Half-Yearly Results – 19 November 2008

Strategic and Operational Review

Don Robert, CEO

1. Welcome

Good morning everyone. Welcome to our first-half results presentation. We are glad you are here and I appreciate all of the kind words you have had to say about the results. We feel good about them.

I would hazard to say, if you have been to a results presentation lately, it may have started with some sort of synopsis of current economic events. We will skip over that part. Instead, we will use our time to talk about how we have adapted our business to the current economic challenges, as that is where the real story is. We are competing well; we are performing well. There is a lot of opportunity out there. Most importantly, the Experian team is very excited about what is on the horizon.

2. Agenda

Following my strategic and operational review, Paul Brooks will take us through the financials as usual. Today, we have a spotlight presentation on our strategic accounts programme. At Experian, we handle our largest global and multi-national accounts differently. We would like to take you through that because it is so important in a number of thematic areas, from client consolidation to geographic expansion. Victor Nichols will make that presentation.

You may not have met Victor yet. He is the CEO of our EMEA and UK business. He is also in charge of our global Strategic Accounts organisation. Victor joined us a little more than 18 months ago from Wells Fargo Bank, where he was one of our most important clients as Chief Information Officer.

3. First Half Financial Year 2009 Highlights

There was great progress in the first half of the year. We are particularly proud of the financial performance that increasingly reflects the strength and diversity of the Experian portfolio, as well as the early adaptation to the challenging economic climate on the part of the Experian management team. We acted early on the cost base, as you know. The results of that are coming through ahead of schedule.

There were a lot of good organic initiatives during the period, involving new markets, new credit bureaux and new products. We will take you through that.

In terms of adapting the business to this new environment, we see a very large opportunity right now in terms of helping our clients manage their books of impaired assets, which we will also spend some time on. In that context, we see Experian as being part of the cure to this current situation.

Through it all, we see a lot of opportunity here in terms of our ability to extend our position of market leadership.

4. Financial Highlights

Here is the financial story:

- Headline revenue growth 11% up at constant currency.
- Organic revenue growth of 3%.
- EBIT margins held broadly flat at 22.8%.
- Benchmark EPS up 8%.
- Excellent cash conversion – 83% of EBIT converted to cash.
- Rise in the interim dividend of 4% to 6.75 cents per share.

This is excellent performance, especially on profits and cash.

5. Current Market Environment

Variation

Let us take a tour of Experian geographies and talk about how current economic conditions are affecting retail lending, because it varies region by region.

US and UK

What we have seen is deterioration across all forms of consumer assets that are being held by banks: auto-loans, mortgages, sub-prime mortgages, and credit clients. This has caused our banking clients to become inwardly focussed, focussed on asset quality, collection efforts, defaults and cash recoveries. There is a good opportunity for us here.

Emerging EMEA

Here, banking systems are fairly under-developed, less leverage has been in use and consumer credit is still flowing.

Asia Pacific

We all know that GDP has slowed here. There are some cracks beginning to emerge in the Asian banking systems. However, there is so much opportunity and room to expand the franchise that we are not feeling any ill-effects at this point.

Latin America

Brazil is still going strong. We have seen our Brazil lenders tighten their underwriting criteria and credit filters a little, but not in such a way that would slow the flow of consumer and business credit. It is that flow volume that drives our business.

6. Opportunity for Experian

The slide highlights past due loans in the US. The lowest line is home equity lines of credit. The next up is bank cards, followed by home equity loans, auto loans, then first mortgages. These are loans that are 30 days or more past due. The information comes from Experian's own files and database. It goes back 11 quarters retrospectively. What you can see is that the trends are all heading sharply in the wrong direction.

What this has caused is our clients to come to us for help in ways that they have not before – or at least I have not seen them do so in the course of my career, certainly in my time at Experian.

7. Experian's Response

What can we do to help? We have a whole suite of collection products that really match up to three cycles in a client's delinquency management area. The first cycle, which curiously is now of most interest to our lenders, is the pre-delinquent cycle, which means focusing on loans that have not yet gone into default. Why is that of interest? It is of interest because, if the banks can identify who is likely to default in the future, they have now built internal capabilities that allow them to reach out proactively to those consumers and help them restructure the debt to at least lower the amount of losses they would have ordinarily taken.

The next two stages of delinquency are default, or pre-writeoff, followed by writeoff.

