Investor Day – 29 January 2008

Strategic Overview, Credit Activities

Don Robert

Chief Executive Officer

Preamble

Good morning. It is great to see so many of you here. Welcome to our first ever investor day. We are pleased that the attendance is so good. Today is an educational day, not necessary a trading update day, and as such we have three goals. Firstly, we are very pleased to introduce you to the talented team of executives that run our businesses. You will hear from four different presenters in addition to myself. Secondly, we just want to share information with you, help you understand the businesses more. Just a couple of minutes ago one participant in the meeting said 'the only reason I am here is I am hoping you are going to say something new'. Perhaps that reflects the sentiments of others of you as well. More than anything else we want to share a growth story with you. This is a growth business, and it is a business about geographic expansion, about synergies, about taking new territories around the world, about exciting new products, and it is about the internet as a powerful distribution channel. So we have a lot to go over with you, and I hope you get a lot out of it.

We have the team here. Phil Cotter from our UK business is going to talk to you about the unique power of combined Experian Data and Analytics. Kerry Williams, from the US, is going to take you a few levels deeper into the US Credit Services and Decision Analytics business. We will have a break, and we have some product demonstrations, I hope you had a chance to see those outside, and you can see those again. After that we will hear from Luciano Manzo, from our EMEA region, who will talk about the art and the science of building and expanding new credit bureaux around the world. Finally, Ty Taylor, who runs our successful Experian Consumer Direct business, will take us through the business that he has run so well for so long now. After that we will have plenty of time for Q&A.

What I would like to accomplish is to build a strategic framework, under the Credit and Decision Analytics business. We will talk about some things that are going on in the environment, the things that cause us to move this business ahead. I will talk about what we are doing in the short-term to maximise the performance of the company, and we will talk about what makes Experian different from the competition. Why do our clients buy from us, why do they prefer to do business with us, why do they move with us, and what is the Experian edge. Finally we will talk about our emerging markets and our mature market strategies.

Our Vision

Two or three years ago we rallied our people at Experian, at that time there were about 12 thousand, now there are about 15 thousand Experian people around this vision. We all feel like we are part of something that is a little bit more than just credit reporting and credit checking. We know that what we do helps move goods and services, we help people obtain housing and purchase cards, get insurance, get jobs, and that is exciting to us. We feel like we do something that economically adds fuel or adds grease to a lot of economies around the world. It has become very aspirational within Experian to do a lot more of it.

Credit Risk Management is At the Heart of What We Do

To orient you to the overall shape of the portfolio, the red side are our Decision Analytics and Credit related businesses, and the blue is marketing and lead generation. You can see that 27% of the pie comes from consumer information, 11% from business information, 4% the combination of automotive and insurance, 7% is our transaction processing business in France, 10% or $400 million from Decision Analytics, and 11% from Consumer Direct, the business of selling consumers their own credit report, usually in a membership format on the internet. The rest is marketing and lead generation, and what those businesses share is they are involved with helping our clients find new customers of their own.

What all of the red businesses have in common is very high barriers to entry, it is very hard to get into these businesses, because they involve control of proprietary and sensitive data. There are a lot of synergies between these businesses, and the financial model is attractive, high margins, high cash flow, and strong recurring revenue streams.

Good Credit Reporting Creates Economic and Social Benefits

To just take a step back, and this relates back to the vision, the reason that we are excited about this business and excited about it globally is that we really believe in the power of comprehensive data and analytics combined, and what that can do around the world. We have had some studies done on this recently, we are learning more about it all the time, and some of the work we had done was in conjunction with the Serasa acquisition, and trying to encourage the Brazilian legislature to move the positive data legislation through. We have come to understand that it is much more than credit checking, what good credit reporting does is it helps make better lending decisions, and not just identifying a good loan from a bad one, but rank ordering everybody in between. That, in turn, leads to healthier loan portfolios, and healthier retail banking systems. Socially it leads to fair lending practices, it can channel the flow of credit to disadvantaged groups, and minority groups. All of this results in stronger GDP growth.

Oftentimes when we look at markets to expand into, and we will talk a lot more about that later, we work with the World Bank in talking about these issues and these benefits. They help us, and we work with them on putting together market entry strategies, because they, like Experian, are very interested in these sorts of issues.

A Client Driven Strategy

From the idealistic to the pragmatic, we also have clients that help us along with our strategy, they are interested in going into new geographies and they like Experian to come along with them. They want products that work the same way in many geographies, which is good for their IT organisations, for their risk management, for their capital allocation, and increasingly they want a cross-border view of their own customers. This is why big names in financial services, like GECC, HSBC, and Santander, to name a few, tend to do business with us in many different countries, and depend on us as they expand.

Adjusting to the Cyclical Downturn

A lot has been said recently about the tough market conditions, and indeed they are tough, but the key point to be made is, yes, it is hard, but we have adjusted to it. Just because it is tough does not mean we have to take it lying down, and indeed we are not, there are a lot of things we can do. Firstly we are aggressively selling defensive products. So those products like collections solutions, account monitoring, and the re-development of our client's scorecards, are very, very much in demand in a down market. Kerry Williams will talk to you more about that in his presentation.

We are focusing even more on the clients through our sales force. The worst thing that we could do in a tough trading market is to cut back on the people who are out there in front of the clients every day. In fact we are adding to our sales force in certain areas where we see growth potential. A couple of weeks ago we told you that we were going to take a $100 million charge for some restructuring, and that charge will bring about $80 million annually on a run rate basis of cost efficiencies and cost reductions into the business, and that will in turn help us with a good profit outcome for the year. So there are a lot of things we do, and through all of this we are continuing to invest in new markets and new products, just as we always have done, there are no cutbacks there.

Credit-Related Activities

What makes Experian unique? Why are we different from our competitors? It is a combination of data and analytics, and it is a combination of scale. In terms of analytics, this might be the most important visual that you see from me today, because this gets to the secret sauce at Experian. It gets to what really makes us different. It is the combination of our data, our proprietary information assets within the credit services business, and our analytics that turns the data into decisions.

Super Predictive Performance

Why is it important? Quite simply, we build predictive models, we build scores that predict events based on our own data, and nobody else does that in a large-scale fashion in our industry. As it is our data, and because we understand it better than anyone else, we are able to build predictive models that are more accurate at predicting risk than anyone else. This is critical. It is also critical because we have complete control over our raw materials. In this day and age of concern about information security, about compliance and data sharing, it is really critical to be able to have constant access to the raw materials that propel your business, and we do. So you will not see us in litigious situations involving control of data and access to data.

We also use this combination, especially Decision Analytics, as the spear tip to enter new markets. We go in first with Decision Analytics, and then we bring the rest of Experian in behind as it is appropriate. Finally, the combination of these two businesses gives us a unique consultative mindset. The guys in the front row who are running our sales forces will tell you that what they preach to their troops is that we do not tell and sell, we consult, we try to solve problems for our clients, and then propose multi-faceted, intra-Experian solutions that address those issues.

Clear Global Market Leaders

If the combination of data and analytics was the first differentiator then scale is the second differentiator. We will just illustrate two competitors here for you that we are often asked about. The first is Fair Isaac, and they report to have 14 locations around the world. Equifax reports that they have 14 credit bureau locations around the world. When we layer on Experian, we have 15 credit bureau locations around the world, we have sales offices in 36 additional countries, and we take care of clients in 66 countries around the world in total.

Why is this important? It allows us to deploy common platforms and common products globally. It allows us to take a more global approach to client management - we have higher and better conversations with our clients because we are more important to them in more countries. We are also able to do things like have a centre of excellence that deals just in credit bureau expansion issues, and is an expert on dealing with that from a technical and regulatory point of view.

How does that manifest? Clients choose to do business with us because of the combination of the data and the analytics, and because of the global footprint. About half of our revenue now comes from outside of North America, a little bit more than half, and the gap between the competition and us is increasing. Again, it counts most because of the clients, but what I find interesting, because I have worked for US companies in this same space, is that what sets Experian apart is that we are not a US company with a couple of foreign outposts, we are really a global company with a global leadership team that sees things globally in terms of products, geographies and clients. That is an important point of differentiation in our business.

Core Markets – Many Opportunities to Drive Growth

Our growth strategies for our core and the markets are two different things, and we have two different strategies. In terms of the core markets, we continue to work on developing new revenue streams, either through new products or new vertical markets, and hopefully ones that are counter-cyclical. We have had a lot of success here in the UK in the public sector. We did not do any business there about three or four years ago, and now we have a very large and thriving business that we are adding resources to all the time to take advantage of playing that winning streak. Ty will tell you more about his success in the Consumer Direct business, both from a geographic point of view and with new products. It is a huge business now, and a very important part of our growth engine.

Business Information continues to grow well, both in the US and the UK. We are very excited about the progress of our small business exchange in the US, and longer-term, in terms of where the growth can come from, we see big opportunities for behavioural advertising in the US. Fair Isaac is dominant in the US, as Experian is outside of the US, and we see a lot of opportunity to continue to take share from them and from others in the US market, and to take share from our lender clients who choose to do the business in house. We think they will continue to outsource to us.

Spotlight on Experian Consumer Direct

I could not gloss over this topic of growth in core markets without pausing on Consumer Direct for a minute. We are the clear leader in this business of selling credit reports, fraud monitoring services, and now some exciting new products that you will see both in the US and the UK. This is now more than a $500 million a year revenue business, growing strongly in the double-digits, and it leverages everything that Experian has in terms of good data in multiple countries, and powerful analytics, both for credit scores and for fraud detection. Ty has a clear strategy for growth for the business, and you will be excited and entertained when you here it. Ty has also brought along a YouTube video, so we have that to look forward to.

A Lot of 'Vacant Land' Still to Capture

Turning to emerging markets, we think there is still a lot of vacant land to be captured in emerging markets around the world. The ones that we are most attracted to are Asia, Latin America, emerging Europe, and Africa. We intend to continue to grow aggressively in those markets. When we evaluate these markets, and we get to a shortlist for investing, and we talk about allocating resources and building it into the plan, we narrow this list down to about six to eight targets by looking at about 20 different variables. Obviously we would look at the total size of the credit active or possibly credit active population, but we also look at the emergence of a middle class. When we see Armani, Gucci and Burberry we start to get really interested, and figure that there will be a good consumer credit economy about to develop on the back of this middle class attitude of consumerism.

We also analyse the regulatory environment, and try to decide if there will be difficulty with permission to build and operate a credit bureau. China is an interesting example of that. We have chosen not to pursue the building of a credit bureau in China, because the regulatory environment is very tough, from the standpoint that the People's Bank said, we are going to do that - there will be no regulation. That is fine and we can operate in that environment differently. So we look at a lot of different things, and obviously the deciding factor will be encouragement or pressure from our clients. It is that client encouragement that is causing us to launch in Canada very shortly, Kerry Williams is in charge of that launch, and client encouragement that is causing us to evaluate Mexico as a new expansion territory.

Bureau Market Entry Strategy

Our preferred method in entering these new markets would typically be by acquisition, if the target and returns are attractive. You can see here that typically the returns are lower when we buy a credit bureau, with a representative IRR being at least 10%, typically a lot higher than that. The IRR on a new credit bureau build being in excess of 20%. Good examples of recent bureau acquisitions have been Estonia, Canada, where we bought a little database to enter the market, and Brazil.

We are delighted with the performance of Serasa. We spent $1.3 billion for 70% of Serasa in July 2007, and that acquisition is performing to plan. We had projected for growth in the high teens and improving profit margins, and we are seeing all of that come through. The acquisition is moving nicely, we are about 100% complete with the technical and back office integration of Serasa, and now we are moving on to products and sales force issues, and things like that. So it is going very, very well.

In desirable markets where we do not have a good acquisition target we will build, and we have done that in places like Spain and Italy. We have a few more credit bureau builds on the drawing board, and Luciano will talk to us more about that right after the break.

Analytics and Software Lead the Way - Asia Case Study

We have been selling Decision Analytics products in Asia for several years. We started out sending sales people to Hong Kong, Japan and Thailand from our base in Melbourne, Australia. We became interested enough in the overall opportunity in Asia Pacific that we made a decision to go in with a lot more investment in around 2004. We opened a regional office in Hong Kong, we put a lot of infrastructure in, in terms of finance, and HR, business development, we started hiring country managers, and started selling our Decision Analytics products a lot more aggressively in those markets.

Today we are experiencing the most success with Decision Analytics, not credit bureau activity yet, in Japan, in Korea, in China, and in Hong Kong. We also sell a little bit in places like Malaysia and Thailand. You can see this year that we are closing in on about $50 million in annual revenue for the region. We are still losing money, although those losses getting smaller. So we will lose about $9 million in Asia Pacific this year, and happily so, because we are seeing such great progress.

I spend a fair amount of my own time in Asia. I can do well there by just making sales calls on prospective lender clients. What they appreciate about us is the fact that we articulate a long-term plan and a long-term commitment to the region. We are not just getting in and out, we are not servicing China from Hong Kong or Singapore - we are there for the long-term, and that is very, very important in that particular market.

Top Organic Investment Priorities

I just talked about China. South Korea has been a good market for us, we sell Decision Analytics products to almost all of the top banks. We did that through a JV partner for several years, and we just bought that partner out recently. So now it is our baby, we have a country staff, and we are looking at broader investment opportunities there. In Japan there has recently been a major legislative change, known as the Money Lending Bill, which will change the way that credit-reporting takes place in Japan. We are working with a long–term partner in Tokyo, called CCB, to see if we can help build a technical platform that is going to help that credit bureau comply with the new law, and perhaps even have broader implications throughout the marketplace. So we are very bullish on the Japan opportunity. It is a very fragmented market, and we think order is about to come to that fragmentation.

In India you have heard us speak many times about the fact that we see a lot of opportunity. We are just waiting for our credit bureau license, and there are issues there around limitations on foreign ownership that we are hoping the government will clear up soon, we are hoping to get a license, and we are ready to go with building a credit bureau at that time.

In Eastern Europe we have been plugging away for several years, and now Luciano has responsibility for this. We have a joint venture credit bureau in Russia. It has been very tough going, but we are sticking with it. We are also interested in Poland, the Czech Republic, Bulgaria, and in Turkey, for various products and various kinds of investments.

We talked about Brazil and Serasa, obviously that is the crown jewel in the emerging markets story, about $380 million of high growth revenue, and we are excited about that. I mentioned Mexico, our clients in North America have said, we wish you could support us in Mexico, and so we have been working for some time on a plan. We have a small staff of less than 10 people in Mexico, selling Decision Analytics products, and working on a plan for broader investment in that country, which could involve a start-up credit bureau.

Finally, Canada is getting ready to launch in April 2008. Our clients are signing up, they are contributing data, the technical platform is about ready to go, and we have high hopes for our progress in Canada. So a tremendous amount of investment, and a tremendous amount of future growth wrapped up in this story around emerging markets, and the core markets story that preceded it.

Conclusion

That brings me to the conclusion of my part of the presentation, which I hope at least supported the title of our day, which is around the uniqueness and distinction of Experian and our spot in the competitive environment. We do feel that we have a very clear strategy for growth, and I hope we have articulated that to you thus far. We feel that the credit bureau industry is not only attractive and exciting from a long-term growth potential, but we also feel that it is useful, interesting and necessary. Ultimately the things we do are very, very much needed around the world, and that provides long-term support for the business, and for investment.

With the acquisition of Serasa the whole emerging markets game has changed, we have now a lot of scale and a lot of bulk, and footprint, to go along with that. We will be leveraging that in other parts of Latin America.

Finally we have this big, market leading, growth engine, called Experian Consumer Direct. It continues to amaze us. We bought that business in 2002, when Ty had just joined it, and the revenues at that time were about $60 million a year. As I said earlier, they are now well north of $500 million. It has been a really gratifying organic growth gain, and a great use of the internet as a customer marketing and customer distribution channel.

So we are confident that we have everything we need, all the tools in our toolkit, including capital and talent, and plans, to achieve the vision, to achieve our goals, and to really continue to power growth in this company, and reward our shareholders for a long time to come. We hope that the conclusion of today's presentation is that you agree with that.

It is now a pleasure for me to turn over to Phil Cotter, who is a very senior operating executive in our UK business. He is the MD of our Information Solutions businesses, in charge of the consumer information, business information, automotive and insurance information. Phil has got a tough job and he has built a lot of value since 1994 when he joined Experian.

The Power of Combined Credit Data and Analytics

Phil Cotter

Managing Director, Information Solutions UK

Preamble

Good morning. My name is Phil Cotter; I have been with the business for 14 years. I have held a number of roles, and prior to my current role I was MD of the Business Information business in the UK. What I want to set out in this presentation today is to help to explain the power of combined credit data and analytics, the importance of this capability to Experian in the UK, and how we deliver demonstrable value to our clients. I will focus on Experian's capability and strengths in these areas, explain how we combine credit data and analytics, supported by some client case studies, and explain what we are doing now and what we have planned for the future to maintain our position of strength in this marketplace.

Understanding its Financial Importance

First of all I would like to give you some insight into the financial significance of these businesses. As you look at this chart you can see that the combined revenues of our Credit Services and Decision Analytics businesses account for 57% of our annual revenues in the UK. The breakdown by sector of our Credit Services revenues in the UK show that around 42% of revenues for Credit Services are generated by the delivery of consumer data to B2C organisations, such as banks, building societies, and telcos, and 33% of revenues come from the provision of business information data to B2B organisations. This balanced spread of revenues provides some protection against fluctuation in the consumer and business economies, which is particularly important when we find ourselves in today's environment.

Strong Leadership Position in the UK Market

We are the number one in terms of market share for provision of consumer and business information data. This is in large part due to the fact that we are the only organisation that can provide a full capability across the full credit lifecycle, through from customer acquisition to collections. Experian has approximately 70% market share in the UK, our nearest competitor in the provision of consumer data and analytics is Equifax, who by their own admission have around 27%. An important point to understand about the success of the UK business is the high renewal rates that we enjoy with our major customers. We achieve over 90% renewal rates with our major customers, and many of them have been with us for over 10 years. We believe that this demonstrates that we are delivering significant value to their businesses. We work closely with our customers to ensure that our product innovation, data quality improvements, and the software that we use to deliver our solutions to them, meet their business critical needs.

Balanced Portfolio of Revenue and Growth

While Financial Services account for the majority of our revenues in the UK, we have been highly successful at diversifying into other vertical markets over recent years. Our Business Information business has been executing a strategy over the last 18 months to deliver higher value added solutions to our customers. Our ability to combine consumer and business information, and analytics, enables us to provide superior risk assessment for businesses in the UK, particulars for SMEs. Our ID verification and fraud prevention solutions are also applicable to business lending, and we are seeing increasing demand for products such as our portfolio management product, as our customers seek to understand more about the behaviour of their existing customers.

Utilities is a relatively new sector for us, but is one where we are working with several leading players to help them improve their risk management and revenue assurance systems. Over the last couple of years we have won significant market share from our nearest competitor in the mobile telephone market, by delivering integrated application processing, ID verification and fraud prevention solutions. As Don said, in Government we have made significant inroads since our first significant win in 2005 with the NS&I organisation in the UK. We have since won a series of new contracts, and we see significant potential for future growth in this sector.

A key point I would like to make here is that solutions that we initially developed for financial services can be brought to bear on similar issues in vertical markets without significant redevelopment. This allows us to deploy these solutions across vertical markets very quickly.

Embedded Across the Credit Life Cycle

I would like to compare the breadth of our capability to our customers, and give you some further understanding of our capabilities. One way to understand the breadth of capability that we offer, and how this stands up against the competition is to consider the coverage of capability across the credit lifecycle, from customer acquisition through to collections. Experian is the only player to provide capability across the full credit lifecycle, and at each stage within each key process, we offer data, analytics, and operational systems, which when combined and embedded into our client systems, drive many of the UK's largest B2C and B2B organisations' business critical processes. This deep integration into their operational systems provides high barriers to entry. Our customers highlight our breadth of capability as a competitive strength that our competitors cannot match, and this places us in a unique position to help them solve their business issues.

Deep Strategic Partnerships Across Many Vertical Markets

I will now give you some insight into our major customers and the key vertical markets that we operate in. Experian has combined credit data and analytics solutions embedded within most of the UK's major automotive banking, building society, and telco organisations in the UK. These solutions form an important part of our enduring value based partnerships with these organisations. The largest relationships, when measured just in terms of Credit Services and Decision Analytics revenues, are in excess of $20 million per annum. The majority of the relationships will be in excess of $2 million per annum, and the majority will be for multiple year contracts. We have forged relationships with a number of areas of the public sector, including provision of solutions to the Vehicle Licensing Agency, NS&I, Department of

Work and Pensions, and the Revenue and Customs, together with over 100 local authorities. The public sector is a key growth area for us looking forward. Diversifying into new verticals is key to our strategy, and I will touch on this further later.

Starting with the Most Powerful Data Available

I will now give some insight into how we combine our data and analytics capability, starting by explaining some of our core data assets. There are three key measures of data capability. One is the breadth of data, which is the number of data assets that we have that we can use in our solutions to help solve our customer's issues. There is the depth of our data assets, which is the number of records that we have within each data asset type, and then there is the quality of our data, is it accurate, is it up to date, and is it relevant. We know through the success that we have had in winning head-to-head data trials with our competitors in the UK that we are market leaders in all three areas.

This chart shows our main credit related data assets that we provide the clients, and provides a feel for the breadth and depth of our data. It is not an exhaustive list - we hold similar data assets on businesses in the UK. We invest millions of dollars each year to ensure that we have the most comprehensive and accurate consumer database in the UK, and also to ensure that our data is sourced, stored and accessed in a compliant manner.

I would like to talk through some of these data assets and explain in more detail why they are important to us. Credit Account Sharing is our credit account information-sharing database, which is contributed to by all of the major lenders in the UK. This holds information about credit products, delinquency history, amount outstanding, type of loan, et cetera, for all consumers and credit borrowers in the UK. This is absolutely vital for our risk management tools, and enables us to provide comprehensive risk management solutions. Previous application data is data that we have gathered from consumers applying for credit. This is important information in terms of fraud prevention and ID verification solutions. In address links is information that we have derived from various sources, such as credit applications, updates to our credit account information-sharing database, and other sources. This allows us to build a picture of a consumer's current and previous address history, which is important in risk management assessment, prevention of fraud, and ID verification solutions.

Combined With the Market's Leading Data Analytics

It helps to start to think of our data assets as the foundations of our solutions. We then use our analytics capability to build models that predict such things as credit risk, insolvency and fraud risk. Let me provide a little more insight into some of these particular models. We have built the UK's most predictive credit risk scores, including insolvency and indebtedness scores, which help us to provide a sophisticated risk assessment. ID verification scores help to prove that a consumer exists, and that the person you are dealing with is who they say they are. The collection scores enable our customers to optimise their collection strategies, and maximise their ability to collect debt.

The Experian Model: Integrated Mission Critical Solutions

Having derived these insights, we turn these into solutions that we deliver into our customer's environment. At the heard of our solutions is Strategy Manager, our market leading decision engine software. This helps us to convert our credit data and analytics into decisions that our customers can act on. The majority of the value that we derive in the UK is from selling decisions, not data, to our customers. These decisions are distributed via a wide range of hosted services, including our latest web services technology, and are integrated into our customers' operational systems. In the UK we have over 100 systems that process applications for credit. It is quite likely, if you have ever applied for credit in the UK, you will have been processed with one of our systems.

Combined Data and Analytics Equals Strong Financial Model

We have four key components to our pricing model in the UK. Implementation fees are typically one-off fees for the building of a new system, and for modifications and enhancements to the system during its lifetime. License fees are recurring and typically charged on a monthly basis. Scoring and applications fees, which are transactionally based, are generated every time we receive an inquiry through our systems. There are two major strengths to this particular pricing model. The first is the proportion that is recurring; license fees, scoring fees, and application fees. When you consider how sticky our systems are once they are implemented, this provides us with surety of revenue over the lifetime of the contract with our customers.

The second is by combining credit data and analytics we are providing value-based insight, which enables us to charge a premium for decisions, rather than having to discount for the provision of commodity data. This is a strong pricing model, and it is one that we aim to maintain by continuing investment in our data quality, innovation and analytics, ensuring that we provide continual value to our customers.

Enabling Responsible Lending in the Banking Sector

I would like to take you through some client case studies to explain in more detail how these systems and solutions deliver benefit to our customers. The first example is one of the world's leading retail banks in the UK. Their problem was that their legacy technology infrastructure was preventing them from consistently applying their credit policy across different products and channels. In addition they faced a number of challenges in meeting regulatory requirements around Basel II, money laundering, and the sale of credit protection assurance. Our solution was to deliver our latest web services based application processing solution, combing the delivery of our credit risk scores, ID verification scores, and utilising strategy managers for decision making.

