

Alliance Data

Second Quarter 2021 Results

Ralph Andretta
President & CEO

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EVP & CFO

July 29, 2021



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, and the guidance we give with respect to, our anticipated operating or financial results, initiation or completion of strategic initiatives including the proposed spinoff of our LoyaltyOne segment, future dividend declarations, and future economic conditions, including, but not limited to, fluctuation in currency exchange rates, market conditions and COVID-19 impacts related to relief measures for impacted borrowers and depositors, labor shortages due to quarantine, reduction in demand from clients, supply chain disruption for our reward suppliers and disruptions in the airline or travel industries.

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. 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.

Second Quarter 2021 Key Takeaways

1

Continued progress on strategic initiatives

- Bread's strategic relationship with Fiserv active as of June 30
- New partner signings, renewals, and strong pipeline
- Modernization and efficiency initiatives on schedule

2

Inflection point for receivables growth

- Credit sales returned to pre-pandemic levels
- Improving consumer confidence and mobility
- Closely monitoring COVID conditions

3

Credit performance remains strong

- Reflective of disciplined risk management
- Payment rates remain elevated benefiting from economic stimulus

Second Quarter 2021 Financial Highlights

\$1.0B

Revenue

\$273MM

Net Income

\$5.47

Diluted EPS

- Revenue increased 3% year-over-year, while total expenses excluding provision for loan loss declined 4%
- Net Income of \$273 million includes a net reserve release of \$208 million
- Credit sales of \$7.4 billion were up 54% year-over-year and up 22% compared to 1Q21
- Average receivables were down 5% year-over-year
- Credit metrics remained strong with a net loss rate of 5.1% for the quarter

Strategic Initiatives Update

Bread Distribution Relationship with Fiserv

- Launch of Bread / Fiserv strategic relationship



Enhanced Digital Suite (EDS) & Unified Software Development Kit (SDK)

- Accelerating integration with brand partners



Core Processing & Statement Processing Conversions

- Successfully transitioned statement processing in 2Q21
- Expected completion of core processing conversion to Fiserv in 2022



Proprietary Brand Card

- Exceeded 1 million cardholder activations
- Opportunity to increase cardholder acquisition in 2022



Balance Sheet Management

- Completed ADS debt refinancing / extension
- Spin expected to be completed in 4Q21



Card Services Brand Partner Highlights

Select New Brand Partners

rue21®



Select New Bread Direct Acquisition Partners



Blue Nile

Brand Partner Renewals

KAY®
JEWELERS

ZALES
THE DIAMOND STORE®

JARED®

PIERCING
Pagoda

LOFT

ANN TAYLOR

LANE BRYANT

maurices







avenue®



Lion
Industrial Supply



Bread Business Update

Direct Acquisition	Distribution	Technology Platform
<p data-bbox="438 629 690 696"> Bread</p> <p data-bbox="555 748 596 786">+</p> <p data-bbox="359 815 774 911"> AllianceData.</p> <p data-bbox="285 982 845 1118">Select new brand partners include Wayfair and Blue Nile Pipeline gaining momentum</p>	<p data-bbox="1116 696 1429 853"></p> <p data-bbox="963 975 1549 1110">E-commerce pilot active on June 30 Select early launches in 2H21 Full roll-out in 2022</p>	<p data-bbox="1870 651 2066 896"></p> <p data-bbox="1709 986 2219 1072">Anticipated new brand partner additions in 4Q21</p>

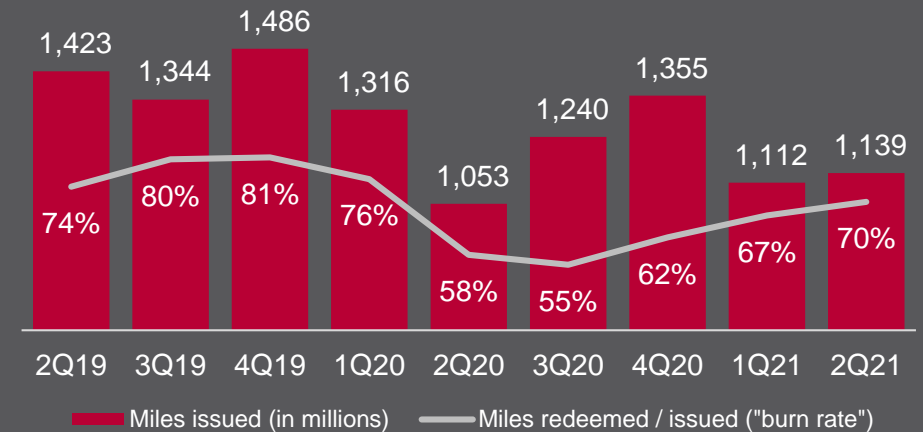


- AIR MILES® reward miles issued and redeemed increased versus 2Q20 as airline bookings improved and merchandise redemptions remained strong
- AIR MILES is working with travel partners to offer promotions and redemptions to drive increased Collector travel and tourism as appropriate, leading to optimism in the latter half of 2021
- July to-date average daily flight bookings are currently 10x the 1Q21 level, yet remain at 60% - 70% of the pre-pandemic level

brandloyalty
happy people

- BrandLoyalty's new program activity is gaining momentum with a strong pipeline of clients in the second half of 2021
- Consumers are actively engaged in loyalty campaigns with particular success in products focused on the home

