
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 15, 2016

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
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ITEM 1.01. Entry into a Material Definitive Agreement

On April 15, 2016, Alliance Data Systems Corporation extended the maturity of term loans in the aggregate principal amount of \$200 million from September 23, 2016 to September 23, 2017 under its Credit Agreement dated as of July 10, 2013 among Alliance Data Systems Corporation, the Guarantors from time to time party thereto, the Banks from time to time party thereto and Wells Fargo Bank, N.A., as Administrative Agent (as amended by the First Amendment dated as of December 8, 2014, the Second Amendment dated as of September 25, 2015). The proceeding summary is qualified in its entirety by reference to the full text of the agreement, a copy of which is attached as Exhibit 10.1 hereto and incorporated by reference herein.

ITEM 2.02. Results of Operations and Financial Condition

On April 21, 2016, Alliance Data Systems Corporation issued a press release regarding its results of operations for the first quarter ended March 31, 2016. A copy of this press release is furnished as Exhibit 99.1.

ITEM 7.01. Regulation FD Disclosure

On April 21, 2016, Alliance Data Systems Corporation issued a press release regarding its results of operations for the first quarter ended March 31, 2016. 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 Alliance Data Systems Corporation.

ITEM 9.01. Financial Statements and Exhibits

(d) Exhibits

<u>Exhibit No.</u>	<u>Document Description</u>
10.1	Incremental Term Loan Extension Request, dated as of April 15, 2016, by and among Alliance Data Systems Corporation, Wells Fargo Bank, N.A., as Administrative Agent, and Bank of America, N.A.
99.1	Press Release dated April 21, 2016 announcing the results of operations for the first quarter ended March 31, 2016.
99.2	Investor Presentation Materials.

Note: The information contained in Items 2.02, 7.01 and 9.01 in this report (including Exhibits 99.1 and 99.2, but excluding Exhibit 10.1) 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 21, 2016

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

EXHIBIT INDEX

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INCREMENTAL TERM LOAN EXTENSION REQUEST

April 15, 2016

Wells Fargo Bank, N.A.,
as Administrative Agent
115 South LaSalle Street
Chicago, Illinois 60603
Attention: Agency Services

Re: Credit Agreement dated as of July 10, 2013 among Alliance Data Systems Corporation, the Guarantors from time to time party thereto, the Banks from time to time party thereto and Wells Fargo Bank, N.A., as Administrative Agent (as amended by the First Amendment dated as of December 8, 2014, the Second Amendment dated as of September 25, 2015, and as the same may be further amended, restated or supplemented from time to time, the "*Credit Agreement*")

Ladies and Gentlemen:

In accordance with the Credit Agreement, the Borrower on behalf of the Borrower and the Guarantors hereby requests that the Administrative Agent consent to an extension of the maturity date applicable to the Second Amendment Incremental Term Loan made by Bank of America, N.A., in its capacity as the sole Second Amendment Incremental Term Bank, in accordance with Section 2.18 of the Credit Agreement and Section 2.1 of the Second Amendment (the "*Incremental Term Loan Extension*"). Capitalized terms used herein without definition shall have the same meanings herein as such terms have in the Credit Agreement.

As permitted under Section 2.18 of the Credit Agreement and Section 2.1 of the Second Amendment, the Borrower and Bank of America, N.A., in its capacity as the sole Second Amendment Incremental Term Bank, hereby agree to extend the Second Amendment Incremental Term Loan Maturity Date from September 23, 2016 to September 23, 2017, which extension shall automatically become effective upon execution and delivery by the Administrative Agent of the consent set forth below.

In connection with this request, the Borrower notes that (i) Section 2.18 of the Credit Agreement provides that any Bank may agree to extend the maturity date applicable to all or any portion of its Incremental Term Loan to such date as such Bank and the Borrower shall agree upon, (ii) pursuant to Section 2.18 of the Credit Agreement, any such extension shall only require the consent of the Borrower, such Bank and the Administrative Agent (in the case of the Administrative Agent, which consent shall not be unreasonably withheld, delayed or conditioned), and the satisfaction of certain conditions specified in Section 2.18 of the Credit Agreement, and (iii) Section 2.1(iv) of the Second Amendment specifically contemplates the extension of the Second Amendment Incremental Term Loan Maturity Date.

