



# Acquisition of Serasa

26 June 2007

# Agenda



- **Overview**
- **Serasa and the Brazilian credit market**
- **Financial performance**
- **Transaction details**
- **Summary and Q&A**

# Serasa

## – transaction summary



- **Agreed to acquire an initial 65% stake in Serasa for R\$2.32bn (\$1.2bn), which will increase to 70% over the next 6 months**
  - Residual minority owned by largest Brazilian banks
- **Serasa is the 4<sup>th</sup> largest credit bureau in the world, the largest outside the US, with significant potential for future growth**
- **Strong track record**
  - Sales of \$R607m (\$313m) in year to December 2006
  - Sales growth of over 20% per annum in each of the past 2 years
  - Margins in excess of 20%
- **Meets our strategic and financial criteria**
  - Earnings neutral in FY09, enhancing thereafter

# Serasa

## – compelling strategic rationale



- Consolidates Experian's global leadership position in Credit Services
- Propels Experian to market-leading position in high growth Brazilian credit market
- Significant potential to leverage global Credit Services and Decision Analytics expertise
- Longer-term potential to introduce wider Experian product suite

# Experian

## – strength of Credit Services



- **High barriers to entry**
  - Unique data
  - Historical records
- **Attractive financial model**
  - High margins
  - Operating leverage
  - Low capital intensity
  - Strong cash flow
- **Synergies across Experian**
  - Linked to value-added products
  - Consumer Direct

