

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 29, 2021

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, OH 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 (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class
Common stock, par value \$0.01 per share

Trading symbol
ADS

Name of each exchange on which registered
The New York Stock Exchange

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.

Item 2.02 Results of Operations and Financial Condition.

On July 29, 2021, Alliance Data Systems Corporation (the "Company") issued a press release regarding its results of operations for the second quarter ended June 30, 2021. A copy of this press release is furnished as Exhibit 99.1.

Item 7.01 Regulation FD Disclosure.

On July 29, 2021, the Company issued a press release regarding its results of operations for the second quarter ended June 30, 2021. A copy of this press release is furnished as Exhibit 99.1.

Attached as Exhibit 99.2 is a presentation to be given to investors and others by senior officers of the Company.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No. Document Description

[99.1](#) Press Release dated July 29, 2021 announcing the results of operations for the second quarter ended June 30, 2021.

[99.2](#) Investor Presentation Materials.

104 Cover Page Interactive Data File (embedded within the Inline XBRL document).

Note: The information contained in this report (including Exhibits 99.1 and 99.2) 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 29, 2021

By: /s/ Joseph L. Motes III
Joseph L. Motes III
Executive Vice President, Chief
Administrative Officer, General
Counsel and Secretary

Alliance Data Reports Second Quarter 2021 Results

- Net income of \$273 million, or \$5.47 per diluted share
 - Strong credit management and more favorable economic outlook drove a net reserve release of \$208 million
 - Credit sales returned to pre-pandemic levels as we exited the quarter
- Credit sales trends align with expectation of strong 2022 receivables growth
- Successful execution of strategic initiatives, including launch of Bread/Fiserv relationship
- Previously announced spinoff of LoyaltyOne® remains on track for year-end completion

COLUMBUS, Ohio, July 29, 2021 – Alliance Data Systems Corporation (NYSE: ADS), a leading provider of data-driven marketing, loyalty and payment solutions, today announced results for the quarter ended June 30, 2021.

“Alliance Data’s second quarter results highlight considerable progress in the transformation of our company, driven by efficient execution across our portfolio, together with improving business conditions,” said Ralph Andretta, president and chief executive officer of Alliance Data. “Credit sales returned to pre-pandemic levels as we exited the quarter, as retailers experienced robust omnichannel shopping and engagement aligned with improved consumer confidence and mobility. While reopening efforts are progressing in the U.S., we are experiencing a more gradual recovery both in Canada and internationally. We continue to maintain a favorable outlook for the LoyaltyOne segment given pipeline and activity level improvement. AIR MILES® reward miles redeemed and average flight bookings per day significantly increased in June while BrandLoyalty’s new campaign pipeline strengthened, indicating more robust growth in the second half of 2021.

“Credit performance remained strong, reflecting our disciplined risk management and the ongoing impact of economic stimulus resulting in increased customer liquidity and greater ability to pay. Our net loss rate remains well below our historic average rate of 6.0% and our delinquency rate was exceptionally low at 3.3%. We expect credit metrics and payment rates to begin to normalize as stimulus programs wind down in the latter half of the year.

“Business development was robust during the second quarter, highlighted by a number of new partner signings, multiple renewals, and a growing pipeline of high-quality prospects. We continue to expand Bread’s direct acquisition merchant partners as well as enlisting existing card brand partners to launch on Bread’s platform. The e-commerce pilot for the Bread and Fiserv strategic relationship went live at quarter-end. Select merchant launches from Fiserv’s extensive merchant network will be staggered throughout the second half of 2021 and a full roll-out planned for 2022. We expect Alliance Data’s differentiated full-spectrum lending capabilities and broad product suite to drive strong growth in 2022 and beyond.

“In June, we released our 2020 Environmental, Social and Governance (“ESG”) performance report highlighting the progress we have made over the past three-years. Our ESG strategy is a key component of our business transformation, which prioritizes delivering long-term sustainable stakeholder value, modernizing technology, advancing a diverse and inclusive culture, and maintaining a commitment to ethical decision making. These priorities are embedded in the Company’s business practices and corporate governance, and will help drive the long-term success of Alliance Data.”

2021 OUTLOOK

“First half results represent a strong foundation on which to build continued revenue growth, as receivables gain traction and LoyaltyOne activity increases in the second half of this year. We remain keenly focused on the execution of our strategy, focused on balancing growth and profitability to ensure the sustainable economics of our portfolio.

“Assuming continued strength in the U.S. economy, we are increasing our 2021 credit sales forecast to a double-digit growth rate and now expect a net loss rate in the low 5% range for the year,” said Mr. Andretta. “Based on our current visibility and payment rate expectations, receivables at year-end 2021 are projected to be in line with year-end 2020 levels, although average receivables are expected to be down mid-single-digits for the year, reflecting the year-over-year pressure in the first half of 2021 and elevated payment rates. We expect to resume high-single-digit to low-double-digit average receivables growth in 2022. Total revenue for the year is anticipated to be down low-single-digits compared to 2020 as the impact from lower receivables is partially offset by improving revenue from LoyaltyOne and the Bread acquisition. We expect efficiencies to enable us to keep total expenses, excluding provision for loan loss, flat year-over-year while we continue to fund initiatives to position the company for future growth. In 2021, we are investing over \$100 million in digital innovation and technology enhancements and \$50 million in marketing to support growth and a return to positive operating leverage in 2022.

“We remain on track for the successful spinoff of our LoyaltyOne segment, with completion expected by year-end 2021, positioning both companies to pursue their respective unique growth opportunities and build long-term stockholder value.”

