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Q2 2016 Earnings Report

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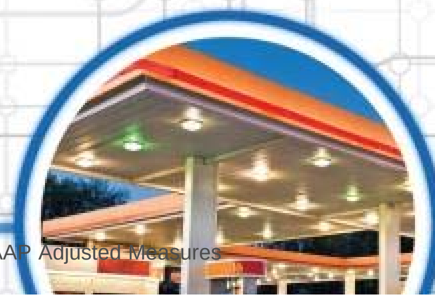

Forward Looking Statements

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 are indicated by words or phrases such as “guidance,” “believes,” “expects,” “anticipates,” “estimates,” “plans,” “continuing,” “ongoing,” and similar words or phrases and the negative of such words and phrases. Forward-looking statements are based on our current plans and expectations and involve risks and uncertainties which are, in many instances, beyond our control, and which could cause actual results to differ materially from those included in or contemplated or implied by the forward-looking statements. Such risks and uncertainties include the following: our ability to generate adequate taxable income to enable us to fully utilize the tax benefits referred to in this release, changes in applicable tax law that preclude us from fully utilizing the tax benefits referred to in this release, our ability to grow adjusted operating revenues and adjusted net income as anticipated, our ability to grow at historic rates or at all, the consequences should we lose one or more of our top distribution partners or fail to attract new distribution partners to our network or if the financial performance of our distribution partners’ businesses decline, our reliance on our content providers, the demand for their products and our exclusivity arrangements with them, our reliance on relationships with card issuing banks, the consequences to our future growth if our distribution partners fail to actively and effectively promote our products and services, the ability of our distribution partners to implement EMV compliance within their expected timeline and lift the measures they may have taken prior to such compliance to limit or control their exposure to liability for fraud losses; changes in consumer behavior away from our distribution partners and our products resulting from limits or controls implemented by our distribution partners during our distribution partners’ transition to EMV compliance; the requirement that we comply with applicable laws and regulations, including increasingly stringent money-laundering rules and regulations, and other risks and uncertainties described in our reports and filings with the Securities and Exchange Commission (the “SEC”), including the risks and uncertainties set forth in Item 1A under the heading Risk Factors in our Annual Report on Form 10-K for the year ended January 2, 2016, our Quarterly Report on Form 10-Q for the fiscal quarter ended on June 18, 2016 which is expected to be filed prior to or on July 28, 2016, and other subsequent periodic reports we file with the Securities and Exchange Commission. We undertake no obligation to update forward-looking statements to reflect developments or information obtained after the date hereof and disclaim any obligation to do so other than as may be required by law.

Key Financial Metrics (non-GAAP)
Q2'16 vs Q2'15

($ in millions except EPS)	Guidance*	Q2'16	Q2'15	% Change
Adjusted Operating Revenues (AOR)	$172 to $190	$184	$167	10%
Adjusted EBITDA	$14 to $18	$26	$31	-14%
Adjusted Net Income before Reduction in Income Taxes Payable	$(2) to $2	$7	$12	-39%
Adjusted EPS before Reduction in Income Taxes Payable	$(0.03) to $0.03	$0.13	$0.21	-38%
Adjusted Net Income	$12 to $15	$21	$24	-14%
Adjusted Diluted EPS	$0.21 to $0.26	$0.37	$0.43	-14%

Actual Results vs Guidance:
- Adjusted Operating Revenues: Slightly better than expected EMV impact
- Adjusted EBITDA: Better than expected EMV impact; early transition of incentives acquisition to our issuing bank; cost savings; international performance
- Adjusted Net Income before Reduction in Income Taxes Payable: better than forecast EBITDA and interest expense

See Table 3 of Earning Release dated July 19, 2016 for revised presentation of Adjusted Net Income

* Guidance provided on April 27, 2016

Q2 2016 Highlights

U.S. Retail – EMV impact less than expected; executed deal with NetSpend to outsource program management of general purpose reloadable (GPR) business

Incentives – Achievers continues to run ahead of forecast and signed first U.S. retail cross-sell customer – Meijer; Giftcards.com and extrameasures adding growth

International – Newly acquired Didix and AsiaPac region performed well

Digital Channels – TDV across all digital, online and mobile distribution channels $237 million, up 117% year-over-year; YTD TDV is 8% of total gift card TDV

Segment Financial Metrics (non-GAAP)

Q2'16 vs. Q2'15

($ in millions)	US Retail	Int'l Retail	Incentives	Corporate & Unallocated	Total
TDV 2016	$2,122	$766	$498		$3,386
TDV 2015	$2,306	$660	$416		$3,382
% Increase	-8%	16%	20%		0%
AOR 2016	$104	$20	$60		$184
AOR 2015	$115	$17	$35		$167
% Increase	-10%	17%	70%		10%
Adjusted EBITDA 2016	$42	$4	$11	$ (31)	$26
Adjusted EBITDA 2015	$52	$1	$6	$ (28)	$31
% Increase	-18%	278%	79%	12%	-14%

