

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):

February 5, 2015

**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

| <b><u>Exhibit No.</u></b> | <b><u>Document Description</u></b> |
|---------------------------|------------------------------------|
| 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: February 5, 2015

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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# Alliance Data NYSE: ADS



2014 Results  
February 5, 2015





# Fourth Quarter and 2014 Consolidated Results

(MM, except per share)

|                            | <u>Quarter Ended December 31,</u> |             |                 | <u>Year Ended December 31,</u> |             |                 |
|----------------------------|-----------------------------------|-------------|-----------------|--------------------------------|-------------|-----------------|
|                            | <u>2014</u>                       | <u>2013</u> | <u>% Change</u> | <u>2014</u>                    | <u>2013</u> | <u>% Change</u> |
| Revenue                    | \$ 1,486                          | \$ 1,141    | +30%            | \$ 5,303                       | \$ 4,319    | +23%            |
| EPS                        | \$ 0.86                           | \$ 1.79     | -52%            | \$ 7.87                        | \$ 7.42     | +6%             |
| Core EPS                   | \$ 3.45                           | \$ 2.39     | +44%            | \$ 12.56                       | \$ 10.01    | +26%            |
| Adjusted EBITDA            | \$ 437                            | \$ 321      | +36%            | \$ 1,597                       | \$ 1,374    | +16%            |
| Adjusted EBITDA, net       | \$ 383                            | \$ 290      | +32%            | \$ 1,426                       | \$ 1,250    | +14%            |
| Diluted shares outstanding | 61.1                              | 66.0        | -7%             | 62.4                           | 66.9        | -7%             |

- Solid acceleration in growth rate for adjusted EBITDA, net driven by credit improvement and greater than expected performance by BrandLoyalty, our European loyalty operation.
- Stub period ownership of Conversant added approximately \$0.09 to core EPS.
- EPS reduced by \$2.05 for the 4<sup>th</sup> quarter of 2014 due to acquisition related charges.
  - CNVR deal costs (\$0.08) and BrandLoyalty earn-out (\$1.97)



# LoyaltyOne (MM)

|                                 | <u>Quarter Ended December 31,</u> |             |                 | <u>Year Ended December 31,</u> |             |                 |
|---------------------------------|-----------------------------------|-------------|-----------------|--------------------------------|-------------|-----------------|
|                                 | <u>2014</u>                       | <u>2013</u> | <u>% Change</u> | <u>2014</u>                    | <u>2013</u> | <u>% Change</u> |
| Revenue                         | \$ 398                            | \$ 245      | +62%            | \$ 1,407                       | \$ 919      | +53%            |
| Adjusted EBITDA                 | \$ 115                            | \$ 68       | +69%            | \$ 351                         | \$ 259      | +36%            |
| Non-controlling interest        | <u>-19</u>                        | <u>0</u>    |                 | <u>-43</u>                     | <u>0</u>    |                 |
| Adjusted EBITDA, net            | \$ 96                             | \$ 68       | +41%            | \$ 308                         | \$ 259      | +19%            |
| Adjusted EBITDA %               | 29%                               | 28%         | +1%             | 25%                            | 28%         | -3%             |
| Key Metrics:                    |                                   |             |                 |                                |             |                 |
| AIR MILES® reward miles issued  | 1,821                             | 1,636       | +11%            | 5,501                          | 5,421       | +1%             |
| AIR MILES reward miles redeemed | 1,013                             | 1,092       | -7%             | 4,101                          | 4,017       | +2%             |
| Average CDN FX rate             | 0.88                              | 0.95        | -8%             | 0.91                           | 0.97        | -7%             |

- Strong 4<sup>th</sup> quarter performance by BrandLoyalty, which added \$47 million of adjusted EBITDA (\$28 million net of non-controlling interest).
- Unfavorable FX rates reduced 4<sup>th</sup> quarter segment revenue and adjusted EBITDA, net by \$16 million and \$5 million, respectively.
- Solid 4<sup>th</sup> quarter issuance growth of 11 percent in Canada. Looking for more consistency in 2015.





# Epsilon (MM)

|                        | <u>Quarter Ended December 31.</u> |             |                 | <u>Year Ended December 31.</u> |             |                 |
|------------------------|-----------------------------------|-------------|-----------------|--------------------------------|-------------|-----------------|
|                        | <u>2014</u>                       | <u>2013</u> | <u>% Change</u> | <u>2014</u>                    | <u>2013</u> | <u>% Change</u> |
| Revenue                | \$ 440                            | \$ 375      | +18%            | \$ 1,522                       | \$ 1,380    | +10%            |
| Adjusted EBITDA, net   | \$ 102                            | \$ 93       | +9%             | \$ 309                         | \$ 290      | +7%             |
| Adjusted EBITDA, net % | 23%                               | 25%         | -2%             | 20%                            | 21%         | -1%             |

- Conversant acquisition closed December 10, 2014. Integration costs dampened EBITDA flow-through for the stub period.
- Solid 39 percent growth in 4<sup>th</sup> quarter volumes for Agility Harmony digital messaging platform.
- Offshoring initiatives should moderate human capital cost increases in 2015.

