

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):
April 19, 2018

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.)

7500 DALLAS PARKWAY, SUITE 700
PLANO, TEXAS 75024
(Address and Zip Code of Principal Executive Offices)

(214) 494-3000
(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 April 19, 2018, Alliance Data Systems Corporation (the "Company") issued a press release regarding its results of operations for the first quarter ended March 31, 2018. A copy of this press release is furnished as Exhibit 99.1.

ITEM 7.01. Regulation FD Disclosure

On April 19, 2018, the Company issued a press release regarding its results of operations for the first quarter ended March 31, 2018. 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

<u>Exhibit No.</u>	<u>Document Description</u>
99.1	Press Release dated April 19, 2018 announcing the results of operations for the first quarter ended March 31, 2018.
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: April 19, 2018

By: /s/ Charles L. Horn
Charles L. Horn
Executive Vice President and
Chief Financial Officer

**Contacts: Investors/Analysts**

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Alliance Data Reports First Quarter 2018 Results

- Revenue Increases to \$1.88 Billion
 - o Pro Forma Revenue Increases 4 Percent
- EPS Increases 14 Percent to \$2.95
- Core EPS Increases 13 Percent to \$4.44

Plano, TX, April 19, 2018 – Alliance Data Systems Corporation (NYSE: ADS), a leading global provider of data-driven marketing and loyalty solutions, today announced results for the quarter ended March 31, 2018.

Summary

(in millions, except per share amounts)

	Quarter Ended March 31,		
	2018	2017	% Change
Revenue	\$ 1,884	\$ 1,879	--
Pro forma revenue	\$ 1,963	\$ 1,879	+4%
Net income	\$ 164	\$ 146	+12%
Net income per diluted share ("EPS")	\$ 2.95	\$ 2.58	+14%
Diluted shares outstanding	55.7	56.7	

Supplemental Non-GAAP Metrics (a):			
Adjusted EBITDA	\$ 525	\$ 501	+5%
Adjusted EBITDA, net of funding costs ("adjusted EBITDA, net")	\$ 437	\$ 440	--
Core earnings per diluted share ("core EPS")	\$ 4.44	\$ 3.91	+13%

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

Ed Heffernan, president and chief executive officer of Alliance Data, commented, "The first quarter's biggest accomplishment was the completion of the process to insure the collection of charged-off accounts. This effort has taken several quarters to complete and required us to absorb lower recovery rates during that period. Nonetheless, this investment was necessary to fully realize the value of this cash flow stream. This significant headwind to earnings and growth rate should become a tailwind as the year progresses."

Heffernan continued, "this quarter's pro forma revenue growth of 4 percent and core EPS growth of 13 percent should reflect our softest quarter of the year. Specifically, higher reserve levels required to cover the transitory impacts of the internal recovery investment was an approximate \$0.60 hit to core EPS for the first quarter. Moving forward, recovery rates should move in our favor."

CONSOLIDATED RESULTS

Revenue was \$1.88 billion for the first quarter of 2018, flat with the prior year. Pro forma revenue – which adjusts for the change to net revenue presentation for AIR MILES® effective January 1, 2018 – increased 4 percent. EPS increased 14 percent to \$2.95 and core EPS increased 13 percent to \$4.44 for the first quarter of 2018, both benefitting from lower tax rates and share count. Adjusted EBITDA, net was \$437 million for the first quarter of 2018, flat with the prior year.

SEGMENT RESULTS

(in millions)	Quarter Ended March 31,		
	2018	2017	% Change
Revenue:			
LoyaltyOne	\$ 226	\$ 333	
ASC 606 adjustment (a)	79	--	
LoyaltyOne pro forma revenue	305	333	-8%
Epsilon	509	529	-4%
Card Services	1,155	1,023	+13%
Corporate/other and eliminations	(6)	(6)	
Total pro forma revenue	\$ 1,963	\$ 1,879	+4%
Adjusted EBITDA, net:			
Loyalty One	\$ 54	\$ 59	-8%
Epsilon	92	85	+8%
Card Services	319	331	-4%
Corporate/other	(28)	(35)	
Total adjusted EBITDA, net	\$ 437	\$ 440	--%

(a) Represents classification of certain redemption revenue recorded net upon the adoption of ASC 606, Revenue from Contracts with Customers, January 1, 2018.

