

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):  
January 28, 2021

**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, OH 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 (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading symbol</u>	<u>Name of each exchange on which registered</u>
Common stock, par value \$0.01 per share	ADS	New York Stock Exchange

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 January 28, 2021, Alliance Data Systems Corporation (the "Company") issued a press release regarding its results of operations for the fourth quarter and fiscal year ended December 31, 2020. A copy of this press release is furnished as Exhibit 99.1.

**Item 7.01 Regulation FD Disclosure.**

On January 28, 2021, the Company issued a press release regarding its results of operations for the fourth quarter and fiscal year ended December 31, 2020. 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 9.01 Financial Statements and Exhibits.**

(d) Exhibits

<b><u>Exhibit No.</u></b>	<b><u>Document Description</u></b>
<a href="#">99.1</a>	Press Release dated January 28, 2021 announcing the results of operations for the fourth quarter and fiscal year ended December 31, 2020.
<a href="#">99.2</a>	Investor Presentation Materials.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

*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.

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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: January 28, 2021

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

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**Investor Relations:** Brian Vereb (brian.vereb@alliancedata.com), 614-528-4516

**Media Relations:** Shelley Whiddon (shelley.whiddon@alliancedata.com), 214-494-3811

### **Alliance Data Reports Full Year and Fourth Quarter 2020 Results**

- Full year net income of \$214 million or \$4.46 per diluted share demonstrated resilient performance in a challenging business environment
- Strategic initiatives, cost reductions, and attracting and retaining top talent position Alliance Data for improved performance

**COLUMBUS, Ohio, January 28, 2021** – Alliance Data Systems Corporation (NYSE: ADS), a leading provider of data-driven marketing, loyalty and payment solutions, today announced results for the year ended December 31, 2020.

“Alliance Data’s 2020 operating performance demonstrated resilience in a very challenging business environment, with key strategic initiatives undertaken throughout the year that position us for ongoing improved performance,” said Ralph Andretta, president and chief executive officer of Alliance Data. “We adapted quickly to pandemic-related challenges and succeeded in achieving significant sequential improvement in our results following the major impact of the pandemic in the first half of last year. At the same time, we made strategic investments in innovation and additional capabilities that have improved our competitive positioning and enhanced cardmember experience. Specifically, our actions included the acquisition of Bread®, a technology-driven fintech company, our new outsourcing relationship with Fiserv, the launch of our Enhanced Digital Suite, and the introduction of the Comenity Card<sup>SM</sup>, each of which is fully aligned with our transformation program.

“Our fourth quarter financial results reflected a continued gradual recovery in Card Services credit sales. Success in our beauty and health & wellness verticals contributed to the 24% sequential increase in total credit sales in the seasonally strong holiday period. Credit metrics remained resilient and delinquency rates improved as a result of enhanced collection efforts, prudent credit line management, the expansion of consumer relief programs in 2020, and stimulus payments. LoyaltyOne® activity improved from the third quarter, yet pressure remains from pandemic-related shutdowns throughout the world.”

Andretta continued, “Bread’s growth trajectory continues to accelerate as we onboard digital partners at an impressive rate and have an increasing pipeline of quality prospects. Active cross-sell partner discussions continue with high levels of interest from our Card Services’ brand partners to augment existing programs with Bread’s white-label solutions. The combination of Bread’s innovative fintech capabilities and Card Services’ funding, marketing, data & analytics, and underwriting expertise provides promising new opportunities for growth and synergies. We continue to invest in the expansion of our fintech business to capitalize on its significant growth prospects. We are especially pleased by the recent Bread announcement with Royal Bank of Canada (“RBC”) and the growth opportunity related to this strategic partnership. Our technology partnership with RBC accelerates Bread’s platform growth and enables us to bring our next-generation payment and point-of-sale solutions to more consumers globally.

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“Importantly, we added talent in key areas of our Card Services businesses, including business development, product, data & analytics, and digital innovation which, accompanied by our strategic investments and plans for the future, give Alliance Data the foundation to drive long-term profitable growth. Also, we eliminated approximately \$240 million of fixed cost from our 2019 expense base as we right-sized our cost structure. We remain committed to prudent expense management and driving ongoing efficiency programs that reduce our cost to serve and enable additional investment in areas of strategic priority.

## 2021 OUTLOOK

“Looking ahead, we remain keenly focused on balancing growth and profitability to ensure the sustainable economics of our portfolio. In 2021, we expect our credit sales to increase by high-single digits, with a net loss rate of approximately 6% in the first quarter of 2021, in line with a gradual economic recovery. Our improving credit outlook is a result of our prudent risk management and the actions we took in 2020,” said Andretta. “Based on our current visibility, credit card and loan receivables at year-end 2021 are projected to be in line with year-end 2020 levels, although average normalized receivables are expected to be down mid- to high-single digits for the year, reflecting the year-over-year pressure in the first half of 2021. We expect to resume high single-digit to low double-digit card receivables growth as we exit 2021. Total revenue is anticipated to be down low-single digits compared to 2020 as the impact from lower receivables is partially offset by improving revenue from LoyaltyOne and the Bread acquisition. Expenses are expected to remain flat while we continue to fund initiatives to better position the Company for future growth. For 2021, our expense forecast includes over \$100 million of digital innovation and technology enhancement investment to support growth and the delivery of positive operating leverage in 2022.”

## CONSOLIDATED RESULTS

SUMMARY (in millions, except per share amounts)	Quarter Ended December 31,			Year Ended December 31,		
	2020	2019	Change	2020	2019	Change
Revenue	\$ 1,110	\$ 1,461	-24%	\$ 4,521	\$ 5,581	-19%
Income from continuing operations before income taxes (“EBT”)	\$ 146	\$ 167	-13%	\$ 394	\$ 738	-47%
Income from continuing operations	\$ 93	\$ 130	-28%	\$ 295	\$ 573	-48%
Net income	\$ 12	\$ 98	-88%	\$ 214	\$ 278	-23%
Income from continuing operations per diluted share	\$ 1.93	\$ 2.74	-30%	\$ 6.16	\$ 11.24	-45%
Net income per diluted share	\$ 0.25	\$ 2.05	-88%	\$ 4.46	\$ 5.46	-18%
Diluted shares outstanding	48.4	47.6	2%	47.9	50.9	-6%
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Supplemental Non-GAAP Metrics (a):						
Pre-provision, pre-tax earnings	\$ 299	\$ 548	-46%	\$ 1,661	\$ 1,926	-14%
Core earnings per diluted share (“core EPS”)	\$ 3.31	\$ 4.12	-20%	\$ 9.39	\$ 16.77	-44%

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

**Full Year:** Due to the impacts of COVID-19, consolidated revenue decreased 19% to \$4,521 million, compared to 2019. EBT decreased 47% to \$394 million, while income from continuing operations decreased 48% to \$295 million, or \$6.16 per diluted share, all compared to 2019. Net income of \$214 million was negatively impacted by an after-tax charge of \$81 million in discontinued operations recorded in the fourth quarter of 2020 to indemnify Publicis for amounts agreed to be paid by Epsilon in resolution of a Department of Justice investigation. Epsilon was sold by Alliance Data to Publicis in July 2019.

