

# Alliance Data

First Quarter 2021 Results

April 29, 2021

Ralph Andretta – President & CEO



## 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, and the guidance we give with respect to, our anticipated operating or financial results, initiation or completion of strategic initiatives, future dividend declarations, and future economic conditions, including, but not limited to, fluctuation in currency exchange rates, market conditions and COVID-19 impacts related to relief measures for impacted borrowers and depositors, labor shortages due to quarantine, reduction in demand from clients, supply chain disruption for our reward suppliers and disruptions in the airline or travel industries.

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.

# First Quarter 2021 Key Takeaways

- **Credit sales** returning to pre-pandemic levels aligned with improving consumer confidence and activity
  - **Digital sales** strength continues while **in-store activity** has begun to recover, supporting our outlook for improved credit sales performance
- **Strong momentum** with Bread
  - **Successful launch of card brand partner** on Bread platform
  - **New Bread strategic partnership** leveraging Fiserv's extensive merchant network
- **Credit performance** improved as a result of strategic risk management changes, deliberate underwriting actions, and direct consumer stimulus payments

# First Quarter 2021 Financial Highlights

**\$1.1<sub>B</sub>**

Revenue

**\$286<sub>MM</sub>**

Net Income

**\$5.74**

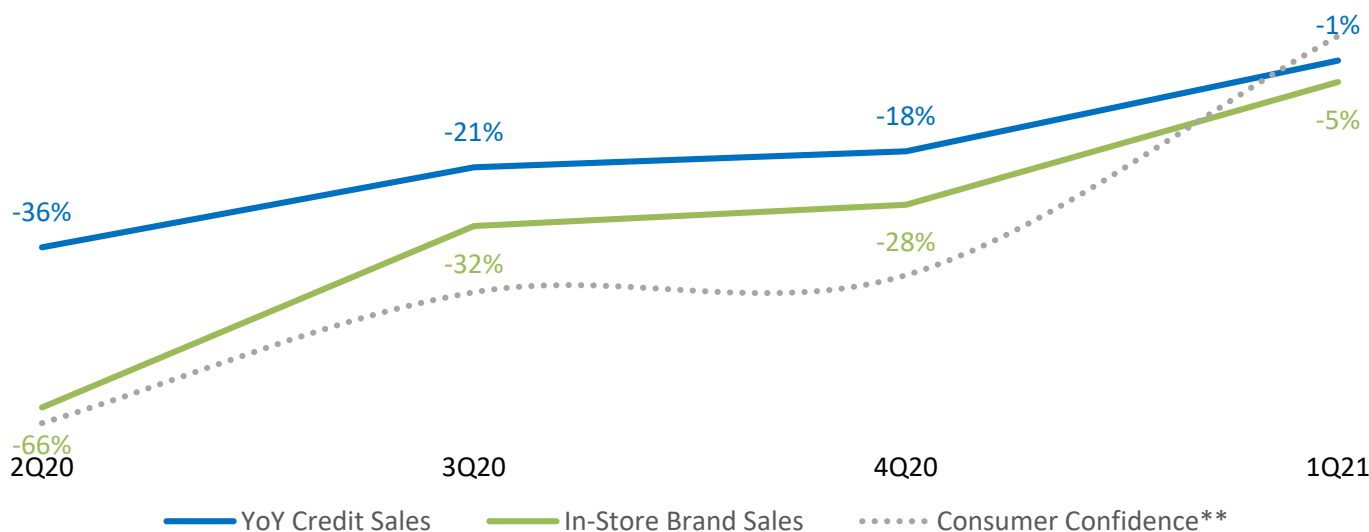
Diluted EPS

- Net Income of \$286 million includes a net reserve release of \$165 million, or \$2.40 per diluted share
- Revenue declined 21% year-over-year, while total expenses excluding provision for loan loss declined 6%
- Credit sales of \$6.0 billion in 1Q21, which were virtually flat compared to 1Q20
- Average receivables were down 14% year-over-year, yet remained flat to 4Q20
- Credit metrics remained strong with a net loss rate of 5.0% for the quarter

# Card Services Performance Highlights

- Total application growth improved sequentially with applications flat year-over-year
  - New accounts were up 1% year-over-year
- Credit sales performance continues to improve and stabilize year-over-year
  - The majority of the credit sales performance improvement can be attributed to in-store sales, which have benefitted from increased consumer confidence and mobility\*
- Online sales remained at 40% of total in 1Q21

## Improvement in year-over-year credit sales performance aligns with increasing consumer confidence



\* Mobility is based on time spent away from home, estimated using cellphone location data from Google users who have enabled the Location History setting.

