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 25, 2019

ALLIANCE DATA SYSTEMS CORPORATION

(Exact Name of Registrant as Specified in Charter)

DELAWARE	**001-15749**	**31-1429215**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(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

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 April 25, 2019, Alliance Data Systems Corporation (the "Company") issued a press release regarding its results of operations for the first quarter ended March 31, 2019. A copy of this press release is furnished as Exhibit 99.1.

ITEM 7.01. Regulation FD Disclosure

On April 25, 2019, the Company issued a press release regarding its results of operations for the first quarter ended March 31, 2019. 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 April 25, 2019 announcing the results of operations for the first quarter ended March 31, 2019.
99.2	Investor Presentation Materials.

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: April 25, 2019	By:	/s/ Charles L. Horn
		Charles L. Horn Executive Vice President and Chief Financial Officer

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Alliance Data Reports First Quarter 2019 Results

- **Revenue Decreases 3 Percent to $1.33 Billion**
- **EPS Increases 3 Percent to $3.28**
- **Core EPS Decreases 6 Percent to $3.72**
- **Epsilon Reclassified as Discontinued Operations Due to Pending Sale to Publicis**

Plano, TX, April 25, 2019 – Alliance Data Systems Corporation (NYSE: ADS), a leading global provider of data-driven marketing and loyalty solutions, today announced results for the quarter ended March 31, 2019.

SUMMARY	**Quarter Ended March 31,**		
(in millions, except per share amounts)	**2019**	**2018**	**% Change**
Revenue	$ 1,334	$ 1,382	-3%
Income from continuing operations	$ 174	$ 176	-1%
Net income	$ 149	$ 164	-9%
Income from continuing operations per diluted share ("EPS")	$ 3.28	$ 3.17	+3%
Net income per diluted share	$ 2.80	$ 2.95	-5%
Diluted shares outstanding	53.2	55.7	
*******************************			
Supplemental Non-GAAP Metrics (a):			
Adjusted EBITDA	$ 423	$ 435	-3%
Adjusted EBITDA, net of funding costs ("adjusted EBITDA, net")	$ 317	$ 347	-9%
Core earnings per diluted share ("core EPS")	$ 3.72	$ 3.95	-6%

(a) See "Financial Measures" for a discussion of non-GAAP financial measures.

Ed Heffernan, president and chief executive officer of Alliance Data, commented, "The first quarter came in as expected as we execute our shift to more attractive verticals and clients within Card Services. Prior to the reclassification of Epsilon® to discontinued operations, our revenue decreased 3 percent to $1.8 billion and core EPS decreased 8 percent to $4.07. Both are consistent with guidance for the first quarter of revenue down mid-single digits and core EPS down high-single digits.

"As previously announced, the Company has signed a definitive agreement to sell Epsilon for $4.4 billion. After taxes and transaction costs, net proceeds are expected to be approximately $3.5 billion. The Company expects to use transaction proceeds to pay down at least $1.9 billion of senior debt (approximately $102 million in annual cash interest expense savings) and repurchase shares. These actions, coupled with meaningful expense reductions at corporate, are expected to result in a pro forma full–year run-rate[1] in excess of our original $22.00 core EPS guidance."

Heffernan continued, "Moving beyond Epsilon, the Company has additional initiatives underway which will further simplify the narrative as well as focus capital on the highest earning and growth assets. Further information will be provided when appropriate."

1 Assumes use of proceeds/expense reductions are effectuated 1/1/2019.

CONSOLIDATED RESULTS

Revenue decreased 3 percent to $1.33 billion, while EPS increased 3 percent to $3.28 for the first quarter of 2019. The effective tax rate for EPS was approximately 16 percent, compared to approximately 27 percent for the first quarter of 2018, due to the release of certain tax reserves. Core EPS decreased 6 percent to $3.72 for the first quarter of 2019, while adjusted EBITDA, net decreased 9 percent to $317 million for the first quarter of 2019.

