

## **Preliminary Results - 25 May 2005**

### **Welcome**

#### **Don Robert, CEO**

Ladies and gentlemen, good morning. It is my great pleasure to welcome you to Experian's first preliminary results presentation.

I would like to begin today by walking you through our format for today's session. Following my opening remarks, Paul Brooks, our CFO, will take you through a financial review. I will then give you with an overview of the strategic and operational highlights of the year. Next, we will have a feature presentation on our CheetahMail business. Matt Seely, who is the president of CheetahMail, is with us today and will speak to you about this division.

You will probably recall that we committed to feature one of our lines of business each time we announce results, and CheetahMail is one of the most exciting parts of Experian. After that we will wrap up and we will move to Q&A.

So let us start now with a brief review of 2007.

### **1. Fiscal Year 2007**

2007 was another year of excellent progress in which Experian met or exceeded our financial objectives. We also delivered on our strategic and operational goals, and we successfully made the transition to a public company. Simply put, we delivered.

2007 was another year of double-digit sales and double-digit EBIT growth. In fact, it was our fifth consecutive year. Total continuing sales were up 14% and EBIT from our direct businesses was up 19%, or 16% including the contribution from our FARES joint venture.

We are also pleased with the progress we made in organic growth, operating margins and cash conversion. Setting aside those specifics for a moment, I believe the real story is in our long-term performance, which is excellent by any measure.

Now, let us take a look at what drove those FY2007 results.

### **2. Top Strategic Priorities**

2007 saw us very focused on our top strategic priorities. We saw good growth across all of our geographic regions. Our US and UK credit businesses performed well, even against a headwind of slower demand. We saw continued strong double-digit growth from our Decision Analytics and Interactive businesses, and we made good progress on the repositioning of our Marketing Solutions business. In addition, we continued investing in our infrastructure to support our future growth plans. This is a theme you will hear repeatedly.

The Board of Experian Group has announced a full dividend of 17 cents, reflecting our confidence in the future. With that, let me now turn it over to Paul Brooks for the detailed financial review.

## **Financial Review**

**Paul Brooks**

**Global Chief Financial Officer, Experian**

### **1. Financial Objectives**

Before taking you through the details of our performance for the year, I would like to remind you of our financial objectives:

- Firstly, we are looking to drive organic sales and profit growth, with a goal to deliver mid to high single digit sales growth.
- We aim to manage costs to maintain or improve margins.
- We look to maximise the conversion of EBIT to operating cash, with a target of at least 85% conversion.
- Finally, we supplement our organic growth with targeted, value-enhancing acquisitions.

As you will see during this presentation, we have met or exceeded all of these objectives.

### **2. Demerger of Experian**

The demerger of Experian from GUS was only completed in October 2006, at which point GUS was subsumed within Experian Group. So the results require some explanation. In particular it should be noted that the results are only truly reflective of continuing Experian as far down the income statement as EBIT before central costs.

Therefore, to help with understanding the numbers presented today we have included a pro forma profit and loss account, which sets out Experian's performance as if it had been demerged for the full financial year. I should also point out that all growth rates, unless otherwise stated, are at constant currency.

### **3. Geographic Performance**

Looking at our performance on a geographic basis, overall we are very pleased with the full year performance. We saw strong organic sales growth across all three regions to give 8% organic revenue growth for the Group. Americas had organic growth of 8% with particular strength in Interactive. UK and Ireland benefited from strong growth in Decision Analytics and Interactive, and EMEA Asia Pacific growth was broadly based across all activities.

The acquisition contribution of 6% came largely from last year's interactive acquisitions in the Americas, and in the UK from ClarityBlue and Footfall. Acquisitions completed and announced to date will make a low single digit percentage contribution to growth in the current year.

#### **4. Sales Growth**

Sales growth of 14% in the direct businesses translated into a higher rate of EBIT growth in direct activities of 19%, despite an adverse acquisition mix effect in the UK, an \$8 million restructuring charge in the UK Marketing Solutions business, and increased central activities costs as a result of Experian becoming a public company.

Hence we enjoyed an 80 basis points improvement in direct margin from 21.0% to 21.8%. After a reduced contribution from FARES, this resulted in total EBIT for the continuing business rising from \$685 million to \$808 million, which represents growth of 16%, or 18% at actual exchange rates.

#### **5. Performance by Principle Activities**

##### **Credit Services**

We are very pleased with the Americas performance given the exceptional comparatives we faced, and in the second half of the year we saw organic growth rates accelerate to 6%. Mr Robert will talk further about some of the reasons for our confidence in this business, which remains our single largest operating unit.

Despite challenging market conditions, growth in UK and Ireland was a respectable 3%, driven by expansion in new verticals and a good performance from Business Information.

In EMEA Asia Pacific there was strong growth in the 10 consumer credit bureaux. The overall 4% organic growth reflects low single digit growth in French transaction processing, where we saw higher growth in the second half.

Margin in the direct business saw exceptional improvement from 26.1% to 27.6% as a result of operating leverage, and the cost benefit from the residual affiliate credit bureau acquisitions in the US.

The contribution from FARES was down by \$8 million for the full year, but in the second half we saw a small increase, reflecting a less difficult US mortgage market and continuing action on costs.

##### **Decision Analytics**

This business again saw excellent growth in all three regions. There was very strong performance in Americas, reflecting increased market penetration achieved by a number of our key products. We delivered an impressive 8% organic growth in UK and Ireland, which for us is a much more mature market, and there was excellent growth in EMEA Asia Pacific. This came from the more mature European markets, as well as the emerging markets of Eastern Europe and Asia Pacific where we are making great progress.

Again, we saw exceptional margin improvement, reflecting growing scale in the US and EMEA, partially offset by increasing investment in emerging markets.

