Alliance Data NYSE: ADS

Fourth Quarter and Annual Results

February 6, 2014

Agenda

- Speakers: Ed Heffernan — President and CEO
  Charles Horn — EVP and CFO
- Fourth Quarter and 2013 Consolidated Results
- Segment Results
- Liquidity
- 2013 Wrap-up
- 2014 Outlook
- 2014 Updated Guidance

Fourth Quarter and 2013 Consolidated Results

(MM, except per share)

	Quarter ended December 31, 2013	Quarter ended December 31, 2012	% Change	Year ended December 31, 2013	Year ended December 31, 2012	% Change
Revenue	$ 1,141	$ 972	17%	$ 4,319	$ 3,641	19%
Net income per diluted share	$ 1.79	$ 1.27	41%	$ 7.42	$ 6.58	13%
Core earnings per diluted share	$ 2.39	$ 1.84	30%	$ 10.01	$ 8.71	15%
Adjusted EBITDA, net of funding costs	$ 290	$ 245	18%	$ 1,250	$ 1,074	16%
Diluted shares outstanding	66.0	66.0	0%	66.9	64.1	4%
Phantom shares	*5.8*	*9.4*	*-38%*	*8.5*	*8.6*	*-1%*
Average ADS share price	*$ 239*	*$ 143*	*67%*			

- Incremental warrants included in the diluted share count driven by the higher ADS average share price offset the drop in phantom shares in the fourth quarter.

LoyaltyOne (MM)

	Quarter ended December 31,		%	Year ended December 31,		%
	2013	2012	Change	2013	2012	Change
Revenue	$ 245	$ 216	13%	$ 919	$ 919	0%
Adjusted EBITDA	$ 68	$ 57	19%	$ 259	$ 236	10%
Adjusted EBITDA %	28%	26%	2%	28%	26%	2%
Key metrics:						
AIR MILES® reward miles issued	1,636	1,464	12%	5,421	5,223	4%
AIR MILES reward miles redeemed	1,092	881	24%	4,017	4,041	-1%
Burn rate	67%	60%	7%	74%	77%	-3%
Average FX rate	0.95	1.01	-6%	0.97	1.00	-3%

- Adjusted EBITDA increased 19 percent for the fourth quarter, despite unfavorable FX rates.
- AIR MILES reward miles issued increased 12 percent in the fourth quarter.
- Breakage rate for 2014 dropping by 1 percent to a combined AIR MILES reward program rate of 25.6 percent. Lower operating expenses and higher redemption margins are expected to offset this negative impact.

Epsilon (MM)

	Quarter ended December 31,				%	Year ended December 31,				%
	2013		2012		Change	2013		2012		Change
Technology	$	126	$	112	12%	$	455	$	430	6%
Data		52		51	3%		189		186	2%
Agency		196		129	52%		736		380	94%
Total revenue	$	375	$	292	28%	$	1,380	$	996	39%
Adjusted EBITDA	$	93	$	69	34%	$	290	$	222	30%
Adjusted EBITDA %		25%		24%	1%		21%		22%	-1%

- Organic revenue growth was 14 percent and 12 percent for the fourth quarter and full-year 2013, respectively.
- Backlog is currently up double-digits compared to last year, which should drive organic growth in 2014.
- Organic adjusted EBITDA margin was 26 percent for the fourth quarter, up 140 basis points from last year.

Private Label Services and Credit (MM)

	Quarter ended December 31, 2013	Quarter ended December 31, 2012	% Change	Year ended December 31, 2013	Year ended December 31, 2012	% Change
Finance charges, net	$ 509	$ 454	12%	$ 1,957	$ 1,643	19%
Other revenue	17	12	42%	78	89	-12%
Total revenue	$ 526	$ 466	13%	$ 2,035	$ 1,732	17%
Provision for loan losses	130	102	27%	346	285	21%
Funding costs	31	31	0%	124	118	5%
Operating expenses	216	185	17%	772	623	24%
Adjusted EBITDA, net of funding costs	$ 149	$ 147	1%	$ 792	$ 705	12%
Adjusted EBITDA, net %	28%	32%	-3%	39%	41%	-2%

- Revenue increased 13 percent on a 14 percent increase in average card receivables for the fourth quarter.
- Provision expense increased 27 percent for the fourth quarter, despite steady principal loss rates, due to the significant seasonal increase in ending card receivables.
- Funding costs decreased to 1.6 percent of average receivables for the fourth quarter, a 20 basis points improvement from last year.

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Private Label Services and Credit (MM)

	Quarter ended December 31,			Year ended December 31,		
	2013	2012	% Change	2013	2012	% Change
Key metrics:						
Gross yield	26.2%	26.7%	-0.5%	27.1%	27.7%	-0.6%
Credit sales	$ 4,836	$ 4,161	+16%	$ 15,252	$ 12,524	+22%
Average credit card receivables	$ 7,767	$ 6,800	+14%	$ 7,213	$ 5,928	+22%
Ending credit card receivables	$ 8,635	$ 7,450	+16%	$ 8,635	$ 7,450	+16%
Principal loss rates	5.2%	4.7%	+0.5%	4.7%	4.8%	-0.1%
Normalized principal charge-off rate	5.3%	5.2%	+0.1%	4.8%	5.1%	-0.3%
Delinquency rate	4.2%	4.0%	+0.2%	4.2%	4.0%	+0.2%

- The decrease in gross yield is primarily due to the on-boarding of new programs. The yield for core programs was essentially flat compared to the fourth quarter of 2012.
- Normalized principal loss rates (adjusted for fair value accounting treatment of acquired portfolios) was up slightly in the fourth quarter, but down 30 basis points for 2013.

