

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 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:

<u>Title of each class</u>	<u>Trading symbol</u>	<u>Name of each exchange on which registered</u>
Common stock, par value \$0.01 per share	ADS	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 April 29, 2021, Alliance Data Systems Corporation (the "Company") issued a press release regarding its results of operations for the first quarter ended March 31, 2021. A copy of this press release is furnished as Exhibit 99.1.

Item 7.01 Regulation FD Disclosure.

On April 29, 2021, the Company issued a press release regarding its results of operations for the first quarter ended March 31, 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

<u>Exhibit No.</u>	<u>Document Description</u>
99.1	Press Release dated April 29, 2021 announcing the results of operations for the first quarter ended March 31, 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: April 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 First Quarter 2021 Results

--Announced Bread strategic partnership leveraging Fiserv's extensive merchant network--

- Net income of \$286 million or \$5.74 per diluted share reflects continued resilient performance; strong credit management and a more favorable economic outlook drove a net reserve release of \$165 million
- Stable year-over-year credit sales aligned with improving consumer confidence and a recovery of in-store sales

COLUMBUS, Ohio, April 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 March 31, 2021.

“Alliance Data’s first quarter results represent a positive start to the year and reflect the continued sequential improvement in business conditions as well as the success of our ongoing business transformation strategies,” said Ralph Andretta, president and chief executive officer of Alliance Data. “On a year-over-year basis, revenue declined 21%, due to elevated payment rates and the continued impact of the pandemic. Total expenses excluding provision for loan loss declined 6% year-over-year, despite increased strategic investment and costs related to Bread, which was acquired in the fourth quarter. We continued to enhance our loyalty programs and competitive positioning, providing an integrated full suite of product capabilities for our partners and expanded choices of payment solutions for consumers.

“Credit sales year-over-year performance strengthened versus the previous quarter, in line with improved consumer confidence levels, leading to a recovery of in-store sales performance, coupled with continued strength of digital spending. Application and new account growth rates improved year-over-year as consumers were increasingly active in omnichannel shopping and engagement. Card Services revenue increased sequentially as average receivables remained steady and yields improved. We project a more favorable operating environment for LoyaltyOne® in the second half of the year with the potential for a surge in post-pandemic travel-related redemptions.

“The improvement in our credit metrics reflects discipline in our risk management and underwriting activities, which remains a key element of our strategy. We took deliberate actions and the results are evident due to our net loss rate remaining below the historical rate of 6.0% and a first quarter delinquency rate of 3.8%, down 220 basis points year-over-year. Payment rates benefitted from the additional government stimulus checks received at the end of the quarter, and we expect consumer financial health to continue to improve, auguring well for a broad-based US economic recovery.”

Mr. Andretta continued, “The joint partnership between Bread and Fiserv announced today provides additional growth opportunities, enabling us to leverage Fiserv’s extensive merchant network. This strategic partnership will power point-of-sale lending for Fiserv’s substantial merchant base and drive platform sales and receivables growth for Alliance Data. Additionally, we successfully launched our first card brand partner on Bread’s platform. We are actively pursuing cross-sell opportunities, and our partners have shown considerable interest in augmenting existing programs with Bread’s white-label solutions. We continue to invest in the expansion of Bread’s innovative fintech capabilities to capitalize on its significant prospects and drive long-term profitable growth for our shareholders.”

2021 OUTLOOK

“We remain keenly focused on balancing growth and profitability to ensure the sustainable economics of our portfolio. In 2021, we expect our credit sales to increase at a high-single- to low-double-digit rate, with a net loss rate below 6% for the year and in the mid-to-upper 5% range in the second quarter of 2021,” said Mr. Andretta. “Based on our current visibility, credit card and loan 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 year-over-year pressure in the first half of 2021. We expect to resume high-single-digit to low-double-digit card receivables growth as we enter 2022. Total revenue 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 better position the Company for future growth. For 2021, our expense forecast includes over \$100 million of digital innovation and technology enhancement and \$50 million in marketing investments to support growth and a return to positive operating leverage in 2022.”

