

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):
July 1, 2019

ALLIANCE DATA SYSTEMS CORPORATION
(Exact Name of Registrant as Specified in Charter)

DELAWARE
(State or Other Jurisdiction
of Incorporation)

001-15749
(Commission
File Number)

31-1429215
(IRS Employer
Identification No.)

3075 LOYALTY CIRCLE
COLUMBUS, OHIO 43219
(Address and Zip Code of Principal Executive Offices)

(614) 729-4000
(Registrant's Telephone Number, including Area Code)

NOT APPLICABLE
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act
- 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.

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

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

Item 1.02 Termination of a Material Definitive Agreement.

Alliance Data Systems Corporation (“**Alliance Data**”) issued a redemption notice pursuant to the indenture governing its 5.875% senior notes due November 1, 2021 (the “**Senior Notes due 2021**”) to redeem all of the outstanding Senior Notes due 2021. As of June 30, 2019, Alliance Data had \$500.0 million aggregate principal amount of Senior Notes due 2021 outstanding. On July 3, 2019, Alliance Data deposited sufficient funds with Regions Bank (the “**Trustee**”) to redeem all of the outstanding Senior Notes due 2021 on July 3, 2019 (the “**Redemption Date**”) at a redemption price of 102.938% of the principal amount thereof, plus accrued and unpaid interest on the Senior Notes due 2021 redeemed, to the Redemption Date (the “**Redemption Price**”). On the Redemption Date, the Redemption Price was paid to the holders of the Senior Notes due 2021 and the indenture governing the Senior Notes due 2021 was satisfied and discharged. Alliance Data funded the Redemption Price with proceeds from completion of the Epsilon® (as defined below) transaction described in Item 2.01 below.

Item 2.01 Completion of Acquisition or Disposition of Assets.

As previously reported, on April 12, 2019, Alliance Data, and certain subsidiaries of Alliance Data (together with Alliance Data, the “**Sellers**”) entered into a Securities Purchase Agreement (the “**Purchase Agreement**”) with Publicis Groupe, S.A., a French *société anonyme* (“**Publicis**”), and certain subsidiaries of Publicis (together with Publicis, the “**Purchasers**”), pursuant to which the Purchasers agreed to acquire the Epsilon business of Alliance Data (“**Epsilon**”) by means of a sale of all of the outstanding equity interests of certain subsidiaries held by the Sellers which operate Epsilon. On July 1, 2019, the Sellers completed the sale of Epsilon to the Purchasers for approximately \$4.4 billion in cash, subject to certain adjustments specified in the Purchase Agreement, including for indebtedness, cash, working capital and transaction expenses of Epsilon at the closing of the transaction. In connection with the closing of the Epsilon transaction, each of Epsilon Data Management, LLC, Aspen Marketing Services, LLC, Commission Junction LLC and Conversant LLC were released as guarantors under Alliance Data’s Amended and Restated Credit Agreement, dated as of June 14, 2017 (as amended, supplemented or otherwise modified prior to July 1, 2019) and the indentures governing each of Alliance Data’s Senior Notes due 2021, Alliance Data’s 5.375% senior notes due August 1, 2022, Alliance Data’s 4.500% senior notes due March 15, 2022 and Alliance Data’s 5.2500% senior notes due November 15, 2023. In addition, the condition precedent in the redemption notice for each of the 4.500% senior notes due March 15, 2022 and 5.2500% senior notes due November 15, 2023 was satisfied and the redemption date for both series will be July 10, 2019.

Alliance Data’s unaudited pro forma condensed consolidated financial statements giving effect to the completion of the sale are filed as Exhibit 99.1 hereto.

Item 9.01 Financial Statements and Exhibits.

(b) Pro Forma Financial Information

The unaudited pro forma consolidated financial statements of Alliance Data specified in Article 11 of Regulation S-X are filed as Exhibit 99.1 hereto and incorporated herein by reference.

(d) Exhibits

Exhibit No. Document Description

[99.1](#) Alliance Data Systems Corporation Unaudited Pro Forma Condensed Consolidated Financial Statements

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.