# Private Label Services and Credit (MM)

|                           | <u>Quarter Ended December 31,</u> |             |                 | <u>Year Ended December 31,</u> |             |                 |
|---------------------------|-----------------------------------|-------------|-----------------|--------------------------------|-------------|-----------------|
|                           | <u>2014</u>                       | <u>2013</u> | <u>% Change</u> | <u>2014</u>                    | <u>2013</u> | <u>% Change</u> |
| Revenue                   | \$ 654                            | \$ 526      | +24%            | \$ 2,395                       | \$ 2,035    | +18%            |
| Operating expenses        | 263                               | 216         | +21%            | 920                            | 772         | +19%            |
| Provision for loan losses | 143                               | 130         | +10%            | 425                            | 346         | +23%            |
| Funding costs             | <u>35</u>                         | <u>31</u>   | <u>+13%</u>     | <u>129</u>                     | <u>124</u>  | <u>+3%</u>      |
| Adjusted EBITDA, net      | \$ 212                            | \$ 149      | +43%            | \$ 921                         | \$ 792      | +16%            |
| Adjusted EBITDA, net %    | 32%                               | 28%         | +4%             | 38%                            | 39%         | -1%             |

- On-boarded approximately \$550 million of acquired card receivables during the 4<sup>th</sup> quarter, which depressed gross yields. Acquired receivables are recorded net of anticipated charge-offs.
- Growth in card receivables drove solid expense leveraging during the 4<sup>th</sup> quarter.
- The provision for loan losses benefitted from a 120 basis points improvement in loss rates during the 4<sup>th</sup> quarter.



# Private Label Services and Credit (MM)

| Key metrics:                    | <u>Quarter Ended December 31,</u> |             |               | <u>Year Ended December 31,</u> |             |               |
|---------------------------------|-----------------------------------|-------------|---------------|--------------------------------|-------------|---------------|
|                                 | <u>2014</u>                       | <u>2013</u> | <u>Change</u> | <u>2014</u>                    | <u>2013</u> | <u>Change</u> |
| Credit sales                    | \$ 6,357                          | \$ 4,836    | +31%          | \$ 18,948                      | \$ 15,252   | +24%          |
| Average credit card receivables | \$ 10,071                         | \$ 7,767    | +30%          | \$ 8,750                       | \$ 7,213    | +21%          |
| Total gross yield               | 26.0%                             | 27.1%       | -1.1%         | 27.4%                          | 28.2%       | -0.8%         |
| Normalized loss rates           | 4.1%                              | 5.3%        | -1.2%         | 4.4%                           | 4.8%        | -0.4%         |
| Delinquency rate                | 4.0%                              | 4.2%        | -0.2%         | 4.0%                           | 4.2%        | -0.2%         |

- Active cardholder base grew 10 percent to 35 million, while average balances increased 8 percent to ~\$500 in 2014.
- Over 25 percent of credit sales now come from digital channels.
- Solid tender share pick-up of approximately 150 basis points in 2014
- Ending reserve of 5.4 percent of reservable receivables at December 31, 2014, a spread of approximately 100 basis points to the LTM loss rate.



# 2014 Wrap-up

## LoyaltyOne

- (+) Organic top growth rate of 9 percent (constant currency)
- (+) BrandLoyalty exceeded all expectations
- (+) Brazil collectors up 32 percent to 14 million
- (-) AIRMILES® issuance up only 1 percent compared to 2013; top priority for 2015
- (-) FX translation: hit core EPS for ~15¢ in 2014

### EPSILON

- (+) Solid organic top-line growth of 7 percent
- (+) Rollout of digital platform, Agility Harmony, successful
- (+) Conversant acquisition significantly bolsters digital footprint  
(esp. targeted display)
- (-) Limited flow-thru of revenue growth to earnings: top priority for 2015



- (+) Credit sales growth, portfolio growth, revenue, and adjusted EBITDA, net:  
up 24 percent, 21 percent, 18 percent and 16 percent, respectively
- (+) Signed 2014 new client vintage: >\$2 billion
- (+) Stable loss and funding rates



# 2014 Wrap-up

## Overall

(+) \$1 billion or +23 percent in top-line growth

(+) Robust organic top-line growth of +11 percent or 4 times that of the market and GDP growth rates

| <u>Organic</u> |      |   |
|----------------|------|---|
| LoyaltyOne     | +9%  | • Pro-forma for BrandLoyalty's 2013 results |
| Epsilon        | +7%  | • Excludes Conversant stub period ownership |
| Private Label  | +15% | • Excludes acquired card receivables        |
|                | +11% |   |

(+) Strong flow-thru to earnings (+26 percent)

(+) Modest net debt levels (leverage ratio ~ 2x)