LoyaltyOne® Performance Highlights



2020 Environmental, Social and Governance Performance Report

Report highlights key findings from second materiality assessment, which will guide Company's evolving ESG strategy in alignment with its business transformation.

Progress against 3-year sustainability goals set in 2017:

- **Sustainability Governance:** Successful execution of multi-year Board refreshment program; Nominating & Corporate Governance and Compensation & Human Capital committees responsible for oversight of management's ESG and sustainability strategies and program execution; Committees receive reports quarterly then report into the full Board, ensuring proper oversight and engagement and management accountability.
- **Fair & Responsible Banking:** Technology upgrades to the Company's underwriting process reduce bias and create parity; top marks for excellence in customer service.
- **Secure & Responsible Use of Data:** No data breaches; ongoing investments in tools, technology upgrades and training for safeguarding data.
- **Human Capital Management:** Reduced voluntary turnover by 3%; increased investment in training dollars per associate by 35%; established formal DE&I strategic framework and appointed SVP level DE&I Officer.
- **Community Investment:** Contributed over \$30 million, including nearly \$7 million in "Data for Good" initiatives; associates volunteered over 76,000 hours.
- **Environment:** Facility upgrades, energy-efficient lighting, LEED certifications, electric vehicle charging stations, investments in global conservation initiatives to support efforts around management/mitigation of climate risk.



Financial Results – Consolidated

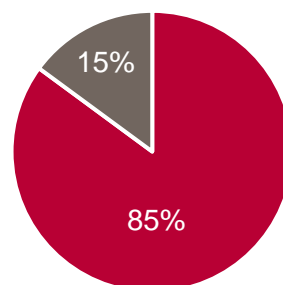
(\$ in millions, except per share)	2Q21	2Q20	% Change
Total revenue	\$1,012	\$979	3 %
Total operating expenses, excl. provision for loan loss	553	555	-
Interest expense, net	102	128	(20)
Total expenses excl. provision for loan loss	655	683	(4) %
Pre-provision, pre-tax earnings (PPNR)	\$358	\$297	20 %
Provision for loan loss	(14)	250	(106)
Total earnings before tax (EBT)	\$372	\$47	691 %
Income tax	98	9	1,045
Net income	\$273	\$38	612 %
Net income per diluted share	\$5.47	\$0.81	579 %
Weighted average shares outstanding – diluted	50.0	47.7	5

See “Financial Measures” in earnings press release for a discussion of non-GAAP Financial Measures
Totals may not sum due to rounding

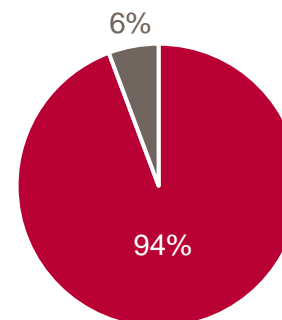
Financial Results – Segments

(\$ in millions)	2Q21	2Q20	% Change
LoyaltyOne	\$151	\$151	-%
Card Services	861	828	4
Corporate/Other	-	-	-
Total revenue	\$1,012	\$979	3%
LoyaltyOne	\$24	\$24	2%
Card Services	404	70	475
Corporate/Other	(57)	(47)	21
Total earnings before tax (EBT)	\$372	\$47	691%