- US Retail: EMV impact, Cardpool decline
- International: Driven by Didix, strong growth in Asia-Pac region and expense leverage
- Incentives: Growth in B2B eCommerce and acquisitions
- Corporate/Unallocated: Technology, compliance and acquisition support cost increases

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U.S. Retail — EMV Update

- **Overall, vast majority of grocery distribution partners on track to achieve EMV compliance between now and late September 2016**
  - *Certain divisions within non-EMV compliant distribution partners already compliant*
    - Products returning to shelves
    - Beginning to run consumer awareness campaigns
    - Monitoring rebound in TDV on newly compliant distribution partners
  - *Certain partners running ahead of timeline; some partners will slip*
  - *Based on most recent partner provided information, we estimate partners representing approximately 95% of open gift card TDV will be EMV compliant by end of September 2016*
- **Q2 2016 EMV impact on AOR and Adjusted EBITDA favorable to forecast**
- **Lowered full year estimates of EMV impact on Adjusted Operating Revenues to $47 million (vs. $51M prior guidance) and on Adjusted EBITDA to $40 million (vs. $44M prior guidance)**
  - *Estimated total impact reduces 2016 growth in AOR by 6% and in Adjusted EBITDA by 21%*
  - *We continue to believe the negative impact of our partner's EMV transition is substantially limited to 2016*

2H16 Business Outlook

U.S. Retail – Focus on driving TDV increases post-EMV including product restocking and executing consumer awareness campaigns; launching category cards and “Visa Five Back” into top 10 DPs

Incentives – Pursuing more cross-selling opportunities with Achievers; consumer incentives focused on expanding with existing accounts and winning new accounts in 2H; completing integration of incentive eCommerce sites of CardLab and Giftcards.com

International – Expanding Didix and digital content across Europe and digital distribution across regions; Brexit impact expected to be immaterial to international operating results

Digital Channels – Continued rollout of new “DDPs”; integrating eCommerce onto feature-rich Giftcards.com platform; integrating and expanding NimbleCommerce capabilities for offers and egift services

Future Change in Non-GAAP Measures of Adjusted Net Income and Adjusted Diluted Earnings per Share

- **Beginning the third quarter of 2016, the Company will revise its presentation of two Non-GAAP financial measures, Adjusted Net Income and Adjusted Diluted Earnings per Share**
  - *Revision driven by SEC's Compliance and Disclosure Interpretations published on May 17, 2016 pertaining to Non-GAAP Financial Measures*
- **The reduction in income taxes payable previously included in the determination of Adjusted Net Income will no longer be included, but will be provided separately including the per share amount of the reductions.**
  - *Table 2 of the earnings release displays the current presentation of Adjusted Net Income and Adjusted Diluted Earnings per Share*
  - *Table 3 of the earnings release displays the revised presentation of Adjusted Net Income and Adjusted Diluted Earnings per Share*
- **Revised presentation for historical periods from fiscal 2013 forward is available on the Company's investor relations website (July 19 post-market)**

Q3'16 Financial Guidance

($ in millions except per share amounts)	Q3'16 Guidance	Q3'15 Actual	% Change
Adjusted Operating Revenues	$172 to $193	$177	-3% to 9%
Adjusted EBITDA	$23 to $28	$29	-21% to -3%
Adjusted Net Income *	$3 to $7	$10	-70% to -30%
Adjusted Diluted EPS *	$0.05 to $0.11	$0.17	-71% to -35%
Reduction in income taxes payable	$13	$11	16%
Reduction in income taxes payable per share (diluted)	$0.22	$0.20	10%

EMV impact on Q3'16 expected to be slightly below Q2'16 levels

* Excludes reduction in income taxes payable

2016 Annual Financial Guidance

($ in millions except EPS)	2016 Guidance	2015	% Change
Adjusted Operating Revenues (excl Mktg)	$906 to $957	$829	9% to 15%
Adjusted EBITDA	$200 to $218	$194	3% to 12%
Adjusted Net Income *	$83 to $94	$ 90	-8% to 4%
Adjusted Diluted EPS *	$1.43 to $1.62	$1.59	-10% to 2%
Reduction in income taxes payable	$61	$55	10%
Reduction in income taxes payable per share (diluted)	$1.04	$0.98	6%

Adjusting for estimated EMV impact on AOR ($47M) and EBITDA ($40M), annual pro-forma growth rates would be:

	AOR	Adj EBITDA	Adj Net Income	Adj EPS
Excluding EMV	15% to 21%	24% to 33%	21% to 34%	17% to 30%

* Excludes reduction in income taxes payable

Cash Flow and Debt

- **2016 Adjusted Free Cash Flow in the range of $100M to $110M**
  - *2016 Capex projection unchanged at $54 million*
- **Total debt to EBITDA ratio at end of Q2 2016: 2.60x**
  - *Current (as of July 15, 2016) debt outstanding $526M excluding L/Cs*
  - *Total bank facility $826M ($426M Term + Revolver)*
  - *EBITDA leverage covenant on secured bank facility at 3.25x reducing to 3.0x by the end of 2016*
- **Plan to raise tranche of senior unsecured debt**
- **No plan for dividend**
- **Robust ongoing acquisition opportunities**

Adjusted Free Cash Flow

($ in millions)	LTM 2Q16 Actual	LTM 2Q15 Actual	% Change
Adjusted EBITDA	$192	$169	13%
Less: CapEx	(47)	(47)	1%
Less: Interest Expense	(13)	(9)	44%
Less: Cash Taxes Refunded (Paid)	3	(25)	-113%
Less: Noncash PPA Adjustment	(15)	-	n/m
Add (subtract): Changes in W/C	(40)	(9)	340%
Add: Settlement timing benefit	21	63	- 67%
Adjusted Free Cash Flow	**$101**	**$142**	- 29%

- Taxes refunded in 2016 period related to reduction in income taxes payable for Spin-off and NOLs and Federal tax refunds for periods prior to Spin-off from Safeway
- Noncash PPA adjustment is included in Adjusted EBITDA – removed from cash flow
- Working capital increase in 2016 period higher than normal based on issuing bank amendment and timing of payment (approximately 50% of increase)

Revenue Ratios – Q2'16 vs Q2'15

	Q2'16	Q2'15	Change	FY Est*
Prepaid and Processing Revenues (PPR) % of TDV	9.8%	9.2%	+0.6%	9.6%
Partner Distribution Expense (PDE) % of PPR	57.9%	57.2%	+0.7%	57.7%
Adjusted Operating Revenues (AOR) % of TDV	5.4%	4.9%	+0.5%	5.2%

- PPR % of TDV higher due to EMV impact and higher proportion of incentives overall
- Higher Partner Distribution Expense % of PPR due to EMV and mix of distribution partners
- AOR ratio to TDV increase due to higher proportion of incentives, including the addition of Achievers and Giftcards.com

Notes:
- PPR is total revenues excluding marketing revenues and product sales
- AOR is total revenues less partner distribution expenses and marketing revenues
- See reconciliation of GAAP revenues to AOR in Appendix

* *Current point estimate of full year ratios*

Expense Ratios – Q2'16 vs Q2'15

	Q2'16	Q2'15	Change	FY Est*
Processing & Services % of AOR	40.6%	38.5%	+2.2%	36.3%
Sales & Marketing, Net % of AOR	20.0%	19.6%	+0.4%	17.9%
General & Administrative % of AOR	10.5%	10.4%	+0.1%	9.3%
Total as % of AOR	71.2%	68.4%	2.7%	63.5%

- Expenses ratios higher than 2015 primarily due to slower revenue growth in US retail (EMV impact) and Achievers acquisition
  - Excluding EMV and Achievers, FY16 estimated total expenses as % of AOR would be 55.7% compared to 60.2% for FY15
- FY Estimate includes reclassifications between sales and marketing and processing and services for 2016 acquisitions as compared to estimates provided last quarter

Note: Expenses exclude stock compensation expenses

** Current point estimate of full year expenses and AOR*

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Product Sales and Margin – Q2’16 vs Q2’15

($ in millions)	**Q2‘16**	**Q2‘15**	**% Change**	**FY Est***
Product Sales (Note)	$42	$35	21%	$192
Costs of Products Sold	38	32	19%	179
Product Gross Profit	$3	$2	39%	$13
Product Gross Margin	8%	7%		7%

- Product Sales and Gross Margin increased due to the addition of Achievers
- FY16 Estimate reduced from prior quarter due to reduced forecast for Cardpool

Note: Q2’16 includes $1.5M revenue adjustment from purchase accounting

* *Current point estimate of full year growth rate and margin*

Appendix

Reconciliation of GAAP to Non-GAAP Measures

Management’s Use of Non-GAAP Financial Measures

For full explanation, see earnings press release dated July 19, 2016

The Company believes Adjusted operating revenues, EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted net income and Adjusted diluted earnings per share are useful to evaluate the Company's operating and financial performance for the following reasons:

- Adjusting operating revenues for compensation to retail distribution partners and pass through marketing revenues is useful to understanding the Company's operating margin;
- EBITDA and Adjusted EBITDA are widely used by investors and securities analysts to measure a company’s operating performance without regard to items that can vary substantially from company to company and from period to period depending upon their financing, accounting and tax methods, the book value of their assets, their capital structures and the method by which their assets were acquired;
- in a business combination, a company records an adjustment to reduce the carrying values of deferred revenue and deferred expenses to their fair values and reduces the company’s revenues and expenses from what it would have recorded otherwise, and as such the Company does not believe is indicative of its core operating performance;

Management's Use of Non-GAAP Financial Measures (cont'd)

- non-cash equity grants made to employees and distribution partners at a certain price and point in time do not necessarily reflect how the Company's business is performing at any particular time and the related expenses are not key measures of the Company's core operating performance;
- reduction in income taxes payable from the step up in tax basis of our assets resulting from the Section 336(e) election due to our Spin-Off and the Safeway Merger and reduction in income taxes payable from amortization of goodwill and other intangibles or utilization of net operating loss carryforwards from business acquisitions represent significant tax savings that are useful for understanding the Company's overall operating results.
- reduction in income taxes payable resulting from the tax deductibility of stock-based compensation is useful for understanding the Company's overall operating results. The Company generally realizes these tax deductions when restricted stock vest, an option is exercised, and, in the case of warrants, after the warrant is exercised but amortized over remaining service period, and such timing differs from the GAAP treatment of expense recognition.
- adjusted free cash flow - Free cash flow provides information regarding the cash that the Company generates without the fluctuations resulting from the timing of cash inflows and outflows from these settlement activities, which is useful to understanding the Company's business and its ability to fund capital expenditures and repay amounts borrowed under its term loan. The Company also may use Free cash flow for, among other things, making investment decisions and managing its capital structure.

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GAAP Revenues to AOR Reconciliation

($ in millions)	Q2'16	Q2'15	% Change
Total Operating Revenues	$391	$372	5%
Less: Partner Distribution Expense	(191)	(177)	8%
Less: Marketing Revenue	(21)	(28)	-26%
Add: Revenue Adjust from Purchase Accounting	5	-	-
Adjusted Operating Revenues	$184	$167	10%

GAAP Net Income to Adjusted EBITDA Reconciliation

($ in millions)	Q2'16	Q2'15	% Change
Net Income	$(11)	3	-503%
Interest income and other income / expense, net	(1)	-	n/a
Interest expense	4	2	60%
Tax expense (benefit)	(7)	5	-243%
Depreciation and amortization	28	16	75%
EBITDA	13	26	-50%
Employee stock-based compensation	9	8	11%
Revenue adjustment from purchase accounting, net	4	-	n/a
Gain on sale	(1)	-	n/a
Change in fair value of contingent consideration	1	(3)	123%
Adjusted EBITDA	$26	$31	-14%

GAAP Pre-tax Income to Adjusted Net Income Reconciliation

($ in millions)	Q2'16	Q2'15	% Change
Income before income tax expense	$(19)	$8	-335%
Employee stock-based compensation	9	8	11%
Revenue adjustment from purchase accounting, net	4	-	n/a
Gain on sale	(1)	-	n/a
Change in fair value of contingent consideration	1	(3)	123%
Amortization of intangibles	17	6	151%
Adjusted income before income tax expense	11	19	-42%
Income tax expense (benefit)	(7)	5	-243%
Tax expense on adjustments	11	2	462%
Spin-Off, NOL and stock comp tax benefits	(14)	(12)	10%
Adjusted tax expense (benefit)	(10)	(5)	83%
Adjusted net income	$21	$24	-14%

See Table 3 of Earning Release dated July 19, 2016 for revised presentation of Adjusted Net Income

GAAP EPS to Adjusted Diluted EPS Reconciliation

	Q2'16	Q2'15	% Change
Diluted earnings (loss) per share	$(0.20)	$0.05	N/M
Employee stock-based compensation	0.09	0.09	0%
Revenue adjustment from purchase accounting, net	0.05	-	N/M
Gain on sale, net	(0.01)	-	N/M
Change in fair value of contingent consideration	0.01	(0.06)	N/M
Amortization of intangibles	0.19	0.08	138%
Revaluation of deferred taxes for rate change	-	0.05	N/M
Reduction in income taxes payable	0.24	0.22	9%
Adjusted diluted EPS	$0.37	$0.43	-14%

See Table 3 of Earning Release dated July 19, 2016 for revised presentation of Adjusted Diluted EPS

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