CONSOLIDATED RESULTS

(in millions, except per share amounts)	Quarter Ended March 31,		
	2021	2020	Change
Revenue	\$ 1,085	\$ 1,382	-21%
Income before income taxes (“EBT”)	\$ 394	\$ 25	1,452%
Net income	\$ 286	\$ 30	854%
Net income per diluted share	\$ 5.74	\$ 0.63	811%
Diluted shares outstanding	49.8	47.7	
Shares of common stock outstanding	49.7	47.6	

Supplemental Non-GAAP Metrics (a):			
Pre-provision, pre-tax earnings	\$ 428	\$ 681	-37%

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

First Quarter: Due to the impact of COVID-19, consolidated revenue decreased 21% to \$1,085 million, compared to the first quarter of 2020. EBT increased 1,452% to \$394 million, positively impacted by a net reserve release of \$165 million during the first quarter of 2021. Net income was \$286 million, or \$5.74 per diluted share.

SEGMENT RESULTS

Card Services: Revenue decreased 23% to \$908 million, compared to the first quarter of 2020, primarily due to the decline in average receivables and in part from interest rate reductions in 2020. EBT increased to \$410 million, compared to the first quarter of 2020, attributable to a lower provision for loan loss. The net principal loss rate was 5.0% in the first quarter of 2021, an improvement of 200 basis points from the prior year period, while the delinquency rate of 3.8% improved 220 basis points from the prior year period.

Credit sales decreased 1% to \$6.0 billion, compared to the first quarter of 2020. On a sequential basis, year-over-year credit sales performance continues to improve as consumer spending recovers.

LoyaltyOne: Revenue decreased 11% to \$177 million, compared to the first quarter of 2020, as a result of fewer short-term loyalty programs in market due to the impact of COVID-19. On a constant currency basis, revenue declined 17% to \$163 million, compared to \$198 million in the first quarter of 2020. BrandLoyalty revenue decreased 20%, or \$24 million, on a constant currency basis, due to a decline in programs due to retailer delays related to the continuing impact of COVID-19. AIR MILES® revenue decreased 13%, or \$10 million, compared to the first quarter of 2020 on a constant currency basis, due primarily to lower service and redemption revenue as well as the sale of Precima in January 2020, which accounted for \$2 million of incremental revenue in last year's first quarter. LoyaltyOne EBT decreased 32% to \$32 million, primarily due to the lost margin from the decrease in revenue and the gain on the sale of Precima in January 2020.

Issuance of AIR MILES reward miles decreased 16%, compared to the first quarter of 2020, reflecting a decline in discretionary spending, including credit card spend. AIR MILES reward miles redemptions decreased 26%, compared to the first quarter of 2020, reflecting the impact of the pandemic on travel-related categories, offset in part by 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, 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 constant currency financial measures and pre-provision pre-tax earnings. 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. 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, April 29, 2021 at 8:30 a.m. (Eastern Time) to discuss the Company's first 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 "6479243". The replay will be available at approximately 11:59 a.m. (Eastern Time) on Thursday, April 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. A FORTUNE 500 and S&P MidCap 400 company headquartered in Columbus, Ohio, Alliance Data consists of businesses that together employ nearly 8,000 associates at 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	
	March 31,	
	2021	2020
Revenue	\$ 1,084.9	\$ 1,381.8
Operating expenses:		
Cost of operations	514.4	523.1
Provision for loan loss	33.4	655.9
Depreciation and amortization	34.0	38.8
Total operating expenses	<u>581.8</u>	<u>1,217.8</u>
Operating income	503.1	164.0
Interest expense, net:		
Securitization funding costs	33.6	49.9
Interest expense on deposits	45.5	60.3
Interest expense on long-term and other debt, net	29.6	28.4
Total interest expense, net	<u>108.7</u>	<u>138.6</u>
Income before income tax	\$ 394.4	\$ 25.4
Income tax expense (benefit)	108.2	(4.6)
Net income	<u>\$ 286.2</u>	<u>\$ 30.0</u>
Per share data:		
Weighted average shares outstanding – basic	49.7	47.6
Weighted average shares outstanding – diluted	49.8	47.7
Basic – Net income	<u>\$ 5.76</u>	<u>\$ 0.63</u>
Diluted – Net income	<u>\$ 5.74</u>	<u>\$ 0.63</u>
Pre-provision pre-tax earnings:		
Income before income tax	\$ 394.4	\$ 25.4
Provision for loan loss	33.4	655.9
Pre-provision pre-tax earnings	<u>\$ 427.8</u>	<u>\$ 681.3</u>