# Experian

– global Credit Services leadership





# Experian

– global Credit Services leadership



# Experian

– global Credit Services leadership





# Experian

– global Credit Services leadership



# Experian

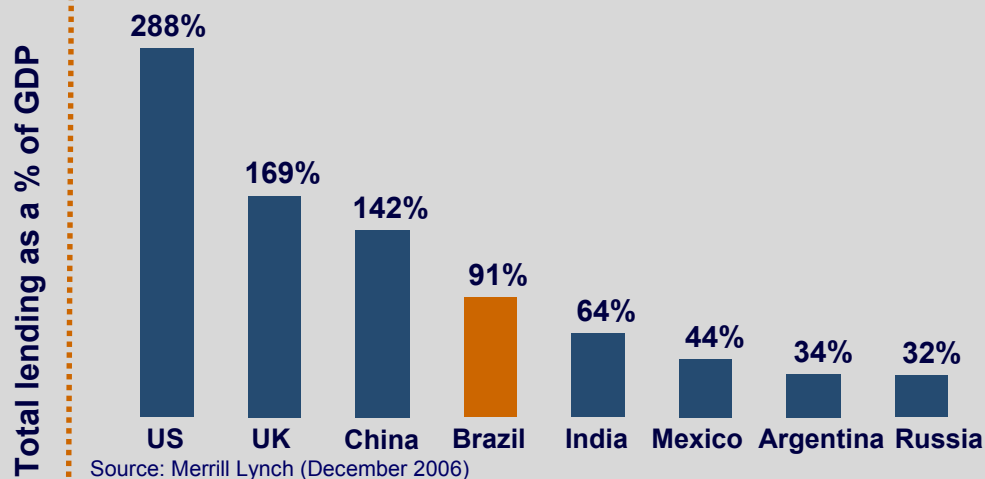
– global Credit Services leadership



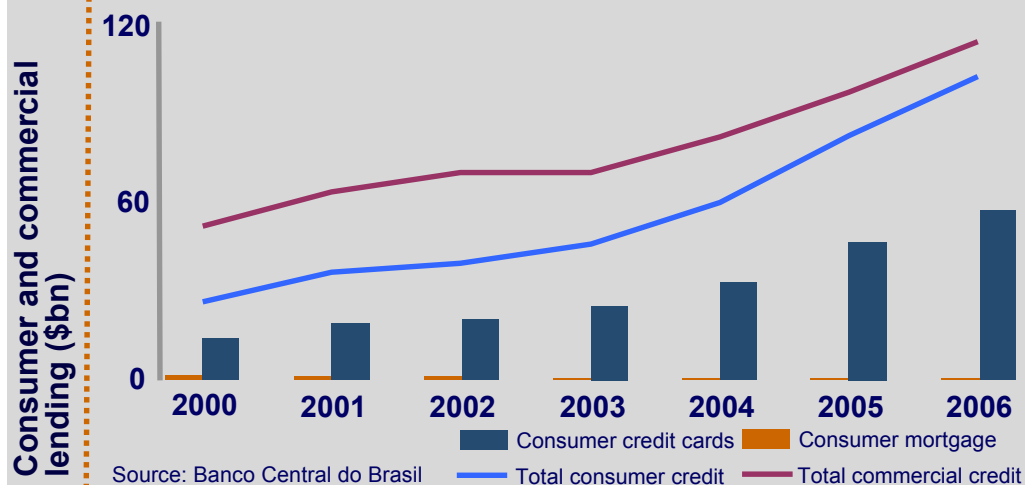
# Brazil

## – emerging credit market

### Low penetration of lending



### Strong demand for credit

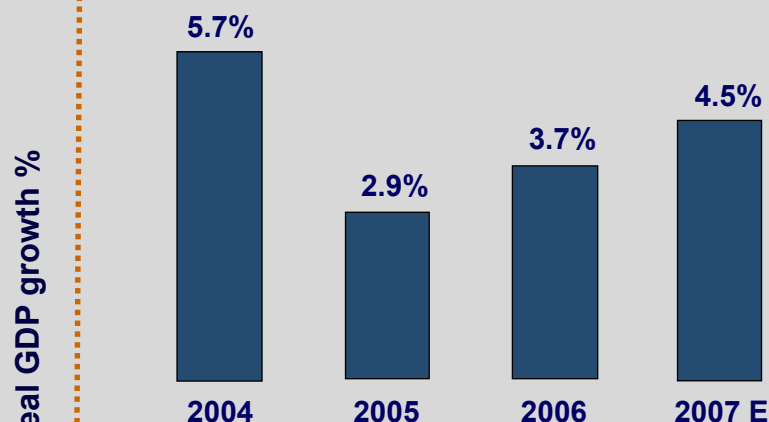


- **Largest population centre in Latin America**
  - 190 million residents
  - 34% aged under 19 years
- **Low penetration of total credit outstanding in 2006, as a percentage of GDP**
- **Double-digit growth in both consumer and commercial credit**
  - Consumer credit growth based on negative data only
  - 3 year CAGR of 30% in consumer credit
  - 3 year CAGR of 17% in commercial credit
- **Mortgage market at very early stage of development**

# Brazil

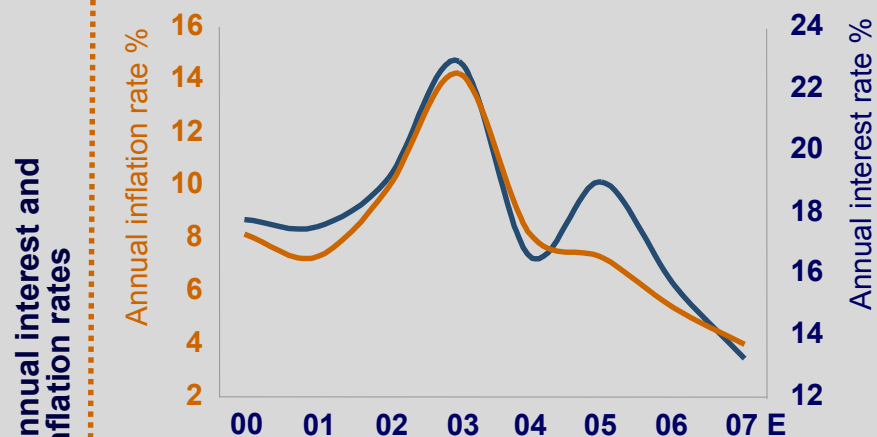
## – increasing economic stability

Brazilian GDP growth



Source: Banco Central do Brasil

Brazilian interest and inflation rates



Source: Banco Central do Brasil

- **Improving macro-economic trends**
  - Stable GDP growth outlook
  - Falling interest and inflation rates
  - Stable unemployment levels
- **Declining country risk premium**
  - Risk rating recently upgraded by Moody's, S&P and Fitch to one notch below investment grade