In addition to this, the flexibility of the solution that we delivered enabled them to deliver the scripts that were needed to their sales people at the point of sale, to enable them to comply with the regulation on credit protection assurance. That was one major win for them, as well as the consistency of applying their credit policy. This will save millions of pounds in bad debt over the term of the contract, and has enabled them to meet their regulatory requirements. The solution has now been adopted as part of the bank's future technology roadmap.

Reducing Online Application Fraud in the Telco Sector

The next example is Orange. Orange were facing high levels of impersonation fraud both online and through retail stores. To combat this they have implemented a number of manual procedures, including the need for customers in store to provide documentary evidence of their identity and proof of residence. These procedures were inefficient, and also led to loss of sales. The solution to the problem was to implement our ID verification scores and fraud prevention solution via the existing application processing solution we had built for them. This helped them to automate these processes at the point of sale, and provide real time identification and fraud prevention capability. The result has been a significant reduction in the level of fraud, improved customer service, and lower operational costs.

Managing SME Risk in the Energy Sector

Npower faced significant challenges in accessing credit risk in their B2B business, particularly in the SME market. Automating the application of npower's risk management policy using Strategy Manager has enabled us to help them reduce bad debt through consistent application of their credit policy across different channels and portfolios. By blending our consumer and business information data we have been able to deliver significant improvement in their risk assessment of SMEs. We have increased their productivity and enabled lower operating costs by automating their account originating process, thereby improving customer service. Through the solution that we have built for them they have the ability to take ID verification and fraud prevention solutions into the future.

This is a good example of where solutions that we have initially developed in the financial services market have been able to resolve issues in another vertical market, without significant redevelopment.

In-Fill Acquisitions to Extend our Core Capability

During the course of this financial year we have made three acquisitions in the Consumer Direct and analytics space in the UK, which help us further extend our capabilities. Firstly, acquiring N4 has allowed us to extend our capability at the point of sale in mortgages. As a result of this acquisition, we now offer the market leading end-to-end mortgage point of sale solution. We believe there is a significant opportunity here, not least in part driven by FSA requirements for full compliance with the regulations for sale of regulated and mortgage products, by the end of 2008.

By acquiring PH Group, a B2B marketing analytics business, we have deepened our business-to-business analytics capability, and we now offer a full range of credit risk and marketing analytics to that client base. Finally, with the acquisition of Tallyman, when we combined that with our data and analytics capability, we can now provide the UK's most comprehensive collection solutions.

Focus on Data Quality and Staying Close to Customers

I would like to remind you of some of the key messages. In terms of data, Experian has the greatest breadth and depth of credit data in the UK, and the highest quality, as proven in our success in head-to-head trials against our competitors. We continually invest in these aspects of our data, and the acquisition of new data sources to maintain a competitive advantage. We work closely with our clients to ensure that we develop solutions that meet their business needs. We are embedded in their key operational systems, and help them to acquire, manage and retain profitable customers.

Our growth in the UK has been built on continual investment in our products, analytics, and technology capabilities. We have launched a number of new products this financial year, and we are building strong pipelines for them. We expect to see a strong demand for products such as triggers for risk, which alerts lenders to adverse changes in the financial circumstances of their existing customers, so that they can take action to minimise the risk of default. We expect to see acceleration in the take up of these types of products, as our customers try to understand in great detail the risk associated with new applicants, their existing portfolios, and adjust their risk management policies to take account of the continually changing economic environment.

Accelerated Penetration into New Vertical Markets

The third strand of our strategy in the UK is vertical market diversification. This is also important as we look to reduce our revenue dependency on the credit side of the financial services sector. In FY09 both accelerating our penetration into the public sector market, as well as developing our propositions for the wealth management and utility sectors, will be key focuses for us. We also expect to see continued strong growth in the Business Information business. Just touching on the public sector and the work we are doing with departments like Tax and Customs and the benefits agencies, we are helping them solve a wide range of problems, through from verifying that citizens are entitled to benefits, through fraud prevention, through to helping them to collect taxes at both local and national level. I would be disappointed if this was not a $100 million to $200 million business in three to five years time.

Data + Analytics = Insight…and Profitable Actions

To summarise, I believe we have got a fantastic business model in the UK. We enjoy a unique market position protected by high barriers to entry. These barriers to entry have been achieved through sustained investment in the development of a strong client proposition, a client proposition that provides high value solutions and mission critical systems, and that delivers demonstrable commercial value. Underlying this client proposition is a strong financial model with high recurring revenues generated by transactional volumes, and high contract renewal rates. Looking forward we have a strong plan for growth in investment in new product development, and penetration into new vertical markets. We think this is a model that can be replicated in emerging markets. Thank you very much for your time, I will hand you back to Don.

Don Robert

Thank you Phil. I hope you appreciated Phil's perspective about building a very solid and unique foundation and variety of data, and applying decisions to that. I thought it was interesting what Phil had to say about charging more money and really selling the decisions, and not so much the data. That really gets to the heart of the whole presentation. The way that Phil has moved his business seamlessly into new sectors – Telco, Government and energy – outside of banking and financial services, is also very noteworthy. Thank you again Phil.

We will now hear from Kerry Williams, who runs a similar business to Phil in North America, involving credit information, consumer information, decision analytics, and automotive information. Kerry joined Experian in 2003 from Bank of America. So he has a great understanding of the client side of things, is extremely active with clients, and has some good information to share about the current cycle, getting through it, and helping the clients navigate it.

The US Consumer Credit Market

Kerry Williams

Group President Credit Services and Decision Analytics

Preamble

Good morning. It is a pleasure to be here. I am responsible for Credit Services and Decision Analytics businesses in North America, and I felt that today what we would cover is an overview of our business, give you a perspective on how it breaks down in terms of the different segments that we are in, look at a client case study, give you an idea of our products and solutions at one of our financial institutions, talk a bit about credit cycles, a bit of commentary on the US market, and then our strategic priorities, what our focus is and how we execute and run our business on a day-to-day basis. Then we will look forward on a long-term perspective.

Credit Services and Decision Analytics Financial Summary

In terms of our revenue mix in North America, we are just under 50% of the revenue for all of Experian in North America. You can see a little bit of further breakdown on the Credit Services segment, 79% is the core consumer credit business, with another 14% in the commercial business, BIS, and then another 8% in our automotive business. Most importantly with automotive and our commercial business this year they are growing quite well, and the market conditions are primarily focused on our consumer business so far this year. Our breakdown in terms of products, in terms of the revenue for the consumer business, 15% is in our pre-screening business. In the US market we have both positive and negative data that we are allowed to use in prospecting for customers, and that is grouped under our term pre-screening. Then account management collections is about 20% of our revenues, and the mortgage sector that we have is about 10% of our revenues.

Strong Leadership Position in the US Market

We have a very strong position in the US market. We are a market leader in providing credit data into our financial institutions. The combination of credit data and our analytical capabilities allows us to be the preferred provider in the marketplace. There is not another entity that can bring the depth, scale and capabilities that we have to the financial sector in the US market. We are focused on continuing to take advantage of that advantage that we have. Our competitive strength in data, the data quality, as you heard Phil say – the freshness of your data, the quality of your data is extremely important to our clients in the US market, and we have a key focus on ensuring that our data is the best possible in the marketplace.

Over 80% of our revenues are recurring, we do very little one-off fixed revenue streams, particularly in the consumer business, it is very transaction oriented in nature, and our largest clients buy, on average, about 14 different products. I will show you what that looks like with the financial institutions, so you can get a feel for the breadth that we have within a client. You are going to see some growth numbers, we are able to achieve that in a variety of measures, but in particular we have a very integrated approach to the marketplace on how we approach our clients, in bringing all of these businesses to bear and their unique capabilities, which differentiates us in the mind of the client. That, in and of itself, is very much a differentiating prospect in the marketplace.

Serving Clients in Diverse Industries

The industries that we serve with our clients, retail banking, no surprise there, re-sellers, I will explain that in just a second, credit cards, retailers, and then vertical markets where we have a particular interest, automotive, collections, telecoms, and things like that. Resellers in the US market are partners where we have looked at their capabilities, where they have a unique set of skills in a particular marketplace, and we determined that it is in our best interests to partner with them to sell our data, analytics and solutions to them, and they can then take that into the marketplace with their unique capabilities, and create an opportunity in that market. ChoicePoint is a clear example of that in the insurance space in the US market, where they have a leadership position, and we in turn take our capabilities to sell to them, which they then package with theirs and it goes out to the marketplace.

Data at the Core of our Business

Data is at the core of everything that we do, the ten databases on the slide are our marketing information from our marketing services business; that is our demographic information. The blue databases are the core credit information assets that we have. We have 220 million consumers in our US database, which represents about 3.8 billion trade lines of those consumers. We get 2 million credit inquires daily from our client base, about 1.3 billion trade lines are updated on a monthly basis. Our uptime on our systems capability is well over 99.9%, and we usually measure system downtime in terms of minutes in any given month. Our response rate to our clients is 1.3 seconds or less.

That data quality and some of the operational things that we do to make sure our quality is as good as possible is 100% of our data is uploaded electronically to us. There are no couriers moving tapes around, all of our financial institutions are required to send us the data electronically. It is a faster way to get the data in and it is more secure. Typically clients can report data on a monthly basis, but we have also been working with some of our larger clients to get them to update their consumer data file to us on a daily basis. We have a real time system where we are able to upload that, and 83% of the data comes in to our file within 24 hours. That is a huge advantage with a real time system to be able to upload data in a very quick and fast manner.

Our ability to organise the data, and make sure it is correctly attributed back to the correct consumer or small business, is a unique capability that we have, and it allows us to produce a quality product back to our clients. Altogether the ability to manage this amount of data, and manage it effectively for our clients, creates a strong barrier to entry for any new competitors in this marketplace.

Data + Analytics = Strong Growth

Here is our growth story over the last five years. Our compound annual growth revenue amongst the businesses that we are speaking about is 8%. In particular the growth has been very strong in the last three years. A combination of data, analytics, our product innovation and client focus, and our integrated sales approach has allowed us to achieve this growth rate. You are all very aware that the financial services sector in the US is not growing at 8% the last five years, nor is the GDP in the US market growing at 8%. In fact, those two areas are growing at much less than 8%. So the combination of the capabilities that we have, and the way that we take those to the marketplace, have allowed us to generate this type of growth. Clearly we are not seeing that type of growth in this particular year, but what we have put in place, and this track record, lets you know that when we move out of this current market cycle, we will be able to return strong growth, due to the way we have organised our business.

In addition, this is a faster growth rate than any of our reported competitors' growth rates, and on top of that, in terms of operational gearing, the EBIT that we have been able to produce during this time period has grown 12% on an annual basis. So a very strong performance in terms of revenue, our investments in the business are generating good earnings back to the business.

Providing Solutions Across the Lending Cycle

Let us take a look at how we organise our products and services to go to our client base. We do that in four main areas. We have got prospecting, acquisitions, management of the consumer once they are on our client's books, and then collections if the account moves into collections. In terms of growing the customer base, our clients need to find new customers to grow their book of business. So we provide them data to find new customers, we help them segment that data to meet the type of client that they are looking for, and we help them deliver it into multiple channels, whether they want put mail in the US mail system, whether they want to deliver it online, or whether they want to deliver the offer to the consumer at the point of sale. We can allow and help our clients deliver offers in any channel they want to deliver to.

Once they have found the client they are looking for, we help them acquire that client. We verify who that client is to ensure there is not fraud in the process. Our fraud capabilities are quite extensive in the market. We assess the credit-worthiness of the consumer, so they know that it meets the parameters that they are trying to put on the book, in terms of credit-worthiness, and then we make sure that they set the right offer so that they are being fairly compensated for the amount of risk that they are incurring in making the loan to the consumer.

When they have that consumer on their books then we help them monitor the risk on an ongoing basis. You can imagine maybe two or three years ago, managing risk on a monthly basis was quite satisfactory, but in today's market they find a need to manage risk on a weekly or even daily basis, and we are in a position to provide that, depending what the needs of our clients are. Once they are also on the books we help them retain the clients that they have. We have the ability to see when a client is out shopping for a new loan product with a competitor, and we can let that existing client of ours know that they are at risk of losing that consumer, so that they can take action to keep that consumer as part of their book of business. Finally we help them cross-sell additional products and services into their consumer base so that they can further expand their book of business.

If all of that has not gone well, and they find themselves in a situation where they have to collect on this consumer, we help them prioritise the collection process. When people go on vacation and they forget to pay their bill, that does not necessarily mean they are a credit risk, and you do not want to tie up all your resources pursuing those types of consumers, versus ones that are truly getting into trouble in terms of paying their bills. You want to be able to focus your resources on that type of consumer. We help them contact the consumer if they are moving, or are trying to leave so that they cannot be tracked down to pay their debts, and then if the debt has not been cleared, we have the ability to monitor that consumer's portfolio over many years. So if that customer then gets into a situation where they could repay the debt, we can help notify our client that that consumer is now in a position to pay the debt, so that they can re-contact them and affect payment back on the loan.

If you had any inkling that what we did was sell data one time to originate a loan application, this particular slide shows you that throughout the whole lifecycle of our clients, we are embedded in many different areas. Our data, our analytics, our software systems are very broad, and we are using that data many times throughout many areas of our client base. It is a much more complicated and embedded process than just selling a credit report into our client base.

Retail Banking Client

Let us take a look at an existing financial institution client of ours, and give that same breakdown. We will look at their automotive business. These are some of our products that we have, and by no means are these all of the products in these areas that we offer to our client base, but we just pulled some out that were representative. The ones in red are the ones that we are currently doing business with this particular client. We have a nice array of products, and we also have a nice penetration of those products in automotive.

Credit card is a similar story, but different products in different area of this bank, and then the mortgage area, again, the same thing. The good news here is that there is a substantial amount of opportunity for growth, still within our heavily penetrated financial institutions in the US market. So while we have some growth opportunities in different vertical markets, different geographies, and new product innovation, just within our core client base we continue to have a tremendous opportunity in terms of expanding our book of business by penetrating our client further. Some of our execution strategies are very much geared towards making that happen.

This type of product and solution penetration throughout our client base creates a very high barrier to entry. Clients are not looking to deal with 20 different vendors, they are looking to deal with a couple of key partners, and this type of penetration puts us in the partnership category versus the vendor category.

This same financial institution has a $20 million relationship with us. I thought I would take a second to show you where the revenue streams fall in those categories. In prospecting we generate about $5 million with this client, among these three areas of the bank: automotive, car and mortgage. In acquiring the client it is $6 million, and in managing the client once it is on the books, it is $9 million. You can imagine that managing the client is very much a recurring revenue stream, because the clients are already on the books. Collections is only 300k, and as you can imagine, collections is a very hot area for us in the market today. Clients such as this, where we are under penetrated in our collections area, create a significant opportunity for us to continue to grow our book of business.

All in, there is a tremendous amount of opportunity to expand with our current client base, and this is just on the lending side of a typical financial institution. We are just starting to branch out and take our capabilities onto the deposit side, the retail side of the banks, in particular the consumer checking area, where there is a lot of opportunity for our products and services in the US market.

US Market Issues

I thought I would give you a little bit of colour from our perspective on what is going on in the US market. In the mortgage market the impact has been across the board. Calendar year 2007 was a very challenging year, 212 mortgage companies went out of business last year in the US market, out of about 2,000 mortgage companies. That is a pretty substantial proportion of companies out of business, with 86k mortgage jobs cut within the industry. Those clear impacts on the industry are driving down to the consumer level. Consumers are seeing the equity in their home decrease, $160 billion was eliminated in the first nine months of the year, and in the fourth quarter it continued to contract on the consumers, and clearly the delinquency rates are rising. When you break out the 41 million or so mortgages in the US market, 35 million are prime, and 6 million are sub-prime.

So the issues right now are clearly centred on sub-prime. The 16% delinquency rate is high by historical standards on the sub-prime mortgages. The 3% delinquency rate for prime mortgages is actually within the realm of the normal delinquency trends within the US market. So you have not seen that bleed over into the prime mortgages occur yet, but you clearly are seeing an impact on the sub-prime areas, and that has had a trickle effect into other areas of the banks, and we can talk about that a little bit.

Credit Contraction and Profitability Pressures

Our fiscal fourth quarter last year, calendar year third quarter, we saw prospecting and acquisition efforts begin to slow. They begin to slow because the financial institutions became worried about credit, and they were worried about the ability of the consumer to take on additional credit. So they pulled back a little bit, and that is when they begin tightening up their lending standards. Then they started producing less revenue at the same time that delinquencies were rising. So then they became worried about whether or not they were going to be able to make their budget for the year, to be able to make their commitment to their shareholders in terms of their earnings. Mid-way through the fourth quarter they then significantly cut back on their prospecting and acquisition, and they deferred technology spend.

So you saw a significant deferral of expenditures in the November and December timeframe last year, as they were trying to make their budgets. It started with a lack of visibility of the consumer's ability to handle credit, and then it migrated to whether they could make their budgets for the year, and they needed to defer all expenditures to get to the end of the year, because most of them are on a calendar fiscal year in the US market. Now we are back in January, and so everything that we are looking for is, was that a temporary or is that a longer-lasting situation in the marketplace, and our sales teams are in front of the clients on a daily basis to make sure that we are there to support their needs. They have to grow their business, and they will continue to grow their business, they do not have much choice in that matter.

Position Ourselves for Growth

What does that mean for us? You are going to be interested in when you are going to see a turn in the marketplace, and some of the things that you are going to want to look for is whether the marketing spent is coming back, whether our clients are back in the mail, pre-screening activities, direct mail, in the marketplace to try to drive new acquisitions. At the same time they are still going to have to be spending on managing their risk, because the portfolio workout continues past the point where they start getting aggressive again in acquiring new clients in the marketplace.

They will also then start spending again on the deferment in technology systems that they have had in place. They will do that because, one, they have some older systems that they need to replace to remain competitive and, two, they will still have tremendous pressure to update their risk controls, so that they do not find themselves in the same situation that they might be in today, with less than perfect risk capabilities to manage a situation such as this. So those are type of things that you will see when we start coming out of this cycle, and our clients will come out of the cycle, it is just a matter of when, not if.

Our Response in Challenging Times

How do we deal with this? What are the things that we do? These are things that we do in challenging times, but they are also the core principles that we manage the business by in good times. We find ourselves to be in a fortunate position that we do not have to change our strategy to deal with different market situations, we believe our strategy is sound and allows us to be successful regardless of what is going on in the marketplace. At the core of everything is superior quality of data. You have to have that in the business that we are in. Next are deep client relationships, operational efficiencies, product innovation, partnerships, and vertical market expansions into new geographies. Those are the things that help us drive our businesses forward in the US market.

Deep Client Relationships

You saw the five year growth that we have had, 8% compounded annually. You cannot do that unless you have a superior sales organisation in front of the client, or the client wants to do business with you. Five years ago when I joined Experian, the first thing I was asked to do was change the way that we went to market with our sales organisation. I gave our sales organisation one thing to embed within their culture, and that is, whatever the issue is that the client has, whatever their challenge is, whatever their opportunity is, the first thing that they think about in solving that issue or tackling that opportunity, is they call Experian, because they know you are the most flexible, the most responsive, you have the best products, you are the most innovative, and you will meet their needs to help them move their business forward. That is the way that you continue to move forward in the marketplace, and the results that we have had continue to show that with our performance.

Operational Efficiencies

We have got poor market trading conditions right now. So one of the things that we want to be able to do is, obviously, be more efficient. We always want to be more efficient, but in this type of market it creates a greater focus. One of the things that jumps out at you on this chart is that 45% of our cost base in Credit Services and Decision Analytics is employee related. So we have some fixed costs in here, and we also have some costs that we can take action on, and we have been taking action. You have probably heard that we have opened up an operational facility in Santiago Chile, which will result in a greater than $9 million expense reduction in this coming fiscal year over the previous fiscal year run rate, and there is more opportunity there.

Our organisation structure, our automotive business, our commercial business, and our consumer business each have their own data operations. We can do things like combine those operations under one organisation and take out efficiencies there. So there are plenty of things that we can do to continue to make our business more efficient from a variable cost perspective, and we are doing those as we speak.

On the technology side, you have heard previously about our data centre consolidation, but we are also doing things like moving off of expensive mainframe legacy systems into a more distributed processing network, which is much less expensive to run. We are doing this on our pre-screening platform, which is about $100 million in business on an annual basis. So it is a very large processing system that we are moving from the mainframe to a distributed environment, and we get efficiencies from that also. We are in the process of migrating that, we have migrated about 25% at this point, so that is well underway.

So there are cost opportunities in our business, and we are attacking those on a daily basis.

Product Innovation

Product innovation is something that is very important to our clients, and it shows that we are investing in our business for them. It creates some unique capabilities for us. We can combine our consumer credit and our commercial credit information, and that gives a much better picture on our small business owner, for those that are making small business loans. The ability to have both data sets is a unique differentiator in the marketplace against many of our competitors. VantageScore continues to be successful in the marketplace, we continue to convert clients on a monthly basis, and we are extremely excited about the reception that we have got on VantageScore in the marketplace, particularly with what has gone on with some of the other scoring systems with this sub prime meltdown in the US market.

Account management, our abilities to create end-to-end account management throughout the lifecycle of the client base, leveraging our data and our analytics is very much an embedded platform, and it is hard to take that out once we are in there. Our ScoreRight product is a new product we are launching, which allows the consumer to understand changes in their credit report, and how that impacts their score. It also allows the financial institution to understand that, and so if they are having a conversation with a consumer, they are able to explain to them that by not paying their bills, here is what the impact to their credit score would be. That is a very powerful tool in the collection process.

Additionally, when we move out of this market condition, our financial institutions will use it as an acquisition tool, where they will able to market to the consumer the ability to consolidate their loans to them, and the positive impact that would have on their credit score. New products account for over 10% of our revenue, and we are very focused on making sure that we have a constant stream of new products and services rolling out to the marketplace.

Partnerships

Partnerships are very important. One that I would like to bring out right here is Bankruptcy Predict. That is our new partnership with Visa. If you remember from the data slide that I showed you, once of the databases on there were 60 million daily transactions from Visa. We just struck this partnership with Visa, and it is the first time they have allowed anyone else to host their daily transactions. They have chosen us as a partner, we take their transactional data and we merge it together with our consumer credit data, and we create different analytical models off of that.

The first one we have created is the ability to predict whether a consumer is headed towards bankruptcy or not. The existing model that Visa has been selling over the past few years, from a competitor of ours, catches about 53% of the occurrences of consumers going to bankruptcy. We have run ours on two of the five largest financial institutions in the US, and this model catches 70%. Visa is discontinuing offering the existing model, and we will be expecting their clients to convert to the new model, and that creates somewhere in terms of a $30 or $40 million market opportunity in the US. The deal we have struck with Visa is a global deal, we will be able to leverage all of Phil and Luciano's and other assets across the globe with Visa, as we roll this out in the US.

Vertical Markets

Our vertical markets are very important, credit unions, collection agencies, automotive, telecom – the most important thing here is you need a specific capability in front of the client. You need to show that you have experts that understand their unique industry that they are competing in. So it makes sense to have vertical markets focused on that, and in particular many of these are growing at double-digit growth rates this year, and it further reinforces the strategy of making sure that we have a good vertical market focus where appropriate.

The one that is most interesting to us going forward is the healthcare vertical market. In the US healthcare is about 16% of GDP, $1.6 trillion annual expenditure. We are not interested in the providing of services in healthcare, but you will find that six or seven years ago when a consumer had some type of medical bill, they were responsible for about 6% of that. Their insurance covered 94%. Today it is 11% that they are responsible for, and in a decade it is going to be up to 30%, because businesses are cutting back on the amount of insurance coverage they provide to their employees. That means consumers will either have trouble making those payments, or they will take out loans. Some of our clients are starting to make loans in that particular segment, and you need to be able to help the hospitals determine who can make their payments, who cannot, and how to help them collect on that money on the back end of that process. There is a huge opportunity in the US market.

Position Ourselves for Growth

Finally, in terms of geographic expansion, as Don mentioned, we are launching the Canadian market in April. Canada currently only has two competitors, TransUnion and Equifax, and they split up about $170 million between the two of them. We bought a data asset there that did not have any meaningful revenue associated with it. The database is quite strong, and quite predictive. In terms of our entry into the market we created a whole new technology platform that we believe will leapfrog the legacy systems that our competitors have, and we engineered this technology platform in such a way that it is now going to be portable across the globe in those expansion opportunities that Don showed you. This technology platform has been built once, and it does not have to be built again. We have taken our best products and capabilities from our existing mature markets, and incorporated it into this technology so that we can have best in breed capabilities in the market. That goes live in Canada in less than 90 days.