2Q21 total revenue*



2Q21 total earnings before tax*

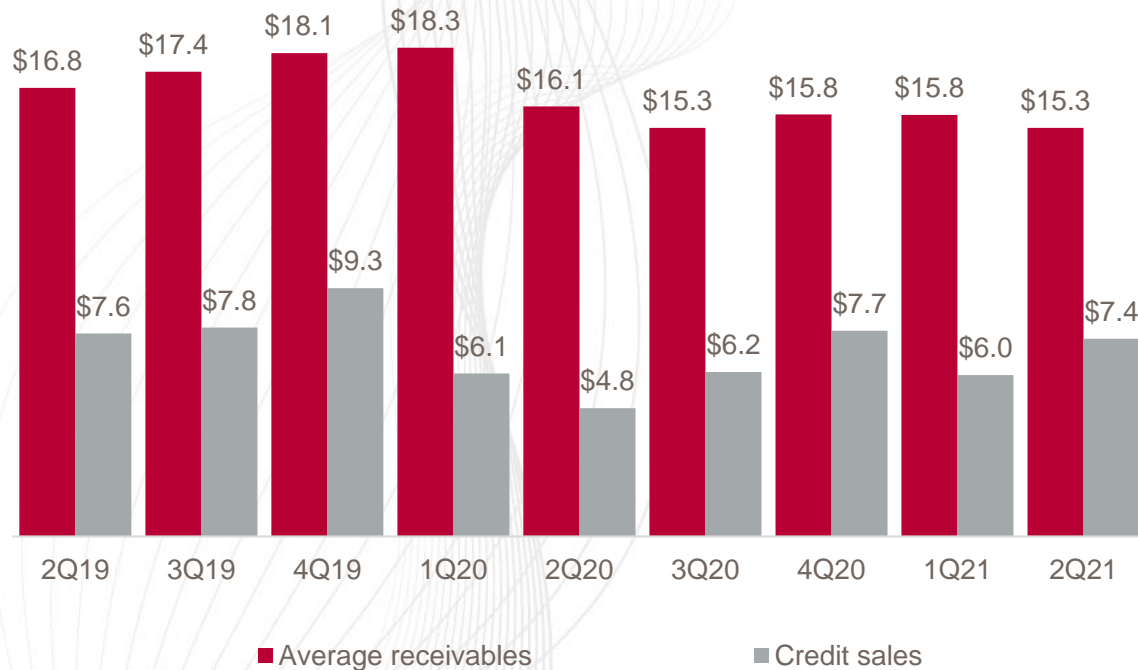


■ Card Services ■ LoyaltyOne

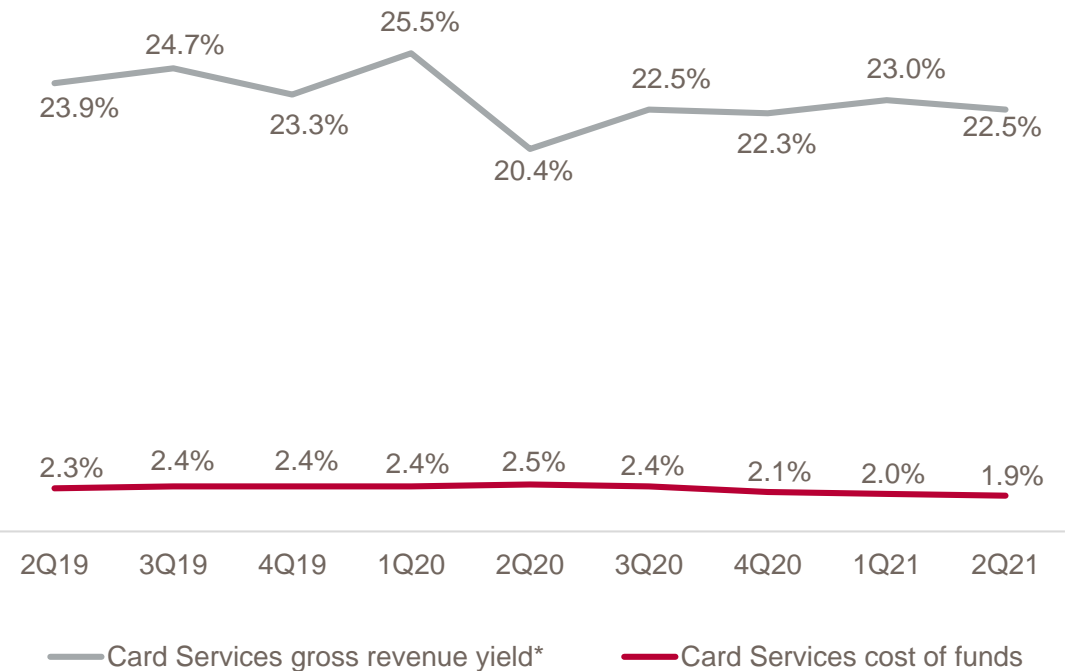
* Percentages based on Card Services and LoyaltyOne segments combined as reported excluding Corporate/Other and intersegment eliminations. Totals may not sum due to rounding

Key Business Metrics

Credit sales near pre-pandemic level
(\$ in billions)