With respect to the conditions set forth in Section 2.18 of the Credit Agreement, the Borrower hereby represents and warrants and, as appropriate, covenants, that (i) the principal amount of the Second Amendment Incremental Term Loan subject to the Incremental Term Loan Extension is greater than \$50,000,000, (ii) the request for the Incremental Term Loan Extension has been made available to all Banks holding the Second Amendment Incremental Term Loan (and the Borrower has been informed that Bank of America, N.A. is the only such Bank), (iii) no Default has occurred and is continuing as of the date hereof, or shall have occurred and be continuing as of the effective date of the Incremental Term Loan Extension or will result therefrom and (iv) all representations and warranties contained in Article 4 of the Credit Agreement are true and correct in all material respects (where not already qualified by materiality, otherwise in all respects) as of the date hereof and shall be true and correct in all material respects (where not already qualified by materiality, otherwise in all respects) as of the effective date of the Incremental Term Loan Extension (in each case other than representations and warranties that relate to a specific date, which are true and correct in all material respects (where not already qualified by materiality, otherwise in all respects) as of such date).

THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACTUAL OBLIGATION UNDER, AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

[Signature Page Follows]

Please indicate consent to the Incremental Term Loan Extension by signing the enclosed copy of this letter in the space provided below.

Very truly yours,

ALLIANCE DATA SYSTEMS CORPORATION

By: /s/ Charles L. Horn
Name: Charles L. Horn
Title: EVP, Chief Financial Officer

BANK OF AMERICA, N.A.

By: /s/ My-Linh Yoshiike
Name: My-Linh Yoshiike
Title: Vice President

The undersigned hereby consents
on this 15 day of April, 2016,
to the above-requested
Incremental Term Loan Extension.

WELLS FARGO BANK, N.A.,
as Administrative Agent

By: /s/ Reginald M. Goldsmith III
Name: Reginald M. Goldsmith III
Title: Managing Director

[Signature Page to Incremental Term Loan Extension Request]



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Alliance Data Reports First Quarter 2016 Results

- **Revenue Increases 5 Percent to \$1.68 Billion**
- **Core EPS Increases 5 Percent to \$3.84**
- **Reiterates Full-Year Guidance**

Dallas, TX, April 21, 2016 – 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, 2016.

SUMMARY (in millions, except per share amounts)	Quarter Ended March 31,		
	2016	2015	% Change
Revenue	\$ 1,676	\$ 1,601	+5%
Net income	\$ 159	\$ 165	-4%
Net income attributable to Alliance Data stockholders per diluted share ("EPS") (a)	\$ 2.35	\$ 2.32	+1%
Diluted shares outstanding	60.2	63.6	-5%

Supplemental Non-GAAP Metrics (b):			
Adjusted EBITDA	\$ 493	\$ 474	+4%
Adjusted EBITDA, net of funding costs and non-controlling interest ("adjusted EBITDA, net") (a)	\$ 440	\$ 430	+2%
Core earnings attributable to Alliance Data stockholders per diluted share ("core EPS") (a)	\$ 3.84	\$ 3.65	+5%

(a) Profitability measures shown above are net of amounts attributable to the minority interest in Netherlands-based BrandLoyalty, referred to as 'non-controlling interest'.

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

CONSOLIDATED RESULTS

Revenue increased 5 percent to \$1.68 billion while adjusted EBITDA, net increased 2 percent to \$440 million for the first quarter of 2016. EPS increased 1 percent to \$2.35 and core EPS increased 5 percent to \$3.84 for the first quarter of 2016, compared to guidance of \$3.83. Unfavorable foreign exchange rates reduced revenue and core EPS by approximately 2 percent compared to the first quarter of 2015.

Ed Heffernan, president and chief executive officer of Alliance Data, commented, "Consolidated results were consistent with guidance, which called for revenue and core EPS growth of 5 percent. Remember, the first quarter of 2016 is our toughest comparable of the year as both revenue and core EPS increased 30 percent in the first quarter of 2015.

