
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):
July 18, 2019

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.)

3075 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

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 July 18, 2019, Alliance Data Systems Corporation (the "Company") issued a press release regarding its results of operations for the second quarter ended June 30, 2019. A copy of this press release is furnished as Exhibit 99.1.

Item 7.01 Regulation FD Disclosure.

On July 18, 2019, the Company issued a press release regarding its results of operations for the second quarter ended June 30, 2019. 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 8.01 Other Events.

On July 18, 2019, the Company disclosed the information set forth below.

Intention to Commence Tender Offer

Consistent with the Company's previously announced plan to apply the proceeds from the sale of its Epsilon® business to pay down debt and repurchase shares, the Company currently intends to commence a tender offer to purchase up to \$750.0 million in value of its common stock through a modified "Dutch auction" tender offer at a price range to be specified.

Additional Information Regarding the Tender Offer

This communication is for informational purposes only, is not a recommendation to buy or sell the Company's common stock, and does not constitute an offer to buy or the solicitation of an offer to sell common shares of the Company. The tender offer described in this communication has not yet commenced, and there can be no assurances that the Company will commence the tender offer on the terms described in this communication or at all. The tender offer will be made only pursuant to an offer to purchase, letter of transmittal and related materials that the Company expects to distribute to its stockholders and file with the Securities and Exchange Commission upon commencement of the tender offer. STOCKHOLDERS AND INVESTORS SHOULD READ CAREFULLY THE OFFER TO PURCHASE, LETTER OF TRANSMITTAL AND RELATED MATERIALS BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION, INCLUDING THE VARIOUS TERMS OF, AND CONDITIONS TO, THE TENDER OFFER. Once the tender offer is commenced, stockholders and investors will be able to obtain a free copy of the tender offer statement on Schedule TO, the offer to purchase, letter of transmittal and other documents that the Company expects to file with the Commission at the Securities and Exchange Commission's website at www.sec.gov or by calling the Information Agent (to be identified at the time the offer is made) for the tender offer.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Document Description</u>
99.1	Press Release dated July 18, 2019 announcing the results of operations for the second quarter ended June 30, 2019.
99.2	Investor Presentation Materials.

Note: 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: July 18, 2019

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

**Contacts: Investors/Analysts**

Tiffany Louder
 Alliance Data
 214-494-3048
Tiffany.Louder@alliancedata.com

Media

Shelley Whiddon
 Alliance Data
 214-494-3811
Shelley.Whiddon@alliancedata.com

Alliance Data Reports Second Quarter 2019 Results

- **Epsilon® Sale to Publicis Groupe Completed; Company Continues to Execute on Business Strategy Shift**
- **Modified Dutch Auction to Purchase \$700 to \$750 Million of Common Stock Anticipated to Launch in the Near-term**
- **Company Acquires over \$900 Million in New Credit Card Portfolios; Temporarily Pressures Q2 Performance**

Columbus, OH, July 18, 2019 – Alliance Data Systems Corporation (NYSE: ADS), a leading global provider of data-driven marketing and loyalty solutions, today announced results for the quarter ended June 30, 2019.

SUMMARY

(in millions, except per share amounts)

	Quarter Ended June 30,		
	2019	2018	% Change
Revenue	\$ 1,348	\$ 1,397	-3%
Income from continuing operations	\$ 142	\$ 224	-36%
Net income	\$ 139	\$ 218	-36%
Income from continuing operations per diluted share (“EPS”)	\$ 2.71	\$ 4.04	-33%
Net income per diluted share	\$ 2.64	\$ 3.93	-33%
Diluted shares outstanding	52.6	55.4	

Supplemental Non-GAAP Metrics (a):			
Adjusted EBITDA	\$ 414	\$ 457	-9%
Adjusted EBITDA, net of funding costs (“adjusted EBITDA, net”)	\$ 310	\$ 365	-15%
Core earnings per diluted share (“core EPS”)	\$ 3.83	\$ 4.37	-12%

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

Melisa Miller, president and chief executive officer of Alliance Data, commented, “We continued to execute on our business transformation in the second quarter and made progress on delivering our strategic plan to lead the market in the convergence of payments, data and marketing. Our second quarter results were mostly in line with expectations, although core EPS was negatively impacted by the timing of credit card portfolio acquisitions. We acquired several client portfolios aggregating over \$900 million in June, which were expected to occur later in the year. While this pull-forward supports our receivables growth projections for the year, the impact of the provision build post-acquisition reduced second quarter core EPS.