\*\* Consumer confidence in last month of the quarter and sourced from <https://tradingeconomics.com/united-states/consumer-confidence>

# Card Services Partnership Highlights

Continued growth brings total partnerships to approximately 650

## Strategic Partnership

The logo for Fiserv, featuring the word "fiserv." in a bold, orange, lowercase sans-serif font.

Primary omnichannel provider of point-of-sale lending products

## Partner Renewal











The logo for Torrid, featuring the word "TORRID" in a bold, pink, uppercase sans-serif font.The logo for Big Lots, featuring the word "BIGLOTS!" in a bold, orange, uppercase sans-serif font with an exclamation point.

## Select New Partnerships

The logo for APT 2B, featuring the text "APT 2B" in a bold, black, uppercase sans-serif font inside a black square border.The logo for Survival Frog, featuring a blue and green frog illustration to the left of the word "SURVIVAL FROG." in a bold, black, uppercase sans-serif font.The logo for Petco, featuring the word "petco." in a bold, dark blue, lowercase sans-serif font.The logo for Luxi, featuring the word "LUXI" in a bold, black, uppercase sans-serif font.The logo for ResMed, featuring a blue and red dotted arc above the word "ResMed" in a bold, black, italicized sans-serif font.

# Bread Business Models

Platform provides diversified growth opportunities

	Direct Acquisition	Distribution	Technology Platform
Merchant Acquirer	 Bread    AllianceData		
Network / Platform (Always Bread)	 Bread	 Bread	 Bread
Issuer / Loan Originator (Owns Consumer Relationship & Holds Accounts Receivable)	 AllianceData	 AllianceData	

*Installment loan and Buy Now, Pay Later products can be white-labeled (partner-branded) or branded Bread in the Direct Acquisition and Distribution model*

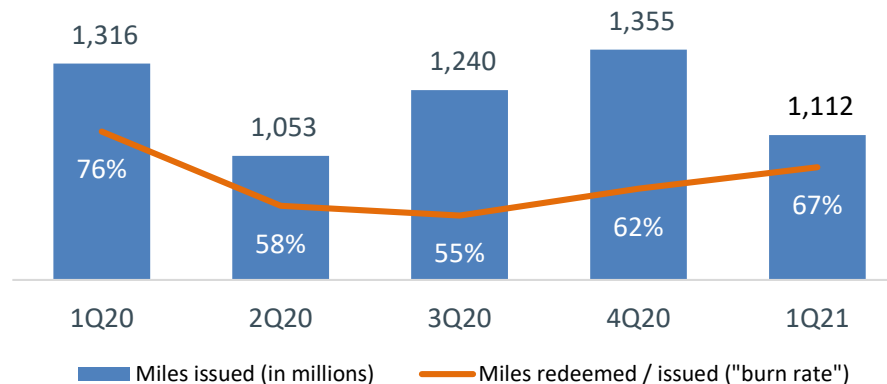
# LoyaltyOne® Performance Highlights



**brandloyalty**  
happy people

- AIR MILES reward miles issued and redeemed declined vs 1Q20 due to continued lockdown in Canada
- AIR MILES is working with airline partners to plan for the eventual comeback of airline travel with optimism for bookings in 2H21
- BrandLoyalty's new program activity is picking up with a strong pipeline of clients in the second half of 2021
- Consumers are actively engaged in loyalty campaigns with particular success in products focused on the home