# Serasa

## – company overview



- Founded in 1968
- Largest database on consumers and businesses in Brazil
- Active in nearly all credit decisions in Brazil
- Strong and experienced management team
- Present in all Brazilian state capitals and major cities
- Over 80 locations, headquartered in Sao Paulo
- Employs more than 2,200 professionals



# Serasa

## – overview of core activities



**Largest consumer and commercial credit bureau in Brazil with c. 60% market share**

**Consumer Credit**  
60% of sales



- **161 million consumer records**
- **Key attributes include:**
  - Largest database of consumer credit
  - Information on bankruptcy, bounced cheques and overdue loans
  - Largest database on cheque fraud

**Commercial Credit**  
40% of sales



- **c. 5 million company records**
- **Key attributes include:**
  - Credit risk assessment of commercial enterprises
  - Information on bankruptcy and commercial loans
  - Commercial information on both Brazilian and international companies



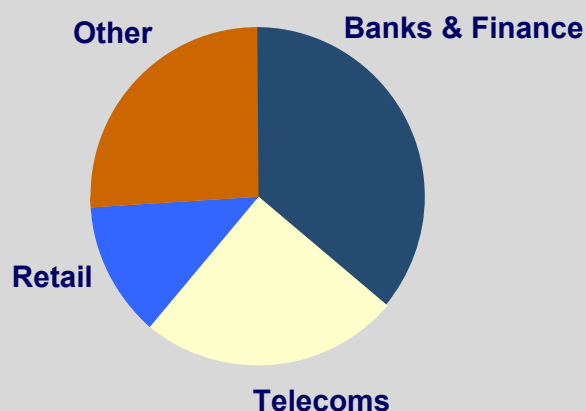
# Serasa

## – diverse customer base



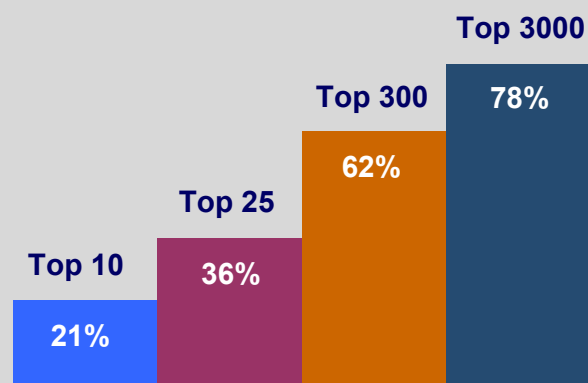
Distribution by segment

Credit Bureau product usage



Top client concentration

Percentage of sales



- Financial institutions account for less than half of consumer credit bureau sales
- Serasa has a well diversified client base with over 110,000 direct clients
  - Mixture of large local companies, multinationals and SME's
- Clients include
  - Bradesco, Itaú, Unibanco, ABN Amro, Banco Santander and HSBC
  - Pão de Açúcar, Telefónica, TAM, Organizações Globo
  - American Express, Carrefour
- Top 10 clients account for 21% of sales

# Serasa

## – revenue synergies



- **Leverage Experian's analytical, database and software capabilities**
  - Cross-sell account management and collections tools
  - Introduce Experian fraud management tools
  - For example:
    - Develop generic risk score
    - Consumer bureau: introduce authentication services, Triggers, consumer account management
    - Commercial bureau: introduce Triggers, commercial account management and Baker Hill solutions
  