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: July 5, 2019

By: /s/ Joseph L. Motes III
Joseph L. Motes III
Senior Vice President, General Counsel
and Secretary

ALLIANCE DATA SYSTEMS CORPORATION
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Overview

On July 1, 2019, Alliance Data Systems Corporation, a Delaware corporation (the “**Company**”), along with certain subsidiaries of the Company (together with Alliance Data, the “**Sellers**”) completed the previously announced sale of the Company’s Epsilon business (“**Epsilon**”) pursuant to that certain Securities Purchase Agreement, dated April 12, 2019, by and among the Sellers, Publicis Groupe, S.A. (“**Publicis**”), and certain subsidiaries of Publicis (together with Publicis, the “**Purchasers**”) to the Purchasers for \$4.4 billion in cash, subject to certain adjustments specified therein. In the first quarter of 2019, Epsilon met the criteria set forth in Accounting Standards Codification (“**ASC**”) 205-20, “Presentation of Financial Statements — Discontinued Operations,” and was classified as a discontinued operation within the Company’s unaudited condensed consolidated statement of income for the three months ended March 31, 2019.

The unaudited pro forma condensed consolidated financial statements were prepared in accordance with Article 11 of Regulation S-X and have been derived from the historical financial statements prepared in accordance with accounting principles generally accepted in the United States of America and are presented based on available information and certain assumptions that management believes are reasonable.

The unaudited pro forma financial information presents the Company’s unaudited pro forma condensed consolidated financial statements reflecting the effect of the divestiture of Epsilon on assets, liabilities, revenues and expenses directly attributable to the sale as well as the use of proceeds to repay debt as required under the Company’s credit agreement, amended on April 30, 2019. The unaudited pro forma statements of income reflect the Epsilon divestiture as if it had occurred on January 1, 2016, the beginning of the earliest period presented. The pro forma balance sheet reflects the Company’s financial position as if the Epsilon divestiture had occurred on March 31, 2019.

The unaudited pro forma condensed consolidated financial statements and the accompanying notes should be read in conjunction with our historical financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018 and our Quarterly Report on Form 10-Q for the period ended March 31, 2019.

The unaudited pro forma condensed consolidated financial statements are provided for informational purposes only and are not necessarily indicative of the operating results that would have occurred if the divestiture had been completed as of the dates set forth above, nor is it indicative of the future results of the Company. The unaudited condensed pro forma financial statements do not purport to project the future operating results or financial position of the Company following the divestiture.

ALLIANCE DATA SYSTEMS CORPORATION
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
As of March 31, 2019
(In millions)

	March 31, 2019			
	Historical As Reported	Divestiture of Epsilon	Pro Forma Adjustments	Pro Forma
ASSETS				
Cash and cash equivalents	\$ 3,685.0	\$ 4,354.3 (a)	\$ (2,431.4) (e)	\$ 5,607.9
Accounts receivable, net	354.2	—	—	354.2
Credit card and loan receivables:				
Credit card receivables – restricted for securitization investors	12,550.5	—	—	12,550.5
Other credit card and loan receivables	4,300.0	—	—	4,300.0
Total credit card and loan receivables	16,850.5	—	—	16,850.5
Allowance for loan loss	(1,021.1)	—	—	(1,021.1)
Credit card and loan receivables, net	15,829.4	—	—	15,829.4
Credit card receivables held for sale	1,848.9	—	—	1,848.9
Inventories, net	242.3	—	—	242.3
Other current assets	275.3	—	—	275.3
Redemption settlement assets, restricted	576.1	—	—	576.1
Current assets of discontinued operations	4,224.7	(4,224.7) (b)	—	—
Total current assets	27,035.9	129.6	(2,431.4)	24,734.1
Property and equipment, net	289.8	—	—	289.8
Right of use assets - operating	271.2	—	—	271.2
Deferred tax asset, net	45.5	(3.3) (c)	—	42.2
Intangible assets, net	189.6	—	—	189.6
Goodwill	950.0	—	—	950.0
Other non-current assets	651.1	—	(5.4) (f)	645.7
Total assets	<u>\$ 29,433.1</u>	<u>\$ 126.3</u>	<u>\$ (2,436.8)</u>	<u>\$ 27,122.6</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
Accounts payable	\$ 548.4	\$ 831.3 (c)	\$ —	\$ 1,379.7
Accrued expenses	333.9	—	—	333.9
Current operating lease liabilities	21.4	—	—	21.4
Current portion of deposits	5,922.6	—	—	5,922.6
Current portion of non-recourse borrowings of consolidated securitization entities	2,185.6	—	—	2,185.6
Current portion of long-term and other debt	161.5	—	—	161.5
Other current liabilities	262.4	—	—	262.4
Deferred revenue	768.8	—	—	768.8
Current liabilities of discontinued operations	392.1	(392.1) (b)	—	—
Total current liabilities	10,596.7	439.2	—	11,035.9
Deferred revenue	108.5	—	—	108.5
Deferred tax liability, net	230.5	(153.0) (c)	—	77.5
Long-term operating lease liabilities	299.8	—	—	299.8
Deposits	5,369.4	—	—	5,369.4
Non-recourse borrowings of consolidated securitization entities	4,589.9	—	—	4,589.9
Long-term and other debt	5,720.0	—	(2,366.7) (g)	3,353.3
Other liabilities	278.8	—	—	278.8
Total liabilities	27,193.6	286.2	(2,366.7)	25,113.1
Common stock	1.1	—	—	1.1
Additional paid-in capital	3,177.0	—	—	3,177.0
Treasury stock	(5,938.5)	—	—	(5,938.5)
Retained earnings	5,127.8	(186.6) (d)	(70.1) (h)	4,871.1
Accumulated other comprehensive loss	(127.9)	26.7 (d)	—	(101.2)
Total stockholders' equity	2,239.5	(159.9)	(70.1)	2,009.5
Total liabilities and stockholders' equity	<u>\$ 29,433.1</u>	<u>\$ 126.3</u>	<u>\$ (2,436.8)</u>	<u>\$ 27,122.6</u>