Reconciliation of non-GAAP core earnings per share available in earnings slide appendix

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

	March 31, 2021	December 31, 2020
Assets		
Cash and cash equivalents	\$ 2,858.6	\$ 3,081.5
Credit card and loan receivables:		
Credit card and loan receivables	15,536.6	16,784.4
Allowance for loan loss	(1,843.3)	(2,008.0)
Credit card and loan receivables, net	13,693.3	14,776.4
Redemption settlement assets, restricted	725.7	693.5
Right of use assets - operating	218.1	233.2
Intangible assets, net	74.9	81.7
Goodwill	1,351.1	1,369.6
Other assets	2,241.2	2,311.2
Total assets	<u>\$ 21,162.9</u>	<u>\$ 22,547.1</u>
Liabilities and Stockholders' Equity		
Deferred revenue	\$ 1,022.6	\$ 1,004.0
Deposits	9,956.9	9,792.6
Non-recourse borrowings of consolidated securitization entities	3,845.8	5,709.9
Long-term and other debt	2,782.9	2,805.7
Operating lease liabilities	285.2	300.0
Other liabilities	1,505.2	1,413.3
Total liabilities	19,398.6	21,025.5
Stockholders' equity	1,764.3	1,521.6
Total liabilities and stockholders' equity	<u>\$ 21,162.9</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)

Three Months Ended
March 31,

2021 2020

Cash Flows from Operating Activities:

Net income	\$	286.2	\$	30.0
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		34.0		38.8
Deferred income taxes		(25.8)		(158.7)
Provision for loan loss		33.4		655.9
Non-cash stock compensation		6.8		4.7
Amortization of deferred financing costs		8.5		9.5
Change in operating assets and liabilities, net of sale of business		154.9		8.6
Other		19.2		(16.3)
Net cash provided by operating activities		<u>517.2</u>		<u>572.5</u>

Cash Flows from Investing Activities:

Change in redemption settlement assets		(13.1)		1.0
Change in credit card and loan receivables		1,034.6		1,446.7
Proceeds from sale of business		—		25.4
Sale of credit card portfolio		—		289.5
Capital expenditures		(12.2)		(15.7)
Other		(0.3)		(0.6)
Net cash provided by investing activities		<u>1,009.0</u>		<u>1,746.3</u>

Cash Flows from Financing Activities:

Borrowings under debt agreements		—		500.0
Repayments of borrowings		(25.4)		(275.4)
Net increase (decrease) in deposits		162.2		(769.4)
Non-recourse borrowings of consolidated securitization entities		175.0		350.0
Repayments/maturities of non-recourse borrowings of consolidated securitization entities		(2,039.1)		(1,275.0)
Payment of deferred financing costs		(0.2)		(0.6)
Dividends paid		(10.7)		(30.3)
Other		(2.6)		(2.7)
Net cash used in financing activities		<u>(1,740.8)</u>		<u>(1,503.4)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash		(1.7)		(7.6)
Change in cash, cash equivalents and restricted cash		<u>(216.3)</u>		<u>807.8</u>
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>3,246.9</u>	\$	<u>4,765.9</u>

ALLIANCE DATA SYSTEMS CORPORATION
SUMMARY FINANCIAL HIGHLIGHTS

(In millions)
(Unaudited)

	Three Months Ended March 31,		Change
	2021	2020	
Segment Revenue:			
LoyaltyOne	\$ 176.6	\$ 198.1	(11)%
Card Services	908.3	1,183.6	(23)
Corporate/Other	—	0.1	nm*
Total	<u>\$ 1,084.9</u>	<u>\$ 1,381.8</u>	(21)%
Segment Earnings Before Taxes:			
LoyaltyOne	\$ 31.7	\$ 46.7	(32)%
Card Services	409.9	32.1	1,179
Corporate/Other	(47.2)	(53.4)	(12)
Total	<u>\$ 394.4</u>	<u>\$ 25.4</u>	1,452%
Key Performance Indicators:			
Credit sales	\$ 6,043	\$ 6,099	(1)%
Average receivables	\$ 15,785	\$ 18,294	(14)%
End of period receivables	\$ 15,537	\$ 17,732	(12)%
Card Services gross yield	23.0%	25.5%	(2.5)%
Net principal loss rate	5.0%	7.0%	(2.0)%
Delinquency rate	3.8%	6.0%	(2.2)%
AIR MILES reward miles issued	1,112	1,316	(16)%
AIR MILES reward miles redeemed	739	994	(26)%