SEGMENT RESULTS

	Quarter Ended March 31,		
(in millions)	**2019**	**2018**	**% Change**
Revenue:			
LoyaltyOne	$ 204	$ 226	-10%
Card Services	$ 1,130	$ 1,155	-2%
Total revenue	$ 1,334	$ 1,381	-3%
Adjusted EBITDA, net:			
LoyaltyOne	$ 55	$ 54	+2%
Card Services	$ 295	$ 319	-7%
Corporate/other	$ (33)	$ (26)	
Total adjusted EBITDA, net	$ 317	$ 347	-9%
Discontinued Operations:			
Epsilon revenue	$ 508	$ 509	0%
Epsilon adjusted EBITDA	$ 80	$ 92	-13%
Epsilon core EPS (a)	$ 0.35	$ 0.49	-29%

(a) Interest expense associated with the senior debt to be retired has been allocated to discontinued operations for both periods presented.

LoyaltyOne®: Revenue decreased 10 percent to $204 million, while adjusted EBITDA increased 2 percent to $55 million for the quarter ended March 31, 2019. Revenue was flat with the prior year when adjusted for unfavorable foreign exchange rates and additional product outsourcing, whereby redemptions are now recorded as net revenue. AIR MILES® reward miles issued increased 3 percent for the first quarter of 2019, primarily due to strength in the grocery vertical. BrandLoyalty revenue increased 3 percent on a constant currency basis. During the quarter, BrandLoyalty implemented several initiatives to lower its fixed operating costs resulting in approximately $8 million in restructuring costs.

Card Services: Revenue decreased 2 percent to $1.13 billion and adjusted EBITDA, net decreased 7 percent to $295 million for the first quarter of 2019. Gross yields decreased 70 basis points to 24.1 percent on normalized average card receivables growth of 1 percent (card receivables plus held-for-sale receivables). The loan loss provision decreased 25 percent to $252 million as a result of lower reservable card receivables and improving principal loss rate trends. Operating expenses increased $65 million to $505 million, primarily due to an approximate $40 million increase in mark-to-market charges on held-for-sale receivables.

2019 Guidance Adjusted for Discontinued Operations

Revised guidance is revenue of $5.84 billion, up 4 percent over 2018, and core EPS of $18.47, down 4 percent compared to 2018. Core EPS growth is expected to be muted, especially in the first-half of the year, as the Company completes the divestiture of non-strategic held-for-sale portfolios, which began in the second-half of 2018.

Revised guidance does not include the anticipated benefits of share repurchases as part of the use of proceeds from the expected Epsilon sale, nor related lower corporate expense. The Company expects the benefits to be accretive on a pro forma run-rate basis to the original core EPS guidance of $22.00 for 2019.

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 additional strategic initiatives, the pending Epsilon transaction and whether closing conditions for such transaction will be satisfied or waived and the expected use of proceeds therefrom, our expected operating results, future economic conditions including currency exchange rates, future dividend declarations and the guidance we give with respect to our anticipated financial performance.

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. Further risks and uncertainties include, but are not limited to, the pending transaction involving Epsilon, whether such transaction will be completed, the possibility that closing conditions for the transaction may not be satisfied or waived, the impact of additional strategic initiatives on us or our business if any transactions are undertaken, and whether the benefits of such transactions can be achieved.

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 constant currency financial measures, 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. The Company uses adjusted EBITDA and adjusted EBITDA, net as an integral part of internal reporting to measure the performance and operational strength of reportable segments and to evaluate the performance of senior management. 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. 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, restructuring or strategic transaction costs, amortization of debt issuance and hedging costs. 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). No reconciliation is provided with respect to forward-looking annual guidance for 2019 core EPS as the Company cannot reliably predict all necessary components or their impact to reconcile core EPS to GAAP EPS without unreasonable effort. 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. Core earnings and core EPS 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.

Conference Call

Alliance Data will host a conference call on Thursday, April 25, 2019 at 8:30 a.m. (Eastern Time) to discuss the Company's first-quarter 2019 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 (855) 859-2056 or (404) 537-3406 and enter "7599344". The replay will be available at approximately 11:45 a.m. (Eastern Time) on Thursday, April 25, 2019.