“In keeping with our business transformation plans, I am pleased to say that we successfully completed the sale of Epsilon to Publicis Groupe on July 1st. As previously disclosed, we expect to use the net proceeds to retire \$2.4 billion of corporate debt and repurchase up to \$1.1 billion of our shares, per our recently announced Board-authorized plan. Towards that end, we anticipate launching in the next few days a “modified dutch auction” tender offer to acquire between \$700 to \$750 million of our common stock. The Epsilon divestiture underscores our stated commitments to move toward a more simplified and focused business model with the goal of returning to our more traditional growth profile.”

Miller continued, “In addition to my new role, Tim King, former CFO of our Card Services business, has succeeded Charles Horn as Alliance Data’s CFO. I believe Tim will do a tremendous job leading the financial stewardship of the company and engaging with the investor community. I want to thank Charles for his ongoing support through his new role as Vice Chairman. During our extended transition, he will be focused on several key initiatives related to our business transition. I am deeply honored and excited to be in this new leadership position, and with the support of our Board, the commitment of our strong management team, and the dedication of our 10,000+ associates, Alliance Data is well positioned for our growth comeback.

“In closing, as we enter into the final stages of our business strategy transformation, I am confident that we are taking the right steps, and making the necessary important decisions and changes to drive long-term sustainable growth. I am eager for the challenge of leading this great organization’s evolution where we will build upon our strongest, most successful assets, and return to driving growth for the business and our stockholders.”

CONSOLIDATED RESULTS

Revenue decreased 3 percent to \$1.35 billion, while EPS decreased 33 percent to \$2.71 for the second quarter of 2019. The higher effective tax rate for EPS, 27 percent, compared to 15 percent for the second quarter of 2018, reduced EPS by approximately \$0.43 for the second quarter. Core EPS decreased 12 percent to \$3.83 for the second quarter of 2019, while adjusted EBITDA, net decreased 15 percent to \$310 million for the second quarter of 2019.

SEGMENT RESULTS

(in millions)	Quarter Ended June 30,		
	2019	2018	% Change
Revenue:			
LoyaltyOne	\$ 251	\$ 249	+1%
Card Services	\$ 1,097	\$ 1,148	-4%
Total revenue	\$ 1,348	\$ 1,397	-3%
Adjusted EBITDA, net:			
LoyaltyOne	\$ 51	\$ 69	-27%
Card Services	\$ 287	\$ 336	-14%
Corporate/other	\$ (28)	\$ (40)	
Total adjusted EBITDA, net	\$ 310	\$ 365	-15%

LoyaltyOne®: Revenue increased 1 percent to \$251 million, while adjusted EBITDA decreased 27 percent to \$51 million for the quarter ended June 30, 2019. Revenue increased 10 percent compared with the prior year when adjusted for unfavorable foreign exchange rates and additional product redemptions now recorded as net revenue. Adjusted EBITDA, net decreased 23 percent on a constant currency basis due to higher redemption costs at AIR MILES®, which is largely a function of product mix redeemed. AIR MILES reward miles issued decreased 2 percent for the second quarter of 2019, primarily due to less promotional activity in the grocery vertical.

Card Services: Revenue decreased 4 percent to \$1.10 billion and adjusted EBITDA, net decreased 14 percent to \$287 million for the second quarter of 2019. Gross yields decreased 90 basis points to 23.9 percent on essentially flat normalized average card receivables growth (card receivables plus held-for-sale receivables). The loan loss provision decreased 17 percent to \$257 million as a result of a 7 percent decrease in reservable card receivables and a 30 basis point improvement in principal loss rates. Operating expenses increased \$35 million to \$472 million, primarily due to an approximate \$26 million increase in mark-to-market charges on held-for-sale receivables. Excluding the mark-to-market charges, operating expenses expressed as a percentage of normalized average card receivables increased approximately 25 basis points to 9.4 percent. During the quarter, over \$900 million in credit card receivables were acquired from third parties, while approximately \$510 million in credit card receivables were reclassified as held-for-sale.

