

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 17, 2014

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

Exhibit No. Document Description

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.

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: April 17, 2014

Alliance Data Systems Corporation

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

EXHIBIT INDEX

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

Alliance Data NYSE: ADS



First Quarter Results
April 17, 2014



First Quarter 2014 Consolidated Results

(MM, except per share)

	<u>Quarter Ended March 31,</u>		
	<u>2014</u>	<u>2013</u>	<u>% Change</u>
Revenue	\$ 1,233	\$ 1,053	+17%
EPS	\$ 2.08	\$ 1.92	+8%
Core EPS	\$ 2.79	\$ 2.55	+9%
Adjusted EBITDA, net	\$ 335	\$ 326	+3%
Diluted shares outstanding	66.1	67.3	-2%
<i>Phantom shares</i>	<i>5.7</i>	<i>10.1</i>	

- Organic revenue increased a robust 8 percent compared to the first quarter of 2013.
- Acquisition costs related to BrandLoyalty reduced core EPS by \$0.04.

Note: EPS is 'net income attributable to ADS stockholders per diluted share'. Core EPS is 'core earnings attributable to ADS stockholders per diluted share'. Adjusted EBITDA, net is 'adjusted EBITDA net of funding costs and non-controlling interest'.



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LoyaltyOne (MM)

	<u>Quarter Ended March 31,</u>		
	<u>2014</u>	<u>2013</u>	<u>% Change</u>
Revenue	\$ 329	\$ 241	+37%
Adjusted EBITDA	\$ 71	\$ 63	+13%
Non-controlling interest	<u>-6</u>	<u>0</u>	
Adjusted EBITDA, net	\$ 65	\$ 63	+4%
Adjusted EBITDA %	22%	26%	-4%
Key Metrics:			
AIR MILES® reward miles issued	1,147	1,192	-4%
AIR MILES reward miles redeemed	1,056	1,104	-4%
Average FX rate	0.91	0.99	-0.8%

- BrandLoyalty contributed \$112 million in revenue and \$14 million (\$9 million, net) in adjusted EBITDA.
- Unfavorable FX rates reduced revenue and adjusted EBITDA, net by \$19 million and \$5 million, respectively.
- AIR MILES reward miles issued decreased 4 percent due to weak consumer spend.



LoyaltyOne

BrandLoyalty

- A leader in transactional and emotional loyalty creating change in consumer behavior through promotional campaign-driven loyalty programs
 - Primarily offered through grocers
 - Combination of Data → Loyal → ROI, consistent with the Alliance Data model
 - Program generally runs for 12 - 20 weeks
 - Consumer points can be collected in paper form or digitally
- Currently operates in Europe, Asia and Latin America
- Opportunity to further expand in these countries as well as expand into new markets
- Consistent history of driving high-single-digit organic revenue growth
- Acquisition structure and accounting:
 - Alliance Data acquired 60 percent of BrandLoyalty, with options to acquire the remaining 40 percent ownership stake over a four-year period
 - There is an earn-out arrangement for 2014 related to the original 60 percent purchase, which, if met, could result in a one-time P&L charge under purchase accounting
 - Revenue is recorded gross, while EPS, core EPS and adjusted EBITDA are recorded net of the 40 percent non-controlling interest



Epsilon (MM)

	<u>Quarter Ended March 31,</u>		
	<u>2014</u>	<u>2013</u>	<u>% Change</u>
Technology	\$ 116	\$ 104	+11%
Data	42	40	+5%
Agency	<u>190</u>	<u>174</u>	+9%
Total revenue	\$ 348	\$ 318	+9%
Adjusted EBITDA, net	\$ 55	\$ 54	+1%
Adjusted EBITDA, net %	16%	17%	-1%

- Backlog remains up double-digit compared to last year.
- Client on boarding expenses (-\$2 million) and severance (-\$2 million) pressured adjusted EBITDA, net margins.
- Roll out of Harmony digital messaging platform (DMP) expected to be complete prior to third quarter.



Private Label Services and Credit (MM)

	<u>Quarter Ended March 31,</u>		
	<u>2014</u>	<u>2013</u>	<u>% Change</u>
Finance charges, net	\$ 536	\$ 477	+12%
Other revenue	<u>26</u>	<u>20</u>	<u>+28%</u>
Total revenue	\$ 562	\$ 497	+13%
Operating expenses	216	172	+26%
Provision for loan losses	71	67	+6%
Funding costs	<u>31</u>	<u>31</u>	0%
Adjusted EBITDA, net	\$ 244	\$ 227	+7%
Adjusted EBITDA, net %	43%	46%	-3%

- Revenue increased 13 percent on a 15 percent increase in average credit card receivables.
- Operating expenses (primarily payroll) increased 26 percent for the first quarter, as approximately 1,000 employees were added to support expected growth.
- Funding costs decreased 30 basis points as a percentage of average credit card receivables.



