

Third Quarter Trading Update – 10 January 2007

Introduction

Paul Brooks
Chief Financial Officer

Good afternoon everyone and welcome to our third quarter trading results call. With me today are Fay Dodds and Peg Smith from our Investor Relations team. What I would like to do is just say a few words about our performance and then we will turn to questions and answers

Summary of Third Quarter Results

In summary, we are very pleased with the results that have been announced today. We have delivered another quarter of strong sales performance across all regions with total sales growth of 16% at constant currency and we have delivered particularly strong organic sales growth of 9% in the quarter, helped by exceptional results from Consumer Direct and PriceGrabber. We have also made further progress against the strategic objectives we talked about on the roadshow last year. These include:

- Deepening client relationships, for example the win with Royal Bank of Scotland in fraud prevention.
- Demographic expansion, supporting GE Money and Shenzhen Bank in China.
- Product innovation, where our Mosaic segmentation product was launched in more countries around the world.
- Growing in new verticals. We had further wins in the telecoms sector in the UK.
- Growing via acquisitions. We made three small acquisitions in the quarter, including a credit bureau in Estonia, a micromarketing business in Belgium and another affiliate credit bureau in the US.

Performance

1. Americas

Sales from continuing activities in the three-month period increased by 15% in total. Organic growth was 10%, with acquisitions generating the remaining 5%. As expected, we saw an acceleration in US Credit Services against easier half two comparators. Market conditions remained much the same, with growth in sales of account management and collections products stronger than those associated with customer acquisition. There was continued strong growth from Decision Analytics, while organic sales and marketing solutions were in line with last year. Interactive organic sales growth was again above 20%, with exceptional performance from Consumer Direct and PriceGrabber.com. PriceGrabber delivered total pro forma year-on-year growth of around 40% in this seasonally very important quarter.

2. UK and Ireland

Sales from continuing activities increased by 22% in the quarter at constant exchange rates; organic growth was 7%. Both Credit Services and Marketing Solutions delivered low single-digit organic growth in the quarter, reflecting continuing difficult conditions in the UK credit market. Sales at Consumer Direct nearly tripled in the quarter and Decision Analytics performed well, further extending Experian's market leadership position.

3. EMEA and Asia Pacific

Sales at constant exchange rates in this region increased by 10% in the quarter, of which organic sales contributed 8%. There were double-digit increases from the consumer credit bureaux in Southern and Eastern Europe and in Decision Analytics. There was also a modest improvement in French transaction processing, driven by project wins.

Conclusion

Overall, we have continued to execute well on our growth plans. We have seen well-balanced growth by geographic region and by business segment. While we continue to face specific challenges in some of our markets, we remain confident in the outlook for the full year.

Questions and Answers

David Allchurch, Morgan Stanley

I have a couple of questions, if possible, please. You did not mention LowerMyBills, where there has been some slowdown in the first half, partly Amerquest, partly the US mortgage market. Could you make any broad commentary there and would you expect growth to accelerate from April onwards, given Amerquest then starts to fall out of the comparatives?

Paul Brooks

With LowerMyBills the story was very much the same as in the first half: we saw very nice growth after adjusting for the Amerquest issue. In addition, we saw very strong profit growth in the quarter from LowerMyBills. In terms of what will happen when Amerquest annualises at the beginning of next year, yes, we would expect to see growth accelerate at that stage.

David Allchurch

Great. Obviously with Consumer Direct it was a particularly strong performance, but in terms of the structural growth in that market and the penetration, do you still see it as a strong growth area in the Americas?

Paul Brooks

We really did have a very, very good quarter for Consumer Direct; we stress it is exceptionally strong. A lot of that was on the back of increased marketing spend during the first half year, particularly the second quarter where we took advantage of some very good broadcast advertising rates to really ramp up the advertising. We saw the benefits in quarter three and expect that to fall back in quarter four as we have cut back on that during this quarter. However, yes, we continue to see Consumer Direct as the key growth engine of our overall Interactive business.

