

Alliance Data  
NYSE: ADS

Second Quarter  
Results

July 16, 2008

## Agenda

- Company Highlights
- Full Year Outlook
- Financial Review
- Questions and Answers

## 2<sup>nd</sup> Quarter Highlights

### Alliance Data Delivers Above Guidance

Revenue	\$507 Million	Up 5%
Operating EBITDA	\$169 Million	Down 3%
Adjusted EBITDA	\$162 Million	Up 7%
Cash EPS	\$1.04	Up 14%



## 2nd Quarter Highlights

### Loyalty Services Posts Record Revenue and Adjusted EBITDA

- Renews and Expands Relationship with Bank of Montreal
  - Largest Air Miles® Sponsor and Largest Alliance Data Client
- Renews RONA Agreement
- Double-Digit Growth Within AirMiles® Reward Issued and Redeemed
  - Speaks To The Dynamic Program
- Launch of LoyaltyOne
  - Expand Globally
  - Focus on High-Frequency Retailers



## 2nd Quarter Highlights

### **Epsilon Marketing Services Double-Digit Organic Growth in Adjusted EBITDA**

- **Renews Agreements with Key Clients**
  - National Geographic Society
  - Nestle Purina Petcare Company
- **Expanded Agreement with CitiCorp Credit**
- **Companies See Value in Investing in Transaction-Based Loyalty and Marketing Solutions**
  - Expanding Relationships with Existing Clients
  - New Client Commitments

## 2<sup>nd</sup> Quarter Highlights

### Private Label Credit and Services Solid Client Wins and Strong Pipeline

- Signed Web and Catalog Retailer Peach Direct
  - Fast-Growing Retailer of High-End, Luxury Brands
  - Launch Private Label Program To Coordinate with Re-Branding
- Renewed Several Key Clients
  - NY&Co
  - Dress Barn and Maurices
  - Crate and Barrel
- Expect 6-7 New Signings This Year
- Difficult Grow-over, Will Start to Normalize

## Full Year Outlook

### **Raising Guidance; Earnings Acceleration Remains on Track**

- Double-digit Organic Growth
- Expect Over-performance from Loyalty Services
- Epsilon Remains on Track
- Momentum Building in Private Label
- Time to Raise Guidance

## 2nd Quarter Consolidated Results

(\$MM, Except per Share)

	<u>2Q 2008</u>	<u>Growth</u>
<b>Revenue</b>	<b>\$507</b>	<b>5%</b>
<b>Operating EBITDA</b>	<b>\$169</b>	<b>(3%)</b>
<b>Adjusted EBITDA</b>	<b>\$162</b>	<b>7%</b>
<b>Cash Earnings per Share</b>	<b>\$1.04</b>	<b>14%</b>

## 2<sup>nd</sup> Quarter Segment Results

(\$MM)	<u>Revenue</u>	<u>Year Over</u> <u>Year</u>	<u>Adjusted</u> <u>EBITDA</u>	<u>Growth</u>
Loyalty Services	\$200	31%	\$53	65%
Epsilon Marketing	\$115	6%	\$26	12%
Private Label Svcs	\$ 96	5%	\$30	22%
Private Label Credit	\$188	(9%)	\$64	(29%)

## Balance Sheet

(\$MM)

As of June 30, 2008

Cash and Cash Equivalents	\$208
Redemption Settlement Assets (Trust Cash)	673
<b>Total Assets</b>	<b>\$4,129</b>

Deferred Revenue	\$1,179
CD's	265
Core Debt	1,130
<b>Total Liabilities</b>	<b>\$3,249</b>

Stockholders' Equity	<b>\$ 880</b>
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Key Metric:

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

## 2008 Guidance

- Reiterate Organic Growth Targets:

• Operating EBITDA	\$730MM
• Adjusted EBITDA	\$700MM
• Cash EPS	\$4.35

### Cash EPS: Mid-teens Organic Growth

✓ Q1: \$1.00	Flat	(-) Lane Bryant Drag (-) 2008's Most Difficult Comps	
✓ Q2: \$1.04	+14%	(-) Lane Bryant Drag (-) Seasonal- Private Label	(+) Private Label Ramp-ups (+) Funding Benefits
Q3: \$1.15		(-) Lane Bryant Drag (+) Funding Benefits	(+) Private Label Ramp-ups (+) Loyalty & Epsilon
Q4: >\$1.15		(+) Lane Bryant Anniv. (+) Funding Benefits	(+) Private Label Ramp-ups (+) Credit Loss Anniversary (+) Loyalty & Epsilon

Note: Adjusted EBITDA Will Follow A Similar Distribution



## 2008 Estimated Free Cash Flow

(\$MM, Except per Share)

Adjusted EBITDA	\$700	
Loyalty Adjustment	<u>30</u>	
Operating EBITDA	> <u>\$730</u>	
Less Capex/Int./Taxes	<u>(330)</u>	
Free Cash Flow	<u>\$400</u>	
Per Share	> <u>\$5.00</u>	(10% Yield)
+Asset Sales per Share	\$1.60	
	<u>\$6.60</u>	(12% Yield)

# Top Five Questions

## 1. Delinquencies and Loss Trends:

- Original Guidance: Delinquencies ~ 5.5%; losses ~ 6.5%

- Actuals: Delinquencies

Q3 '07	Q4 '07	Q1 '08	Q2 '08
5.2%	5.3%	5.3%	5.0%

Slightly better than guidance

- Actuals: Losses

Q1 '08	Q2 '08
6.4%	6.2%

Slightly better than guidance

- Delinquencies Provide Comfort for Q3/Q4 and 2009 Jump-off
- We already “took our hit”
  - anniversary in Q4
  - no additional hit for 2009: no better, no worse – same elevated level
  - 11MM high quality households
- Put it in Perspective for 2008 & 2009
  - 2008's done
  - We don't see any incremental hit in '09
  - Stress Test: another 50bps: losses → 7%
    - \$20MM EBITDA → < 3% Op. EBITDA
    - 15¢ → < 3% cash eps
- '08's Done; '09's Solid; Enough Said

## Top Five Questions

2. Capital Structure
3. Potential Impact from FAS140/Fin46 Changes
4. Macro Slowdown Impact on Loyalty & Epsilon
5. Blackstone Litigation

# 2003-2008e

(in \$MM, except per share)

## Adjusted EBITDA

## Cash EPS

