

Alliance Data

Third Quarter 2021 Results

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President & CEO

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EVP & CFO

October 28, 2021



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-tax pre-provision earnings. Pre-tax pre-provision 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.

Third Quarter 2021 Key Takeaways

Business development and product update

- Strong pipeline and robust business development activities
 - Balanced mix of portfolios and products
 - Continued investment in Bread/Digital to scale for growth in 2022
 - Announced new Sezzle strategic business relationship
-

Credit sales and performance remain strong

- Credit sales improvement impacted by non-renewal
 - Credit performance reflective of disciplined risk management & environment
 - Payment rates remain elevated, but expected to lessen over time
-

Streamlining businesses through spin

- Advances our strategic transformation to deliver long-term, sustainable growth
- Positions both companies to focus on their unique growth opportunities
- Spin will strengthen Alliance Data's balance sheet and improve key ratios
- Spin expected to be completed 11/5/21

Third Quarter 2021 Financial Highlights

\$1.1 BN

Revenue

\$224MM

Net Income

\$4.47

Diluted EPS

- Revenue increased 5% year-over-year, while total expenses excluding provision for loan loss declined 3%
- Net Income of \$224 million was up 68% year-over-year
- Credit sales of \$7.4 billion were up 20% year-over-year
- Average receivables were up 1% year-over-year
- Credit metrics remained strong with a net loss rate of 3.9% for the quarter

Brand Partner Highlights

Select New Brand Partners

TOURNEAU

New Bread Strategic Relationship



Brand Partner Renewals

GameStop

Petland
PETLAND PETS MAKE LIFE BETTER!

Select New Bread Direct Acquisition Partners

EL DORADO
FURNITURE

META



NICE

Quick N Mobile



Bread Business Update

Direct Acquisition



+



Select new brand partners include
El Dorado and Nikon

Nearly 30 new direct partners
signed within 30 days

Distribution Partners



New relationship with Sezzle on Bread
platform to offer installment lending

Fiserv in-store capabilities
and full roll-out in early 2022

Platform-as-a-Service



RBC/Bread launched with Xbox All Access
at Best Buy and The Source

RBC/Bread went live with several
new SME partners



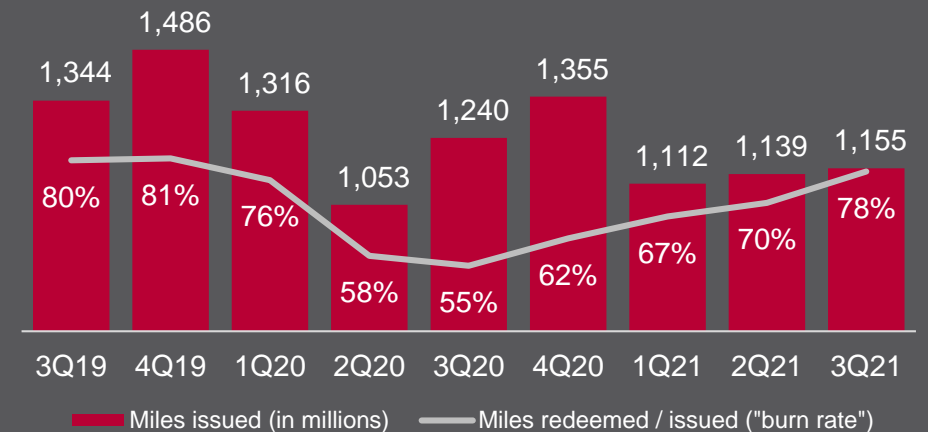
AIR MILES™

- AIR MILES® reward miles issued and redeemed increased versus 2Q21 as airline bookings improved and merchandise redemptions remained strong
- We remain optimistic on the long-term outlook as travel returns to steady-state levels
- Rebranded and relaunched AIR MILES to the marketplace with enhanced benefits, new logo and digital properties

Brand Loyalty

- BrandLoyalty had strong initial campaign launches in September with momentum continuing into the fourth quarter
- Consumers are actively engaged in loyalty campaigns with particular success in products focused on the home