Fay Dodds
Director of Investor Relations

Just to add to that, I think that what is underscored is that Experian is extending its leadership position in online monitoring for consumers and it is underscored by our commitment to product innovation in that area.

David Allchurch

Great. Obviously, this is a sales call, but given the money you raised, could you make any broad comments on the acquisition pipeline?

Paul Brooks

Yes. The pipeline remains strong. Clearly, the whole M&A market has become fairly frothy and quite competitive, certainly more so than we were seeing two or three years ago. However, we continue to consider a lot of opportunities and although compared with last year it has been relatively quiet so far this year, we expect to continue to spend over the medium-term at the kind of rates that we have previously indicated.

Kevane Wong, JMP Securities

Good afternoon. I have a few questions. Firstly, I am curious about the Royal Bank of Scotland deal you announced. Was that a competitive takeaway or a renewal? What was the shape of that?

Fay Dodds

The Royal Bank of Scotland is our largest Hunter win for our fraud detection products, so it was not so much a competitive takeaway as it was an indication of the strength of that product line in terms of fraud detection and fraud prevention. We are very proud of that win.

Kevane Wong

That is excellent. Now, the invariable question of can you give us an update on VantageScore and how that is progressing in the marketplace?

Paul Brooks

We are continuing to see good traction with VantageScore. We are now dealing with 800 clients with VantageScore, 400 now are repeat users. In particular, we are seeing inroads on the account management side of the business. Clearly, it is going to take longer to make the inroads on the acquisitions side, which is where the big dollars will be earned, because obviously that involves major change for our clients. However, we continue to be very encouraged by the progress of VantageScore

Kevane Wong

Have you had any clients that have switched solely to VantageScore from another product or is it more of a testing/dual usage basis?

Fay Dodds

We have not yet had a major client switch entirely over to VantageScore, but we have had small users, credit unions and the like, who can use VantageScore as their point of decision. However, as Paul said, where we are seeing traction is on account management, because the implementation there is much easier.

Kevane Wong

I will finish by asking if you can give an update on the competitive environment. There have obviously been some interesting changes with some competitors and I am curious as to whether you are seeing any changes in the competitive landscape? Is anything becoming a little easier or a little tougher?

Fay Dodds

It is no more and no less competitive than it has always been, especially in the US market. That is about as much as we will comment on that one.

Adrian Cattley, Citigroup

Could you give a feel for how much money you spent on the acquisitions in the quarter?

Paul Brooks

Yes. After the nine months the acquisition spend amounts to about \$100 million.

Fay Dodds

We said in the statement that the three acquisitions we made in the third quarter came to about \$20 million plus earn-outs.

Jaime Brandwood, UBS

I know you obviously do not account for it within your revenue, but could you make any comment on the FARES joint venture?

Paul Brooks

You will recall we made the comment at the interims that we obviously saw a significant reduction in the contribution from FARES in the first half year and we said we anticipated a much smaller decline in that contribution in the second half year. I think the only thing that has changed since then is probably that the outlook for the mortgage market in the US has become slightly more positive, so that is really all the guidance we will give you at this stage.

Jaime Brandwood

Okay. On UK Credit Services, can you tell us whether that low single-digit growth did represent a little bit of a slowdown versus the first half and whether things are getting even a little bit slower as we move into the fiscal fourth quarter?

Paul Brooks

You are referring to the UK, are you?

Jaime Brandwood

Yes, UK Credit Services.

Paul Brooks

There was a slight slowdown in the quarter, but we do not see it as being a trend; there were certain issues connected with the sales in the quarter. The general guidance we give on the UK consumer credit market is the conditions are tough, they have been tough, they remain tough, but we do not see them becoming any worse.

As there are no further questions, thank you very much everybody for your interest and we look forward to speaking to you again after our fourth quarter results.