

Alliance Data  
NYSE: ADS

**Fourth Quarter  
Results**  
February 3, 2009

# Agenda

- 4th Quarter Highlights
- Full Year Results
- 2009 Outlook
- Business & Financial Review - Detail

## 4<sup>th</sup> Quarter Highlights

### Alliance Data Delivers 31<sup>st</sup> Consecutive Quarter of Meeting or Exceeding Guidance

Revenue	\$508 Million	(3)%
Constant Currency	\$550 Million	5%
Operating EBITDA	\$182 Million	7%
Adjusted EBITDA	\$159 Million	4%
Cash EPS	\$1.19	31%

# 4<sup>th</sup> Quarter Highlights

## Loyalty Services Canada: AIR MILES<sup>®</sup> Reward Program Posted Their Largest Quarter in History

- Record EBITDA
  - Unique Value Proposition Retains and Attracts Sponsors
  - Wider Network Effect of Coalition Loyalty
  - Robust and Attainable Rewards Offering
- Renewed Key Sponsors
  - Hudson's Bay Company
    - Long Standing Relationship with Canada's Largest General Mass Merchandise Retailer
  - Boston Pizza
    - Canada's Largest Casual Dining Brand and Sponsor Since 1993

## 4<sup>th</sup> Quarter Highlights

### **Epsilon Marketing Services: Demand Continues for Transaction-Based, ROI Programs**

- Secured Marriott International
  - Comprehensive Permission-based Email Marketing
- Renewed National Multiple Sclerosis
  - Database Management and Services Designed to Increase Retention and Loyalty
  - Key Clients Marketing Spend Constant or Increasing
- Fifteen New Signings (Eight Announced)
  - AdAge Survey of Marketing Executives Ranks Customer Retention and ROI Programs Among Most Important

## 4<sup>th</sup> Quarter Highlights

### Private Label Services and Credit: Record Year For New Program Signings

- Signed Home Shopping Network
  - Converted Private Label and Launched Co-Brand Programs
  - Develop Loyalty Program to Incent and Reward Cardholders
- Launched Consumer Private Label Program for Butler Animal Health Supply
  - Marks Expansion into New Vertical
  - Largest Distributor of Veterinary and Animal Health Products
- Renewed The Buckle
  - Private Label Card Drives Multi-Channel Sales and Enhances Customer Loyalty for this Long-Standing Client
- 2008 Client Wins Position Us Well for 2009 and 2010

# 2008 Company Results

**Despite Challenging Macro-Environment  
Achieved Mid-Teens Earnings Growth in 2008**

<b>Revenue</b>	<b>\$2 Billion</b>	<b>up 3%</b>
<b>Adj. EBITDA</b>	<b>\$655 Million</b>	<b>up 4%</b>
<b>Operating EBITDA</b>	<b>\$711 Million</b>	<b>up 5%</b>
<b>Cash EPS</b>	<b>\$4.42</b>	<b>up 14%</b>

## 2009 Outlook

**Expect \$5.15 - \$5.20 Cash EPS  
Represents 17 - 18% Growth For The Year**

- Our Business Model Is Strong And Will Produce Solid Growth in Face of Current Macro-Environment
- Strong Organic Growth in Loyalty Services From Sponsors Expanding Programs And Adding New Sponsors
- Epsilon Will See Solid Growth in Database, Analytics and Interactive Services
- Portfolio Growth from 2008 Wins and Private Label Will Benefit From Lower Funding Costs
- Repurchase Program Will Continue To Prove To Be Timely and Effective

# 4th Quarter Consolidated Results

(\$MM, Except per Share)

	<u>4Q 2008</u>	<u>Growth</u>
Revenue: -reported	\$508	(3%)
-constant currency		5%
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Operating EBITDA	\$182	7%
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Adjusted EBITDA	\$159	4%
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Cash Earnings per Share	\$1.19	31%

## 4th Quarter Segment Results

(\$MM)	<u>Revenue</u>	<u>Year Over</u> <u>Year</u>	<u>Adjusted</u> <u>EBITDA</u>	<u>Year Over</u> <u>Year</u>
Loyalty Services -Constant Currency	\$196	1% 23%	\$62	59%
Epsilon Marketing	\$129	1%	\$36	( 1%)
Private Label Svcs	\$ 98	10%	\$29	61%
Private Label Credit	\$171	(12%)	\$44	(39%)

## Balance Sheet

(\$MM)

As of December 31, 2008

Cash and Cash Equivalents	\$157
Redemption Settlement Assets (Trust Cash)	532
<b>Total Assets</b>	<b>\$4,300</b>

Deferred Revenue	\$996
CD's	689
Core Debt	1,670
<b>Total Liabilities</b>	<b>\$3,906</b>

Stockholders' Equity	<b>\$394</b>
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Key Metric:

- Net Core Debt / LTM Op. EBITDA (Op. Cash Flow) approx. 2.1x

# 2009 Guidance

## Full-Year (\$MM)

### BASE

- Revenues: segment ranges of 12% to 15%
- EBITDA: segment ranges of 7% to 18%

- Loyalty
- Epsilon
- Private Label
- Corporate O/H – Flat

### ADJUSTMENTS TO BASE

- Credit Losses (~~100bps~~) (150bps)
- Funding/liquidity “insurance”
- F/X (↓ 11¢)

2009 Guidance  
(no change from Q3 call)

### REVS

\$2,300

~~-\$44~~ (\$66)

~~-\$25~~ \$0

~~-\$80~~ (\$88)

(\$150)

\$2,150

### Adjusted EBITDA

\$770

~~-\$44~~ (\$66)

~~-\$25~~ \$0

~~-\$20~~ (\$24)

(\$90)

\$680

# “Sidebar” - #1 Investor Concern: Credit Losses

## 2008:

- Unemployment moved from 4.9% → 7.2%
  - Average of 6.1%
- Total: Credit Losses increased 150bps v. 2007
  - Average of 7.3%
  - (\$60MM) incremental hit to the P&L
  - MasterTrust losses averaged 6.7% consistent with mid-6% guidance

## **Total Losses run 100-120bps above average unemployment rate**

## 2009:

- Unemployment expected to move from 7.2% → 8.2% or a bit higher
  - Average of 7.7%
- Total credit losses to increase 150bps v. 2008
  - Average of 8.8%
  - (\$66MM) incremental hit to P&L
  - MasterTrust would normally run in the low 8's consistent with 150 bps increase

## Credit Losses – “Avoiding the Freak Out”

	<u>2007</u>	<u>2008</u>	<u>2009e</u>
• Avg. Unemployment Rate	4.7%	6.1%	7.7%
• Total Credit Losses	5.8%	7.3%	8.8%
• MasterTrust only Losses	5.4%	6.7%	8.3%
			↓
			8.8%
			(denominator effect)

### • For 2009, MasterTrust rate = Total Rate

- Optimizing financing – funding more with low cost CD's
- “denominator effect” (funding new growth outside of Trust raises reported loss % in Trust)
- doesn't impact consolidated results.
- Q1: high-8's with upward creep through year-end mitigated by new growth

• Perspective: for ADS, stress test another 50bps = (\$22MM) or 3-4% of EBITDA

## 2009 Guidance (no change from Q3 call)

- Revenues: \$2,150MM
- Op. EBITDA: \$ 720MM
- Adjusted EBITDA: \$ 680MM

• Cash EPS:	\$5.15 - \$5.20 ↑ 17% – 18%
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- Q1 \$1.10

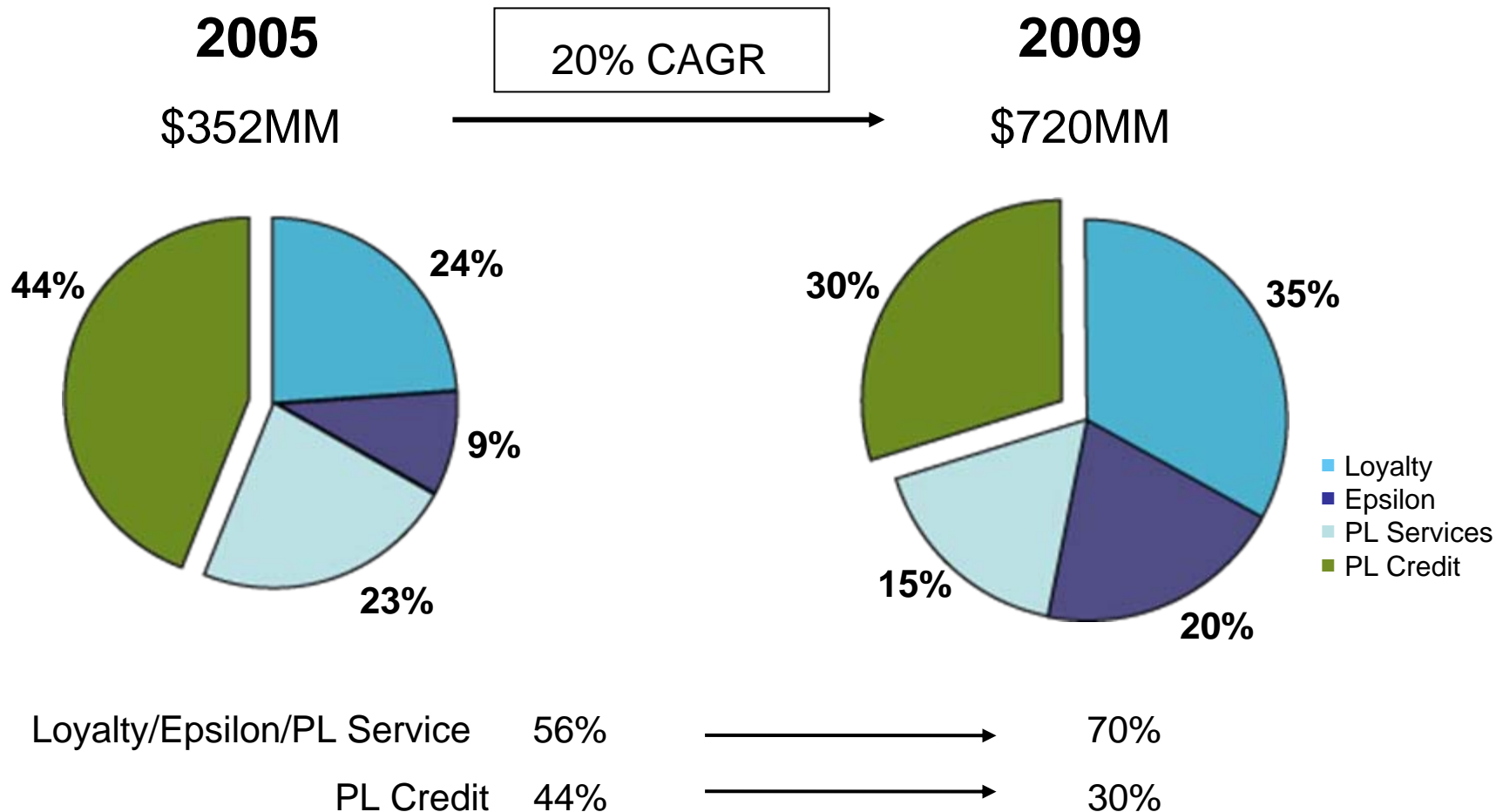
- includes \$10MM EBITDA hit for FX; or 10¢ drag on cash eps
- Q1 toughest FX comp (ceps drag: Q2: (9¢), Q3 (6¢), Q4 (0))
- reported 10% growth
- constant currency growth: 20%
- FY constant currency growth: 23%