"Entering 2016, the two biggest concerns raised by stockholders focused on the likelihood of higher loss rates at Card Services and worsening economic conditions in Canada. Ironically, both were favorable during the first quarter as loss rates came in slightly better than expected (5.2 percent actual vs. 5.3 percent guidance), and Canada produced its strongest results in quite some time (4 percent revenue growth, 11 percent adjusted EBITDA growth - both in constant currency - on 5 percent issuance growth). Conversely, these positives were offset by softer than expected results in the agency business at Epsilon and gross yield compression in Card Services as early stage delinquencies improved."

Heffernan continued, "Overall, we remain on-track to deliver on our full-year objectives of \$7.1 billion in revenues, up 10 percent, and \$16.75 in core EPS, up 11 percent. We expect revenue and earnings to accelerate as the year unfolds for several reasons. First, gross yield compression at Card Services should lessen each quarter as we anniversary several 'cardholder friendly' program changes made last year. Second, loss rates are expected to drift downwards from first-quarter highs. Third, BrandLoyalty has passed its most difficult comparable (100 percent constant currency revenue growth in first quarter of 2015). Fourth, Epsilon's Agency weakness should lessen, coupled with a record backlog for second-half delivery. And, finally, foreign exchange rates will anniversary in the second quarter assuming no additional large movements."

SEGMENT REVIEW

LoyaltyOne®: Revenue decreased 9 percent to \$355 million, while adjusted EBITDA increased 2 percent to \$79 million for the first quarter of 2016. On a constant currency basis, revenue decreased 2 percent, while adjusted EBITDA increased 10 percent, compared to the first quarter of 2015.

AIR MILES® revenue and adjusted EBITDA increased 4 percent and 11 percent, respectively, on a constant currency basis, driven by a favorable issuance mix increasing the revenue per mile redeemed and strong cost controls. AIR MILES reward miles issued increased 5 percent compared to the first quarter of 2015, largely due to strength in the financial sponsor vertical. AIR MILES reward miles redeemed increased 6 percent compared to the first quarter of 2015, as AM Cash, the instant reward program option, continues to grow.

BrandLoyalty revenue decreased 9 percent, while adjusted EBITDA increased 9 percent, on a constant currency basis. Revenue for the first quarter of 2016 was negatively impacted by different timing of customer programs between years, which should produce very strong second quarter results, while adjusted EBITDA margins expanded 300 basis points due to lower product procurement costs. Importantly, North American expansion efforts continue to develop. After successfully entering Canada in 2015, one pilot program is underway in the U.S. with positive early results, and a second is scheduled for later in the year.

Epsilon: Revenue decreased 2 percent to \$493 million, and adjusted EBITDA decreased 22 percent to \$81 million for the first quarter of 2016. Digital & technology platforms revenue increased a robust 8 percent to \$362 million, driven by strength in CRM and the on-boarding of a strong backlog. The backlog for CRM continues to grow as 15 new clients have already been signed in 2016 with an annual contract value of approximately \$40 million. Conversely, agency media & services revenue dropped 23 percent from the prior year to \$131 million due to broad-based weakness, especially in the telco, CPG and retail verticals. Adjusted EBITDA decreased \$23 million from the first quarter of 2015, primarily due to higher payroll costs as staffing levels increased in anticipation of revenue that did not materialize.

Card Services: Revenue increased 17 percent to \$836 million and adjusted EBITDA, net increased 9 percent to \$308 million for the first quarter of 2016.

Gross yields were 24.7 percent for the first quarter of 2016, down approximately 200 basis points from the prior comparable period. The decrease is due to the mix of co-brand to private label receivables, acquired portfolios (Zales, Boscov's) that initially have low yields due to fair value accounting, and fewer late fees due to improvement in early-stage delinquency trends.

Operating expenses increased 18 percent to \$308 million, or 9.1 percent of average receivables compared to 9.8 percent in the first quarter of 2015, indicating strong operating leverage. The loan loss provision increased 27 percent to \$172 million, driven by strong growth in average card receivables and higher principal loss rates. Portfolio funding costs were \$48 million for the first quarter of 2016, or 1.4 percent of average credit card receivables, up 10 basis points from the first quarter of 2015.