- **Longer-term opportunity to introduce wider Experian product suite, for example Marketing Solutions**

## Financial performance and transaction details



**Paul Brooks, CFO**

# Serasa

## – strong track record of growth



Year to December

Sales R\$m

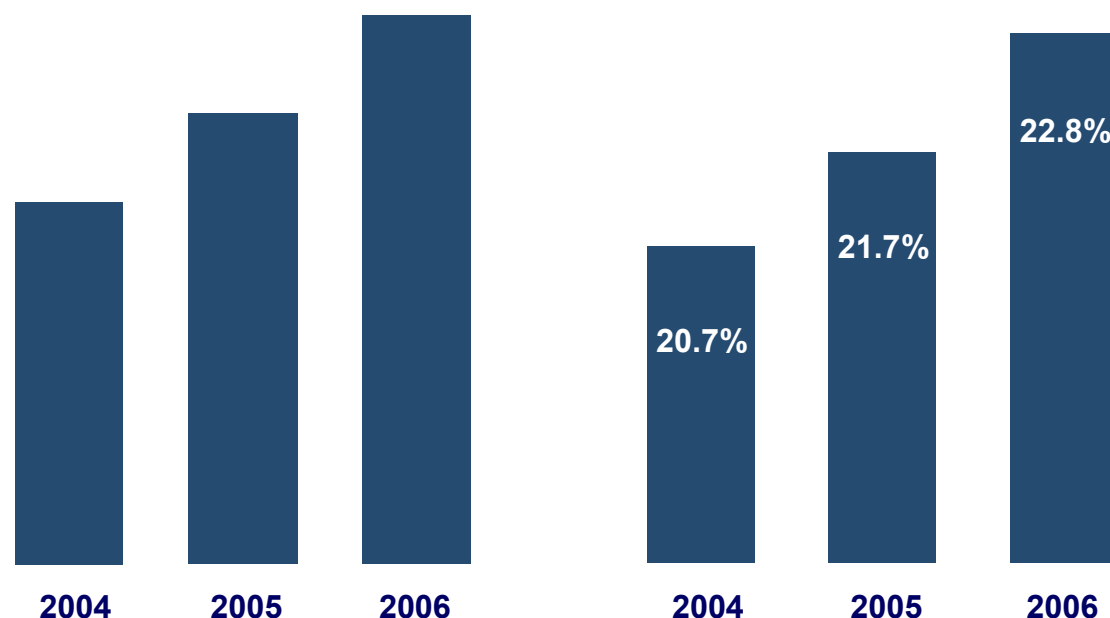
401      498      607

Growth      +24%      +22%

EBIT R\$m and margin

83      108      138

Growth      +30%      +28%



- Strong track record of sales and margin expansion
- Growth drivers include:
  - Increased transactions driven by favorable credit market
  - Expansion of Serasa customer base
  - Deeper client penetration
- Historic margin improvement reflects growth in scale and operational gearing
- Exchange rate at R\$1.94 per US\$

All figures reported prepared under Brazilian GAAP



## – deal evaluation



- **Two month due diligence process**
- **Acquisition assessment**
  - Double digit sales growth and future margin enhancement
  - Negative-data only
- **Synergy assumptions**
  - Introduction of value-added products
  - Integration costs include management LTIP
- **Meets financial hurdle rates**
  - Double digit IRR
- **Year to 31 December 2007 (Brazilian GAAP)**
  - Sales growth of about 20%

# Serasa

## – further considerations



- **Key accounting differences, Brazilian GAAP to IFRS**
  - Positive EBIT impact in the region of R\$20m in relation to data capitalisation
  - Accounting adjustments are non-cash and do not impact acquisition assessment
- **Impact on Experian**
  - Benchmark EPS neutral in first full year of ownership, enhancing thereafter
  - Amortisation of goodwill is tax deductible in Brazil, cash benefit of R\$70m - R\$100m for next 7 years (based on a 100% stake)
- **Financed from existing facilities in US\$ and UK £**
  - Expect to retain BBB+/Baa1 credit rating