2019 Guidance

Guidance for revenue is \$5.8 billion, up 4 percent over 2018, and core EPS of \$19.50 to \$19.75, flat to up 1 percent compared to \$19.49 for 2018. These amounts include the partial-year benefit of anticipated share repurchases and cost reductions.

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 strategic initiatives, the expected use of proceeds from the Epsilon divestiture, our expected operating results, future economic conditions including currency exchange rates, future dividend declarations and the guidance we give with respect to our anticipated financial performance.

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. Further risks and uncertainties include, but are not limited to, the impact of strategic initiatives on us or our business if any transactions are undertaken, and whether the anticipated benefits of such transactions can be realized as well as whether or if any share repurchases, including tender offers, are undertaken.

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 constant currency financial measures, adjusted EBITDA, adjusted EBITDA margin, adjusted EBITDA, net of funding costs, core earnings and core earnings per diluted share (core EPS). Constant currency excludes the impact of fluctuations in foreign exchange rates. The Company calculates constant currency by converting our current period local currency financial results using the prior period exchange rates. The Company uses adjusted EBITDA and adjusted EBITDA, net as an integral part of internal reporting to measure the performance and operational strength of reportable segments and to evaluate the performance of senior management. Adjusted EBITDA eliminates the uneven effect across all reportable segments of non-cash depreciation of tangible assets and amortization of intangible assets, including certain intangible assets that were recognized in business combinations, and the non-cash effect of stock compensation expense. Similarly, core earnings and core EPS eliminate non-cash or non-operating items, including, but not limited to, stock compensation expense, amortization of purchased intangibles, restructuring or strategic transaction costs, amortization of debt issuance and hedging 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.

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). No reconciliation is provided with respect to forward-looking annual guidance for 2019 core EPS as the Company cannot reliably predict all necessary components or their impact to reconcile core EPS to GAAP EPS without unreasonable effort. 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. Core earnings and core EPS represent performance measures and are not intended to represent liquidity measures. The non-GAAP financial measures presented herein may not be comparable to similarly titled measures presented by other companies, and are not identical to corresponding measures used in other various agreements or public filings.

Conference Call

Alliance Data will host a conference call on Thursday, July 18, 2019 at 8:30 a.m. (Eastern Time) to discuss the Company's second-quarter 2019 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 (800) 585-8367 or (416) 621-4642 and enter "6097910". The replay will be available at approximately 11:45 a.m. (Eastern Time) on Thursday, July 18, 2019.

About Alliance Data

Alliance Data® (NYSE: ADS) is a leading global provider of data-driven marketing and loyalty solutions serving large, consumer-based industries. The Company creates and deploys customized solutions, enhancing the critical customer marketing experience; the result is measurably changing consumer behavior while driving business growth and profitability for some of today's most recognizable brands. Alliance Data helps its clients create and increase customer loyalty through solutions that engage millions of customers each day across multiple touch points using traditional, digital, mobile and emerging technologies. An S&P 500, FORTUNE 500 and FORTUNE 100 Best Companies to Work For company headquartered in Columbus, Ohio, Alliance Data consists of businesses that together employ over 10,000 associates at more than 50 locations worldwide.

Alliance Data's card services business is a provider of market-leading private label, co-brand, and business credit card programs. 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. In July 2019 Alliance Data completed the sale of its Epsilon® business to Publicis Groupe.