**Fourth Quarter:** Due to the continuing impacts of COVID-19, consolidated revenue decreased 24% to \$1,110 million, compared to the fourth quarter of 2019. EBT decreased 13% to \$146 million, while income from continuing operations decreased 28% to \$93 million, or \$1.93 per diluted share, all compared to the fourth quarter of 2019. Net income of \$12 million was negatively impacted by the aforementioned after-tax charge of \$81 million in discontinued operations.

## **SEGMENT RESULTS**

**Card Services:** Revenue decreased 22% to \$879 million, compared to the fourth quarter of 2019, primarily due to the decline in average receivables, reflecting lower sales volumes, and in part from interest rate cuts earlier in 2020. EBT increased 15% to \$187 million, compared to the fourth quarter of 2019, attributable to lower provision for loan loss. The fourth quarter of 2020 included \$48 million of charges related to real estate optimization, including \$25 million in accelerated depreciation expense. The net principal loss rate was 6.0% in the fourth quarter of 2020, an improvement of 30 basis points from the prior year period, and the delinquency rate of 4.4% improved 140 basis points from the prior year period.

Credit sales decreased 18% to \$7.7 billion, compared to the fourth quarter of 2019, due to the continuing impacts of COVID-19. On a sequential basis, credit sales increased 24% over third quarter 2020 as consumer spending improved, while average receivables increased 3% due to the holiday season.

**LoyaltyOne:** Revenue decreased 31% to \$231 million, compared to the fourth quarter of 2019, as a result of fewer short-term loyalty programs in market due to the impact of COVID-19, as well as the sale of Precima® in January 2020, which accounted for \$23 million of incremental revenue in last year's fourth quarter. On a constant currency basis, revenue declined 34% to \$218 million, compared to \$332 million in the fourth quarter of 2019. BrandLoyalty revenue decreased 35%, or \$81 million, on a constant currency basis, due to a decline in programs with retailer delays related to the impact of COVID-19. AIR MILES revenue decreased 32%, or \$33 million, compared to the fourth quarter of 2019 on a constant currency basis, due primarily to the sale of Precima, as well as lower service and redemption revenue. LoyaltyOne adjusted EBITDA, net decreased 45% to \$44 million, primarily due to the decrease in revenue.

Issuance of AIR MILES reward miles decreased 9%, compared to the fourth quarter of 2019, reflecting a decline in discretionary spending, including credit card spend and delays in promotions by Sponsors. AIR MILES reward miles redemptions decreased 30%, compared to the fourth quarter of 2019, reflecting the impact of the pandemic on travel-related categories, offset in part by strength from merchandise redemptions. On a sequential basis, AIR MILES reward miles issued and redeemed improved 9% and 22%, respectively, reflecting better business conditions than third quarter 2020.

## 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, 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.

## 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, pre-provision pre-tax earnings, 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. Pre-provision pre-tax earnings is calculated by adding the provision for loan loss to income before taxes. 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. In addition, adjusted EBITDA eliminates the effect of the gain (loss) on the sale of a business, strategic transaction costs, asset impairments, restructuring and other charges, and the loss on the extinguishment of debt. 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, gain (loss) on the sale of a business, strategic transaction costs, asset impairments, restructuring and other charges, and the loss on the extinguishment of debt. 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](http://www.AllianceData.com)). 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, January 28, 2021 at 8:30 a.m. (Eastern Time) to discuss the Company's fourth quarter and full year 2020 results. The conference call will be available via the Internet at [www.alliancedata.com](http://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) 624-4642 and enter "4252908". The replay will be available at approximately 11:59 a.m. (Eastern Time) on Thursday, January 28, 2021.

### **About Alliance Data**

Alliance Data® (NYSE: ADS) is a leading provider of data-driven marketing, loyalty and payment solutions serving large, consumer-based industries. The Company creates and deploys customized solutions that measurably change consumer behavior while driving business growth and profitability for some of today's most recognizable brands. Alliance Data helps its partners create and increase customer loyalty across multiple touch points using traditional, digital, mobile and emerging technologies. A FORTUNE 500 and S&P MidCap 400 company headquartered in Columbus, Ohio, Alliance Data consists of businesses that together employ over 8,500 associates at more than 50 locations worldwide.

Alliance Data's Card Services business is a provider of market-leading private label, co-brand, general purpose and business credit card programs, digital payments, including Bread®, and Comenity-branded financial services. 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. More information about Alliance Data can be found at [www.AllianceData.com](http://www.AllianceData.com).