LoyaltyOne® Performance Highlights



Financial Results – Consolidated

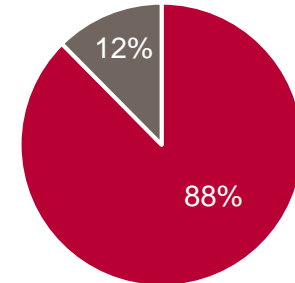
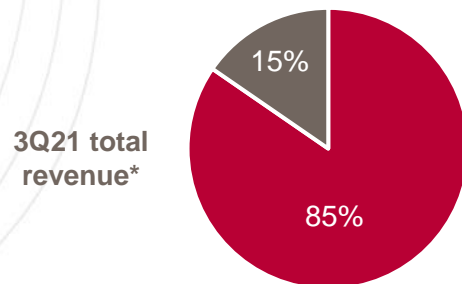
(\$ in millions, except per share)	3Q21	3Q20	% Change
Total revenue	\$1,099	\$1,050	5 %
Total operating expenses, excl. provision for loan loss	555	552	1
Interest expense, net	92	115	(20)
Total expenses excl. provision for loan loss	647	667	(3) %
Pre-tax pre-provision earnings (PPNR)	\$452	\$384	18 %
Provision for loan loss	161	208	(22)
Total earnings before tax (EBT)	\$291	\$176	65 %
Income tax	67	43	57
Net income	\$224	\$133	68 %
Net income per diluted share	\$4.47	\$2.79	60 %
Weighted average shares outstanding – diluted	50.0	47.8	

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)

	3Q21	3Q20	% Change
LoyaltyOne	\$169	\$185	(8)%
Card Services	930	866	7
Corporate/Other	-	-	nm
Total revenue	\$1,099	\$1,050	5%
LoyaltyOne	\$45	\$18	143%
Card Services	314	212	48
Corporate	(64)	(55)	17
Eliminations	(4)	-	nm
Total earnings before tax (EBT)	\$291	\$176	65%

