

Alliance Data
NYSE:ADS



Q4
2008

Alliance Data's Safe Harbor Statement/Forward-Looking Statements

- This release may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may use words such as "anticipate," "believe," "estimate," "expect," "intend," "predict," "project" and similar expressions as they relate to us or our management. When we make forward-looking statements, we are basing them on our management's beliefs and assumptions, using information currently available to us. Although we believe that the expectations reflected in the forward-looking statements are reasonable, these forward-looking statements are subject to risks, uncertainties and assumptions, including those discussed in our filings with the Securities and Exchange Commission.
- If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from what we projected. Any forward-looking statements contained in this presentation reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. These risks, uncertainties and assumptions include those made with respect to and any developments related to the termination of the proposed merger with an affiliate of The Blackstone Group, including risks and uncertainties arising from actions that the parties to the merger agreement or third parties may take in connection therewith. We have no intention, and disclaim any obligation, to update or revise any forward-looking statements, whether as a result of new information, future results or otherwise.
- "Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: Statements in this presentation regarding Alliance Data Systems Corporation's business which are not historical facts are "forward-looking statements" that involve risks and uncertainties. For a discussion of such risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements, see "Risk Factors" in the Company's Annual Report on Form 10-K for the most recently ended fiscal year. Risk factors may be updated in Item 1A in each of the Company's Quarterly Reports on Form 10-Q for each quarterly period subsequent to the Company's most recent Form 10-K.

Financial Measures

- In addition to the results presented in accordance with generally accepted accounting principles, or GAAP, the Company presents financial measures that are non-GAAP measures, such as adjusted EBITDA, operating EBITDA and cash earnings per share. The Company believes that these non-GAAP measures, viewed in addition to and not in lieu of the Company's reported GAAP results, provide useful information to investors regarding its performance and overall results of operations. These metrics are an integral part of the Company's internal reporting to measure the performance of reportable segments and the overall effectiveness of senior management. Definitions of these financial terms and reconciliations of these financial measures to comparable GAAP measures are available on the Company's website, except where, as in the case of adjusted EBITDA, operating EBITDA and cash earnings per share, the appropriate GAAP financial measure is not available on a forward-looking basis. The financial measures presented are consistent with the Company's historical financial reporting practices, except as noted with respect to the Company's revised segment reporting. The non-GAAP measures presented herein may not be comparable to similarly titled measures presented by other companies, and are not identical to corresponding measures used in our various agreements or public filings.

2008 Guidance

Full Year
(\$MM)

• Revenues	\$2,050
• Op. EBITDA	\$ 700
• Adjusted EBITDA	\$ 660
• Cash EPS	\$4.40 ↑ 13%

- Cash EPS increased from \$4.35 to \$4.40
- Raising guidance despite headwinds from:
 - Uptick in Credit Losses
 - Full year tracking to guidance 6.5%
 - Q4 – bit of a bubble – October high 7% losses, then settling down
 - Delinquencies remain stable (high 5% range)
 - Abnormal Credit Markets → funding costs
 - CDN\$ F/X

2009 Guidance

Full-Year
(\$MM)

BASE

- Loyalty 18%/20% revs/EBITDA
- Epsilon 8%/13% revs/EBITDA
- Private Label 12%/12% revs EBITDA
- Corporate O/H – Flat

ADJUSTMENTS TO BASE

- Credit Losses (100bps)
- Funding/liquidity “insurance”
- F/X (↓ 10¢)

REVS

\$2,300

(\$44)

(\$25)

(\$80)

(\$150)

\$2,150

Adjusted EBITDA

\$770

(\$44)

(\$25)

(\$20)

(\$90)