## **Marketing Solutions**

As you will recall, this is a business undergoing transformation from old to new media, and as the current year progresses we expect to see a pick-up in the rate of growth. Last year in the US, digital and research services organic growth continued to be well over 20%, reflecting market growth and the strength of our product offering, which you will hear more about later. However, we again saw double-digit decline in the traditional consumer data and list processing activities. These trends netted out to an underlying performance that was down marginally on last year.

The weak environment for financial services held back growth in the UK. In addition, there were tough comparatives for QAS, which won some major new contracts in the second half of the previous year. However, we saw good client wins during the year in both ClarityBlue and CheetahMail.

We continue to take cost out of our traditional marketing activities, both in the UK and US, and as we previously disclosed, this gave rise to an \$8 million restructuring charge in FY2007 in the UK. Including a further \$4 million in the current year, we expect the total charge to be \$12 million, with payback on this in the first full year, which will be FY2009.

Margin, excluding the restructuring charge, benefits from action on costs in the traditional activities and a mix impact from the higher growth, higher margin newer businesses.

## **Interactive**

Turning to Interactive, organic revenue growth was 23% in the full year and 20% in the second half, despite the impact on LowerMyBills from the slowdown in the US sub-prime market. We saw continued strong growth in ConsumerDirect in the US, helped by increasing marketing spend and stronger customer retention. We are also delighted with the progress in the UK, which at constant currency has nearly tripled in size during the year.

In addition to this PriceGrabber performed well, delivering to its buy plan numbers for the year. LowerMyBills declined by 5% in the second half of the year, but here, as elsewhere in Interactive, we have been focusing on optimising our marketing spend, and profit performance was good. Clearly LowerMyBills will moderate the overall rate of sales growth in Interactive in FY2008, particularly in the first half.

The mix effect from PriceGrabber, together with the focus on efficient marketing spend, is reflected in the overall improvement in margins.

## **6. Income Statement**

As mentioned earlier, EBIT before central activities is the last line in the income statement that is truly reflective of the continuing Experian, but let us have a look at some of the items lower down the Income Statement.

EBIT before central activities was \$855 million. Central activity costs amounted to \$47 million. This is a mix of an historic allocation of GUS central costs and a transfer of existing Experian costs. The second half charge of \$26 million reflects the run-rate going forward.

Discontinuing activities reflect the run down of the UK Account Processing business, and the US incentive marketing business. In FY2008 we expect discontinuing profit to be negligible. This brings us down to EBIT for the year of \$825 million.

## **7. Pro Forma Numbers**

Given the timing of the demerger and the resulting complexities around the group reporting for this financial year, we wanted to give some guidance on our pro forma numbers for FY2007.

After adjusting for the IPO proceeds and the impact of financing Home Retail Group, the pro forma net interest charge is \$65 million. For the current year we expect a net interest charge, including pension credit, in the region of \$70 million after financing the Hitwise acquisition.

After tax at 23%, and adjusting for shares in issue of 1.00 billion, the pro forma benchmark EPS is 58.3 cents. We expect the tax rate on benchmark PBT to be about 23% for the current financial year. Mr Robert mentioned the proposed dividend of 17 cents, which is consistent with our stated intention of a little over three times cover based on pro forma continuing benchmark EPS.

## **8. Cash Flow**

We had another strong year of cash generation, converting 97% of EBIT into operating cash. Our depreciation for the year was \$237 million, in line with the guidance we provided during the interims. Capex for the year was \$275 million, including the \$20 million spent on consolidating our data centres in the US. We would expect Capex to be at a similar level in FY2008.

Acquisition spend in the year was \$82 million, with an additional \$36 million of deferred spend from earlier years. Net debt at year-end was just over \$1.4 billion.

## **9. Acquisitions**

Carefully targeted acquisitions are an important part of our strategy. Our spend in FY2007 at a little over \$100 million was quite modest, especially compared to the previous year when we spent \$1.6 billion. However, deals already announced in the first six weeks of the current fiscal year amount to over \$300 million and we have a robust pipeline.

We are very pleased with the return on our acquisitions. Those completed in the four years up to and including FY2006 delivered, in aggregate, a double-digit post-tax return in FY2007.

## **10. Performance Against Objectives**

In terms of driving organic sales and profit growth, we delivered 8% organic revenue growth and 16% continuing EBIT growth in FY2007. In the current year, we again expect to deliver organic sales growth at a mid to high single digit rate, with Q1 likely to be the slowest quarter, and then some acceleration during the year.

On cost management, last year we delivered an 80 basis point margin improvement to 21.8%. In the full year of FY2008 we again aim to maintain or improve margins, despite the investment we are putting into the business, especially in the first half, which Mr Robert will discuss further.

On cash we delivered 97% conversion of EBIT to operating cash in FY2007 and in FY2008 we again expect to exceed an 85% conversion rate.

As I have just discussed, our acquisitions are continuing to perform well.

## **Operational and Strategic Highlights**

**Don Robert**

**Chief Executive, Experian**

With that financial review as a backdrop, I would like to take you through a brief review of our operational and strategic highlights for the year.

### **1. Long Term Organic Growth**

One of our primary objectives is to drive long-term organic growth. It is the hardest type of growth to come by, but it is the best kind of growth.

We do this in four different ways:

- First, by selling more of what we have to our existing clients. With over 100,000 clients worldwide, this is our single greatest opportunity to create growth.
- Second, it is about expanding around the world, our clients are becoming more global all the time, and we have to do the same.
- It is also about product innovation. Our clients expect us to bring them new value and new ideas constantly, and it is this culture of innovation and thought leadership that separates Experian from our competitors.
- Finally, driving organic growth is about expanding vertically, by taking our same tools and information into new industries.