CONSOLIDATED RESULTS

SUMMARY

(in millions, except per share amounts)

| | Quarter Ended June 30, | | |
|---|------------------------|---------|--------|
| | 2021 | 2020 | Change |
| Revenue | \$ 1,012 | \$ 979 | 3% |
| Income before income taxes (“EBT”) | \$ 372 | \$ 47 | 691% |
| Net income | \$ 273 | \$ 38 | 612% |
| Net income per diluted share | \$ 5.47 | \$ 0.81 | 575% |
| Weighted average shares outstanding – diluted | 50.0 | 47.7 | |

Supplemental Non-GAAP Metrics (a):

| | | | |
|---------------------------------|--------|--------|-----|
| Pre-provision, pre-tax earnings | \$ 358 | \$ 297 | 20% |
|---------------------------------|--------|--------|-----|

(a) See “Financial Measures” for a discussion of non-GAAP Financial Measures.

Second Quarter: Consolidated revenue increased 3% to \$1,012 million compared to the second quarter of 2020, resulting from the ongoing consumer recovery from pandemic lows. EBT increased 691% to \$372 million, positively impacted by a net reserve release of \$208 million during the second quarter of 2021. Net income was \$273 million, or \$5.47 per diluted share.

SEGMENT RESULTS

Card Services: Revenue increased 4% to \$861 million compared to the second quarter of 2020, primarily due to the impact from pandemic-related consumer relief programs offered by Alliance Data in the second quarter of 2020. EBT increased \$334 million to \$404 million compared to the second quarter of 2020, attributable to a lower provision for loan loss. The net principal loss rate was 5.1% in the second quarter of 2021, an improvement of 250 basis points from the prior year period, while the delinquency rate of 3.3% improved 100 basis points from the prior year period.

Credit sales increased 54% to \$7.4 billion compared to the second quarter of 2020, continuing to improve as consumer spending recovers.

LoyaltyOne: Segment revenue was nearly unchanged at \$151 million compared to the second quarter of 2020. BrandLoyalty revenue decreased 9%, or \$7 million, due to a decline in retailer programs associated with the continuing impact of COVID-19. AIR MILES revenue increased 11%, or \$7 million, compared to the second quarter of 2020, due in part to higher redemptions, as well as the impact of favorable currency exchange rates. EBT for the LoyaltyOne segment increased 2% to \$24 million due to lower amortization expense.

Issuance of AIR MILES reward miles increased 8% compared to the second quarter of 2020, reflecting an increase in discretionary spending, including credit card spend. AIR MILES reward miles redeemed increased 32% compared to the second quarter of 2020, reflecting an improvement in travel-related categories and continued strength from merchandise redemptions.

Contacts:

Investor Relations: Brian Vereb (brian.vereb@alliancedata.com), 614-528-4516

Media Relations: Shelley Whiddon (shelley.whiddon@alliancedata.com), 214-494-3811

Forward-Looking Statements

This release 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 including the proposed spinoff of our LoyaltyOne segment, 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 release, 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 pre-provision pre-tax earnings. Pre-provision pre-tax earnings is calculated by adding the provision for loan loss to income before taxes. 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.

Reconciliation of Non-GAAP Financial Measures

Reconciliations to comparable GAAP financial measures are available in the accompanying schedules, which are posted as part of this earnings release in both the News and Investors sections on the Company's website (www.AllianceData.com). The events necessitating a non-GAAP adjustment are inherently unpredictable and may have a material impact on the Company's future results.

The financial measures presented are consistent with the Company's historical financial reporting practices. 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.

Conference Call

Alliance Data will host a conference call on Thursday, July 29, 2021 at 8:30 a.m. (Eastern Time) to discuss the Company's second quarter 2021 results. The conference call will be available via the Internet at www.alliancedata.com. There will be several slides accompanying the webcast. Please go to the website at least 15 minutes prior to the call to register, download and install any necessary software. The recorded webcast will also be available on the Company's website.

If you are unable to participate in the conference call, a replay will be available. To access the replay, please dial (800) 585-8367 or (416) 624-4642 and enter "4284128". The replay will be available at approximately 11:59 a.m. (Eastern Time) on Thursday, July 29, 2021.

About Alliance Data

Alliance Data® (NYSE: ADS) is a leading provider of data-driven marketing, loyalty and payment solutions serving large, consumer-based industries. The Company creates and deploys customized solutions that measurably change consumer behavior while driving business growth and profitability for some of today's most recognizable brands. Alliance Data helps its partners create and increase customer loyalty across multiple touch points using traditional, digital, mobile and emerging technologies. Headquartered in Columbus, Ohio, Alliance Data is an S&P MidCap 400 company that consists of businesses that together employ approximately 8,000 associates at more than 45 locations worldwide.

Alliance Data's Card Services business is a comprehensive provider of market-leading private label, co-brand, general purpose and business credit card programs, digital payments, including Bread® and Comenity-branded financial services. LoyaltyOne® owns and operates the AIR MILES® Reward Program, Canada's most recognized loyalty program, and Netherlands-based BrandLoyalty, a global provider of tailor-made loyalty programs for grocers. More information about Alliance Data can be found at www.AllianceData.com.

Follow Alliance Data on Twitter, Facebook, LinkedIn, Instagram and YouTube.