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 December 31,		Year Ended December 31,	
	2020	2019	2020	2019
Revenue	\$ 1,109.9	\$ 1,461.0	\$ 4,521.4	\$ 5,581.3
Operating expenses:				
Cost of operations	635.2	728.3	2,183.0	2,838.4
Provision for loan loss	152.5	380.7	1,266.2	1,187.5
Depreciation and amortization	63.5	43.0	183.8	176.1
Loss on extinguishment of debt	—	—	—	71.9
Total operating expenses	851.2	1,152.0	3,633.0	4,273.9
Operating income	258.7	309.0	888.4	1,307.4
Interest expense, net:				
Securitization funding costs	35.8	53.1	165.9	213.4
Interest expense on deposits	47.4	61.3	219.5	225.6
Interest expense on long-term and other debt, net	29.4	27.2	108.5	130.0
Total interest expense, net	112.6	141.6	493.9	569.0
Income from continuing operations before income taxes	\$ 146.1	\$ 167.4	\$ 394.5	\$ 738.4
Income tax expense	52.8	37.0	99.5	165.8
Income from continuing operations	93.3	130.4	295.0	572.6
Loss from discontinued operations, net of taxes	(81.3)	(32.9)	(81.3)	(294.6)
Net income	\$ 12.0	\$ 97.5	\$ 213.7	\$ 278.0
<b>Per share data:</b>				
Weighted average shares outstanding – basic	48.3	47.1	47.8	50.0
Weighted average shares outstanding – diluted	48.4	47.6	47.9	50.9
Basic – Income from continuing operations	\$ 1.93	\$ 2.73	\$ 6.17	\$ 11.25
Basic – Loss from discontinued operations	(1.68)	(0.70)	(1.70)	(5.89)
Basic – Net income	\$ 0.25	\$ 2.03	\$ 4.47	\$ 5.36
Diluted – Income from continuing operations	\$ 1.93	\$ 2.74	\$ 6.16	\$ 11.24
Diluted – Loss from discontinued operations	(1.68)	(0.69)	(1.70)	(5.78)
Diluted – Net income	\$ 0.25	\$ 2.05	\$ 4.46	\$ 5.46

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,081.5	\$ 3,874.4
Credit card and loan receivables:		
Credit card and loan receivables	16,784.4	19,463.1
Allowance for loan loss	(2,008.0)	(1,171.1)
Credit card and loan receivables, net	<u>14,776.4</u>	<u>18,292.0</u>
Credit card receivables held for sale	—	408.0
Redemption settlement assets, restricted	693.5	600.8
Right of use assets - operating	233.2	264.3
Intangible assets, net	81.7	153.3
Goodwill	1,369.6	954.9
Other assets	2,311.2	1,947.1
Total assets	<u>\$ 22,547.1</u>	<u>\$ 26,494.8</u>
<b>Liabilities and Stockholders' Equity</b>		
Deferred revenue	\$ 1,004.0	\$ 922.0
Deposits	9,792.6	12,151.7
Non-recourse borrowings of consolidated securitization entities	5,709.9	7,284.0
Long-term and other debt	2,805.7	2,849.9
Operating lease liabilities	300.0	314.3
Other liabilities	1,413.3	1,384.6
Total liabilities	<u>21,025.5</u>	<u>24,906.5</u>
Stockholders' equity	1,521.6	1,588.3
Total liabilities and stockholders' equity	<u>\$ 22,547.1</u>	<u>\$ 26,494.8</u>

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

	Year Ended December 31,	
	2020	2019
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 213.7	\$ 278.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	183.8	249.3
Deferred income taxes	(222.8)	(186.1)
Provision for loan loss	1,266.2	1,187.5
Non-cash stock compensation	21.3	54.8
Amortization of deferred financing costs	36.5	43.4
Gain on sale of business	(13.7)	(512.2)
Loss on extinguishment of debt	—	71.9
Asset impairment charges	63.7	52.0
Change in operating assets and liabilities, net of acquisitions and sales of businesses	282.9	(261.9)
Other	51.1	241.0
Net cash provided by operating activities	<u>1,882.7</u>	<u>1,217.7</u>
<b>Cash Flows from Investing Activities:</b>		
Change in redemption settlement assets	(40.7)	(9.5)
Change in credit card and loan receivables	1,783.5	(2,586.8)
Proceeds from sale of businesses	26.7	4,409.7
Payments for acquired businesses, net of cash and restricted cash	(266.8)	(6.7)
Sale of credit card portfolios	289.5	2,061.8
Purchase of credit card portfolios	—	(924.8)
Capital expenditures	(54.0)	(142.3)
Other	36.1	59.4
Net cash provided by investing activities	<u>1,774.3</u>	<u>2,860.8</u>
<b>Cash Flows from Financing Activities:</b>		
Borrowings under debt agreements	1,150.0	3,111.3
Repayments of borrowings	(1,194.5)	(5,981.8)
Net (decrease) increase in deposits	(2,370.0)	355.6
Non-recourse borrowings of consolidated securitization entities	2,419.2	4,851.8
Repayments/maturities of non-recourse borrowings of consolidated securitization entities	(4,095.7)	(5,219.0)
Payment of debt extinguishment costs	—	(46.1)
Payment of deferred financing costs	(18.8)	(45.4)
Purchase of treasury shares	—	(976.1)
Dividends paid	(60.6)	(127.4)
Other	3.9	(14.6)
Net cash used in financing activities	<u>(4,166.5)</u>	<u>(4,091.7)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	14.6	3.6
Change in cash, cash equivalents and restricted cash	(494.9)	(9.6)
Cash, cash equivalents and restricted cash at beginning of period	3,958.1	3,967.7
Cash, cash equivalents and restricted cash at end of period	<u>\$ 3,463.2</u>	<u>\$ 3,958.1</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 December 31,		Change	Year Ended December 31,		Change
	2020	2019		2020	2019	
<b>Segment Revenue:</b>						
LoyaltyOne	\$ 230.9	\$ 332.4	(31)%	\$ 764.8	\$ 1,033.1	(26)%
Card Services	879.0	1,128.4	(22)	3,756.5	4,547.8	(17)
Corporate/Other	—	0.2	nm*	0.1	0.4	nm*
Total	\$ 1,109.9	\$ 1,461.0	(24)%	\$ 4,521.4	\$ 5,581.3	(19)%
<b>Segment Earnings Before Taxes:</b>						
LoyaltyOne	\$ 22.0	\$ 57.8	(62)%	\$ 111.0	\$ 103.1	8%
Card Services	187.0	161.9	15	501.5	991.7	(49)
Corporate/Other	(62.9)	(52.3)	20	(218.0)	(356.4)	(39)
Total	\$ 146.1	\$ 167.4	(13)%	\$ 394.5	\$ 738.4	(47)%
<b>Segment Adjusted EBITDA, net:</b>						
LoyaltyOne	\$ 44.3	\$ 80.3	(45)%	\$ 186.2	\$ 244.5	(24)%
Card Services	259.8	209.6	24	667.0	1,119.7	(40)
Corporate/Other	(21.8)	(12.1)	81	(81.7)	(92.9)	(12)
Total	\$ 282.3	\$ 277.8	2%	\$ 771.5	\$ 1,271.3	(39)%
<b>Key Performance Indicators:</b>						
Credit sales	\$ 7,657	\$ 9,297	(18)%	\$ 24,707	\$ 30,987	(20)%
Average receivables	\$ 15,759	\$ 18,096	(13)%	\$ 16,367	\$ 17,298	(5)%
Normalized average receivables <sup>(1)</sup>	\$ 15,759	\$ 19,368	(19)%	\$ 16,468	\$ 18,942	(13)%
End of period receivables	\$ 16,784	\$ 19,463	(14)%	\$ 16,784	\$ 19,463	(14)%
Card Services gross yield	22.3%	23.3%	(1.0)%	22.8%	24.0%	(1.2)%
Net principal loss rate	6.0%	6.3%	(0.3)%	6.6%	6.1%	0.5%
Delinquency rate	4.4%	5.8%	(1.4)%	4.4%	5.8%	(1.4)%
AIR MILES reward miles issued	1,355	1,486	(9)%	4,964	5,511	(10)%
AIR MILES reward miles redeemed	838	1,199	(30)%	3,128	4,416	(29)%