We have executed well against all of these growth initiatives in the year just past, and they will continue to form the core of our growth strategy.

### **2. Leadership**

We have made some recent changes within our top management team at Experian, in order to make sure that we have focused our best people on our biggest opportunities. I have taken a layer of management out of the business so that I can get closer to the top people and to their markets.

The executives you see on this slide all report directly to me now:

- Chris Callero who many of you know, continues in this role running Experian Americas. Chris has also now assumed responsibility for our global product lines, which has become necessary due to our fast expansion into so many growth markets. Chris will join us for Q&A later.
- Tiku Patel has responsibility for our UK and Ireland business. Tiku recently joined from Barclays bank, where he ran the Premier Banking organisation.

- Nigel Fine will focus on the EMEA region, where, amongst others, we have big opportunities to grow our bureau business in Eastern Europe.
- Richard Fiddis, who previously ran our UK business, is now focused on what is arguably one of the biggest geographic growth opportunities we have, and that is India. Richard recently launched our India business, and we are presently waiting for our credit bureau license to clear.
- Ken Sansom has been appointed to lead our Asia Pacific business. China, Japan and Korea are presently our main areas of focus in that region.

Financially we will continue to report as we do now, in three regions, but operationally we are turning up the heat on these growth markets.

### **3. John Saunders**

I also want to take just a minute to acknowledge the huge contribution that John Saunders made to our international business over a period of 24 years. Many of you will have met and seen John at these results meetings. It would be hard to find another executive in the UK with John's long, unbroken track record of growing a successful business, and we certainly wish him well in his retirement.

### **4. Investment**

Asia Pacific is a key region for us and we continue to ramp up employment and win new clients there. I have just returned from a week in Asia where I met with clients, prospects and regulators in China and Japan. I can tell you first hand that their response to Experian's products and services, and the fact that we are in the country, is almost overwhelming, they really want everything that we have.

Each year we revitalise our business by investing in new products across all our major lines, and last year we rolled out over 20 new products. We are also investing right through the P&L to drive operating efficiency. We recently consolidated our US data centres, for example, which will make us more cost efficient and operationally stronger.

Finally we are investing in a new near-shore facility in Santiago, Chile. We have relocated about 200 jobs there from other parts of the company, and we ultimately expect to ramp up the employee population in Santiago to about 500 people.

You should expect that we will continue to invest in these projects, and more, and should note that in the coming year much of this investment activity will be phased into the first half of the year.

### **5. Acquisitions**

We also invest in the business through acquisitions. Last year was relatively quiet in this regard, but our pace has picked up since the year-end with the acquisition of Hitwise and several small but important fill-ins.



Let me quickly remind you of what our acquisition strategy is. We buy companies that bring us new sources of data and technology, that bring us opportunities to expand into new vertical markets, that give us geographical expansion opportunities and investments that get us into adjacent markets.

Of course, they have to fit our financial criteria. So against that background, let me now review each of our principle activities.

## **6. Credit Services**

### **Resilient Model**

As we have met with analysts and investors these last few months, there has been a lot of speculation and questions about the state of the US economy and the credit cycle, and concern about the potential impact on our business. Let me give you our take on what is happening there. First off, we are delighted with the performance of this business. As you know, sales in the US Credit Services grew by an exceptional 13% in 2006, and we managed to grow by a further 3% in 2007. This business model continues to be resilient to changes in economic conditions.

In 2007 our clients spending to acquire new credit customer was flat, but we saw double-digit growth in our account management and collections areas. This is consistent with the trends we have seen in the past.

We now see US consumers showing early signs of increased appetite for credit products, and there is some increase in credit marketing and account origination spending. We are also continuing to develop new uses for some consumer credit information, including some recent product introductions in the debt collection and utilities industry.

Finally, against a backdrop of continued investment in data quality and sales execution, we have been evaluating our pricing policies. We want to make sure that the value we create for our clients is appropriately reflected in our pricing.

### **A Strong Portfolio**

In the same way that our model has shown resilience and counter-cyclically in the US, it is also true for the UK. The UK financial services industry is facing some very tough challenges as higher rates and rising consumer indebtedness have made lenders pull back on loan origination.

For instance, here in the UK, gross consumer lending fell by 5% during the year. Despite this, our UK credit services sales grew by 3% with particular strength in business information. True to form, UK lenders shifted their spending with us to focus again on managing their existing loan book versus gaining new customers.

Looking ahead, as I think about our entire credit services portfolio I see numerous ways to continue to drive this business ahead. At the top of this list are geographic expansion, and entering new vertical markets. Our success in growing our automotive and government businesses are powerful illustrations of this latter point.

So this gives us confidence in our long-term expectations for consistent low single-digit growth in credit services.

## **7. Decision Analytics**

Decision Analytics accounts for 12% of global sales where operations go from strength to strength. There are two reasons for this. First, it is about increased market penetration of our core credit risk products. Increasingly though, it is about the gains we are making in fraud prevention.

During the year we saw some significant success. Big clients like Bank of America, HSBC and GE have begun to standardise on Experian solutions. New products have also been a big growth driver. We rolled out a new fraud prevention product called Precise ID in the US, and already nine of the top 10 credit card issuers have signed up to use it.

The other main reason for our success has to do with the fact that when we enter new geographic markets with Decision Analytics products it carries the business along as well. To this latter point we have recently won contracts with in India with ICICI for behavioural scoring, and in China with ICBC, the largest bank in the country, for Basel II compliance.

Before we move on to Marketing Solutions, I would like to pause and show you a short video that provides some rather lively insight into our portfolio of services.

### ***[Marketing Solutions Video]***

I hope you enjoyed the video. I think it illustrates very well the importance of the entire bundle of Experian marketing products, and how each part of the bundle helps our clients find new customers.