Conclusion

In conclusion, we have a very strong business model with many barriers to entry, but we also have a great ability to execute on that business model, and we have been able to demonstrate that in our performance and in how we stack up with our competitors in the marketplace. We are committed to our clients, who very much expect us to be there for them to help them move their business forward, to show them new ways that they can attack the market, grow their business, and we are positioned well do to that. All of those things lead us to be very well positioned for growth not only now, but in the future, and for us to continue to move this business forward. We are the only US credit bureau that has a full range of data and analytical capabilities in the marketplace, and we expect to continue to capitalise on that advantage that we have in the marketplace. Thank you very much, with that I will turn it back to Don.

Don Robert

Thank you Kerry. As I mentioned, we brought Kerry in from the banking industry in 2003 to reinvigorate the credit services business in North America, starting with a focus on the sales team, and the clients, before moving on to products in vertical markets. I think you have got a sense of why Kerry has been so successful with that charge. He now leads our global line of business in Credit Services, in addition to running the North American business. So he is figuring out new ways to take all of that to new markets and continue growth. Thank you again Kerry, well done.

Now we move on to Luciano Manzo from our Southern Europe region, and Luciano is going to talk to us about how we expand into new markets.

Establishing Credit Bureaux in New Markets

Luciano Manzo

Senior Vice President, Southern Europe, South Africa and Emerging Markets

Preamble

Welcome back. Just to give you a brief background, I have been in Experian nearly 15 years now. I started in Italy, working from home, if the truth is told we did not have an office at that time! Since then I have been involved in many of our regions, helping and developing the credit bureau part of our business. At the end of this presentation, I will reveal the secret of our success, provided you will not share it with our competitors. Also, I would like to take you through the process of establishing credit bureaux in new markets, and hopefully at the end of this session you will be somewhat more familiar with the process that it takes to enter, remain and succeed in new markets.

The way I am going to do it is by explaining very simply what we are doing, why we are doing it, and how we are doing it. I will also take you though two real cases, a case showing how we entered Italy in 1995, and our strategy of establishing our business there, and how we sustain our competitive advantage today. The other case is Spain, and how we gained market leadership from an initial entry position. Before we start this journey, I would like to step back and rewind, positioning ourselves at the beginning of our international development in 1995.

History

If we look at how the Experian world looked at that time, you can see there was only the UK credit bureau in place, and no other credit bureaux existed. If we look at the same map at the end of 2007, we can see that it is populated by quite a few platforms, which are now in an advanced phase of development, are processing and gaining market share where they operate, or are at early stages of start-up. In pursuing the international strategy we have secured some of the most interesting opportunities that have come along in Continental Europe. We did Italy, Spain, Holland, Norway, Denmark, and following those we are now starting to look at new emerging regions such as Eastern Europe, Latin America and the Far East, as you have heard from Don. The progress that we have made in the international development of the credit bureaux is reflected in the total revenues of this line of business in 1997 versus the current level. These are the aggravated revenues outside the US and UK. As I was explaining earlier, we now have 15 credit bureaux that are being developed and are at different stages of maturity.

Credit Bureaux Lifecycle

If we try to represent in a graphic format the evolution of a credit bureau in a new market, where we start up the business, you could picture an S-shaped curve. From the start of the exploration phase, where you are investing the money, which is at the bottom of the curve, the business will take between five and seven years before reaching the optimum level of ROI, which is at the top of the curve, where you can start exploiting the opportunity.

Pace of Development in New Markets

The pace of development, especially in new territories, is conditioned by the fact that while consumers across developed countries enjoy access to healthy and competitive credit, thanks to a correct assessment of their ability to repay. In most of the new markets the legal and regulatory framework is weak, does not exist, or it is misinterpreted by the local player, which leads to lengthy processes, and creating deferrable conditions for our credit bureau to operate. The willingness of lenders to share positive information is also somewhat unpredictable, and in some countries sometimes they use bank secrecy laws to prevent the sharing of data concerning their good borrowers. So it must be noted that while we take a long time in building a credit bureau in a market, we normally generate revenues from the decision analytics part of the business, for instances, which also helps the banks get used to risk management tools and techniques, and prepares the ground for the credit bureau to operate.

At present we have a very strong and profitable credit bureaux businesses in most of the markets where we operate. So our patience and determination in entering new markets has been somewhat rewarded.

The 'What' and the 'Why'…

We have a clear strategic intent of entering a new market where we can reach a leading position and we can achieve superior returns by ensuring sustainable competitive advantage. Experian is today a major player in most advanced markets, and we want to expand our core skill and capabilities in those markets that can consolidate our leadership position. Most of these markets represent great opportunity for Experian, for further growth and expansion, while at the same time counter balancing potential downturn in mature markets. So at the same time they represent a good opportunity for growth, and a risk diversification. By establishing a credit bureau platform in the market we also create a backbone for our services offering, which develops along the line of our reputation for the way we handle data, the way we create value for our clients, and the way we deal with the regulators.

That is pretty much what we are doing. It does not explain why we are doing it, which is very much linked to what you heard this morning. Our main strategic drive is to support our international clients, while helping the local clients to create a credit environment where responsible lending is a key element of the healthy development of the credit sector. So the international clients are moving to new markets, and at the same time local clients are creating an environment favourable to the development of a healthy sector. Some of the markets still present a situation whereby a high percentage of the population is kept out of the credit cycle, but a higher proportion of them are moving into the credit market, and that represents a clear opportunity for the lenders, who in turn will need tools and techniques to balance the opportunity of this new brand of customers coming up, as well as managing the acceptable level of risk to take on board.

The 'How'…

We believe that this is the most important part of our process, as it concerns the execution and delivery of our strategy. The main driver in how we executed is based on a close look and depth analysis of macroeconomic factors, as well as a number of interrelated elements, such as data vulnerability, both public and shared, if the market allows for positive or negative data, what the level of service is in the local infrastructure, the size of the market, the structure of the competition and the status of legislation. These are things that Don touched upon this morning. Once we have qualified the opportunity we evaluate the entry strategy both from an acquisition standpoint, bearing in mind that any start up will take between three to five years before becoming profitable.

In deciding our entry strategies the definition of a business case with the key clients always plays an important role, their expectation and the perceived value proposition they receive from Experian. All these factors are so interrelated, and are all equally important in defining the attractiveness of a specified market. What I would like to do is dive deeper into analysing some of these factors, and explain how we position ourselves, and how we act in making these factors favourable to Experian.

The Legislative Challenge

The credit bureaux in general contribute to the shaping of the regulatory framework, and in many markets, especially new markets, the regulatory framework could potentially create an unfavourable environment for lenders, for consumers who might go through cumbersome procedures to obtain credit, and to the credit bureau players themselves, who might find it difficult to make it an attractive business case. So the regulative framework is very important.

Experian is actively engaged with the regulators in all of the markets that we operate. The activity that we undertake with the central banks, or with the data protection authorities, with the consumer associations it is really relevant, and is a key activity that we undertake. We hold the Chairmanship of the Association of Consumer Credit Information Suppliers, which is the industry body that liaises in Brussels with all their European-related issues, and together with the data protection authority in Italy we have created a code of conduct that is the framework of regulation around bureaux operations in Italy.

In general terms we can say that we have seen a trend that moves towards positive data sharing, where negative data only is allowed, both from a regulatory point of view and from an industry point of view, as we are seeing in both Brazil and Spain. In markets where positive and negative data are both allowed, the regulatory environment is moving more towards creating rules about time or retention of data, data sharing across industry and customer consent clauses. That is pretty much what we are seeing in terms of general trends, and we really are an active player in orchestrating all the various elements that contribute to enable the credit industry to develop in a healthy and robust way.

The Data Challenge

Another aspect I would like to examine is what I consider to be the raw material of our business, the heart of what we do, which is the credit bureau data. Credit bureaux are a data business. You will have seen this morning from Kerry and Phil's presentation how important that breadth and quality of data is. Data is vital to the creation, development, existence and success of the credit bureau. Unfortunately when we move to new markets data is not always available at the right level of quality, or the market might not have the right level of perception to facilitate the sharing of data, either positive or negative.

Normally the business works with two pillars, the first one is the bulk of publicly available data, which includes some elements needed for the identification and verification of the consumers, such as the electoral role or address file. This is the basic ingredients for creating value added products, in spite of the fact that this data is available to all players in the market. In the case of SMEs' records the publicly available data helps in creating the full credit profile of the applicant, because the profile of the consumer is in line with the risk profile of the small business.

The other pillar is the shared data, the data that has to be shared among all the places, participants and users of the credit bureau. That contains the credit history, the payment behaviour, and the total level of commitment that can occur in creating the consumer asset or liability position in his financial life. The combination of the public and shared data constitutes the platform on which we create the value added products.

The Competitive Challenge

One other aspect I would like to touch upon when we move into new markets is the role of competition. Unlike other industries there is normally only room for a maximum of two or three players in any credit bureau market, given that the credit bureau data, the scoring models, are normally embedded in the client lending process. So for a lender, the management of more than two or three different models, could be an unbearable complication for their procedures. So in deciding new market entrants the role of competition is a key element of our entry strategy, and its presence, strength and position allows Experian to better assess if and how to enter into the market.

Competition is not always bad. Actually sometimes they open the market for us, prepare the ground, do the legwork, often fail, or even become an acquisition target. This is something that we will return to in a few minutes when we talk about the two business cases.

Creating a Business that Allows Economic Prosperity

To summarise, our mission is about creating a business that allows the financial sector to prosper while representing the interests of all our key stakeholders, lenders, consumers, and regulators. The case studies can show how these theories, words and concepts can translate into real business. The first case study is about Italy.

Italy

We entered Italy in 1995 in what I considered to be, at that time, an immature market from a credit standpoint. The market had a number of interesting characteristics, and was a market that we consider attractive. Only one competitor was present, which was partially owned by the banks. So we figured that there was space for us. The market was reluctant to share data. Finance houses would only share negative data among the banks, but the consumer market was growing. The concept of buying now and paying later was more and more accepted by the consumers, who were historically more inclined to save rather than finance. We also registered the presence of international clients that were working with us in the UK, like GE and Amex, and the finance houses were hungry to receive more sophisticated products and services, and proved to be more receptive than the banks.

So rather than compete head-to-head with an already established competitor, we decided to focus our entry strategy in serving the finance house segment, who allowed us to get off the ground, get strong, demonstrate our ability to serve the market, and then attack the banking segment. This strategy was successful. Today banks actually account for about 40% of our total business. In fact, our biggest client today in Italy is a bank. Our growth is based on a clear differentiation of strategies, and a continuous innovation stream with the deployment of new products and services that keep marking our competitive advantage. In fact, our value added products today count for 40% of the total business. The newly created consumer debt index launched three months ago, and has been extremely well received in the market. The timeliness of the launch could not have been more appropriate given the overall concern that exists today in the credit market.

So from a standing point 10 years ago, we have now gained 40% of market share and we are still growing fast.

Spain

We entered Spain in 2002, which was quite recently. I love this case study - it is one of my favourites. We entered in a market where only negative data is allowed, where there was a competitor enjoying a very strong monopoly situation for many years, and was not really listening to what the market wanted. There was also a strong willingness from the credit industry to challenge this position in the market, increase the level of service, and establish a strong partnership with a class A player. While we focused on the basic offering to secure our business – currently we have a service contract for 150 Spanish banks until 2010 - since then we have relentlessly introduced new services and new value added products, like the alert services, our full range of anti-fraud solutions. That really opened up the market for us, moving us up the value chain, and now we are clearly perceived as the partner of choice.

Today we lead in Spain with roughly 60% of market share, and we are growing very fast. Comparably with our strategy, we have now introduced a very extended set of products and services in many areas of our business, such as Decision Analytics and Marketing Services. We are extremely excited about the next opportunity in the market, represented by the move to positive data sharing, as I mentioned before.

Conclusion

To conclude, I am happy to say that we will continue to develop new markets. We are fully aware of the effort, energy and investment that it takes, but we are also confident, given our track record, that this is the right way to establish a global business. We are in early development in other regions, such as Eastern Europe, with a focus on Russia, Romania and Bulgaria and, as Don said earlier on, there are very exciting opportunities in other regions such as Latin America and Asia-Pacific. Finally, I promised to reveal the secret of our success, it is very simple - a real passion for what we do, good people, and hard work to make it happen. Thank you very much. I will now pass back to Don.

Don Robert

Thank you Luciano, it is easy to see why, with Luciano's passion, we have been successful in so many new markets. He is leading the way in many more new markets to come. Now we move into the final part of the presentation, which highlights our exciting Consumer Direct business. Ty Taylor drives that business, he joined the Credit Services business just prior to its acquisition by Experian, and so Ty has been part of our family since 2002, and has built a business that, if it were part of Credit Services, would contribute a quarter of the revenue of Credit Services.

Leveraging our Core Data Assets

Ty Taylor

President Experian Consumer Direct

Preamble

It is great to be here to provide you with some additional insights into the Consumer Direct business. As Don said, I am Ty Taylor, I am the President of Experian Consumer Direct. I sometimes refer to it as ECD. I have been in consumer marketing for 18 years, the last 10 of which have been in the internet world. I did join back in 2001, as the COO of Consumer Info.com, which was prior to the acquisition, and I become President of the business about three years ago. Today we are going to start with an introduction to the Consumer Direct business, I will then talk about achieving and maintaining market leadership, and then we will finish with a review of our growth strategies. The goal is that you leave here better understanding Consumer Direct, our products, our business, and how we have been successful in marketing the Experian core data assets.

Premier Collection of Brands and Products

We are a premier collection of brands and products, listed here are our most prevalent brands. I will point out that Freecreditreport.com, Experian.co.uk, and Experian.com are our most recognised brands. In the internet business your web address is your brand. Today's products include credit monitoring, which is the service where we send you email alerts when you have had a qualifying or material change to your file, credit reports and credit scores. Our revenue consists of membership subscriptions, which is almost 90% of our revenue, with one-off transactions making up the rest. As Don said earlier, we are clearly the biggest, we are recognised as the market leader in this space, and our revenues are well in excess of $0.5 billion a year.

Offering Solutions to Consumer Needs

We offer solutions to consumer needs. I am often asked why consumers come to our sites, and the answer ranges from credit management to general curiosity, but the most popular reasons are checking for accuracy, ID theft fears, a major purchase, such as a home or car, or they have been denied a loan of some kind. We know this as a result of focus groups that we do, and we pool our customers when they call our call centre, and we have about 750k consumer contacts a month. So we have got plenty of opportunity to find out what our customers are thinking. Knowing that we have designed our marketing and advertising messages to speak to these needs, and then we sell the produce that we design to satisfy these needs within particular segments.

Consistently Delivering High Growth

As you see here we have enjoyed tremendous growth over the past five years. This is the result of a strong focus on our four critical success factors. The first is we dominate online distribution. We were first in online distribution, and we have never let up. We have significant broadcast and marketing expertise. We focus on member servicing and retention, and obviously product innovation and diversification is a strong avenue of growth for us.

Continues to Outpace Market Growth

As we look at market share, we see that ECD continues to outpace market growth. If we go back and look at 2003, we estimate that market to have been about $600 million, and as you see ECD had about 23% of that market. If we fast-forward to 2007 we estimate the market at $1.4 billion, with ECD having 36% of that market. So the key takeaway here is, we picked up 13 points on the competition during this period. We do anticipate a 6 to 8% annual growth rate over the next five years, and we believe the combination of our core business, combined with new segments and new products, will enable us to outpace that market.

Leveraging the Breadth of Data and Analytics

You can see that Consumer Direct is a clear fit within Experian. We have been able to leverage the breadth of data and analytics. During 2007 we delivered 18 million Experian credit reports, 20 million credit scores through our Decision Analytics business. With fraud solution authentication products, we have authenticated over 5 million consumers, and we have delivered 350 million emails through our digital marketing business, called CheetahMail. Since 2003 we have delivered over 150 million reports and scores to consumers. We are far and away the largest in the market.

Critical Success Factors

How did we do it? I mentioned our critical success factors. We dominate online distribution, had substantial broadcast and marketing expertise, a focus on member servicing and retention, and product innovation and diversification. Let us take a closer look at each of these elements.

We are a Partner, not an Advertiser

We dominate the online distribution. We are primary provider of the largest internet portals and sites. Most of our relationships are co-branded relationships, where we co-sponsor the advertising on the sites. These are long-term relationships with high recurring revenue for our business. We have renewed and expanded all of these relationships over the years, and our products are a major source of revenue for our partners.

Our largest partner is Yahoo. We started with Yahoo in 1999, as a small one-off banner advertiser, we were just buying banner space to get comfortable with it. We moved then to integrated text links, and an integrated text link is an example – you could be in Yahoo finance and you are reading an article that is talking about the relationship between the credit score and a mortgage rate, and in the middle of that editorial there will be a box of links, and those links would give you the opportunity to buy products relevant to the topic of the editorial. That has been very successful for us in that space. Today we are a top 10 advertiser, and deeply integrated throughout the Yahoo site, on any given day you might find 20 different links to our products and services through Yahoo.

The key takeaway here with Yahoo is because of our scale, the amount of revenue, and the importance to Yahoo that our business brings, they have dedicated resources on their side, along with resources on our side, that continually optimise our creative data, sometimes hourly. Simple changes, such as slight changes in fonts or colour changes, can have huge differences in response rates.

Building a Household Brand Name

Our next critical success factor is our broadcast marketing expertise. With that expertise we have built a household name, Freecreditreport.com in the US. To be successful in broadcast media you have got to have tremendous scale, you have got to be able to go really wide with your networks that you run on, and you have got to be able to go deep with repetition on all of those networks, to continue to push your message down to the consumers. It is a long-term proposition that differs from your online marketing that I just spoke of, in that that can be measured very quickly in terms of whether you succeed or not. This is a longer-term proposition and a key reason why our competitors are having a hard time competing in this space, because you have got to have deep pockets to spread that message wide enough. Your response rates will drive your ability to reinvest in broadcast. So if you cannot get it right fast, you cannot win in that space.

Freecreditreport.com commercials aired 83k times in 2007 across about 60 different networking cable stations. The result of that is we enjoy aided recall of 58% of our brand, which is an incredible number.

Unmatched Scale and Success in Advertising

Like most broadcast advertisers our message changes and evolves over time, back in 2002 we had a fairly simple piece with broad appeal, and all of our pieces will always have broad appeal. This piece was simple, it only ran on cable, and then moving into 2004, that was a time where credit scores became a hot topic in the US, and consumers were very interested in finding out more about credit and credit scores. So we developed a piece around education, and that spot ran on cable and primetime networks.

Then moving into 2007, keeping a broad appeal, but really interested in targeting an under penetrated segment, being a younger demographic and somewhat credit indifferent. We wanted to create a spot that we thought could interest that segment, and this spot runs on cable, on primetime networks, and has been posted on YouTube recently and has already had 100k or more hits. So it is gaining traction. Since we launched that piece, only three months ago, we have enjoyed a 12% lift in the targeted segment. The key takeaway in broadcast is getting the balance between broad appeal, and being able to lift take rates in new segments, and generate new interest.

Investing for Growth

Our next critical success factor is our focus on member servicing and retention. While we do not disclose our actual retention rates in the business, the rates are 120 basis points over the last three years, and that has had a material impact on our bottom line. Some of our investments here include our 500-seat call centre, which we own and operate ourselves, and that gives us the ability to have faster adaptation around new products and new partners that require things to be done a bit differently, and we constantly reinforce our value proposition.

We have also built a system that allows us to take our new products and up-sell, down-sell, and cross-sell to our customers as they call in, and we have enhanced our email communication programme with proactive emails that say to, maybe some less credit active customers, that you have not received an email alert, but it is good news, everything is fine with your file.

Product Innovation and Diversification

Our final critical success factor is product innovation and diversification. So we will start with innovation, our products have evolved over time. We started with the one bureau credit report and monitoring, and fast-forward to today, where we have our triple advantage credit monitoring service, which allows consumers access to all three credit bureaux in the US, all three credit scorers, credit monitoring, fraud resolution, and a host of other features. We set a new industry standard with this product, and we met a consumer need to have access to all the data at one location. We did make a large investment in terms of our system capabilities to offer this product, as well as product costs being higher. So we placed a bet that we would get higher conversion rates, and the good news we won that bet, and we did see those higher rates.

In terms of new geographies, we have got a clear success story here - you have heard Don talk about our credit expert business here in the UK. That has been a tremendous success story, and the key elements to geographic success for our business really are an acceptable, trustworthy authentication method, and good data quality and organisation, so that we can pull the data quickly and deliver it to the customer. Here in the UK we clearly had that, and it helped us become hugely successful with that new geography.

Diversifying Through Fortune 500 partners

Next are new channels. Our products are easily customisable for new channel opportunities, two of those being data breach – and I know you are becoming familiar here with data breaches with the recent large one that you had - and our affinity partner channel. I will take a closer look at the affinity channel. When we use the term affinity in this business, we mean higher loyalty from a large customer base. Our business in this area includes American Express, Discover Card, a large card issuer in the US, USAA, a large military insurance and benefits provider, and Intuit, which is a manufacturer of personal finance and tax software.

Why do these partners choose Experian? Our products provide them retention value, a competitive advantage, and a large revenue stream. They came to ECD in particular because of our online expertise. They recognise us as the market leader online, and our technology, that we call single sign on, allows a very tight integrated product, and seamless user experience. So, for example, if you are an American Express cardholder, and you have purchased their credit secure product, when you log on online to check your account balance or a particular transaction, you are also instantly logged on to your credit secure account, which allows you to check your credit at the same time. So it has been a huge success. It is a relatively new channel for us, but we are already servicing over 500k members on this channel.

Case study: Intuit

You may not be too familiar with Intuit, so let me introduce you. They are a $2.7 billion company, they started in 1983, they have got 8k employees, and their success comes from their tight integration with all the various online banking interfaces from the major banks in the US. They have got two flagship products, Quicken and Turbo Tax, each of which have about 15 million members. We have a tight integration - we started with Quicken, where we were the first to try this back in 1996. We have continued to be integrated in the software package each year, we are also located throughout the Quicken.com website, and in 2007 the Turbo Tax side of the business included a free basic monitoring membership, for the Turbo Tax members that renewed their membership that year. That has been a huge success for us as well, as we are seeing a lot of those members coming back and now paying full price for that product.

In terms of diversification, we have got strict requirements for investment, and new product development requirements are clear for us. We need to have broad market appeal with a focus on new segment opportunities. We have got strict criteria for investment in terms of return, time to market, and fit with our business, and we will always leverage our existing technology infrastructure. So as we build new products we will be leveraging that dominant online distribution that I have spoken of earlier. During this past year we developed three new products that we are currently testing and optimising, and you will see a full roll out of these products in early FY09.

Leveraging Distribution and Optimisation

The first product I want to introduce you to is CardSafe, which is a cross-sell product where we do not need to put incremental marketing dollars behind the product, we will sell it to our existing traffic. It is a card registration product, but the key differentiator is that the consumer does not have to fill out all the information about all the cards that they have, and the phone numbers to contact those creditors. If they have an incident where they have lost of had their information stolen, they will contact us, and we will pull off all the credit reports at that time, and take all that information off the credit reports, contact the creditors, and handle whatever the situation is for that customer. It is a very convenient alternative to legacy card registration products. It also includes a loss guarantee, so if they are out of pocket for any losses that are not recoverable we will reimburse them for any travel time, et cetera, required to get things cleaned up. The net product is $19.95 a year.

Unparallel Protection for Families

The next product is ChildSecure, again, this is another cross sell product that we do not have to put incremental dollars behind. This product monitors a child's personal information for new inquiries and new accounts. It is the first product of its kind, it includes fraud resolution assistance, and we have targeted what we call the soccer mom segment, that being mothers that are particularly concerned about protecting their children. That product runs $6.95 a month as an add-on to our base product.

The final product that we have built this past year is a stand-alone product, which has all the key features that we have available throughout our business rolled into one product. It is called family secure, and it is a premium identity theft focused product that protects the entire family, including the child-monitoring product that I spoke of earlier. It has a fraud resolution service, a loss guarantee, and we are really targeting the more affluent households with this product. This product runs $19.95 a month. I also brought along a new piece that we just developed for Family Secure. Take a look at this and let me know what you think after the session, I think it is a pretty good piece.