(1) Normalized receivables includes held-for-sale receivables

\* nm-not meaningful

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

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
<b>Adjusted EBITDA and Adjusted EBITDA, net:</b>				
Income from continuing operations	\$ 93.3	\$ 130.4	\$ 295.0	\$ 572.6
Income tax expense	52.8	37.0	99.5	165.8
Total interest expense, net	112.6	141.6	493.9	569.0
Depreciation and other amortization	42.4	20.1	98.5	79.9
Amortization of purchased intangibles	21.1	22.9	85.3	96.2
Stock compensation expense	5.2	0.5	21.3	25.1
Gain on sale of business, net of strategic transaction costs <sup>(1)</sup>	—	—	(8.0)	—
Strategic transaction costs <sup>(2)</sup>	9.1	6.7	15.9	11.7
Asset impairments <sup>(3)</sup>	29.4	—	63.7	—
Restructuring and other charges <sup>(4)</sup>	(0.4)	33.0	(8.2)	118.1
Loss on extinguishment of debt <sup>(5)</sup>	—	—	—	71.9
Adjusted EBITDA	\$ 365.5	\$ 392.2	\$ 1,156.9	\$ 1,710.3
Less: Funding costs <sup>(6)</sup>	83.2	114.4	385.4	439.0
Adjusted EBITDA, net of funding costs	\$ 282.3	\$ 277.8	\$ 771.5	\$ 1,271.3
<b>Core Earnings:</b>				
Income from continuing operations	\$ 93.3	\$ 130.4	\$ 295.0	\$ 572.6
Add back: non-cash/ non-operating items:				
Stock compensation expense	5.2	0.5	21.3	25.1
Amortization of purchased intangibles	21.1	22.9	85.3	96.2
Non-cash interest <sup>(7)</sup>	9.9	10.7	36.5	39.9
Gain on sale of business, net of strategic transaction costs <sup>(1)</sup>	—	—	(8.0)	—
Strategic transaction costs <sup>(2)</sup>	9.1	6.7	15.9	11.7
Asset impairments <sup>(3)</sup>	29.4	—	63.7	—
Restructuring and other charges <sup>(4)</sup>	(0.4)	33.0	(8.2)	118.1
Loss on extinguishment of debt <sup>(5)</sup>	—	—	—	71.9
Income tax effect <sup>(8)</sup>	(7.2)	(8.1)	(52.0)	(81.4)
Core earnings	\$ 160.4	\$ 196.1	\$ 449.5	\$ 854.1
Weighted average shares outstanding – diluted	48.4	47.6	47.9	50.9
Core earnings per share – diluted	\$ 3.31	\$ 4.12	\$ 9.39	\$ 16.77
<b>Pre-provision pre-tax earnings:</b>				
Income from continuing operations before income taxes	\$ 146.1	\$ 167.4	\$ 394.5	\$ 738.4
Provision for loan loss	152.5	380.7	1,266.2	1,187.5
Pre-provision pre-tax earnings	\$ 298.6	\$ 548.1	\$ 1,660.7	\$ 1,925.9

(1) Represents gain on sale of Precima in January 2020, net of strategic transaction costs. Precima was included in the Company's LoyaltyOne segment.

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

(3) Represents asset impairment charges related to certain deferred contract costs, fixed assets and right of use assets. Note: This does not include \$24.7 million in accelerated depreciation expenses associated with the Company's real estate optimization plan.

(4) Represents costs associated with restructuring and other exit activities. In 2020, the amounts consist of adjustments to our liability associated with restructuring and other charges recorded for cost saving initiatives executed in 2019.

(5) Represents loss on extinguishment of debt resulting from the redemption price of the senior notes and the write-off of deferred issuance costs related to the July 2019 extinguishment of \$1.9 billion outstanding senior notes and a mandatory payment of \$500.0 million of the Company's revolving credit facility.

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

(7) Represents amortization of debt issuance costs.

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

	Three Months Ended December 31, 2020			
		Card	Corporate/	Total
	LoyaltyOne	Services	Other	
Operating income (loss)	\$ 21.7	\$ 270.2	\$ (33.2)	\$ 258.7
Depreciation and amortization	21.1	41.8	0.6	63.5
Stock compensation expense	1.5	1.7	2.0	5.2
Strategic transaction costs	—	0.3	8.8	9.1
Asset impairments	—	29.4	—	29.4
Restructuring and other charges	—	(0.4)	—	(0.4)
Adjusted EBITDA	44.3	343.0	(21.8)	365.5
Less: Funding costs	—	83.2	—	83.2
Adjusted EBITDA, net	\$ 44.3	\$ 259.8	\$ (21.8)	\$ 282.3

	Three Months Ended December 31, 2019			
		Card	Corporate/	Total
	LoyaltyOne	Services	Other	
Operating income (loss)	\$ 57.4	\$ 276.3	\$ (24.7)	\$ 309.0
Depreciation and amortization	20.5	20.9	1.6	43.0
Stock compensation expense	0.8	(0.5)	0.2	0.5
Strategic transaction costs	0.7	—	6.0	6.7
Restructuring and other charges	0.9	27.3	4.8	33.0
Adjusted EBITDA	80.3	324.0	(12.1)	392.2
Less: Funding costs	—	114.4	—	114.4
Adjusted EBITDA, net	\$ 80.3	\$ 209.6	\$ (12.1)	\$ 277.8