## **8. Marketing Solutions**

Marketing Solutions accounts for 21% of our global sales. Overall we are pleased with the progress we have made in the transformation of the marketing business. Over time, we are transforming from a business focused on old media – print and mail - to one that will be leader in multi-channel marketing solutions, as you just saw. We are doing well, but we still have a way to go before we reach the kind of growth and margins that we expect from this business.

We are greatly encouraged by the progress in some of our newer marketing areas. CheetahMail is powering ahead, and as you will hear from Matt Seely in a moment it has delivered record email volumes in the US during the year, and is progressing very well with geographic expansion.

As Mr Brooks mentioned, we are restructuring our UK marketing business by transitioning many of our data processing clients onto the ClarityBlue platform. When that is complete this will be more cost effective for us, and better for our clients.

Finally, Hitwise will provide further impetus to the marketing transformation. Hitwise is a classic Experian-type business. It is data-rich, it has global potential, it is growing

very fast, and has a very attractive financial model. I am personally very excited about where we can take Hitwise, and about our ability to accelerate its growth.

## **9. Interactive**

Interactive is 23% of sales. We are the market leader in providing online access to credit reports and monitoring services. We are more than double the size of our closest competitor and growing at a faster rate. In 2007 we saw truly excellent performance driven by growth in memberships and improved retention rates.

In our lead generation activities we have seen very strong performances from PriceGrabber.com and Classes USA. At PriceGrabber we have seen more traffic, more products and better conversion rates. Classes USA is benefiting from cross-selling with LowerMyBills.

As Mr Brooks stated earlier, LowerMyBills delivered good profit performance, despite a significant downturn in the US market. We responded quickly and aggressively to protect, and in fact, grow profits.

As we look to FY2008 we do expect a tough market for LowerMyBills, and further actions are underway. We will continue to focus on efficient marketing spend, and will diversify the LowerMyBills product portfolio.

Experian Interactive is increasingly managed for growth and efficiency by focusing on synergies and platform standardisation.

Now, it is my pleasure to hand over to Matt Seeley, who will tell you about one of the most exciting parts of Experian, CheetahMail.

## **CheetahMail**

### **Matt Seely, Chief Executive**

#### **1. Preamble**

Before I begin I just want to say a little bit about what I am going to cover today. First who is CheetahMail and what we do, a little bit about why we are our market leader, where we see our future growth, and most importantly, what I like to term the Experian advantage. I could spend two hours talking about CheetahMail, I have been there since the beginning, about seven years, but I do not have two hours.

Back in late 1999 when it started, we were 15 people. We were looking at less than \$1 million in funding, against competitors with \$20, 30, 40 million. Most people said we were late to the game and it was going to be difficult to gain traction. We did not agree, and what we did is we came with some fundamental principles. First was hire a bunch of smart people, build great technology, service your clients flawlessly, and most importantly, stay focused. Stay focused on what you do, which is email marketing.

It worked, so we are 290 employees today, we are headquartered in New York City, and we have offices throughout the world. We are very, very proud of our clients, sending about 20 plus billion messages worldwide, in over 40 countries, 22 languages. We are looking at growth of about 40% for the last four years.

#### **2. Permission Based Email Marketing**

The first thing I want to point out in email marketing is what we do is permission based email marketing. That means if you go to a website, whether it is a retail or financial services, et cetera, and you sign up for offers and say 'yes I would like to receive that', that is permission emailed marketing. That is what we do. We do not send spam, we do not send stuff that is unsolicited. As you see, we are very, very proud of the kind of clients that we work with.

We are very strong in retail catalogue, we go across the verticals. You see those kinds of names, and I am proud of that. What I also want to point out on this slide is that oftentimes we are not the company you go to when you are just starting your programme, we are the company you go to when you have really decided that email marketing is a channel you believe in, established, and you want to take it to the next level. Then you would typically migrate to a CheetahMail solution.

#### **3. Strategy**

If it was as easy as sending out 20 billion messages that would be great, but it is not. It is a very complicated business and really is a partnership with the clients that we work with. To begin it is about strategy, it is about understanding your customer. So when we sit there with one of our clients, we all make sure we understand what their objectives are, how are they trying to reach their customer. We are email marketing experts, so together we form that partnership.

We do a lot of analysis, we look at your open behaviour, your click behaviour, all those types of things, and then what we do is we create a plan together. We say 'this is how we are going to talk to your customer'. Then we execute, I must emphasise execution. You have to deliver flawlessly every time, and, of course, we can measure. One thing that is great about email marketing is that it is a very, very measurable tool. You can measure opens and clicks, et cetera. So you understand what your customer is doing, and of course, then you repeat the process.

#### **4. CheetahMail Clients**

So what we want to do is highlight a couple of real examples here. This is a name hopefully a lot of us are familiar with and are a client of ours. Part of what you want to do in email marketing is become relevant to your customer, and really speak to them almost in a one to one way.

##### **Brooks Brothers**

One great way to do that is to be using demographics, first name, last name, income, gender, et cetera. Oftentimes, however, our clients do not have those kinds of demographics on their customers in email marketing. So what we did in the Brooks Brothers case is we said, okay, we do not have it, but we can measure what people are opening. So, for example, if I send you an email and you are clicking on female fashion products versus male fashion, we can assume that there is a difference in what you want. We retargeted their entire list, to say 'great, if you are interested in products that are related to male suits, let us send you that, if you are interested in stuff that is related to women's suits, let us send you that'. That alone can increase conversions 2.5 times.