ALLIANCE DATA SYSTEMS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share amounts)
(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|----------|------------------|------------|
| | June 30, | | June 30, | |
| | 2021 | 2020 | 2021 | 2020 |
| Revenue | \$ 1,012.4 | \$ 979.3 | \$ 2,097.3 | \$ 2,361.1 |
| Operating expenses: | | | | |
| Cost of operations | 521.7 | 479.0 | 1,036.1 | 1,002.2 |
| Provision for loan loss | (14.1) | 250.1 | 19.3 | 906.0 |
| Depreciation and amortization | 31.5 | 41.3 | 65.5 | 80.1 |
| Asset impairments | — | 34.2 | — | 34.2 |
| Total operating expenses | 539.1 | 804.6 | 1,120.9 | 2,022.5 |
| Operating income | 473.3 | 174.7 | 976.4 | 338.6 |
| Interest expense, net: | | | | |
| Securitization funding costs | 30.4 | 42.7 | 64.0 | 92.6 |
| Interest expense on deposits | 41.8 | 58.9 | 87.3 | 119.2 |
| Interest expense on long-term and other debt, net | 29.5 | 26.1 | 59.0 | 54.4 |
| Total interest expense, net | 101.7 | 127.7 | 210.3 | 266.2 |
| Income before income tax | \$ 371.6 | \$ 47.0 | \$ 766.1 | \$ 72.4 |
| Income tax expense | 98.1 | 8.6 | 206.4 | 4.0 |
| Net income | \$ 273.5 | \$ 38.4 | \$ 559.7 | \$ 68.4 |
| Per share data: | | | | |
| Weighted average shares outstanding – basic | 49.7 | 47.6 | 49.7 | 47.6 |
| Weighted average shares outstanding – diluted | 50.0 | 47.7 | 49.9 | 47.7 |
| Basic – Net income | \$ 5.50 | \$ 0.81 | \$ 11.26 | \$ 1.44 |
| Diluted – Net income | \$ 5.47 | \$ 0.81 | \$ 11.21 | \$ 1.43 |
| Pre-provision pre-tax earnings: | | | | |
| Income before income tax | \$ 371.6 | \$ 47.0 | \$ 766.1 | \$ 72.4 |
| Provision for loan loss | (14.1) | 250.1 | 19.3 | 906.0 |
| Pre-provision pre-tax earnings | \$ 357.5 | \$ 297.1 | \$ 785.4 | \$ 978.4 |

Non-GAAP financial measures of adjusted EBITDA, net and core earnings per share and the associated reconciliations are available in earnings slide appendix

ALLIANCE DATA SYSTEMS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions)
(Unaudited)

| | June 30, 2021 | December 31, 2020 |
|---|--------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 3,001.9 | \$ 3,081.5 |
| Credit card and loan receivables: | | |
| Credit card and loan receivables | 15,723.8 | 16,784.4 |
| Allowance for loan loss | (1,635.3) | (2,008.0) |
| Credit card and loan receivables, net | 14,088.5 | 14,776.4 |
| Redemption settlement assets, restricted | 745.1 | 693.5 |
| Right of use assets - operating | 215.3 | 233.2 |
| Intangible assets, net | 69.6 | 81.7 |
| Goodwill | 1,359.3 | 1,369.6 |
| Other assets | 2,332.7 | 2,311.2 |
| Total assets | <u>\$ 21,812.4</u> | <u>\$ 22,547.1</u> |
| Liabilities and Stockholders' Equity | | |
| Deferred revenue | \$ 1,042.8 | \$ 1,004.0 |
| Deposits | 9,619.8 | 9,792.6 |
| Non-recourse borrowings of consolidated securitization entities | 4,603.3 | 5,709.9 |
| Long-term and other debt | 2,760.1 | 2,805.7 |
| Operating lease liabilities | 281.0 | 300.0 |
| Other liabilities | 1,457.5 | 1,413.3 |
| Total liabilities | 19,764.5 | 21,025.5 |
| Stockholders' equity | 2,047.9 | 1,521.6 |
| Total liabilities and stockholders' equity | <u>\$ 21,812.4</u> | <u>\$ 22,547.1</u> |
| Shares of common stock outstanding | 49.7 | 49.7 |

ALLIANCE DATA SYSTEMS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

| | Six Months Ended June 30, | |
|--|------------------------------|-------------------|
| | 2021 | 2020 |
| Cash Flows from Operating Activities: | | |
| Net income | \$ 559.7 | \$ 68.4 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 65.5 | 80.1 |
| Deferred income taxes | 22.1 | 131.4 |
| Provision for loan loss | 19.3 | 906.0 |
| Non-cash stock compensation | 16.0 | 11.0 |
| Amortization of deferred financing costs | 16.4 | 18.3 |
| Change in operating assets and liabilities, net of sale of business | (4.9) | (179.8) |
| Other | 39.1 | 32.1 |
| Net cash provided by operating activities | <u>733.2</u> | <u>1,067.5</u> |
| Cash Flows from Investing Activities: | | |
| Change in redemption settlement assets | (41.0) | (18.7) |
| Change in credit card and loan receivables | 666.2 | 3,053.4 |
| Proceeds from sale of business | — | 25.4 |
| Purchase of credit card portfolio | (31.5) | — |
| Sale of credit card portfolio | — | 289.5 |
| Capital expenditures | (34.9) | (26.1) |
| Other | (24.2) | 16.5 |
| Net cash provided by investing activities | <u>534.6</u> | <u>3,340.0</u> |
| Cash Flows from Financing Activities: | | |
| Borrowings under debt agreements | 31.0 | 650.0 |
| Repayments of borrowings | (81.7) | (300.7) |
| Net decrease in deposits | (176.0) | (936.4) |
| Non-recourse borrowings of consolidated securitization entities | 2,065.0 | 350.0 |
| Repayments/maturities of non-recourse borrowings of consolidated securitization entities | (3,172.9) | (2,630.0) |
| Payment of deferred financing costs | (8.3) | (3.0) |
| Dividends paid | (21.1) | (40.4) |
| Other | (0.6) | (1.1) |
| Net cash used in financing activities | <u>(1,364.6)</u> | <u>(2,911.6)</u> |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 0.7 | (2.9) |
| Change in cash, cash equivalents and restricted cash | (96.1) | 1,493.0 |
| Cash, cash equivalents and restricted cash at beginning of period | <u>3,463.2</u> | <u>3,958.1</u> |
| Cash, cash equivalents and restricted cash at end of period | <u>\$ 3,367.1</u> | <u>\$ 5,451.1</u> |

ALLIANCE DATA SYSTEMS CORPORATION
SUMMARY FINANCIAL HIGHLIGHTS
(In millions)
(Unaudited)