[Video clip]

We have high hopes for that spot, and we will keep you informed, I am sure.

Critical Success Factors

Let us recap on our growth drivers within our critical success factors. First, with dominant distribution, continuous and fast optimisation of content is key, and leveraging our existing relationships to push these new products out fast into the market. Broadcast and marketing expertise, obviously we will apply this expertise to these new products, and the additional focus on segmentation drives new broadcast advertising opportunities for some of the networks and stations we have not traditionally participated in. Member servicing and retention – we will constantly be focused on improving our retention rates, and obviously we have got new products to cross-sell here with our call centre contacts. Product innovation and diversification includes new products, new channels, and geographic expansion opportunities. So successful execution in these core areas will enable us to continue to outpace market growth.

In summary, I hope you are leaving here today with a better understanding of our Credit Services business. We are the market leader, consistently delivering high growth, we are leveraging the breadth of Experian data assets and analytics, and we are investing in innovation, member services, and diversification, to sustain market leadership and growth. Thank you very much.

Don Robert

Thank you Ty. That concludes the formal part of our presentations this morning, we will move to Q&A in just a moment. I hope that in the last few hours that we have conveyed to you the fact that we love the credit and decision analytics businesses, including Consumer Direct, that we are committed to these businesses globally, and that we have got good plans in place to drive these businesses, because they are growth businesses after all. I hope you have enjoyed hearing from the team, these are guys that I personally enjoy working with, who have a seat at the top table at Experian, and who are taking our businesses forward. They are very, very skilled and good at what you do and, as we have heard today, they are very good at communicating that as well. So thank you to all four of you.

Questions and Answers

Mark Shepherd, UBS

Kerry can I just ask a bit more about the Canadian venture. I think you said that you bought a database that had no revenue attached and that you are going to develop a platform, which you are then going to leverage globally. Can you talk more about that and the costs and timescale involved?

Don Robert

Kerry, that is a good story, you have been involved in that deal since the inception, and it did involve a homely acquisition.

Kerry Williams

There was TransUnion and Equifax in the Canadian marketplace. They currently share $170 million revenue. There was a third credit bureau in Canada, owned by a Canadian family, who basically petitioned Parliament to require the financial institutions to also give a Canadian firm the data. They did not know what to do with the data. So they have been getting the data for a number of years, they ran a small collections business, and they had about $500k in credit bureau-type business, but a very nice data asset, and literally no technology, no sales capabilities, no credibility to move that in products and services into the financial community. We had talked to them on and off over the years, and finally the patriarch of the business decided that he was ready to sell, the two sons did not want to live in this very northern town that they were based in, they wanted some sunshine in their life. So we were able to acquire it. We got the data asset…

Mark Shepherd

Can you tell us about the quality of the data? Is it data on the whole population going back the normal kind of period of time?

Kerry Williams

Yes, it has got many years of data. We ran a score model on it, and ran it by a couple of the large banks up here, the score model that we ran against it is more predictive than the current models that they are using from the other two providers. So we are very, very comfortable with the quality of the data, we have got commitments through the acquisition from the major financial institutions. So our data quality will be excellent in Canada. So now we are building the technology platform, and since we have other countries that we want to expand in, we looked at building something that would leapfrog the competition, not the mainframe, legacy-based, hard to implement, slow to make changes to - we did not want that type of infrastructure for our platform to open up new markets. So we brought our best systems folks together with some outside systems folks to help us architect this, we have done that, we are launching it in April, and have built the sales organisation and all of the new products then start rolling out in June, July, August, September – the value added products and services. So that is our game plan.

Mark Shepherd

Can you share the cost of building it?

Kerry Williams

We have built two platforms to core credit, a database that holds the data and produces a credit report, and then we have built another platform that wraps round it, which holds all the value added products, the triggers products, the collection advantage, the account management type products. The combination of those two is $9 million. We have self-funded that out of the US credit business.

Mark Shepherd

That is the capital cost is it?

Paul Brooks

That is the revenue cost. It is an example of the sort of investment...

Mark Shepherd

And that has been accounted for in this year?

Paul Brooks

Most of it is this year.

Kerry Williams

Self-funded in our US numbers, and it is going to have a significant impact on the market, we have got a very good response from our client advisory councils that we have already formed in the Canadian market.

Mark Shepherd

It will start generating revenues from April?

Kerry Williams

Yes.

Don Robert

On Mark's question about the technical part of the platform, we plan to also use that same platform in a couple of other geographies that we have our eye on, correct?

Kerry Williams

That is correct, it will be a standard platform across the globe, and the design guidelines that we went with were the 80:20 rule. So 80% of it should be replicable across the globe, and only about 20% should have to be customised for that unique market, whether it is India, Thailand, or whatever country you want to pick.

Andrew Ripper, Merrill Lynch

I have a couple of questions for Kerry and Phil. Firstly, Don opened talking about the restructuring initiatives, which were announced for the Q3 trading update. I just wondered whether you could comment on what you are doing, I gather the changes have been announced internally, and how these changes might affect the way that you do business in your regions.

Don Robert

In advance of Kerry and Phil to comment about how they are implementing the cost efficiency measures, and any impact that might have on clients, maybe you could talk in a little bit more detail, now that we have announced these restructuring measures, what they contain?

Paul Brooks

We announced a couple of weeks ago that we are going to take a charge of about $100 million, the majority of which we expect to take in the current year. When the cost efficiency programme is fully rolled out we expect the annualised savings to amount to about $80 million per year. In the coming fiscal year about half of that saving will come through. We were a bit reluctant to give too much information on the restructuring measures until we had communicated them internally, but one that has been announced has been the move to move certain functions in the UK business to India, certain IT support functions.

Some of the other things we are looking to do in other areas we are looking to offshore, which we have not fully announced yet, and we are also looking to move forward integration of a lot of our support functions within our business units. This may be back office functions such as finance and HR, but also certain IT support functions as well. Some of this is where we have business units where we feel we can integrate those functions more efficiently, and in some cases it refers to acquisitions that we have made that have not been fully integrated to this point. So we are accelerating those moves as well.

The other types of things we are doing is facilities rationalisation as well, I have referred to the data centres, where rationalisations have already been implemented, and there are other facilities rationalisations we are also intending to make.

Don Robert

Phil, you are taking a bit more proportionately of the cost, and most of the restructuring activities in the UK are in the area of the business that you run. How do you think that is that going to work out?

Phil Cotter

We announced that we were offshoring between 200 and 250 jobs to India. We are in the implementation phase now of that particular move. The types of roles that we are looking to offshore are in our application support and maintenance area. So we are looking typically at support and maintenance of existing systems, et cetera. There are a number of reasons for this, one is clear the fact that we can take advantage of lower costs in India, but it was also to ensure that we could create a more flexible cost base in that area, so we were able to ramp up our costs and ramp them down in association with demand as we saw it coming through, and also to give us a greater proportion of variable costs for the business. I do not know if I can reveal…

Paul Brooks

I think we can say that this is one of the biggest single projects we are doing in the overall cost efficiency programme.

Phil Cotter

In terms of managing the impact on our customers, we have explained to them what the rationale is, we already have nearly 100 roles operating offshore, and we have been able to demonstrate to our customers that we can continue to support their businesses without having significant impact on them, and we will continue to do that. We have got a very experienced team who is leading it, who have been involved in offshoring before, and I think we have got a very strong partner. So I am confident that as we execute this plan over the next six to nine months we will be able to do that without making an impact on our customers.

Andrew Ripper

I had a second question to the same two people. Kerry, you used to reconfirm the split in terms of sales for the US business today, and Phil, you gave us a split for the UK. One obvious difference between the two is the relative size of the consumer business. They are much bigger to the US total than the UK – I think the numbers were 78% and 42%. Could you compare and contrast this mix in terms of what it means for current growth rates? It was surprising that the current rate of contraction over the last quarter is the same for the US and the UK, but the greatest pressure on the business is consumer–origination related. So I would have thought that the UK would be a bit more defensive, given that consumer is smaller and business information and automotive are bigger. So can you compare and contrast in terms of current trading, is it because gross lending in the UK is significantly weaker than the US, and that is why maybe the consumer businesses are under more pressure?

Don Robert

Maybe I could start again by asking Paul to comment again on the overall shape of those portfolios and then for Kerry and Phil to talk about what that means for growth rates?

Paul Brooks

In terms of the Credit Services in North America, roughly 80% is consumer, and the balance is business information and automotive, whereas in the UK the consumer is a much lower proportion. The points to make on the comparison is that the automotive business in the US, which has a very different competitive dynamic and is in a different state of development, is growing a lot more strongly than the one in the UK. In the business information business quarterly growth rates can fluctuate. In the last quarter the US was stronger than in the UK, which would be a factor.

Kerry Williams

Andrew you have uncovered one of the great opportunities in the US market, which is it is not that the consumer business is abnormally large, but that we have got an abnormal amount of opportunity in our commercial and our automotive businesses. We recognised that a couple of years ago, and so we have created a stronger focus on those two businesses, and are capturing market share that we feel we rightfully should be able to get. Our automotive market share is only about 15%, even though it is $60+ million in revenue. So it is growing quite nicely, in double-digits, but has a very small market share. So we have got tremendous opportunity to grow those two businesses and try to catch them up, relatively, to the size of the consumer business.

Don Robert

Phil, it is safe to say that the UK business grew up in a more diversified model. So now you are being encouraged to look at new vertical opportunities for growth, is that right?

Phil Cotter

Yes, I think that is right, Don, but, as my slides show, there is still a significant reliance on financial services and revenue from credit services and decision analytics in the UK. I do not believe that has been impacted by the slowdown that we have seen. Business information, although it did not have as strong a quarter as it had in its first half, we are confident that will achieve high single-digit growth this year. In the automotive market there are two distinct parts, there is our providing of data and decision analytics to lenders in the automotive space, we have been able to grow that this financial year, but in our history vehicle checking we have seen significant competition, and growth has slowed over the last couple of quarters.

Robert Miller, Redburn Partners

On the Consumer Direct business, can you talk about the relative maturity of that business, and how we should think about it in terms of the cycle of growth of a web-borne business like that, and perhaps talk a bit about how important broadband penetration is to the growth of that product, and also the extent to which the roll out of free reports across the US was a significant catalyst and might actually lead to slower rates of growth going forward? Perhaps you could start by telling us how many revenue-generating individuals there are in the US in that business, to give us an ideal of scale?

Don Robert

Ty, you showed us a very sexy graph that showed 38% compound annual growth rate in the business. Where do you see that going, and what are your thoughts about broadband and moving it on from here?

Ty Taylor

In terms of the growth outlook there are estimates ranging from 5% to 8% overall market growth for our business, and, as I said in the presentation, we would look to outpace that market as a result of the scale that we have, the expertise that we have, and relying on some of the new products that I went through in the discussion. In terms of the impact of the free report legislation, it was a real high interest that died off pretty quickly. So in terms of the impact on our business, we did not see a huge impact from that legislation, and I would say it did not really impact our growth rates at all.

Don Robert

Did it create additional awareness in the marketplace for the whole concept of looking at your credit report?

Ty Taylor

It is possible, Don, that it did. The interesting thing is what was happening in the middle of the ramp up in the economy, with the refinancing going on, and people turning their mortgages as fast as they could get a better rate. So it is a little bit hard to discern what the true impact was.

Robert Miller

Don, can you give me the answer to the question on how many revenue-generating individuals there are within the US view?

Don Robert

For Consumer Direct?

Robert Miller

Yes, to give some idea of the scale.

Don Robert

We discontinued reporting on the exact level of members quite some time ago, because the revenue base for that business is now coming from a lot of other sources rather than just a certain number of members in the base. Paul, do you want to make any additional comment on that?

Paul Brooks

Not really. We stopped reporting when we passed 5 million members, and that was some time ago.

Robert Miller

It does not seem to me that a 5 to 8% growth rate is that high for a young web-borne industry. So is the growth principally from broadening the range of products, or is it principally from new users?

Ty Taylor

Keep in mind that with the amount of market share we have we have always outpaced the market growth, and we continue to estimate that we will outpace that market growth, but you can take so much from competitors and then you have got to rely on the general growth and interest of the market. So, from our perspective one of the key differentiators are the new products and the reliance on being able to use the marketing expertise online distribution to push those products out very quickly into the market, create new interest and new members.

Don Robert

It is important to point out that the products involving getting your own credit report and paying for that, have been popular in the US for about 20 years, and they just went online in the year 2000. So you saw a very accelerated growth curve at about that time that I think is now maturing, and it is going to be introducing new services, new products, new sources of revenue, and new monitoring services that will help us outpace that 5 to 8% growth.

Rob Manning, Close Brothers

Ty, I would just like a worked example on a product like Family Secure where, if you took a family who were taking that product and suffered a fraud, vis-à-vis a family that were not taking that product and suffered a fraud, in the best case scenario, that is where both are proved innocent, where do you take your customer in terms of their credit record and their potentially losses, versus an innocent family who have not taken up the product? What is the best end game in both places?

Don Robert

How do we help the victim?

Ty Taylor

The family that takes the product, and had an occurrence or an incident, would have tremendous resources through the product to step them through resolving the issue, getting it removed, and then stepping in for any costs that they have incurred to get that done, whether it be travel expenses, loss of wages because they have had to focus on getting that cleaned up, legal fees, et cetera. The family that does not take that are on their own to figure out how to deal with it, and most likely, if it is involving a child, they will not know about it until that child comes of age and tries to establish credit on their own. There is a significant difference.

Andy Chu, Deutsche Bank

Ty, to stay with you for another question on Consumer Direct, could you give us a flavour of what has happened to pricing in terms of membership subscriptions, as that is 90% revenue based from member subscriptions. What has happened over the last five years to that core subscription fee per month or per year, and where do you see that trending forward?

Ty Taylor

Price has risen a bit in the US, but generally speaking it has matched additional features with the product. So if you recall from the presentation we went from a one bureau monitoring and report to three bureaux access. So you had an accompanied increase in price with that improvement in the product. In terms of additional pricing opportunities in the US there may be some, but we are probably getting to the point of maxing out the price somewhere below $15 on a monthly subscription. In terms of the UK, their pricing has been fairly consistent from the start of that business, and they are now looking at opportunities to increase that price with some improvements that they are making to the product that will be launched very soon. There is some more room in the UK on price.

Nitya Bhat, Deccan Value Advisors

Ty, there are about 115 million active files in the US today, and I think the penetration of Consumer Direct is about 11 million customers. It seems as if there is large headroom for growth. So when you say 6 to 8%, if you look at the growth numbers you have foreseen over the last couple of years, it seems like you are setting expectations much lower than what people were expecting? Is that correct?

Don Robert

Do you size the market up the same way Ty?

Ty Taylor

In terms of the numbers that you gave, I am not sure whether they match our business, but back to the market growth. Clearly when you look at the total files available we have only penetrated a small number of those, but again, looking at the access points and the way to reach the customer, there are not any real new big internet portals out there, we are fairly broad in our broadcast advertising as I mentioned earlier. So we are fairly confident that we have got our message very broadly to the US consumer. So, again, because of the size of our market share, and what we see in our own business, we are pretty confident about how that market is going to grow. Again, we are relying on the new products and features to take us above that market. We are very confident we will perform above that market growth rate, but you will see historically that the total market has not grown all that much faster than what we are predicting for total market growth outside of our business.

Nitya Bhat

The growth rates that you have posted in the last couple of years were significantly above the market growth rates. Were those coming from increased penetration of your message, which has now reached saturation? Is that what you are saying?

Ty Taylor

Yes, I would not use the word saturation at this point. Clearly internet use is not growing as rapidly as it has in the past during the fastest ramp of our business. There is a correlation to internet growth and online business success. So that has slowed a little bit, but when you do not have new portals, and the cable business in the US is contracting, and so your ability to grow a business where you already have 36% market share is challenging. We also took a lot of our business from competitors, when you look at American Express and Discover Card, those were very large deals that we took from competitors.

Nitya Bhat

Could you give us a sense of where the UK business could go from the present $60 million of revenue?

Don Robert

We would say that that business has been growing at extremely high rates of growth, and you will probably see a pattern like the one that was seen in the US. The US was growing at close to 100%, but ultimately you have to come back down to earth. The UK business is still growing at very strong double-digit rates, but I am sure over time that will slow down. It is a much smaller population and we do have a very big percentage of the market share.

Nitya Bhat

The market in the UK is much smaller, but how does that all match up? What is the potential size of the UK business?

Don Robert

We would be hesitant to forecast an actual potential size of a certain line of business, and would prefer to stick to the guidance that it should continue to grow very strongly, at much higher growth rates than the US because of its relative immaturity.

Jaime Brandwood, UBS

I wanted to go back to UK and US services, just to firstly confirm, in terms of the answers to the previous questions, that effectively you are indicating that the consumer related parts of both UK and US Credit Services were down somewhat more than the overall–2% that we have seen for the divisions as a whole? Is that fair?

Paul Brooks

It is slightly more.

Jaime Brandwood

In that context can each divisional head talk a little bit about price versus volume? In other words, are some of these lenders starting to buy low volumes of data from you versus last year? Are they starting to step up into those higher price tiers, and are you starting to see some price inflation, or is that not really panning out in that way?

Don Robert

Kerry and Phil we have talked a lot to investors before about volume-based pricing, and I think that is the backdrop for Jaime's question. Kerry, you have had to show some tough love with clients lately in the US, do you want to talk about that?

Kerry Williams

Jaime, in December we started reviewing every contract. I can tell you two occurrences in December was a true-up for $500k, and a true-up for $300k, and we do not expect our sales executives to forego that type of revenue. They asked for these pricing schedules, and they have to pay. So, yes, average unit price would be getting a little bit of help. We would rather have the volume.

Jaime Brandwood

On the UK side, does it work the same way or is that not the case?

Phil Cotter

There will be some opportunities to draw up revenue in the coming months. [Answer largely inaudible]

Jaime Brandwood

Is it fair to say that in the UK, vis-à-vis, a, a more consolidated financial services industry and, b, your much higher market share, that price has never been quite as much of an issue?

Phil Cotter

Yes.

Jaime Brandwood

Just another question vis-à-vis the current patterns in which lenders are buying your data, is it the case that a proportion of the applications that lenders are receiving are being rejected outright without a credit check taking place? Is there a case for saying that you are not grabbing quite as much of application revenue share as you might normally do?

Phil Cotter

There is every chance that mortgage lenders are rejecting applicants before they have put them through our systems. I do not have any strong evidence, but there is a chance of that happening.

Don Robert

There are several guys on the platform here that would also attest to this from our days in consumer banking. Every bank has what is called a knockout criteria. A loan application is received, and the decision tree goes like this, do not order and pay for a credit bureau report if the applicant declares on the application that a bankruptcy has been filed recently, they are currently in foreclosure, or there is a very high loan to value ratio on the priority. This has been going on since the beginning of time, so I am not sure that this is new in this particular marketplace.

Jaime Brandwood

It is not particularly extreme at the moment?

Don Robert

I do not think so.

Kerry Williams

Given what has gone on, I have not seen that occurring.

Jaime Brandwood

Lastly on Consumer Direct, to go back to this market growth rate assumption, on the figures you showed the market going from $600 million to $1.4 billion over a four year time period. That is a compound annual growth rate of 24%. Can you talk about the profile of that market growth over the years, was it 30 – 40% at the beginning of that four year period, and more like 10 - 12% in the last year, and now coming down to 6 – 8% going forwards?

Ty Taylor

My answer to that is similar to what I said before. A lot of that growth rate was as a result of our growth, and that was a result of the inability of our competitors to get into the online space, the inability of our competitors to have deep enough pockets to participate in the broadcast space. So that gave us a huge head start on what you see as the market today. So that, combined with taking big chunks from competitors, did allow us a faster growth rate looking back than we think is reasonable to expect looking forward.

Jaime Brandwood

[Question inaudible, off mic]

Ty Taylor

You could argue many of our features and functionality is that we are somewhat of a market maker.

Don Robert

Could we touch on the data breach services, and how you have been successful with that, where you see that going as an important part of the growth, because it is not related to driving consumers to the internet?

Ty Taylor

One of the new channels that we have had tremendous success in is the data breach business, and that is a business where to compete you have got to be ready very quickly. You have got large customers having a loss or having leaks in data, and it is highly emotional period of time. We have put together a full set solution that takes over when there is an incident, and we walk these companies through the process of what they should be doing, what we would recommend that they do in terms of the notifications to the affected consumers, the time periods around supplying a product, and ultimately what the product is that they supply to these customers. We have been hugely successful this past year, we serviced over 300 data breaches in the US, and we have serviced the highest profile incidents of data breach in the US. It has been one of those businesses that, it is not a business that you necessary build, but you build products and your speed to market with the solution differentiates our offering from the competition.

Andy Grobler, Goldman Sachs

Following up on the pricing question. As I understand it, Credit Services prices have come down 3 or 4% on average per year, over the last few years. If you are going back to re-negotiate with clients, saying that as volumes have dropped prices will go up, what is the average price decline that you are currently seeing and expect to see going into next year?

Paul Brooks

First of all they are historic. I think that for the US the actual figure, if you take a six year view, the average price erosion has been somewhere in the region of 2-3% a year. There are always mix effects, and mortgage has something to do with that, because mortgage tends to be a higher price. If you strip out the noise at the moment prices are relatively stable at the moment.

Kerry Williams

Paul is correct, there is certainly a mix issue in there, and then where we can we implement price increases to offset price declines that we get. So if there is a big merger, clearly there is usually some price compression from that, and so in two days we are implementing yet another round of price increases in one of our larger channels, because we feel like we are in a position to implement those. Those types of things will help us offset price compression. The other thing is, as you saw earlier, we try to embed our products, systems, and solutions that are very sticky, very hard for the client to change out. If we have multiple solutions inside clients, it is very hard for them to want to start picking on our price, when they have so much in their business relying on our products and services. So at the end of the day our best defensive position is to have as much penetration in the client base as possible, to get them focused on new opportunities.

Phil Cotter

A similar situation in the UK, as I explained in my presentation, in the UK we are not really focused on selling data, we are focused on selling decisions and products. Typically when we negotiate a contract with our customers, we are talking about delivering new products and services to them, and the new overall value of the contract increases for them. We have recently signed a new contract with HBOS, and I am confident that the value of that contract will be far in excess of what the previous contact was worth. So there are a number of ways in which those negotiations take place, and certainly in the UK by bundling services we can protect ourselves against customers picking up data and turning it into a commodity.

Don Robert

So the more products we have in the arsenal the less we care about playing the price game on a unit basis.

Andrew Ripper

A question for Phil – in terms of the growth opportunities going forward, the most significant thing you mentioned was the public sector opportunity, and you put a range in that of $100 to $200 million, which sounds like a huge number relative to the size of the existing UK business. Can you lay out for us in more detail where that opportunity lies, what you need to do to realise it, and whether some of it is dependent on changes within the Government itself as opposed to innovation on your part?

Don Robert

Actually we hope that the Government does not change.

Phil Cotter

Let me talk about the opportunities as we see them at the moment. The opportunities are largely driven by departments and local authorities that are executing Government policy. If I take an example of joined up government making it easy for citizens to access services, then one of the things that Government Departments need to be able to provide is very slick internet and telephony based access to services. This is where our ID verification services play. We can provide real-time, online authentication services. So we are seeing opportunities with Revenue and Customers.

Secondly, if you look at the area of revenue assurance, there are now targets on local authorities to collect council tax, unlike financial services they are not allowed to write off debts, so these debts are there in perpetuity. One of the things we have been helping them to do is identify households that are claiming single occupancy discount where there is more than one person living there. So those types of services, aligned with Government policy, where there are real incentives for departments and local authorities to take our services on, to help them in terms of their performance, we can see great opportunities there.

In addition to that, with Revenues and Customs you have got 32 separate departments. So we have real opportunities to take solutions that we have developed for one department, and replicate that across other departments. So those are where the opportunities lie. The Government in the UK is intent on using a combination of private and public sector data to develop these types of solutions, and clearly we are one of the people that can help them do that.

Don Robert

What are the top two or three things we are doing now to accelerate our push?

Phil Cotter

Firstly we are looking at the sales structure for our public sector, both in my business and outside, because we have got public sector opportunity. Through our budget process next year we will be putting more resources into the public sector. That is something that we are going to continue for a period of time. We are also looking at how we develop relationships with the SIs in that area, the big players like UBS, et cetera, where we can use them as a channel as well. So really it is focusing more resource, more feet on the ground, we have made the significant investment within the numbers that you have seen already this year in the public sector, and we will continue to do so.