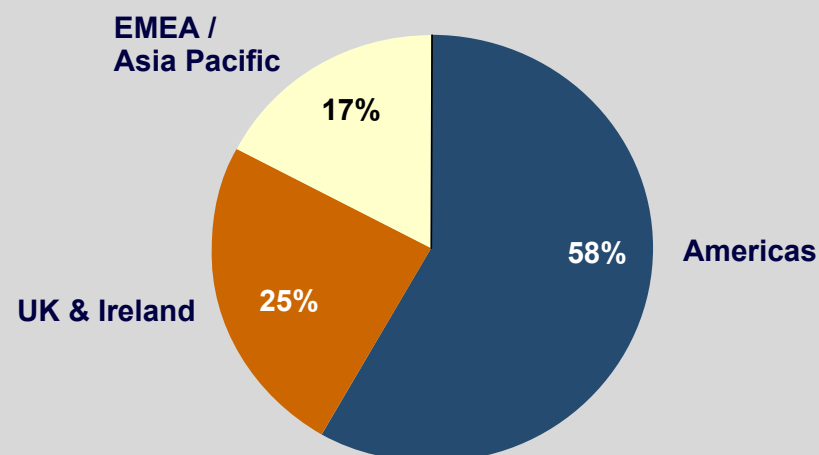
# Serasa

## – pro forma sales impact: geographical



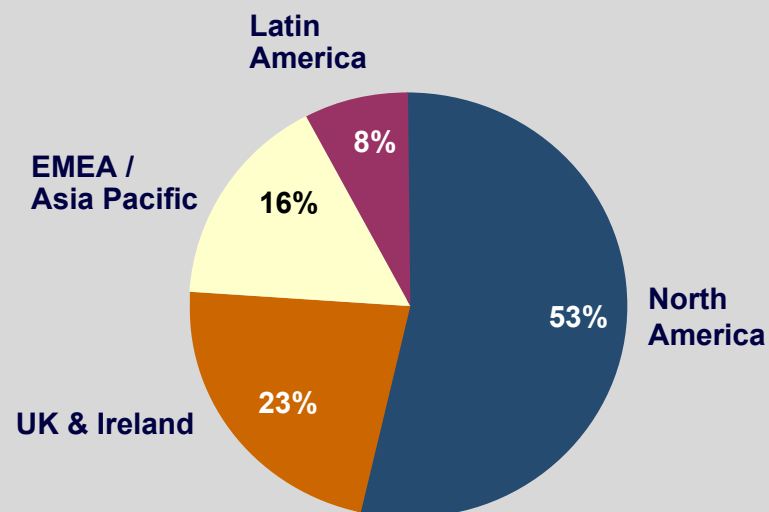
Experian sales by geography