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---------------------------------------|--------------------------------|-----------|--------|------------------------------|------------|--------|
| | 2021 | 2020 | Change | 2021 | 2020 | Change |
| Segment Revenue: | | | | | | |
| LoyaltyOne | \$ 150.9 | \$ 151.1 | —% | \$ 327.5 | \$ 349.2 | (6)% |
| Card Services | 861.5 | 828.2 | 4 | 1,769.8 | 2,011.9 | (12) |
| Corporate/Other | — | — | — | — | — | — |
| Total | \$ 1,012.4 | \$ 979.3 | 3% | \$ 2,097.3 | \$ 2,361.1 | (11)% |
| Segment Earnings Before Taxes: | | | | | | |
| LoyaltyOne | \$ 24.5 | \$ 24.0 | 2% | \$ 56.2 | \$ 70.6 | (20)% |
| Card Services | 404.5 | 70.3 | 475 | 814.3 | 102.4 | 695 |
| Corporate/Other | (57.4) | (47.3) | 21 | (104.4) | (100.6) | 4 |
| Total | \$ 371.6 | \$ 47.0 | 691% | \$ 766.1 | \$ 72.4 | 958% |
| Key Performance Indicators: | | | | | | |
| Credit sales | \$ 7,401 | \$ 4,799 | 54% | \$ 13,445 | \$ 10,898 | 23% |
| Average receivables | \$ 15,282 | \$ 16,116 | (5)% | \$ 15,533 | \$ 17,205 | (10)% |
| End of period receivables | \$ 15,724 | \$ 15,809 | (1)% | \$ 15,724 | \$ 15,809 | (1)% |
| Card Services gross revenue yield | 22.5% | 20.4% | 2.1% | 22.8% | 23.2% | (0.4)% |
| Net principal loss rate | 5.1% | 7.6% | (2.5)% | 5.0% | 7.3% | (2.3)% |
| Delinquency rate | 3.3% | 4.3% | (1.0)% | 3.3% | 4.3% | (1.0)% |
| AIR MILES reward miles issued | 1,139 | 1,053 | 8% | 2,251 | 2,369 | (5)% |
| AIR MILES reward miles redeemed | 800 | 608 | 32% | 1,540 | 1,602 | (4)% |

Alliance Data

Second Quarter 2021 Results

Ralph Andretta
President & CEO

Perry Beberman
EVP & CFO

July 29, 2021



© 2021 ADS Alliance Data Systems, Inc.

Forward-Looking Statements

This release 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 including the proposed spinoff of our LoyaltyOne segment, 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 release, 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.

Second Quarter 2021 Key Takeaways

- 1 **Continued progress on strategic initiatives**
 - Bread's strategic relationship with Fiserv active as of June 30
 - New partner signings, renewals, and strong pipeline
 - Modernization and efficiency initiatives on schedule

- 2 **Inflection point for receivables growth**
 - Credit sales returned to pre-pandemic levels
 - Improving consumer confidence and mobility
 - Closely monitoring COVID conditions

- 3 **Credit performance remains strong**
 - Reflective of disciplined risk management
 - Payment rates remain elevated benefiting from economic stimulus

Second Quarter 2021 Financial Highlights

\$1.0B

Revenue

\$273MM





Net Income

\$5.47

Diluted EPS

- Revenue increased 3% year-over-year, while total expenses excluding provision for loan loss declined 4%
- Net Income of \$273 million includes a net reserve release of \$208 million
- Credit sales of \$7.4 billion were up 54% year-over-year and up 22% compared to 1Q21
- Average receivables were down 5% year-over-year
- Credit metrics remained strong with a net loss rate of 5.1% for the quarter

Strategic Initiatives Update

| | |
|--|---|
| Bread Distribution Relationship with Fiserv <ul style="list-style-type: none">• Launch of Bread / Fiserv strategic relationship |  |
| Enhanced Digital Suite (EDS) & Unified Software Development Kit (SDK) <ul style="list-style-type: none">• Accelerating integration with brand partners | Enhanced DigitalSuite |
| Core Processing & Statement Processing Conversions <ul style="list-style-type: none">• Successfully transitioned statement processing in 2Q21• Expected completion of core processing conversion to Fiserv in 2022 |  |
| Proprietary Brand Card <ul style="list-style-type: none">• Exceeded 1 million cardholder activations• Opportunity to increase cardholder acquisition in 2022 |  |
| Balance Sheet Management <ul style="list-style-type: none">• Completed ADS debt refinancing / extension• Spin expected to be completed in 4Q21 |  |

Card Services Brand Partner Highlights

Select New Brand Partners

rue21.

 GasBuddy

Select New Bread Direct Acquisition Partners

 wayfair

Blue Nile

Brand Partner Renewals

KAY
JEWELERS

ZALES
THE DIAMOND STORE

JARED

 magicbeans
BABY GEAR · TOYS · SURPRISES

Lion
Industrial Supply

 Frontpoint

PIERCING
Pagoda

LOFT

ANN TAYLOR

 SNOW
TEETH WHITENING

 LIT

LANE BRYANT

maurices

 PENGUIN
CHILLERS
WE . KNOW . COLD .





LITHIUM ZONE
EST. 2020
DROP IN LITHIUM

 PACIFIC
DENTAL SERVICES

avenue

 Gsyncle

Bread Business Update

| Direct Acquisition | Distribution | Technology Platform |
|---|--|---|
| <p data-bbox="304 398 456 443"> Bread</p> <p data-bbox="379 465 400 495">+</p> <p data-bbox="256 510 507 568"> AllianceData.</p> <p data-bbox="212 611 552 696">Select new brand partners include Wayfair and Blue Nile Pipeline gaining momentum</p> | <p data-bbox="716 439 903 539"></p> <p data-bbox="624 607 978 696">E-commerce pilot active on June 30 Select early launches in 2H21 Full roll-out in 2022</p> | <p data-bbox="1174 412 1291 562"></p> <p data-bbox="1075 611 1382 669">Anticipated new brand partner additions in 4Q21</p> |