George Brennan, Credit Suisse

Don, at the last update you mentioned a scorecard that you had developed, and that has been an issue in times of rapidly changing economic environment. Could you go through what is going on in that space at the moment, and perhaps whether this is an ongoing issue, and there should be an increased cost associated with that in this type of environment?

Don Robert

In a stable economic environment most lenders find that a scorecard that they or we build would be valid for a period of three years on average, after which time it starts to gradually lose its predictive power. In a time of very rapid marketplace change, that we are seeing right now, the scorecards will lose their predictive power much more quickly. That creates a natural sales opportunity for us. The way that we are approaching it is to try and communicate to as many clients and prospects as we can as quickly as we can. One way to do that is to have conferences. We host a lot of conferences around the world in our Decision Analytics business, we invite a couple of hundred clients in, have our scientists walk them through the mathematics of scorecard predictiveness, issues around redevelopment and revalidation, and we do charge to redevelop the cards. We see that as a very timely and interesting opportunity in our Decision Analytics business right now.

Kerry Williams

To the timeliness point, we do annual re-validations with VantageScore. We roll those out to the client base, and we disclose those on the website. So you can see that is all part of the strategy with VantageScore, to keep it fresh. Clearly the competitive models in the marketplace did not stay fresh, and have been exposed in the recent economic downturn. The second thing is, you are right, there is an opportunity there, and we have brought in a senior vice president to lead our analytics business in the US, beefing up the resources there because there is market opportunity out there. The clients are asking for help and they need someone that understands the data and can help them with the scorecards.

George Brennan

Is this something that your competitors are doing at the same time, or do you think that Experian are doing this slightly more aggressively? Clearly there is an opportunity for every analytics business out there?

Kerry Williams

I do not have a whole lot of insight into Fair Isaac in terms of what they are doing. When we built VantageScore we did work with Equifax to build a score together, VantageScore has a whole lot of similarities to scores that have been built by Experian. So I feel good about competing with Equifax in the analytics space.

Jaime Brandwood, UBS

Luciano, you have talked a lot about Experian in Spain and Italy, and one of the companies that has not done so well in those two countries has been Equifax, both as incumbent in Spain and also trying to gain an entry into Italy. Can you talk about the differences as you see them in your approach, versus Equifax, in those two countries?

Luciano Manzo

We are just the best! In Italy, since the start up in 1995 we have pursued an approach very focused on diversification and continuous introduction of new products and services. This has been a key element of our success in Italy. In Italy Equifax arrived much later, and they acquired a business, and wanted to use it as a platform to enter into the credit bureaux space, but that did not work out. I will not comment on why that has not worked out for Equifax, but the fact of the matter is that we bought that business a few years later, as you know.

In Spain there was the opposite situation that they were there before us, and they were enjoying a very monopolistic situation and a very strong position in the market. Just by entering and really giving the market what they wanted and pursuing, again, a very clear strategy on delivering our products and services, our value added products to the market, we have been able to swap the situation. Now we are the clear leader in Spain. So it is clear evidence of our strategy into new markets, and how we not only enter, but we sustain, our competitive edge.

Jaime Brandwood

Was pricing involved?

Luciano Manzo

We did not compete on price - we never compete on price. In fact, we are still in a preferred space in respect to other more mature markets where we are growing very fast. Obviously we are in a different position, and with the introduction of new value added products our unit price has been stable since we began our operations.

Don Robert

Thank you. Here is the YouTube video that we are having so much success with in the Consumer Direct business.

[Video clip]

Thank you all for coming.

Investor Seminar – 30 January 2008

Strategic Overview, Credit Activities

Don Robert

Chief Executive Officer

Preamble

Good morning. Welcome to our first ever investor day. I think that the size of our crowd today reflects the growing interest in the Experian story. Today is about education and taking you deeper into our business. It is not necessarily a trading update and, as such, we have three goals for this event. Firstly, we want to take you deeper into the business, lifting the veil, if you will. In this regard, we have some new things to share with you. Yesterday, in London, someone told me that the only reason he had shown up was because we might say something that we had not said before, so I will try to highlight those as we proceed.

Secondly, we want to introduce the team who really run this business and are taking it into the future. Most importantly, I really want to convey a growth story. This is a growth business with a great growth story. There is a great emerging markets story and we offer many exciting products. We are constantly harvesting synergies and increasingly leveraging the internet as a fantastic business growth channel. Hopefully, this will all come across.

I will begin proceedings with some strategy and set a foundation for the morning. Then, Phil Cotter, from our UK business will speak to you on the power of combined Experian Decision Analytics and Experian information. Next, Kerry Williams, who runs our US Credit Services business will familiarise you with that business. Following his presentation, we will break for a while to allow you to view some of the product demonstrations taking place outside this room. When we return, Luciano Manzo will discuss the development of emerging markets before Ty Taylor covers the Consumer Direct business. Then, we will have plenty of time for Q&A.

For my part, I would just like to establish a strategic foundation under our credit-related activities. In this respect, I would like to focus on the long-term growth potential of this business. As I mentioned, it is a growth business and we certainly regard it as such. We will discuss some of the external influences that we deal with as we think about this growth before turning to the competitive environment and what makes us different. Why do our clients prefer to do business with Experian and how are we taking advantage of that to increase the competitive gap?

Our Vision

Two or three years ago we rallied our people at Experian, at that time there were about 12k, now, with the acquisition of Serasa, there are about 15k Experian people are part of this vision: to use our data, analytics and our people to become a force around the world in consumer economies. At the heart of it, we feel that what we do with all our assets is create opportunities for people to make purchases, buy cars, get homes and get shelter. In so doing, we really provide a lubricant for economies and we aim to do this on a much bigger scale than we do currently. Within Experian, we rally around this idea and we discuss our global growth ambition frequently.

Credit Risk Management is At the Heart of What We Do

To guide you on the overall shape of the portfolio, the red parts of the circle indicate Credit and Risk-related activities and the blue parts are marketing and lead-generating activities. In this regard, there is some new information. In an effort to become more precise on disclosure, we see that global Consumer Information contributes around 27% of the pie, Business Information contributes 11%, Automotive and Insurance information accounts for 4% and Transaction Processing, our French business that is under strategic review, provides around 7%. Decision Analytics represents a $400 million business, accounting for 10% of the portfolio, and our Consumer Direct business generates over $500 million, or 11%, of our Credit and Risk-related activities. The remainder consists of marketing and lead generation and, if we do another educational seminar, we will focus on those parts of the business.

Good Credit Reporting Creates Economic and Social Benefits

If we step back and talk about this business at its most basic level, why are we excited about it and what good do we do around the world? Recently, we have had more external studies done around the issue of credit reporting on a global scale, which is more than just credit reporting or credit checking. Increasingly, as we work with the World Bank and ask people to help us with studies on new market entry, we find that good comprehensive credit reporting helps distinguish good from bad risks and, more importantly, everything in between. In turn, that builds strong retail loan portfolios and creates stronger banking systems around the world. As I said, we add a lubricant to economies around the world, helping to move goods and services, which is critical. Socially, we are able to get credit into the hands of minority groups. For instance, in Africa, the emergence of micro-lending and micro-credit bureaux is all about helping middle class societies grow and alleviating poverty. Therefore, we feel that our activities are extremely important and we just need to do much more of it in many new places.

A Client Driven Strategy

Turning from the idealistic to the pragmatic, we also have clients that help us along with our strategy, as we think about expansion. Increasingly, they require consistent products, consistent service and serious relationship management that work in a variety of geographies. Often, they push us to expand and, when we are able to serve clients in multiple geographies because of our scale and our products that work across the globe, the client benefits significantly. They receive risk management benefits and they are better able to allocate capital. Within a lending institution, the IT department is happy because it can standardise on certain platforms. Consequently, we are seeing more big players, such as HSBC, GECC and Citibank, standardise on Experian platforms and products around the world. In this business, scale and size are critical for long-term success.

Adjusting to the Cyclical Downturn

Although a lot has been said about the tough business conditions, it is tough but we have adjusted to it and we do not have to take it lying down. Even when times are tough, we have a lot of potential to drive growth in this business and we can help our clients as much in down markets as we can in up markets, it just requires some adjustment. First, we are aggressively selling more defensive products, such as collection products, account monitoring and scorecard redevelopment. Lender scorecards break down in terms of their predictive power in a rapidly changing environment. There is some opportunity there for Experian and Kerry Williams will talk more about what he is doing with his clients to move them through this cycle.

We are also staying close to our sales force. The worst thing that we could do right now is to make foolish expense cuts. Of course, your sales force is your lifeline. In important geographic and vertical markets, we are even adding sales assets. Approaching the time of the year with major sales conferences and sales awards, we are letting them know how much we appreciate them and want to recognise them in a tough time. A few weeks ago, we mentioned some cost efficiency measures that we were introducing to the business. As we fully implement these cost efficiency plans, we expect to generate savings of about $80 million annually. Obviously, our aim is to continue delivering on profit expectations while adjusting to changing market conditions.

Credit-Related Activities

What makes Experian unique? In this regard, there are two factors: the combination of data and analytics and our scale. In terms of analytics, this might be the most important visual that you see from me today, because this emphasises the key differentiator that sets Experian apart: Experian information and Experian analytics.

Super Predictive Performance

Why is it important? Quite simply, we build all of our analytics to work on our information and we understand our information better than anyone else does. Again, we are building on a global scale: this is a $400 million per year business operating in about 60 countries. Accordingly, the products that we produce are far more predictive of actual risk and actual events than anyone else's products. The other issue here is the control of raw materials. If you are in the analytics business without control of the required raw materials to manufacture products, you are at risk. Consequently, we will not lose control of our lifeline of information because it is our information and we can continue to work with it. We also use the Decision Analytics business as a spear tip to move into emerging markets. Therefore, you would not see the Experian coverage that you see today if we did not have the ability to use the global Decision Analytics business to move into new geographies and Luciano will tell you more about how we do that. Crucially, our solutions become embedded with our clients.

Once you install an Experian transact system, it is very hard to rip it out as it might touch five or six other core systems within the lender's environment. While we do not take that for granted, it is very important when you think about how important you become to clients. Finally, we must not forget that we are really adding value to the client's businesses. We are helping to control risk and we ultimately help them to calculate capital and we help make their back offices more efficient. Sometimes, the pipeline can slow down but, ultimately, we do not see things cancelled because the kinds of problems that we solve for these clients are not optional in terms of getting them dealt with and corrected.

Clear Global Market Leaders

If our primary source of differentiation is the combination of Decision Analytics and information, the second source is our global scale. The first competitor we are often asked about is Fair Isaac, which has 14 locations around the world. Equally, Equifax has credit bureaux in 14 countries. Experian has bureaux in 15 countries, sales offices in 36 countries and we take care of clients in over 60 locations around the world. Again, scale becomes very critical.

How does that manifest itself in terms of financial reporting? Over 50% of Experian Group revenue now comes from outside the US and, scale-wise, we are twice as big as Equifax. With this scale and our global revenue diversification, we get a mindset. We are not an American company with a couple of foreign outposts. Instead, we are a global enterprise that builds global products that often originate from outside the US. Our sales force can be deployed globally, our systems work globally and we take care of clients on that basis as well. Overall, this represents a major differentiating factor.

Core Markets – Many Opportunities to Drive Growth

Within our growth strategies for our credit-related activities, we differentiate how we plan and grow in core markets and how we plan and grow in emerging markets. In the core markets, we continue developing revenue streams that are counter-cyclical and include new vertical market activity. For example, we have had a lot of success in the UK public sector and with collection products and with risk triggers. Ty will tell you more about how important the Consumer Direct business is but that is a big part of the growth strategy. Here, I am talking about core US and UK markets and Consumer Direct plays an important role here.

In addition, our Business Information sector activities continue to grow strongly in the US and the UK. In the longer-term, we see a large growth opportunity in the US. When we look at total sources of growth over the next few years, for our Decision Analytics business, we continue to capture market share in the US market, where we are under-penetrated. This includes taking market share from competitors as well as convincing lenders to outsource Decision Analytics and risk management activities to us.

Spotlight on Experian Consumer Direct

I could not gloss over this topic of growth in core markets without pausing on Consumer Direct for a minute. This is now worth over $500 million per year. We entered this market through an acquisition in 2002, when the company was doing around $60 million per year in revenue. By becoming scale players on the internet and leveraging our ability to attract and monetise internet traffic, we have built a sizeable business that gets credit reports, monitoring services and a suite of new products into the hands of consumers.

A Lot of 'Vacant Land' Still to Capture

Turning to emerging markets, the ones that we are most attracted to are Asia, Latin America, emerging Europe and Africa. We intend to continue to grow aggressively in those markets and believe that there is still a lot of vacant land out there to grow on. When we assess these markets, we use a matrix where we look at about 20 different variables. Among other things, we look for growth in affluence for an emerging middle class. When we start seeing Gucci, Armani and Burberry on main streets, we start to get interested. Obviously, we look at the overall size of the population and GDP per capita. We also look at population age. In some very interesting markets, the older sections of the population remain averse to using credit but the younger people are open to using payment cards and credit cards.

Of course, we also look at the regulatory environment. We have a global expertise in dealing with regulators and this has really been put to the test in Brazil, with our successful Serasa acquisition. We are working with the Brazilian government to include positive data into consumer credit files there.

Bureau Market Entry Strategy

Our preferred method in entering these new markets would typically be by acquisition. However, the returns on this are lower than if we build. We always prefer acquisition if the target is desirable and if the returns are desirable because we can get scale and competitive positions that develop synergies from other Experian products. If we do not have this ability, we accept the choice of building a bureau or to enter into a JV or a licensing arrangement. We have done this successfully in Spain, Italy and in South Africa and have other bureau builds on the cards, as Luciano will describe.

Analytics and Software Lead the Way - Asia Case Study

Taking our Asia Pacific market as a case study for new market entry, we started about 10 years ago by sending Decision Analytics salespeople into Asia from our Melbourne, Australia office to sell bureau scores and custom scoring solutions. About four years ago, we decided to invest aggressively in the region and we built some infrastructure, starting in Hong Kong with HR, Finance, Operations and software people. After putting a business development structure in place, we moved into nearby markets, such as China, Japan and Korea.

This year, we are approaching $50 million in revenue but are losing quite a lot of money, mostly through people costs. However, we are happy to do this in multiple locations and Kerry Williams will talk to you about the bureau build in Canada, where we have lost a lot of money but it is all being funded through the current P&L. As long as we see the ultimate opportunity, we are patient, which plays well with the clients. I spend a lot of time meeting clients in Asia, China and Japan in particular, and they seek commitment. They want to know that we are not flying in from the outside and then leaving town. When they see 30 people in the Beijing office and our ability to form long-term relationships, they become more interested in buying our products.

Top Organic Investment Priorities

What does all of this mean for organic bureau development, opportunities and priorities? Here are the top seven locations. We just talked about China, where we have just completed a strategic alliance with the dominant payment company, China UnionPay, which is partially state-owned. We have embedded our Experian Decision Analytics products in China UnionPay, making it instantly available to the Chinese banks that process payments on the CUP network. In South Korea, we do business with most of the top banks and did this for many years with a partner, which we have now bought out and have started to build a country infrastructure with a manager and salespeople. In Japan, there is new legislation, the Money Lending Bill, which will reform credit reporting. This means that a highly fragmented credit reporting structure will now have to consolidate at some level. When lenders make a loan to consumers in Japan, they have to take into account all the consumers debts and liabilities with other lenders. In this structure, we are building a platform to help the credit reporting companies talk to each other and have visibility in each other's databases.

In India, we are waiting for a licence and some information on foreign ownership limitations. Brazil is the jewel in our crown following the purchase of 70% of Serasa in July for $1.3 billion. This credit reporter generates around $400 million annually in revenue and is growing strongly. The back office integration is 100% complete and we are now working on product adaptation and the establishment of the Experian sales culture, including many successful processes from the US and the UK.

We are looking hard at Mexico because North American clients are asking us to do so. They are not happy with the current solution available to them so we are creating an investment case that will probably result in us taking some action shortly. For now, we have a few people on the ground and some Decision Analytics products, which are always our start point.

Finally, in Canada, we bought a small credit database that was not being exploited. Kerry Williams and his group have built a whole business around that and have brought in Decision Analytics products. We hope to launch in April and have many excited clients already signed up and contributing data. Those are the global development priorities and we believe they form a big part of future growth.

Conclusion

To summarise the opening part of the presentation and getting back to the title of the presentation, distinction in our global business, we are following a clear and strong strategy for growth across all of our credit-related activities. In our view, this industry has strong and attractive growth potential and certainly warrants us investing aggressively for long-term growth. We have differentiated strategies: we cannot deal with a core market in the same way as we deal with an emerging market. The UK is much different from Russia or Japan.

With the acquisition of Serasa, we have a game-changing move to make in the Latin America region and are learning more all of the time. We could not be more delighted with the power that Serasa will bring to the growth story.

Finally we have this big, market leading, growth engine, called Experian Consumer Direct, whose revenues have increased from $60 million to $500 million in the past five or six years. It represents an amazing distribution channel for our core credit and

Decision Analytics products. It is exciting to watch it grow and to see consumers learn more about managing their credit and preventing fraud.

So we are confident that our goals are achievable, that growth is achievable, that our vision will be realised and that rewards will ultimately come to our shareholders. It is now a pleasure for me to turn over to Phil Cotter, who is the managing director of our Information Solutions business, which is the largest part of our UK business. Phil oversees the consumer information business, commercial information, automotive and insurance information and all of the development in delivery around that. He has been with us since 1994, having joined from a banking background.

The Power of Combined Credit Data and Analytics

Phil Cotter

Managing Director, Information Solutions UK

Preamble

Good morning. My name is Phil Cotter; I have been with Experian for 13 years. Prior to that, I was 12 years in consumer credit in the UK. I am currently managing director of Information Solutions and was previouslymanaging director of Experian's Business Information business in the UK. Today, I would like to explain the power of combined Credit and Data Analytics, the importance of this capability to Experian in the UK, and how we deliver demonstrable value to our clients. From a UK perspective, I will focus on Experian's capability and strengths in these areas and explain how we combine Credit Data and Analytics to deliver services to customers. I will support that by some client case studies, and explain what we are doing now and what we have planned for the future to maintain our position of strength in this marketplace and grow in the future.

Understanding its Financial Importance

First of all I would like to give you some insight into the financial significance of these businesses in the UK. As you can see from this chart, the combined revenues of our Credit Services and Decision Analytics businesses account for 57% of our annual revenues in the UK. The breakdown by sector of our Credit Services revenues in the UK show that around 42% of our revenues are generated by the delivery of consumer credit data and 33% of our revenues come from the provision of business credit data. This balanced spread of revenues provides some protection against fluctuation in the consumer and business economies, which is particularly important in the current environment.

Strong Leadership Position in the UK Market

In the UK market, we are the number one in terms of market share for the provision of consumer and business information data. This is in large part due to the fact that we are the only organisation that can provide capability across the entire credit lifecycle. I will talk about this in more detail later. Experian has approximately 70% market share in the UK, our nearest competitor in the provision of consumer data and analytics is Equifax, who by their own admission have around 27%. An important point to understand about the success of the UK business is the high renewal rates that we enjoy with our strategic clients. We achieve over 90% renewal rates with our major customers. We believe that this demonstrates the strength of our partnerships and that we are delivering significant value to their businesses. In addition to the high renewal rates, the majority of our customers have been with us for over 10 years. We work closely with our customers to ensure that our investment in product innovation, data quality improvements and the systems that we use to deliver our solutions to them, meet their critical business needs.

Balanced Portfolio of Revenue and Growth

I would now like to explain how our revenues are split across vertical sectors in the UK. While Financial Services account for the majority of our revenues in the UK, we have been highly successful at diversifying into other vertical markets over recent years. Our Business Information business has been executing a strategy to deliver higher value added solutions to our customers. Our ability to combine consumer and business information with our analytics capabilities enables us to provide superior risk assessment for B2Bs in the UK, particulars for SMEs. Our ID verification and fraud prevention solutions are also applicable to B2B lending, helping our customers to implement sophisticated risk management solutions. We are also seeing increasing demand for products such as our portfolio management product, as our customers seek to understand more about the risk in their existing portfolios.

Utilities is a relatively new sector for us, as we work with a number of leading players in the Energy market to help them improve their risk management and revenue assurance systems. Over the last couple of years we have won significant market share from our nearest competitor in the mobile telcos market by delivering integrated application processing, ID verification and fraud prevention solutions. Finally, in Government we have made significant inroads since our first significant win in 2004 with the National Savings & Investment Organisation in the UK. We have since won a series of new contracts in this sector and I will talk more later about growth in this sector.

A key point I would like to make here is that products that we initially developed for financial services can be brought to bear on similar issues in vertical markets without significant redevelopment. This allows us to deploy these sophisticated solutions across vertical markets very quickly.

Embedded Across the Credit Life Cycle

I would like to compare the breadth of our capability to that of our competitors in the UK. One way to understand the breadth of capability that we offer is to look at all of our solutions across the credit lifecycle and compare it to the competition. Experian is the only player to provide capability across the full credit lifecycle, and at each stage within each key process, we combine our credit data, analytics, and operational systems, which when combined and embedded into our client systems, drive many of the UK's largest B2C and B2B organisations' critical business processes. This deep integration into their operational systems provides high barriers to entry. Our customers highlight our breadth of capability as a competitive strength that our competitors cannot match and this places us in a unique position to help them solve their business issues.

Deep Strategic Partnerships Across Many Vertical Markets

I will now give you some insight into our major customers and the key vertical markets in which they operate. Experian has combined credit data and analytics solutions embedded within most of the UK's major automotive, banking, credit card and telco organisations. These solutions form an important part of our enduring value-based partnerships with these organisations. The largest relationships, when measured just in terms of Credit Data and Decision Analytics revenues, are in excess of $20 million per annum. The majority of the relationships will be in excess of $2 million per annum, and the majority will be for multiple-year contracts. We have forged relationships with a number of areas of the public sector, including provision of solutions to the Vehicle Licensing Agency, the Department of Work and Pensions, and Revenue and Customs, together with over 100 local authorities. The public sector is a key growth area for us looking forward. Diversifying into new markets is key to our strategy, and I will touch on this further later.

Starting with the Most Powerful Data Available

I will now give some insight into how we combine our core data and analytics capability to deliver solutions for our customers. There are three key measures of data capability. One is the breadth of data, which is the number of data assets that we have that we can use in our solutions to help solve our customer's issues. Then, there is the depth of our data assets, which is the number of records that we have within each data asset type, and then there is the quality of our data, is it accurate, is it up to date, and is it relevant? We know through the success that we have had in winning head-to-head data trials with our competitors in the UK that we are market leaders in all three areas.

This chart shows our main consumer credit-related data assets that we provide to clients, and provides a feel for the breadth and depth of our data. It is not an exhaustive list - we hold similar data assets on businesses in the UK. We invest millions of dollars each year to ensure that we have the most comprehensive consumer credit database in the UK, and also to ensure that our data is sourced, stored and accessed in a compliant manner.

I would like to talk through some of these data assets and explain in more detail why they are important to us. The first is Credit Account Sharing which is our credit account information-sharing database, which is contributed to by all of the major lenders in the UK. This holds information about credit products, delinquency status, account balance and the term of the account, et cetera. Obviously, this is absolutely vital for our core risk management solutions. Previous application data is data that we have gathered from consumers applying for credit. This can include name and address, date of birth, employer and bank account details et cetera. This is important information in terms of fraud prevention and ID verification solutions: address links, which are sourced from a number of different sources, credit applications, the credit account information-sharing database. This allows us to build a comprehensive history of our customer's current and previous address history, as well as where they are living but do not wish to tell you. Again, this is important in risk management assessment, prevention of fraud, and ID verification solutions. It is this breadth, depth and quality of data, combined with our analytics, that delivers powerful insight that is unmatched by our competitors in the UK.

Combined With the Market's Leading Data Analytics

I will now explain how we combine these data assets with our analytics capability to deliver solutions to our customers. It helps to start to think of our data assets as the foundations of our solutions. We use our analytics capability to build models that predict such things as credit risk, insolvency and fraud risk. To explain in more detail, I will provide some examples of the types of things that we do. We have built the UK's most predictive credit risk scores and have enhanced this with our insolvency and indebtedness scores, which help us to provide a sophisticated risk assessment. Our ID verification scores help to confirm that a consumer exists and that the person you are dealing with is who they say they are. The collection scores enable our customers to optimise their collection strategies, and maximise their ability to collect outstanding debt.