See accompanying notes to the unaudited pro forma condensed consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
For the Three Months Ended March 31, 2019
(In millions, except per share amounts)

	Three Months Ended March 31, 2019		
	Historical As Reported	Pro Forma Adjustments	Pro Forma
Revenues			
Services	\$ 73.3	\$ —	\$ 73.3
Redemption, net	111.9	—	111.9
Finance charges, net	1,149.0	—	1,149.0
Total revenue	1,334.2	—	1,334.2
Operating expenses			
Cost of operations (exclusive of depreciation and amortization disclosed separately below)	640.5	—	640.5
Provision for loan loss	252.1	—	252.1
General and administrative	38.3	—	38.3
Depreciation and other amortization	20.6	—	20.6
Amortization of purchased intangibles	25.8	—	25.8
Total operating expenses	977.3	—	977.3
Operating income	356.9	—	356.9
Interest expense			
Securitization funding costs	57.3	—	57.3
Interest expense on deposits	48.7	—	48.7
Interest expense on long-term and other debt, net	43.5	(5.6) (i)	37.9
Total interest expense, net	149.5	(5.6)	143.9
Income from continuing operations before income taxes	\$ 207.4	\$ 5.6	\$ 213.0
Provision for income taxes	33.1	1.6 (i)	34.7
Income from continuing operations	<u>\$ 174.3</u>	<u>\$ 4.0</u>	<u>\$ 178.3</u>
Per share data:			
Weighted average shares outstanding – basic	53.0		53.0
Weighted average shares outstanding – diluted	53.2		53.2
Basic – Income from continuing operations	<u>\$ 3.29</u>		<u>\$ 3.37</u>
Diluted – Income from continuing operations	<u>\$ 3.28</u>		<u>\$ 3.35</u>

See accompanying notes to the unaudited pro forma condensed consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
Year Ended December 31, 2018
(In millions, except per share amounts)

	Year Ended December 31, 2018		
	Historical As Reported	Discontinued Operations of Epsilon (j)	Pro Forma
Revenues			
Services	\$ 2,420.0	\$ (2,124.6)	\$ 295.4
Redemption, net	676.3	—	676.3
Finance charges, net	4,694.9	—	4,694.9
Total revenue	7,791.2	(2,124.6)	5,666.6
Operating expenses			
Cost of operations (exclusive of depreciation and amortization disclosed separately below)	4,220.9	(1,683.7)	2,537.2
Provision for loan loss	1,016.0	—	1,016.0
General and administrative	172.7	(10.2)	162.5
Depreciation and other amortization	196.1	(115.4)	80.7
Amortization of purchased intangibles	291.2	(178.3)	112.9
Total operating expenses	5,896.9	(1,987.6)	3,909.3
Operating income	1,894.3	(137.0)	1,757.3
Interest expense			
Securitization funding costs	220.2	—	220.2
Interest expense on deposits	165.7	—	165.7
Interest expense on long-term and other debt, net	284.7	(128.3)	156.4
Total interest expense, net	670.6	(128.3)	542.3
Income from continuing operations before income taxes	\$ 1,223.7	\$ (8.7)	\$ 1,215.0
Provision for income taxes	260.6	8.9	269.5
Income from continuing operations	\$ 963.1	\$ (17.6)	\$ 945.5
Per share data:			
Weighted average shares outstanding – basic	54.9		54.9
Weighted average shares outstanding – diluted	55.1		55.1
Basic – Income from continuing operations	\$ 17.56		\$ 17.24
Diluted – Income from continuing operations	\$ 17.49		\$ 17.17