Credit sales increased 25 percent to \$6.2 billion for the first quarter of 2016, supported by a 10 percent increase in core cardholder spending as tender share gains of approximately 200 basis points continued. Average credit card receivables increased 27 percent to \$13.5 billion compared to the first quarter of 2015, while net principal loss rates for the first quarter of 2016 were 5.2 percent, up 70 basis points from last year. The increase is primarily due to account seasoning and lower recoveries.

During the first quarter of 2016, Card Services decided not to renew two client programs set for expiration at the end of the year. The related card receivables, less the allowance for loan loss, net to approximately \$415 million and have been reclassified to assets held for sale on the accompanying balance sheet.

Guidance

Guidance for 2016 is \$7.1 billion in revenue, a 10 percent increase, and \$16.75 in core EPS, an 11 percent increase, both as compared to 2015.

Second quarter guidance is \$1.62 billion in revenue, an 8 percent increase, and \$3.58 in core EPS, an 8 percent increase, both as compared to the second quarter of 2015. Growth rates are expected to accelerate in the back-half of 2016.

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 and non-controlling interest, core earnings and core earnings per diluted share (core EPS). 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. 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. These metrics are an integral part of the Company's internal reporting to measure the performance of reportable segments and the overall effectiveness of senior management. Reconciliations to comparable GAAP financial measures are available in the accompanying schedules and on the Company's website. The financial measures presented are consistent with the Company's historical financial reporting practices. Core earnings and core earnings per diluted share 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 21, 2016 at 8:30 a.m. (Eastern Time) to discuss the Company's first-quarter 2016 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 "80534680". The replay will be available at approximately 11:45 a.m. (Eastern Time) on Thursday, April 21, 2016.

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 and Fortune 500 company headquartered in Plano, Texas, Alliance Data consists of three businesses that together employ more than 16,000 associates at approximately 100 locations worldwide.

Alliance Data's Card Services business is a leading provider of marketing-driven branded 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 premier coalition loyalty program, and holds a majority interest in Netherlands-based BrandLoyalty, a global provider of tailor-made loyalty programs for grocers.

Follow Alliance Data on Twitter, Facebook, LinkedIn and YouTube.

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 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.

ALLIANCE DATA SYSTEMS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Revenue	\$ 1,676.1	\$ 1,601.2
Operating expenses:		
Cost of operations	1,031.5	1,020.2
Provision for loan loss	171.9	134.9
Depreciation and amortization	128.4	121.6
Total operating expenses	<u>1,331.8</u>	<u>1,276.7</u>
Operating income	344.3	324.5
Interest expense, net:		
Securitization funding costs	30.4	23.8
Interest expense on deposits	17.2	11.7
Interest expense on long-term and other debt, net	51.2	42.5
Total interest expense, net	<u>98.8</u>	<u>78.0</u>
Income before income tax	\$ 245.5	\$ 246.5
Income tax expense	86.6	81.7
Net income	\$ 158.9	\$ 164.8
Less: Net income attributable to non-controlling interest	1.8	2.2
Net income attributable to common stockholders	<u>\$ 157.1</u>	<u>\$ 162.6</u>
Per share data:		
Numerator		
Net income attributable to common stockholders	\$ 157.1	\$ 162.6
Less: Accretion of redeemable non-controlling interest	15.9	15.2
Net income attributable to common stockholders after accretion of redeemable non-controlling interest	<u>\$ 141.2</u>	<u>\$ 147.4</u>
Denominator		
Weighted average shares outstanding – basic	59.8	63.1
Weighted average shares outstanding - diluted	60.2	63.6
Basic – Net income attributable to common stockholders	<u>\$ 2.36</u>	<u>\$ 2.34</u>
Diluted – Net income attributable to common stockholders	<u>\$ 2.35</u>	<u>\$ 2.32</u>