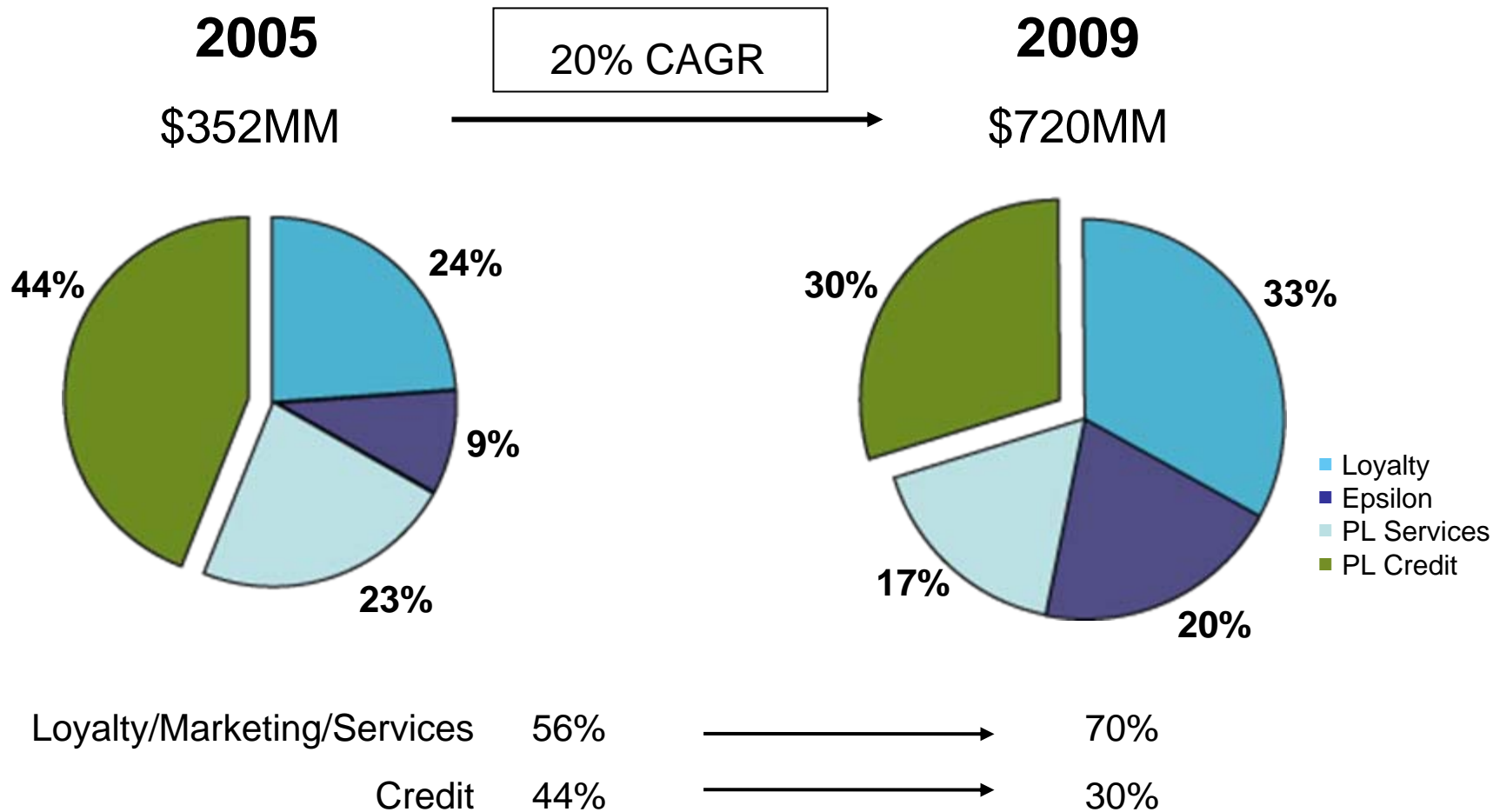
\$680

2009 Guidance

2009 Guidance

- Revenues: \$2,150MM
- Op. EBITDA: \$ 720MM
- Adjusted EBITDA: \$ 680MM
- Cash EPS: \$5.15 - \$5.20 ↑ 17% – 18%

