

Interim Management Statement, First Quarter – 10 July 2008

Welcome

Paul Brooks
CFO, Experian

1. Introduction

Good afternoon, everyone. Thank you for joining us on today's call to discuss our First Quarter Interim Management statement. Joining us on today's call are Nadia Ridout-Jamieson and Peg Smith from our Investor Relations team. I will start the call today with some introductory comments and then take you through the trading details. After my concluding remarks, we will open the call for questions.

2. 2008 First Quarter Highlights

Strong Performance

Overall we are very pleased with the resilience of the business in the first quarter of our financial year. Experian as a whole has continued to grow. This is a considerable achievement given that market conditions in parts of the UK and US continue to be very challenging. We delivered growth against very tough comparables in this quarter. On a global basis, total revenues were up 21%. Organic revenue growth was 1%. This performance underscores the balance of our business mix and the benefits of our global reach. The story is no longer about one geography, but about a large global business with different challenges and different opportunities around the world. It is also about a series of strategic moves that we have made to diversify our business. It is about the strong execution of our management teams around the world. We have adjusted our business and adapted to the changing environment.

Parts of the business are growing strongly, for example, Consumer Direct, Latin America and Decision Analytics in EMEA and Asia are all performing very well. At the same time, market conditions in financial services remain challenging, and are having an adverse impact, in particular in US and UK Consumer Credit Services and UK Marketing Services.

Risk Management Solutions and Countercyclical Products

We are focused on supporting our clients and helping them mitigate risks in their portfolios. As a result, we are making much progress with risk management solutions and counter-cyclical products, including portfolio management and collections products. The results are evident with a good quarter in UK Decision Analytics.

Proactive Performance

We continue to be proactive in the way we are running the business. We obviously cannot control the market environment and we are not planning on any improvement in UK and US financial services. However, we continue to take intelligent and aggressive actions on costs. We will provide some status about the cost restructuring

programme at our interim earnings presentation in November. I am pleased to say that our programme is progressing well with excellent performances by our teams.

The strategic reviews on our French Transaction Processing business and PriceGrabber are ongoing. We are not providing any further update on those today. However, we still plan to update you further during the course of the current quarter.

Trading Performance

We now turn to trading performance in the quarter. The total revenue growth was 21% at actual exchange rates and 16% at constant exchange rates, with organic revenue growth at 1%. By principal activity, group organic revenue growth of 1% reflected strong growth at Interactive of 8% and at Decision Analytics of 5%. Marketing Services organic sales were in line with last year. Credit Services was down by 4% due to the impact of the credit crunch on our US and UK consumer credit activities.

3. Regional Performance

North America

We will now look at performance across the regions, starting with North America. Total revenue for North America increased by 1% in total and organic revenue was flat. In Credit Services, organic revenue declined by 5% against a tough comparative. There are two specific areas that have been hit hard by the credit crunch. First, it is probably no surprise that mortgage activity remains challenged. In addition, most Financial Services clients are not currently marketing for new credit customers. On the positive side, we continue to see strength and demand for portfolio management and collection products which continue to grow strongly. In Decision Analytics, organic revenue was down by 6%. Growth was impacted by the major Bank of America deal, which creates a tough comparative. We continue to take market share in Decision Analytics and have a very good pipeline of new potential deals, but we are seeing a longer sales cycle. Marketing Services performed well. They were up 2% with new media activities growing strongly. Interactive was up 5% with another excellent performance at Consumer Direct.

Latin America

Revenues in Latin America were \$128 million for the first quarter, up from \$3 million the year before. Serasa annualised at the end of June and will now be part of our organic growth numbers. It is performing strongly and to the buy plan. We have established a strategic sales force in Brazil to focus on cross-selling the breadth of Experian products. We are beginning to see the benefits of this. An example of the success we are having is in our Marketing Services business which delivered excellent growth in the quarter as a result of new contracts with major Serasa clients.

UK and Ireland

Revenue from continuing activities in the UK and Ireland was up 5% at constant exchange rates, with organic revenue up by 1%. Credit Services was 2% lower organically. There the market for loan origination products remains tough, but we

continue to see strength in business information. We are pleased with Decision Analytics, which was up 4%. Here we are delivering good growth and scoring in analytics, customers management and collections software. Conditions continue to be challenging in Marketing Services, which was down 7%. This was due to the weakness in the Financial Services sector. Interactive continues to power ahead, up 50%. This was driven by CreditExpert membership growth.