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

	March 31, 2016	December 31, 2015 ⁽¹⁾
Assets		
Cash and cash equivalents	\$ 970.0	\$ 1,168.0
Credit card and loan receivables:		
Credit card and loan receivables	13,490.1	13,799.5
Allowance for loan loss	(727.2)	(741.6)
Credit card and loan receivables, net	12,762.9	13,057.9
Credit card and loan receivables held for sale	507.4	95.5
Redemption settlement assets, restricted	495.2	456.6
Intangible assets, net	1,187.4	1,203.7
Goodwill	3,847.6	3,814.1
Other assets	2,628.6	2,554.1
Total assets	<u>\$ 22,399.1</u>	<u>\$ 22,349.9</u>
Liabilities and Equity		
Deferred revenue	\$ 864.9	\$ 844.9
Deposits	6,082.6	5,605.9
Non-recourse borrowings of consolidated securitization entities	6,324.1	6,482.7
Long-term and other debt	5,524.2	5,017.4
Other liabilities	1,669.7	2,221.6
Total liabilities	20,465.5	20,172.5
Redeemable non-controlling interest	192.4	167.4
Stockholders' equity	1,741.2	2,010.0
Total liabilities and equity	<u>\$ 22,399.1</u>	<u>\$ 22,349.9</u>

(1) Adjusted to reflect the adoption of Accounting Standards Update ("ASU") 2015-03, "Simplifying the Presentation of Debt Issuance Costs".

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

	Three Months Ended March 31,	
	2016	2015
Cash Flows from Operating Activities:		
Net income	\$ 158.9	\$ 164.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	128.4	121.6
Deferred income taxes	(2.7)	(1.6)
Provision for loan loss	171.9	134.9
Non-cash stock compensation	19.9	27.5
Change in operating assets and liabilities	(268.5)	(226.2)
Originations of loan receivables held for sale	(1,623.0)	(1,373.2)
Sales of loan receivables held for sale	1,621.4	1,343.8
Other	51.1	(16.9)
Net cash provided by operating activities	<u>257.4</u>	<u>174.7</u>
Cash Flows from Investing Activities:		
Change in redemption settlement assets	(8.0)	(12.6)
Change in restricted cash	(312.2)	(0.7)
Change in credit card and loan receivables	383.9	401.8
Purchase of credit card receivables	(755.3)	—
Capital expenditures	(54.9)	(42.4)
Other	(1.2)	(8.8)
Net cash (used in) provided by investing activities	<u>(747.7)</u>	<u>337.3</u>
Cash Flows from Financing Activities:		
Borrowings under debt agreements	1,712.9	1,001.7
Repayments of borrowings	(1,227.2)	(334.4)
Issuances of deposits	1,136.9	406.7
Repayments of deposits	(659.5)	(669.8)
Non-recourse borrowings of consolidated securitization entities	880.0	305.0
Repayments/maturities of non-recourse borrowings of consolidated securitization entities	(1,040.0)	(700.0)
Payment of acquisition-related contingent consideration	—	(205.9)
Acquisition of non-controlling interest	(102.0)	(87.4)
Purchase of treasury shares	(408.8)	(542.6)
Other	(5.9)	15.0
Net cash provided by (used in) financing activities	<u>286.4</u>	<u>(811.7)</u>
Effect of exchange rate changes on cash and cash equivalents	5.9	(17.1)
Change in cash and cash equivalents	(198.0)	(316.8)
Cash and cash equivalents at beginning of period	1,168.0	1,077.2
Cash and cash equivalents at end of period	<u>\$ 970.0</u>	<u>\$ 760.4</u>

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

	Three Months Ended March 31,		Change
	2016	2015	
Segment Revenue:			
LoyaltyOne	\$ 354.6	\$ 388.0	(9)%
Epsilon	493.3	504.9	(2)
Card Services	835.5	714.7	17
Corporate/Other	0.1	0.1	nm*
Intersegment Eliminations	(7.4)	(6.5)	nm*
Total	<u>\$ 1,676.1</u>	<u>\$ 1,601.2</u>	<u>5%</u>
Segment Adjusted EBITDA, net:			
LoyaltyOne	\$ 73.7	\$ 69.6	6%
Epsilon	80.7	103.6	(22)
Card Services	307.5	281.8	9
Corporate/Other	(22.4)	(24.7)	(9)
Total	<u>\$ 439.5</u>	<u>\$ 430.3</u>	<u>2%</u>
Key Performance Indicators:			
Credit card statements generated	65.5	58.7	12 %
Credit sales	\$ 6,178.2	\$ 4,959.8	25 %
Average receivables	\$ 13,536.7	\$ 10,677.3	27 %
AIR MILES reward miles issued	1,286.3	1,228.9	5 %
AIR MILES reward miles redeemed	1,283.9	1,212.6	6 %