8. Products

Pre-delinquency

We have a minimum of six products that match up into each of these three phases of the cycle. In the pre-delinquency phase, we help clients in two areas. One is determining who is likely to default. We do that by writing very sophisticated algorithms and formulae that draw on our data supplies. Then, we also monitor their portfolios, using account management tools and techniques, which you have heard about, as well as products like Triggers. These help us notify our client of a problem that their customer might be having elsewhere.

Default

As the loans move into default, or pre-writeoff, we help in three main areas. The first is that we help the lender segment that population of past due loans, so they can decide who to spend time collecting from. Some borrowers are going to move to writeoff no matter what; others are recoverable. We also help them locate their delinquent borrowers, so that they can make contact and try to work out payment plans with them. Then, through a whole suite of tools, we help optimise the results of their collection efforts.

Writeoff

Finally, as we move into writeoff, we can assist the lender in determining and making a forecast as to what their cash recoveries will be from assets they have written off.

Tools

The great part about this is that the tools that fall into all three parts of the cycle come from three of the four Experian business segments: Credit, Marketing, and Decision Analytics. What we have done in the last few months is marshal those tools and point a lot more of our organisational resources at this problem: client education, selling, incentives and product development. Where we have had gaps in the product line, we have filled them and we see a real opportunity here.

9. Extending Experian's Growth

Competitor Comparisons

This offering is not available from any of the competition. This is relative revenue that compares Experian to our five publicly quoted competitors. Our lead is increasing. Looking at quarterly results most recently, you see the divergence becoming more profound. Experian has separated from four of these five competitors in terms of financial results. We are improving; they are going in the wrong direction.

Factors Contributing to Over-performance

Where is the over-performance coming from? I see five areas. Our Consumer Direct business goes from strength to strength, up 20%. It is a volume game now, and an affinity partner game.

Our Latin American business, because of the strength of Brazil file and improved sales efforts, is going very well.

UK Business Information, with a high focus on value-added products, is paying off.

In US Credit Services, the business is tough, but we are taking share in that market. Also, our new media marketing activities are doing very well.

I would like to take this issue of lender consolidation and client consolidation head on, because I know it is important; it is important to us. What is happening now, as banks are merging, it is creating much larger, more sophisticated, multi-national institutions. Their needs are different to the smaller institutions. What they need most is to standardise certain platforms and product sets. They need to improve and overhaul their risk management processes. We are here to do that for them.

They have been coming to us in the pre-merger stage and asking for consulting. We have had several large sales to merging entities, both renewal contracts and new business. What we are helping them with is often the synergies that have helped them justify their M&A cases to begin with. They are gravitating towards us as a large multinational partner. We see a lot of opportunity.

Short-term, there can be some pain. There is an average unit price game that goes on here. We estimate, of the known mergers that are taking place out there right now, that the short-term headwind could be significantly less than 1% of our revenues globally. That is more than outweighed by opportunities longer-term with these same clients.

10. Cost Structure

We have made great progress in offshoring and outsourcing. There was surgical execution on the part of our management team. We are doing a lot in the back office to standardise on platforms, finance, HR and doing a lot with facilities, creating Centres of Excellence around the world. As we have gone into this process, we have found more opportunities on the cost efficiency front. In an environment like this especially, you are compelled to take those additional opportunities.

We have identified an additional $20 million of annual cost savings. We are raising the target from $110 million to $130 million in annual cost savings. The charge to earnings will go up accordingly. There is a balancing act here about investing concurrently in the future. We are doing quite a bit of that as well.

11. Strategic Process

Overview

We have stayed very focused on the strategy that we talked to you about in May, the three parts of which you see here. First of all, there is the firm focus on our bullseye of data and analytics. The second is driving profitable growth. The third is optimising capital efficiency.

Organic Growth

We have several organic bureau builds going on, making good progress in Canada, Morocco and Japan. We have continued to push out the boundaries of our Decision Analytics businesses into parts of emerging Europe and attractive markets in Asia and Latin America. Here in the UK, we have made a lot of progress in the public sector, reconfiguring our teams, product offerings and continuing to build momentum in that important vertical.

Recently, we disposed of our French transaction processing business, from which the proceeds were $203 million net. We feel good about that. There was not a good strategic fit there for Experian.

M&A

There is not a whole lot of activity, but a few small and important deals. First of all, a few weeks ago, we bought a business information company in South Africa, which will be combined with our consumer information business there. We see a lot of attractive SME activity in South Africa, so this will be a great acquisition for us.

