

Alliance Data
NYSE: ADS

Fourth Quarter
Results
January 30, 2008

Agenda

- Status of Acquisition
- 4th Quarter Highlights
- Full Year Highlights
- Financial Review
- 2008 Outlook

Blackstone Acquisition Update

- **Blackstone's January 25, 2008 Notice**
 - Claims OCC's demands for change in control approval extraordinary.
 - Believes related closing condition not likely to be satisfied.
 - Says it won't satisfy OCC requests.
- **Alliance Data Files Lawsuit**
 - Blackstone failed to use good faith or reasonable best efforts.
 - OCC requests are reasonable; Blackstone can but won't satisfy them.
 - Alliance Data ready, willing and able to perform its obligations and close.
 - Lawsuit seeks specific performance of merger agreement and other relief.
- **Financial Strength Remains Unquestioned**
 - Overperformed in 2007.
 - Issuing Strong Guidance for 2008
 - Liquidity has never been Stronger

The Company

- The Business Model Drives Results:
 - Double-digit Organic Growth
 - Strong Free Cash Flow Generation
 - Strong Visibility & Predictability
 - Organic Growth + Tuck-in Acquisitions
 - Min. 12%/15%/18% Growth Rates
- IPO in June 2001: 27 Consecutive Quarters of Meeting or Beating Expectations
- Recession Resistant:
 - Loyalty – Based on Everyday, Non-discretionary Spend
 - Epsilon – Long-term Relationships Requiring Constant Transactional Data Updates
 - Private Label – Loyalty Based Programs; natural hedge between losses & funding
- 2008 – We’ve Always “Played Through” Macro Concerns. 2008 will be Strong as Well

4th Quarter Highlights

**Alliance Data Posts Largest Revenue Quarter
27th Consecutive Quarter Of Meeting Or
Exceeding Targets**

Revenue	\$603 Million	up 15%
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Adj. EBITDA	\$158 Million	up 31%
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Cash EPS	\$0.93	up 33%
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4th Quarter Highlights

Marketing Services Canada: AIR MILES® Reward Program Solid Fundamentals Fuels Long-Term Success

- 20+% Organic Growth
 - Both Revenue And EBITDA
- Added New Sponsor
 - Visions Electronics
- Strong Double-digit Growth in Reward Miles Issued
 - Collectors Are Spending More and More Often with Sponsors

4th Quarter Highlights

Marketing Services US: Shift From Traditional Marketing Spend to Transaction-Based, ROI Programs Drives Epsilon's Impressive Growth

- 50%+ Growth in Both Top-line and EBITDA
- Secured Significant New Client Wins
 - Charter Communications
 - Helzberg Diamonds
- Recognized by Forrester as a Leader in Database and Email Marketing

4th Quarter Highlights

Private Label Services: Proven To Increase Sales and Loyalty For Clients Results in Solid Organic Growth

- Growth Despite Macro Challenges
- Operating Metrics Remain Positive
- Launched Program to Support Dell's Spanish Speaking Customers
- Renewed Alon Energy USA, Inc.
 - Integrated Card and Marketing Services for Fina-branded C-Stores
- Developed Strong Pipeline for 2008
 - Expect 4-5 Announcements—Great start with Sharper Image

2007 Company Results

Record Results Across the Board

Revenue	\$2.3 Billion	up 15%
Adj. EBITDA	\$643 Million	up 25%
Operating EBITDA	\$685 Million	up 23%
Cash EPS	\$3.75	up 19%

- Signed 14 New Clients
- Expanded And Renewed Relationships With Key Clients
- Strengthened Leadership Positioning And Expanded Our International Presence

4th Quarter Consolidated Results

<u>(\$MM, Except Cash EPS)</u>	<u>4Q 2007</u>	<u>Growth</u>
Revenue	\$603	15%
Operating EBITDA	\$175	25%
ADJ. EBITDA	\$158	31%
Cash Earnings per Share	\$0.93	33%

Segment Results (\$MM)

4th Quarter

	<u>Revenue</u>	<u>Yr. over Yr.</u>	<u>Adj. EBITDA</u>	<u>Yr. over Yr.</u>
Trans Svc	\$180	(8%)	\$21	(7%)
Credit Svc	\$189	9%	\$65	34%
Mkt Svc	\$319	30%	\$72	44%

Balance Sheet

(\$MM)

As of December 31, 2007

Cash and Cash Equivalents	\$266
Redemption Settlement Assets (Trust Cash)	317
Total Assets	\$4,105