Private Label Services and Credit (MM)

	<u>Quarter Ended March 31,</u>		<u>Change</u>
	<u>2014</u>	<u>2013</u>	
Key metrics:			
Total gross yield*	28.0%	28.6%	-0.6%
Credit sales	\$ 3,614	\$ 3,096	+17%
Average credit card receivables	\$ 8,023	\$ 6,964	+15%
Ending credit card receivables	\$ 8,089	\$ 7,027	+15%
Principal loss rates	4.8%	4.5%	+0.3%
Normalized principal loss rates	4.9%	4.7%	+0.2%
Delinquency rate	3.9%	3.8%	+0.1%
Return on average assets	6.4%	6.5%	-0.1%

- The decrease in gross yield is due to the influence of new programs. The yield for core programs was essentially flat compared to the first quarter of 2013.
- Normalized principal loss rates (adjusted for fair value accounting treatment of acquired portfolios) were up slightly in the first quarter, but are expected to be flat for 2014.

* Annualized total revenue divided by average credit card receivables.



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Liquidity

Liquidity

- Corporate:
 - \$1.1 billion in usable liquidity at March 31, 2014
 - \$345 million convertible notes mature May 15, 2014 (~\$1.9 billion* current fair value)
 - Convertible noteholders will receive 100 percent cash (\$345 million from Alliance Data; \$1.55 billion from counterparties under hedge agreement)
 - Alliance Data would issue 5.1 million shares to counterparties at a later date (warrants already included in diluted share count)
 - Debt levels remain moderate; leverage ratio of 2.3x at March 31, 2014
- Banks:
 - \$3.4 billion of available liquidity at March 31, 2014
 - \$75 million in dividends to parent during quarter
 - Comenity Bank regulatory ratios at March 31, 2014 were Tier 1: 16 percent; Leverage: 15 percent; Total Risk-based: 17 percent

Repurchase Program

- \$115 million of \$400 million board authorization spent year-to-date; 453 thousand shares acquired

* Not the final valuation, thus amounts are subject to change.



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2014 Updated Guidance

(\$MM, except per share)

	2013	2014	14/13	
	<i>Actual</i>	<i>New Guidance</i>	<i>Increase</i>	
<i>Average ADS share price</i>	\$192	\$270*	+\$78	
Revenue	\$4,319	\$5,250	+22%	+9% organic
Core Earnings	\$669	\$766	+14%	
Diluted shares outstanding	66.9	62.5	-7%	
Core EPS	\$10.01	\$12.25	+22%	

- Weak Canadian dollar is a headwind - expected FX rates of \$0.91 vs. \$0.97 last year
 - drag of \$55 million to revenue and 17 cents to core EPS
- Revenue guidance increased \$110 million due to stronger expected performances at BrandLoyalty, Epsilon and Private Label.
- Core EPS guidance increased by \$0.05.



* 1st quarter average

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2014 Outlook

- LoyaltyOne:
 - AIR MILES: revenue up low single-digits, adjusted EBITDA, net up mid single-digits (constant currency)
 - Revenue dampened by lower redemption rate
 - AIR MILES issuance goal of +4 percent, same as 2013 actuals; some risk (~1 percent) due to pharmacy legislation
 - BrandLoyalty: trending stronger
 - Revenue of \$550 million versus \$500 million initial guidance
 - Organic revenue growth over 20 percent
 - Brazil: scale, scale, scale - grow members
 - 2011: 1.6 million → 2012: 6.0 million → 2013: 10.8 million
 - Q1, 2014: 12 million
 - Rule of thumb: ~2.5 Dotz equivalent to 1 AIR MILES collector due to different spend profile
- Epsilon:
 - High single-digit organic revenue growth
 - Heavy spend to ramp up record loyalty/marketing platform builds
 - 23+ builds in 2014, compared to historical levels of about 15
 - 2014 wins tracking to record 2013 levels
 - New digital messaging platform (Harmony) roll-out.... so far, so good. Second quarter is key.

2014 Outlook (cont.)

- Private Label:
 - **New client growth**
 - Historically, 5 new clients per year (~\$375 million A/R vintage)
 - 2012: we signed our first \$1 billion A/R vintage
 - 2013: we signed our first \$2 billion A/R vintage
 - 2014: tracking to another \$2 billion A/R vintage - Virgin America (airline), Venus (online fashion), DSW (footwear), IDD (diamond jewelry)
 - **Tender share growth:**
 - For our core retail clients (pre-2012), we continue to drive card sales growth more than double that of our clients' total sales growth (Q1: 7 percent ADS vs. flat client total)
 - **Results:**
 - Credit card portfolio growth of about 20 percent
 - Principal loss rates stable and funding rates down
 - Personnel increase (+1,000 people) dampened revenue flow through to earnings during the first quarter; expect leveraging in back half of 2014
 - Outlook: mid/high teens growth in revenue; double-digit growth in adjusted EBITDA, net for 2014



2014 Outlook (cont.)

- No let up in shift of marketing dollars into data-driven marketing and loyalty programs.
- For Alliance Data, we have four objectives -
 1. Organic revenue of approximately 9 percent or 3x GDP
 2. Overall revenue growth of 22 percent
 - BrandLoyalty, Epsilon and Private Label are all running strong, with some dampening from weak Canadian dollar at LoyaltyOne
 3. Core EPS growth of 22 percent
 - Includes significant front-loading of expenses (headcount) at Private Label and Epsilon to handle record growth expectations
 4. Building the foundation for the future
 - Deliver strong performance, while on boarding record new business (and related expenses), which does not help 2014, but benefits 2015, 2016 and 2017



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 AllianceData 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 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.