About Alliance Data

Alliance Data® (NYSE: ADS) is a leading global provider of data-driven marketing and loyalty solutions serving large, consumer-based industries. The Company creates and deploys customized solutions, enhancing the critical customer marketing experience; the result is measurably changing consumer behavior while driving business growth and profitability for some of today's most recognizable brands. Alliance Data helps its clients create and increase customer loyalty through solutions that engage millions of customers each day across multiple touch points using traditional, digital, mobile and emerging technologies. An S&P 500, FORTUNE 500 and FORTUNE 100 Best Companies to Work For company headquartered in Plano, Texas, Alliance Data consists of three businesses that together employ approximately 20,000 associates at more than 100 locations worldwide.

Alliance Data's card services business is a provider of market-leading private label, co-brand, and business credit card programs. Epsilon® is a leading provider of multichannel, data-driven technologies and marketing services, and also includes Conversant®, a leader in personalized digital marketing. 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.

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 March 31, 2019	Three Months Ended March 31, 2018
Revenue	$ 1,334.2	$ 1,381.7
Operating expenses:		
Cost of operations	678.8	623.0
Provision for loan loss	252.1	337.7
Depreciation and amortization	46.4	48.7
Total operating expenses	977.3	1,009.4
Operating income	356.9	372.3
Interest expense, net:		
Securitization funding costs	57.3	52.1
Interest expense on deposits	48.7	35.5
Interest expense on long-term and other debt, net	43.5	44.2
Total interest expense, net	149.5	131.8
Income from continuing operations before income taxes	$ 207.4	$ 240.5
Income tax expense	33.1	64.0
Income from continuing operations	174.3	176.5
Loss from discontinued operations, net of taxes	(25.2)	(12.6)
Net income	$ 149.1	$ 163.9
Per share data:		
Weighted average shares outstanding – basic	53.0	55.4
Weighted average shares outstanding - diluted	53.2	55.7
Basic – Income from continuing operations	$ 3.29	$ 3.19
Basic – Loss from discontinued operations	(0.48)	(0.23)
Basic – Net income	$ 2.81	$ 2.96
Diluted – Income from continuing operations	$ 3.28	$ 3.17
Diluted – Loss from discontinued operations	(0.48)	(0.22)
Diluted – Net income	$ 2.80	$ 2.95

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

	March 31, 2019	December 31, 2018
Assets		
Cash and cash equivalents	$ 3,685.0	$ 3,817.4
Credit card and loan receivables:		
Credit card and loan receivables	16,850.5	17,855.0
Allowance for loan loss	(1,021.1)	(1,038.3)
Credit card and loan receivables, net	15,829.4	16,816.7
Credit card receivables held for sale	1,848.9	1,951.6
Redemption settlement assets, restricted	576.1	558.6
Right of use assets - operating	271.2	—
Intangible assets, net	189.6	217.4
Goodwill	950.0	954.8
Other assets	1,858.2	1,913.8
Assets of discontinued operations	4,224.7	4,157.4
Total assets	$ 29,433.1	$ 30,387.7
Liabilities and Stockholders' Equity		
Deferred revenue	$ 877.3	$ 875.3
Deposits	11,292.0	11,793.7
Non-recourse borrowings of consolidated securitization entities	6,775.5	7,651.7
Long-term and other debt	5,881.5	5,725.4
Operating lease liabilities	321.2	—
Other liabilities	1,654.0	1,703.8
Liabilities of discontinued operations	392.1	305.7
Total liabilities	27,193.6	28,055.6
Stockholders' equity	2,239.5	2,332.1
Total liabilities and stockholders' equity	$ 29,433.1	$ 30,387.7