	Year Ended December 31, 2020			
		Card	Corporate/	Total
	LoyaltyOne	Services	Other	
Operating income (loss)	\$ 110.2	\$ 886.9	\$ (108.7)	\$ 888.4
Depreciation and amortization	78.0	102.8	3.0	183.8
Stock compensation expense	5.5	7.0	8.8	21.3
Gain on sale of business, net of strategic transaction costs	(8.0)	—	—	(8.0)
Strategic transaction costs	0.4	0.3	15.2	15.9
Asset impairments	—	63.7	—	63.7
Restructuring and other charges	0.1	(8.3)	—	(8.2)
Adjusted EBITDA	186.2	1,052.4	(81.7)	1,156.9
Less: Funding costs	—	385.4	—	385.4
Adjusted EBITDA, net	\$ 186.2	\$ 667.0	\$ (81.7)	\$ 771.5

	Year Ended December 31, 2019			
		Card	Corporate/	Total
	LoyaltyOne	Services	Other	
Operating income (loss)	\$ 105.4	\$ 1,430.7	\$ (228.7)	\$ 1,307.4
Depreciation and amortization	80.1	89.3	6.7	176.1
Stock compensation expense	7.2	9.3	8.6	25.1
Strategic transaction costs	1.0	—	10.7	11.7
Restructuring charges	50.8	29.4	37.9	118.1
Loss on extinguishment of debt	—	—	71.9	71.9
Adjusted EBITDA	244.5	1,558.7	(92.9)	1,710.3
Less: Funding costs	—	439.0	—	439.0
Adjusted EBITDA, net	\$ 244.5	\$ 1,119.7	\$ (92.9)	\$ 1,271.3

# Alliance Data

Full Year & Fourth Quarter 2020 Results  
January 28, 2021

Ralph Andretta – President & CEO  
Tim King – EVP & CFO



## 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, and the guidance we give with respect to, our anticipated operating or financial results, initiation or completion of strategic initiatives, 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 presentation, 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.





# 2020 Key Takeaways

- **Resilient** performance in a challenging operating environment
- **Reduced** our fixed cost base and de-risked our balance sheet
- **Optimized** our physical real estate footprint
- **Invested** in key talent and expanded our products and capabilities

# Business Investment Highlights

Product and technology enhancements to support growth and digital acceleration



Fintech acquisition adds a new white-label point-of-sale technology platform and products



Selected Fiserv's flexible processing platform to gain new capabilities and operational efficiencies



Launched scalable, full digital payments solution



New proprietary credit card, Comenity Card<sup>SM</sup>

Product Expansion

Technology Advancement

Digital Journeys



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# 2020 Fourth Quarter Financial Highlights

Continued progress in core underlying performance

**\$1.1<sub>B</sub>** Revenue

**\$1.93**

Diluted EPS from Continuing Ops.

**\$93<sub>MM</sub>** Net Income from Continuing Ops.

**\$0.25**

Diluted EPS

- Net income of \$12 million impacted by a loss from discontinued operations of \$81 million after tax
- Credit sales of \$7.7 billion in 4Q20 represented a 24% increase versus 3Q20
- Normalized average receivables\* increased 3% versus 3Q20
- Credit metrics remained in line with historic levels with a net loss rate of 6.0% for the quarter\*\*
- AIR MILES® reward miles issued and redeemed improved 9% and 22% respectively versus 3Q20

\* Normalized receivables includes held-for-sale receivables

\*\* Net loss rate impacted by pandemic-related consumer relief program. See slide 26 in the appendix for more information



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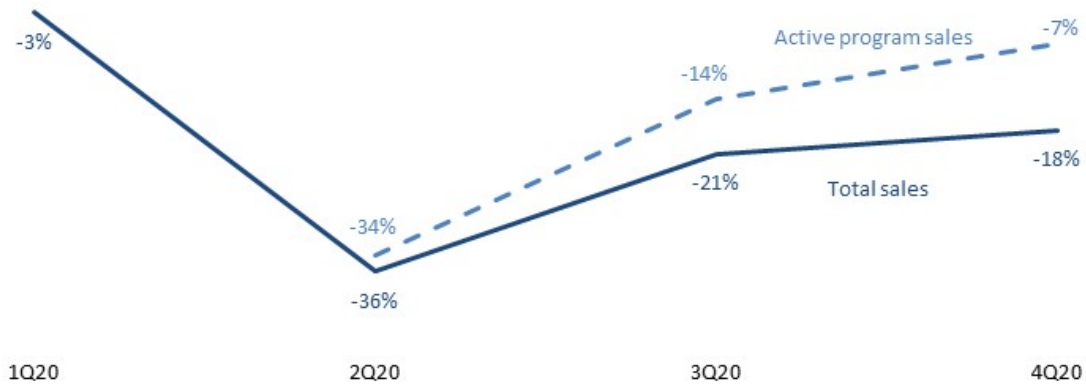
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# Card Services Performance Highlights

Gradual recovery in credit sales continues from pandemic lows

- Credit sales declined 18% year-over-year in 4Q20 with active\* program sales down 7%
- Credit sales improved 24% sequentially from 3Q20 (vs. 19% in the same period last year)
- Online sales remained over 40% of total in 4Q20

## Year-over-year credit sales improving at a modest pace for total & active program sales



\* Includes programs with active contracts as of December 31, 2020 and Comenity card balances

# Partnership Highlights

Added 60+ online merchants in the fourth quarter, bringing our total to over 500

## New Partnerships



## Technology Partnership



Exclusive online technology platform  
provider of digital payment products for RBC

## Partner Renewal

# ARHAUS<sup>®</sup>

**Furniture & Home Décor**

*Partner since 2002*  
Enhanced omni-channel  
customer experience

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# LoyaltyOne® Performance Highlights

Sequential 25% revenue improvement over third quarter 2020



**brandloyalty**  
happy people

- Reward miles issued and redeemed improved vs 3Q20; however, the year-over-year impact of lower discretionary spend continues
- AIR MILES continues to pivot the rewards portfolio to emphasize more non-travel options, driving higher merchandise redemptions in 4Q20
- With the potential return of COVID-19-related lockdowns in Europe, many retailers continue to push promotional programs into 2021
- Revenue improved 36% vs 3Q20 in part due to seasonality