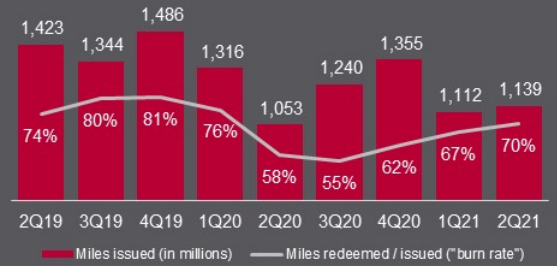
- AIR MILES® reward miles issued and redeemed increased versus 2Q20 as airline bookings improved and merchandise redemptions remained strong
- AIR MILES is working with travel partners to offer promotions and redemptions to drive increased Collector travel and tourism as appropriate, leading to optimism in the latter half of 2021
- July to-date average daily flight bookings are currently 10x the 1Q21 level, yet remain at 60% - 70% of the pre-pandemic level

brandloyalty

happy people

- BrandLoyalty's new program activity is gaining momentum 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

LoyaltyOne® Performance Highlights



2020 Environmental, Social and Governance Performance Report

Report highlights key findings from second materiality assessment, which will guide Company's evolving ESG strategy in alignment with its business transformation.

Progress against 3-year sustainability goals set in 2017:

- **Sustainability Governance:** Successful execution of multi-year Board refreshment program; Nominating & Corporate Governance and Compensation & Human Capital committees responsible for oversight of management's ESG and sustainability strategies and program execution; Committees receive reports quarterly then report into the full Board, ensuring proper oversight and engagement and management accountability.
- **Fair & Responsible Banking:** Technology upgrades to the Company's underwriting process reduce bias and create parity; top marks for excellence in customer service.
- **Secure & Responsible Use of Data:** No data breaches; ongoing investments in tools, technology upgrades and training for safeguarding data.
- **Human Capital Management:** Reduced voluntary turnover by 3%; increased investment in training dollars per associate by 35%; established formal DE&I strategic framework and appointed SVP level DE&I Officer.
- **Community Investment:** Contributed over \$30 million, including nearly \$7 million in "Data for Good" initiatives; associates volunteered over 76,000 hours.
- **Environment:** Facility upgrades, energy-efficient lighting, LEED certifications, electric vehicle charging stations, investments in global conservation initiatives to support efforts around management/mitigation of climate risk.



Recognition



Winning "W"
Company
for Women on Boards



Contact Center
of the Year
Stevie Awards



Bloomberg
Gender-Equality Index

Forbes 2020

THE BEST
EMPLOYERS
for DIVERSITY

Forbes

Best Employer for Diversity

Financial Results – Consolidated

| (\$ in millions, except per share) | 2Q21 | 2Q20 | % Change |
|---|----------------|---------------|--------------|
| Total revenue | \$1,012 | \$979 | 3 % |
| Total operating expenses, excl. provision for loan loss | 553 | 555 | - |
| Interest expense, net | 102 | 128 | (20) |
| Total expenses excl. provision for loan loss | 655 | 683 | (4) % |
| Pre-provision, pre-tax earnings (PPNR) | \$358 | \$297 | 20 % |
| Provision for loan loss | (14) | 250 | (106) |
| Total earnings before tax (EBT) | \$372 | \$47 | 691 % |
| Income tax | 98 | 9 | 1,045 |
| Net income | \$273 | \$38 | 612 % |
| Net income per diluted share | \$5.47 | \$0.81 | 579 % |
| Weighted average shares outstanding – diluted | 50.0 | 47.7 | 5 |

See "Financial Measures" in earnings press release for a discussion of non-GAAP Financial Measures
Totals may not sum due to rounding

Financial Results – Segments

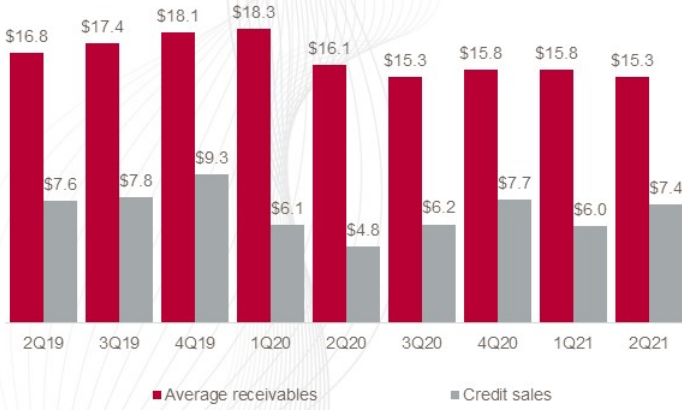
| (\$ in millions) | 2Q21 | 2Q20 | % Change |
|--|----------------|--------------|-------------|
| LoyaltyOne | \$151 | \$151 | -% |
| Card Services | 861 | 828 | 4 |
| Corporate/Other | - | - | - |
| Total revenue | \$1,012 | \$979 | 3% |
| LoyaltyOne | \$24 | \$24 | 2% |
| Card Services | 404 | 70 | 475 |
| Corporate/Other | (57) | (47) | 21 |
| Total earnings before tax (EBT) | \$372 | \$47 | 691% |



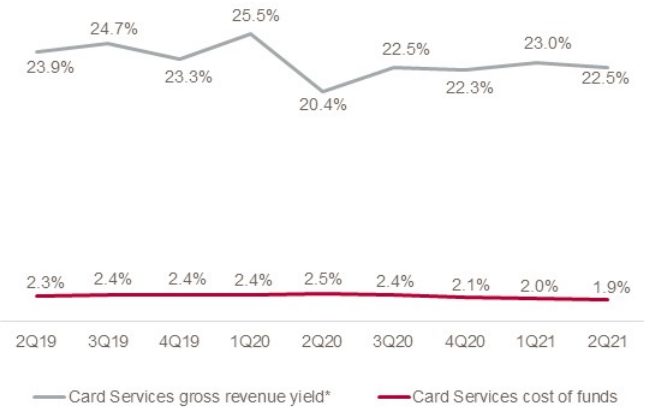
* Percentages based on Card Services and LoyaltyOne segments combined as reported excluding Corporate/Other and intersegment eliminations.
Totals may not sum due to rounding