(+) Good visibility into 2015

(+) Solid beat to original core EPS guidance

|                        |             |      |
|------------------------|-------------|------|
| Original 2014 guidance | \$12.20     | +22% |
| + FX hit               | 0.15        |      |
| - CNVR stub period     | (0.09)      |      |
| + Over-performance     | <u>0.30</u> |      |
| Final 2014 results     | \$12.56     | +26% |

# 2015 Guidance

(\$MM, except per share)

|                            | 2014          | 2015                  | % Increase |
|----------------------------|---------------|-----------------------|------------|
|                            | <i>Actual</i> | <i>Guidance</i>       |            |
| Revenue                    | \$ 5,303      | \$ 6,500 <sup>1</sup> | +23%       |
| Core EPS                   | \$ 12.56      | \$ 14.80 <sup>1</sup> | +18%       |
| Diluted shares outstanding | 62.4          | 64 – 64.7             |            |

|                        | Q1 '15   |      |                         | Q1 '15  |      |
|------------------------|----------|------|-------------------------|---------|------|
| Revenue<br>(before FX) | \$ 1,606 | +30% | Core EPS<br>(before FX) | \$ 3.52 | +26% |
| FX                     | (65)     |      | FX                      | (0.12)  |      |
| Revenue                | \$ 1,541 | +25% | Core EPS                | \$ 3.40 | +22% |

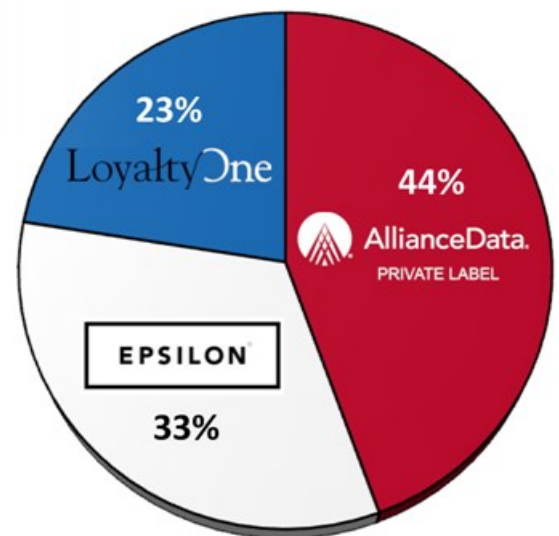
<sup>1</sup> Original revenue guidance was \$6.625 billion or 25 percent growth. Original core EPS guidance was a range of \$14.80 to \$15.00. The decrease in revenue and elimination of range for core EPS are due to changes in foreign currency translation rates since the date of that guidance.

# Revenue by Segment

2015E Revenues - \$6.5bn

Diversification and balance across multiple platforms:

- Attracts the **widest variety** of verticals
  - Financial Services | Retail | Travel Insurance | Telecom | CPG | Grocery Auto | Technology | Healthcare | B2B
- Enhances **financial visibility**
  - Businesses/Platforms cycle differently



# All Businesses Are Growing

LoyaltyOne

EPSILON

AllianceData.  
PRIVATE LABEL

dotz brandloyalty

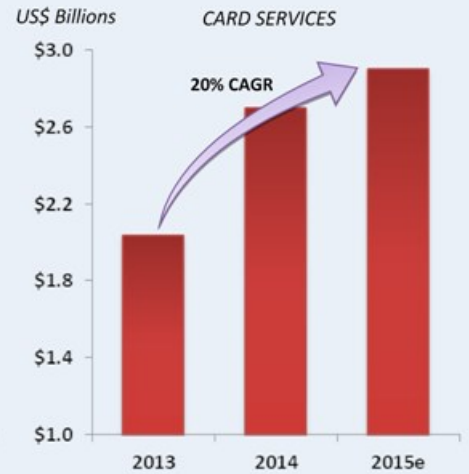
EPSILON CONVERSANT  
The power of personal.



Pro-forma for BrandLoyalty  
Constant Currency



Pro-forma for Conversant





# Q & A



## Safe Harbor Statement and Forward Looking Statements

This presentation may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may use words such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “predict,” “project,” “would” and similar expressions as they relate to us or our management. When we make forward-looking statements, we are basing them on our management’s beliefs and assumptions, using information currently available to us. Although we believe that the expectations reflected in the forward-looking statements are reasonable, these forward-looking statements are subject to risks, uncertainties and assumptions, including those discussed in our filings with the Securities and Exchange Commission.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from what we projected. Any forward-looking statements contained in this presentation reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. We have no intention, and disclaim any obligation, to update or revise any forward-looking statements, whether as a result of new information, future results or otherwise, except as required by law.

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995: Statements in this presentation regarding Alliance Data Systems Corporation’s business which are not historical facts are “forward-looking statements” that involve risks and uncertainties. For a discussion of such risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements, see “Risk Factors” in the Company’s Annual Report on Form 10-K for the most recently ended fiscal year. Risk factors may be updated in Item 1A in each of the Company’s Quarterly Reports on Form 10-Q for each quarterly period subsequent to the Company’s most recent Form 10-K.



## 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.