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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenue	\$ 1,348.5	\$ 1,397.2	\$ 2,682.7	\$ 2,778.9
Operating expenses:				
Cost of operations	712.1	640.0	1,390.8	1,263.0
Provision for loan loss	257.3	311.9	509.5	649.6
Depreciation and amortization	41.8	48.6	88.2	97.4
Total operating expenses	1,011.2	1,000.5	1,988.5	2,010.0
Operating income	337.3	396.7	694.2	768.9
Interest expense, net:				
Securitization funding costs	51.6	55.2	108.8	107.3
Interest expense on deposits	53.2	36.8	102.0	72.3
Interest expense on long-term and other debt, net	38.7	41.6	76.6	81.1
Total interest expense, net	143.5	133.6	287.4	260.7
Income from continuing operations before income taxes	\$ 193.8	\$ 263.1	\$ 406.8	\$ 508.2
Income tax expense	51.4	39.3	86.1	104.5
Income from continuing operations	142.4	223.8	320.7	403.7
Loss from discontinued operations, net of taxes ⁽¹⁾	(3.4)	(6.0)	(32.6)	(21.9)
Net income	\$ 139.0	\$ 217.8	\$ 288.1	\$ 381.8
Per share data:				
Weighted average shares outstanding – basic	51.3	55.2	52.1	55.3
Weighted average shares outstanding – diluted	52.6	55.4	52.9	55.5
Basic – Income from continuing operations	\$ 2.76	\$ 4.05	\$ 6.13	\$ 7.30
Basic – Loss from discontinued operations	(0.07)	(0.11)	(0.62)	(0.40)
Basic – Net income	\$ 2.69	\$ 3.94	\$ 5.51	\$ 6.90
Diluted – Income from continuing operations	\$ 2.71	\$ 4.04	\$ 6.07	\$ 7.27
Diluted – Loss from discontinued operations	(0.07)	(0.11)	(0.62)	(0.40)
Diluted – Net income	\$ 2.64	\$ 3.93	\$ 5.45	\$ 6.87

(1) Includes the allocation of interest expense associated with the Company's \$500.0 million mandatory repayment of its revolving credit facility and \$1.9 billion in senior notes outstanding. On April 30, 2019, the Company amended its credit agreement, which among other items, provided that upon consummation of the sale of Epsilon, a mandatory payment of \$500.0 million of the revolving credit facility was required and all of the Company's \$1.9 billion outstanding senior notes were required to be redeemed.

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

	June 30, 2019	December 31, 2018
Assets		
Cash and cash equivalents	\$ 4,026.8	\$ 3,817.4
Credit card and loan receivables:		
Credit card and loan receivables	17,614.5	17,855.0
Allowance for loan loss	(1,010.9)	(1,038.3)
Credit card and loan receivables, net	16,603.6	16,816.7
Credit card receivables held for sale	1,834.3	1,951.6
Redemption settlement assets, restricted	594.0	558.6
Right of use assets - operating	268.4	—
Intangible assets, net	195.8	217.4
Goodwill	960.3	954.8
Other assets	1,992.2	1,913.8
Assets of discontinued operations	4,264.3	4,157.4
Total assets	<u>\$ 30,739.7</u>	<u>\$ 30,387.7</u>
Liabilities and Stockholders' Equity		
Deferred revenue	\$ 902.7	\$ 875.3
Deposits	12,534.7	11,793.7
Non-recourse borrowings of consolidated securitization entities	6,727.0	7,651.7
Long-term and other debt	5,825.6	5,725.4
Operating lease liabilities	318.8	—
Other liabilities	1,687.8	1,749.1
Liabilities of discontinued operations	351.4	260.4
Total liabilities	<u>28,348.0</u>	<u>28,055.6</u>
Stockholders' equity	2,391.7	2,332.1
Total liabilities and stockholders' equity	<u>\$ 30,739.7</u>	<u>\$ 30,387.7</u>

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

	Six Months Ended	
	June 30,	
	2019	2018
Cash Flows from Operating Activities:		
Net income	\$ 288.1	\$ 381.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	161.5	243.7
Deferred income taxes	(47.6)	(82.0)
Provision for loan loss	509.5	649.6
Non-cash stock compensation	51.3	46.3
Amortization of deferred financing costs	22.1	25.5
Change in operating assets and liabilities	(38.3)	(87.1)
Originations of loan receivables held for sale	—	(4,743.4)
Sales of loan receivables held for sale	—	4,791.9
Other	143.1	95.5
Net cash provided by operating activities	<u>1,089.7</u>	<u>1,321.8</u>
Cash Flows from Investing Activities:		
Change in redemption settlement assets	(2.0)	(39.7)
Change in credit card and loan receivables	(20.9)	(121.2)
Purchase of credit card portfolios	(936.5)	—
Sale of credit card portfolios	539.3	55.6
Capital expenditures	(92.2)	(98.5)
Other	(2.0)	(32.4)
Net cash used in investing activities	<u>(514.3)</u>	<u>(236.2)</u>
Cash Flows from Financing Activities:		
Borrowings under debt agreements	2,077.3	2,399.1
Repayments of borrowings	(1,974.8)	(2,678.5)
Net increase (decrease) in deposits	742.8	(373.2)
Non-recourse borrowings of consolidated securitization entities	2,193.3	1,475.0
Repayments/maturities of non-recourse borrowings of consolidated securitization entities	(3,117.2)	(2,510.0)
Payment of deferred financing costs	(18.8)	(7.8)
Purchase of treasury shares	(222.8)	(94.5)
Dividends paid	(67.0)	(63.3)
Other	(9.4)	(15.8)
Net cash used in financing activities	<u>(396.6)</u>	<u>(1,869.0)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	8.2	(4.1)
Change in cash, cash equivalents and restricted cash	187.0	(787.5)
Cash, cash equivalents and restricted cash at beginning of period	3,967.7	4,314.7
Cash, cash equivalents and restricted cash at end of period	<u>\$ 4,154.7</u>	<u>\$ 3,527.2</u>