##### **Eddie Bower**

Another example, something happening in our industry is called event triggered messaging, when somebody does something on your website. So you go to a website and you decide you are going to buy some stuff and you put it in what is called a shopping card. You put it in - it has got a bunch of stuff in there. What a lot of people do not know is that about 50% of shopping carts are abandoned. So we go in, we almost make that purchase but we do not quite finish it off. What we have done with that is, we took the opportunity to, 24 hours after the abandonment has occurred, send an email to remind you that the shopping cart is still full, and we will remind you maybe with a little deeper discount offer, to say 'maybe you want to go back and make that purchase'. With this example the conversion rate was three times higher for Eddie Bower.

##### **J Jill**

The last case study is about J Jill, and this is a great example of how we use all the products together. J Jill are really one of the few companies that has what most marketers are looking for, and that is one view of the customer across all their channels. Together with the marketing services database group we built a big database, all the data across channels goes in there. They use that to target the

email, so they send us those segments via email, we, of course, send the emails and then we deliver back all of those results.

In addition we use our site clarity product, which measures web behaviour, and we deliver all those results back to the customer database. In fact what they get back is one view of a customer, and I think we are one of the very few organisations of the world that can deliver all of those pieces for a customer.

## **5. Competitive Position**

Let me talk about our strong competitive position. We are leader, as you can see on the graph we send 2 plus billion emails a month. There is clearly a differentiation between the two leaders and the rest of the group, and I want to point out that it is not easy to do this. The part about scale and technology, it takes years of practice and understanding to go from 100 to 200, to 500 million sends a month. So it is not something you can do overnight, it is something that is learned, and has taken a lot of time for us.

The second is the strong portal relationships, so if you think about sending 2 billion every month, those ISPs – like Yahoo, AOL, MSN and Google - we are sending them a lot of data. They want to know who you are, they want to understand, and you really have to treat them like a customer and you have to gain a level of trust with them. That is something that does not occur overnight, it takes a lot of years to do that and we have a tremendous reputation with the ISPs and the portals.

The piece about understanding the market place, again, like any business, we have stayed focused for seven years, which means we have a lot of knowledge built into the organisation. This is valuable, it takes years and years to understand the nuances of email, and we know it. So this really helps us in the cycle of winning the business. Of course, when you send 2 billion, 20 plus billion a year, it is cheaper to send the 20 billionth email than it is the first. So it is a nice financial model as well.

## **6. Future Growth**

How are we going to deliver that growth in the future? The first piece is the market is still growing, and that is exciting. We still see tremendous opportunity in the United States, as well as outside the States, but I also want to point out it is not just the market you are in. I think part of the success of CheetahMail is that we really do have a great team, and these are people who understand, we keep our employees with very low turnover, try to with a sense of passion, and all of that matters because we have been outperforming the market growth consistently over the last four years. So I am very excited about.

## **7. The Experian Advantage**

I think what I am most excited about is what I call the Experian advantage. Our growth has accelerated because we are part of Experian. First we were absolutely amazed at the deep customer relationships that were there. As a private, small company we were constantly trying to get through the door. As a part of Experian, we were able to walk in because of a 10 or 15 year relationship with the customer.

We deliver them an excellent product, but the trust that they had with Experian was tremendous, and really enabled us to grow ourselves quite dramatically.

## **8. Data and Assets**

The next piece is the data and assets. When you think about the email market today, most of what gets sent in email to a million people, is virtually very similar content. The future of email is relevant, how do we speak to each of you in a way that makes sense to you as a customer. You do that through data. When you think about it, nobody has better data assets than Experian, whether it is our in source database in the US, whether it is using mosaic to cluster people and understand your behaviours, all of this is going to be valuable and will really grow the channel.

## **9. Hitwise**

Hitwise - we think is an exciting acquisition. Mr Robert and I spoke a couple of years ago about this, and we had them in the office, and I said 'this is a company that should be part of the Experian family'. They have unrivalled data assets, they are a complimentary product to CheetahMail, we sell to the same decision makers, and the market, in terms of market intelligence, is a very, very logical step. The challenges in the online are now established and marketers are going to need the marketing intelligence more and more. They are going to understand its value. So I see tremendous upside in the Hitwise acquisition.

## **10. Global Footprint**

Our global footprint: we need to be in Asia Pacific. Here in Europe we need to grow faster. Having Experian there, understanding all of those pieces, having feet on the ground, is going to enable us to do that, it is a big part of our strategy, and we are very excited about our new platform. So we looked a couple of years ago and said 'yes, we are one of the leaders in email, but we cannot sit still, we have to keep growing'. We took that time to re-architect our entire technical platform, which we will be rolling out in the second half of this year, and we are excited about what we think that is going to do to differentiate ourselves even further.

## **11. Acquisition Strategy**

The last part I want to point out is something I know both Mr Robert and Mr Brooks have talked about, the acquisition strategy of Experian. I think the one thing that Experian never gets enough credit for, and we are really living proof of that, is it is not just to acquire a company, it is how do you integrate that company in, how do you make sure you take the entrepreneurial spirit of a lot of companies that we acquire, and how do you keep it, how do you make it part of the organisation. I can say, before Experian we were nervous about those things, but after being here three years I think it is a tremendous organisation, a tremendous place, where we really can understand how to acquire a company.

## **Summary**

### **Don Roberts**

#### **Chief Executive, Experian**

That was a great overview of a high-performing business. You and your team should be proud of and you have accomplished a lot. We had Matt come in a day early from New York to rehearse his presentation, and you can see that was completely and utterly unnecessary.

I would like to add an editorial comment on CheetahMail. When Matt showed you the screen with all the client logos on it, he was actually showing you acquisition synergies being harvested, as he said, a lot of those were Experian clients, and a lot of those have now become CheetahMail clients as a result.