**AIR MILES program performance**



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# Areas of Focus

Deliberate and thoughtful progress balancing the pandemic and future growth

## Recover ✓

- Associate safety & health
- Recession readiness plan
- Right-size expense base
- Disciplined risk management
- Review partner economics

## Rebuild

- Expand digital offerings
  - Enhanced Digital Suite
  - POS payment solutions
- Technology flexibility & upgrades
  - Core processing platform
- Enhance data & analytics
- Prudent balance sheet management

## Regrow

- Focused investment
  - Align with recovery trend
- Further digital enhancements
- Sustained, profitable growth
- Expense flexibility and discipline
- Drive shareholder value

**These action items aim to restore profitable growth & drive enhanced long-term shareholder value**

# Financial Results – Consolidated

(\$ in millions, except per share)	4Q20	4Q19	4Q % Change	FY20	FY19	FY % Change
Total revenue	\$1,110	\$1,461	(24)%	\$4,521	\$5,581	(19)%
Total operating expenses, excl. provision for loan loss	699	771	(9)	2,367	3,086	(23)
Provision for loan loss	152	381	(60)	1,266	1,188	7
Interest expense	113	142	(20)	494	569	(13)
<b>Total earnings before tax (EBT)</b>	<b>\$146</b>	<b>\$167</b>	<b>(13)%</b>	<b>\$394</b>	<b>\$738</b>	<b>(47)%</b>
Income tax	53	37	43	99	166	(40)
<b>Income from continuing operations</b>	<b>\$93</b>	<b>\$130</b>	<b>(28)%</b>	<b>\$295</b>	<b>\$573</b>	<b>(48)%</b>
<b>Income from continuing operations per diluted share</b>	<b>\$1.93</b>	<b>\$2.74</b>	<b>(30)%</b>	<b>\$6.16</b>	<b>\$11.24</b>	<b>(45)%</b>
<b>Diluted shares outstanding</b>	<b>48.4</b>	<b>47.6</b>		<b>47.9</b>	<b>50.9</b>	
<b>Pre-provision, pre-tax</b>	<b>\$299</b>	<b>\$548</b>	<b>(46)%</b>	<b>\$1,661</b>	<b>\$1,926</b>	<b>(14)%</b>
<b>Core EPS – diluted</b>	<b>\$3.31</b>	<b>\$4.12</b>	<b>(20)%</b>	<b>\$9.39</b>	<b>\$16.77</b>	<b>(44)%</b>
*****						
(Including discontinued operations)						
Net income	\$12	\$98	(88)%	\$214	\$278	(23)%
Net income per diluted share	\$0.25	\$2.05	(88)%	\$4.46	\$5.46	(18)%

Totals may not sum due to rounding

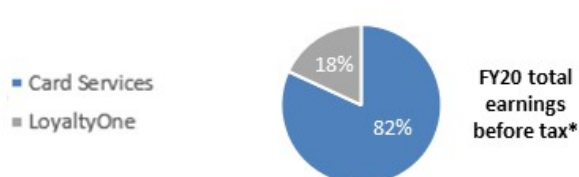
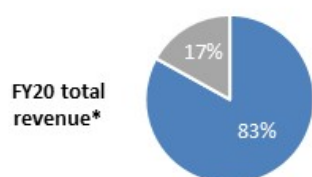


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# Financial Results - Segments

(\$ in millions)	4Q20	4Q19	4Q % Change	FY20	FY19	FY % Change
LoyaltyOne	\$231	\$332	(31)%	\$765	\$1,033	(26)%
Card Services	879	1,128	(22)	3,757	4,548	(17)
Corporate/Other	-	-	nm	-	-	nm
<b>Total revenue</b>	<b>\$1,110</b>	<b>\$1,461</b>	<b>(24)%</b>	<b>\$4,521</b>	<b>\$5,581</b>	<b>(19)%</b>
LoyaltyOne	\$22	\$58	(62)%	\$111	\$103	8%
Card Services	187	162	15	501	992	(49)
Corporate/Other	(63)	(52)	20	(218)	(356)	(39)
<b>Total earnings before tax (EBT)</b>	<b>\$146</b>	<b>\$167</b>	<b>(13)%</b>	<b>\$394</b>	<b>\$738</b>	<b>(47)%</b>



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

# Key Business Metrics

## Improving sales and stable yield drove sequential revenue improvement

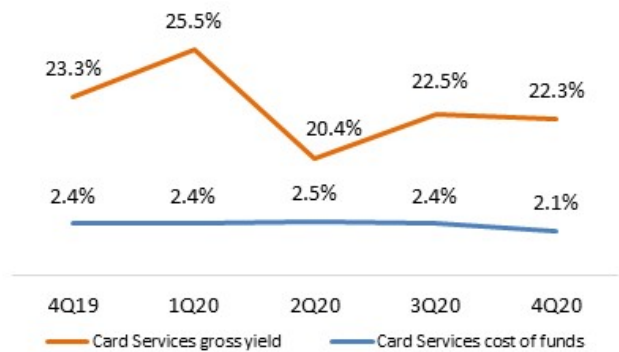
- Revenue growth of 6% on a sequential basis was aided by the seasonal increase in receivables and a relatively stable gross yield
- Total operating expenses excluding provision for loan loss increased sequentially as a result of the previously announced nearly \$50 million of real estate optimization costs, an approximately \$40 million increase in marketing, and an approximately \$30 million increase in cost of redemptions in our LoyaltyOne business

**Credit sales improved sequentially**  
(\$ in billions)



\* Normalized receivables includes held-for-sale receivables

**Card Services yield remained stable in 4Q20**



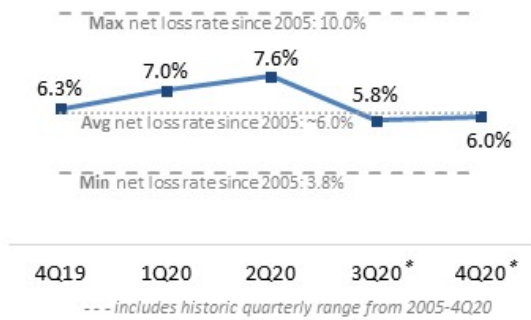
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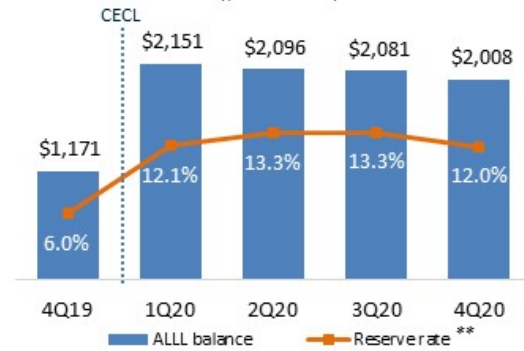
# Credit Quality and Allowance