LoyaltyOne®: Pro forma revenue decreased 8 percent to \$305 million and adjusted EBITDA decreased 8 percent to \$54 million for the first quarter of 2018. AIR MILES reward miles issued decreased 1 percent for the first quarter of 2018 – improving from a 4 percent decline in 2017 – and is trending to growth over remainder of 2018. In addition, BrandLoyalty's growing pipeline of programs already provides visibility into approximately 90 percent of its revenue guidance for 2018.

Epsilon®: Revenue decreased 4 percent to \$509 million, while adjusted EBITDA increased 8 percent to \$92 million for the first quarter of 2018. The decline in revenue is due to a 25 percent decrease in lower margin pass-through agency business. The resulting shift in revenue mix contributed to a 2 percentage point increase in adjusted EBITDA margins.

Card Services: Revenue increased 13 percent to \$1.16 billion while adjusted EBITDA, net decreased 4 percent to \$319 million for the first quarter of 2018. Adjusted EBITDA, net was tempered by a \$50 million allowance for loan loss build and an approximate \$25 million market adjustment to the carrying value of held-for-sale receivables.

Reiterating 2018 Guidance

- Revenue of \$8.35 billion, representing an 8 percent increase, 12 percent on a pro forma basis.
- Core EPS of \$22.50 to \$23.00, representing a 16 to 19 percent increase over 2017.

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 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.

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, 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 2018 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, April 19, 2018 at 8:30 a.m. (Eastern Time) to discuss the Company's first-quarter 2018 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 (855) 859-2056 or (404) 537-3406 and enter "82317378". The replay will be available at approximately 11:45 a.m. (Eastern Time) on Thursday, April 19, 2018.

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 Plano, Texas, Alliance Data consists of three businesses that together employ approximately 20,000 associates at more than 100 locations worldwide.

Alliance Data's card services business is a provider of market-leading private label, co-brand, and business credit card programs. Epsilon® is a leading provider of multichannel, data-driven technologies and marketing services, and also includes Conversant®, a leader in personalized digital marketing. 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.

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	
	March 31,	
	2018	2017
Revenue	\$ 1,884.2	\$ 1,879.0
Operating expenses:		
Cost of operations	1,047.0	1,086.7
Provision for loan loss	337.7	315.1
Depreciation and amortization	121.7	124.8
Total operating expenses	<u>1,506.4</u>	<u>1,526.6</u>
Operating income	377.8	352.4
Interest expense, net:		
Securitization funding costs	52.1	35.2
Interest expense on deposits	35.5	26.0
Interest expense on long-term and other debt, net	71.6	64.0
Total interest expense, net	<u>159.2</u>	<u>125.2</u>
Income before income tax	\$ 218.6	\$ 227.2
Income tax expense	54.7	80.8
Net income	<u>\$ 163.9</u>	<u>\$ 146.4</u>
Per share data:		
Weighted average shares outstanding – basic	55.4	56.4
Weighted average shares outstanding - diluted	55.7	56.7
Basic – Net income	<u>\$ 2.96</u>	<u>\$ 2.60</u>
Diluted – Net income	<u>\$ 2.95</u>	<u>\$ 2.58</u>

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

	March 31, 2018	December 31, 2017
Assets		
Cash and cash equivalents	\$ 3,549.5	\$ 4,190.0
Credit card and loan receivables:		
Credit card and loan receivables	17,819.1	18,613.8
Allowance for loan loss	(1,169.3)	(1,119.3)
Credit card and loan receivables, net	16,649.8	17,494.5
Credit card and loan receivables held for sale	950.3	1,026.3
Redemption settlement assets, restricted	581.7	589.5
Intangible assets, net	739.8	800.6
Goodwill	3,890.6	3,880.1
Other assets	3,031.2	2,703.8
Total assets	<u>\$ 29,392.9</u>	<u>\$ 30,684.8</u>
Liabilities and Stockholders' Equity		
Deferred revenue	\$ 918.0	\$ 966.9
Deposits	10,485.0	10,930.9
Non-recourse borrowings of consolidated securitization entities	8,121.5	8,807.3
Long-term and other debt	6,089.2	6,079.6
Other liabilities	1,777.8	2,044.8
Total liabilities	27,391.5	28,829.5
Stockholders' equity	2,001.4	1,855.3
Total liabilities and stockholders' equity	<u>\$ 29,392.9</u>	<u>\$ 30,684.8</u>