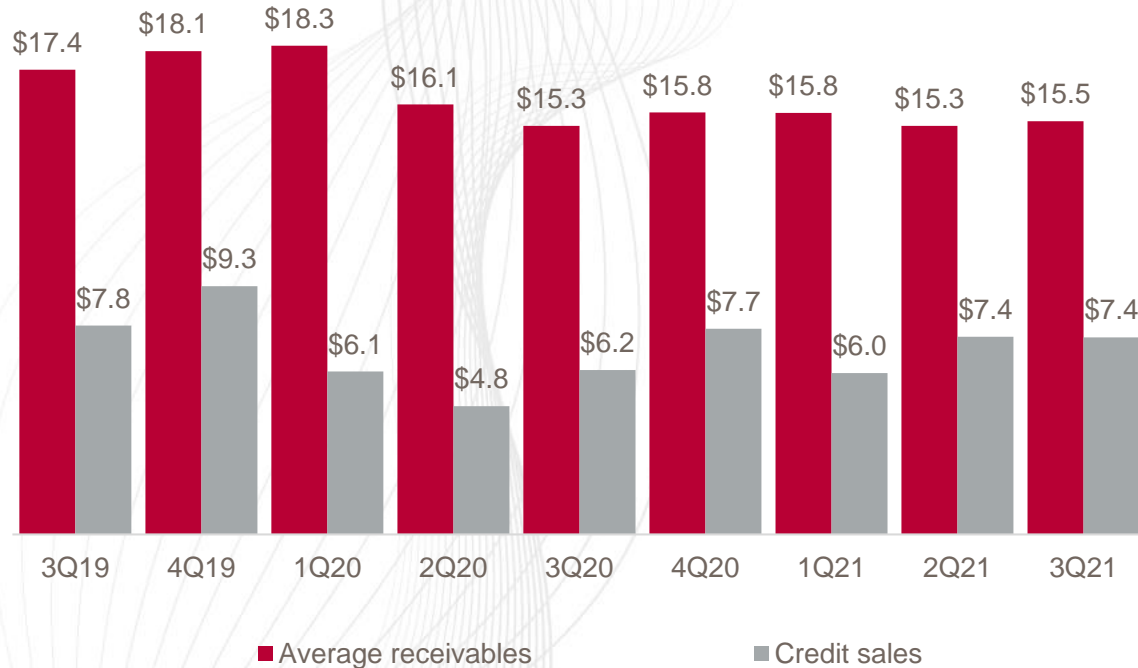


■ Card Services ■ LoyaltyOne

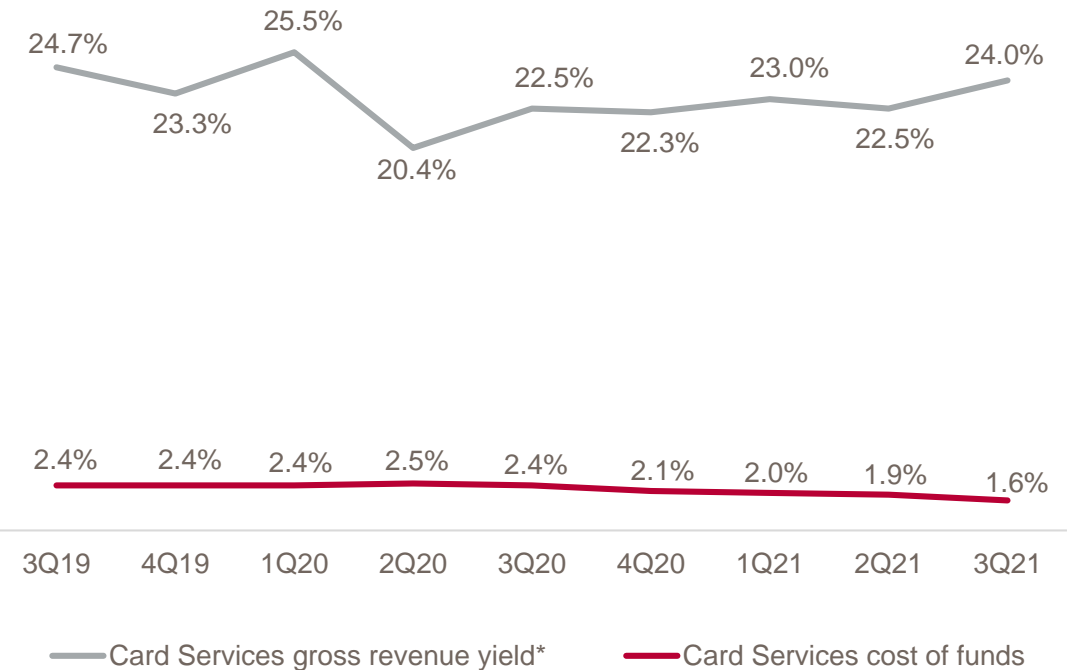
* Percentages based on Card Services and LoyaltyOne segments combined as reported excluding Corporate/Other and intersegment eliminations. Totals may not sum due to rounding; nm = not meaningful

Key Business Metrics

Average receivables and credit sales
(\$ in billions)



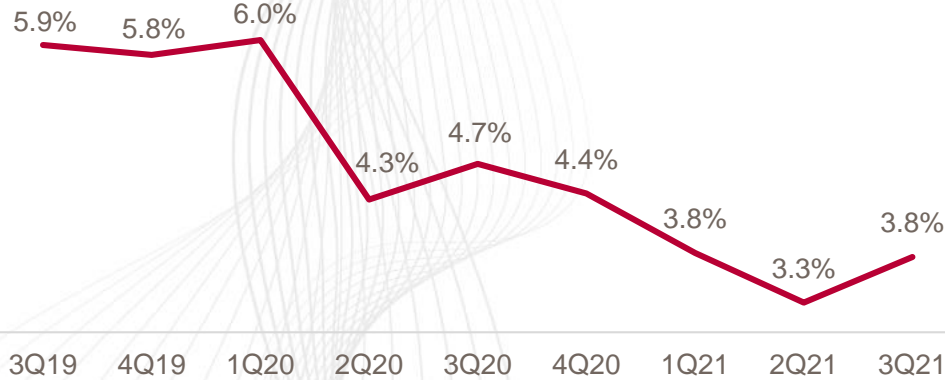
Card Services gross revenue yield and cost of funds