* nm-not meaningful

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

	Three Months Ended March 31,	
	2016	2015
Adjusted EBITDA and Adjusted EBITDA, net:		
Net income	\$ 158.9	\$ 164.8
Income tax expense	86.6	81.7
Total interest expense, net	98.8	78.0
Depreciation and other amortization	39.8	33.6
Amortization of purchased intangibles	88.6	88.0
Stock compensation expense	19.9	27.5
Adjusted EBITDA	<u>\$ 492.6</u>	<u>\$ 473.6</u>
Less: Funding costs ⁽¹⁾	47.6	35.5
Less: Adjusted EBITDA attributable to non-controlling interest	5.5	7.8
Adjusted EBITDA, net of funding costs and non-controlling interest	<u>\$ 439.5</u>	<u>\$ 430.3</u>
Core Earnings:		
Net income	\$ 158.9	\$ 164.8
Add back: non-cash/ non-operating items:		
Stock compensation expense	19.9	27.5
Amortization of purchased intangibles	88.6	88.0
Non-cash interest expense ⁽²⁾	6.4	5.9
Income tax effect ⁽³⁾	(38.9)	(48.2)
Core earnings	<u>\$ 234.9</u>	<u>\$ 238.0</u>
Less: Core earnings attributable to non-controlling interest	4.0	5.6
Core earnings attributable to common stockholders	<u>\$ 230.9</u>	<u>\$ 232.4</u>
Weighted average shares outstanding - diluted	60.2	63.6
Core earnings attributable to common stockholders per share - diluted	<u>\$ 3.84</u>	<u>\$ 3.65</u>

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

(2) Represents amortization of debt issuance costs and mark-to-market gains on interest rate derivatives.

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

Three Months Ended March 31, 2016

	LoyaltyOne	Epsilon	Card Services	Corporate/ Other	Total
Operating income (loss)	\$ 55.7	\$ (12.5)	\$ 331.3	\$ (30.2)	\$ 344.3
Depreciation and amortization	20.9	84.7	20.1	2.7	128.4
Stock compensation expense	2.6	8.5	3.7	5.1	19.9
Adjusted EBITDA	79.2	80.7	355.1	(22.4)	492.6
Less: Funding costs	—	—	47.6	—	47.6
Less: Adjusted EBITDA attributable to non-controlling interest	5.5	—	—	—	5.5
Adjusted EBITDA, net	\$ 73.7	\$ 80.7	\$ 307.5	\$ (22.4)	\$ 439.5

Three Months Ended March 31, 2015

	LoyaltyOne	Epsilon	Card Services	Corporate/ Other	Total
Operating income (loss)	\$ 54.5	\$ 7.0	\$ 295.3	\$ (32.3)	\$ 324.5
Depreciation and amortization	19.9	81.2	18.3	2.2	121.6
Stock compensation expense	3.0	15.4	3.7	5.4	27.5
Adjusted EBITDA	77.4	103.6	317.3	(24.7)	473.6
Less: Funding costs	—	—	35.5	—	35.5
Less: Adjusted EBITDA attributable to non-controlling interest	7.8	—	—	—	7.8
Adjusted EBITDA, net	\$ 69.6	\$ 103.6	\$ 281.8	\$ (24.7)	\$ 430.3

Alliance Data NYSE: ADS



Q1, 2016 Results
April 21, 2016



Agenda

- Speakers: Ed Heffernan
Charles Horn
Bryan Pearson
President and CEO
EVP and CFO
President and CEO of LoyaltyOne®
- First Quarter Consolidated Results
- Segment Results
- First Quarter and Full Year Scorecard
- 2016 Guidance



First Quarter 2016 Consolidated Results

(MM, except per share)

	Quarter Ended March 31,		
	2016	2015	% Change
Revenue	\$ 1,676	\$ 1,601	+5%
EPS	\$ 2.35	\$ 2.32	+1%
Core EPS	\$ 3.84	\$ 3.65	+5%
Adjusted EBITDA	\$ 493	\$ 474	+4%
Adjusted EBITDA, net	\$ 440	\$ 430	+2%
Diluted shares	60.2	63.6	

- Revenue and core EPS increased 5 percent for the first quarter, consistent with guidance.
 - FX was approximately a 2 point drag on first quarter results.
- Approximately \$414 million was spent for share repurchase during the quarter.
 - The first \$500 million of the \$1 billion share repurchase authorization was considered in original guidance.