Liquidity

Liquidity

- Corporate:
  - $1.3 billion in available liquidity at December 31, 2013
  - Debt levels remain moderate; leverage ratio of 2.0x at December 31, 2013
- Banks:
  - $2.5 billion of available liquidity at December 31, 2013
  - $57.5 million in dividends to parent during quarter; $330 million in dividends to parent during 2013
  - Comenity Bank regulatory ratios at December 31, 2013: Tier 1: 14 percent; Leverage: 14 percent; Total Risk-Based: 15 percent

Repurchase Program

- $231 million of $400 million board authorization spent in 2013
- New $400 million program established for 2014

2013 Wrap-up

- Consolidated:
  - Strong organic and total revenue growth for 2013

	Organic	Total
LoyaltyOne	+3%	+0%
Epsilon	+12%	+39%
Private Label	+12%	+17%
	+9%	+19%

  - Organic growth approximates 4 times Market & GDP growth rates
  - Strong organic growth coupled with moderate M&A → mid-teens adjusted EBITDA and core EPS growth
  - Modest net debt levels at year-end (leverage ratio <2.0x)
  - Good visibility into 2014

2013 Wrap-up

- Loyalty One:
  - (+) Miles issued increased 4 percent in 2013(-4 percent in 1st half; +11 percent in 2nd half)
  - (+) Strong year for new sponsors: Staples, Old Navy, Irving Oil, Eastlink, GM added
  - (-) Canadian consumer stretched (card spending soft) coupled with weak CDN$
  - (+) Brazil (Dotz): 11 million collectors at year-end compared to 6 million at 2012 year-end
- Epsilon:
  - (+) Strong organic (+12 percent) and total revenue growth (+39 percent)
  - (+) Robust organic adj. EBITDA growth (13 percent) and margin expansion (100 basis points)
  - (+) Strength in automotive, financial services, CPG, and retail verticals
  - (-) Email
  - (+) Agency, database and non-email digital delivery product lines
- Private Label:
  - (+) Average card receivable growth of $1.3 billion, or 22 percent, versus 0–2 percent growth for industry
  - (+) Credit sales growth of 22 percent versus nominal GDP growth of 3 percent
    - ~ 3 times that of our clients' total sales growth due to growth in tender share
  - (+) Credit quality remains solid and stable:
    - 4.7 percent principal charge-off rate in 2013 versus 4.8 percent in 2012
  - (+) $2 billion (by Year 3) in new portfolio growth driven by 15 new client wins vs. 4-5 in typical year

2014 Updated Guidance

($MM, except per share)

	2014 *Initial Guidance*	2014 *Updated Guidance*	Increase
Average ADS share price	*$225*	*$260*	*$35*
Revenue	$4,640	$5,140	+$500
Adjusted EBITDA	$1,575	$1,600	+$25
Core Earnings	$738	$766	+$31
Diluted shares outstanding	61.5	62.8	
Core EPS	$12.00	$12.20	+$0.20

Diluted share count forecast (in millions)

2013				2014			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
67.3	68.2	66.0	66.0	66.2	63.4	60.8	60.9

2014 Outlook

- Overall
  - Marketing dollars continue to flow into data-driven marketing and loyalty programs
  - Addressable market is huge and more than one model will be successful
  - ADS is well positioned in the market with its multiple platform "one stop shopping" solution, which blends data, loyalty, payments & digital all wrapped inside a 12,000 person high-touch services organization
  - Drives ADS organic growth of 2-3 times that of the market and real GDP

2014 Outlook

- Loyalty One:
  - AIR MILES: flat revenue growth and low single-digits adjusted EBITDA growth
    - Dampened by very soft CDN$ and lower redemption rate
    - Somewhat weak economy as the Canadian consumer is stretched
    - Pharmacy – recent legislation impacting ability to offer rewards related to prescription drugs
  - Brand Loyalty: acquisition adds approximately $500 million in revenue; double-digit organic growth
  - Brazil: 13 million members projected by end of 2014 compared to 11 million at end of 2013 (+20 percent)
- Epsilon:
  - High single-digit organic revenue growth
  - Approximately 40 basis points improvement in adjusted EBITDA margin
  - Strong 2013 signings and backlog provides good 2014 visibility
  - New email platform (Harmony) rollout to address 2013 weak spot
- Private Label:
  - Very robust pipeline: target new signings equal to $2 billion vintage
  - Double-digit organic revenue growth
  - Principal loss rates similar to 2013
    - 1st quarter slightly over 5 percent; remainder of year below 5 percent

Q & A