Let me wrap up with a personal reflection that relates back to our demerger roadshow. In September and October of last year, as we were meeting with investors, we committed that our organic growth would continue in the mid to high single digits, that we would continue to maintain or improve margins, and that we would generate cash at a very high rate. We also committed that we would continue to invest through the P&L to build for the future, a future that is full of excellent growth opportunities.

When I think back on the roadshow and those promises made, I am personally very pleased that we have delivered in our debut year as a public company. So, once again, I would like to leave you with this powerful visual, which illustrates our very strong long-term performance. Experian is a great company, but also a young company with excellent prospects ahead.

## **Questions and Answers**

### **Andrew Ripper, Merrill Lynch**

I have a three-part question in relation to investment costs and payback. On the one side you flagged a number of initiatives to improve productivity. I wonder if Mr Brooks and Mr Callero could elaborate the off-shoring initiative and also the US data centre consolidation as far as costs this year, payback further out. The second part of the question, Mr Robert, is more for you, in terms of investments that you are making for growth, thinking about the credit business. I guess the two important parts are Canada, which you mentioned in the statement, and India. Could you flesh out what sort of costs you might put in this year, and give us a sense of the market potential for you for 2009 and beyond?

### **Don Robert**

Firstly you correctly state that Canada and India are two important parts of our credit services organic investment strategy. In Canada we bought data assets that are not necessarily a going concern, so we are building a new platform, delivery system, staff



and infrastructure around that business, at a significant cost, which Mr Brooks is probably uncomfortable to disclose. Am I right Mr Chief Financial Officer?

**Paul Brooks**

We can talk a little bit about that.

**Don Robert**

I will let you, because you will be really upset with me if I get it wrong. In India we are just really getting started. The central bank in India this past year approved legislation around the formation of credit bureaus, and we have waited for some time while they made determinations about foreign ownership. With those issues solved they have now opened up the application process, we have applied, we hope that our application will be looked on favourably. So not much cost incurred there yet Andrew, but we are bringing people and resources into the region as we speak, and localising product.

Mr Brooks you can talk about the Santiago facility and the data centre consolidation.

**Paul Brooks**

On the data centre consolidation and the Chilean near-shoring, in terms of capex for the data centre consolidation, we incurred about \$20 million in FY2007, with another \$5 million to come. The Chilean is about \$5 million of capex, which was a bit last year and a bit this year. We are also incurring costs in both of those in the migration of the data centre and setting up the off-shoring facility, and most of those are being incurred in the first half year.

In terms of the geographic expansion, very roughly we are probably spending an extra \$10 million in new geographies this year compared to last year, and a lot of that is front end loaded as well. So as a result we do not expect to see much improvement on margin in the first half of the coming year.

**Adrian Catley, Citigroup**

Two questions on the US credit services business. First of all I wondered if you could you flesh out a bit on your comments about the pricing changes that you are putting through, as to what you think that could bring, and secondly just on how you feel the growth profile looks in that business into 2008, given a very good finish to the year in terms of the growth rate?

**Chris Callero**

First of all, as relates to the pricing changes, what we are really looking at is where our credit business is now becoming more and more differentiated. We continue to invest in the data, and we continue to develop new products and services. So with that in mind we want to make sure that we get the right kind of pricing effectively from the market place that we should deserve and command.

Secondly we have a nice growth trajectory, we have seen in the early part of this calendar year, where credit is much more stable and active in the US. A good demand for acquisition, and we are doing a very good job in growing with that market force at our backs, and we expect it to continue throughout the year, the economy looks very good, and we look forward to a good year for Credit.

**Don Robert**

It is safe to say that you have actually put through a couple of price increases in certain instances?

**Chris Callero**

That is right.

**Andy Chen, Credit Suisse**

Can you just help us in terms of the phase in which the profits for next year. You talked about margin improvement for the first half, but how will the profits phase through from Q1, Q2, Q3, Q4 next year?

**Paul Brooks**

We do not do specific guidance, but what I would advise you to bear in mind is first of all we talked about growth accelerating during the year. So we see the first quarter being broadly in line with the fourth quarter of last year, and then some acceleration during the year. As I mentioned earlier, a lot of the investments we are putting into the business are front-end loaded, and so, as you say, we do not expect much of a margin improvement in the first half, but we would hope to see some margin improvement going through into the second half, as we have achieved over the last five years.

**Andy Chen**

So a gradual uptake in Q3 to Q4, so not everything coming back in Q4

**Paul Brooks**

Yes.

**Hymie Brownell, UBS**

Just to touch again on credit services, globally we did see a stronger level of margin improvement in the second half to the first half. I wonder if you could flesh that out a bit in terms of where the strongest margin momentum is coming through in credit services? Then just on Decision Analytics, obviously a fantastic margin performance there for the year as a whole. You commented at the first half stage that some of that margin gain might be unsustainable. I wonder to what extent you feel the Decision Analytics margin might have topped out. Lastly, I note your comments on India, I just wondered if you could comment on CIBIL position in India?

## **Dom Robert**

I will come in on the CIBIL question in India, while Mr Brooks is contemplating your highly detailed margin questions. CIBIL, you correctly observed Hymie that there is an existing credit bureau that was really begun prior to the formation of government legislation around credit bureaus in India, and the name of it is CIBIL. It is owned by several partners including TransUnion, and Dun and Bradstreet, and some local investors. Our understanding is there is not a lot of critical mass yet to CIBIL and obviously India is a huge country with a very evolved consumer banking system, and a lot of opportunity for other players to enter the game.

## **Paul Brooks**

There was an improvement of 1.5% points in the Credit Services margin, roughly half of that is attributable the impact of the our credit bureau acquisitions, and most of that is now annualised. The other element I would pull out, apart from just general operating leverage in the business, is our automotive business in the US, which we do not talk a great deal about. It has had a very strong year both in terms of top line growth, but in particular it is a business which has not been particularly profitable, we have really seen that business come through to profitability during the year. That has actually had a massive impact on the Credit Services margin.