* nm-not meaningful

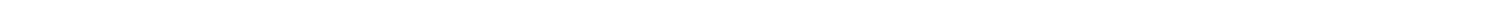
Reconciliation of non-GAAP core earnings per share available in earnings slide appendix

Alliance Data

First Quarter 2021 Results

April 29, 2021

Ralph Andretta – President & CEO



Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements give our expectations or forecasts of future events and can generally be identified by the use of words such as “believe,” “expect,” “anticipate,” “estimate,” “intend,” “project,” “plan,” “likely,” “may,” “should” or other words or phrases of similar import. Similarly, statements that describe our business strategy, outlook, objectives, plans, intentions or goals also are forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements we make regarding, and the guidance we give with respect to, our anticipated operating or financial results, initiation or completion of strategic initiatives, future dividend declarations, and future economic conditions, including, but not limited to, fluctuation in currency exchange rates, market conditions and COVID-19 impacts related to relief measures for impacted borrowers and depositors, labor shortages due to quarantine, reduction in demand from clients, supply chain disruption for our reward suppliers and disruptions in the airline or travel industries.

We believe that our expectations are based on reasonable assumptions. Forward-looking statements, however, are subject to a number of risks and uncertainties that could cause actual results to differ materially from the projections, anticipated results or other expectations expressed in this presentation, and no assurances can be given that our expectations will prove to have been correct. These risks and uncertainties include, but are not limited to, factors set forth in the Risk Factors section in our Annual Report on Form 10-K for the most recently ended fiscal year, which may be updated in Item 1A of, or elsewhere in, our Quarterly Reports on Form 10-Q filed for periods subsequent to such Form 10-K. Our forward-looking statements speak only as of the date made, and we undertake no obligation, other than as required by applicable law, to update or revise any forward-looking statements, whether as a result of new information, subsequent events, anticipated or unanticipated circumstances or otherwise.

First Quarter 2021 Key Takeaways

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

First Quarter 2021 Financial Highlights

\$1.1_B

Revenue

\$286_{MM}

Net Income

\$5.74

Diluted EPS

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

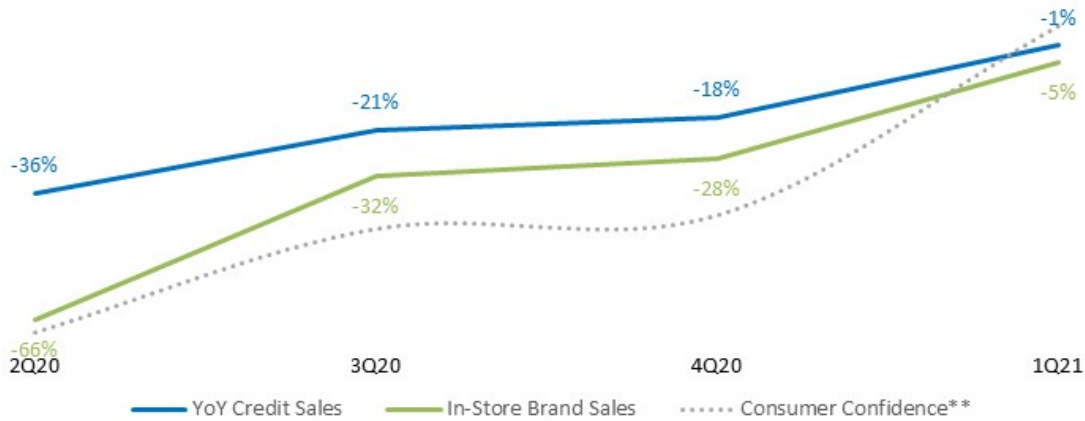


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Card Services Performance Highlights

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

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



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

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



AllianceData.