The Experian Model: Integrated Mission Critical Solutions

Having derived these insights, we turn these into solutions that we deliver into our customer's environment. To deliver the power of the insights that we develop from our analytics, at the heart of our solutions is Strategy Manager, which is our market leading decision engine software. This helps us to convert our credit data and analytics into decisions that our customers can act on. The majority of the value that we derive in the UK is from selling decisions, not data, to our customers. These decisions are distributed via a wide range of hosted services, including our latest web services technology, and are integrated into our customers' own operational systems. In the UK, we run over 100 such systems on behalf of our customers. If you have ever applied for credit in the UK, it is highly likely that you will have been processed with one of our systems.

Combined Data and Analytics Equals Strong Financial Model

I would now like to explain about how we price in the UK. We have four key components to our pricing model. Implementation fees are typically one-off fees for the building of a new system, and for ongoing maintenance and enhancements to the system. Licence fees are recurring and are typically charged on a monthly basis. Scoring and applications fees, which are transaction-based, recur throughout the life of the contract. I believe that there are two major strengths to this particular pricing model. The first is the proportion that is recurring, including licence fees, scoring fees, and application fees. When you consider how sticky our operation systems are, once they are implemented, this provides us with surety of revenue over the lifetime of the contract.

The second is that, by combining credit data and analytics, we are providing value-based insight, which enables us to charge a premium, rather than having to price data as a commodity. I believe that this is a strong pricing model, and it is one that we aim to maintain by continuing investment in our data quality, innovation and analytics, ensuring that the insight that we provide continues to offer value for which our clients are prepared to pay a premium to receive.

Enabling Responsible Lending in the Banking Sector

I would like to take you through some client case studies to explain in more detail how we help our customers. The first example is one of the world's leading retail banks in the UK. Their problem was that their legacy technology infrastructure was preventing them from consistently applying their credit policy across different products and channels. In addition, they faced a number of challenges in meeting regulatory requirements around Basel II, money laundering, and new legislation for the sale of credit protection assurance in the UK. Our solution was to deliver our latest web services based application, combining the delivery of our credit risk scores, ID verification scores and utilising Strategy Managers as a decision engine.

In addition to this the flexibility of the solution that we delivered enabled them to deliver the scripts that were needed by their operators at the point of sale, to enable them to comply with the regulations on credit protection assurance. This will save millions of pounds in bad debt over the term of the contract, and has enabled them to meet their regulatory requirements. As a result of the success of this project, the solution has now been adopted as part of the bank's future technology roadmap.

Reducing Online Application Fraud in the Telco Sector

The next example is Orange, which was facing high levels of impersonation fraud both online and through their retail stores. To combat this they had implemented a number of manual procedures, including the need for customers in-store to provide documentary evidence of their identity and proof of residence. These procedures were inefficient and also led to potential loss of sales. The solution to the problem was to implement our ID verification scores and fraud prevention solution via the existing application processing system we had built for them. This helped them to automate the previous manual procedures that they had in place. The result has been a significant reduction in the level of fraud, improved customer service at the point of sale and lower operational costs.

Managing SME Risk in the Energy Sector

nPower is a leading utility provider in the UK and they faced significant challenges in accessing credit risk in their B2B business, particularly in the SME market. In response, we built a system to automate their application processing and acquisition of customers in these sectors. Automating nPower's risk management policy using Strategy Manager has enabled us to help them reduce bad debt through consistent application of their credit policy across different channels and portfolios. By blending our consumer and business information data we have been able to deliver significant improvement in their risk assessment of SMEs. Moreover, we have increased their productivity and enabled lower operating costs by automating their account originations process. Through the solution that we have built for them they have the ability to take ID verification and fraud prevention solutions into the future.

I think that this is a good example of how solutions that are initially developed in the financial services organisations have been able to resolve issues in other vertical markets.

In-Fill Acquisitions to Extend our Core Capability

During the course of this financial year we have made three acquisitions in the Consumer Direct and Analytics space in the UK. Firstly, acquiring N4 has allowed us to extend our capability at the point of sale in mortgages. In the UK, mortgage providers must meet high regulatory standards for the provision of mortgages and related insurance products. This is regulated by the Financial Services Authority and there is a deadline for compliance by the end of 2008. By combining our existing application processes with N4's capability, we have a market-leading end-to-end point of sale solution for the mortgage market and we see significant growth opportunities over the next couple of years.

By acquiring PH Group, a specialised marketing analytics business, we have deepened our business-to-business analytics capability, and we now offer a full range of credit risk and marketing analytics to our B2B customers. Finally, with the acquisition of Tallyman, when combined with our data and analytics capability, we can now provide the UK's most comprehensive collection solutions.

Focus on Data Quality and Staying Close to Customers

I am just coming towards the end of my presentation but I would like to remind you of some of the key messages. In terms of data, Experian has the greatest breadth and depth of credit data in the UK and the highest quality, as proven in our success in head-to-head trials against our competitors. We continually invest in our data, and the acquisition of new data sources, to maintain a competitive advantage. We work closely with our clients to ensure that we develop solutions that meet their business needs. We are embedded in their key operational systems, and help them to acquire, manage and retain profitable customers.

Our growth in the UK has been built on continual investment in our products, analytics, and technology capabilities. We have launched a number of new products this financial year, and we are building strong pipelines for them. We expect to see a strong demand for products such as triggers for risk, which alerts lenders to adverse changes in their existing customer portfolios. This allows them to take action to minimise the risk of default. We also expect to see acceleration in the take up of products such as indebtedness and insolvency scores, as our customers try to understand in greater detail the risk associated with new customers and managing the risk in their existing customer base.

Accelerated Penetration into New Vertical Markets

The third strand of our strategy in the UK is vertical market diversification. This is also important as we look to reduce our revenue dependency on the credit side of the financial services sector. In FY09, we will be focusing on accelerating our penetration into the public sector market, as well as developing our propositions for the wealth management and utility sectors. We also expect to see continued strong growth in the Business Information business. Just touching on the public sector, we are working with departments like Tax and Customs and the benefits agencies and are we are helping them with solutions to verify the identity of citizens that are applying for benefits, through fraud prevention and by helping them to collect taxes at both local and national level. I would be disappointed if this was not a $100 million to $200 million business in three to five years time.

Data + Analytics = Insight…and Profitable Actions

To summarise, I believe that we have got a fantastic business model in the UK. We enjoy a unique market position and are protected by high barriers to entry. These barriers to entry have been achieved through sustained investment in the development of a strong client proposition; a client proposition that provides high-value solutions and mission-critical systems that deliver demonstrable commercial value. Underlying this client proposition is a strong financial model with high recurring revenues generated by transactional volumes and high contract renewal rates. Looking forward we have a strong plan for growth in investment in new product development and continued diversification into new vertical markets. We think this is a model that can be replicated in emerging markets. Thank you very much for your time, I will hand you back to Don.

Don Robert

Thank you, Phil. I hope that he has helped you to understand how that foundation of an incredible amount of useful data, with analytics built on top of it, has created a market-leading business in the UK. Interestingly, it has been able to move in and out of different verticals to sustain growth.

It is my pleasure to introduce Kerry Williams, who joined our North American Credit business in 2003. His background is in banking with Wells Fargo and Bank of America and has spent time in specialised risk management. Kerry was recruited to lead and refashion our sales and client focus in the US, so he has had a lot to do with cross-selling, bundled delivery and synergies. He is very close to our clients and knows what is going on in the US markets.

The US Consumer Credit Market

Kerry Williams

Group President Credit Services and Decision Analytics

Preamble

Good morning. It is a pleasure to be here. I am responsible for Credit Services and Decision Analytics in North America, that is our consumer credit business, our commercial business, our automotive business, and our Decision Analytics, which covers software analytical and consulting businesses, fraud business and Canada. Today, I would like to present an overview of our business and show you how some of the important areas that we tend to focus on, a client case study and our typical product penetration that we have with financial institutions in North America. I will also talk about credit cycles and what is going on in the US market. Finally, I will discuss our focus, our day-to-day strategic priorities and how we manage our business.

Credit Services and Decision Analytics Financial Summary

In terms of our revenue mix in North America, we are just under 50% of the revenue for all of Experian in North America. If we break down the Credit Services segment, 78% is from the core consumer credit business, 14% is from the commercial business and 8% is from our automotive business. In this market cycle, both the automotive and commercial businesses are growing quite well this year and penetrating their markets. In part, this is due to the investments that we have made in those businesses over the years. In the consumer credit business, 15% of our revenue is in our pre-screening business, 20% is from account management and collections, which has grown by around 30% year over year, and 10% comes from our mortgage business.

Strong Leadership Position in the US Market

We have a very strong position in the US market. We are a market leader in providing credit data to our clients and have a robust set of data capabilities. In addition, we are the preferred provider of Integrated Credit and Decision Analytics capabilities in the marketplace. In that regard, our breadth and capabilities are unparalleled. Since we are very focused on the quality and freshness of our data, we have been very successful over the years. In fact, I am not aware of a single head-to-head competition on quality of data that we have not won. On a weekly and monthly basis, we get confirmation from our clients' analysing data that our data is more robust, of higher quality and fresher than any of our competitors.

Over 80% of our revenues in the core consumer credit business are recurring. In general, we sell about 14 different products to our largest clients and help them move their business forward and penetrate the market. In terms of our market penetration, our approach of listening to our clients and having an integrated sales approach has also paid dividends for us in the marketplace.

Serving Clients in Diverse Industries

The industries that we serve include retail banking, re-sellers, such as ChoicePoint or First American, who do a good job in markets where we have asked them to sell our products and services, credit card companies and retailers. We retain a strong focus on vertical markets, such as automotive, collections, credit unions and telecoms, which are all growing by double-digit rates in part because we put experts who understand their business up against those markets and can bring tailored solutions to the business to help them move forward.

Data at the Core of our Business

Data is at the core of everything that we do and the ten databases on the slide represent our marketing services databases that we provide to our clients in the financial services industry. The blue databases are the core credit information assets that we have. We have 220 million consumers in our US consumer database and 22 million businesses on our commercial business database, which represents about 3.8 billion trade lines on those consumers. We receive about 1.3 billion transaction updates on a monthly basis and about 2 million inquiries on a daily basis into our credit database. Our systems availability is measured in terms of minute and seconds on a monthly basis, where our uptime is over 99.9% and our response rate to our clients is 1.3 seconds or less. These 1.3 billion monthly transactions submitted to us are done electronically. It used to be that tapes would be submitted via couriers, which is exposing the data to risk of being lost and stolen. So every one of our clients transmits, in an encrypted manner, their data into our system. So we have a very secure approach in terms of managing the data.

Also, of these 1.3 billion transactions coming in monthly, we manage to upload 83% of those to the file on a daily basis. We have a real time system, and that gives us a huge competitive advantage versus other companies that would update on a weekly basis, and do it in a batch mode. So there is a real differentiation in terms of our data freshness on the file. Then we have the ability to take all of this information and associate it correctly with the individual consumer, so that we are returning accurate information back to our clients and they get the information they need to run their business.

When you look at the ability to manage this data that creates a very strong barrier to entry into this business. It is very hard to have seven plus years of historical data, the ability to get that data from the clients, and then manage it on a daily basis. That is something that is very complex and requires a lot of expertise to be able to pull off.

Data + Analytics = Strong Growth

In terms of what our growth rate has been with Credit Services and Decision Analytics over the past five years, we have grown our top line revenue at an 8% compounded annual rate. I can assure you, in the US market that you are very familiar with, GDP has not grown at 8% over the past five years, nor has the top line of financial institution clients grown at 8% over the past five years. So we are very happy with the growth that we have had. Clearly this year the market is tougher and growth is harder to come by, but our track record is very strong, and that is a combination of our data, our analytics, our product innovation, our focusing on the clients, and our integrated sales approach that allows us to differentiate ourselves in the marketplace.

At the same time that we grew our business 8% top line, with much stronger growth coming in the past three years, we have grown our EBIT by 12% during this timeframe. So there is strong operational gearing in the business, along with our ability to meet our client's needs and grow faster than the market is growing.

Providing Solutions Across the Lending Cycle

Let us take a look at how we organise ourselves and present ourselves in front of our clients. We do that in four main areas: prospecting, acquisition, managing and collecting. In prospecting they have to grow our commercial database, our book of business, even in a down market these financial institutions have to grow their business, and while they may have a temporary issue that they are dealing with today, they have to find new customers, and they have to continue to grow their business, because that is what is expected of them. We help them with our data, and finding new clients. We help them in segmenting that data so that the consumers that we return back to them meet the segments that they are looking for, whether it is an emerging consumer, an affluent consumer, middle class, things like that. Then we help them deliver that data into multiple different channels, whether it is via direct mail or online, or at the point of sale, to be able to capture those new consumers.

Once they have found those consumers with our help, we then help them acquire those consumers. So we verify that the consumer is who they say they are to ensure there is not fraud in the process. One of the products that is being demonstrated today by Heather Grover is our Precise ID fraud product, one of our products, and I would encourage you to take a look at that to get a sense of how we help our clients in this area. We help them determine the credit-worthiness, and we also ensure they are setting proper terms, and getting an appropriate amount of risk they are taking by originating that loan.

Once they have acquired the consumer, and they are on the business, we help them monitor the risk. We do that via our account management and risk triggers platforms, either on a daily, weekly or monthly basis. As you can imagine, our clients over the past six months have been shifting more and more to wanting daily information. You tie that back to the freshness of our data, the fact that we can upload 83% of those 1.3 billion transactions that come in during the month, within 24-hours; that allows us to trigger out an event immediately to the client, and they can manage their risk in a much better manner.

We help them retain their clients. We can alert them when one of their clients is out shopping and is at risk of leaving them, so that they can take action to keep that client on their books. We also help them cross-sell more of their products and services into their existing client base.

Finally, if all of this has not gone as well as we would hope, then we help them collect on the back end for those that are not able to make their payments. We do this by prioritising the accounts that they have in collection status, to ensure they are working accounts that need to be worked, and they are not worrying about those where the consumer might just simply be on an extended business trip or vacation. We help them contact the debtors, if the debtor is moving, construction workers are clearly moving to different areas in the US, because construction activity is changing in different parts of the country. Then we help them monitor. So if they have not been able to collect for a couple of years, we can still monitor those accounts, and when we see the ability of that consumer to make a payment in the future, because their financial condition has changed, we can alert the customer so that they can then resume collection activities to collect on the debt that they are owed.

Retail Banking Client

Taking a look at what this looks at in a financial institution, a typical retail banking client with us. You would see that these are some of the products that we have to offer, by no stretch of the imagination are these all of our products, but we have highlighted the ones in red that this client is currently utilising from us. You can see that for automotive, card and the mortgage area we have quite a breadth of products and services that we are selling into. The other thing that is of interest here is that there are quite a few areas for growth. Even though we have great penetration into this client, because of our product innovation and the new solutions that we bring out to the clients, there is a tremendous amount of growth opportunity, even with a client that is penetrated as well as this one.

I might add, we are not even showing the retail, the deposit side of the bank. This particular client recently implemented the Precise ID product that I referenced earlier on the retail side, and opening up consumer checking accounts. That particular product with this client is already generating $1 million a year in revenue for us, and that is a whole other growth market for us to get in on the retail side of the banks.

So what does this client look like in terms of revenue? It is a $20 million relationship in these product areas. $5 million is on the front end and prospecting, $6 million is on originating the loan, $9 million is on the recurring revenue, the account management, and the ongoing management of those clients once they are on the books. Then only $300k on the collection area, so we have a tremendous opportunity, with what is going on in the market today, to expand our capabilities in collection, and to move up to becoming their preferred provider in the collection space. We have invested quite a bit in the past couple of years in bringing industry experts into our collection business, hence we are growing 30% year on year. This would be a typical client, where we have a tremendous amount of opportunity to expand our business.

If you thought that our business was centred around providing a credit report at the time that a loan is originated, I hope that this slide shows you that the use of our data, our analytics, and our products and services, is much more extensive than that, and we are embedded in every step of the lifecycle of our clients running their business. This gives us a very strategic advantage in terms of how the clients view us. They view us as a partner not as a vendor. If someone only has one or two of these capabilities they clearly would be viewed as a vendor versus the strategic nature that a client would have to view us, with this type of relationship and ability to help them run their business.

US Market Issues

Let us move to what is going on in the market, particularly a bit about the mortgage market, the credit contraction, and what that means to us. In the mortgage market 2007 was a challenging year. There are 212 fewer mortgage companies in the US economy today than there was a year ago. That is out of 2,000, which is a pretty meaningful contraction in the number of mortgage companies. There were 86k job cuts in the mortgage industry.

If you look at what is going on with the consumers, through the first nine months of last year they lost $160 billion in equity in their houses, and they were also having trouble making the payments on their loans. If you look at the breakdown of prime versus sub-prime on 41 million mortgages, you will see that 6 million is sub-prime, and the other 35 million are prime mortgages. The problem today is really centred around what is going on in the sub-prime mortgages. Sub-prime has a delinquency rate of 16%, which is higher than historical standards. The prime mortgages delinquency rate of 3% is very typical of normal delinquency rates. So, as yet, you have not seen a bleed over of any magnitude into prime mortgages with the US consumer.

Credit Contraction and Profitability Pressures

Looking at the impact of this credit contraction, you initially had a slowing of acquisition efforts by our clients. The reason they slowed down is because they became worried about the ability of the consumer to handle their debt, and because they did not have a clear indication of whether the consumers could handle the debt, they tightened up their credit polices, and they reduced their acquisition efforts in the marketplace. That, coupled with rising delinquencies, put a squeeze on the financial institutions. So they were originating less revenue on the front end, by acquiring more clients, and they were having their losses increased.

At the same time, they then ran into being at the end of their fiscal year, November and December. So their reaction was to cut expenditure to try to make their budgets through the fourth quarter of 2007. They deferred spend on software solutions and acquisition programmes because they were worried about credit, and in general you saw quite a bit of a reduction in spending during November and December of last year, due to this mindset within the financial institutions.

Position Ourselves for Growth

What does that mean for us? Some of the things you will want to keep your eye on, to see if the financial institutions are starting to shake free, in terms of their expenditures, you will want to watch what is going on with acquisitions and the direct mail process. You will want to watch the common market indices out there, such as mortgage Refi, to see if there is additional lending going on. At the same time that they start to spend on marketing programmes and acquisitions they will still be working their risk issues, because there is a lag effect that goes on here. So they will still be spending more in their collection activities, risk monitoring and account management.

Once they come through this they will realise that some of the systems platforms that they had in place, the legacy platforms, did not meet their needs to manage this type of economic cycle, and so they will return to investing in their software systems to ensure they are not caught in the same position that they are in today. That is where our Decision Analytics capabilities and our core consumer capabilities will have a great opportunity to continue penetrating the marketplace.

Our Response in Challenging Times

Let us turn to our strategic priorities and our response in these challenging times. The good news here is that we do not have to change our focus. Our strategic priorities hold up quite well whether we are in a great market or whether we are in a market that is tough, which is what we are dealing in today. At the foundation of everything, as you saw in Phil’s presentation and in mine, superior data is at the core of everything that we do. Beyond that, our deep client relationships are very important to us, as are operational efficiencies, product innovation, partnerships, vertical markets, and new geographies. I will touch on each one of these to give you a sense of how we are running the business and moving it forward.

Deep Client Relationships

When I joined Experian five years ago I was asked to re-vamp the way that we went to the market, as Don said. Part of our success over the last five years, and that 8% revenue compounded growth rate, is due to the way we present ourselves in front of the clients. We set out to achieve one thing in front of our clients, and that was very simply, regardless of what the problem was that our client was encountering, what their issue was, whatever challenge or opportunity they were trying to tackle, the mindset in the client was, the first person that they would call would be their Experian account representative, because we were more knowledgeable, well trained, we had better products, we were more flexible, and we were faster to respond to them.

All of those things that we have put in front of the clients have been validated, not only by surveys that our clients have completed but, more importantly, validated by where they spend their dollars.

Operational Efficiencies

You can see the expense breakdown of Credit Services and Decision Analytics in the US market. I think what will jump out at you is that 45% of our cost structure is employee related. When we have a contraction, like we did in November and December, because our clients have cut spending to try and make their year-end budgets, it is difficult for us to walk in the next day and start taking costs out of the business. However, if you give us some time we can certainly get our arms around the variable costs in our business, and we can start making changes. We are in the process of doing that.

We are looking at consolidating our data operations, among the automotive, commercial and consumer business. We have three separate data operations there that we can combine into one. We are well along with our Santiago Chile near-shoring effort. We approved that 13 months ago, and we hired our first employee in Santiago in March - 10 months ago. I now have 350 employees there today. We have gone so well compared to plan, phase one was supposed to be 240 employees, we then approved phase two, and will have that fully implemented in June 2008, bringing us to 500 employees. We self-funded that in this fiscal year in the core Consumer Credit and Decision Analytics businesses, and next year, at a minimum, you will see a $9 million benefit in expense run-rate due to the Santiago initiative.

Technology is clearly a longer-term opportunity to take out cost. We have already got the data centre consolidation virtually complete at this point, but additionally we are moving off mainframe systems onto distributed processing systems to reduce our cost. Mainframe systems are much more expensive. Our pre-screening business, which is about $100 million a year, is moving to that distributed network. We have about 25% of that business already converted, and the Prospect Navigator demonstration that Michelle Boda is giving covers that. So I encourage you to take a look at that particular product, which will allow us to become more efficient in our operations.

In general we have the ability to take costs out of this business, and we are doing so, but we are doing it in a very smart manner, so that we can continue to ensure our clients see us differently to our competitors in our ability to service their needs.

Product Innovation

Product innovation is always a priority. We will leverage our capabilities, the business owner profile, we have the consumer information, we have the commercial information, we combine the information on the sole proprietor from our consumer database with their commercial business, and we create a much more powerful credit report on that particular business and that individual, than you would if you only had one set of that data.

VantageScore is doing very well. We continue to make good progress in the marketplace. It is continuing to be used and adopted by clients, and particularly on the front-end acquisition process is where we are seeing the most progress. That is because it is a better predictor of risk. So when they are segmenting their client base they want to utilise the best score out there, and it scores more consumers, particularly those emerging consumers that the financial institutions are so interested in getting to.

Our account management capabilities, and account management through the lifecycle of the consumer, as you saw with the chart that I showed you of that $20 million relationship we are embedded across every area of our clients, and that ability allows us to continue to sell more products and services into the consumer, and creates a strong barrier to entry of any competitors.

ScoreRight is an interesting product that we have coming out, which allows either the consumer or the financial institution to understand what would be changed on the credit report, and how that would impact the score. So if you are in the collections business, and you are talking to a consumer, and you want to counsel them about where they should make their payments, then you have the ability to inform them that if they let your payment go late, or if they do not make your payment, the impact to their credit score would be 50 points. That is a very powerful tool in the collection process for our financial institutions, and we are very excited about that capability.

Over 10% of our revenue comes from new products, and we have over 147 in the product pipeline that we are reviewing or bringing to market to ensure we continue to be innovative for our clients.

Partnerships

Partnerships are very important, and we are very excited about the first one here, Bankruptcy Predict. For the first time Visa has partnered with someone, and we are hosting their 60 million daily transactions at Experian. We take that daily transaction data, we merge it with our consumer credit data, and we create very predictive models. The first model that we have created is the Bankruptcy Predict model. In this marketplace that is a very hot item. The benefit that you get by taking their transaction data and our consumer credit data together is that they would catch 53% of the consumers headed towards bankruptcy. We tested our model that we built jointly with Visa on two of the five largest financial institutions in the US, and our predictive rate went to 70%. In fact, one of the largest financial institutions asked us to move up the market launch by 90 days, because they wanted to get to the product as soon as possible.

So we are very excited about the capabilities of partnering and getting new sources of data. It opens up new markets for us. I expect this to be a $30 or $40 million opportunity in the US market. This is a global arrangement with Visa. So while we will start it in the US market it has the capability and the contract is set up for us to move this out on a global basis, where we have other data assets.

Vertical Markets

Revenue diversification is very important to us, that is why we focus on many different vertical markets. As I said earlier, we have experts aligned that know these markets very well, we also are growing them very well, whether collections, automotive, telecom, energy and cable, all double-digit growth rates even in these tough market environments. That is certainly welcome.

The one that is of particular interest to us in emerging is healthcare. Six or seven years ago a consumer in the US paid about 6% of their healthcare bills, and insurance covered 94% of it. Today they are responsible for 11%. In the next decade it is expected to move to 30%. That is because employers are paying less and less of the healthcare bill. When it gets, as it is today, to 11%, and as it continues to grow, consumers will need help, and financial institutions will lend them money to make their medical payments. Hospitals and large doctors offices will then have a significant need to be able to mange that revenue cycle to be able to make sure there is not fraud in the process, and help make sure that they can collect the money that is owed to them, and we are well positioned to leverage our existing capabilities and develop new capabilities to meet that growing need.