See accompanying notes to the unaudited pro forma condensed consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
Year Ended December 31, 2017
(In millions, except per share amounts)

	Year Ended December 31, 2017		
	Historical As Reported	Discontinued Operations of Epsilon (j)	Pro Forma
Revenues			
Services	\$ 2,612.2	\$ (2,244.7)	\$ 367.5
Redemption, net	935.3	—	935.3
Finance charges, net	4,171.9	—	4,171.9
Total revenue	7,719.4	(2,244.7)	5,474.7
Operating expenses			
Cost of operations (exclusive of depreciation and amortization disclosed separately below)	4,269.9	(1,800.4)	2,469.5
Provision for loan loss	1,140.1	—	1,140.1
General and administrative	166.3	(7.0)	159.3
Depreciation and other amortization	183.1	(109.4)	73.7
Amortization of purchased intangibles	314.5	(200.3)	114.2
Total operating expenses	6,073.9	(2,117.1)	3,956.8
Operating income	1,645.5	(127.6)	1,517.9
Interest expense			
Securitization funding costs	156.6	—	156.6
Interest expense on deposits	125.1	—	125.1
Interest expense on long-term and other debt, net	282.7	(109.0)	173.7
Total interest expense, net	564.4	(109.0)	455.4
Income from continuing operations before income taxes	\$ 1,081.1	\$ (18.6)	\$ 1,062.5
Provision for income taxes	292.4	0.9	293.3
Income from continuing operations	\$ 788.7	\$ (19.5)	\$ 769.2
Per share data:			
Weighted average shares outstanding – basic	55.7		55.7
Weighted average shares outstanding – diluted	55.9		55.9
Basic – Income from continuing operations	\$ 14.17		\$ 13.82
Diluted – Income from continuing operations	\$ 14.10		\$ 13.75

See accompanying notes to the unaudited pro forma condensed consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
Year Ended December 31, 2016
(In millions, except per share amounts)

	Year Ended December 31, 2016		
	Historical As Reported	Discontinued Operations of Epsilon (j)	Pro Forma
Revenues			
Services	\$ 2,504.8	\$ (2,124.9)	\$ 379.9
Redemption, net	993.6	—	993.6
Finance charges, net	3,639.7	—	3,639.7
Total revenue	7,138.1	(2,124.9)	5,013.2
Operating expenses			
Cost of operations (exclusive of depreciation and amortization disclosed separately below)	4,276.8	(1,676.5)	2,600.3
Provision for loan loss	940.5	—	940.5
General and administrative	143.2	(7.6)	135.6
Depreciation and other amortization	167.1	(99.8)	67.3
Amortization of purchased intangibles	345.0	(225.4)	119.6
Total operating expenses	5,872.6	(2,009.3)	3,863.3
Operating income	1,265.5	(115.6)	1,149.9
Interest expense			
Securitization funding costs	125.6	—	125.6
Interest expense on deposits	84.7	—	84.7
Interest expense on long-term and other debt, net	218.2	(57.6)	160.6
Total interest expense, net	428.5	(57.6)	370.9
Income from continuing operations before income taxes	\$ 837.0	\$ (58.0)	\$ 779.0
Provision for income taxes	319.4	(20.6)	298.8
Income from continuing operations	\$ 517.6	\$ (37.4)	\$ 480.2
Less: Income from continuing operations attributable to non-controlling interest	1.8	—	1.8
Income from continuing operations attributable to common stockholders	\$ 515.8	\$ (37.4)	\$ 478.4
Per share data:			
Numerator			
Income from continuing operations attributable to common stockholders	\$ 515.8		\$ 478.4
Less: Accretion of redeemable non-controlling interest	83.5		83.5
Income from continuing operations attributable to common stockholders after accretion of redeemable non-controlling interest	\$ 432.3		\$ 394.9
Denominator			
Weighted average shares outstanding – basic	58.6		58.6
Weighted average shares outstanding – diluted	58.9		58.9
Basic – Income from continuing operations attributable to common stockholders	\$ 7.37		\$ 6.73
Diluted – Income from continuing operations attributable to common stockholders	\$ 7.34		\$ 6.71

See accompanying notes to the unaudited pro forma condensed consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
 NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The historical condensed consolidated financial statements have been adjusted to give pro forma effect to events that are (i) directly attributable to the divestiture and repayment of debt, (ii) expected to have a continuing impact on the future results of the Company, and (iii) factually supportable.

