

LOYALTY VENTURES INC.
CONSOLIDATED AND COMBINED STATEMENTS OF INCOME

	Years Ended December 31,			
	2021	2020	2019	2018
	(in thousands)			
Revenues				
Redemption, net	\$ 444,395	\$ 473,067	\$ 637,321	\$ 676,279
Services	269,073	264,050	367,647	368,170
Other	21,839	27,689	28,163	23,929
Total revenue	<u>735,307</u>	<u>764,806</u>	<u>1,033,131</u>	<u>1,068,378</u>
Operating expenses				
Cost of operations (exclusive of depreciation and amortization disclosed separately below)	573,246	587,615	847,552	824,203
General and administrative	20,011	14,315	14,823	14,049
Depreciation and other amortization	34,944	28,988	32,152	32,585
Amortization of purchased intangibles	1,740	48,953	48,027	52,238
Goodwill impairment	50,000	—	—	—
Total operating expenses	<u>679,941</u>	<u>679,871</u>	<u>942,554</u>	<u>923,075</u>
Operating income	55,366	84,935	90,577	145,303
Gain on sale of a business	—	(10,876)	—	—
Interest expense (income), net	5,534	(834)	2,335	5,528
Income before income taxes and (income) loss from investment in unconsolidated subsidiaries	49,832	96,645	88,242	139,775
Provision (benefit) for income taxes	52,175	21,324	11,331	(2,867)
(Income) loss from investment in unconsolidated subsidiaries – related party, net of tax	(4,067)	246	1,681	5,033
Net income	<u>\$ 1,724</u>	<u>\$ 75,075</u>	<u>\$ 75,230</u>	<u>\$ 137,609</u>

LOYALTY VENTURES INC.
UNAUDITED CONDENSED COMBINED STATEMENTS OF INCOME

	Quarter Ended				Year Ended
	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	December 31, 2020
	(in thousands)				
Revenues					
Redemption, net	\$ 120,872	\$ 84,675	\$ 113,073	\$ 154,447	\$ 473,067
Services	70,219	60,008	63,629	70,194	264,050
Other	7,014	6,388	8,054	6,233	27,689
Total revenue	<u>198,105</u>	<u>151,071</u>	<u>184,756</u>	<u>230,874</u>	<u>764,806</u>
Operating expenses					
Cost of operations (exclusive of depreciation and amortization disclosed separately below)	144,311	108,850	146,358	188,096	587,615
General and administrative	3,572	3,591	3,630	3,522	14,315
Depreciation and other amortization	6,407	6,547	7,735	8,299	28,988
Amortization of purchased intangibles	11,823	11,807	12,538	12,785	48,953
Total operating expenses	<u>166,113</u>	<u>130,795</u>	<u>170,261</u>	<u>212,702</u>	<u>679,871</u>
Operating income	31,992	20,276	14,495	18,172	84,935
Gain on sale of a business	(10,876)	—	—	—	(10,876)
Interest income, net	(267)	(82)	(167)	(318)	(834)
Income before income taxes and loss (income) from investment in unconsolidated subsidiaries	43,135	20,358	14,662	18,490	96,645
Provision for income taxes	13,408	441	3,534	3,941	21,324
Loss (income) from investment in unconsolidated subsidiaries – related party, net of tax	68	(10)	148	40	246
Net income	<u>\$ 29,659</u>	<u>\$ 19,927</u>	<u>\$ 10,980</u>	<u>\$ 14,509</u>	<u>\$ 75,075</u>

LOYALTY VENTURES INC.
UNAUDITED CONDENSED COMBINED AND CONSOLIDATED STATEMENTS OF INCOME

	Quarter Ended				Year Ended
	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021	December 31, 2021
	(in thousands)				
Revenues					
Redemption, net	\$ 104,864	\$ 78,831	\$ 97,149	\$ 163,551	\$ 444,395
Services	66,223	67,215	65,806	69,829	269,073
Other	5,467	4,859	6,302	5,211	21,839
Total revenue	<u>176,554</u>	<u>150,905</u>	<u>169,257</u>	<u>238,591</u>	<u>735,307</u>
Operating expenses					
Cost of operations (exclusive of depreciation and amortization disclosed separately below)	135,846	117,092	119,882	200,426	573,246
General and administrative	3,685	3,905	4,018	8,403	20,011
Depreciation and other amortization	8,595	8,977	8,665	8,707	34,944
Amortization of purchased intangibles	439	444	433	424	1,740
Goodwill impairment	—	—	—	50,000	50,000
Total operating expenses	<u>148,565</u>	<u>130,418</u>	<u>132,998</u>	<u>267,960</u>	<u>679,941</u>
Operating income (loss)	27,989	20,487	36,259	(29,369)	55,366
Interest (income) expense, net	(69)	(113)	(136)	5,852	5,534
Income (loss) before income taxes and loss (income) from investment in unconsolidated subsidiaries					
	28,058	20,600	36,395	(35,221)	49,832
Provision for income taxes	8,984	6,090	16,542	20,559	52,175
Loss (income) from investment in unconsolidated subsidiaries – related party, net of tax					
	36	5	(4,108)	—	(4,067)
Net income (loss)	<u>\$ 19,038</u>	<u>\$ 14,505</u>	<u>\$ 23,961</u>	<u>\$ (55,780)</u>	<u>\$ 1,724</u>