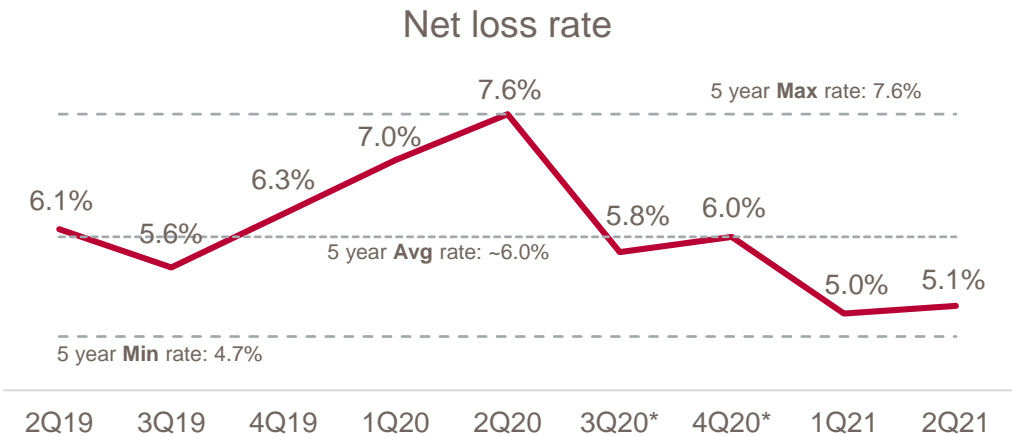
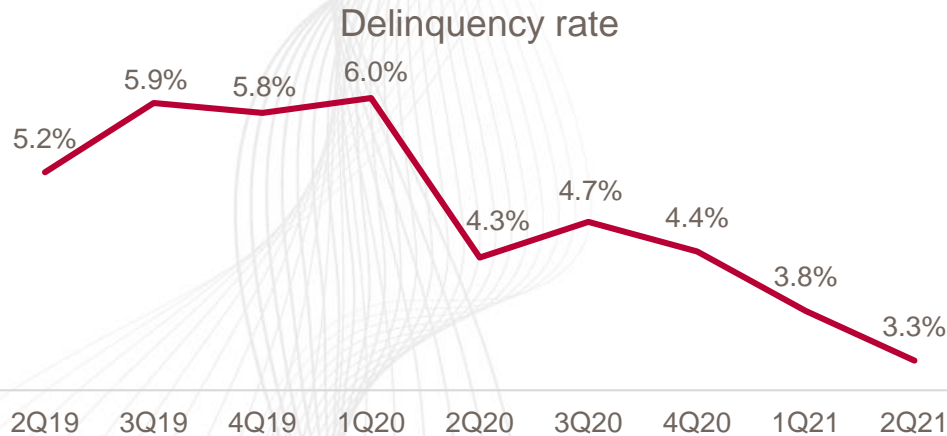