The unaudited pro forma condensed consolidated financial statements (i) are presented based on information currently available, (ii) are intended for informational purposes only, (iii) are not necessarily indicative of and do not purport to represent what the Company's operating results would have been had the Epsilon divestiture and related events occurred as described or what the Company's future operating results will be after giving effect to these events, and (iv) do not reflect all actions that may be undertaken by the Company after the divestiture of Epsilon. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors.

The unaudited pro forma condensed consolidated balance sheet as of March 31, 2019 includes the following divestiture-related adjustments:

- (a) Reflects the cash proceeds received, net of estimated transaction costs and closing adjustments, in connection with the Epsilon divestiture.
- (b) Reflects the assets and liabilities classified as held for sale in accordance with ASC 205.
- (c) Reflects the Company's income tax payable resulting from the Epsilon divestiture and the write-off of associated deferred tax assets and liabilities.
- (d) Reflects the preliminary estimated after-tax loss on the sale of Epsilon. The actual after-tax loss to be recorded on the sale of Epsilon may change based on items such as adjustments to the estimated transaction costs as well as final calculations related to the tax basis of the assets. The preliminary estimated loss was calculated as follows (in millions):

Estimated proceeds, net of transaction costs and closing adjustments	\$	4,354.3
Epsilon net assets held for sale		(3,832.6)
Recognition of accumulated translation adjustments resulting from the sale of Epsilon's foreign subsidiaries		(26.7)
Pre-tax gain on sale of Epsilon		495.0
Taxes on gain on sale of Epsilon		(831.3)
Write-off of net deferred tax liabilities		149.7
After-tax loss on sale of Epsilon	\$	<u>(186.6)</u>

- (e) Reflects the mandatory repayment of senior debt upon consummation of the sale of Epsilon. Includes a repayment of approximately \$1.9 billion of senior notes including related call premiums and a mandatory payment of \$500.0 million of the revolving credit facility.

On April 30, 2019, the Company amended its credit agreement, which among other items, provided that upon consummation of the sale of Epsilon, a mandatory payment of \$500.0 million of the revolving credit facility will be required and all of the Company's outstanding senior notes will be required to be redeemed.

- (f) Reflects the write-off of unamortized debt issuance costs associated with the Company's revolving credit facility.
- (g) Reflects the mandatory repayment of senior debt upon consummation of the sale of Epsilon. Includes a repayment of approximately \$1.9 billion of senior notes and a mandatory payment of \$500.0 million of the revolving credit facility, offset in part by the write-off of unamortized debt issuance costs associated with the Company's senior notes.

- (h) Represents the loss on extinguishment of debt, comprised of \$46.1 million related to call premiums associated with the repayment of the Company's senior notes and \$24.0 million related to the write-off of unamortized debt issuance costs.

The unaudited pro forma condensed consolidated statements of income include the following divestiture-related adjustments:

- (i) In the first quarter of 2019, Epsilon was presented as a discontinued operation in accordance with ASC 205 in our Quarterly Report on Form 10-Q. Included in our presentation was the allocation of interest expenses associated with \$1.9 billion in senior notes. On April 30, 2019, the Company amended its credit agreement, which among other items, provided that upon consummation of the sale of Epsilon, a mandatory payment of \$500.0 million of the revolving credit facility will be required and all of the Company's outstanding senior notes will be required to be redeemed. The pro forma adjustment represents the interest expense associated with the \$500.0 million mandatory repayment of the revolving credit facility, as well as the related income tax effect, which was not reflected in our historical results in our Quarterly Report on Form 10-Q for the period ended March 31, 2019.
- (j) The Discontinued Operations of Epsilon columns in the unaudited pro forma condensed consolidated statements of income represent the historical financial results directly attributable to Epsilon and the interest expense associated with the mandatory repayment of debt from the use of proceeds from the transaction, in accordance with ASC 205.