Position Ourselves for Growth

Finally, in terms of geographic growth, Canada is a large market, TransUnion and Equifax are the only two credit bureaux up there historically, and they are splitting $170 million in revenue. So we acquired the very good data assets from this credit bureau, we ran some modelling on it, and very predictive models come out of it. So we went ahead and made the acquisition. We have developed a whole new technology platform for the Canadian market that will allow us to leapfrog our competition. Again, replicating what we have in the US, the freshness of our data, our product innovation, and the ability to be flexible with the client's internal systems. This new technology platform will allow us to do that and, in fact, we went ahead and built it so that it is portable across the globe. So for all of those countries on our target-list for us to continue to expand, we have already built the technology platform, which we can pick up from the Canadian market, and move into other markets such as India or Mexico.

We also self-funded this initiative out of the core US consumer credit financials during this current fiscal year, along with the build out of the databases for Visa. Within our numbers this year we self-funded Santiago, the Visa rollout and the Canadian market rollout. So we are quite excited about our performance to date.

Conclusion

Our business model is extremely strong in the US market. We are focused on and committed to our clients, that is very much a differentiating point for us, particularly in tough times, because they tend to gravitate towards those that they know can help them manage through an economic cycle such as this. We are positioned for growth now and coming out of this economic cycle. In conclusion, we are the only US credit bureau that has the combination of extensive data assets, and analytical capabilities to bring more clients in the marketplace. Thank you very much.

Don Robert

Thank you Kerry. I hope, again, from Kerry, to get a reinforcement of the data in analytics, and the power in that combination, exactly how we match up to clients through their business cycle in the North American market and, interestingly, what Kerry is doing to make a huge business grow through a very tricky time. Also, to step back and consider just the amount of sheer investment going through his P&L in new markets, in near shoring, and in products. So thank you again Kerry.

As we said earlier, we have a very aggressive build programme underway to extend our footprint into a lot of high growth emerging economies. Someone in our organisation is an expert on that, having done it many times before, and that is Luciano Manzo, who has been with Experian for quite some time. He is a big part of our success having run the southern part of our EMEA region.

Establishing Credit Bureaux in New Markets

Luciano Manzo

Senior Vice President, Southern Europe, South Africa and Emerging Markets

Preamble

I have been in Experian for 15 years now. I started in Italy, working from home, because if the truth be told we did not have an office at that time. Since then I have been involved in most of our regions, helping develop the credit bureau part of our business. Today, at the end of the presentation, I will reveal to you the secret of our success, provided you will not share it with our competitors. Also, I would like to take you through our process of establishing credit bureaux in new markets, and then hopefully at the end of this session you will be somewhat more familiar with what it will take to enter, remain and succeed in the new markets.

The way I am going to do it is by explaining very simply what we are doing, why we are doing it, and how we are doing it. I will also take you though two real case studies, a case showing how we entered Italy in 1995, and our strategy of establishing our business there, and how we sustain our competitive advantage today. The other is about Spain, and how we gained market leadership from an initial entry position. Before we start this journey, I would like to step back and rewind a little bit, positioning ourselves at the beginning of our international development in 1995.

History

If we look at how the Experian world looked at that time, you can see that the only credit bureau in existence was the one in the UK, we did not have any other operation as far as credit services were concerned. If we look at the same map in 2007, we can see that it is populated by quite a few platforms, which are now in an advanced phase of development, are processing and gaining market share or are at the early stages of start-up.

In pursuing the international strategy we have secured some of our most interesting opportunities in Continental Europe, within Italy, Spain, Holland, Norway and Denmark. Following those, we have started looking at new emerging regions, as you have heard from Don, such as Eastern Europe, Latin America and the Far East. The progress made in the international development of the credit bureau is reflected in the total revenues of this line of business in 1997 versus the current level. These are the aggregated revenues of the line of business, excluding the US and UK. As I was explaining earlier, we now have 15 credit bureaux that are being developed and are at different stages of maturity.

Credit Bureaux Lifecycle

If we represent the evolution of a credit bureau in a new market in a graphic format, where we create and start-up the business, you can picture something like an S-shaped curve. From the start of the exploration phase where you are investing, which is at the bottom of the curve, the business will need between five and seven years before you start exploiting the opportunity, before reaching the optimum level of ROI, which is at the top of the curve.

Pace of Development in New Markets

The pace of development, especially in new territories, is conditioned by the fact that while consumers across developed countries enjoy access to healthy and competitive credit, thanks to a correct assessment of their ability of the applicant to repay the debt, in most of the new markets the legal and regulatory framework is weak, does not exist, or it is misinterpreted by the local players, which leads to lengthy processes in creating the preferable conditions for our credit bureau to operate. The willingness of lenders to share positive information is also unpredictable, and in some countries sometimes they use bank secrecy laws as an excuse not to share their good data concerning their good borrowers. It must be noted that while this process takes a long time, we will start to generate revenues from other parts of the business – the decision analytics part – in the country, which helps in creating the cultural environment for the banks to start using risk management tools that also create the ground for the credit bureau to operate.

At present we have a very strong and profitable credit bureau business in most of the markets where we operate. So our patience and determination has been somewhat rewarded, and the long process is rewarding.

The 'What' and the 'Why'…

Let us get a bit more specific on what we are doing. As Don stated earlier, we have a clear strategic intent to enter new markets where we can reach a leading position and achieve superior returns by ensuring sustainable competitive advantage. Experian is today a major player in most developed markets, and we want to expand our core skills and capabilities in those markets that can consolidate our leadership position.

Most of these markets represent a great opportunity for Experian to support further expansion and growth, while at the same time representing a potential risk diversification for downturn in mature markets. By establishing a credit bureau platform in the market we also create the backbone of our service offering, which develops along the line of our reputation for the way we handle data, create value for our clients, and deal with the regulators.

That is pretty much what we are doing, but it does not explain why we are doing it. Our main strategic drive is to support our international clients in their expansion strategy in new markets, while, at the same time, we help locals create a credit environment where responsible lending is a key element of the healthy development of the credit sector. Some of the markets still present a situation whereby a high percentage of the population is kept out of the credit cycle, but more and more of them are moving into the credit band, which represents a clear opportunity for the lender who, in turn, will need the necessary tools and techniques to balance on one hand the opportunity and on the other the optimum level of risk to take on board.

The 'How'…

Having explained the 'what' and the 'why' it is important that we focus on the 'how'. We believe that this is the most important piece of our process, because it concerns the execution and delivery of our strategy. The main driver in how we execute is based on a really deep analysis of macroeconomic factors, as well as a number of interrelated elements, such as data vulnerability, both public and shared, if the market allows for positive and negative data, what the level of service is in the local infrastructure, the size of the market, the number of credit transactions, the structure of the competition and the status of the legislation. Once we have qualified the opportunity we evaluate our entry strategy, both from an acquisition point of view, and from a start-up point of view, bearing in mind that any start-up will take between three to five years to become profitable.

In deciding our entry strategy, creating and sharing the business case with our key clients plays an important part, as well as their expected value proposition from Experian. So we go hand in hand with our clients in new markets. You must be aware that all the elements that you see in the chart could not be classified with more or less weight, because they are all of equal importance in determining the level of attractiveness of the new market. I will now dive deeper into some of them, to explain how we position ourselves and how we act in making them favourable to Experian, and how we position ourselves in a distant and distinct way from our competitors.

The Legislative Challenge

The first thing that we need to note is that credit bureaux in general contribute to the shaping of the regulatory framework, which in many markets, especially in the new markets, risks creating an environment unfavourable to lenders in the first place, for the consumers, who are subject to cumbersome procedures to obtain credit, and lastly for the credit bureaux, who may find it difficult to make an attractive business case. So the regulative framework is very important.

Experian is actively engaged with the regulators in all the markets in which we are present, in the contacts, the corporations, the education activity that we undertake with the central banks, with the data protection authorities, and with the consumer associations - it is all really relevant. For instance, we hold the Presidency of ACCIS, the Association of Consumer Credit Information Suppliers, which is the European industry body that liaises with Brussels on all European-related issues. Together with the Italian data-protection authority we have created the code of conduct, which establishes the framework of rules and regulations on how the credit bureaux have to operate in Italy.

In general terms we can say that we have seen a move towards positive data sharing where only negative data is allowed, both from a regulatory point of view and an industry point of view, as we are seeing in Brazil, for instance. In markets where positive and negative data are allowed, the legislative trend is more about creating rules and regulation on the time of data retention, data sharing across industry and customer consent clauses. So we are an active player in orchestrating all the various elements that contribute to make the credit industry develop in a healthy and robust way.

The Data Challenge

Another aspect I would like to look at is what I consider to be the raw material of our activities, the base of all our recipes and the heart of what we do. As you seen from the previous presentations from Kerry and Phil, the credit bureau is a data business. The availability of the data is vital to the creation, development, existence and success of the credit bureau. When you enter a new market the data that is available is not always at the right level of quality, or there may not be the level of perception in the market to facilitate the sharing of positive or negative data.

As you saw from Phil's presentation, we have two main pillars of data. The first one is the bulk of publicly available data, which includes some elements needed for the identification and verification of the consumers, you could use the electoral roll, telephone directories or the address file. This data, which is sometime publicly available, represents the basic ingredients for the development of value added products, such as the anti-fraud services. In the case of small and medium enterprises the publicly available data on the small businesses helps to determine the full credit profile of the applications, because the profile is always similar to the profile of the small business.

The other pillar is the data that is shared among all the participants in the credit bureau. That is where the credit history, the payment behaviour, and the total level of commitments are included, and create the consumer asset or liability position in his financial life. The combination of the public and the shared data constitutes the platform on which we create the value added products. So data is really very, very important.

The Competitive Challenge

One other aspect I would like to touch upon is the role of competition in new markets. Unlike other industries where you have many players, in credit bureaux there is normally only room for a maximum of two or three players in any given market. This is because the credit bureau data and scoring models are normally embedded into the client lending process. So for a lender, the management of more than two or three different models in their procedures could be an unbearable complication. So in deciding new market entrants the role of competition is a key element of our entry strategy, and its presence, the strength and position, allows Experian to better assess if and how to enter into a new market.

Competition is not always bad. Actually sometimes competitors open the market for us, they prepare the ground, do the legwork, they often fail, and sometimes they even become an easy acquisition target. So this is something that we will return to in a few minutes when we speak about the two business cases.

Creating a Business that Allows Economic Prosperity

To summarise, our mission is about creating a business that will allow the financial sector to prosper while representing the interests of all our key stakeholders: lenders, regulators, and consumers. The case studies can show how these theories, words and concepts can translate into real business. The first case study is about Italy.

I. Italy

We entered Italy in 1995, in what I considered at that time to be an immature market from a credit point of view. The market had a number characteristics and a profile that we considered attractive. In fact, there was only one competitor in the market, which was partially owned by the banks. So we figured that there was enough space for us in the market.

There was a reluctance to data share in the market. Finance houses would not share data with the banks and would share only negative data among themselves, but there was double-digit growth in the consumer market. The concept of buy now, pay later was increasingly accepted by Italian consumers, who were historically more inclined to saving than financing. We had also registered the presence of international players, who were working with us in the UK, such as GE and Amex and the finance houses were hungry for more sophisticated products and services, thus proving more receptive than the banks themselves.

1. Experian Strategy

Rather than competing head to head with an already established competitor, we decided to focus our entry strategy on serving finance houses. This allowed us to get off the ground, develop strength, demonstrate our ability to serve the market and then attack the banking segment. This was a very successful strategy. Today banks account for 40% of our total business and our biggest client in Italy is a bank. Our growth is based on a clear differentiation strategy and a continuous innovation stream with the deployment of new products and services which emphasise our competitive advantage.

2. Market Position

Our value-added products today account for 40% of the total business in Italy. The newly created Consumer Debt Index launched three months ago was extremely well received and the timing of the launch could not have been better given today's concerns in the credit market. From a standing position 10 years ago we have gained a 40% market share and we are still growing very quickly.

II. Spain

1. Market Overview

We entered the Spanish market in 2002. Only negative data is allowed in this market and there was an incumbent competitor with a monopoly position, who was not really listening to what the market wanted. There was, however, a strong willingness on the part of the credit industry in the market to challenge this position, increase the level of service and establish a partnership with a top-class player.

2. Experian Strategy

While we focussed on the basic offering to secure our business, with 160 Spanish banks contracted to us till 2010, we have been continuously introducing new services and value-added products such as the Alert Services, a full range of anti-fraud solutions. These have really opened up the market for us, moving up the value chain and creating what I call 'customer intimacy', where we are now clearly perceived as the partner of choice.

3. Market Position

Today we are the leader in the Spanish market with a share of around 60% and growing rapidly. In accordance with our strategy we have now introduced an extended set of products and services in many areas of the business, such as Footfall. We are also very excited about the next opportunity in the market represented by positive data sharing.

III. Conclusion

We will continue to develop our markets. We are fully aware of the effort, energy and investment that this takes, but we are also confident, given our track record that this is the right way to establish a truly global business. We are now in the early stages of development in Eastern Europe, focussing on Russia, Bulgaria and Romania. There are also very exciting opportunities in other regions like Latin America and Asia Pacific.

Finally, I promised to reveal the secret of our success and it is very simple. It is a real passion for what we do, good people and hard work.

Don Robert

I hope you have got Luciano's message that expanding into new markets is not for the faint hearted; it requires a lot of experience. It also helps if you speak four or five languages fluently like Luciano does. Lately he has been spending a lot of his time in Africa and Russia, where we are looking at big opportunities.

This brings us to the final presentation from Ty Taylor on our Consumer Direct business. This is best thought of as a very efficient and exciting channel for moving our core product. Ty joined the company in 2001 and came to Experian a year later when we acquired Consumerinfo.com.

Leveraging our Core Data Assets

Ty Taylor

President, Experian Consumer Direct

Preamble

I have been in consumer marketing for about 18 years and the last 10 have been in the internet. I joined prior to the acquisition in 2001 and I came in as the Chief Operating Officer and became President about three years ago. The goal today is that you leave with a better understanding of our business and products and how we have been successful in marketing the core Experian data assets.

An Introduction to the Business

Basic Facts

We are a premier collection of brands and products. Our best-recognised brands are Freecreditreport.com, Creditexpert.co.uk and Experian.com. In the internet world your web address is your brand. Today's products include credit monitoring, where we will email people if they have had a material change to their file, credit reports, credit scores and different combinations of all of those.

Our revenues come from membership subscriptions and one-off transactions. The mix is about 90% subscription. We are clearly recognised as the market leader in this space being much bigger than any of our competitors, with revenues in excess of $0.5 billion.

Why Customers Use Experian

We offer solutions for consumer needs. I am often asked why consumers come to us and it ranges from credit management to general curiosity, but the primary reasons are that they are concerned about checking the accuracy of the report; they may be concerned about ID theft; they may be contemplating a major purchase or they may have been denied an application. We know this as a result of the focus groups and research we do and we also talk to our customers when they contact us. We have about 750,000 contacts a month through our call centre. This information allows us to design marketing and advertising messages and form products that speak to customer needs as they arise.

Market Success

We have enjoyed tremendous growth over the past five years as a result of four critical success factors. We dominate online distribution. We were the first into the market and we have never relinquished that position. We have substantial broadcast and marketing expertise, member servicing and retention focus and product innovation and diversification.

In terms of market share Experian Consumer Direct continues to outpace growth. In 2003 we estimated the market was worth $600 million, of which we had 23%. By 2007 we estimated the market was worth $1.4 billion and we have increased our market share by 13 points to 36%. We anticipate that the market will continue to grow by 6-8% annually, although you may see different, slightly lower estimates of that number from some of our competitors. We believe, however, that the combination of our current core business plus new segments and products will allow us to produce the double-digit growth that you have seen from us over the years.

Business Synergies

ECD (Experian Consumer Direct) fits clearly within Experian. We have been very successful in achieving synergies with our sister companies. We sold 18 million Experian credit reports and about 20 million Decision Analytics credit scores in 2007. We use Fraud Solutions to authenticate our new customers with over 5 million authentications in the past year and we use Experian Digital to deliver our emails, of which there were 350 million in 2007. Since 2003 we have delivered more than 150 million credit reports and scores to consumers.

How Do We Achieve Success?

As I have already said we achieved and sustained market leadership through our focus on these critical success factors – domination of online distribution, substantial broadcast marketing expertise, focus on member servicing and retention and product diversification and innovation.

Dominant Online Market Position

We are a primary provider to the largest names on the internet. Most of these very large, long-term relationships are co-branded. They have high levels of recurring revenue; we have renewed them all through the years and expanded most of them. Our products are a major source of revenue for our partners.

One of our largest, if not the largest partner is Yahoo. We launched our relationship with Yahoo in 1999, starting off as a relatively small, one-off banner advertiser and then we moved into integrated text links on their finance channel. For example, if you are reading an article on Yahoo Finance on mortgages and the association of credit scores with mortgage rates, you might find a box in the middle of it with links that offer you the opportunity to buy products relative to that article and we have been very successful in that space. Today we are a top 10 advertiser with Yahoo. On any given day we might have 20 different links to our products throughout Yahoo.

A key point is that because of our size and our partnership with Yahoo, we both have dedicated resources continually optimising our placements and advertising. Changing colours or fonts, for example, can have a material impact on response rates.

Broadcast Marketing Expertise

We built a household name in Freecreditreport.com and to be successful in broadcast media you have to have tremendous scale and be able to go wide and deep across cable and broadcast networks with repetitive messaging, which takes a huge amount of resources in terms of creative ability and spend. The rates that you get will drive your ability to re-invest and this is a big barrier to entry for our competitors. You have to get it right fast or you just cannot win in this space and this has been a tremendously successful channel for us. Freecreditreport.com commercials aired more than 83,000 times in 2007 across 60 different cable and broadcast networks and the aided recall of our brand is a fabulous 58%.

Like most broadcast advertisers our message has evolved over the years. In 2002 we had a fairly simple piece that we called stick man. It had broad appeal and was really just suited to the cable networks and was not ready for prime time. Moving into 2004 we maintained a broad appeal, but we started to focus on particular segments and at that time credit scores and credit education were just becoming interesting to consumers, who were learning about the value of knowing the scores. We put a new piece out on cable and broadcast networks.

In 2007 we maintained that broad focus, but we really targeted a segment that we had not penetrated very well, which was the younger demographic, which was somewhat credit indifferent and unaware of the power of credit and the importance of knowing where you stand. The new piece that we put together can be seen on cable and broadcast networks as well as YouTube, where it was posted recently. It has already had about 100,000 hits on YouTube. If you have not seen it, take a look and let me know what you think. In three months we have picked up 12 percentage points in that segment, so it has been really successful so far.

Focus on Member Servicing and Retention

Our retention rates have seen steady progress and while we do not disclose them, I will tell you that we have improved 120 basis points over the last three years as a result of our focus on that area. That has had a material impact on our bottom line. Among our investments has been a 500-seat call centre that we own and operate. That is important, because it allows us to adapt more rapidly to changing partner needs and products. We can cut a task force out of that centre and focus very quickly and we also have a persistent re-enforcement of the value proposition.

We have a superior platform for cross-sell opportunities and new products. We have also started a proactive email campaign where, instead of just telling the consumers who have had hits to their files, we go back and communicate to members who may not have had a hit, telling them they are still being monitored and protected.

Product Innovation and Diversification

Our product has evolved over time. We started with a single bureau report and monitoring product, which has evolved to our Triple Advantage monitoring product, which allows consumers access to all three bureaux and scores. There is also fraud assistance and a host of other educational material and features in that product. We set an industry standard with this product by meeting the consumer's need for access to all that data at a single point. We made a large investment in system enhancements to do this and obviously you have an additional product cost, so we knew that we would have to have higher conversion rates and I am happy to tell you that we did get that. These have continued to improve every year.

We also have a clear success story with our Credit Expert product in the UK. We rolled this out in 2004 and there has been a very strong uptake and growth in that business. To be successful in new geographies with our product you have to have an authentication method on which you can rely and that is acceptable. You also have to have good data quality and arrangement. You do not want to have data in disparate databases, where you cannot pull it together and deliver quality product at internet speeds.

New Channels

Why Experian?

Our products are easily adaptable to new channels. I am sure you are all familiar with the news about data breach in the US over the past few years. Our Affinity channel has grown fabulously. Our business in this area today includes American Express, Discover Card, USAA and Intuit with their personal finance and tax software products. Why do these partners choose Experian? Our products add retention value, a competitive advantage and a revenue stream for them. They choose us against our competition because of our online experience and the recognition of our leadership in the online space. Our technology also allows a very tight, seamless experience for the user. We have a technology that we call single sign-on so that, if you are a credit secure customer at American Express and you log on to check your card balance or transactions, you are also logged into our system at the same time and it happens behind the curtain. It has been very successful in helping our partners move their traditional, offline customer base to the online experience.

Intuit

Intuit is one of our longest-established partners. We started with them in 1996 when we were integrated into their Quicken software, which had never happened previously and so there was some risk taking on both sides. I am happy to say we have remained in the software each year with each new addition. We are all over the Quicken.com site as well. It has been a very successful partnership. This year a basic level credit monitoring service was included in the TurboTax software package and Intuit paid for this on behalf of their renewing customers.

Product Diversification

We do have strict requirements in the area of product diversification. New products must have broad market appeal with a focus on particular segments, concentrating on segments where we have not been so successful to date such as the younger demographic. We have strict investment criteria in terms of return, time to market and the fit within our business. We will also always leverage our existing technology. We have a great subscription model base technology in the internet world and we will leverage that at every chance we get.

As we said earlier, we are going to build these new products and use that dominant distribution channel to get those spread across the internet quickly, as well as using our broadcast expertise to get them into that channel. We built three new products in the past fiscal year and we are currently optimising those for a full roll out early in the 2009 financial year.

CardSafe

This is a cross-sell product, by which I mean we do not have to spend incremental dollars to promote this product. It has broad appeal to the existing traffic we have today. As part of the registration process for existing products customers can elect to buy this product as well. It is a card registration product, which differs from the legacy products that have been in the market for a long time, where you have to list all your cards and the associated phone numbers so that if you lose your wallet or it is stolen they can be contacted.

With this product the consumer only has to call us if there is an incident. We will then pool all the reports, go through them and contact the appropriate creditors to have cards cancelled and re-issued. It is a very convenient product for consumers. It also includes fraud resolution assistance, so if you have been the victim of identity theft we will walk you through the process of resolving that. It also has a loss guarantee, so that if you are out of pocket because of attorney's fees, travel expenses or lost wages, then we will reimburse the victim for that. It costs $19.95 a year; it is an annual bill product.

ChildSecure

This is also a cross-sell product that has appeal to any customers with children. We are aiming this at the segment we call 'soccer moms', the moms who are particularly concerned about their children financially and from the perspective of identity theft. It works in a very similar way to our other credit monitoring products. If there is a hit to your child's file we will let you know about that and take you through the process of dealing with it. That is an add-on product and costs $6.95 a month.

FamilySecure

This is a standalone, premium, identity theft product, which also includes child monitoring, which I just mentioned, fraud resolution and a loss guarantee. We are focussing this on the affluent segment and it gives the ability to protect your whole family with one purchase. Two parents and all the children are covered for one price. We have just finished producing a commercial for this product and we have high hopes for it.

Drivers of Growth

With our dominant online distribution our drivers are fast, continuous optimisation of our content. You have to maintain that, because there is future growth in it for anyone in the internet business. We will leverage our relationships here for the new product distribution.

We will apply our broadcast and marketing expertise to these new products and the additional segmentation focus we have with these new products opens up some of the networks where we have not historically been present. Some cable networks, for example, are very focused on particular segments.

With our focus on member service and retention, there is always room for improvement on retention rates and of course we have our new products to cross sell to customers as they contact us. We are also looking at new products, channels and geographic expansion. Successful execution in these core areas will enable us to continue to outpace market growth.

Summary

I hope you are leaving today with a better understanding of the Experian Consumer Direct business. We are the market leader, consistently delivering high growth. We are leveraging the breadth of Experian data and analytics and we are investing in innovation, member services and diversification to sustain market leadership and drive growth.