Continued decline in delinquency rate a positive indicator for 2021 performance

**Net loss rate**



**Reserve rate**  
(\$ in millions)



**Delinquency rate**



- CECL adoption impact of \$644 million on 1/1/20
- Allowance of \$2.0 billion is down slightly from 3Q20 and nearly double 4Q19

\* Net loss rate impacted by pandemic-related consumer relief program. See slide 26 in the appendix for more information

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

# Capital and Liquidity Update

Sufficient corporate liquidity; Banks remain well-capitalized

## Parent Level

- Liquidity at 12/31 of \$1.1 billion, consisting of cash on hand plus revolver capacity
- Approximately \$343 million in cash and cash equivalents, \$750 million in unused revolver

## Bank Level

- Banks finished the quarter with \$2.7 billion in cash and \$2.6 billion in equity
- Total risk based capital ratio at 19.7% - approximately double the 10% threshold to be considered well-capitalized; CET1 at 18.4%
- Funding readily available with heavy demand for FDIC-insured deposit products – both direct-to-consumer and brokered

# 2021 Financial Outlook

	Full Year 2021	Commentary
<b>Normalized average receivables</b> (Receivables plus held-for-sale) 2020 = \$16,468 million	Down mid- to high-single digits	<ul style="list-style-type: none"> <li>• Sequential decline in 1Q21 &amp; 2Q21</li> <li>• Flat year-over-year in 2H21</li> <li>• Expect year-end receivables to be in line with year-end 2020</li> <li>• Credit sales up high-single digits in 2021</li> </ul>
<b>Total revenue</b> 2020 = \$4,521 million	Down low-single digits	<ul style="list-style-type: none"> <li>• LoyaltyOne full year revenue growth in 2021</li> <li>• Revenue pressure for Card Services as balances rebuild from pandemic-related reductions</li> <li>• Gross card yields remain steady</li> </ul>
<b>Total expenses*</b> (Excludes provision for loan loss) 2020 = \$2,861 million	Flat	<ul style="list-style-type: none"> <li>• Includes increased digital investment and a ramp up in marketing spend from depressed levels in 2020</li> <li>• Impacted by Bread® &amp; Fiserv related transition expenses</li> </ul>
<b>Net loss rate</b> 2020 = 6.6%	Expect net loss rate to remain near the historic average of 6% in the first quarter of 2021	

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

# Strategic Initiatives

Focused investment to drive sustainable long-term shareholder value

## Technology Innovation

Leverage technology as a competitive advantage with continued innovation and a focus on reducing our cost to serve

## Product Diversification and Development

Expand our product base to offer a suite of financial solutions that empowers today's consumers

## Digital Advancement

Deliver an advanced digital experience for our brand partners and consumers

## Data Science and Analytics

Evolution in intelligent automation and analytical sciences to drive incremental insights, retention, and operating leverage

### Key Foundational Elements

Active risk management

Prudent balance sheet management

Disciplined expense management

# Questions & Answers



## 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, pre-provision earnings before taxes, 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. In addition, adjusted EBITDA eliminates the effect of the gain (loss) on the sale of a business, strategic transaction costs, asset impairments, restructuring and other charges, and the loss on extinguishment of debt. 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, gain (loss) on the sale of a business, strategic transaction costs, asset impairments, restructuring and other charges, and the loss on extinguishment of debt. 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

	4Q20	4Q19	4Q20 vs 4Q19	3Q20	4Q20 vs 3Q20
<b>LoyaltyOne</b> (in millions)					
AIR MILES reward miles issued	1,355	1,486	(9)%	1,240	9%
AIR MILES reward miles redeemed	838	1,199	(30)%	687	22%
<b>Card Services</b> (\$ in millions)					
Credit sales	\$7,657	\$9,297	(18)%	\$6,152	24%
Average receivables	\$15,759	\$18,096	(13)%	\$15,300	3%
Normalized average receivables*	\$15,759	\$19,368	(19)%	\$15,356	3%
End of period receivables	\$16,784	\$19,463	(14)%	\$15,599	8%
Total gross yield %**	22.3%	23.3%	(1.0)%	22.5%	(0.2)%
Cost of funds	2.1%	2.4%	(0.3)%	2.4%	(0.3)%
Principal loss rate	6.0%	6.3%	(0.3)%	5.8%	0.2%
Reserve rate	12.0%	6.0%	6.0%	13.3%	(1.3)%
Delinquency rate	4.4%	5.8%	(1.4)%	4.7%	(0.3)%
Return on equity	16%	23%	(7.0)%	14%	2.0%

\* Normalized receivables includes held-for-sale receivables

\*\*Revenue divided by normalized receivables

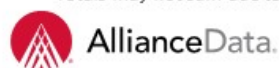
# Additional Metrics and Ratios

<b>Combined Banks Capital Ratios</b>	1Q20	2Q20	3Q20	4Q20
Common equity tier 1 capital ratio	15.9%	18.3%	18.8%	18.4%
Tier 1 capital ratio	15.9%	18.3%	18.8%	18.4%
Total risk based capital ratio	17.3%	19.7%	20.1%	19.7%
Tier 1 leverage capital ratio	12.8%	14.2%	16.1%	17.1%