Deferred Revenue	\$ 828
CD's	370
Core Debt	921
Total Liabilities	\$2,908

Stockholders' Equity	\$1,197
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Key Metric:

- Core Debt / LTM Op. EBITDA (Op. Cash Flow) = 1.3x

2007 Est. Free Cash Flow

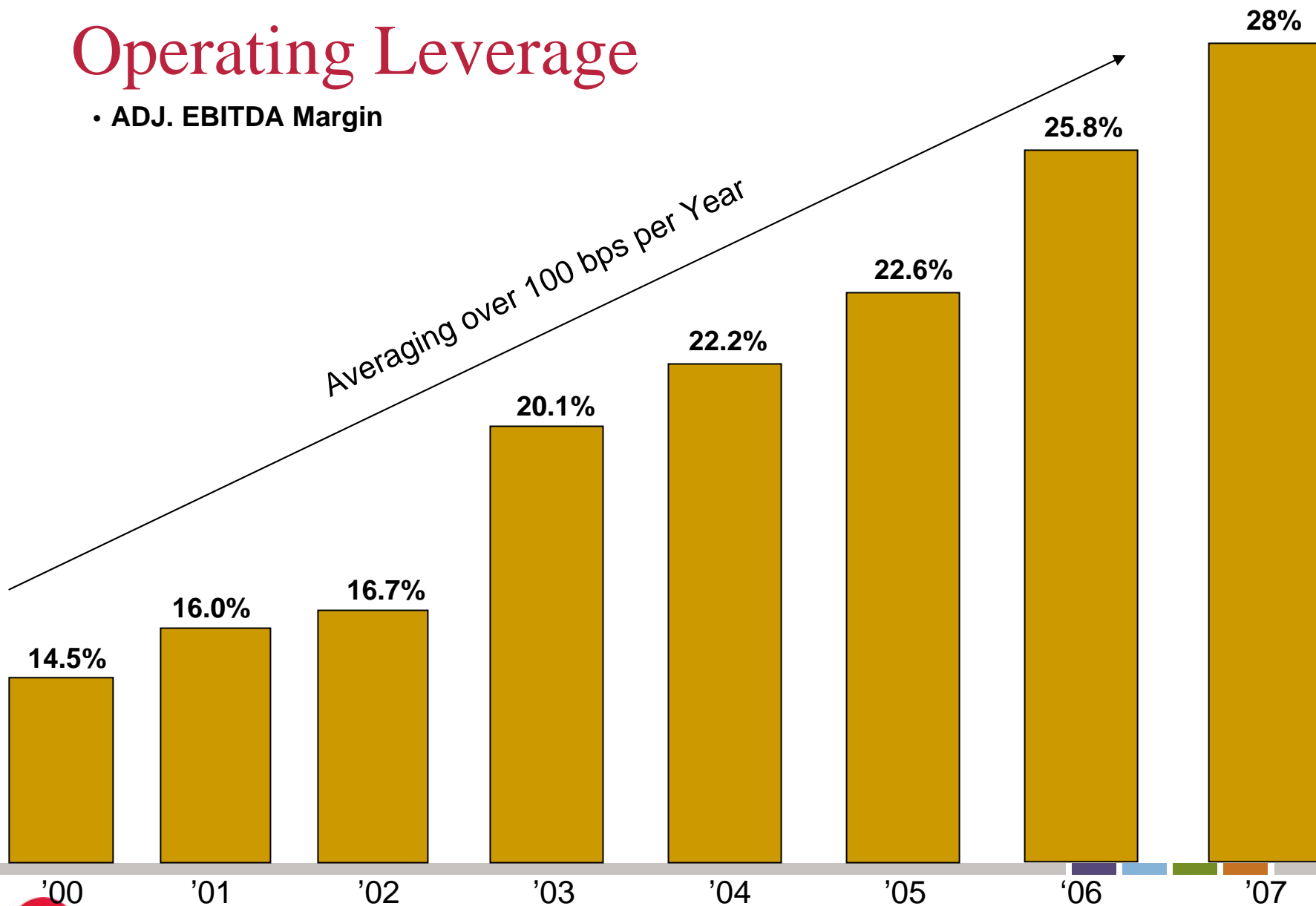
(\$MM, Except per Share)

Adj. EBITDA	\$643
Loyalty Cash Flow Adj.	42
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Operating EBITDA	\$685
Less Capex / Int. / Taxes*	(349)
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Free Cash Flow	\$336
Per Share	\$4.15