EMEA/Asia Pacific

In EMEA/Asia Pacific, total revenue was 9% at constant exchange rates, while organic growth was 1%. Credit Services declined by 3%, reflecting weakness in the French cheque processing market and the phasing of BPO contracts. We saw good growth in our EMEA credit bureaus. There was an excellent performance at Decision Analytics; up 14%. This reflected strong new business wins across the region. Again, there was a strong performance in Marketing Services, which grew by 8%.

4. Summary

As I said at the beginning of the call, we are pleased with the resilience of the business. Our team has risen to the occasion and taken proactive action on costs. We are making strong progress against our restructuring goals. However, this is not just a cost story. We continue to sell and innovate aggressively. We rely on our value-added client proposition that helps our clients manage risk, capital and efficiency. While we are not planning on any short-term recovery in US and UK Financial Services, the key message we want to get across is that of resilience. We have a number of factors that work in our favour as we progress through the year. Our cost programme is progressing well. We are continuing to invest for the future. We fully expect to emerge from this cycle even stronger and better positioned competitively. I now open the call to questions.

Questions and Answers

Kyle Evans, Stephens

Could you talk about the relative growth rates in the Serasa business between the Consumer Business there and the Business Information business?

Paul Brooks

Overall, the growth in Serasa was in the mid-high teens. This was in line with our buy plan and consistent with what we were seeing last year on a pro forma basis. In fact, there is not a great deal of difference between the relative growth rates between the Business Information and the Consumer Business. There are many similar growth drivers between the two. In terms of the relative proportions, we have a little over 60% with Consumer Information and just under 40% for Business Information. They are both growing similar to the overall rate. The conditions in Brazil continue to be very favourable. They are untouched by the credit crunch issues that have impacted the US and the UK. We continue to be very positive about the outlook.

Kyle Evans

It was only a few quarters ago that you were talking about lengthened sales cycles in your UK Analytics business. Now it is one of the bright spots in the quarter. You are also talking about lengthening sales cycles in the US on the Analytics side. Can you talk about how you, as an organisation, manage through that?

Paul Brooks

The trends are not that much different. We had that particular issue at the end of our second quarter last year when our UK Decision Analytics business – which has always been a sizeable business and a good grower – suddenly went negative. That was a knee-jerk reaction to the credit crunch hitting in late August and September of last year. What we saw at that stage was that our clients just stopped any kind of investment decision. It was very sudden. We saw the UK business come back to approximately flat, year-on-year, in the second half of last year. It is now accelerating.

At the moment, clients are being very careful with their investment spend. They are not investing in major software deployments. This is consistent between the US and the UK. Although on both sides of the Atlantic we are finding that the pipeline is quite full, it is difficult to get the final decision from a client. They are cautious about making the final decision to invest. Generally they are looking for a higher return on investment or a quicker payback than they traditionally would.

Having said that, in the UK we have been very pleased with the performance. The growth rate has accelerated. It is the best growth we have had for a year in that business. The pipeline is good and we see that as being a sustainable growth rate. It is particularly fuelled by account management, both in terms of portfolio management and in terms of our various software products that help our clients work out their cross-sell and up-sell strategies. Collections has also been very strong. On both sides of the Atlantic, we are doing a great deal of scorecard work and modelling work in the changed credit environment. The conditions are not that different. In terms of the North America negative growth in the quarter, if you adjust for the Bank of America deal, we were in fact positive in the US. In both places, although we would not regard conditions as being as good as they are in the good times, we are basically in a growth environment.

Kyle Evans

You mentioned that you were taking share in the North American Decision Analytics business. Can you talk about the competitive landscape there?

Paul Brooks

Over a number of years we have been taking share there. This Bank of America deal is a classic where we are putting our application processing software in all sorts of areas of the bank. This is a multi-year many multi-million dollar deal. That is a classic example. Generally we take share in two ways: either from our competitors, but probably more so from in-house solutions. In the UK especially we have established a great track record of doing that. Most of the major lenders use our

software in one form or another. We are making inroads in the US. The one rider to that, in the current climate, is that clients are shying away from major new investments and deployments. That is more of an issue for us in the US, in terms of really driving the growth. It is a big opportunity for us there.

Kyle Evans

In the North American Credit Services business you talked about weakness in mortgage and in pre-screen. Could you quantify those and give a more granular account of what is happening in some of those other major pieces, such as in Auto and Business?