Key Business Metrics

Credit sales near pre-pandemic level
(\$ in billions)

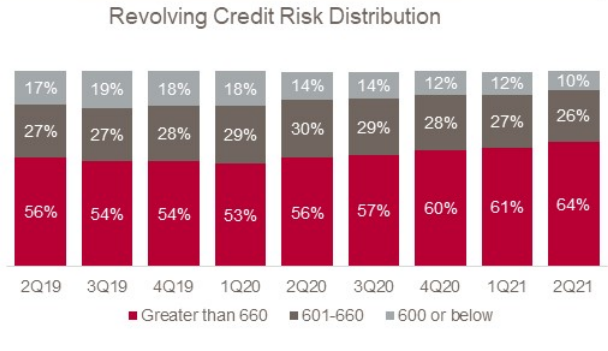
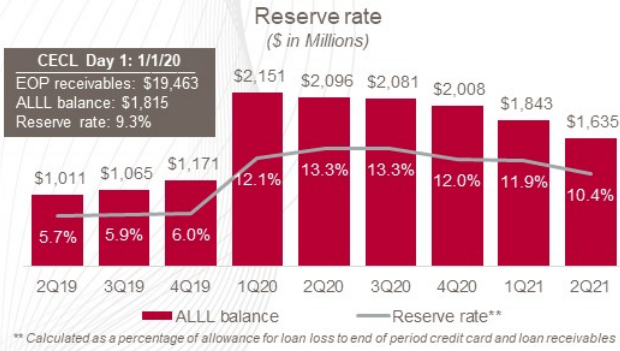
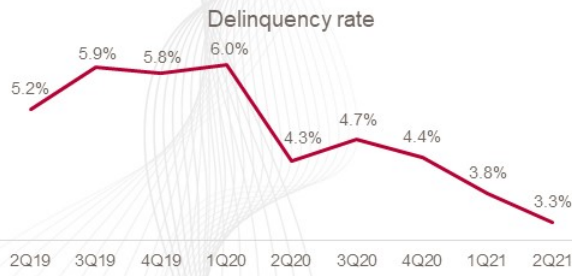


Card Services gross revenue yield remains steady



*Revenue divided by normalized average receivables

Credit Quality and Allowance



2021 Financial Outlook

| Full Year 2020 Actuals | Full Year 2021 Outlook | Commentary |
|--|-----------------------------------|---|
| Average receivables \$16,367 million | Down mid-single-digits | <ul style="list-style-type: none"> Flat year-over-year in 2H21 Expect year-end receivables to be in line with year-end 2020 Credit sales up double-digits in 2021 |
| Total revenue \$4,521 million | Down low-single-digits | <ul style="list-style-type: none"> LoyaltyOne full year revenue growth in 2021 1Q21 Card Services revenue suppressed with receivable balances rebuilding from pandemic-related reductions Card Services gross revenue yield remains steady |
| Total expenses* (Excludes provision for loan loss) \$2,861 million | Flat | <ul style="list-style-type: none"> Includes accelerated digital investment and an increase in marketing spend from depressed levels in 2020 Impacted by Bread® & Fiserv investment transition expenses |
| Net loss rate 2020 = 6.6% | Net loss rate in the low 5% range | |

* 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 pre-provision earnings before taxes, adjusted EBITDA, adjusted EBITDA, net of funding costs, core earnings and core earnings per diluted share (core EPS). 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 strategic transaction costs, asset impairments, and restructuring and other charges. 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, strategic transaction costs, asset impairments, and restructuring and other charges. 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

| | 2Q21 | 2Q20 | 2Q21 vs 2Q20 | 1Q21 | 2Q21 vs 1Q21 |
|---------------------------------------|----------|----------|-----------------|----------|-----------------|
| LoyaltyOne (in millions) | | | | | |
| AIR MILES reward miles issued | 1,139 | 1,053 | 8% | 1,112 | 2% |
| AIR MILES reward miles redeemed | 800 | 608 | 32% | 739 | 8% |
| Card Services (\$ in millions) | | | | | |
| Credit sales | \$7,401 | \$4,799 | 54% | \$6,043 | 22% |
| Average receivables | \$15,282 | \$16,116 | (5)% | \$15,785 | (3)% |
| Normalized average receivables* | \$15,282 | \$16,204 | (6)% | \$15,785 | (3)% |
| End of period receivables | \$15,724 | \$15,809 | (1)% | \$15,537 | 1% |
| Total gross revenue yield %** | 22.5% | 20.4% | 2.1% | 23.0% | (0.5)% |
| Cost of funds | 1.9% | 2.5% | (0.6)% | 2.0% | (0.1)% |
| Principal loss rate | 5.1% | 7.6% | (2.5)% | 5.0% | 0.1% |
| Reserve rate | 10.4% | 13.3% | (2.9)% | 11.9% | (1.5)% |
| Delinquency rate | 3.3% | 4.3% | (1.0)% | 3.8% | (0.5)% |
| Return on equity | 36% | 15% | 21% | 27% | 9% |