Experian FY07



Pro forma sales impact

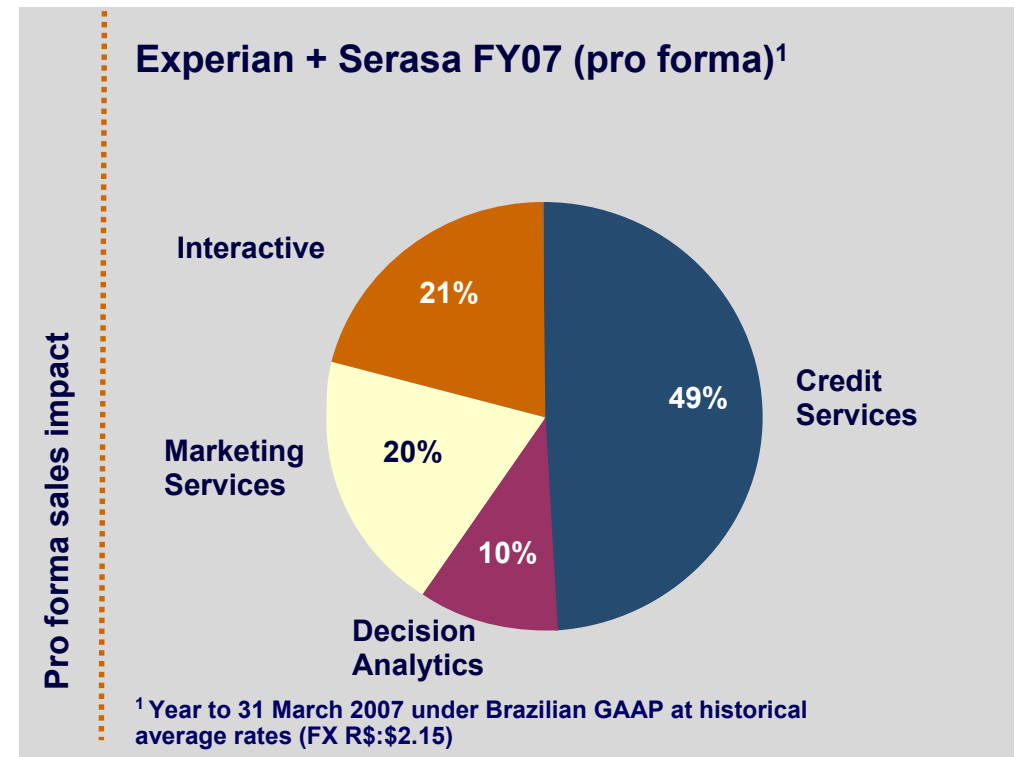
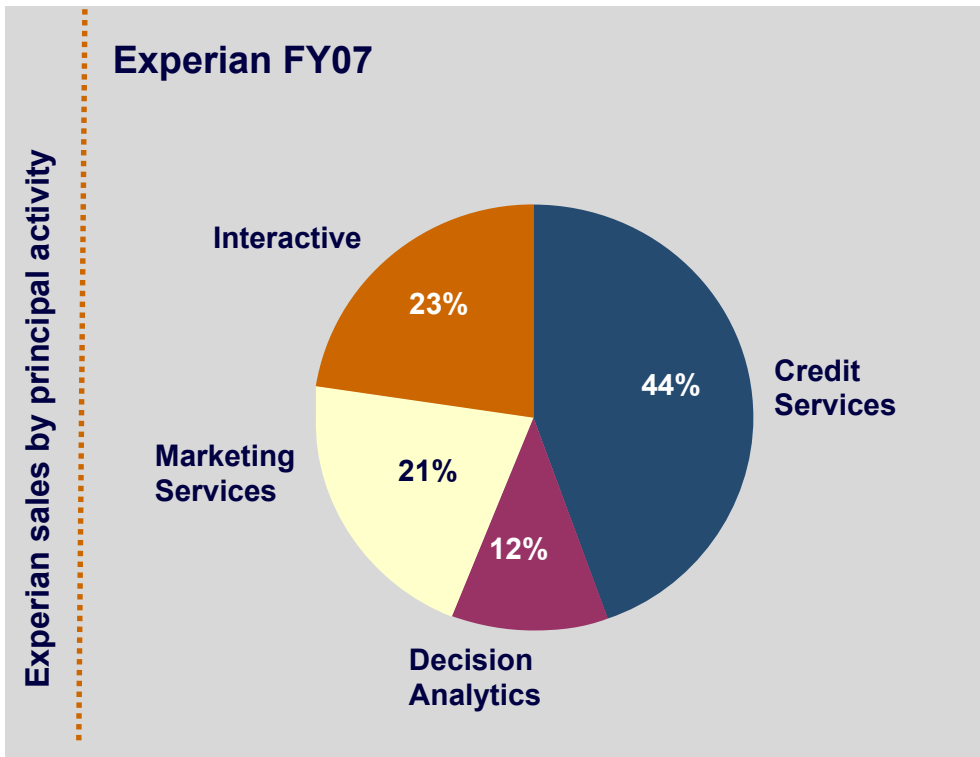
Experian + Serasa FY07 (pro forma)<sup>1</sup>