Card Services gross revenue yield remains steady

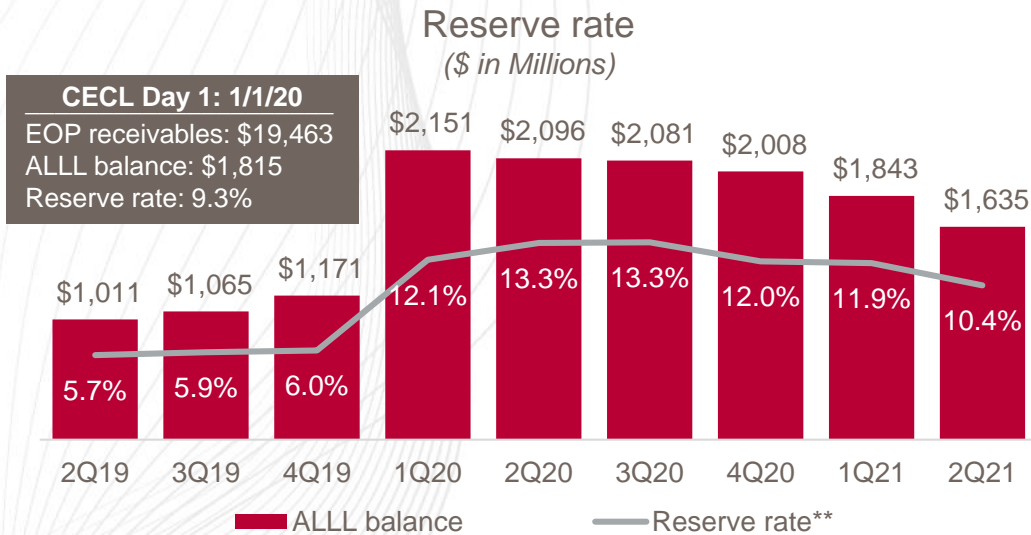


*Revenue divided by normalized average receivables

Credit Quality and Allowance

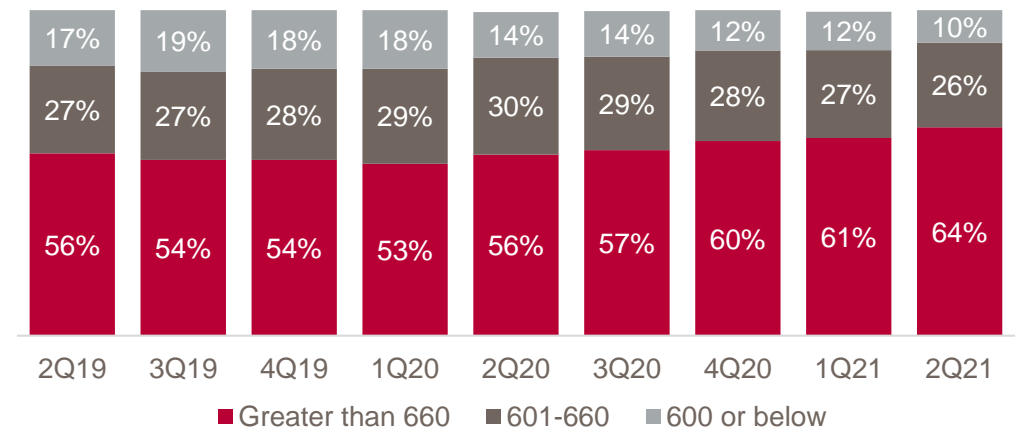


Historic quarterly range for the last five years
* Net loss rate impacted by pandemic-related consumer relief program.



** Calculated as a percentage of allowance for loan loss to end of period credit card and loan receivables

Revolving Credit Risk Distribution



2021 Financial Outlook

Full Year 2020 Actuals	Full Year 2021 Outlook	Commentary
Average receivables \$16,367 million	Down mid-single-digits	<ul style="list-style-type: none"> • Flat year-over-year in 2H21 • Expect year-end receivables to be in line with year-end 2020 • Credit sales up double-digits in 2021
Total revenue \$4,521 million	Down low-single-digits	<ul style="list-style-type: none"> • LoyaltyOne full year revenue growth in 2021 • 1Q21 Card Services revenue suppressed with receivable balances rebuilding from pandemic-related reductions • Card Services gross revenue yield remains steady
Total expenses* (Excludes provision for loan loss) \$2,861 million	Flat	<ul style="list-style-type: none"> • Includes accelerated digital investment and an increase in marketing spend from depressed levels in 2020 • Impacted by Bread® & Fiserv investment transition expenses
Net loss rate 2020 = 6.6%	Net loss rate in the low 5% range	

* Total expenses represent total operating expenses excluding provision for loan loss plus total interest expense, net

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 pre-provision earnings before taxes, adjusted EBITDA, adjusted EBITDA, net of funding costs, core earnings and core earnings per diluted share (core EPS). 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. In addition, adjusted EBITDA eliminates the effect of the strategic transaction costs, asset impairments, and restructuring and other charges. Adjusted EBITDA, net is equal to adjusted EBITDA less securitization funding costs and interest expense on deposits. 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, non-cash interest, strategic transaction costs, asset impairments, and restructuring and other charges. 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.

Appendix



Key Business Metrics

	2Q21	2Q20	2Q21 vs 2Q20	1Q21	2Q21 vs 1Q21
<u>LoyaltyOne</u> (in millions)					
AIR MILES reward miles issued	1,139	1,053	8%	1,112	2%
AIR MILES reward miles redeemed	800	608	32%	739	8%
<u>Card Services</u> (\$ in millions)					
Credit sales	\$7,401	\$4,799	54%	\$6,043	22%
Average receivables	\$15,282	\$16,116	(5)%	\$15,785	(3)%
Normalized average receivables*	\$15,282	\$16,204	(6)%	\$15,785	(3)%
End of period receivables	\$15,724	\$15,809	(1)%	\$15,537	1%
Total gross revenue yield %**	22.5%	20.4%	2.1%	23.0%	(0.5)%
Cost of funds	1.9%	2.5%	(0.6)%	2.0%	(0.1)%
Principal loss rate	5.1%	7.6%	(2.5)%	5.0%	0.1%
Reserve rate	10.4%	13.3%	(2.9)%	11.9%	(1.5)%
Delinquency rate	3.3%	4.3%	(1.0)%	3.8%	(0.5)%
Return on equity	36%	15%	21%	27%	9%

