

Alliance Data provides update on Loyalty Ventures spinoff

Proposed spinoff is expected to be tax-free and will create two independent, publicly traded companies

Rationale	<ul style="list-style-type: none">Aligns with our strategic transformation to deliver long-term, sustainable growthAt the spinoff date, will create standalone data-driven, tech-enabled loyalty solutions provider, Loyalty Ventures Inc.Positions both companies to invest more deeply in their unique growth opportunitiesAt the spinoff date, ADS expects to receive a \$750 million distribution which will be used for deleveragingThe spinoff will remove goodwill from ADS' balance sheet, which is expected to accelerate the improvement in ADS' capital ratios
LVI Capital Structure	<ul style="list-style-type: none">Debt raise targeting \$675 million in term loans, including up to \$500 million in Term Loan B due in 2027Pro Forma Total Leverage Ratio of 4.0x at 8/31/21 and 3.6x estimated at 12/31/21*Liquidity at 12/31/21 is estimated at \$281 million consisting of \$131 million of cash and cash equivalents plus \$150 million undrawn revolver which is expected to be in place at the spinoff dateCommitment to de-lever by \$50 million throughout 2022
LVI Ratings Update	<ul style="list-style-type: none">Loyalty Ventures has been rated by Moody's at B1 and by S&P Global Ratings at B+, each with a stable outlookLVI is focused on maintaining strong liquidity while reducing its financial leverageFree cash flow for 2021 is estimated to be ~\$162 million**M&A will be opportunistic and targeted
Outlook	<ul style="list-style-type: none">The spinoff is on track for Q4 2021, subject to market conditions and regulatory approvalWe are optimistic about Loyalty Ventures' strong competitive profile with an outlook that capitalizes on the macro recovery from the pandemic and positions the company to pursue strategic initiatives in both existing and new marketsAlliance Data will continue to trade as ADS on the NYSE and Loyalty Ventures will begin trading as LYLT on the Nasdaq exchange

* Pro Forma Adjusted EBITDA is a non-GAAP financial measure. For a definition of Pro Forma Adjusted EBITDA and a reconciliation to income before income taxes, see page three. Calculated using actual Pro Forma Adjusted EBITDA of \$167 million for the twelve months ended 8/31/21 and estimated Pro Forma Adjusted EBITDA for the year ending 12/31/21 of \$187 million, as applicable.

** Free Cash Flow is a non-GAAP financial measure. For a definition of Free Cash Flow and a reconciliation to Pro Forma Adjusted EBITDA, see page three. Calculated using estimated Pro Forma Adjusted EBITDA for the year ending 12/31/21 of \$187 million.

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 including the proposed spinoff of Loyalty Ventures Inc., 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 as well as those set forth in the Form 10 filed by Loyalty Ventures Inc. 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.

Reconciliation of Non-GAAP Financial Information

Pro Forma adjusted EBITDA is a non-GAAP financial measure equal to net income, the most directly comparable financial measure based on accounting principles generally accepted in the United States of America, or GAAP, plus provision for income taxes, interest (income) expense, net, depreciation and amortization and stock compensation expense. Pro Forma adjusted EBITDA also eliminates the effect of gains on the sale of certain investments and the impact of certain restructuring actions taken, and incorporates synergies from restructuring actions. Free cash flow is calculated as Pro Forma adjusted EBITDA less capital expenditures.

(\$ in millions)

	<u>LTM 8/31/21</u>	<u>2021E</u>
Net income	\$77.7	\$99.4
Provision for income taxes	28.7	36.8
Interest (income) expense, net ¹	(0.6)	(0.5)
Depreciation and amortization	52.6	36.6
Stock compensation expense	8.9	9.3
Gain on sale, restructuring costs and run-rate cost savings	0.1	5.4
Pro Forma Adjusted EBITDA	<u>\$167.3</u>	<u>\$187.0</u>
Less: CapEx		(24.5)
Free Cash Flow		<u>\$162.4</u>

¹ Interest (income) expense, net does not include interest on term loan debt