*Normalized average receivables includes held-for-sale receivables

**Revenue divided by normalized average receivables

Key Business Metrics – Quarterly

| | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 |
|---------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| LoyaltyOne (in millions) | | | | | | | | | |
| AIR MILES reward miles issued | 1,423 | 1,344 | 1,486 | 1,316 | 1,053 | 1,240 | 1,355 | 1,112 | 1,139 |
| AIR MILES reward miles redeemed | 1,050 | 1,078 | 1,199 | 994 | 608 | 687 | 838 | 739 | 800 |
| Card Services (\$ in millions) | | | | | | | | | |
| Credit sales | \$7,551 | \$7,824 | \$9,297 | \$6,099 | \$4,799 | \$6,152 | \$7,657 | \$6,043 | \$7,401 |
| Average receivables | \$16,798 | \$17,449 | \$18,096 | \$18,294 | \$16,116 | \$15,300 | \$15,759 | \$15,785 | \$15,282 |
| Normalized average receivables* | \$18,335 | \$19,299 | \$19,368 | \$18,553 | \$16,204 | \$15,356 | \$15,759 | \$15,785 | \$15,282 |
| End of period receivables | \$17,615 | \$17,928 | \$19,463 | \$17,732 | \$15,809 | \$15,599 | \$16,784 | \$15,537 | \$15,724 |
| Total gross revenue yield %** | 23.9% | 24.7% | 23.3% | 25.5% | 20.4% | 22.5% | 22.3% | 23.0% | 22.5% |
| Cost of funds | 2.3% | 2.4% | 2.4% | 2.4% | 2.5% | 2.4% | 2.1% | 2.0% | 1.9% |
| Principal loss rate | 6.1% | 5.6% | 6.3% | 7.0% | 7.6% | 5.8% | 6.0% | 5.0% | 5.1% |
| Reserve rate | 5.7% | 5.9% | 6.0% | 12.1% | 13.3% | 13.3% | 12.0% | 11.9% | 10.4% |
| Delinquency rate | 5.2% | 5.9% | 5.8% | 6.0% | 4.3% | 4.7% | 4.4% | 3.8% | 3.3% |
| Return on equity | 31% | 28% | 23% | 18% | 15% | 14% | 16% | 27% | 36% |

*Normalized average receivables includes held-for-sale receivables

**Revenue divided by normalized average receivables

Financial Results – Quarterly

(\$ in millions, except per share)

| | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 |
|--|----------------|---------------|----------------|----------------|---------------|----------------|----------------|----------------|----------------|
| Total revenue | \$1,348 | 1,438 | \$1,461 | \$1,382 | \$979 | \$1,050 | \$1,110 | \$1,085 | \$1,012 |
| Total operating expenses, excl. provision for loan loss | 754 | 836 | 771 | 562 | 555 | 552 | 699 | 548 | 553 |
| Interest expense, net | 143 | 140 | 142 | 139 | 128 | 115 | 113 | 109 | 102 |
| Total expenses excl. provision for loan loss | 897 | 976 | 913 | 701 | 683 | 667 | 812 | 657 | 655 |
| Pre-provision, pre-tax earnings (PPNR) | \$451 | \$462 | \$548 | \$681 | \$297 | \$384 | \$299 | \$428 | \$358 |
| Provision for loan loss | 257 | 297 | 381 | 656 | 250 | 208 | 152 | 33 | (14) |
| Total earnings before tax (EBT) | \$194 | \$164 | \$167 | \$25 | \$47 | \$176 | \$146 | \$394 | \$372 |
| Income tax | 51 | 43 | 37 | (5) | 9 | 43 | 53 | 108 | 98 |
| Income from continuing operations | \$142 | \$122 | \$130 | \$30 | \$38 | \$133 | \$93 | \$286 | \$273 |
| Income from continuing operations per diluted share | \$2.71 | \$2.41 | \$2.74 | \$0.63 | \$0.81 | \$2.79 | \$1.93 | \$5.74 | \$5.47 |
| Weighted average shares outstanding – diluted | 52.6 | 50.4 | 47.6 | 47.7 | 47.7 | 47.8 | 48.4 | 49.8 | 50.0 |
| ***** | | | | | | | | | |
| (Including discontinued operations) | | | | | | | | | |
| Net income (loss) | \$139 | \$(108) | \$98 | \$30 | \$38 | \$133 | \$12 | \$286 | \$273 |
| Net income (loss) per diluted share | \$2.64 | \$(2.13) | \$2.05 | \$0.63 | \$0.81 | \$2.79 | \$0.25 | \$5.74 | \$5.47 |

See "Financial Measures" in earnings press release for a discussion of non-GAAP Financial Measures
Totals may not sum due to rounding

Financial Results – Segments by Quarter

| (\$ in millions) | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 |
|--|----------------|----------------|----------------|----------------|--------------|----------------|----------------|----------------|----------------|
| LoyaltyOne | \$251 | \$246 | \$332 | \$198 | \$151 | \$185 | \$231 | \$177 | \$151 |
| Card Services | \$1,097 | \$1,192 | 1,128 | 1,184 | 828 | 866 | 879 | 908 | 861 |
| Corporate/Other | - | - | - | - | - | - | - | - | - |
| Total revenue | \$1,348 | \$1,438 | \$1,461 | \$1,382 | \$979 | \$1,050 | \$1,110 | \$1,085 | \$1,012 |
| LoyaltyOne | \$27 | \$(5) | \$58 | \$47 | \$24 | \$18 | \$22 | \$32 | \$24 |
| Card Services | 263 | 300 | 162 | 32 | 70 | 212 | 187 | 410 | 404 |
| Corporate/Other | (96) | (131) | (52) | (53) | (47) | (55) | (63) | (47) | (57) |
| Total earnings before tax (EBT) | \$194 | \$164 | \$167 | \$25 | \$47 | \$176 | \$146 | \$394 | \$372 |

Totals may not sum due to rounding

Capital and Liquidity

Parent Level

- Liquidity at 6/30 of \$1.0 billion, consisting of cash on hand plus revolver capacity
- Approximately \$284 million in cash and cash equivalents, \$750 million in unused revolver

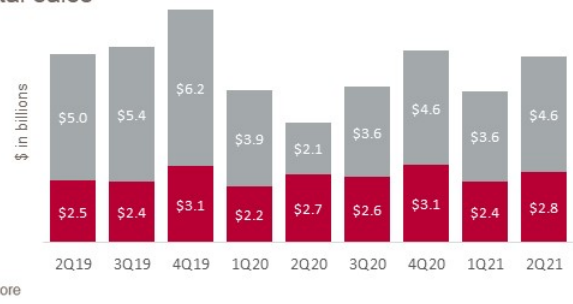
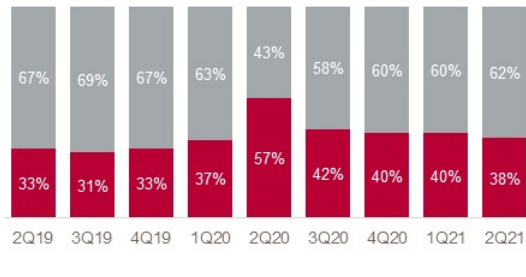
Bank Level