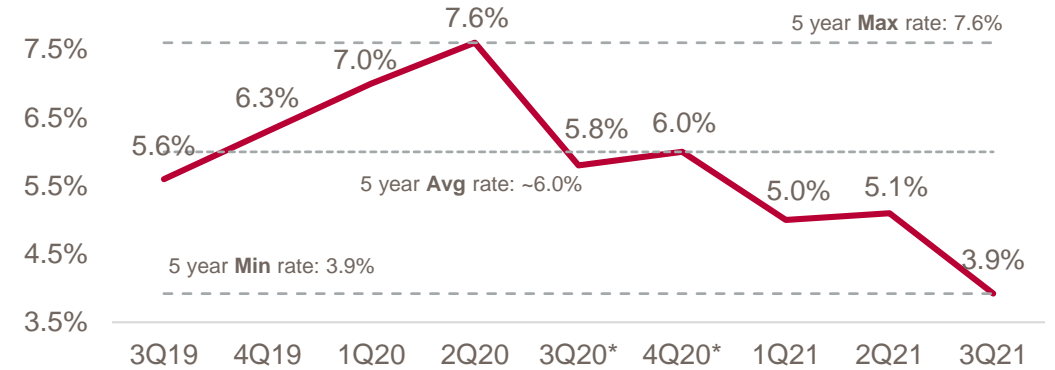
*Revenue divided by average receivables and held-for-sale receivables

Credit Quality and Allowance

Delinquency rate



Net loss rate



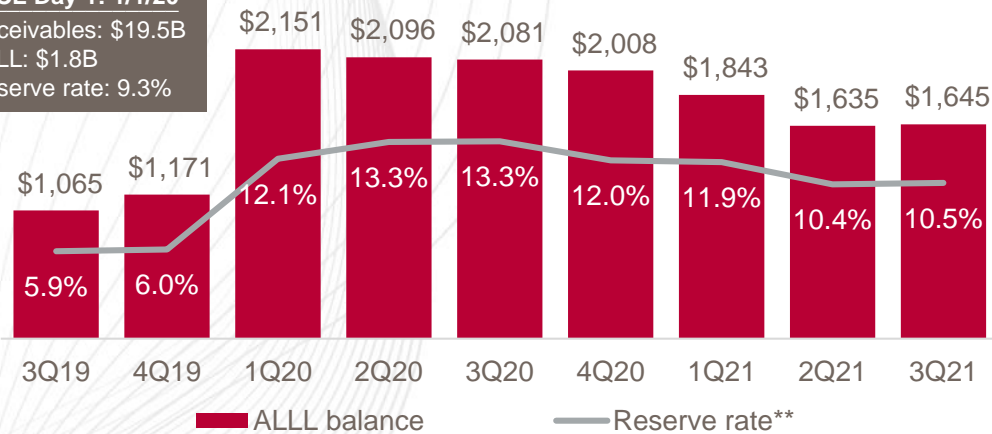
Historic quarterly range for the last five years

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

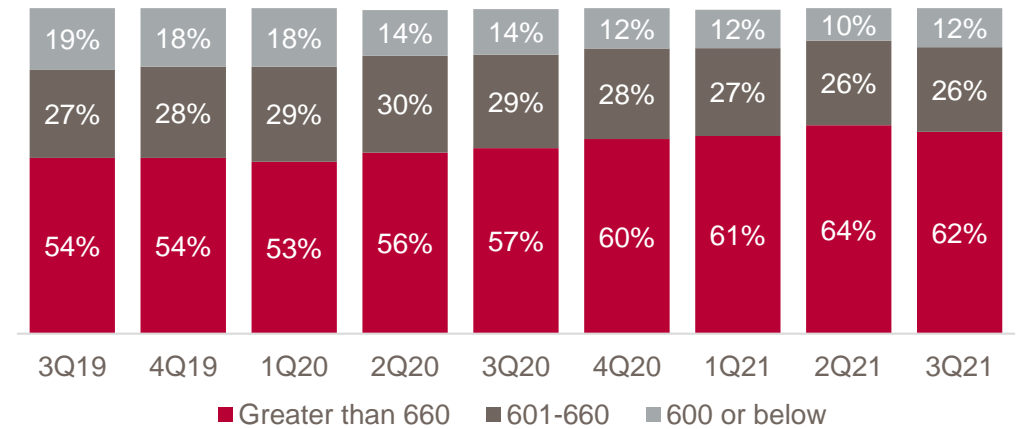
Reserve rate (\$ in Millions)