**AIR MILES program performance**





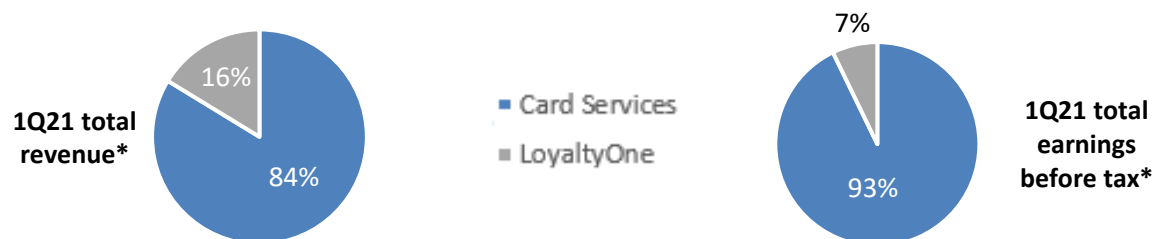
# Financial Results – Consolidated

(\$ in millions, except per share)	1Q21	1Q20	% Change
<b>Total revenue</b>	<b>\$1,085</b>	<b>\$1,382</b>	<b>(21)%</b>
Total operating expenses, excl. provision for loan loss	548	562	(2)
Interest expense, net	109	139	(22)
Total expenses excl. provision for loan loss	657	701	(6)%
Provision for loan loss	33	656	(95)
<b>Total earnings before tax (EBT)</b>	<b>\$394</b>	<b>\$25</b>	<b>1,452%</b>
Income tax	108	(5)	nm
<b>Net income</b>	<b>\$286</b>	<b>\$30</b>	<b>854%</b>
<b>Net income per diluted share</b>	<b>\$5.74</b>	<b>\$0.63</b>	<b>811%</b>
<b>Diluted average shares outstanding</b>	<b>49.8</b>	<b>47.7</b>	
<b>Shares of common stock outstanding</b>	<b>49.7</b>	<b>47.6</b>	
<b>Pre-provision, pre-tax earnings</b>	<b>\$428</b>	<b>\$681</b>	<b>(37)%</b>

*See appendix for Core EPS and Adjusted EBITDA calculations  
Totals may not sum due to rounding; nm = not meaningful*

# Financial Results – Segments

(\$ in millions)	1Q21	1Q20	% Change
LoyaltyOne	\$177	\$198	(11)%
Card Services	908	1,184	(23)
<b>Total revenue</b>	<b>\$1,085</b>	<b>\$1,382</b>	<b>(21)%</b>
LoyaltyOne	\$32	\$47	(32)%
Card Services	410	32	1,179
Corporate/Other	(47)	(53)	(12)
<b>Total earnings before tax (EBT)</b>	<b>\$394</b>	<b>\$25</b>	<b>1,452%</b>

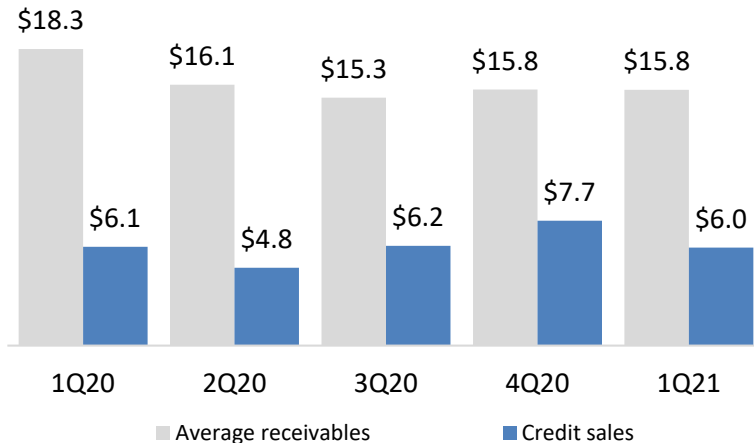


\* Percentages based on Card Services and LoyaltyOne segments combined as reported excluding Corporate/Other and intersegment eliminations  
Totals may not sum due to rounding