*Normalized average receivables includes held-for-sale receivables

**Revenue divided by normalized average receivables

Key Business Metrics – Quarterly

	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
LoyaltyOne (in millions)									
AIR MILES reward miles issued	1,423	1,344	1,486	1,316	1,053	1,240	1,355	1,112	1,139
AIR MILES reward miles redeemed	1,050	1,078	1,199	994	608	687	838	739	800
Card Services (\$ in millions)									
Credit sales	\$7,551	\$7,824	\$9,297	\$6,099	\$4,799	\$6,152	\$7,657	\$6,043	\$7,401
Average receivables	\$16,798	\$17,449	\$18,096	\$18,294	\$16,116	\$15,300	\$15,759	\$15,785	\$15,282
Normalized average receivables*	\$18,335	\$19,299	\$19,368	\$18,553	\$16,204	\$15,356	\$15,759	\$15,785	\$15,282
End of period receivables	\$17,615	\$17,928	\$19,463	\$17,732	\$15,809	\$15,599	\$16,784	\$15,537	\$15,724
Total gross revenue yield %**	23.9%	24.7%	23.3%	25.5%	20.4%	22.5%	22.3%	23.0%	22.5%
Cost of funds	2.3%	2.4%	2.4%	2.4%	2.5%	2.4%	2.1%	2.0%	1.9%
Principal loss rate	6.1%	5.6%	6.3%	7.0%	7.6%	5.8%	6.0%	5.0%	5.1%
Reserve rate	5.7%	5.9%	6.0%	12.1%	13.3%	13.3%	12.0%	11.9%	10.4%
Delinquency rate	5.2%	5.9%	5.8%	6.0%	4.3%	4.7%	4.4%	3.8%	3.3%
Return on equity	31%	28%	23%	18%	15%	14%	16%	27%	36%

*Normalized average receivables includes held-for-sale receivables

**Revenue divided by normalized average receivables

Financial Results – Quarterly

(\$ in millions, except per share)

	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
Total revenue	\$1,348	1,438	\$1,461	\$1,382	\$979	\$1,050	\$1,110	\$1,085	\$1,012
Total operating expenses, excl. provision for loan loss	754	836	771	562	555	552	699	548	553
Interest expense, net	143	140	142	139	128	115	113	109	102
Total expenses excl. provision for loan loss	897	976	913	701	683	667	812	657	655
Pre-provision, pre-tax earnings (PPNR)	\$451	\$462	\$548	\$681	\$297	\$384	\$299	\$428	\$358
Provision for loan loss	257	297	381	656	250	208	152	33	(14)
Total earnings before tax (EBT)	\$194	\$164	\$167	\$25	\$47	\$176	\$146	\$394	\$372
Income tax	51	43	37	(5)	9	43	53	108	98
Income from continuing operations	\$142	\$122	\$130	\$30	\$38	\$133	\$93	\$286	\$273
Income from continuing operations per diluted share	\$2.71	\$2.41	\$2.74	\$0.63	\$0.81	\$2.79	\$1.93	\$5.74	\$5.47
Weighted average shares outstanding – diluted	52.6	50.4	47.6	47.7	47.7	47.8	48.4	49.8	50.0

(Including discontinued operations)									
Net income (loss)	\$139	\$(108)	\$98	\$30	\$38	\$133	\$12	\$286	\$273
Net income (loss) per diluted share	\$2.64	\$(2.13)	\$2.05	\$0.63	\$0.81	\$2.79	\$0.25	\$5.74	\$5.47

See “Financial Measures” in earnings press release for a discussion of non-GAAP Financial Measures
Totals may not sum due to rounding

Financial Results – Segments by Quarter

(\$ in millions)

	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
LoyaltyOne	\$251	\$246	\$332	\$198	\$151	\$185	\$231	\$177	\$151
Card Services	\$1,097	\$1,192	1,128	1,184	828	866	879	908	861
Corporate/Other	-	-	-	-	-	-	-	-	-
Total revenue	\$1,348	\$1,438	\$1,461	\$1,382	\$979	\$1,050	\$1,110	\$1,085	\$1,012
LoyaltyOne	\$27	\$(5)	\$58	\$47	\$24	\$18	\$22	\$32	\$24
Card Services	263	300	162	32	70	212	187	410	404
Corporate/Other	(96)	(131)	(52)	(53)	(47)	(55)	(63)	(47)	(57)
Total earnings before tax (EBT)	\$194	\$164	\$167	\$25	\$47	\$176	\$146	\$394	\$372

Totals may not sum due to rounding

Capital and Liquidity

Parent Level

- Liquidity at 6/30 of \$1.0 billion, consisting of cash on hand plus revolver capacity
- Approximately \$284 million in cash and cash equivalents, \$750 million in unused revolver