<sup>1</sup> Year to 31 March 2007 under Brazilian GAAP at historical average rates (FX R\$:\$2.15)

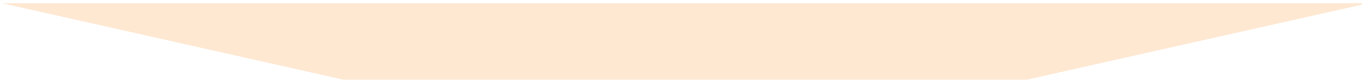

- Acquisition gives greater geographic diversity
- In future, Experian will report across four geographies

# Serasa – pro forma sales impact: principal activities



- All results for Serasa included within Credit Services

# Further modelling considerations

- 
- A large orange downward-pointing triangle.
- 
- A vertical blue line graph on a grid background, showing an upward trend with some fluctuations. The y-axis has labels 1.0, 2.0, 3.0, and 4.0.
- **Net interest**
    - Interest charges based on assumed 6% cost of debt
  - **Tax**
    - 34% tax rate in Brazil
    - Significant cash saving for 7 years
  - **Cash flow**
    - No material impact on expected group cash conversion ratio
  - **Net debt**
    - Post completion net debt of c. \$3.0bn



# Transaction details



- **65% acquired from six banks for \$R2.32bn (\$1.2bn), including expenses**
  - Bradesco, Itaú, Unibanco, ABN Amro, Banco Santander and HSBC
  - Moving to 70% over the next six months
- **Board of Directors with Experian majority**
- **Long term relationships with vendor banks**
- **Put and call option between years 5 to 10 on fair market value basis**

# Summary

65.12	+2.09	(1.67%)	132.09	+0.34	(0.26%)	83.45	(5.75%)
65.98	+0.32	(1.56%)	33.83	+0.00	(1.93%)	75.28	(5.25%)
234.22	+0.32	(0.32%)	57.92	+2.23	(3.78%)	75.28	(5.25%)
2.32	-0.21	(3.10%)	23.33	-2.23	(11.32%)	75.28	(5.25%)
29.13	+3.33	(0.32%)	532.98	-2.21	(0.73%)	75.28	(5.25%)
74.75	+0.32	(2.23%)	73.12	+3.98	(0.32%)	75.28	(5.25%)
89.43	+1.10	(1.93%)	533.22	+1.32	(2.12%)	75.28	(5.25%)
92.42	-0.43	(9.83%)	2,212.30	-3.21	(0.99%)	75.28	(5.25%)
9329.32	+3.03	(0.89%)	3.00	-0.32	(5.32%)	75.28	(5.25%)
23.32	+0.34	(0.93%)	83.12	+9.73	(0.02%)	75.28	(5.25%)
928.10	+0.90	(1.93%)	63.98	+2.09	(11.87%)	75.28	(5.25%)
38.23	+3.23	(3.78%)	234.22	+9.32	(11.56%)	75.28	(5.25%)
8.23	-3.23	(11.32%)	2.32	+0.32	(0.32%)	75.28	(5.25%)
46.06	-29.21	(0.73%)				75.28	(5.25%)
47.38	+3.98	(0.32%)				75.28	(5.25%)
79.32	+1.32	(2.12%)				75.28	(5.25%)
2,494.87	+9.21	(0.99%)				75.28	(5.25%)
74.75	-0.32	(5.32%)				75.28	(5.25%)