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

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Cash Flows from Operating Activities:		
Net income	$ 149.1	$ 163.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	118.9	121.7
Deferred income taxes	(35.0)	(16.2)
Provision for loan loss	252.1	337.7
Non-cash stock compensation	21.1	25.5
Amortization of deferred financing costs	11.0	11.4
Change in operating assets and liabilities	8.7	(108.0)
Originations of loan receivables held for sale	—	(2,271.7)
Sales of loan receivables held for sale	—	2,312.8
Other	84.9	72.8
Net cash provided by operating activities	610.8	649.9
Cash Flows from Investing Activities:		
Change in redemption settlement assets	(0.1)	(14.5)
Change in credit card and loan receivables	758.2	470.5
Capital expenditures	(38.7)	(44.7)
Other	(1.9)	(18.4)
Net cash provided by investing activities	717.5	392.9
Cash Flows from Financing Activities:		
Borrowings under debt agreements	1,045.1	685.0
Repayments of borrowings	(870.9)	(706.5)
Net decrease in deposits	(502.6)	(448.4)
Non-recourse borrowings of consolidated securitization entities	1,122.2	905.0
Repayments/maturities of non-recourse borrowings of consolidated securitization entities	(1,997.5)	(1,590.0)
Payment of deferred financing costs	(5.4)	(3.5)
Purchase of treasury shares	(222.8)	—
Dividends paid	(33.9)	(31.7)
Other	(17.2)	(23.7)
Net cash used in financing activities	(1,483.0)	(1,213.8)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	3.0	(1.7)
Change in cash, cash equivalents and restricted cash	(151.7)	(172.7)
Cash, cash equivalents and restricted cash at beginning of period	3,967.7	4,314.7
Cash, cash equivalents and restricted cash at end of period	$ 3,816.0	$ 4,142.0

Note: The cash flow statement is presented with the combined cash flows from discontinued operations with cash flows from continuing operations within each cash flow statement category.

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

	Three Months Ended March 31,		
	2019	**2018**	**Change**
Segment Revenue:			
LoyaltyOne	$ 203.8	$ 226.3	(10)%
Card Services	1,130.4	1,155.2	(2)
Corporate/Other	—	0.2	nm*
Total	$ 1,334.2	$ 1,381.7	(3)%
Segment Adjusted EBITDA, net:			
LoyaltyOne	$ 55.1	$ 53.9	2%
Card Services	294.9	318.6	(7)
Corporate/Other	(33.5)	(25.5)	(30)
Total	$ 316.5	$ 347.0	(9)%
Key Performance Indicators:			
Credit sales	$ 6,315	$ 6,806	(7)%
Credit sales - active	$ 5,884	$ 5,636	4%
Average receivables	$ 16,850	$ 17,722	(5)%
Gross yield	24.1%	24.8%	(0.7)%
Net principal loss rate	6.4%	6.7%	(0.3)%
Delinquency rate	5.2%	5.3%	(0.1)%
AIR MILES reward miles issued	1,258	1,226	3%
AIR MILES reward miles redeemed	1,089	1,178	(8)%

* nm-not meaningful

ALLIANCE DATA SYSTEMS CORPORATION
RECONCILIATION OF NON-GAAP INFORMATION
(In millions, except per share amounts)
(Unaudited)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Adjusted EBITDA and Adjusted EBITDA, net:		
Income from continuing operations	$ 174.3	$ 176.5
Income tax expense	33.1	64.0
Total interest expense, net	149.5	131.8
Depreciation and other amortization	20.6	19.3
Amortization of purchased intangibles	25.8	29.4
Stock compensation expense	11.3	13.6
Restructuring charges (1)	7.9	—
Adjusted EBITDA	$ 422.5	$ 434.6
Less: Funding costs (2)	106.0	87.6
Adjusted EBITDA, net of funding costs	$ 316.5	$ 347.0
Core Earnings:		
Income from continuing operations	$ 174.3	$ 176.5
Add back: non-cash/ non-operating items:		
Stock compensation expense	11.3	13.6
Amortization of purchased intangibles	25.8	29.4
Non-cash interest (3)	9.5	9.9
Restructuring charges (1)	7.9	—
Income tax effect (4)	(31.0)	(9.4)
Core earnings	$ 197.8	$ 220.0
Weighted average shares outstanding - diluted	53.2	55.7
Core earnings per share - diluted	$ 3.72	$ 3.95

(1) Represents costs associated with the wind-down of Merison, a Netherlands-based loyalty marketer within BrandLoyalty.
(2) Represents interest expense on deposits and securitization funding costs.
(3) Represents amortization of debt issuance costs.
(4) Represents the tax effect including the related non-GAAP measure adjustments using the expected effective annual tax rate.