# Financial Results – Quarterly

(\$ in millions, except per share)	4Q19	1Q20	2Q20	3Q20	4Q20	FY19	FY20
Total revenue	\$1,461	\$1,382	\$979	\$1,050	\$1,110	\$5,581	\$4,521
Total operating expenses, excl. provision for loan loss	771	562	555	552	699	3,086	2,367
Provision for loan loss	381	656	250	208	152	1,188	1,266
Interest expense	142	139	128	115	113	569	494
<b>Total earnings before tax (EBT)</b>	<b>\$167</b>	<b>\$25</b>	<b>\$47</b>	<b>\$176</b>	<b>\$146</b>	<b>\$738</b>	<b>\$394</b>
Income tax	37	(5)	9	43	53	166	99
<b>Income from continuing operations</b>	<b>\$130</b>	<b>\$30</b>	<b>\$38</b>	<b>\$133</b>	<b>\$93</b>	<b>\$573</b>	<b>\$295</b>
<b>Income from continuing operations per diluted share</b>	<b>\$2.74</b>	<b>\$0.63</b>	<b>\$0.81</b>	<b>\$2.79</b>	<b>\$1.93</b>	<b>\$11.24</b>	<b>\$6.16</b>
<b>Diluted shares outstanding</b>	<b>47.6</b>	<b>47.7</b>	<b>47.7</b>	<b>47.8</b>	<b>48.4</b>	<b>50.9</b>	<b>47.9</b>
<b>Pre-provision, pre-tax</b>	<b>\$548</b>	<b>\$681</b>	<b>\$297</b>	<b>\$384</b>	<b>\$299</b>	<b>\$1,926</b>	<b>\$1,661</b>
<b>Core EPS – diluted</b>	<b>\$4.12</b>	<b>\$0.75</b>	<b>\$1.86</b>	<b>\$3.45</b>	<b>\$3.31</b>	<b>\$16.77</b>	<b>\$9.39</b>
*****							
(Including discontinued operations)							
Net income	\$98	\$30	\$38	\$133	\$12	\$278	\$214
Net income per diluted share	\$2.05	\$0.63	\$0.81	\$2.79	\$0.25	\$5.46	\$4.46

Totals may not sum due to rounding



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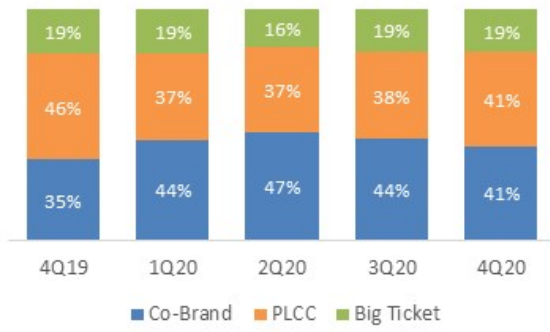
# Financial Results – Segments by Quarter

(\$ in millions)	4Q19	1Q20	2Q20	3Q20	4Q20	FY19	FY20
LoyaltyOne	\$332	\$198	\$151	\$185	\$231	\$1,033	\$765
Card Services	1,128	1,184	828	866	879	4,548	3,757
Corporate/Other	-	-	-	-	-	-	-
<b>Total revenue</b>	<b>\$1,461</b>	<b>\$1,382</b>	<b>\$979</b>	<b>\$1,050</b>	<b>\$1,110</b>	<b>\$5,581</b>	<b>\$4,521</b>
LoyaltyOne	\$58	\$47	\$24	\$18	\$22	\$103	\$111
Card Services	162	32	70	212	187	992	501
Corporate/Other	(52)	(53)	(47)	(55)	(63)	(356)	(218)
<b>Total earnings before tax (EBT)</b>	<b>\$167</b>	<b>\$25</b>	<b>\$47</b>	<b>\$176</b>	<b>\$146</b>	<b>\$738</b>	<b>\$394</b>

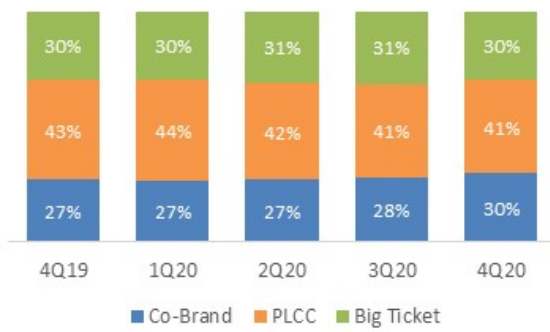
*Totals may not sum due to rounding*

# Card Services Sales Data

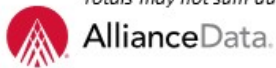
## Active program credit sales by product



## Normalized average receivables balance by product



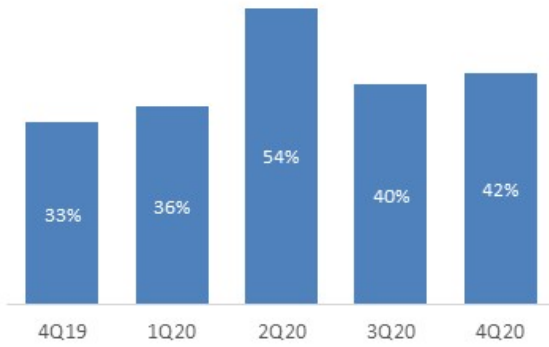
Totals may not sum due to rounding



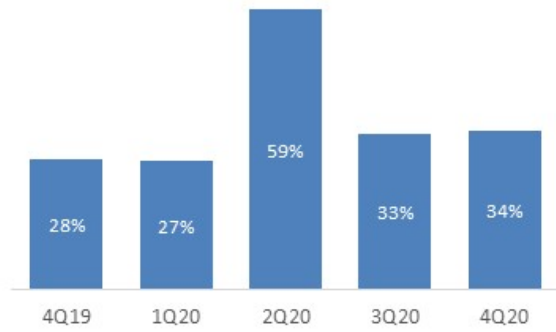
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# Card Services Sales Data – Digital Engagement

**Active program digital sales as % of total active program sales**



**Active program new digital accounts as % of total active program new accounts**



# Monthly Net Loss Rate Trend

Consumer relief program caused timing-related volatility in monthly loss rate\*

- The COVID-related customer relief program represented 3% of total card receivables as of December 31, 2020 as the balance continues to decline
- 72% of enrollees made a payment in 4Q20, in line with 3Q20

**Given the monthly volatility, the 2H20 average net loss rate of 5.9% provides a better indicator for near-term future loss expectations**



\* In response to the COVID-19 pandemic, the Company offered COVID-related customer relief programs to affected cardholders. Those accounts receiving relief may not have advanced to the next delinquency cycle in the same timeframe that would have occurred had the relief not been granted, thus impacting delinquency and net charge-off rates and their timing.