In terms of Decision Analytics, the main impact on the margin improvement, which even surprised us to a certain extent, we were up at over 34%, which is clearly a very strong margin, has been the performance in the US. We had a very, very good year of sales growth in the US, but just as importantly what we have seen in the US is a much-improved margin. It is a business that traditionally has not been a particularly profitable one for us. This year we have seen it come through with the sort of margins we would like to see in this business. So it was really a ramp up in that US business. The issue going forward in Decision Analytics is the highest margin part of the business is the UK, by far the highest margins in the UK, which is the slowest growing part. So you have a natural mix of that which goes against us in Credit Services, in as much as Asia Pacific and the US are growing much faster than the UK. So on the Decision Analytics margins we would not expect much of an improvement.

## **Hymie Brownell, UBS**

If I can just quickly follow up vis a vis India, where we are in China, has the People's Bank actually put together a national credit bureau yet?

## **Don Robert**

They have, I recently met with the top officials of the People's Bank, and we see them as a partner and not as a competitor, and I think the feeling is very mutual. They have assembled part of the infrastructure and credit bureau, and they have every intention of dominating that space. We are very supportive of that. We would like to be a partner to them in training and consultative areas, and do anything that we can to lend our expertise to them and help them in that effort.

Meanwhile we are investing in other businesses, we took a minority stake in Sinotrust, which is a marketing and businesses information company in China. We are having a

lot of success on selling our Decision Analytics products to the banks there, so it is a great story and we have just modified our model a bit.

**Ed Steel, Citigroup**

It is really a clarification question on the organic growth guidance. In your release you said mid to high single digits for 2008, and you are just saying now, in this meeting, that it is going to accelerate from the first quarter, which you expect to be similar to Q4, which was 8%. So I would say that is already high single digits, and improving from there. Is it that it is a very conservative guidance in your release this morning?

**Don Robert**

First of all Mr Brooks, our definition of mid to high, let us start there?

**Paul Brooks**

Arithmetically five to nine. I think it is true to say we would be disappointed with the lower end of that range, but seven is appropriate.

**Adrian Catley**

Two questions, one just on the Marketing Solutions side. In your commentary you said the business was not growing at the long term growth and margin potential that you think the business has, do you think you could share with us what you think that potential is. Separately on CheetahMail, I just wondered if you could flesh out what people actually pay for.

**Don Robert**

What the services are that they pay for?

**Adrian Catley**

Yes.

**Matt Seely**

What they pay for is delivery. If your list size is 500,000 subscribers who are signed up, every time you deliver that message there is a charge. So the more you send the more we charge, and typically the more money you make.

**Paul Brooks**

When we talk about the growth improving during the year, certainly Marketing has probably been the major contributor towards that, so we do expect some improvement in Marketing organic sales growth in the course of this year. Over time clearly we would like to see the marketing growth at least as good as our average

growth, we have invested quite significantly. So clearly our long term objective would be to have a growth rate as least good as [inaudible].

**Steve Davis, Numis**

Just picking up on the margin side of Marketing Solutions. You said that you had some positive mix effect as you switched from old media into new media, if you like. Can you give us some sort of feel for the margins you can make on some of these new media activities?

**Paul Brooks**

Yes, as I mentioned in my presentation, if you look at CheetahMail for instance, you will see margins well ahead of average Experian margins in that business, and also QAS in the UK, which is the largest part of the Marketing business in the UK, which is also very high margin business. So we do have some very high margins in the newer parts of the business, which are obviously offset by single digit margins in the more traditional parts of the business.

Increasingly we are seeing, because of the differential growth rates, and some are actually taking on costs in the traditional growth rates, we are seeing a positive mix effect, which is helping our margin in Marketing. If there is one margin that we do expect to see improve during the year, it is in Marketing Solutions.

**George[?], Credit Suisse**

Firstly, in terms of FARES in 2008, are you able to give us any help in forecasting that? Obviously the first American results were very positive, if you can help us with forecasting that. Secondly, UK credit services, obviously a strong performance in face of a tough environment, would you expect to see any particular negative impact from the rate rises coming out of Q1 and Q2?

**Don Robert**

Certainly another great increase here in the UK will not be helpful to the business. It is already trading a bit slowly with consumer indebtedness up, gross lending down, and consumer credit activity in terms of loan applications down. What gives us confidence in that business is the other parts of it. So while it can be a bit slow in the part of the business that helps lenders originate new customers, again, the application, the monitoring, and portfolio collection part of the business will add resilience, and the business credit information part of the business will trade pretty well. That is indeed what we have been seeing.

**Paul Brooks**

FARES is a notoriously difficult business to forecast, particularly because about half of it is directly located to the mortgage origination market in the US. What we saw last year was mortgage originations went down in the first half by about 12%, they went up slightly in the second half in the US. That is why our FARES contribution went down in the first half and went up slightly in the second half. For the current year,

the Mortgage Bank Association of America's forecast is a decline of 10% in mortgage originations, and we would expect that to impact the half of FARES that is directly related to mortgage, which is the collecting tax business. So our current expectation would be a small decline in the FARES contribution, but it is a very difficult one to forecast.

**Paul Stevens, Merrill Lynch**

Just on PriceGrabber, I think you mentioned there you saw signs of more traffic, more products and better conversion rates. I was hoping perhaps you could flesh that out a bit in terms of what your prospects for growth are in the coming year, what you are seeing in terms of pricing and in terms of margin outlook perhaps. Secondly, on LowerMyBills, obviously it is a tough market in the US, but what are your prospects for organic growth and what do you think you might be able to do on flexing marketing spend in terms of the outlook for operating margins if organic growth does not improve markedly in the next 12 months.