	Three Months Ended March 31, 2019			
	LoyaltyOne	Card Services	Corporate/ Other	Total
Operating income (loss)	$ 24.1	$ 372.9	$ (40.1)	$ 356.9
Depreciation and amortization	20.1	24.3	2.0	46.4
Stock compensation expense	3.0	3.7	4.6	11.3
Restructuring charges	7.9	—	—	7.9
Adjusted EBITDA	55.1	400.9	(33.5)	422.5
Less: Funding costs	—	106.0	—	106.0
Adjusted EBITDA, net	$ 55.1	$ 294.9	$ (33.5)	$ 316.5

	Three Months Ended March 31, 2018			
	LoyaltyOne	Card Services	Corporate/ Other	Total
Operating income (loss)	$ 28.3	$ 377.0	$ (33.0)	$ 372.3
Depreciation and amortization	22.0	24.8	1.9	48.7
Stock compensation expense	3.6	4.4	5.6	13.6
Adjusted EBITDA	53.9	406.2	(25.5)	434.6
Less: Funding costs	—	87.6	—	87.6
Adjusted EBITDA, net	$ 53.9	$ 318.6	$ (25.5)	$ 347.0

Exhibit 99.2

Alliance Data NYSE: ADS

First Quarter 2019 Results
April 25, 2019

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 additional strategic initiatives, the pending Epsilon transaction and whether closing conditions for such transaction will be satisfied or waived and the expected use of proceeds therefrom, our expected operating results, future economic conditions including currency exchange rates, future dividend declarations and the guidance we give with respect to our anticipated financial performance.

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. Further risks and uncertainties include, but are not limited to, the pending transaction involving Epsilon, whether such transaction will be completed, the possibility that closing conditions for the transaction may not be satisfied or waived, the impact of additional strategic initiatives on us or our business if any transactions are undertaken, and whether the benefits of such transactions can be achieved.

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.

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Agenda

- Speakers: Ed Heffernan President and CEO
  Charles Horn EVP and CFO

- Consolidated Results
- Segment Results
- 2019 Outlook
- 2019 Updated Guidance

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Q1, 2019 Consolidated Results

(MM, except per share)

	Quarter Ended March 31,		
	2019	2018	% Change
Revenue	$1,334	$1,382	-3%
Income from continuing operations	$174	$177	-1%
Income from continuing operations per diluted share (EPS)	$3.28	$3.17	+3%
Core EPS	$3.72	$3.95	-6%
Adjusted EBITDA	$423	$435	-3%
Adjusted EBITDA, net	$317	$347	-9%
Diluted shares outstanding	53.2	55.7	

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Results Prior to Discontinued Operations Classification			
Revenue	$1,824	$1,884	-3%
Core EPS	$4.07	$4.44	-8%

AllianceData.

Q1, 2019 Segment Results
(MM)

	Quarter Ended March 31,			
	2019	2018	% Change	
Revenue:				
LoyaltyOne®	$204	$226	-10%	• Unfavorable FX of $14mm; shift to net revenue of $9mm
Card Services	$1,130	$1,155	-2%	
	$1,334	$1,381	-3%	
Adjusted EBITDA, net:				
LoyaltyOne	$55	$54	+2%	• Unfavorable FX of $3mm
Card Services	$295	$319	-7%	
Corporate/Other	($33)	($26)		• Higher medical benefits
	$317	$347	-9%	

AllianceData.