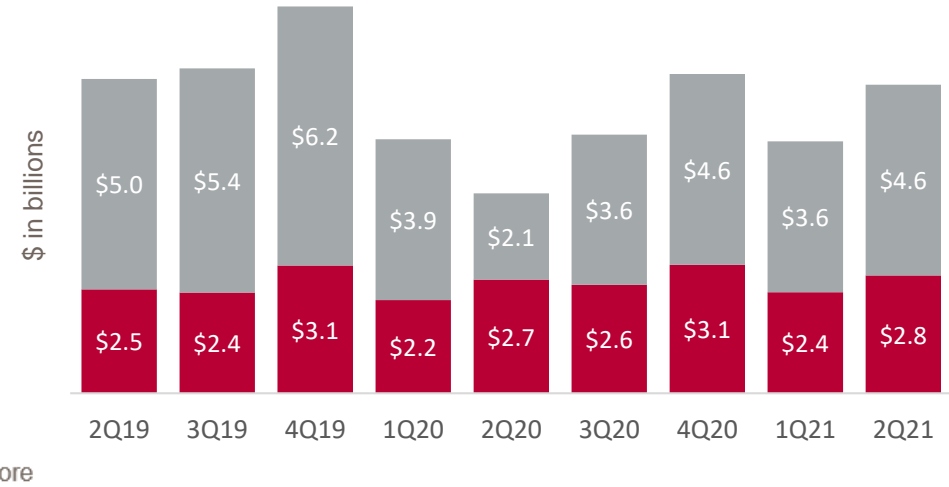
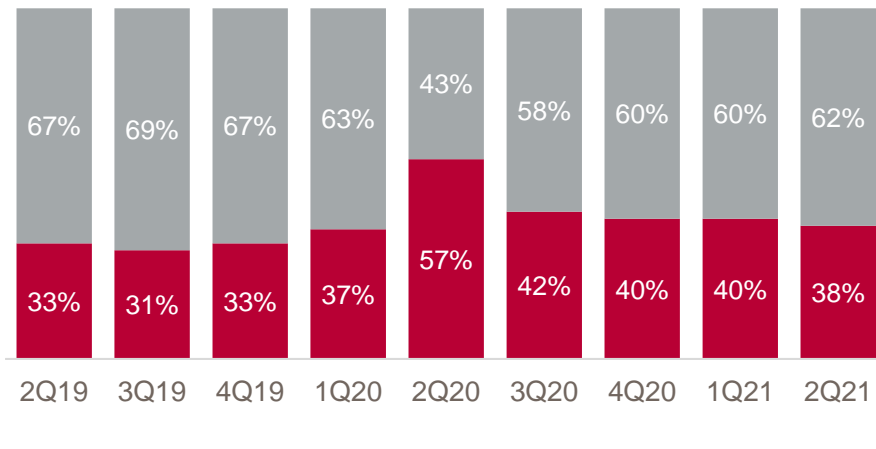
Bank Level

- Banks finished the quarter with \$2.7 billion in cash and \$3.1 billion in equity
- Total risk based capital ratio at 23.4% - over double the 10% threshold to be considered well-capitalized; CET1 at 22.1%
- Funding readily available with heavy demand for FDIC-insured deposit products – both direct-to-consumer and brokered

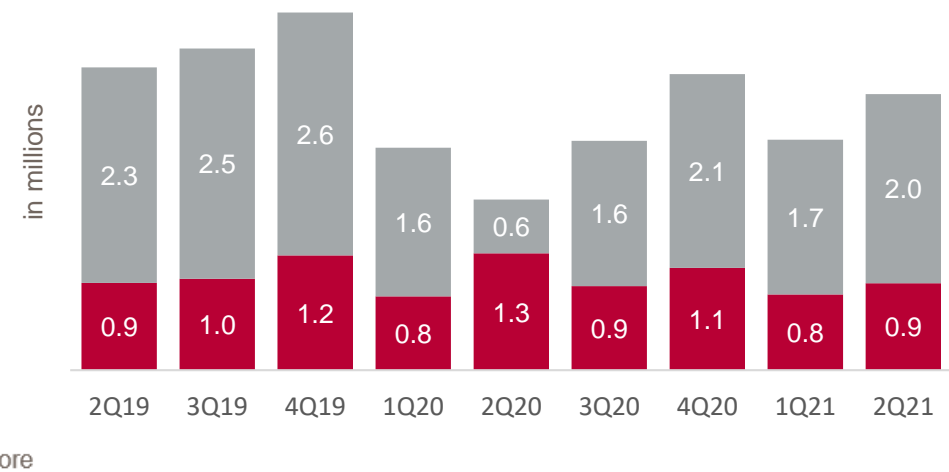
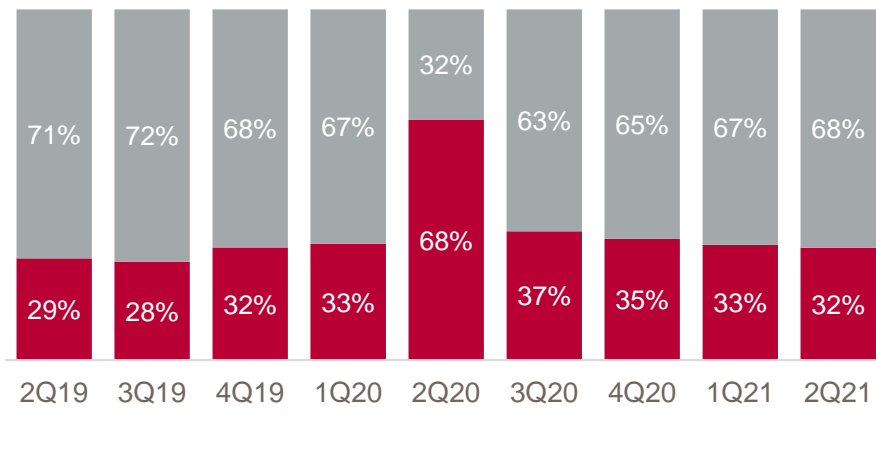
Combined Banks Capital Ratios	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
Common equity tier 1 capital ratio	15.4%	15.5%	14.5%	15.9%	18.3%	18.8%	18.4%	21.0%	22.1%
Tier 1 capital ratio	15.4%	15.5%	14.5%	15.9%	18.3%	18.8%	18.4%	21.0%	22.1%
Total risk based capital ratio	16.7%	16.8%	15.8%	17.3%	19.7%	20.1%	19.7%	22.3%	23.4%
Tier 1 leverage capital ratio	13.7%	13.4%	12.5%	12.8%	14.2%	16.1%	17.1%	17.8%	19.2%