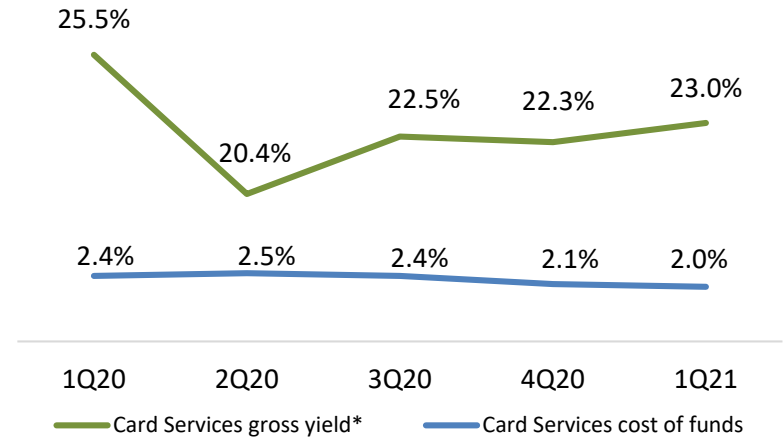
# Key Business Metrics

- Card Services revenue improved 3% on a sequential basis with steady receivables and a 70bp pickup in gross yield
- LoyaltyOne revenue was down 24% on a sequential basis with declines in both AIR MILES and BrandLoyalty
- Total operating expenses excluding provision for loan loss decreased \$154 million sequentially as a result of the nearly \$50 million of real estate optimization costs in 4Q20, an approximately \$40 million decrease in cost of redemptions in our LoyaltyOne business, an approximately \$30 million decrease in depreciation and amortization expense, and an approximately \$21 million seasonal decrease in marketing spend

**Average receivables remained flat sequentially**  
(\$ in billions)



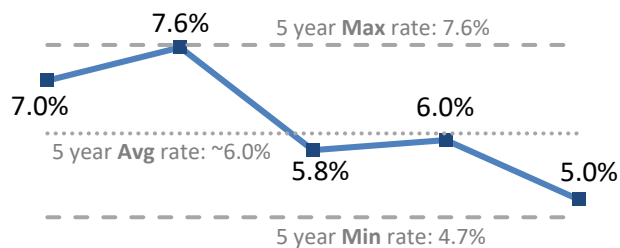
**Card Services yield improved sequentially in 1Q21**



\*Revenue divided by normalized average receivables

# Credit Quality and Allowance

### Net loss rate

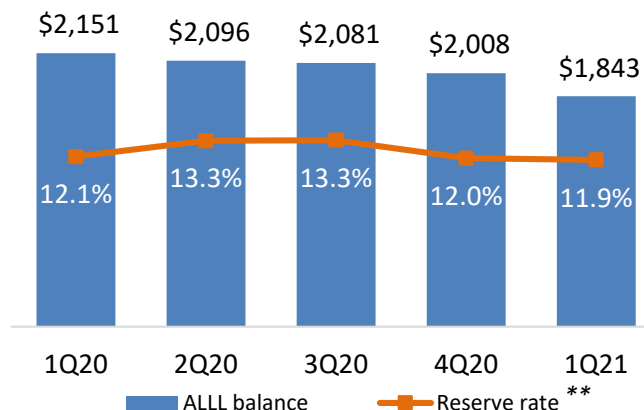


1Q20 2Q20 3Q20\* 4Q20\* 1Q21

historic quarterly range for the last five years

### Reserve rate

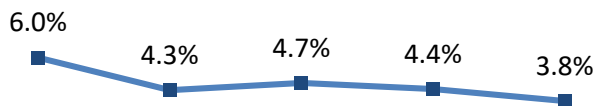
(\$ in millions)



1Q20 2Q20 3Q20 4Q20 1Q21

ALLL balance Reserve rate\*\*

### Delinquency rate



1Q20 2Q20 3Q20 4Q20 1Q21

- Improvement in net loss rate is a result of prudent risk management strategy, deliberate underwriting actions, and direct consumer stimulus payments
- Continued decline in delinquency rate is a positive indicator for 2021 performance
- Allowance of \$1.8 billion is down \$165 million from 4Q20

\* Net loss rate impacted by pandemic-related consumer relief program.

