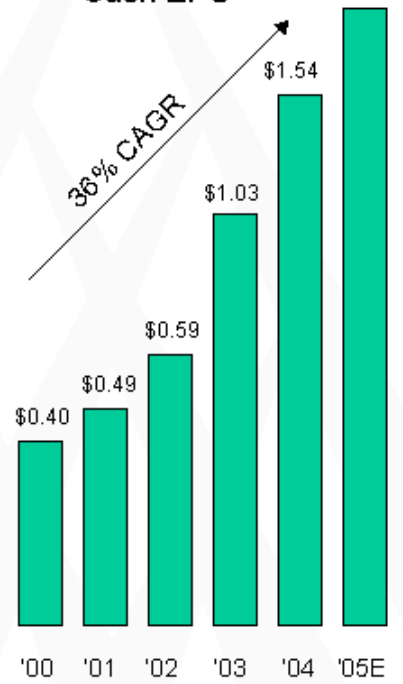
**Revenue**



**EBITDA**

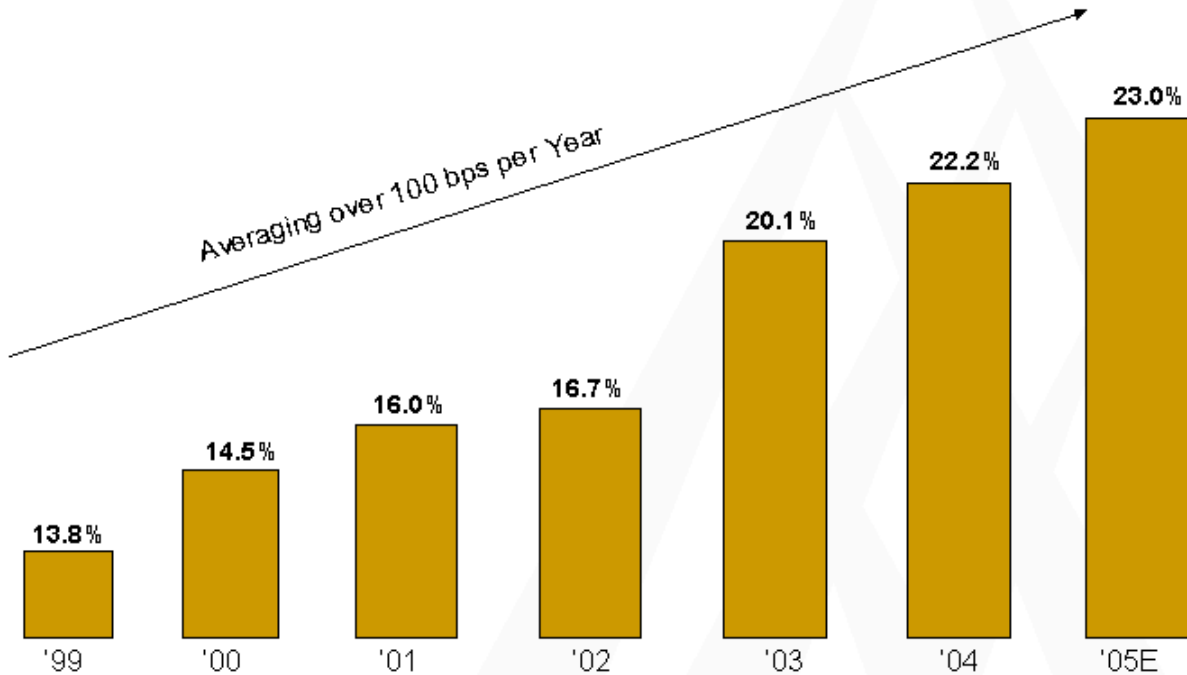


**Cash EPS**



# Operating Leverage

- **EBITDA Margin Goal: 50bps Expansion per Year**



## 2005 Guidance

- Guidance Increased Following Q1's Performance
- Revenues                      \$1.46 - \$1.47 Billion                      ↑17%
- EBITDA                              ≥ \$335 Million                              ↑20%
- Cash EPS                              \$1.87 - \$1.90                              ↑22%
- Free Cash/Share                      \$2.10

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## 2005 Est. Free Cash Flow (\$MM, Except per Share)

EBITDA	\$335+
Loyalty Cash Flow Adj.	<u>25</u>
Operating EBITDA	<u>\$360</u>
Less Capex	<u>(70)</u>
Net Cash Ops	<u>\$290</u>
Less Int./Taxes	<u>(110)</u>
Free Cash Flow	<u>\$180+</u>
Per Share	≥ <u>\$2.10</u>

# Our Keys for Success

- Services with Pricing Power
- Long-term Relationships
- 10 – 12 New Clients per Year