

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):  
September 13, 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 7.01. Regulation FD Disclosure**

Attached as Exhibit 99.1 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>
99.1	Investor Presentation Materials.

*Note:* The information contained in this report (including Exhibit 99.1) 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.

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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.

Date: September 13, 2016

Alliance Data Systems Corporation

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

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EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Document Description</u>
99.1	Investor Presentation Materials.

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# Company Overview

NYSE: ADS



Investor Presentation  
Third Quarter 2016



# Alliance Data

- Who Are We and What Do We Do?
- Historical Results
- Recent Investor Questions
- Business & Financial Outlook



# Who are we and what do we do?

1. Build Customer Loyalty Platforms
2. Use Unique Data: SKU (requires client permission)
3. Link SKU with Consumer
4. Add Demographic/Psychographic Data

MEET MARY



# Who are we and what do we do?

## Example:

On September 14<sup>th</sup>,  
Mary Smith spent \$60  
at Ann Taylor Loft, Store #128

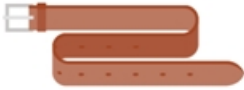


- She bought a blue dress, size 10 (SKU)
- Dress was 20 percent off
- Mary is upper middle income
  - Tends to buy complete wardrobes
  - Looks for value (i.e. sales)
  - Mom who works > busy



# Who are we and what do we do?

## 5. Use Data/Insights to Create Specialized Offers



On September 15th  
Mobile offer to Mary

Shoes & belt would work nicely with dress  
Click & buy now > 20 percent off sale



“Rinse and repeat” millions of times

We use data to gain insights which drive sales & loyalty for our clients



# Who are we and what do we do?

## 6. Different Platforms/Same Model

<p><b>AIRMILES®</b> Coalition loyalty (Canada)</p>  <p><b>Shell</b></p>  <p><b>SAFeway</b></p>	<p><b>BrandLoyalty®</b> Grocer loyalty specialist (Int'l)</p>  <p><b>metro</b></p>  <p><b>Carrefour</b></p>	<p><b>Epsilon®</b> Single client programs</p>  <p><b>Hilton</b> HOTELS &amp; RESORTS</p>  <p><b>Walgreens</b></p>  <p><b>thankyou</b> from <b>citi</b></p>	<p><b>Card Services</b> Loyalty program with credit component</p>  <p><b>POTTERY</b> <b>BARN</b></p>  <p><b>ULTA</b> BEAUTY</p> <p><b>VICTORIA'S</b> <b>SECRET</b></p> <p><b>ANN TAYLOR</b></p>
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# Historical Results

- IPO 2001: \$12 per share

(\$MM)	2001	2016	CAGR
Revenue	\$770	\$7,150	16%
Core EPS	\$0.52	\$16.85	26%
Stock Price	\$12	\$200	20% (1,500% total v. 70% Market)

Despite recent ADS pullback

- Model:
  - Growth (3x GDP revenue growth)
  - Double-digit core eps growth
    - 20 percent growth early-mid credit cycle
    - 10 to 12 percent today (credit business normalizing)
    - ADS grew through 'Great Recession' due to business model diversification (segment balance), use of cash and modest leverage

# Investor Questions

## 1. Are you a MktingTech, FinTech or Specialty Finance Company?

- Yes
- 50 percent of revenue from purely technology/marketing and loyalty platforms
- 50 percent card related (data, analytics, marketing, credit)
  - Use data/tech heavily to drive 1/1 marketing programs (~ 500 people within Cards – mini Epsilon)
  - Vast overlap with Epsilon
    - All card clients use Epsilon's loyalty platform
    - All use Epsilon's industry leading e-mail platform
    - Most are members of Epsilon's Abacus co-op
    - Most use Epsilon's demo/psycho data
    - Some have an additional Epsilon multi-tender database
    - Some utilize Conversant's CRM direct display ad technology



# Investor Questions

## 2. How did you grow through Great Recession?

- Same business mix as today
- Non-card businesses grew revenue at steady 5 percent rate
- At peak of unemployment (10 percent rate), cards made 600 bps pre-tax return on assets
- Free cash flow and modest increase in leverage drove share repurchase program
- Core EPS grew each year, which we would expect again if we enter another recession

# Investor Questions

## 3. Are Private Label Cards “Riskier” than General Purpose Cards?

- No
- Great Recession Loss Rate:
 

ADS	↑	300 bps
Bank Cards	↑	600 bps

  - Traditional scores were not good predictors of performance
  - Due to balance size, 4 private label holders needed to write-off to equal 1 bankcard holder...which did not occur
- Why?
 