***excludes 1 time facilities capex**

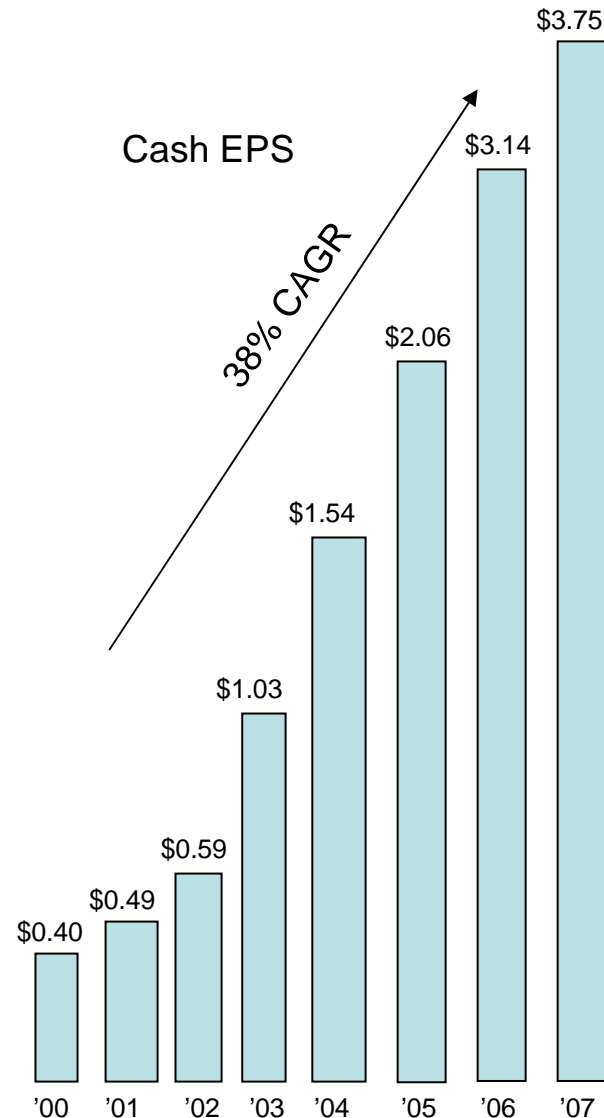
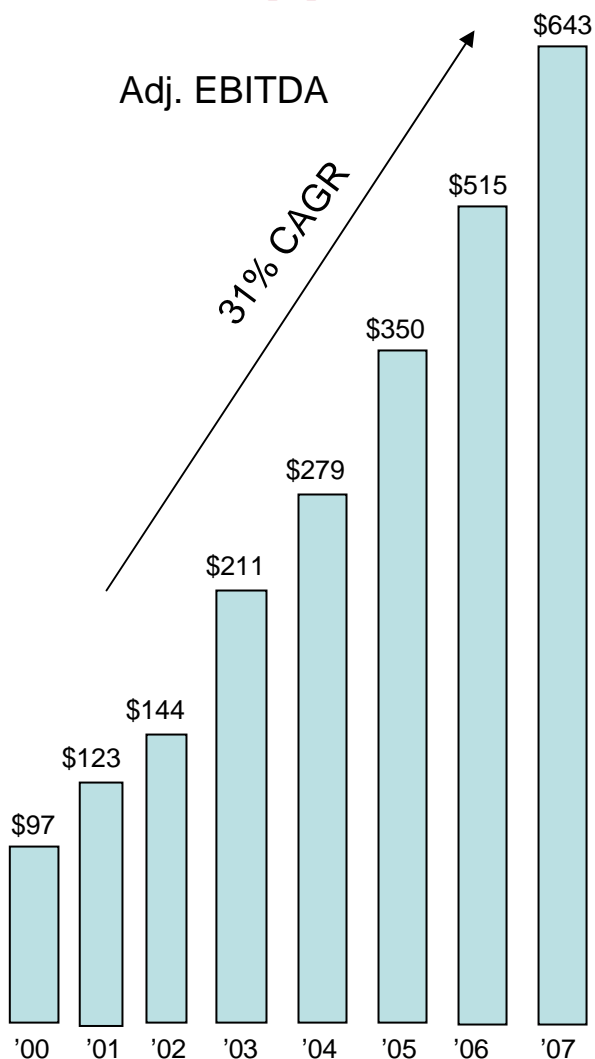
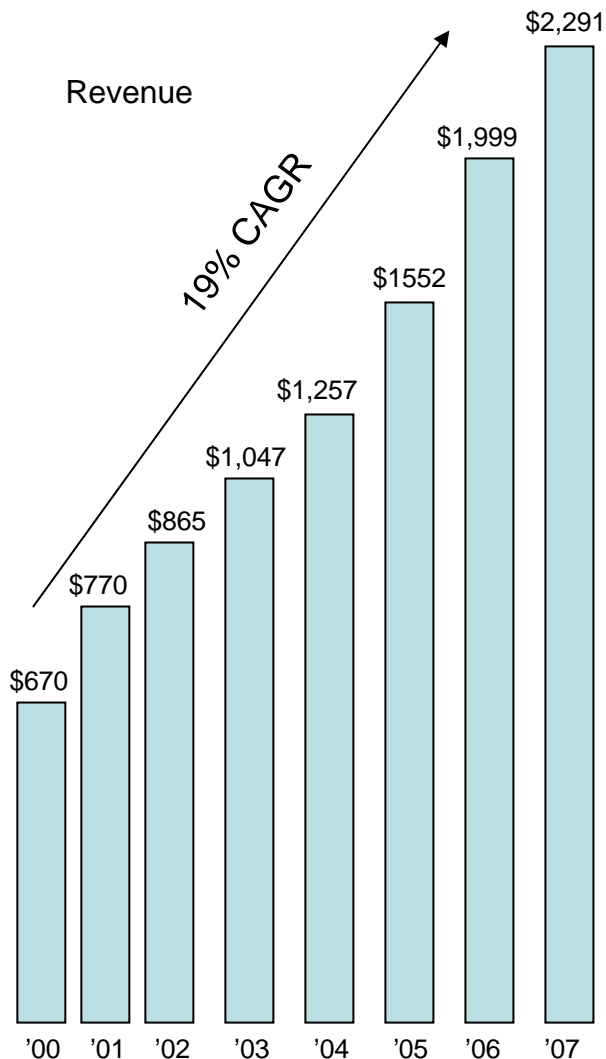
Operating Leverage