Don Robert

I hope that you agree that Ty Taylor and his team have built a pretty impressive business using the internet to distribute core Experian product. That concludes the formal part of our programme. At the outset today I said we had three goals. First we wanted to increase your understanding of our business and I hope that we have done that. Second we wanted to tell you a growth story and the presentation you have just heard is, I think, a fantastic example of that and demonstrates the scope for growing the business. Finally we wanted you to meet the team that runs our businesses and I hope you would agree that these guys are the best in the business and I am honoured to have them around the top table at Experian and to have been working with them on a day in and day out basis over such a long period of time.

Questions and Answers

David Togut, First Manhattan

Don, given that you are the most global of the credit service companies, can you give us a more detailed view of the consumer on a global basis, based on the most recent trends that you are seeing?

Don Robert

It is probably better to have Kerry Williams and Phil Cotter talk about that, because we have not seen real changes in consumer behaviour globally. I think the questions are in the core, more mature markets of the US and UK, where we have this very interesting credit crunch, which has not been induced or led by the consumer, but by institutions and really triggered by lack of liquidity in the system. In terms of how consumers are behaving day to day, Kerry and Phil would you like to comment on what you see?

Kerry Williams

We have been doing quite a bit of work on a global basis, because we have global expansion plans and we have looked at 40 countries recently and done an analysis of what is happening. The behaviours in the US and UK markets are centred on the US and UK markets. The consumers in other markets around the globe continue to have a growing appetite for credit and continue to become increasingly comfortable with entities in those countries owning information and using it to help the financial economy prosper. That is recognised by the work the World Bank is doing to help those countries open up their credit markets and also the way in which those countries are asking us or partnering with us to bring our capabilities to the market.

Phil Cotter

I think there are still opportunities for growth in consumer credit in the UK. Clearly we are in a slow down right now, but I still believe there is room for growth in the future.

Luciano Manzo

Development in the emerging markets is probably somewhat different from what you have seen in the UK and US in terms of there being a very large number of consumers, who still have very limited access to credit, so the potential for growth in new markets is enormous, especially if you think about markets such as India and China.

David Togut

What sort of pricing trends are you seeing both in the core consumer credit business and also in Decision Analytics?

Don Robert

Pricing trends have been pretty robust although prices are not necessarily increasing. We have not seen any unusual marketplace behaviour in the last few months. Average unit prices seem to be holding and I think that some of that is mix as much as anything else. Competitor behaviour has been fairly static, so there is nothing new to report in credit or Decision Analytics on that front.

Participant

Can you talk about your current relationship with Fair Isaac? Is it improving or deteriorating? Is the FICO score relevant now that you have so many other scoring products out there?

Don Robert

We believe the FICO score is relevant, because it does predict risk. The VantageScore is significantly more relevant, because it predicts risk in much better way than FICO and that is being proven day in and day out. We have had a long-term relationship with FICO going back probably 25 years. We still distribute FICO scores when our clients ask for them. We value the commitments we make to our partners long term and we will continue to uphold them. It is no secret that there is some litigation flying around out there over the VantageScore score and we wish that was not the case, but it is a long-term partnership and I am sure it will endure at some level or another.

Participant

Kerry talked a little bit about bank capital expenditure (capex) budgets and November and December being turned off in anticipation of the end of the year. I know it is only three or four weeks into the new year, but have we seen any turn around in terms of bank spending and bank capex budgets?

Kerry Williams

It is a little early in January to be able to give you any definitive measures. I think the main thing that is going to happen in the financial institutions is that if they see a consumer willingness to come back towards credit, particularly in the mortgage market and the banks' ability to lend there, some of the stimulus packages that Congress is looking at passing, raising the conforming rate up to $650,000 or $700,000 would have a tremendous impact and also what the Federal Reserve is doing. I think those types of things will bring business back into the marketplace and as that occurs I think the spending will follow.

Phil Cotter

I think there is a similar situation in the UK, but it is too early in the year to say whether there is any significant change from what we were seeing in the third quarter. The banks have eventually got to return to growth; they have to lend to make money and I am confident they will do that at some point in the not too distant future. I guess right now they have some concerns about their balance sheets and retention of capital and that is undoubtedly playing some part in their decisions about discretionary spend at the moment.

Allon Hellman, Serengeti Asset Management

Could you possibly expand this discussion on the commercial market, just going around the world and ascertaining what the opportunity would be to work with businesses in some of these emerging markets, which I would think would provide a large opportunity?

Don Robert

That is a great question. I appreciate you highlighting that. We have probably been a little bit shy about singing our own praises in the commercial or business information part of our world in Europe. That is a great story both within and outside the UK. We have penetrated the market to a very high extent and a lot of that has come off the back of Dunn and Bradstreet over the years as they have retrenched in a lot of places outside the US. Phil Cotter and his colleagues have taken a lot of business away from them. We have got into the business information market in China through an investment we made in a company called SinoTrust and we see opportunities to expand that relationship. In Brazil there is a big component of business information and we intend to grow that aggressively. We also have a market-leading position with several bureaux in Norway and Denmark and we are the leading business information player there as well. I am sure that as we get more active in Eastern Europe we will be uncovering opportunities to expand the business there.

Phil Cotter

I think everyone knows that Dunn and Bradstreet have taken significant costs out of their business through their financial flexibility programme particularly in Europe. That has led to a point where they have effectively become an US-centric organisation and it has given us the opportunity in the UK and other areas, where we have business information operations to win market share from them. I think what is really exciting is that we are beginning to see business opportunities emerge for us, working in co-operation with our US colleagues, to win global accounts from Dunn and Bradstreet. We are currently in discussions with two global accounts, who see Experian as a real alternative to what Dunn and Bradstreet provide.

Kerry Williams

In the US we launched our Small Business Credit Exchange in November, where, in addition to the trade we have traditionally had in our commercial database; we have created another database that has credit information, the trade lines directly from the financial institutions, to basically replicate a consumer credit report. The combination of that and our trade data is unique in the marketplace today and so we are expecting some quite good things to come from that. In addition we have started leveraging our Decision Analytics capabilities in the commercial space, much as we have historically in the consumer space, to continue to open up new market opportunities and drive our growth further.

Allon Hellmann

Could you maybe size the worldwide, commercial opportunity? On a different topic, what is your investment in the French business, your asset base?

Paul Brooks, Chief Financial Officer, Experian

I think we can say that, like all of our businesses it is a very low net asset base in terms of the net assets on the books.

Allon Hellmann

Is it less than $100 million?

Don Robert

Less than $100 million?

Paul Brooks

Well under, yes.

Don Robert

Kerry or Phil, do you want to take a shot at the size globally of the business information market? I think you have been conferring about it while Paul was talking about France.

Phil Cotter

I think what we could say is it is comfortably in excess of $1 billion, I would think, and one that will continue to grow as we see globalisation and cross-border trade increasing. I remember seeing some statistics recently that the market is growing at about 6-7% per annum.

Kerry Williams

Yes, and we do have built into our consumer expansion plan that we will also be able to put in commercial databases in each of the countries that we continue to expand into and utilise the same technology platform so that we can do it in a very efficient manner.

Participant

Would it be possible for you to give us some colour on how much you spend on acquiring data every year?

Paul Brooks

The amounts we spend on data every year, which is capitalised, is probably in the region of a little over $100 million.

Michael Meltz, Bear Stearns

Don, has your thinking on Experian's growth profile changed over the past year and can you just remind us what organic revenue growth is, say over 3-5 years?

Don Robert

We still feel very good about saying that we would expect 5-9% organic growth annually, just as we have in the past few years. I think the current market is a bit of a blip in a longer term trend and we see a clear path getting back on track when liquidity and transparency and capital issues in the broader markets are resolved. Obviously, that would be augmented by acquisitions and we have told you a couple of times in the last six months that we are getting fairly narrow in our acquisition focus. You heard a story today that matches up pretty well with our thoughts on acquisitions going forward, unique data analytics being very high on the list and also, to an extent, marketing businesses that play to our strengths, such as email marketing. However, that level of investment will certainly be coming down.

Michael Meltz

A year ago you probably would have said the organic growth number, but you would have said, 'Reported revenues will be double, given acquisitions.' Now what do you think acquisitions will contribute over the next few years?

Don Robert

I am not sure we ever said the reported level would be double. Paul, would you like to answer?

Paul Brooks

When we IPO'd, we referred to an average acquisition spend that we had been making over the previous four years of between $600 and $700 million a year and our balance sheet on separation supported that level of spend going forward. On that basis, our balance sheet was set up for that, but obviously acquisitions are very much opportunity-constrained and, clearly, Serasa has made a big difference. In fact, we have overspent against what we anticipated at the time of the IPO. However, as Don said, as we look forward, given tighter strategic criteria on acquisitions and also just the limited availability of future Serasa-type opportunities, we anticipate the spend coming down a little.

Don Robert

Where would that take us in terms of a headline figure?

Paul Brooks

In terms of growth, the $700 million a year would probably roughly double our organic sales growth. Therefore, if we are saying less than $700 million, we are obviously still looking to see acquisitions contribute to our sales growth, but probably not to as much as double.

Participant

I am curious to know how you think about the returns on your acquisitions, how you price them. Your slide mentioned a 10%-plus ROI; is that pre or post-synergies? If it is pre, what is the total that you are targeting? In the process of that, if you could give more colour on how you thought about the Brazilian acquisition that would be very helpful as well.

Don Robert

The 10% is a minimum. That is a hurdle rate on the ROI without synergies, so we always endeavour to do a heck of a lot better than that.

In terms of Serasa, a lot has been said and presented on Serasa, but strategically, that was the third-largest credit bureau in the world, it instantly gave us a market-leading position in Brazil, which had very sexy growth characteristics and, increasingly, a much squared away banking system and a stable economy. We pursued it over a long period of time and ultimately competed against an IPO in the race to acquire Serasa. We bought Serasa from 51 Brazilian banks that had owned it and the story that we presented to them to convince them to sell to us was the story of sensitive data that plays a big role in a healthy banking system being owned by a neutral third party with global expertise. We also got them very excited about our ability to bring decision analytics products in that we could adapt from other parts of the world. Now, six months on, we have largely completed the integration. We are looking forward to the Brazilian legislature giving permission for us to include positive credit data as well as negative data in consumers' files. We think that provides the next step change in the performance of Serasa, because we can charge more for the data, we can introduce new products and take it to the next level. All in all, it is a very exciting deal that is performing to the buy plan – and it was a very aggressive buy plan.

Jaime Brandwood, UBS

I have a question for Ty, if I may, on Consumer Direct. Looking at that 38% compound annual growth rate over the last four years, can you give the breakdown between the price compound annual growth rate and the volume compound annual growth rate? Also, if you are willing to disclose anything on this front, could you talk a little bit about margin targets for Consumer Direct in the light of the Equifax target of a 20-25% margin in personal solutions? I know, strictly speaking, that is not a like-for-like comparison, but any comment you could make would be helpful.

Don Robert

Paul, perhaps I could give that one to you. Let us start with our thinking around margins in Consumer Direct and maybe you could talk a little bit about how we use marketing spend to normalise margins.

Paul Brooks

To some extent, there is a trade-off between margin and growth, but we see our sustainable margin also being in a similar range. We have said for our overall Interactive business we see margins of 20-22% as being the kind of margins that we look to target. As I say, that is across Interactive and I would still see that going forward. Probably the one caveat would be that if we see opportunities to invest significantly, particularly in Consumer Direct in terms of diversification opportunities and new products, we would certainly find the capacity to do that, which might mean the margin dips for a while. Otherwise, however, we continue to target the 20-22%.

Don Robert

Is it possible to dissect historical growth and assign it to volume and price?

Paul Brooks

I do not think so. Clearly, the pricing has changed. There have been different pricing models, but at the same time there have also been different offerings. The pricing has gone up to some extent, particularly as we move from annual to monthly, but also we have moved to the Triple Advantage, which offers the consumer a lot more. Thus, it would be a false comparison if you just looked at the pricing.

Participant

What do you think your next country is for [inaudible 2.38.10]

Don Robert

Ty, is that a secret or do you want to talk about it?

Ty Taylor

No, it is not a great secret. In terms of the requirements, as I said on the slide, if we have a good authentication method and we have data that is clean and organised well, then we can create a product; we are very confident of that. We talked about Serasa; as soon as we are ready there with those two key elements I think you will see us there right away after that.

Don Robert

Brazil, therefore, is the answer.

Ashish Pant, Farallon

I have a few questions on the US Credit Services. The first is on the pre-screen levels. Obviously, we have seen them trade a lot and go down year-on-year, but given the natural churn in credit card portfolios at some stage you have to run a certain base level of pre-screen activity as a bank or a credit card issuer, otherwise you will see your portfolio shrink. Is it possible to get a sense of how far we are from what you would classify as a base level spend for pre-screen for these credit card programmes?

Don Robert

Kerry, I guess another way of asking the question is when will pre-screen come back?

Kerry Williams

Yes, I realised what he was hinting at. I agree with you 100% that if the credit card marketers do not pre-screen they have big problems; they have to, to at least maintain their database. It is too early in January to say that I have data to back this up, but my opinion is that in November and December they were at the minimum that they could sustain. That is just my opinion from being in credit cards at Bank of America and now here.

Ashish Pant

You referred in your presentation to the opportunity on the deposit side of the business and, as I understand it, the credit bureaux are extremely under-penetrated on that side of the balance sheet. The issue though is FACTA does constrain you in how much data you can use on products where the customer is looking for credit. What is the size of the opportunity? The US is a pretty mature credit market, why is it that the bureaux have not penetrated that side of the balance sheet?

Don Robert

I think you are right that there are some regulatory constraints; I believe the one you are thinking about is the Gramm-Leach-Bliley restrictions versus FACTA. Kerry, maybe you could talk about the opportunities you see for selling product to the liability side of the balance sheet.

Kerry Williams

When consumers open a cheque account and with the many documents that they have to sign, banks now have the right to access credit information as part of them opening up the account. This alleviates the issue of whether or not they can access the data, which is good, they have become much smarter about their account-opening opportunities. However, it is not just accessing the credit report; it is all the fraud that happens on consumer cheque accounts and it is all the behavioural characteristics. Paying overdrafts is a very profitable business for the banks. They make a lot of money at it and they want to be able to segment those that they should pay the overdrafts with and those that they should not. Therefore, our scoring capabilities, combined with our data and combined with the behaviour of the consumer cheque account, is very predictive, much like the Visa scenario when you merge the together. With just five variables on a consumer cheque account you can predict enough to decide whether or not you should be paying the overdraft, and I built those models in the early-1990s at Wells Fargo. Thus, it is scoring models, it is also account management and being able to constantly monitor the account for fraud through its lifecycle and monitor it to be able to increase or decrease its credit limit and then to use that to cross-sell other products and services. For example, if they have a consumer who has a cheque account and they have no other products and services with them, but were able to determine that they have a mortgage, a second home, maybe one auto lease and two auto loans, there is a lot of prospecting information that we can segment and provide back to that financial institution that they can use in those cross-sell efforts. Therefore, it goes across our lifecycle of products that we can start penetrating on the retail side of the bank.

Ashish Pant

How under-penetrated is that? If you look at your top 25 accounts, on the liabilities side of the balance sheet what is the opportunity like?

Kerry Williams

The opportunity is substantial with hardly any penetration at all at this point. The deposit side of the banks are much less sophisticated in terms of marketing and cross-selling than on the lending side with credit cards and mortgages and automotive. As they look to drive revenue opportunities and manage their risk better, they are asking for help and I think that is where the opportunity is being created for us.

Ashish Pant

If you take your top 25 customers, therefore, is there a way of thinking about what percentage of the achievable wallet size we are playing in right now? You showed the example of the $20 million customer and there were a lot of grey spots. The share of wallet for all three credit bureaux put together in a specific customer, do you have any idea what that might be?

Kerry Williams

Are you referring to on the deposit side?

Ashish Pant

Deposit would be one opportunity, but when you look at your entire slew of products versus what you are selling to your top 25 customers today.

Kerry Williams

I would say that we have 34% or 35% market share with our top clients in the US market. We have improved that position over the last couple of years from being at 32% or 33%.

Ashish Pant

It is more a question of what is the penetration of credit bureaux into the top 25 customers relative to what the total wallet size could be if the customer was fully penetrated by any of the three bureaux.

Kerry Williams

Then you have to start taking out where they have built home-grown legacy systems or you have to start taking out their in-house analytics pieces.

Don Robert

We would want to think about that one for a while, I think.

Kerry Williams

Yes. I would not want to have a guess in terms of dollar size, but I would say that there are still significant opportunities there for us to grow our business.

Ashish Pant

Finally, on the refi side, with the recent pick up that we are seeing in the refi index with the rates coming down I have to believe that that has to have a meaningful impact on our mortgage business in the United States. Is there any reason that we should not look at this pick up on the refi side as an indication of what our comparative sales numbers will look like on that specific segment?

Kerry Williams

There is no reason you should not.

Dan [?]

If you look at the ratio of Decision Analytics' revenue to Credit Services' revenue in the US, it is much lower than the UK and that makes sense because FICO has been in the market for so long. If you look at Serasa, intuitively you have a large market share and the market is very small right now for scoring. If we look out three or five years, do you think the Decision Analytics opportunity looks more like the US in terms of that ratio or the UK? If it is not 3-5 years, what is the timeframe to get scoring revenue relative to Credit Services' revenue on par with whichever geography you think is most comparable?

Don Robert

We are starting from a standing start pretty much in Brazil. We do have some fairly crude Decision Analytics products there. I will tell you that we are working on introducing four products in total in Brazil right now through Serasa, two of which are Decision Analytics bureau scores and a Transact loan application processing system. That is a good start point. We have a Decision Analytics team in Brazil that has been in place for a couple of years and they have had some success selling. Another variable, just triangulating around the answer to your question, will be the timing of positive data, because when that happens all of our Decision Analytics products are going to take on a lot more power and meaning in the country. Therefore, it is a tough question to answer, but I would hope that over a five-year time horizon we could get to 20% of revenues in Brazil coming from Decision Analytics sources.

Ashish Pant

Don, why was there no presentation on LowerMyBills or PriceGrabber or Interactive as such? Why did you choose to leave out Marketing from this presentation?

Don Robert

We chose to stage a series of investor education seminars over time and not try to bite off the whole company at once. There is a lot of moving parts and a fair amount of complexity in Experian and so we chose the larger part of the company to start with. We also thought it was very timely given the environment. When we scheduled these seminars a few months ago, we just thought this would be a logical time to jump in.

Ashish Pant

My last question is for Ty. You suggested that the industry growth would be, say, 6-8%, which is clearly a slowdown from how the industry has grown in the last five years; obviously it has grown larger. However, if you look at the total number of subscribers in Consumer Direct in the United States, it is hard to get an exact number, but maybe it is 13 million and there are about 120 million active credit files, so it looks as if the penetration is still pretty low of the people who are subscribing to these products. Is the challenge really that to be able to increase that penetration from here on we just need to develop newer products that appeal to a different demographic or psychographic profile so that they become our customers and that with the existing range of products we have reached a level of penetration from where the growth would be a bit more muted? Why is there this disconnect that subscribers to total market size is so much lower and yet we are saying that the growth rate goes down to mid to high-single digits for the industry? I know that you try to grow faster.

Don Robert

Ty, you have a great track record in growing the business, I do not think any of us expect your growth is going to slow to 6% or 8%; I think we all plan on doing a heck of a lot better than that. What are the three or four top priorities for keeping that going?

Ty Taylor

I think you answered a lot of that question correctly: it is about new segments, it is about new products. I will say though that the core business is still growing very, very well for Experian Consumer Direct. Some of that is based on some third-party data: you have seen quotes from competitors in the 5-7% range. We feel stronger about the market than apparently they might feel about it. We are clearly bigger and we probably have a little more insight into the opportunities, but our core base continues to grow very well with our core products. However, I do agree that the longer term growth opportunities will lie in penetrating some of these segments and as consumer awareness grows about credit. We are still fairly young in the consumers' understanding of credit and credit scores and how it affects their lives.

Participant

One of the slides on the presentation showed a case study of the Asia-Pacific market and you see a very strong growth profile in terms of the revenues, but you do not see the scale benefits on the profitability side. Could you explain that graph?

Don Robert

Yes, I am delighted to. As we got into the Asia-Pacific market, from a start of borrowing resources from Australia then putting a team in place in Hong Kong, we continued to uncover more organic opportunities that would accelerate growth. Therefore, we ended up setting up a team in Beijing that now totals about 30 people; we have some people in Singapore and we have been adding people in Korea. I think the short answer to your question is the size of the opportunity is so significant we just keep investing in order to harvest sales opportunities and to localise more and more products so that we have more things to sell in the region. This is one of the keys in appreciating the challenges behind growth in emerging markets: you do have to spend and lose a lot of money for a long period of time before you start to get enough critical mass on the top line to cover all the opportunities that seem to emerge.

Participant

Somewhere in the presentation there was mention that it takes 3-5 years to reach break even in any new country from an organic growth perspective. We are at that three-year stage, I am guessing, and in a couple of years we should break even. What is the sustainable operating margin for these new emerging markets where Experian is growing organically?

Don Robert

It depends on the product mix and in the Asia-Pacific market in general that will probably never be a huge bureau market. The role of Decision Analytics is very strong there. The question is, I guess, when do you call it mature and when do you stabilise margins. I would assume that margins in a country like that would get to Group average on a six or seven-year basis, Paul, do you think?

Paul Brooks

Yes, because we are continuing to invest. We have stepped up investment in India this year and we are stepping up investment in Japan. We have seen that some of the other markets in which we invested a little earlier are now profitable and some of them are quite well profitable. Therefore, given the ongoing investment, particularly in India and Japan, I would see it as being five years plus before we get to the Group average margins.

Ben Balbale, Matrix Capital

Phil, you mentioned that in the UK the renewal rate is somewhere close to 90%. This surprised me a little bit, because given the stickiness of our assets where is the remaining 10% going every year and how do we sustain our growth rate, because over the course of three years that would imply that you would lose almost 25% of your customer base.

Phil Cotter

I was asked this question yesterday in London. I said ‘in excess of 90%’; I think you should take that as being a figure well in excess of 90%. We are not losing or having to write 10% of new revenues every year in the UK.

Ben Balbale

Kerry, I think you said that 45% of the cost structure was people. Could you help us understand how that breaks down? Is it consulting-type work being done for clients in Decision Analytics? Is it sales work? For a data business, that seems like a fairly high percentage of the cost structure that is spent on people.

Don Robert

Kerry, why do you not start with NCAC?

Kerry Williams

Sure. To handle the National Consumer Assistance Centre and the work that we do there with helping consumers, there are about 400 FTE, so there is a large chunk of work there. Across the businesses that make up Credit Services and Decision Analytics we have maybe 350 client-facing people in the Sales organisation. As you heard from me, I feel that being in front of the clients and being able to serve them is very important, so we try to put a lot of resources in that area. Then you have our Application Development groups that create new products and services for the businesses. We probably have 400-plus combined in those areas. I would probably say about 150 of those are geared towards developing and delivering software systems and the other 250 are new products that we install into the customer base. That gives you the big chunks of the employee base that is out there and I think if you look at the revenue and earnings per employee, I would reverse that around and say that it is a very small number of employees to generate close to $900 million in revenue and all the earnings that go with that.

In addition, one of the things that we did with Santiago was to increase productivity in our Application Development area by 20% even with all the cost savings. We took it as an opportunity to bring new products and services to market sooner, because we could get such an efficient cost structure down there that in our Systems groups we added 20% headcount to allow us to be more competitive and faster responding to our clients in the marketplace. That is a very nice way to add headcount and allow us to be competitive.

Participant

There is the Paulson Plan on foreclosures. Does that help Experian in any way and who is doing the qualifying checks to see if you qualify for the Plan?

Kerry Williams

To the extent that the financial institutions will need to be able to understand the economic profile of the consumer and their ability to pay or not to pay and what their assets are, yes, there are opportunities there for us. It is not dissimilar to the opportunity in healthcare where, at the front-end for the non-profit hospitals, they need to be able to determine who is eligible for charity care and not, to keep their tax-exempt status. Those are all capabilities and skills that we have available to help our clients.

Participant

On Consumer Direct, with consumers being able to get their credit reports free of charge now how does that impact growth rates in the long term?

Don Robert

There was a lot of noise in the marketplace about three years ago when the FACT Act took hold, which allowed consumers to annually receive a free copy of their credit report. At the time, we were fearful that it might eat into our Consumer Direct business. I think what happened is it increased awareness for the product and since then the noise has died down, activity levels have died down, it has become a non-event and we have continued to grow at very high rates in spite of that; we worked together.

Thank you all for coming. Please stay and join us for lunch.