\*\* Calculated as a percentage of allowance for loan loss to end of period credit card and loan receivables



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# 2021 Financial Outlook

Full Year 2020 Actuals	Full Year 2021 Outlook	Commentary
<b>Average receivables</b> 2020 = \$16,367 million	Down mid-single-digits	<ul style="list-style-type: none"> <li>Sequential decline in 2Q21</li> <li>Flat year-over-year in 2H21</li> <li>Expect year-end receivables to be in line with year-end 2020</li> <li>Credit sales up high-single- to low-double-digits in 2021</li> </ul>
<b>Total revenue</b> 2020 = \$4,521 million	Down low-single-digits	<ul style="list-style-type: none"> <li>LoyaltyOne full year revenue growth in 2021</li> <li>Revenue pressure for Card Services as receivable balances rebuild from pandemic-related reductions</li> <li>Gross card yields remain steady</li> </ul>
<b>Total expenses*</b> (Excludes provision for loan loss) 2020 = \$2,861 million	Flat	<ul style="list-style-type: none"> <li>Includes increased digital investment and a ramp up in marketing spend from depressed levels in 2020</li> <li>Impacted by Bread® &amp; Fiserv related transition expenses</li> </ul>
<b>Net loss rate</b> 2020 = 6.6%	<ul style="list-style-type: none"> <li>Expected 2Q21 net loss rate in mid-to-upper 5% range</li> <li>Net loss rate for 2021 projecting better than the historic average of 6%</li> </ul>	

\* Total expenses represent total operating expenses excluding provision for loan loss plus total interest expense, net

## 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, pre-provision earnings before taxes, adjusted EBITDA, adjusted EBITDA margin, adjusted EBITDA, net of funding costs, core earnings and core earnings per diluted share (core EPS). Constant currency excludes the impact of fluctuations in foreign exchange rates. The Company calculates constant currency by converting our current period local currency financial results using the prior period exchange rates. Adjusted EBITDA eliminates the uneven effect across all reportable segments of non-cash depreciation of tangible assets and amortization of intangible assets, including certain intangible assets that were recognized in business combinations, and the non-cash effect of stock compensation expense. In addition, adjusted EBITDA eliminates the effect of the gain (loss) on the sale of a business, strategic transaction costs, asset impairments, restructuring and other charges, and the loss on extinguishment of debt. Adjusted EBITDA, net is equal to adjusted EBITDA less securitization funding costs and interest expense on deposits. Similarly, core earnings and core EPS eliminate non-cash or non-operating items, including, but not limited to, stock compensation expense, amortization of purchased intangibles, non-cash interest, gain (loss) on the sale of a business, strategic transaction costs, asset impairments, restructuring and other charges, and the loss on extinguishment of debt. 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.

# Appendix



# Key Business Metrics

	1Q21	1Q20	1Q21 vs 1Q20	4Q20	1Q21 vs 4Q20
<b><u>LoyaltyOne</u></b> (in millions)					
AIR MILES reward miles issued	1,112	1,316	(16)%	1,355	(18)%
AIR MILES reward miles redeemed	739	994	(26)%	838	(12)%
<b><u>Card Services</u></b> (\$ in millions)					
Credit sales	\$6,043	\$6,099	(1)%	\$7,657	(21)%
Average receivables	\$15,785	\$18,294	(14)%	\$15,759	- %
Normalized average receivables*	\$15,785	\$18,553	(15)%	\$15,759	- %
End of period receivables	\$15,537	\$17,732	(12)%	\$16,784	(7)%
Total gross yield %**	23.0%	25.5%	(2.5)%	22.3%	0.7%
Cost of funds	2.0%	2.4%	(0.4)%	2.1%	(0.1)%
Principal loss rate	5.0%	7.0%	(2.0)%	6.0%	(1.0)%
Reserve rate	11.9%	12.1%	(0.2)%	12.0%	(0.1)%
Delinquency rate	3.8%	6.0%	(2.2)%	4.4%	(0.6)%
Return on equity	27%	18%	9%	16%	11%