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Card Services Partnership Highlights

Continued growth brings total partnerships to approximately 650

Strategic Partnership



Primary omnichannel provider of point-of-sale lending products

Partner Renewal



Select New Partnerships



Bread Business Models

Platform provides diversified growth opportunities

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

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



LoyaltyOne® Performance Highlights



brandloyalty
happy people

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

AIR MILES program performance



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Financial Results – Consolidated

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

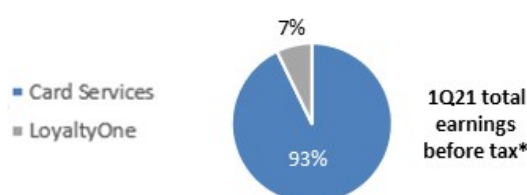
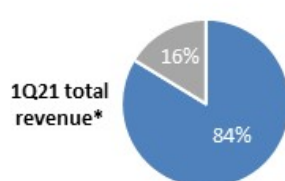
*See appendix for Core EPS and Adjusted EBITDA calculations
Totals may not sum due to rounding; nm = not meaningful*



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Financial Results – Segments

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



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

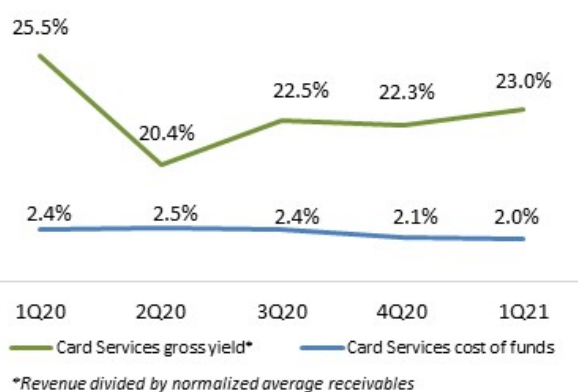
Key Business Metrics

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

Average receivables remained flat sequentially
(\$ in billions)



Card Services yield improved sequentially in 1Q21



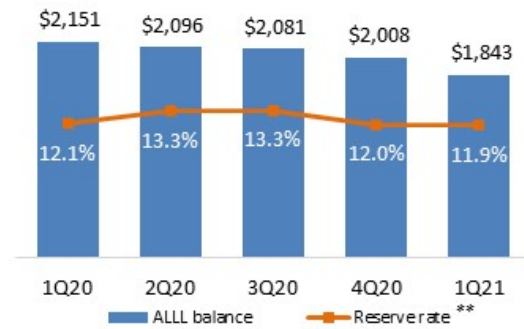
Credit Quality and Allowance

Net loss rate



Reserve rate

(\$ in millions)



Delinquency rate



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

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

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



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2021 Financial Outlook

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

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

Financial Measures

In addition to the results presented in accordance with generally accepted accounting principles, or GAAP, the Company may present financial measures that are non-GAAP measures, such as constant currency financial measures, pre-provision earnings before taxes, adjusted EBITDA, adjusted EBITDA margin, adjusted EBITDA, net of funding costs, core earnings and core earnings per diluted share (core EPS). Constant currency excludes the impact of fluctuations in foreign exchange rates. The Company calculates constant currency by converting our current period local currency financial results using the prior period exchange rates. Adjusted EBITDA eliminates the uneven effect across all reportable segments of non-cash depreciation of tangible assets and amortization of intangible assets, including certain intangible assets that were recognized in business combinations, and the non-cash effect of stock compensation expense. In addition, adjusted EBITDA eliminates the effect of the gain (loss) on the sale of a business, strategic transaction costs, asset impairments, restructuring and other charges, and the loss on extinguishment of debt. Adjusted EBITDA, net is equal to adjusted EBITDA less securitization funding costs and interest expense on deposits. Similarly, core earnings and core EPS eliminate non-cash or non-operating items, including, but not limited to, stock compensation expense, amortization of purchased intangibles, non-cash interest, gain (loss) on the sale of a business, strategic transaction costs, asset impairments, restructuring and other charges, and the loss on extinguishment of debt. The Company believes that these non-GAAP financial measures, viewed in addition to and not in lieu of the Company's reported GAAP results, provide useful information to investors regarding the Company's performance and overall results of operations.