Note: The cash flow statement is presented with the combined cash flows from discontinued operations with cash flows from continuing operations within each cash flow statement category.

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Change	2019	2018	Change
Segment Revenue:						
LoyaltyOne	\$ 251.5	\$ 248.6	1%	\$ 455.3	\$ 474.9	(4)%
Card Services	1,096.9	1,148.5	(4)	2,227.3	2,303.7	(3)
Corporate/Other	0.1	0.1	nm*	0.1	0.3	nm*
Total	<u>\$ 1,348.5</u>	<u>\$ 1,397.2</u>	(3)%	<u>\$ 2,682.7</u>	<u>\$ 2,778.9</u>	(3)%
Segment Adjusted EBITDA, net:						
LoyaltyOne	\$ 51.0	\$ 69.5	(27)%	\$ 106.1	\$ 123.4	(14)%
Card Services	287.2	335.7	(14)	582.1	654.3	(11)
Corporate/Other	(28.6)	(39.9)	(28)	(62.0)	(65.4)	(5)
Total	<u>\$ 309.6</u>	<u>\$ 365.3</u>	(15)%	<u>\$ 626.2</u>	<u>\$ 712.3</u>	(12)%
Key Performance Indicators:						
Credit sales	\$ 7,551	\$ 7,568	—%	\$ 13,867	\$ 14,373	(4)%
Credit sales - active	\$ 6,675	\$ 6,157	8%	\$ 12,220	\$ 11,460	7%
Average receivables	\$ 16,798	\$ 17,570	(4)%	\$ 16,824	\$ 17,646	(5)%
Gross yield	23.9%	24.9%	(0.9)%	24.0%	24.8%	(0.8)%
Net principal loss rate	6.1%	6.4%	(0.3)%	6.3%	6.6%	(0.3)%
Delinquency rate	5.2%	5.5%	(0.3)%	5.2%	5.5%	(0.3)%
AIR MILES reward miles issued	1,423	1,445	(2)%	2,681	2,671	—%
AIR MILES reward miles redeemed	1,050	1,068	(2)%	2,139	2,246	(5)%

* nm-not meaningful

ALLIANCE DATA SYSTEMS CORPORATION
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(In millions, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Adjusted EBITDA and Adjusted EBITDA, net:				
Income from continuing operations	\$ 142.4	\$ 223.8	\$ 320.7	\$ 403.7
Income tax expense	51.4	39.3	86.1	104.5
Total interest expense, net	143.5	133.6	287.4	260.7
Depreciation and other amortization	19.3	19.8	39.9	39.1
Amortization of purchased intangibles	22.5	28.8	48.3	58.3
Stock compensation expense	10.2	12.0	21.6	25.6
Strategic transaction costs ⁽¹⁾	2.7	—	2.7	—
Restructuring charges ⁽²⁾	22.4	—	30.3	—
Adjusted EBITDA	\$ 414.4	\$ 457.3	\$ 837.0	\$ 891.9
Less: Funding costs ⁽³⁾	104.8	92.0	210.8	179.6
Adjusted EBITDA, net of funding costs	\$ 309.6	\$ 365.3	\$ 626.2	\$ 712.3
Core Earnings:				
Income from continuing operations	\$ 142.4	\$ 223.8	\$ 320.7	\$ 403.7
Add back: non-cash/ non-operating items:				
Stock compensation expense	10.2	12.0	21.6	25.6
Amortization of purchased intangibles	22.5	28.8	48.3	58.3
Non-cash interest ⁽⁴⁾	9.5	12.4	18.7	22.0
Strategic transaction costs ⁽¹⁾	2.7	—	2.7	—
Restructuring charges ⁽²⁾	22.4	—	30.3	—
Income tax effect ⁽⁵⁾	(8.3)	(34.9)	(39.1)	(44.2)
Core earnings	\$ 201.4	\$ 242.1	\$ 403.2	\$ 465.4
Weighted average shares outstanding – diluted	52.6	55.4	52.9	55.5
Core earnings per share – diluted	\$ 3.83	\$ 4.37	\$ 7.62	\$ 8.38