\*Normalized average receivables includes held-for-sale receivables

\*\*Revenue divided by normalized average receivables



# Key Business Metrics

	1Q20	2Q20	3Q20	4Q20	1Q21
<b>LoyaltyOne</b> (in millions)					
AIR MILES reward miles issued	1,316	1,053	1,240	1,355	1,112
AIR MILES reward miles redeemed	994	608	687	838	739
<b>Card Services</b> (\$ in millions)					
Credit sales	\$6,099	\$4,799	\$6,152	\$7,657	\$6,043
Average receivables	\$18,294	\$16,116	\$15,300	\$15,759	\$15,785
Normalized average receivables*	\$18,553	\$16,204	\$15,356	\$15,759	\$15,785
End of period receivables	\$17,732	\$15,809	\$15,599	\$16,784	\$15,537
Total gross yield %**	25.5%	20.4%	22.5%	22.3%	23.0%
Cost of funds	2.4%	2.5%	2.4%	2.1%	2.0%
Principal loss rate	7.0%	7.6%	5.8%	6.0%	5.0%
Reserve rate	12.1%	13.3%	13.3%	12.0%	11.9%
Delinquency rate	6.0%	4.3%	4.7%	4.4%	3.8%
Return on equity	18%	15%	14%	16%	27%

\*Normalized average receivables includes held-for-sale receivables

\*\*Revenue divided by normalized average receivables

# Financial Results – Quarterly

(\$ in millions, except per share)	1Q20	2Q20	3Q20	4Q20	1Q21
<b>Total revenue</b>	<b>\$1,382</b>	<b>\$979</b>	<b>\$1,050</b>	<b>\$1,110</b>	<b>\$1,085</b>
Total operating expenses, excl. provision for loan loss	562	555	552	699	548
Interest expense, net	139	128	115	113	109
Total expenses excl. provision for loan loss	701	683	667	812	657
Provision for loan loss	656	250	208	152	33
<b>Total earnings before tax (EBT)</b>	<b>\$25</b>	<b>\$47</b>	<b>\$176</b>	<b>\$146</b>	<b>\$394</b>
Income tax	(5)	9	43	53	108
<b>Income from continuing operations</b>	<b>\$30</b>	<b>\$38</b>	<b>\$133</b>	<b>\$93</b>	<b>\$286</b>
<b>Income from continuing operations per diluted share</b>	<b>\$0.63</b>	<b>\$0.81</b>	<b>\$2.79</b>	<b>\$1.93</b>	<b>\$5.74</b>
<b>Diluted average shares outstanding</b>	<b>47.7</b>	<b>47.7</b>	<b>47.8</b>	<b>48.4</b>	<b>49.8</b>
<b>Shares of common stock outstanding</b>	<b>47.6</b>	<b>47.7</b>	<b>47.7</b>	<b>49.7</b>	<b>49.7</b>
<b>Pre-provision, pre-tax earnings</b>	<b>\$681</b>	<b>\$297</b>	<b>\$384</b>	<b>\$299</b>	<b>\$428</b>
*****					
(Including discontinued operations)					
Net income	<b>\$30</b>	<b>\$38</b>	<b>\$133</b>	<b>\$12</b>	<b>\$286</b>
Net income per diluted share	<b>\$0.63</b>	<b>\$0.81</b>	<b>\$2.79</b>	<b>\$0.25</b>	<b>\$5.74</b>

Totals may not sum due to rounding

# Financial Results – Segments by Quarter

(\$ in millions)	1Q20	2Q20	3Q20	4Q20	1Q21
LoyaltyOne	\$198	\$151	\$185	\$231	\$177
Card Services	1,184	828	866	879	908
Corporate/Other	-	-	-	-	-
<b>Total revenue</b>	<b>\$1,382</b>	<b>\$979</b>	<b>\$1,050</b>	<b>\$1,110</b>	<b>\$1,085</b>
LoyaltyOne	\$47	\$24	\$18	\$22	\$32
Card Services	32	70	212	187	410
Corporate/Other	(53)	(47)	(55)	(63)	(47)
<b>Total earnings before tax (EBT)</b>	<b>\$25</b>	<b>\$47</b>	<b>\$176</b>	<b>\$146</b>	<b>\$394</b>