CECL Day 1: 1/1/20

Receivables: \$19.5B
ALLL: \$1.8B
Reserve rate: 9.3%



Revolving Credit Risk Distribution



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

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 to down	<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%	High 4% range	<ul style="list-style-type: none"> • Credit performance reflective of disciplined risk management and environment

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

Our Business Transformation Continues

- ✓ Simplifying our Business Model
- ✓ Expanding our Product Suite
- ✓ Leveraging our Bread Fintech Platform & Developing Strategic Relationships
- ✓ Enhancing our Core Technology & Advancing Digital Capabilities
- ✓ Attracting Top Talent, Activating DE&I Strategy, Driving Inclusive Culture
- ✓ Changing the Way We Work
- ✓ Improving our Leverage and Capital Ratios
- ✓ Increased Prioritization of ESG Strategy, in Alignment with Business Transformation

Appendix



Key Business Metrics

	3Q21	3Q20	3Q21 vs 3Q20	2Q21	3Q21 vs 2Q21
<u>LoyaltyOne</u> (in millions)					
AIR MILES reward miles issued	1,155	1,240	(7)%	1,139	1%
AIR MILES reward miles redeemed	896	687	30%	800	12%
<u>Card Services</u> (\$ in millions)					
Credit sales	\$7,380	\$6,152	20%	\$7,401	-%
Average receivables	\$15,471	\$15,300	1%	\$15,282	1%
End of period receivables	\$15,690	\$15,599	1%	\$15,724	-%
Total gross revenue yield %	24.0%	22.5%	1.5%	22.5%	1.5%
Cost of funds	1.6%	2.4%	(0.8)%	1.9%	(0.3)%
Principal loss rate	3.9%	5.8%	(1.9)%	5.1%	(1.2)%
Reserve rate	10.5%	13.3%	(2.8)%	10.4%	0.1%
Delinquency rate	3.8%	4.7%	(0.9)%	3.3%	0.5%
Return on equity	37%	14%	23%	36%	1%

Key Business Metrics – Quarterly

	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
<u>LoyaltyOne</u> (in millions)									
AIR MILES reward miles issued	1,344	1,486	1,316	1,053	1,240	1,355	1,112	1,139	1,155
AIR MILES reward miles redeemed	1,078	1,199	994	608	687	838	739	800	896
<u>Card Services</u> (\$ in millions)									
Credit sales	\$7,824	\$9,297	\$6,099	\$4,799	\$6,152	\$7,657	\$6,043	\$7,401	\$7,380
Year-over-year change	6%	4%	-3%	-36%	-21%	-18%	-1%	54%	20%
Average receivables	\$17,449	\$18,096	\$18,294	\$16,116	\$15,300	\$15,759	\$15,785	\$15,282	\$15,471
Year-over-year change	-1%	8%	9%	-4%	-12%	-13%	-14%	-5%	1%
End of period receivables	\$17,928	\$19,463	\$17,732	\$15,809	\$15,599	\$16,784	\$15,537	\$15,724	\$15,690
Year-over-year change	3%	9%	5%	-10%	-13%	-14%	-12%	-1%	1%
Total gross revenue yield %	24.7%	23.3%	25.5%	20.4%	22.5%	22.3%	23.0%	22.5%	24.0%
Cost of funds	2.4%	2.4%	2.4%	2.5%	2.4%	2.1%	2.0%	1.9%	1.6%
Principal loss rate	5.6%	6.3%	7.0%	7.6%	5.8%	6.0%	5.0%	5.1%	3.9%
Reserve rate	5.9%	6.0%	12.1%	13.3%	13.3%	12.0%	11.9%	10.4%	10.5%
Delinquency rate	5.9%	5.8%	6.0%	4.3%	4.7%	4.4%	3.8%	3.3%	3.8%
Return on equity	28%	23%	18%	15%	14%	16%	27%	36%	37%