(1) Represents costs for professional services associated with strategic initiatives.

(2) Represents costs associated with the wind-down of Merison, a retail marketing division within BrandLoyalty, in the first quarter of 2019 and a reorganization of Corporate, resulting from the sale of Epsilon.

(3) Represents interest expense on deposits and securitization funding costs.

(4) Represents amortization of debt issuance costs.

(5) Represents the tax effect including the related non-GAAP measure adjustments using the expected effective annual tax rate.

Three Months Ended June 30, 2019

	LoyaltyOne	Card Services	Corporate/ Other	Total
Operating income (loss)	\$ 28.3	\$ 367.6	\$ (58.6)	\$ 337.3
Depreciation and amortization	19.6	20.8	1.4	41.8
Stock compensation expense	2.9	3.6	3.7	10.2
Strategic transaction costs	0.2	—	2.5	2.7
Restructuring charges	—	—	22.4	22.4
Adjusted EBITDA	51.0	392.0	(28.6)	414.4
Less: Funding costs	—	104.8	—	104.8
Adjusted EBITDA, net	\$ 51.0	\$ 287.2	\$ (28.6)	\$ 309.6

Three Months Ended June 30, 2018

	LoyaltyOne	Card Services	Corporate/ Other	Total
Operating income (loss)	\$ 45.6	\$ 399.3	\$ (48.2)	\$ 396.7
Depreciation and amortization	21.5	25.3	1.8	48.6
Stock compensation expense	2.4	3.1	6.5	12.0
Adjusted EBITDA	69.5	427.7	(39.9)	457.3
Less: Funding costs	—	92.0	—	92.0
Adjusted EBITDA, net	\$ 69.5	\$ 335.7	\$ (39.9)	\$ 365.3

Six Months Ended June 30, 2019

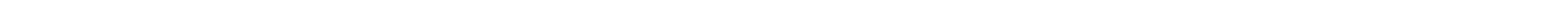
	LoyaltyOne	Card Services	Corporate/ Other	Total
Operating income (loss)	\$ 52.4	\$ 740.5	\$ (98.7)	\$ 694.2
Depreciation and amortization	39.8	45.0	3.4	88.2
Stock compensation expense	5.8	7.4	8.4	21.6
Strategic transaction costs	0.2	—	2.5	2.7
Restructuring charges	7.9	—	22.4	30.3
Adjusted EBITDA	106.1	792.9	(62.0)	837.0
Less: Funding costs	—	210.8	—	210.8
Adjusted EBITDA, net	\$ 106.1	\$ 582.1	\$ (62.0)	\$ 626.2

Six Months Ended June 30, 2018

	LoyaltyOne	Card Services	Corporate/ Other	Total
Operating income (loss)	\$ 74.0	\$ 776.2	\$ (81.3)	\$ 768.9
Depreciation and amortization	43.5	50.1	3.8	97.4
Stock compensation expense	5.9	7.6	12.1	25.6
Adjusted EBITDA	123.4	833.9	(65.4)	891.9
Less: Funding costs	—	179.6	—	179.6
Adjusted EBITDA, net	\$ 123.4	\$ 654.3	\$ (65.4)	\$ 712.3

Alliance Data NYSE: ADS

Second Quarter 2019 Results
July 18, 2019



Forward-Looking Statements

This presentation 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 strategic initiatives, the expected use of proceeds from the Epsilon® divestiture, our expected operating results, future economic conditions including currency exchange rates, future dividend declarations and the guidance we give with respect to our anticipated financial performance.