- Banks finished the quarter with \$2.7 billion in cash and \$3.1 billion in equity
- Total risk based capital ratio at 23.4% - over double the 10% threshold to be considered well-capitalized; CET1 at 22.1%
- Funding readily available with heavy demand for FDIC-insured deposit products – both direct-to-consumer and brokered

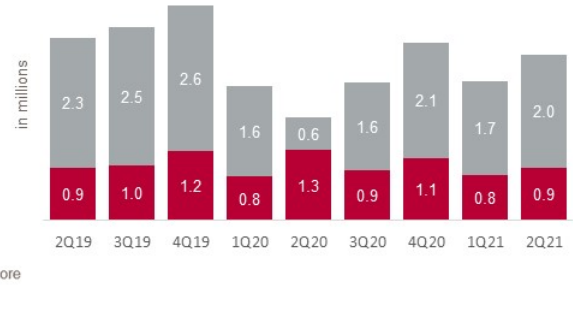
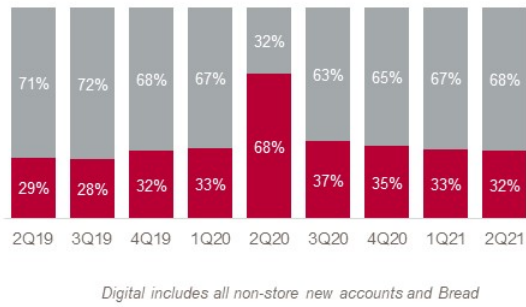
| Combined Banks Capital Ratios | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 |
|------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Common equity tier 1 capital ratio | 15.4% | 15.5% | 14.5% | 15.9% | 18.3% | 18.8% | 18.4% | 21.0% | 22.1% |
| Tier 1 capital ratio | 15.4% | 15.5% | 14.5% | 15.9% | 18.3% | 18.8% | 18.4% | 21.0% | 22.1% |
| Total risk based capital ratio | 16.7% | 16.8% | 15.8% | 17.3% | 19.7% | 20.1% | 19.7% | 22.3% | 23.4% |
| Tier 1 leverage capital ratio | 13.7% | 13.4% | 12.5% | 12.8% | 14.2% | 16.1% | 17.1% | 17.8% | 19.2% |

Card Services Sales Data

In-store vs. digital sales



In-store vs. digital new accounts



Digital includes all non-store new accounts and Bread

Reconciliation of Non-GAAP Information

| | 2Q21 |
|---|----------------|
| <i>(\$ in millions, except per share amounts)</i> | |
| Net income | \$273.5 |
| Add back non-cash/ non-operating items: | |
| Stock compensation expense | 9.2 |
| Amortization of purchased intangibles | 11.5 |
| Non-cash interest ⁽¹⁾ | 8.0 |
| Strategic transaction costs ⁽²⁾ | 4.8 |
| Income tax effect ⁽³⁾ | (7.1) |
| Core earnings | \$299.8 |
| ***** | |
| Weighted average shares outstanding – diluted | 50.0 |
| Core earnings per share – diluted | \$5.99 |

⁽¹⁾ Represents amortization of debt issuance costs.

⁽²⁾ Represents costs for professional services associated with strategic initiatives.

⁽³⁾ 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 | 2Q21 Total |
|--|---------------|----------------|-----------------|----------------|
| Income (loss) before income taxes | \$24.5 | \$404.5 | \$(57.4) | \$371.6 |
| Interest expense, net | (0.1) | 72.2 | 29.6 | 101.7 |
| Operating income (loss) | 24.4 | 476.7 | (27.8) | 473.3 |
| Depreciation and amortization | 9.4 | 21.5 | 0.6 | 31.5 |
| Stock compensation expense | 1.8 | 3.6 | 3.8 | 9.2 |
| Strategic transaction costs ⁽¹⁾ | - | - | 4.8 | 4.8 |
| Adjusted EBITDA | 35.6 | 501.8 | (18.6) | 518.8 |
| Less: Funding costs | - | 72.2 | - | 72.2 |
| Adjusted EBITDA, net | \$35.6 | \$429.6 | \$(18.6) | \$446.6 |

⁽¹⁾ Represents costs for professional services associated with strategic initiatives.

Alliance Data announces spinoff of the LoyaltyOne Segment

Proposed spinoff is expected to be tax-free and will create two independent, publicly traded companies

| | |
|---------------|--|
| Rationale | <ul style="list-style-type: none">Aligns with our strategic transformation to deliver long-term, sustainable growthPositions both companies to invest more deeply in their unique growth opportunitiesTransaction expected to strengthen Alliance Data's balance sheet and improve key ratiosCreates standalone data-driven, tech-enabled loyalty solutions provider, "Spinco" |
| Leadership | <ul style="list-style-type: none">Ralph Andretta will remain president and CEO of Alliance DataCharles Horn will continue to lead LoyaltyOne and will be named President and CEO of SpincoBoard of Directors will be established for Spinco and announced in the coming monthsNo resulting change to Alliance Data Board of Directors |
| Timing | <ul style="list-style-type: none">Announced on May 12, 2021Spinoff is expected to be completed in Q4 2021, subject to market conditions and satisfaction of regulatory requirements |
| Balance Sheet | <ul style="list-style-type: none">Spinco will raise debt capital and distribute the funds to Alliance Data for corporate debt reduction as part of the spinAlliance Data retains ~19% non-controlling interest in Spinco, with the intent to monetize that stake as appropriate for Alliance Data corporate debt reduction4.75% Senior Notes due 2024 & 7.00% Senior Notes due 2026 to remain with Alliance Data |