Card Services Sales Data

In-store vs. digital sales



In-store vs. digital new accounts



Digital includes all non-store new accounts and Bread

Reconciliation of Non-GAAP Information

<i>(\$ in millions, except per share amounts)</i>	2Q21
Net income	\$273.5
Add back non-cash/ non-operating items:	
Stock compensation expense	9.2
Amortization of purchased intangibles	11.5
Non-cash interest ⁽¹⁾	8.0
Strategic transaction costs ⁽²⁾	4.8
Income tax effect ⁽³⁾	(7.1)
Core earnings	\$299.8

Weighted average shares outstanding – diluted	50.0
Core earnings per share – diluted	\$5.99

⁽¹⁾ Represents amortization of debt issuance costs.

⁽²⁾ Represents costs for professional services associated with strategic initiatives.

⁽³⁾ Represents the tax effect including the related non-GAAP measure adjustments using the expected effective annual tax rate.

Reconciliation of Non-GAAP Information

<i>(\$ in millions)</i>	LoyaltyOne	Card Services	Corporate	2Q21 Total
Income (loss) before income taxes	\$24.5	\$404.5	\$(57.4)	\$371.6
Interest expense, net	(0.1)	72.2	29.6	101.7
Operating income (loss)	24.4	476.7	(27.8)	473.3
Depreciation and amortization	9.4	21.5	0.6	31.5
Stock compensation expense	1.8	3.6	3.8	9.2
Strategic transaction costs ⁽¹⁾	-	-	4.8	4.8
Adjusted EBITDA	35.6	501.8	(18.6)	518.8
Less: Funding costs	-	72.2	-	72.2
Adjusted EBITDA, net	\$35.6	\$429.6	\$(18.6)	\$446.6

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

Alliance Data announces spinoff of the LoyaltyOne Segment

Proposed spinoff is expected to be tax-free and will create two independent, publicly traded companies

Rationale

- Aligns with our strategic transformation to deliver long-term, sustainable growth
- Positions both companies to invest more deeply in their unique growth opportunities
- Transaction expected to strengthen Alliance Data's balance sheet and improve key ratios
- Creates standalone data-driven, tech-enabled loyalty solutions provider, "Spinco"

Leadership

- Ralph Andretta will remain president and CEO of Alliance Data
- Charles Horn will continue to lead LoyaltyOne and will be named President and CEO of Spinco
- Board of Directors will be established for Spinco and announced in the coming months
- No resulting change to Alliance Data Board of Directors

Timing

- Announced on May 12, 2021
- Spinoff is expected to be completed in Q4 2021, subject to market conditions and satisfaction of regulatory requirements

Balance Sheet

- Spinco will raise debt capital and distribute the funds to Alliance Data for corporate debt reduction as part of the spin
- Alliance Data retains ~19% non-controlling interest in Spinco, with the intent to monetize that stake as appropriate for Alliance Data corporate debt reduction
- 4.75% Senior Notes due 2024 & 7.00% Senior Notes due 2026 to remain with Alliance Data