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. Further risks and uncertainties include, but are not limited to, the impact of strategic initiatives on us or our business if any transactions are undertaken, and whether the anticipated benefits of such transactions can be realized as well as whether or if any share repurchases, including tender offers, are undertaken.

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.

Agenda

- Speakers: Rob Minicucci Board Chairman
 Melisa Miller President and CEO
 Tim King EVP and CFO
 Charles Horn EVP and Vice Chairman

- Consolidated Results
- Segment Results
- 2019 Updated Guidance

Q2, 2019 Consolidated Results

(MM, except per share)

	Quarter Ended June 30,		
	2019	2018	% Change
Revenue	\$1,348	\$1,397	-3%
Income from continuing operations	\$142	\$224	-36%
Income from continuing operations per diluted share (EPS)	\$2.71	\$4.04	-33%
Core EPS	\$3.83	\$4.37	-12%
Adjusted EBITDA	\$414	\$457	-9%
Adjusted EBITDA, net	\$310	\$365	-15%
Diluted shares outstanding	52.6	55.4	

(Including discontinued operations)			
Net income	\$139	\$218	-36%
Net income per diluted share	\$2.64	\$3.93	-33%



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Q2, 2019 Segment Results

(MM)

	Quarter Ended June 30,		
	2019	2018	% Change
Revenue:			
LoyaltyOne®	\$251	\$249	+1%
Card Services	\$1,097	\$1,148	-4%
	\$1,348	\$1,397	-3%
Adjusted EBITDA, net:			
LoyaltyOne	\$51	\$69	-27%
Card Services	\$287	\$336	-14%
Corporate/Other	(\$28)	(\$40)	
	\$310	\$365	-15%

- LoyaltyOne revenue increased 10 percent adjusting for unfavorable FX and shift to net revenue presentation
- Corporate expenses are declining as expected with divestiture of Epsilon

Q2, 2019 Card Services

	Quarter Ended June 30,		
	2019	2018	% Change
Credit Sales	\$7,551	\$7,568	0%
Average Card Receivables ¹	\$16,798	\$17,570	-4%
End of Period Receivables	\$17,615	\$17,985	-2%
Total Gross Yield % ²	23.9%	24.9%	-0.9%
Operating Expense % ³	9.4%	9.1%	+0.3%
Principal Loss Rate	6.1%	6.4%	-0.3%
Delinquency Rate	5.2%	5.5%	-0.3%
Return on Equity	31%	30%	1%

- Credit Sales in line with expectations as we anniversary strategic divestitures, Active Credit Sales +8%
- Active A/R up 11% year over year as program start-ups and acquisitions continue to deliver
- Principal losses and delinquency rates continue to reflect stable, year-over-year improvement

¹ Normalized A/R which includes held-for-sale receivables, and is the denominator and driver for revenue and operating expenses, was \$18,335 versus \$18,468 for Q2 2018, -1%.

² Revenue divided by normalized card receivables.

³ Excludes mark-to-market on held-for-sale receivables.



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Q2, 2019 Card Services

	Quarter Ended June 30,		
	2019	2018	% Change
Revenue	\$1,097	\$1,148	-4%
Operating Expenses	\$472	\$437	+8%
Provision for Loan Losses	\$257	\$312	-17%
Funding Costs	\$105	\$92	+14%
Earnings before taxes	\$263	\$307	-14%
Adjusted EBITDA, net	\$287	\$336	-14%

- Revenue is down due to timing of new program launches and anniversary of divested programs
- Operating Expenses driven by mark-to-market on held-for-sale receivables and investment for new partner launches

2019 Updated Guidance

	2019G	2018A	
Revenue	\$5.8bn	\$5.6bn	+4%
Core EPS			
Reported	\$19.50 to \$19.75	\$19.49	Flat to +1%
Pro forma	>\$22.67	\$22.72	

Reported core EPS assumes partial-year benefits from the \$700 to \$750 million modified “dutch auction” tender and completed cost reductions. Timing and share price considerations will impact the final reported earnings.

Pro forma core EPS assumes full-year benefit of \$1.1 billion in share repurchases and projected cost reductions. The Company expects the run-rate to be accretive to the initial \$22.00 per share guidance for 2019.