Q1, 2019

<u>Overall</u>

- First quarter results consistent with guidance of revenue down mid-single digits and core EPS down high-single digits (includes Epsilon®)
  - Revenue of $1.8 billion, down 3 percent
  - Core EPS of $4.07, down 8 percent
- 1.3 million shares repurchased during quarter (approximately 2 percent of outstanding)
- Corporate leverage ratio of 2.4x

<u>LoyaltyOne</u>

- AIR MILES® revenue and adjusted EBITDA down 12 percent and up 7 percent, on constant currency basis
  - Revenue down 3 percent when adjusted for additional merchandise outsourcing, which triggered net revenue presentation under ASC 606
- AIR MILES issued up 3 percent
- Burn rate of 87 percent compared to 96 percent last year
  - Lower burn rate pressures revenue growth
- BrandLoyalty revenue and adjusted EBITDA up 3 percent and 14 percent, respectively, on constant currency basis
  - Excludes $8 million of restructuring charges at BrandLoyalty in effort to lower fixed cost structure

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Q1, 2019

Epsilon

- Signed definitive agreement to sell to Publicis Groupe
- Expect closing by early third quarter
- Key considerations:
  - $4.4 billion in purchase consideration ($4.0 billion excluding tax reimbursement)
  - Certainty and speed of close: 100 percent cash, fully committed financing
  - Ability to drive larger ADS-Publicis relationship post-closing
- Multiple:

Purchase price (with and without tax reimbursement)		$4,400mm	$4,000mm
LTM Epsilon adjusted EBITDA	$463mm		
Epsilon corporate support reduction[1]	(70mm)		
Net adjusted EBITDA		$393mm	$393mm
Implied multiple		11.2x	10.2x

- Use of proceeds:
  - $3.5 billion in net cash (after taxes and fees)
    - $4.4 billion in proceeds less approximately $100 million in fees and $800 million in taxes
      - Net $400 million of tax leakage ($800 million less $400 million reimbursement)
    - Net proceeds to be used for debt retirement and share repurchases

[1] Expected to be eliminated during the remainder of the year.

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Q1, 2019

<u>Card Services</u>

- New client signings: Houzz (e-commerce home furnishings); Sephora (beauty) and Burlington (high growth off-mall discount department store)
  - Year-to-date signings at $2 billion vintage
- Attractive and heathier verticals continue to gain share
  - 2015-19 client signings now $5 billion of card receivables; full ramp expected to be $13 billion
    - Omni-channel and strong on-line brands are fueling the growth
- Active client receivable growth of approximately 11 percent
  - 5 percent decline in reported average receivables reflects sale/reclassifications to held-for-sale of non-strategic clients
  - Expect to exit 2019 at 15 percent growth rate
- Credit quality stable to improving
  - Delinquency rate down 10 basis points to 5.25 percent
  - Net principal loss rate of 6.39 percent vs. 6.68 percent last year
    - Tracking to 6 percent or better for full year
  - Commenced retail deposit platform during quarter, a new source of funding
  - ROE target for full-year greater than 30 percent

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Q1, 2019 Credit Metrics

	Quarter Ended March 31,		
	2019	2018	Change
Credit sales	$6,315	$6,806	-7%
Average card receivables	$16,850	$17,722	-5%
Normalized average card receivables[1]	$18,764	$18,627	+1%
Total gross yield (revenue/normalized average card receivables)	24.1%	24.8%	-0.7%
Operating expenses as % of normalized average card receivables[2]	10.1%	8.8%	+1.3%
Principal loss rates	6.39%	6.68%	-0.3%
Delinquency rate	5.25%	5.35%	-0.1%
Return on equity	32%	30%	+2%

[1] Includes held-for-sale receivables. Drives revenue and operating expenses.

[2] Mark-to-market on held-for-sale receivables increased this metric by approximately 85 basis points.