*Totals may not sum due to rounding*

# Capital and Liquidity

## Parent Level

- Liquidity at 3/31 of \$1.1 billion, consisting of cash on hand plus revolver capacity
- Approximately \$373 million in cash and cash equivalents, \$750.0 million in unused revolver

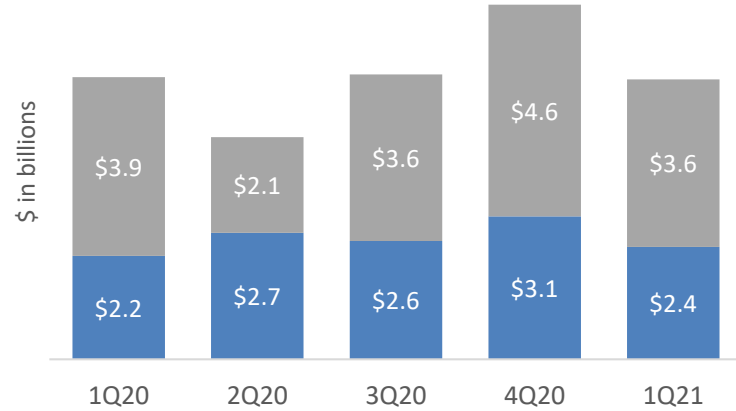
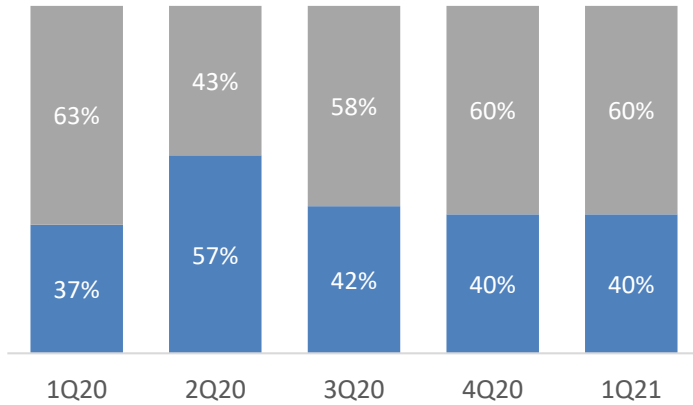
## Bank Level

- Banks finished the quarter with \$2.5 billion in cash and \$2.9 billion in equity
- Total risk based capital ratio at 22.3% - over double the 10% threshold to be considered well-capitalized; CET1 at 21.0%
- Funding readily available with heavy demand for FDIC-insured deposit products – both direct-to-consumer and brokered

<b>Combined Banks Capital Ratios</b>	1Q20	2Q20	3Q20	4Q20	1Q21
Common equity tier 1 capital ratio	15.9%	18.3%	18.8%	18.4%	21.0%
Tier 1 capital ratio	15.9%	18.3%	18.8%	18.4%	21.0%
Total risk based capital ratio	17.3%	19.7%	20.1%	19.7%	22.3%
Tier 1 leverage capital ratio	12.8%	14.2%	16.1%	17.1%	17.8%