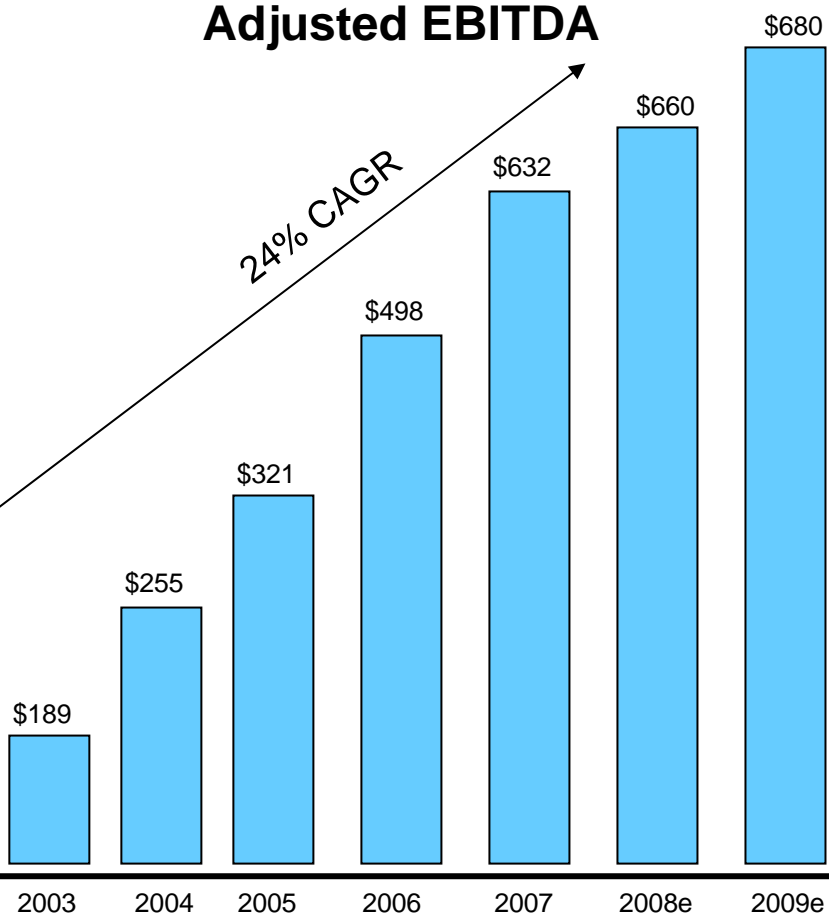
Growth & Shift In Operating EBITDA (Op. Cash Flow)



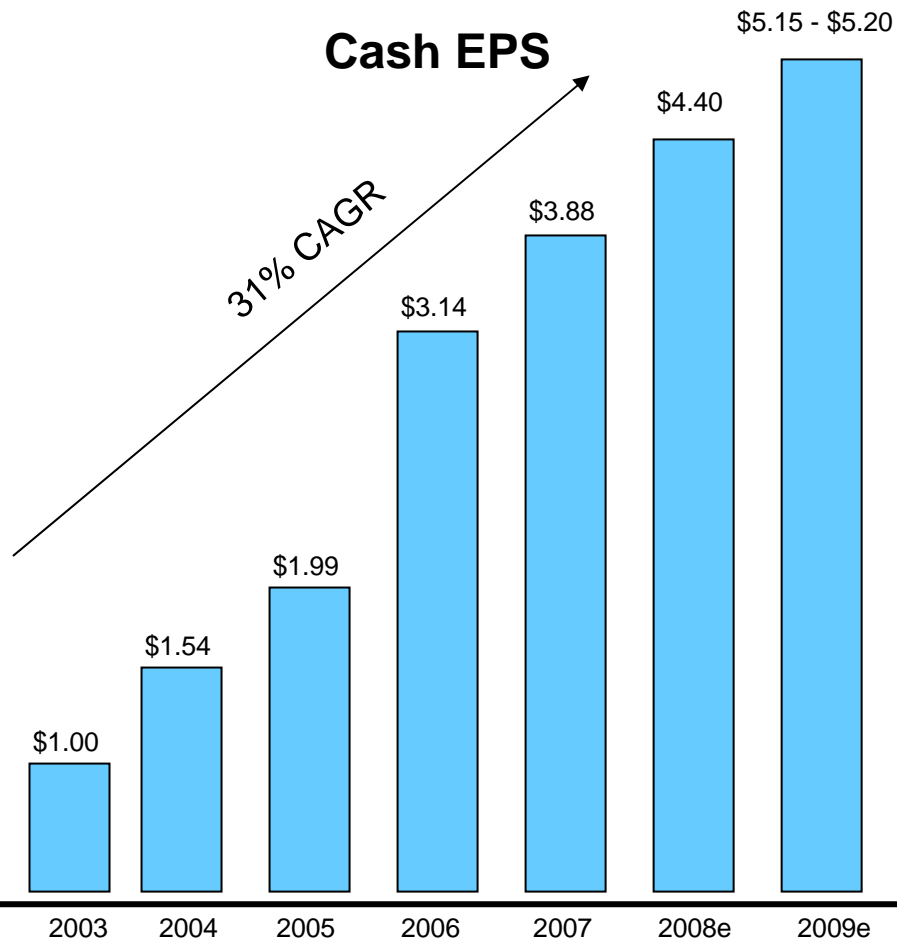
2003-2009e

(in \$MM, except per share)