# Serasa

## – a unique opportunity



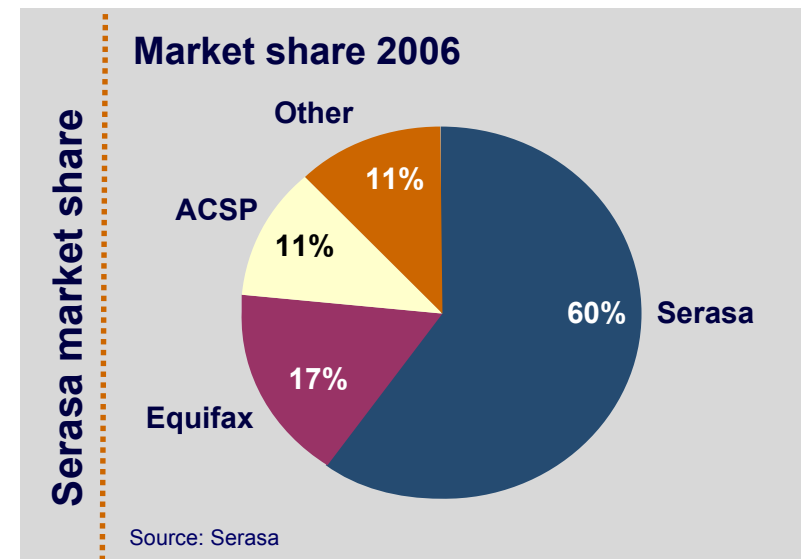
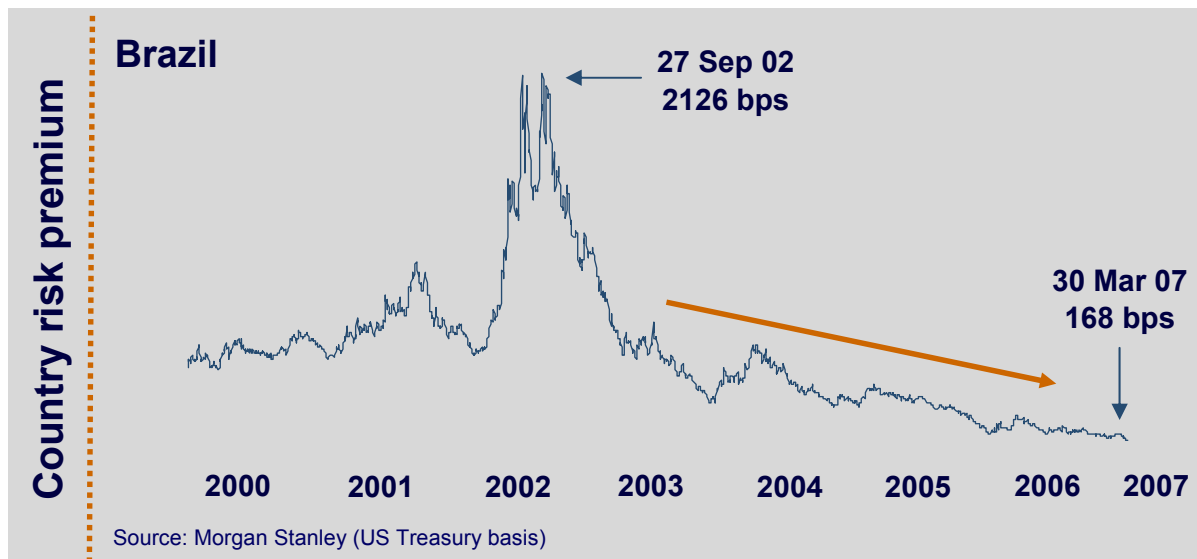
- **Strengthens global leadership position**
- **Continues relationship with top Brazilian banks**
- **Talented and experienced management team**
- **A strong business with considerable future potential**

# Appendix

65.12	+2.09	(1.67%)	132.09	+0.34	(0.26%)	42.48	(1.7%)
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# Serasa

## – supplementary information





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