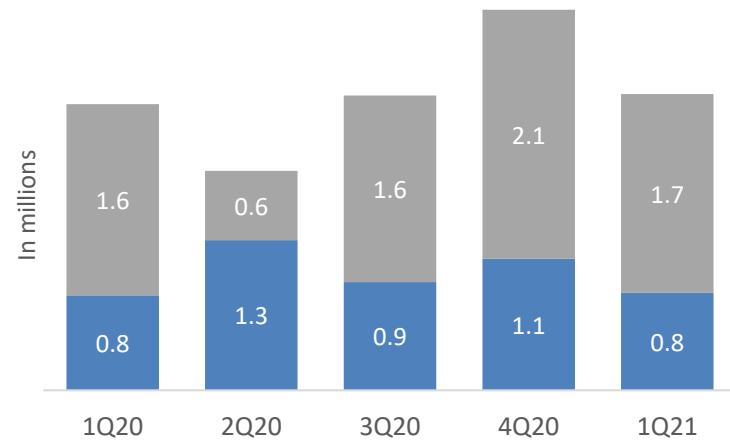
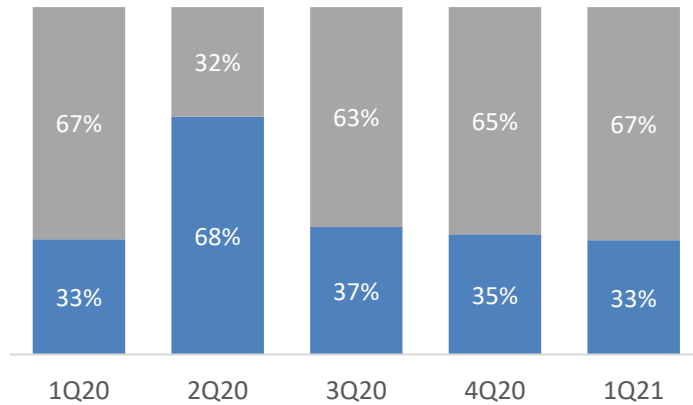
# Card Services Sales Data

## In-store vs. digital sales



■ Digital ■ In-Store

## In-store vs. digital new accounts



■ Digital ■ In-Store

Digital includes all non-store new accounts and Bread



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# Reconciliation of Non-GAAP Information

(\$ in millions, except per share amounts)	1Q21
<b>Net income</b>	<b>\$286.2</b>
Add back non-cash/ non-operating items:	
Stock compensation expense	6.8
Amortization of purchased intangibles	11.1
Non-cash interest <sup>(1)</sup>	8.5
Strategic transaction costs <sup>(2)</sup>	2.8
Restructuring and other charges <sup>(3)</sup>	(0.4)
Income tax effect <sup>(4)</sup>	(1.8)
<b>Core earnings</b>	<b>\$313.2</b>
*****	
Weighted average shares outstanding – diluted	49.8
Core earnings per share – diluted	\$6.28

<sup>(1)</sup> Represents amortization of debt issuance costs.

<sup>(2)</sup> Represents costs for professional services associated with strategic initiatives.

<sup>(3)</sup> Represents adjustments to our liability associated with restructuring or other exit activities recorded for cost saving initiatives executed in 2019.

<sup>(4)</sup> Represents the tax effect including the related non-GAAP measure adjustments using the expected effective annual tax rate.

# Reconciliation of Non-GAAP Information

(\$ in millions)	LoyaltyOne	Card Services	Corporate	1Q21 Total
Income (loss) before income taxes	\$31.7	\$409.9	\$(47.2)	\$394.4
Interest expense, net	-	79.1	29.6	108.7
<b>Operating income (loss)</b>	<b>\$31.7</b>	<b>\$489.0</b>	<b>\$(17.6)</b>	<b>\$503.1</b>
Depreciation and amortization	9.0	24.4	0.6	34.0
Stock compensation expense	1.5	2.4	2.9	6.8
Strategic transaction costs <sup>(1)</sup>	-	-	2.8	2.8
Restructuring and other charges <sup>(2)</sup>	-	-	(0.4)	(0.4)
<b>Adjusted EBITDA</b>	<b>\$42.2</b>	<b>\$515.8</b>	<b>\$(11.7)</b>	<b>\$546.3</b>
Less: Securitization funding costs	-	33.6	-	33.6
Less: Interest expense on deposits	-	45.5	-	45.5
<b>Adjusted EBITDA, net</b>	<b>\$42.2</b>	<b>\$436.7</b>	<b>\$(11.7)</b>	<b>\$467.2</b>

<sup>(1)</sup> Represents costs for professional services associated with strategic initiatives.

<sup>(2)</sup> Represents adjustments to our liability associated with restructuring or other exit activities recorded for cost saving initiatives executed in 2019.