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

	Three Months Ended March 31,	
	2018	2017 ⁽¹⁾
Cash Flows from Operating Activities:		
Net income	\$ 163.9	\$ 146.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	121.7	124.8
Deferred income taxes	(16.2)	(12.2)
Provision for loan loss	337.7	315.1
Non-cash stock compensation	25.5	23.5
Amortization of deferred financing costs	11.4	9.5
Change in operating assets and liabilities	(108.0)	(166.1)
Originations of loan receivables held for sale	(2,271.7)	(1,852.2)
Sales of loan receivables held for sale	2,312.8	1,847.9
Other	72.8	35.4
Net cash provided by operating activities	<u>649.9</u>	<u>472.1</u>
Cash Flows from Investing Activities:		
Change in redemption settlement assets	(14.5)	(137.0)
Change in credit card and loan receivables	470.5	523.5
Capital expenditures	(44.7)	(46.6)
Other	(18.4)	1.5
Net cash provided by investing activities	<u>392.9</u>	<u>341.4</u>
Cash Flows from Financing Activities:		
Borrowings under debt agreements	685.0	1,763.2
Repayments of borrowings	(706.5)	(1,098.9)
Net decrease in deposits	(448.4)	(188.7)
Non-recourse borrowings of consolidated securitization entities	905.0	180.0
Repayments/maturities of non-recourse borrowings of consolidated securitization entities	(1,590.0)	(945.0)
Purchase of treasury shares	—	(415.0)
Dividends paid	(31.7)	(29.0)
Other	(27.2)	(29.5)
Net cash used in financing activities	<u>(1,213.8)</u>	<u>(762.9)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1.7)	2.4
Change in cash, cash equivalents and restricted cash	(172.7)	53.0
Cash, cash equivalents and restricted cash at beginning of period	4,314.7	1,968.5
Cash, cash equivalents and restricted cash at end of period	<u>\$ 4,142.0</u>	<u>\$ 2,021.5</u>

(1) Adjusted to reflect the adoption of Accounting Standards Update ("ASU") 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash." The effect of the adoption of the standard was to include restricted cash and restricted cash equivalents at the beginning-of-period and end-of-period cash and cash equivalents totals.

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

	Three Months Ended March 31,		Change
	2018	2017	
Segment Revenue:			
LoyaltyOne	\$ 226.3	\$ 333.1	(32)%
Epsilon	509.4	529.4	(4)
Card Services	1,155.2	1,023.2	13
Corporate/Other	0.2	—	nm*
Intersegment Eliminations	(6.9)	(6.7)	nm*
Total	<u>\$ 1,884.2</u>	<u>\$ 1,879.0</u>	<u>—%</u>
Segment Adjusted EBITDA, net:			
LoyaltyOne	\$ 53.9	\$ 58.7	(8)%
Epsilon	91.6	85.0	8
Card Services	318.6	330.7	(4)
Corporate/Other	(26.7)	(34.9)	(23)
Total	<u>\$ 437.4</u>	<u>\$ 439.5</u>	<u>—%</u>
Key Performance Indicators:			
Credit card statements generated	77.8	72.2	8%
Credit sales	\$ 6,805.6	\$ 6,579.2	3%
Average receivables	\$ 17,722.4	\$ 15,685.4	13%
AIR MILES reward miles issued	1,226.2	1,235.9	(1)%
AIR MILES reward miles redeemed	1,178.2	1,226.3	(4)%

* nm-not meaningful

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

	Three Months Ended	
	March 31,	
	2018	2017
Adjusted EBITDA and Adjusted EBITDA, net:		
Net income	\$ 163.9	\$ 146.4
Income tax expense	54.7	80.8
Total interest expense, net	159.2	125.2
Depreciation and other amortization	47.7	44.7
Amortization of purchased intangibles	74.0	80.1
Stock compensation expense	25.5	23.5
Adjusted EBITDA	<u>\$ 525.0</u>	<u>\$ 500.7</u>
Less: Funding costs ⁽¹⁾	87.6	61.2
Adjusted EBITDA, net of funding costs	<u>\$ 437.4</u>	<u>\$ 439.5</u>
Core Earnings:		
Net income	\$ 163.9	\$ 146.4
Add back: non-cash/ non-operating items:		
Stock compensation expense	25.5	23.5
Amortization of purchased intangibles	74.0	80.1
Non-cash interest ⁽²⁾	11.4	10.2
Income tax effect ⁽³⁾	(27.6)	(38.3)
Core earnings	<u>\$ 247.2</u>	<u>\$ 221.9</u>
Weighted average shares outstanding - diluted	55.7	56.7
Core earnings per share - diluted	<u>\$ 4.44</u>	<u>\$ 3.91</u>

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

(2) Represents amortization of debt issuance and hedging costs.