Financial Results – Quarterly

(\$ in millions, except per share)

	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
Total revenue	\$1,438	\$1,461	\$1,382	\$979	\$1,050	\$1,110	\$1,085	\$1,012	\$1,099
Total operating expenses, excl. provision for loan loss	836	771	562	555	552	699	548	553	555
Interest expense, net	140	142	139	128	115	113	109	102	92
Total expenses excl. provision for loan loss	976	913	701	683	667	812	657	655	647
Pre-tax pre-provision earnings (PPNR)	\$462	\$548	\$681	\$297	\$384	\$299	\$428	\$358	\$452
Provision for loan loss	297	381	656	250	208	152	33	(14)	161
Total earnings before tax (EBT)	\$164	\$167	\$25	\$47	\$176	\$146	\$394	\$372	\$291
Income tax	43	37	(5)	9	43	53	108	98	67
Income from continuing operations	\$122	\$130	\$30	\$38	\$133	\$93	\$286	\$273	\$224
Income from continuing operations per diluted share	\$2.41	\$2.74	\$0.63	\$0.81	\$2.79	\$1.93	\$5.74	\$5.47	\$4.47
Weighted average shares outstanding – diluted	50.4	47.6	47.7	47.7	47.8	48.4	49.8	50.0	50.0

(Including discontinued operations)									
Net income (loss)	\$(108)	\$98	\$30	\$38	\$133	\$12	\$286	\$273	\$224
Net income (loss) per diluted share	\$(2.13)	\$2.05	\$0.63	\$0.81	\$2.79	\$0.25	\$5.74	\$5.47	\$4.47

Totals may not sum due to rounding

Financial Results – Segments by Quarter

(\$ in millions)

	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
LoyaltyOne	\$246	\$332	\$198	\$151	\$185	\$231	\$177	\$151	\$169
Card Services	\$1,192	1,128	1,184	828	866	879	908	861	930
Corporate/Other	-	-	-	-	-	-	-	-	-
Total revenue	\$1,438	\$1,461	\$1,382	\$979	\$1,050	\$1,110	\$1,085	\$1,012	\$1,099
LoyaltyOne	\$(5)	\$58	\$47	\$24	\$18	\$22	\$32	\$24	\$45
Card Services	300	162	32	70	212	187	410	404	314
Corporate/Other	(131)	(52)	(53)	(47)	(55)	(63)	(47)	(57)	(64)
Eliminations	-	-	-	-	-	-	-	-	(4)
Total earnings before tax (EBT)	\$164	\$167	\$25	\$47	\$176	\$146	\$394	\$372	\$291