LOYALTY VENTURES INC.
UNAUDITED CONDENSED CONSOLIDATED AND COMBINED BALANCE SHEETS

	December 31,		
	2021	2020	2019
	(in thousands)		
ASSETS			
Cash and cash equivalents	\$ 167,601	\$ 278,841	\$ 124,981
Accounts receivable, net	288,251	270,559	338,879
Inventories, net	188,577	164,306	218,044
Redemption settlement assets, restricted	735,131	693,461	600,810
Other current assets	28,627	23,000	30,560
Total current assets	1,408,187	1,430,167	1,313,274
Property and equipment, net	79,959	97,916	111,239
Right of use assets - operating	99,515	113,870	115,851
Deferred tax asset, net	58,128	70,137	62,789
Intangible assets, net	3,095	5,097	52,819
Goodwill	649,958	735,898	690,814
Investment in unconsolidated subsidiaries – related party	—	854	451
Other non-current assets	24,885	4,125	6,183
Total assets	<u>\$ 2,323,727</u>	<u>\$ 2,458,064</u>	<u>\$ 2,353,420</u>
LIABILITIES AND EQUITY			
Accounts payable	\$ 103,482	\$ 74,818	\$ 98,670
Accrued expenses	144,997	67,056	83,330
Deferred revenue	924,789	898,475	807,897
Current operating lease liabilities	10,055	9,942	8,905
Current debt	50,625	—	—
Other current liabilities	118,444	64,990	128,592
Total current liabilities	1,352,392	1,115,281	1,127,394
Deferred revenue	97,167	105,544	114,129
Deferred tax liability, net	—	—	1,797
Long-term operating lease liabilities	103,242	117,648	121,031
Long-term debt	603,488	—	—
Other liabilities	20,874	25,290	41,510
Total liabilities	2,177,163	1,363,763	1,405,861
Common stock, \$0.01 par value; authorized, 200,000 shares; issued, 24,585 shares at December 31, 2021	246	—	—
Additional paid-in-capital	266,775	—	—
Accumulated deficit	(55,383)	—	—
Parent’s net investment	—	1,093,920	1,039,625
Accumulated other comprehensive (loss) income	(65,074)	381	(92,066)
Total equity	146,564	1,094,301	947,559
Total liabilities and equity	<u>\$ 2,323,727</u>	<u>\$ 2,458,064</u>	<u>\$ 2,353,420</u>

LOYALTY VENTURES INC.
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS

	Years Ended December 31,			
	2021	2020	2019	2018
	(in thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	\$ 1,724	\$ 75,075	\$ 75,230	\$ 137,609
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	36,684	77,941	80,179	84,823
Deferred income tax expense (benefit)	8,763	(3,502)	(19,853)	(54,759)
Non-cash stock compensation	6,259	7,017	9,076	13,333
Loss from investments in unconsolidated subsidiaries – related party	60	246	1,681	5,033
Gain on sale of investment in unconsolidated subsidiary – related party	(4,110)	—	—	—
Gain on sale of a business	—	(10,876)	—	—
Gain on sale of an investment	—	—	—	(9,517)
Asset impairment charges	—	—	40,664	—
Goodwill impairment	50,000	—	—	—
Change in other operating assets and liabilities, net of sale of business:				
Change in deferred revenue	9,990	60,826	2,943	(17,464)
Change in accounts receivable	13,145	64,194	(36,104)	(91,856)
Change in accounts payable and accrued expenses	29,868	(40,361)	(50,459)	42,094
Change in other assets	(37,061)	79,009	12,845	(56,814)
Change in other liabilities	45,811	(86,787)	(15,332)	11,531
Other	18,443	(6,465)	4,829	1,396
Net cash provided by operating activities	<u>179,576</u>	<u>216,317</u>	<u>105,699</u>	<u>65,409</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Change in redemption settlement assets, restricted	(51,924)	(40,677)	(9,496)	(42,203)
Capital expenditures	(18,213)	(24,319)	(41,457)	(34,000)
Acquisition of tradename	—	—	—	(1,520)
Proceeds from the sale of investments in unconsolidated subsidiaries – related party	4,055	—	4,000	—
Investments in unconsolidated subsidiaries – related party	—	(736)	(6,093)	(800)
Distributions from investment in unconsolidated subsidiary – related party	795	—	—	—
Net cash used in investing activities	<u>(65,287)</u>	<u>(65,732)</u>	<u>(53,046)</u>	<u>(78,523)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Borrowings under debt agreements	675,000	—	28,271	48,338
Repayments of borrowings	—	—	(203,634)	(54,734)
Repayments of borrowings from related parties	—	—	(127,845)	—
Payment of deferred financing costs	(22,852)	—	—	—
Contribution from Parent	5,637	—	288,693	—
Consideration paid to Parent in connection with Separation	(750,000)	—	—	—
Dividends paid to Parent	(120,000)	—	—	(6,823)
Net transfers to Parent	(3,972)	(2,638)	(28,393)	(10,718)
Net cash used in financing activities	<u>(216,187)</u>	<u>(2,638)</u>	<u>(42,908)</u>	<u>(23,937)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(3,025)	14,446	3,600	(11,533)
Change in cash, cash equivalents and restricted cash	(104,923)	162,393	13,345	(48,584)
Cash, cash equivalents and restricted cash at beginning of year	337,525	175,132	161,787	210,371
Cash, cash equivalents and restricted cash at end of year	<u>\$ 232,602</u>	<u>\$ 337,525</u>	<u>\$ 175,132</u>	<u>\$ 161,787</u>
SUPPLEMENTAL CASH FLOW INFORMATION:				
Interest paid	\$ 5,291	\$ 146	\$ 5,786	\$ 4,748
Income taxes paid, net	<u>\$ 39,258</u>	<u>\$ 76,750</u>	<u>\$ 40,301</u>	<u>\$ 87,157</u>