Appendix



Key Business Metrics

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

*Normalized average receivables includes held-for-sale receivables

**Revenue divided by normalized average receivables

Key Business Metrics

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

*Normalized average receivables includes held-for-sale receivables

**Revenue divided by normalized average receivables



Financial Results – Quarterly

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

(Including discontinued operations)					
Net income	\$30	\$38	\$133	\$12	\$286
Net income per diluted share	\$0.63	\$0.81	\$2.79	\$0.25	\$5.74

Totals may not sum due to rounding



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Financial Results – Segments by Quarter

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

Totals may not sum due to rounding

Capital and Liquidity

Parent Level

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

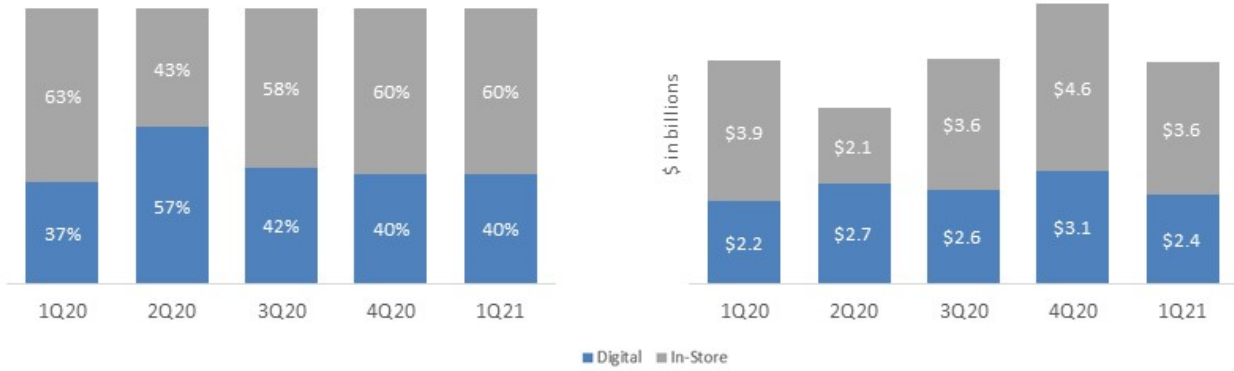
Bank Level

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

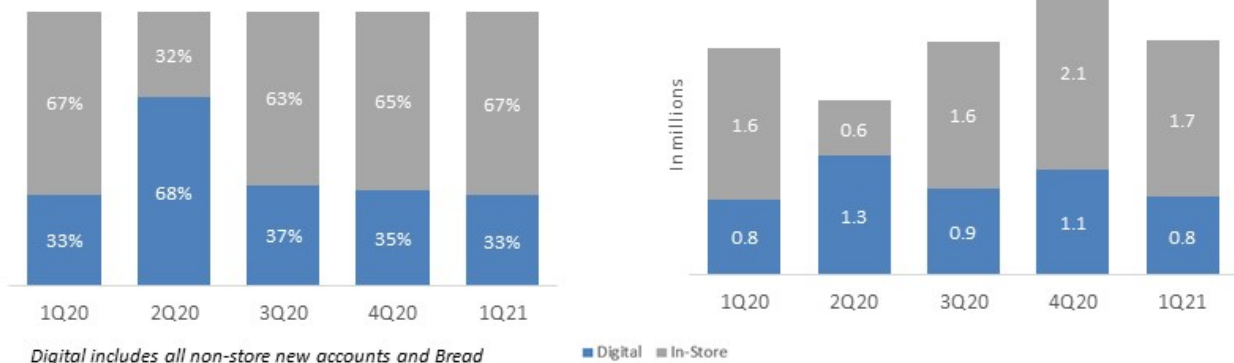
Combined Banks Capital Ratios	1Q20	2Q20	3Q20	4Q20	1Q21
Common equity tier 1 capital ratio	15.9%	18.3%	18.8%	18.4%	21.0%
Tier 1 capital ratio	15.9%	18.3%	18.8%	18.4%	21.0%
Total risk based capital ratio	17.3%	19.7%	20.1%	19.7%	22.3%
Tier 1 leverage capital ratio	12.8%	14.2%	16.1%	17.1%	17.8%

Card Services Sales Data

In-store vs. digital sales



In-store vs. digital new accounts



Digital includes all non-store new accounts and Bread



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Reconciliation of Non-GAAP Information

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

Weighted average shares outstanding – diluted	49.8
Core earnings per share – diluted	\$6.28

⁽¹⁾ Represents amortization of debt issuance costs.

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

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

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



Reconciliation of Non-GAAP Information

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

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

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