<p><b>Our Portfolio</b></p> <ul style="list-style-type: none"> <li>• Limited Utility</li> <li>• Small balances (~ \$600)</li> <li>• Small credit lines (~ \$1,800)</li> </ul>	<p><b>Bank Cards (Per Argus)</b></p> <ul style="list-style-type: none"> <li>• Full Utility (pay for food, gas, housing)</li> <li>• Large balances (~ \$2,600) (4x)</li> <li>• Large credit lines (~ \$8,600) (5x)</li> </ul>
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- Credit Scores: Our portfolio carries a higher score vs. 2007;  
Scores are slightly < general purpose cards
  - Higher loss rates during normal periods
  - Lower during recessionary periods

# Investor Questions

## 4. What does today's Business Cycle mean to ADS?

- Non-card segments have mid-single digit revenue and adjusted EBITDA growth
- Card Services segment has double-digit revenue and adjusted EBITDA growth (includes drag from losses normalizing)
- U.S. Recession?
  - See no evidence of one: consumer healthy
  - Typical recession: 75bps increase in loss rate per year over 2 years
  - Still expect to grow overall ADS profitability

# Investor Questions

## 5. Is your Card Business really different?

- Yes
- Higher card receivables growth (double-digit compared to single-digit for industry)
- Higher returns (both ROA & ROE)
- Less risky
  - See 'Great Recession'
  - Industry leading profitability margins to absorb shocks
- Half of our growth driven by tender share gains: 80 to 85 percent from mature accounts
- Growth driven by 1/1 targeted, personalized marketing
- We use technology (data, digital, analytics) to generate superior returns with modest risk





# Investor Questions

## 6. How do Loss Rates behave?

- Pre-Great Recession: approximately 6.5 percent (minimal co-brand)
- 2017: Private Label ~ 6.5%
- Co-brand ~ 3.0%
- WTD avg. mid 5's
- Despite rising rates from account seasoning, Card Services still generates double-digit earnings growth
- Portfolio growth, mix, gross yields, operating expenses, funding & loss rates drive financial results
- We focus on optimizing earnings, not on minimizing losses

# Investor Questions

## 7. What is your Free Cash Flow?

- **FCF = adjusted EBITDA – cash taxes – cash interest – capital expenditures + non-cash items = \$1.3 billion**
- **Uses:**
  - \$500 million to support 20 percent plus card receivables growth
  - Remainder for M&A or share repurchases
- **Corporate leverage ratio is modest <3.0x**
  - Calculated consistent with credit facility and debt indenture covenants
  - Held at Parent level

# Outlook

- Raised guidance following second quarter results:
  - Full Year:
 

Revenue	\$7.15 billion	+11%
Core EPS	\$16.85	+12%
  - Double-digit growth including drag from higher loss rates
  - Robust cash flow to drive growth and share repurchase programs
  - 2017: Expect another year of solid growth
    - Loss rate normalization continues
  - 2018: Acceleration
  - Model 3x GDP revenue growth, 10 to 20 percent Core EPS growth, plus cash flow sufficient to pursue M&A, portfolio growth and significant share repurchases while maintaining modest leverage
    - Specifically, grow 3x GDP topline, 20 percent file growth, up to 10 percent of shares repurchased all with no increase in leverage ratios... year after year as appropriate (normalization or recession will not change these dynamics)

# 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 operational and financial performance and anticipated future foreign exchange rates, credit card loss rates and macro-economic conditions.

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. 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.