## 2009 Free Cash Flow (\$MM)

FCF:

EBITDA	\$680	
Loyalty adj.	\$ 40	
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Op. EBITDA	\$720	
Capex, cash interest, taxes	(\$340)	
	<hr/>	
Free Cash Flow	\$380	
per Share	\$5.75	(14% yield)

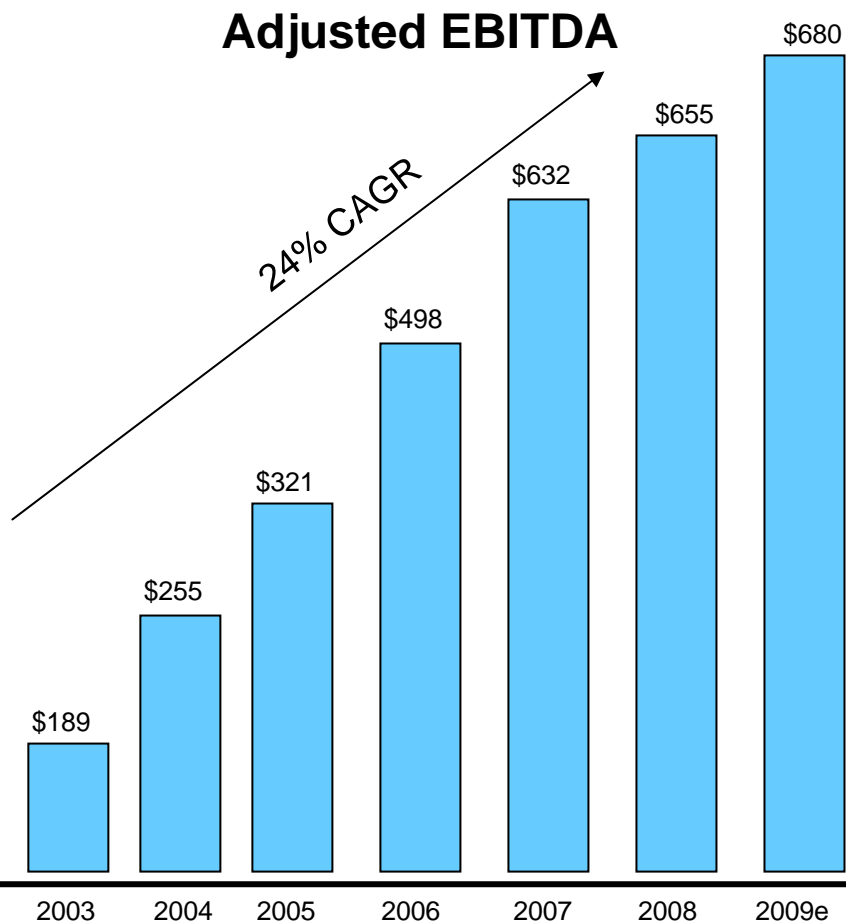
# Growth & Shift In Operating EBITDA (Op. Cash Flow)



# 2003-2009e

(in \$MM, except per share)

## Adjusted EBITDA



## Cash EPS