Totals may not sum due to rounding

Funding, Capital and Liquidity

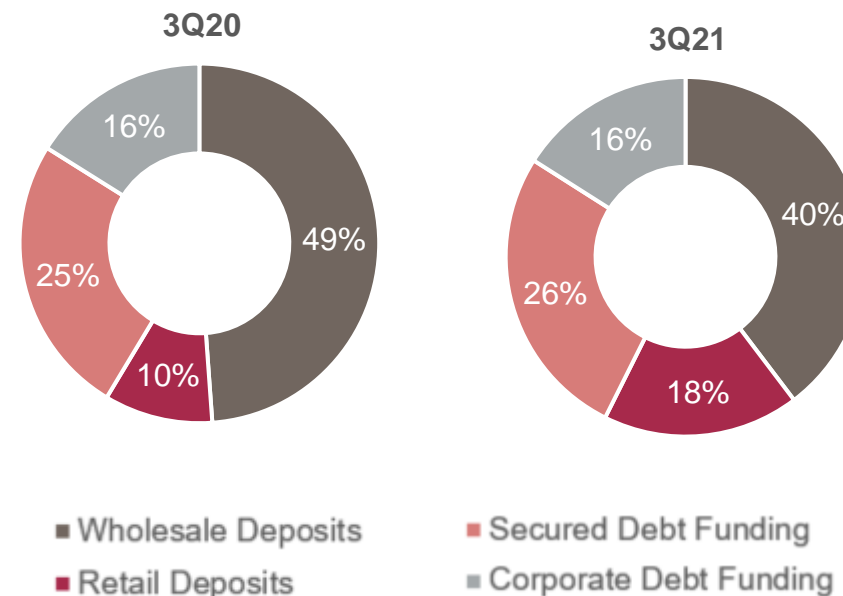
Parent Level

- Liquidity at 9/30 of \$1.1 billion, consisting of cash on hand plus revolver capacity
- Approximately \$332 million in cash and cash equivalents, ~\$750 million in unused revolver
- 9/30 TCE/TA ratio of ~4.0%. Expect ~300 basis point improvement in TCE/TA as a result of the spin

Bank Level

- Banks finished the quarter with \$2.8 billion in cash and \$3.3 billion in equity
- Total risk based capital ratio at 23.9% - over double the 10% threshold to be considered well-capitalized; CET1 at 22.6%
- Funding readily available with heavy demand for FDIC-insured deposit products – continued strategic focus on retail growth

Funding Mix

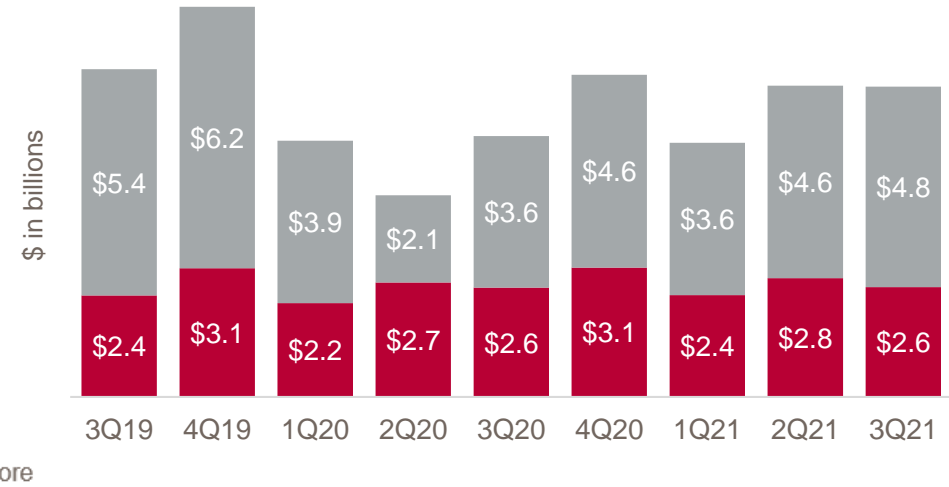
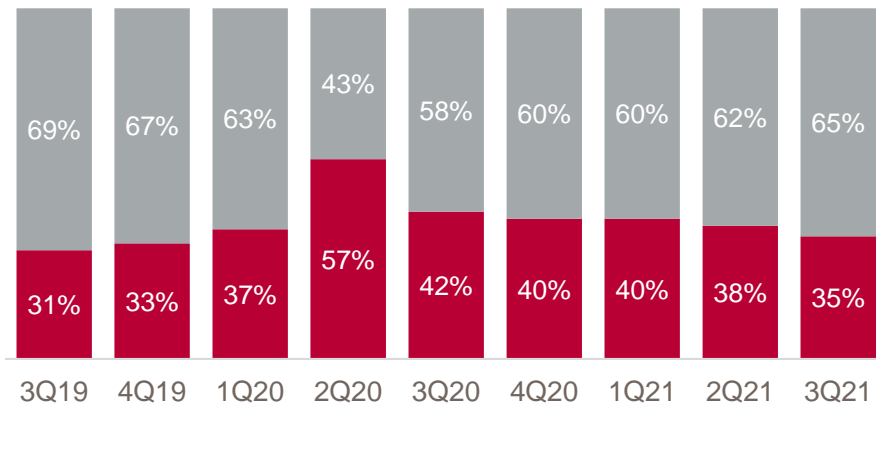