Card Services Outlook

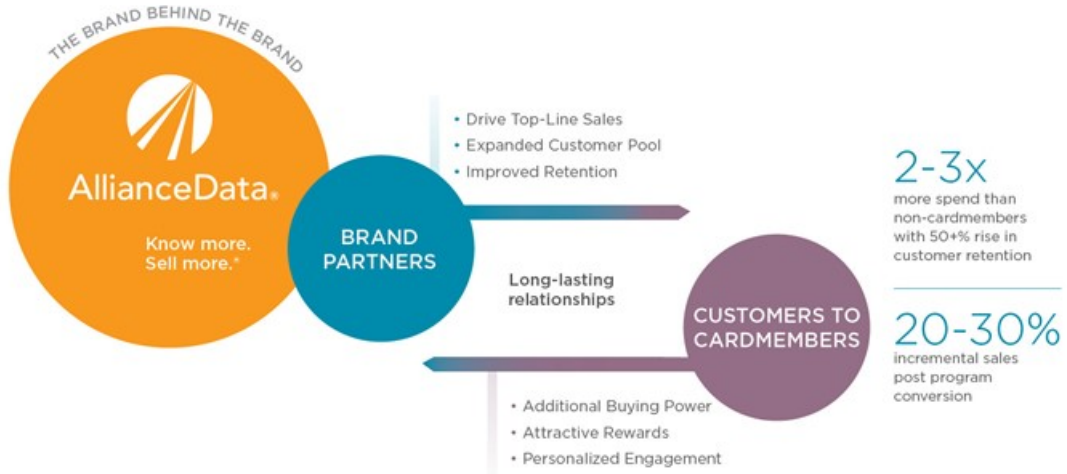
- Tracking to end 2019 at greater than \$20 billion in card receivables
- Credit quality is stable and tracking to guidance
- Deliberate investment in a wider range of healthy verticals
 - 2015 to 2019 signings now \$5.6 billion in average receivables
 - 2015 to 2018 signings grew credit sales at +25 percent year-over-year and +31 percent in average receivables
 - Strong 2019 new client signings including Academy, Burlington, Carters, Houzz and Sephora
- Focus is on strategy and evolving Card Services
 - Investment in consumer deposit platform, over \$700 million in deposits, will provide long-term funding leverage
 - Significant opportunity to capture healthy market share in both traditional and new verticals

Card Services Overview

WHO WE ARE:

The **BRAND** you trust behind the **BRANDS** you love.

Over **30 years** delivering customer loyalty through branded payment programs



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Card Services Overview

WHAT WE DO:

Know More so our **BRANDS** can Sell More.

Lead the market in the convergence of data, marketing and loyalty, and payments to drive brand growth

We skillfully merge our core competencies...



...to deliver across a variety of verticals for our leading brand partners...

- APPAREL
- BEAUTY
- E-TAILERS
- HOME
- JEWELRY
- SPORTS / OUTDOORS
- TRAVEL / ENTERTAINMENT

...what they need to grow and thrive with evolving customer expectations



CONSUMER NEEDS AND BEHAVIORS WILL CONSTANTLY CHANGE, OUR DEEP UNDERSTANDING OF THEM WILL NOT



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Financial Measures

In addition to the results presented in accordance with generally accepted accounting principles, or GAAP, the Company may present financial measures that are non-GAAP measures, such as constant currency financial measures, adjusted EBITDA, adjusted EBITDA margin, adjusted EBITDA, net of funding costs, core earnings and core earnings per diluted share (core EPS). Constant currency excludes the impact of fluctuations in foreign exchange rates. The Company calculates constant currency by converting our current period local currency financial results using the prior period exchange rates. The Company uses adjusted EBITDA and adjusted EBITDA, net as an integral part of internal reporting to measure the performance and operational strength of reportable segments and to evaluate the performance of senior management. Adjusted EBITDA eliminates the uneven effect across all reportable segments of non-cash depreciation of tangible assets and amortization of intangible assets, including certain intangible assets that were recognized in business combinations, and the non-cash effect of stock compensation expense. Similarly, core earnings and core EPS eliminate non-cash or non-operating items, including, but not limited to, stock compensation expense, amortization of purchased intangibles, restructuring or strategic transaction costs, amortization of debt issuance and hedging 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.

Q & A