LoyaltyOne (MM)

	Quarter Ended March 31,		
	2016	2015	% Change
Revenue	\$ 355	\$ 388	-9%
Adjusted EBITDA	\$ 79	\$ 77	+2%
Non-controlling interest	-5	-7	
Adjusted EBITDA, net	\$ 74	\$ 70	+6%
Adjusted EBITDA %	22%	20%	+2%
<i>Constant Currency</i>			
Revenue	\$ 381	\$ 388	-2%
Adjusted EBITDA	\$ 85	\$ 77	+10%

- Strong quarter for AIR MILES[®] as constant currency revenue and adjusted EBITDA increased 4 percent and 11 percent, respectively.
- AIR MILES[®] reward miles issued increased 5 percent for the quarter, driven by strength in the financial vertical.
- BrandLoyalty's revenue decreased 9 percent for the quarter due to timing differences of certain customer programs between years, while adjusted EBITDA increased 9 percent, both on a constant currency basis.

Epsilon[®] (MM)

	Quarter Ended March 31,		
	2016	2015	% Change
Digital & Technology Platforms	\$ 362	\$ 335	+8%
Agency Media & Services	<u>131</u>	<u>170</u>	<u>-23%</u>
Total revenue	\$ 493	\$ 505	-2%
Adjusted EBITDA	\$ 81	\$ 104	-22%
Adjusted EBITDA %	16%	21%	-5%

- Digital & Technology Platforms grew 8 percent from the first quarter of 2015, with a building backlog.
- Agency Media & Services decreased 23 percent from the first quarter of 2015, an unexpected drop due to broad-based weakness.
- Adjusted EBITDA decreased 22 percent from the first quarter of 2015 due to higher payroll costs.

Note: Digital & Technology Platforms: includes technology, data, affiliate and CRM offerings.

Agency Media & Services: includes agency offerings at both Epsilon and Conversant.



Card Services (MM)

	Quarter Ended March 31,		
	2016	2015	% Change
Revenue	\$ 836	\$ 715	+17%
Operating expenses	308	262	+18%
Provision for loan losses	172	135	+27%
Funding costs	<u>48</u>	<u>36</u>	<u>+33%</u>
Adjusted EBITDA, net	\$ 308	\$ 282	+9%
Adjusted EBITDA, net %	37%	39%	-2%

- Revenue increased 17 percent to \$836 million driven by a 27 percent increase in average receivables.
 - Gross yields dropped 210 basis points due to mix, fair value accounting of acquired portfolios and lower late fee yields due to improvements in early stage delinquencies.
- Provision expense increased 27 percent for the first quarter of 2016, increasing the allowance for loan losses from 5.5 percent at 12/31/2015 to 5.7 percent of reservable receivables at 3/31/2016.

Card Services (MM)

Key metrics:	Quarter Ended March 31,		
	2016	2015	Change
Credit sales	\$ 6,178	\$ 4,960	+25%
Average card receivables	\$ 13,537	\$ 10,677	+27%
Total gross yield	24.7%	26.8%	-2.1%
Operating expenses as % of average card receivables	9.1%	9.8%	-0.7%
Principal loss rates	5.2%	4.5%	+0.7%
Delinquency rate	4.3%	3.9%	+0.4%

- Operating expenses down 70 bps expressed as a percentage of average card receivables as we continue to drive operating leverage.
- Principal loss rates came in 10 bps better than our guidance of 5.3 percent for the first quarter.