Combined Banks Capital Ratios

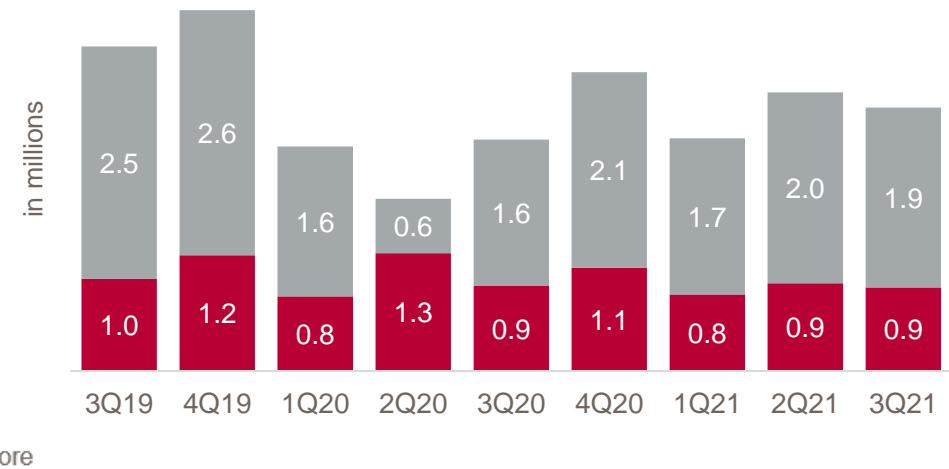
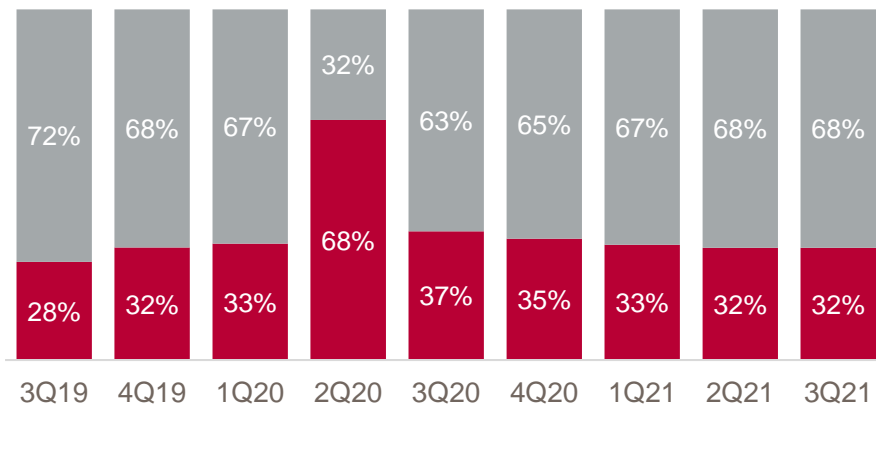
	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
Common equity tier 1 capital ratio	15.5%	14.5%	15.9%	18.3%	18.8%	18.4%	21.0%	22.1%	22.6%
Tier 1 capital ratio	15.5%	14.5%	15.9%	18.3%	18.8%	18.4%	21.0%	22.1%	22.6%
Total risk based capital ratio	16.8%	15.8%	17.3%	19.7%	20.1%	19.7%	22.3%	23.4%	23.9%
Tier 1 leverage capital ratio	13.4%	12.5%	12.8%	14.2%	16.1%	17.1%	17.8%	19.2%	19.5%

Card Services Sales Data

In-store vs. digital sales



In-store vs. digital new accounts



Digital includes all non-store new accounts and Bread