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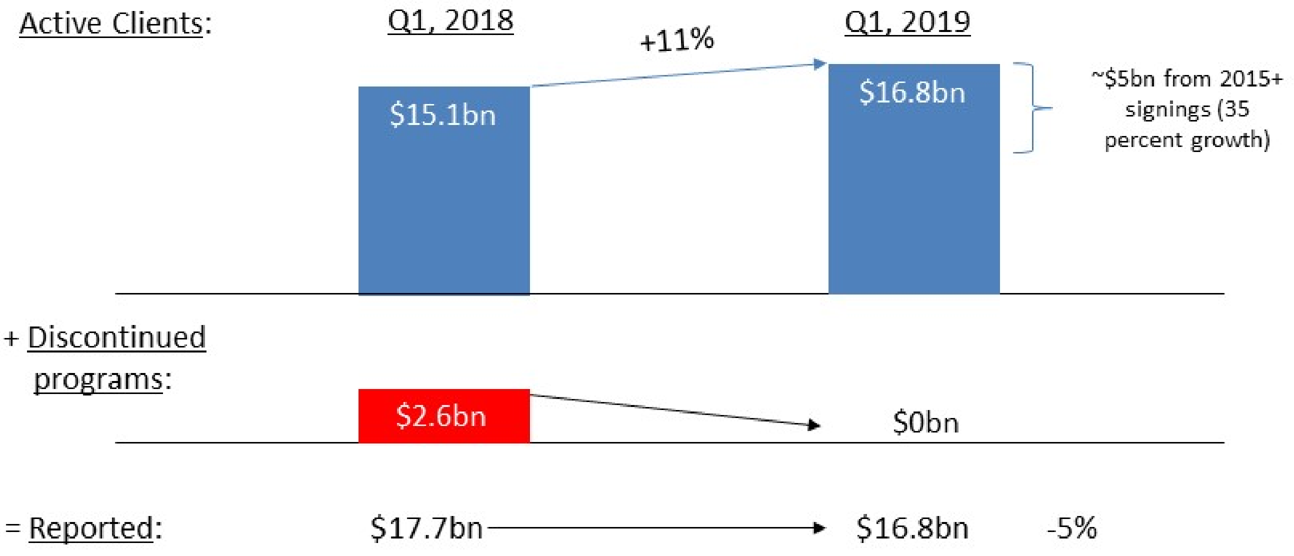
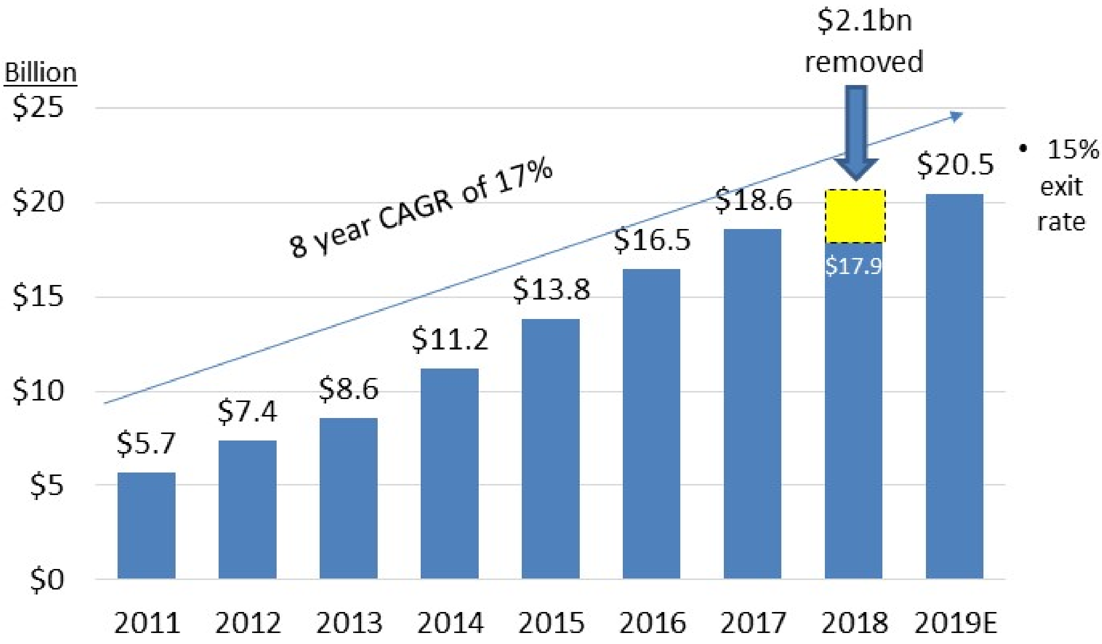
Card Services: Average Receivables Growth