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

Three Months Ended March 31, 2018

	LoyaltyOne	Epsilon	Card Services	Corporate/ Other	Total
Operating income (loss)	\$ 28.3	\$ 7.3	\$ 377.0	\$ (34.8)	\$ 377.8
Depreciation and amortization	22.0	73.0	24.8	1.9	121.7
Stock compensation expense	3.6	11.3	4.4	6.2	25.5
Adjusted EBITDA	53.9	91.6	406.2	(26.7)	525.0
Less: Funding costs	—	—	87.6	—	87.6
Adjusted EBITDA, net	\$ 53.9	\$ 91.6	\$ 318.6	\$ (26.7)	\$ 437.4

Three Months Ended March 31, 2017

	LoyaltyOne	Epsilon	Card Services	Corporate/ Other	Total
Operating income (loss)	\$ 37.4	\$ (1.6)	\$ 363.1	\$ (46.5)	\$ 352.4
Depreciation and amortization	19.2	77.9	25.7	2.0	124.8
Stock compensation expense	2.1	8.7	3.1	9.6	23.5
Adjusted EBITDA	58.7	85.0	391.9	(34.9)	500.7
Less: Funding costs	—	—	61.2	—	61.2
Adjusted EBITDA, net	\$ 58.7	\$ 85.0	\$ 330.7	\$ (34.9)	\$ 439.5

Alliance Data NYSE: ADS

First Quarter 2018 Results
April 19, 2018



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 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 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.

Agenda

- Speakers: Ed Heffernan President and CEO
 Charles Horn EVP and CFO
- Consolidated Results
- Segment Results
- Credit Metrics
- 2018 Guidance

First Quarter 2018 Consolidated Results

(MM, except per share)

	Quarter Ended March 31,		
	2018	2017	% Change
Revenue	\$ 1,884	\$ 1,879	--%
Pro forma revenue ¹	\$ 1,963	\$ 1,879	+4%
Net income	\$ 164	\$ 146	+12%
EPS	\$ 2.95	\$ 2.58	+14%
Core EPS	\$ 4.44	\$ 3.91	+13%
Adjusted EBITDA	\$ 525	\$ 501	+5%
Adjusted EBITDA, net	\$ 437	\$ 440	--%
Diluted shares outstanding	55.7	56.7	

¹ ASC 606 revenue recognition, which became effective January 1, 2018, requires a net revenue recognition (gross revenue less cost of goods) for travel-related redemptions at AIR MILES®. This new presentation lowers reported revenue but does not impact net income, EPS or core EPS.



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First Quarter 2018 Segment Results

(MM)

	Quarter Ended March 31,			
	2018	2017	% Change	
Revenue:				
LoyaltyOne®	\$ 226	\$ 333		
ASC 606 adjustment	79	--		• Change to net revenue presentation
Pro forma	305	333	-8%	
Epsilon®	509	529	-4%	• Weakness in Agency offering
Card Services	1,155	1,023	+13%	
Other	(6)	(6)		
	\$ 1,963	\$ 1,879	+4%	
Adjusted EBITDA, net:				
LoyaltyOne	\$ 54	\$ 59	-8%	
Epsilon	92	85	+8%	• Positive change in revenue mix
Card Services	319	331	-4%	• Higher reserve rate dampened Q1 adj. EBITDA, net by ~\$44mm and core EPS by ~\$0.60
Other	(28)	(35)		
	\$ 437	\$ 440	--%	