Paul Brooks

The two main drivers of the growth, which are well down since the credit crunch, are pre-screen and mortgage. Pre-screen is approximately 15% of our revenue in Credit Services. The decline continues to be down, year on year, in excess of 30%. This really reflects the fact that we are just not seeing mass marketing campaigns by the major credit card lenders at the moment. Mortgage, which is about 10% of our revenue, has a rate of decline that improved somewhat in the fourth quarter. We had a slight blip in Refinancing in January. That has reverted to the rate of decline of approximately 30% that we saw in the previous quarter. Those are the two which are really impacting the numbers. Elsewhere, we are not seeing much in the way of changes in growth rate trends.

Kyle Evans

With regards to the Portfolio Management business, could you give the relative size of that?

Paul Brooks

Our Management Collection is about 20% of the business. That continues to grow strongly.

Kyle Evans

Moving on to the Interactive business in North America, I am assuming that the LowerMyBills business – with a changed name – is down significantly.

Paul Brooks

Yes. That continues to be down by an excess of 40%. The consolation – if there is one – is that the business is reduced in scale so it has less impact on the overall numbers. We are very much managing our Interactive Media business for profit, of which LowerMyBills now forms a part. The important thing in the quarter is that we actually improved the gross profit on that business. We have actually reduced our marketing spend by more than sales has come down. That helps underpin profits.

Kyle Evans

Is it actually producing an operating profit?

Paul Brooks

Yes. Thank you, Kyle. Shall we perhaps move on to another person?

Michael Meltz

I have three questions. In North America, it looks as though you have been fairly flat on a revenue perspective in the past few quarters. You talked about the resilience of the business. Is it fair to say that you are comfortable with that trend, looking ahead?

Paul Brooks

The most relative thing to bear in mind for North America is the anniversary of the credit crunch, which is towards the end of the current quarter. That obviously gives us easier comparatives in the credit business. We mentioned that Decision Analytics suffered from this Bank of America comparable in the first quarter. That is not as tough in the second quarter.

We have not seen any change in trends in Marketing, but we are very vigilant on Marketing because it is probably the business that would be most susceptible to the general economy if we saw a sharp deterioration there. The growth rate in Interactive has been improving. Consumer Direct is really powering along. Putting those trends together, that would tend to give confidence in your assertion. Having said that, we are stressing that the visibility is low at the moment. We do not know what will happen in the general economy or in the Financial Services sector, although we have been tracking close to our numbers for a while now.

Michael Meltz

You mentioned new business wins in Latin America and leveraging Serasa relationships. Who are you taking share from?

Paul Brooks

The particular thing we referenced in Latin America was in our Marketing Services business. It is actually a business we acquired at the beginning of the last fiscal year. The big deal was with one of our shareholder banks in Serasa. It is a multi-million dollar deal that was the main contributor to that. It was taken away from an in-house solution. When we showed them our capability on a marketing side they decided to outsource their marketing efforts. That was the main contributor to that growth.

Michael Meltz

Can you give us an update on your Fair Isaac relationship? Obviously we all saw the headlines with Equifax being dropped from the lawsuit about a month ago. Is there any update here?

Paul Brooks

In terms of VantageScore, we believe Equifax continue to be committed to progressing VantageScore so we do not see that as being an issue. In terms of FICO, the fact that they have withdrawn the lawsuit when VantageScore was developed – which obviously we see as a lawsuit without merit – the way they dropped that as a result of doing the deal with Equifax perhaps demonstrated the lack of substance to that particular lawsuit. Aside from that, there has been no change in our relationship with Fair Isaac.

Peg Smith

It is fair to say that it is business as usual. We continue to support the FICO Classic Score because of client need. As Paul said, in terms of the lawsuit itself, our position is completely vindicated based on them dropping Equifax. We will pursue that through the courts.

Michael Meltz

If I look on your website, you have the analysts' consensus estimates. Are you comfortable with those for this current fiscal year?

Nadia Ridout-Jamieson

The analysts' consensus can be seen by anyone on Experiangroup.com. It has a wide range of 10% at the moment. We have not actually given any guidance at all. The only thing we said, during the time of the Preliminary Results, was that we look for profit growth this year. We are currently trading to plan. We have not really given any kind of view on the analysts' consensus that is out there.

Michael Meltz

Is there any comment as to whether you are comfortable with it or not?

Nadia Ridout-Jamieson

I will not go much further than that at this stage.