- Reported growth of -5 percent
  - Includes impact of discontinued programs
- Active client growth of +11 percent



Card Services: End of Year Receivables



- Consistent ROE's > than 30 percent or 2-3x industry

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Card Services: Principal Loss Rates

- Consistent with long-term trend

2019 Revised Guidance

Revenue		2018A		2019G	
Original		$ 7,791		$ 8,100	+4%
Less Epsilon		(2,175)		(2,257)	
Revised Guidance		**$ 5,616**		**$ 5,843**	**+4%**

Core EPS		2018A		2019G	
Original		$22.72		$22.00	-3%
Less Epsilon (assumed 1/1/2019):					
Adjusted EBITDA	($475)		($474)		
Depreciation and amortization	115		121		
Allocated interest expense ($1.9bn in senior debt)	102		102		
Income taxes	62		61		
Core earnings	($196)		($190)		
Diluted shares outstanding	55.1		53.6		
		($3.55)		($3.53)	
Revised guidance		**$19.17**		**$18.47**	**-4%**

Projected adjustments (assumed 1/1/2019):	
Corporate expense reductions (post Epsilon)	$1.00 to $1.15
Q1 repurchases (not in original guidance)	$0.40
Additional senior debt pay-down - $500 million use of proceeds	$0.30
Share repurchases - $1.1bn use of proceeds (example of $190 per share, $170 per share) [1]	$2.50 to $2.85
Run-rate core EPS	$22.67 to $23.17
Accretion to original guidance	3% to 5%

[1] Accretion depends upon actual repurchase price.

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2019 Revised Guidance

Revised core EPS guidance Revenue of $5.8 billon and core EPS of $18.47. Adjusted for reclassification of Epsilon as discontinued operations as of January 1, 2019. Guidance related to the Card Services and LoyaltyOne remains unchanged.

Reported core EPS Bridging from $18.47 to full-year reported earnings require the addition of the partial year accretive impacts from the projected adjustments. Timing and share price considerations will impact the final reported earnings and guidance will be adjusted as implemented.

Pro forma run-rate core EPS Assumes share repurchases and corporate expense reductions are also consummated as of January 1, 2019. The Company expects the run-rate to be accretive to the initial $22.00 per share guidance.

- Run-rate core EPS of $22.67 to $23.17, 3 to 5 percent accretion
- GAAP EPS run-rate accretion expected to be 3x core

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ADS 2.0 - Summary

1. Card Services:
   - Move towards healthier growth verticals working
     - 2015-19 client signings: $5 billion of card receivables increasing to $13 billion when fully ramped
   - Divestiture/reclassification of non-strategic clients completed in fourth quarter of 2018
     - Removes pressure on growth
   - Reported card receivables growth should equal active card receivables growth in fourth quarter
   - Tracking to end 2019 with $20.5 billion in card receivables, up 15 percent; strong jump-off point for 2020
   - Credit quality stable to improving
     - First quarter delinquency and net principal loss rates better than prior year
   - Target ROE equal or better than 30 percent
2. LoyaltyOne: Tracking to plan
3. Epsilon: Agreement to sell for $4.4 billion
4. Overall:
   - Core EPS run-rate tracking expected to exceed original guidance; GAAP EPS accretion 3x core EPS accretion
   - Pro forma leverage significantly reduced from 2.4x to 1.7x
   - 2020: Strong starting point for Card Services with stronger capital structure

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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, 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. The Company uses adjusted EBITDA and adjusted EBITDA, net as an integral part of internal reporting to measure the performance and operational strength of reportable segments and to evaluate the performance of senior management. 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. 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, restructuring or strategic transaction costs, amortization of debt issuance and hedging costs. 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.

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Q & A

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