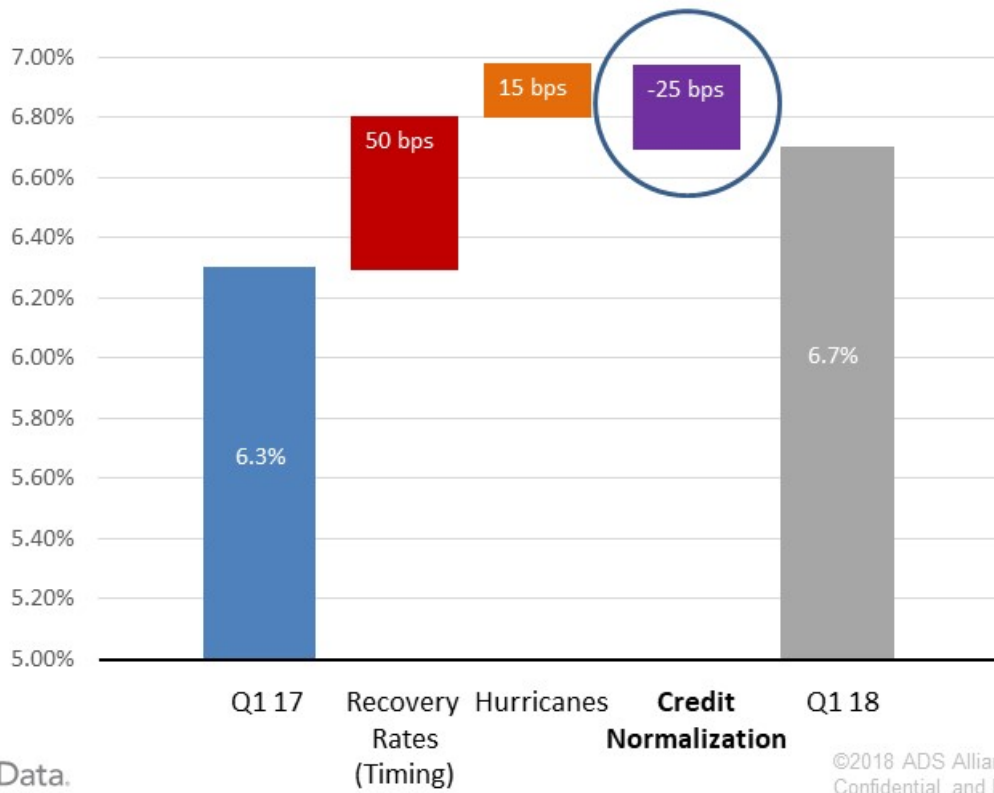
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Credit Metrics (MM)

	Quarter Ended March 31,		
	2018	2017	Change
Credit sales	\$ 6,806	\$ 6,579	+3%
Average card receivables	\$ 17,722	\$ 15,685	+13%
Total gross yield	24.8%	25.5%	-0.7%
Operating expenses as % of average card receivables	8.8%	7.9%	+0.9%
Principal loss rates	6.7%	6.3%	+0.4%
Delinquency rate	5.3%	4.8%	+0.5%
Reserve rate	6.8%	6.6%	+0.2%

Credit Metrics Q1 Loss Rate Bridge

- Net loss rates were elevated in Q1 primarily due to shift to internal recovery of charged-off accounts (timing).



2018 Guidance

<u>Consolidated</u>	<u>2017</u>	<u>2018</u>	
Revenue	\$7.72 BN	\$8.35 BN	+8%
Pro forma Revenue	\$7.72 BN	\$8.70 BN	+12%
Core EPS	\$ 19.35	\$22.50 - \$23.00	+16 to 19%

Growth Rates by Quarter

	<u>Q1 (Act)</u>	<u>Q2 (Guide)</u>
Revenue	--%	Mid-single
Pro forma Revenue	+4%	Low-double
Core EPS	+13%	Mid-teens

2018 Guidance

LoyaltyOne:

- High single-digit pro forma revenue, low double-digit adjusted EBITDA growth
- BrandLoyalty returns to strong double-digit growth in Q2
- AIR MILES issued was essentially flat in Q1, 2018 and trending to solid back-half growth

Epsilon:

- Mid-single-digit revenue and adjusted EBITDA growth

Card Services:

- Mid-teens revenue and adjusted EBITDA, net growth
- Mid-teens portfolio growth (\$2.5BN)
 - '15 to '17 signings ramping (\$2.5 BN) plus core (\$1.0 BN) less non-core (\$1.0 BN) = 15 percent growth
- Net principal loss rate of 6 percent
 - Q1: 6.7 percent ↑ 40 basis points due to ramping of internal recoveries
 - Flat net loss and reserve rates would have produced 11 percent adjusted EBITDA, net and 30 percent core EPS growth
 - Q2: Flow-through remaining hurricane impact (40 basis points)
 - 2nd half: all noise gone – flat to better loss rates compared to 2017

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, 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. Reconciliations to comparable GAAP financial measures are available in the Company's earnings release, which is posted 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 2018 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.

Q & A