Andrew Ripper

With regards to the US credit trends, I appreciate there may be some seasonal factors, but obviously you had a big drop-off in Mortgage from the September quarter last year, and then Credit Marketing from the December quarter. Subsequently, have you seen much in the way of change in terms of the sequential sales trends in those businesses or is it reasonable to expect that as those weak comps annualise you will see a big reduction in terms of the rate of contraction in those product lines?

Paul Brooks

We have not seen any significant change in trends other than in those two areas. Obviously we have seen the strengthening in the Account Management & Collections which has offset against those two, but we have not seen any significant change in trends on the rest of the Credit Services, which includes origination activity generally on the consumer credit side, as well as Business and Auto. It is a fair conclusion that if conditions do not change, then the weaker comparatives should help improve the growth rate as we move forward.

Andrew Ripper

You have been saying for a while that those two product lines are approximately 25% of the US business. Obviously if they are contracting at 30-35%, and the rest of the business is up a little, that percentage drops away quite sharply. Is it fair to assume that, without Pre-Screen and Mortgage, you are reaching low to mid single-digit in the US?

Paul Brooks

Aside from them we are certainly growing, yes.

Andrew Ripper

Looking at some of the new initiatives that are in place for this year, can you confirm that the new Canadian Credit Bureau is still planned to launch in August?

Paul Brooks

We have pushed it back a couple of months actually in order to get the trade line coverage up to its maximum when we launch. I believe we are now looking at November for that launch.

Andrew Ripper

In terms of BankruptcyPredict, I think Fair Isaac had a relationship with Visa prior to your announcement. Have you had to do some work in terms of the product before launch, and when would you expect to launch?

Paul Brooks

We have had to work on the platform to get the product ready for launch. We have already started with small clients. The large client conversion is going to start in August. We are very pleased with the predictability of the product. We continue to see good opportunities. Many of our major clients are very interested in the product. It is going to be a good revenue generator for us.

Peg Smith

I would just add that Visa has notified the issuers that they will discontinue the old product. Over time, you will see them all migrate to this.

Andrew Ripper

Therefore, there will be a switch from the old product to the new product. Can you be certain as to when clients will switch over? Is it a case that Visa will give a deadline as to when they will switch off the old product?

Peg Smith

They will likely set a deadline, but they will have to be reasonable with their clients in terms of that conversion effort. We know that it will take some time. It will not be an unrealistic amount of time, but it will take a matter of quarters before the activity is moved over.

Andrew Ripper

In the UK, I was of the impression that it would prove to be more defensive than the US business because of the difference in mix. There is less consumer exposure, and so on. Obviously it is a couple of percentage points better than the US. I believe you have some benefit coming through from the public sector contracts. Is it possible to say how significant they might be in the context of this financial year?

Paul Brooks

I do not have the exact numbers, but they will have a noticeable impact in the second half. The contracts impact both Credit and Decision Analytics. We are talking about authentication products in the main so they will benefit both of those segments as they come through. That is more of a second half issue.

Andrew Ripper

Have you or the clients released public information in terms of how significant they might be?

Paul Brooks

We have given broad indications as to what we think is the potential of the public sector, which is significant. We have not given any details of any individual contracts at this stage, however.

Andrew Ripper

Finally, with regards to Serasa, I appreciate your comments in terms of mid to high teens organic growth. Is it possible to be specific? Obviously we will see the number in the next quarter, but is it possible to be specific about what the organic growth rate was in the June quarter?

Paul Brooks

The reason we have not been specific is because if it is down one, people will say it is softening, and so on. We are talking in the area of approximately 16.

Matt Otis

I have one question. In the release, you talk about a strong one-off contribution in Japan. Is there any way we can get any colour on whether this has anything to do with the joint venture there? Is there any view, from a positive standpoint, on what that can provide for future prospects in that country?

Paul Brooks

Part of the Japan revenue in the quarter was some of the work that had been done for the joint venture project. It is progressing very well. We are working essentially on re-platforming one of the main bureaus in Japan in order to comply with the new money-lending legislation. We believe we have a very good opportunity to be the first bureau to comply with that legislation. That puts us in a good position to become the leading bureau in the country if all goes well. That is a project that is very much on track.

Peg Smith

It is a 50-50 joint venture as it is structured today. It is worth keeping that in mind.

Closing Remarks

Paul Brooks
CFO, Experian

Thank you to everyone for joining us today. We look forward to talking to you again at our trading update in October.