• ADJ. EBITDA Margin



AllianceData

2000 – 2007
(in \$MM, except per share)



2008 Outlook

- 3 Objectives:
 - Double-digit Organic Growth
 - Free Cash Flow
 - Visibility
- Organic Growth Targets:
 - Operating EBITDA: > \$730MM
 - Adjusted EBITDA > \$700MM
 - Cash EPS \$4.30
- Epsilon: Mid-teens EBITDA Growth (100% Organic)
- Loyalty: Mid-teens EBITDA Growth (100% Organic)
- Private Label: Mid to High Single Digit Growth
 - 100% Organic
 - Lower Funding Costs to Mitigate Potential Creep in Losses

Cash Flow Timing

	<u>2008</u>	<u>2007</u>	<u>2006</u>
• 1 st Half:	45%	49%	51%
• 2 nd Half:	55%	51%	49%
	<hr/>	<hr/>	<hr/>
	100%	100%	100%

Continuation of a Trend Driven By

- Epsilon's Increasing Influence
- Loyalty Air Miles Reward Program Increasing Influence

Cash EPS

Cash EPS: 15% Organic Growth

Q1: Flat	(-) Lane Bryant drag	
Q2: Low to mid-teens	(-) Lane Bryant drag	(+) Private Label ramp-ups
Q3: Mid to high-teens	(-) Lane Bryant drag (+)Funding benefits	(+) Private Label ramp-ups (+) Loyalty & Epsilon
Q4: Mid-20's	(+)Lane Bryant anniversary (+)Funding benefits	(+) Private Label ramp-ups (+) Loyalty & Epsilon

Liquidity – Current ADS Capacity

1. CD's
 2. Conduits
 3. Revolver
 4. Warehouse
 5. Cash
- } \$3.4 Billion Capacity
- } \$1.5 Billion Unused
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6. Public ABS
7. Private Placements
8. Leverage @ 1.3x
9. Op. Cash Flow

Summary

- Record 2007 with Overperformance
- 2008 Solid and Ahead of Original Expectations
- Loyalty and Epsilon Recession Resistant
- Private Label: Known funding saves to buffer potential modest loss increase
- Liquidity Exceptionally Robust
- Overall Macro Concerns to have No Meaningful Impact on Results
- Q&A Session within the Next 45 Days