**Paul Brooks**

On LowerMyBills we mentioned in April that the organic growth rate was flat in the third quarter, and we were down 8% in the fourth quarter. So we were on a declining trend, and we saw a double-digit decline in sales in LowerMyBills in the first quarter of this year. Throughout last year [inaudible] we saw margins improve. In the first quarter of this year we expect margins to go down a little bit on the back of that sales growth. As the year progresses some of the diversification measures we have taken on LowerMyBills we are confident will come through and mitigate the ongoing sub-prime problems, so we expect some improvement as the year goes by in that business.

**Chris Callero**

Then as it relates to PriceGrabber, which by way of reminder is a relatively small part of the overall business, although it is a very important one, it supports our third largest critical market, which is retail. Our business model for PriceGrabber is principally from organic traffic, which is highly profitable, has very good margins, and that is our part of our great consumer experience. That is how we differentiate the marketplace. Overall we continue to see good growth with respect to online shopping, expected to grow about 17 or 18% compounded over the next five years, and continue to increase in usage for those using online services. So both of those tied together with our ability to continue to add products, continue to add merchants and to continue to deliver a superior customer experience overall for the business. We feel very good about it.

**Participant**

Mr Brooks, would there be any need to write down the goodwill on LowerMyBills.com?

## **Paul Brooks**

No. Last year LowerMyBills was performing ahead of plan, we expect in the first quarter of this year we are going to be down a bit on profits, but we are very, very happy with the overall performance of LowerMyBills.

## **Participant**

I have a question on cash flow down the main pipeline please. I think in your slide you show a working capital in flow of \$39 million, I wonder if you can just elaborate on what drive that and give us a sense of your expectations for this year? Secondly, in terms of the M&A pipeline, you made a comment that it was very robust, I presume it is to early for you to update us on any potential transactions, but maybe you could give us a sense of what robust means in terms of opportunities across the different business areas please.

## **Paul Brooks**

Working capital on the operations side I would point to the very good management of receivables, also we benefit from a growing deferred income balance, and this is a result of our business increasingly has had an element which has upfront license fees, which has recognised to revenue over the course of year, which gives us our working capital. Over the non-operational, the most significant is the charge in relation to shared base plans, which clearly is a non cash item. That is about \$30 million.

## **Don Robert**

In terms of the M&A pipeline, as you all know last year was a quite year M&A wise, and we patiently waited, and kept cultivating the pipeline, unwilling to flex our financial return criteria. We have seen, since the fiscal year ended, some activity, with Hitwise, with Tallyman, with Informarketing in Brazil, with our Sinotrust investment in China. So we do have a nice selection of deals in the pipeline that we are evaluating right now, and I would say it is rather full from a historical perspective, and certainly from a comparison with last year. What will materialise – we are not exactly sure.

As far as the Serasa acquisition in Brazil, I will just remind the audience that Serasa is the largest credit bureau in Brazil, and the fourth largest bureau in the world. We announced about six weeks ago that we were in early but exclusive negotiations for the acquisition of Serasa. All I can say is the process is continuing.

## **Participant**

If some of those opportunities do not materialise, could you see yourself in the position where you would consider returning surplus capital to shareholders, or is that potential off the agenda?

**Don Robert**

We have only been public for six months, so let us just start here. When we structured the balance sheet and printed the prospectus I think we were specific about the fact that we wanted to construct the balance sheet that allowed us to continue with our M&A programmes. So I think it is awfully early to address that question.

**[Hymie Brownell, UBS?]**

Just a couple of follow-ups, I think in April you sort of indicated that maybe LowerMyBills was already seeing some margin pressure in the second half. It sounds like today you are actually saying that might be better than expected, the LowerMyBills was even up in the second half. I wonder if you could just confirm that?

**Paul Brooks**

Yes I confirm it was up in the second half.

**Hymie Brownell, UBS**

Just on FARES, it is obviously difficult to disentangle FARES from the American accounts, can you confirm whether FARES has been making any acquisitions itself?

**Paul Brooks**

The big deal that FARES has done is deal with CoreLogic, if you go through the numbers you will see that because of the way the deal was done, there was actually a gain on the transaction. So that is quite a big deal, but effectively it is a merger of the real save information pad of FARES with the CoreLogic business.

**Hymie Brownell, UBS**

I am just wondering how that impacts that \$61 million of FARES EBIT?

**Paul Brooks**

We would not expect it to have a significant effect.

**Robert Miller, Redfearn**

A quick question on your long term acquisitions, I think a few months ago you indicated that you hoped that the acquisition flow of 2005 /06 would deliver return in 2006/07 in line with cost of capital. I suspect, given what has happened in LowerMyBills that has not happened. I am more interested in whether or not you think in 2007/08 that group will deliver cost of capital?



**Paul Brooks**

I do not have the numbers in front of me, I am pretty confident it did match the cost of capital. The LowerMyBills performance, as I mentioned, was robust during the year. PriceGrabber was also [inaudible] which was the other major deal. So I certainly expect that deal to cover the cost of capital, if it did not this year, it certainly will next year, but I think it probably did this year.

**Robert Miller**

Just to be clear on the LowerMyBills situation, when [inaudible], what is your expectation of what the revenue performance of the business will be.

**Paul Brooks**

One of the variables here is the sub prime market, and whether we are going to see an improvement. We are certainly not forecasting on that basis, but also the guidance I will give you is, as we go through the year, because of the measures we are taking within LowerMyBills in terms of diversifying away from sub-prime towards credit card solicitation, and also cross selling media space between various interactive properties, we are confident we are going to see an improvement in the growth of Interactive across the year.

**Don Robert**

Thank you ladies and gentlemen for joining us today, we are now adjourned.