Adjusted EBITDA



Cash EPS



Alliance Data: A Unique Business Model

Largest and Most Comprehensive Provider of Transaction-based Marketing and Loyalty Solutions

- Highly sophisticated transaction-based programs are measurable, trackable and allow for micro-segmentation of clients' customers.
- Drives high ROIs for our clients and displaces traditional marketing channels, a \$670 billion market.
- Comprehensive nature of our programs cuts across many traditional industries.
 - Multi-channel marketing strategy
 - Data products
 - Database design and build
 - Analytics
 - Permission-based email
 - Customer care
 - Processing
 - Credit

Very "sticky" programs: recession resistant and resilient pricing power

2008 Outlook: Loyalty Services - Canada

- **AIR MILES® Reward Program is the Largest Mass Consumer Coalition Loyalty Program in Canada**
- 70% of Canadian Households Active in the Program
- One of Canada's Most Recognizable Brands
- Despite Name, Revenues are not Driven by Airline Industry.
- Revenues Generated from Consumers' Non-discretionary, High Frequency, Everyday Spend
 - Gas, Grocery, Pharmacy, Etc.
- Long Term Contracts with High Renewal Rate
- Expect >25% Adjusted EBITDA Growth in 2008
 - 100% Organic; driven by network effect, new sponsors, and larger commitments from current sponsors



Canada Safeway Limited



Shell Oil of Canada



2008 Outlook: Epsilon Marketing Services

- **Only Recognized Leader in Both Database Marketing and Email Marketing Services by Forrester**
- Most Comprehensive and Only Integrated Database Marketing Services Firm in the Industry
 - Marketing Strategy
 - Database Management
 - Proprietary Data Services
 - Analytical Services
 - Distribution (35BN+ Permission-based Emails Sent Annually)
- Coalition Programs: Abacus, CitiBank® ThankYou® Network
- Individual Programs: Hilton HHonors®, Barnes & Noble, Pfizer
- Top 25 Clients have Average Tenure of 10 Years
- Expect Double-digit Adjusted EBITDA Growth in 2008
 - \$670BN Market: TV, radio, newspapers, magazines, outdoor, direct response & mail, events & promos
 - Massive Shift to ROI-based Programs
 - 100% Organic: Larger Commitments from Existing Clients and New Clients



2008 Outlook: Private Label Services

- **Fully Integrated Loyalty-driven Private Label and Co-brand Programs**
 - Loyalty & Marketing Programs
 - High-end Customer Care
 - Transaction Processing
- Consumer's Choice Driven by Loyalty and Relationship to Retailer, not a Need for Credit
- 2 of 3 Services (Loyalty/Marketing and Customer Care) Provide "Special Sauce" That Makes the Business Unique
- High Renewal Rate; Key Clients with Long Tenure
- Expect Mid-single Digit Adjusted EBITDA Growth in 2008
 - 280+ potential clients (130 have a program today)
 - We have 95 of the 130 programs
 - Sign 4-5 new clients per year (2008: 9-10)

ANNTAYLOR

J.CREW

Crate&Barrel

VICTORIA'S SECRET

Eddie Bauer®

EST. 1920

P O T T E R Y B A R N

2008 Outlook: Private Label Credit

- 11MM Active Households Each Month
- 85% Female; Mid-to High-Income
- Customer Views as Loyalty Program, not an Extension of Credit
- 700 Average Bureau Score; Small Average Balances (\$350/acct.)
 - No Sub-prime Targeting
- Expect Negative Adjusted EBITDA Growth in 2008 – It's not the Macro Issues; It's Lane Bryant
- 2008 “drag” eliminated for 2009 – Lane Bryant anniversary and 10 new signings ramping-up