First Quarter Scorecard

Consolidated

- \$1.676 billion in revenue, +5 percent; \$3.84 core EPS, +5 percent
 - Performance consistent with guidance
- FX headwinds ↓ \$26 million in revenue, ↓ \$0.05 in core EPS
- Toughest comp of year (Q1, 2015 ↑ 30 percent top/bottom vs 2014)
- Buyback: \$414 million (~2 million shares)

Card Services

- Portfolio +27 percent, revenue +17 percent, adjusted EBITDA, net +9 percent
- Yield: ↓ 210bps due to multiple factors
- Loss rate: 5.2 percent vs 5.3 percent guidance; LTM reserve spread > 100bps
- Tender share: ↑ 200bps on core → 10 percent credit sales growth vs client sales growth < 3 percent
- 80 percent of tender share gain from mature accounts
- Pipeline: \$2 billion new vintage tracking (Boscov's)

First Quarter Scorecard (cont.)

Epsilon

- First quarter results below expectations (agency & salesforce investments)
- Agency media & services ↓ 23 percent (1/4th of segment)
- Digital & Technology Platforms ↑ 8 percent (3/4ths of segment)
- India office ramping quickly (400 associates vs zero in Q1 2015)
- Conversant CRM new vintage: 15 wins YTD vs 30 for full-year 2015

LoyaltyOne (constant currency)

- BrandLoyalty: revenue ↓ 9 percent, adj. EBITDA ↑ 9 percent (timing only; revenue up 100 percent in Q1, 2015)
- BrandLoyalty: Canada expansion on track; one U.S. pilot underway, others to be scheduled
- AIR MILES: issuance +5 percent
- AIR MILES: revenue +4 percent, adj. EBITDA + 11 percent – best in years

Overall typical ADS – some better/some worse ➡ meet or beat consolidated guidance

- Cards: yields slightly worse, losses slightly better
- Epsilon: digital & technology platforms on track, agency & media services worse
- LoyaltyOne: BrandLoyalty tracking, AIR MILES better

Full Year

Consolidated

- Reiterate FY guidance: revenue of \$7.1 billion, up 10 percent; core EPS of \$16.75, up 11 percent
- Q2 guidance: revenue of \$1.62 billion, up 8 percent; core EPS of \$3.58, up 8 percent

Card Services

- Principal loss rate forecast on track

<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	=	<u>FY</u>
5.3%	5.1%	4.9%	4.9%	=	5.0%
(5.2% act)					

- Double-digit growth in revenue & adj. EBITDA, net
- Yield compression to lessen each quarter
- \$2 billion new vintage on track

Epsilon

- Digital & technology platforms (3/4ths) - high single-digit growth
- Conversant CRM vintage - signings robust
- Agency media & services (1/4th) - soft, but less dramatic than Q1



Full Year (cont.)

LoyaltyOne

- BrandLoyalty
 - Q2 biggest growth quarter
 - Strong double-digit revenue/adj. EBITDA full year (cc)
- AIR MILES
 - Issuance +4 percent for year
 - Low single-digit revenue/adj. EBITDA full year (cc)

Overall

- Several moving pieces, but full year shaping up
- No stress seen on the consumer side
- 2007-2015: CAGR of +15 percent and +18 percent for revenue & core EPS, respectively
- 2016-2017: low end double-digit as rates normalize
- 2018: snap back to higher growth after normalization??

2016 Guidance

(\$MM, except per share)

	2015	2016	'16 / '15 Increase
	<i>Actual</i>		
Revenue	\$ 6,440	\$ 7,100	+10%
Core EPS	\$ 15.05	\$ 16.75	+11%

- Double-digit revenue and core EPS growth
- Organic revenue growth above 3x GDP target
- ~ \$1.4 billion in free cash flow
- Guidance will be adjusted for FX changes as year progresses, if meaningful

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, 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.



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 and non-controlling interest, core earnings and core earnings per diluted share (core EPS). 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. 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. These metrics are an integral part of the Company's internal reporting to measure the performance of reportable segments and the overall effectiveness of senior management. Reconciliations to comparable GAAP financial measures are available in the accompanying schedules and on the Company's website. The financial measures presented are consistent with the Company's historical financial reporting practices. Core earnings and core earnings per diluted share 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