In Japan, our joint venture with CCB is coming along well. We are building the technology that they will re-platform their credit bureau on.

Earlier in the year, we increased our stake in Sinotrust in China, and a lot of synergies are now coming through that, prior to an increase to a majority position. For instance, we have just rolled out bankruptcy prediction scores in China through the Sinotrust joint venture.

Finally, we acquired a minority stake, 40%, in a business credit company in Singapore, called DP Data. That is exciting, because Singapore is a really attractive strategic market for us. We expect great things from the DP relationship.

Progress in Asia Pacific

Sometimes we fail to highlight our progress in Asia, but this year our revenue footprint in Asia will be closing in on $100 million. We are continuing to find opportunities to invest. It is very attractive to us. Our clients are still looking to that region for growth. We all saw the Bank of America increasing its stake in China Construction Bank. That is a great example of that. There is a lot of consumer lending growth on the horizon; the market is extremely under-penetrated. There is good growth in internet usage, which plays to a lot of our marketing capabilities. There is, of course, a very robust SME market.

12. Summary

The presentation would not be complete without complimenting the excellent performances turned in by the Experian management team in the first half of this year.

Three-quarters of the businesses in the portfolio grew strongly. Brazil is continuing to go from strength to strength. There are very good secular trends there, as well as better sales execution on our part. We talked about Consumer Direct. Here in the UK, it is at 50%. In the US, it is 20%. IT is doing very well on the back of new membership activity and very strong partner relationships. Decision Analytics growth has been tremendous and very timely, given the challenges in the marketplace. We are building a lot of scale in the digital marketing area, email marketing, Hitwise, and our name and address software.

There was an excellent performance all round – one that we feel good about.

Financials

Paul Brooks, CFO

1. Overview

Thank you and good morning. Overall, we delivered a strong set of results in the first half, despite the unprecedented set of market conditions that we are facing. This reflects the strength of our business model, and the performance has been achieved while we continue to increase our investment in the business through the P&L account.

2. Accounting Principles

Before reviewing the detailed financials, I should point out that the transaction processing business in France is treated as a discontinued operation for GAAP purposes, following its disposal in October. Consequently, it is excluded from the profit and loss account and the operating cashflow statement for the year, as well as for last year.

In addition, there have been some minor segmental reclassifications during the period. These better reflect the nature of the underlying business. Reconciliations of these movements can be found in the appendix to the presentation.

Also, in this presentation, all growth rates down to EBIT will be stated at constant currency.

3. Highlights

In the first half of the financial year, we delivered total revenue growth of 11% and organic growth at 3%. Direct EBIT also grew at 11% and benchmark PBT grew by 9%. Benchmark EPS growth is 8%, with benchmark EPS of 30.7 cents.

In what is traditionally the weaker cashflow half, operating cashflow conversion was well up on last year at 83%. Free cashflow of $270 million, was 14% higher than last year. We have made some excellent progress in our restructuring programme, with savings coming in more quickly than planned.

4. Revenue and EBIT by Geography

Turning to performance by region, revenue growth for continuing activities was 11%, with 8% contributed by acquisitions, principally Serasa and Hitwise prior to their annualisation.

North America and the UK delivered organic revenue growth in the period despite very challenging market conditions. Growth in EMEA/Asia Pacific was strong, and in Latin America was outstanding at over 20%.

Sales growth of 11% in the direct business translated into 11% EBIT growth in direct activities. The contribution from our FARES associate at $23 million was 23% lower than last year. This reflects the depressed state of US real estate and mortgage market.

Continuing EBIT, including FARES at $476 million, was up 8% on last year, and EBIT margin was up 22.8%.

Regionally, margin performance was strong in North America as a result of cost savings, and in Latin America because of operating leverage at Serasa.

The UK margin was weaker because of negative operating leverage in part of the business. EMEA/Asia Pacific performance reflected increased investment in Asia.

5. Performance by the Four Principal Activities

Credit Services

Despite the impact of the credit crunch on pre-screen and origination volumes, organic revenue was in-line with last year. This reflects strong demand for counter-cyclical products and an excellent performance from Serasa, which contributed to organic growth for one quarter. Serasa's growth of 18% was in-line with our guidance of mid- to high-teens.

The margin for Credit Services was 30.6%, compared to 32.4% last year.

Moving from left to right, we saw an underlying decline of 60 basis points, mainly down to negative operating leverage in the UK. This was more than offset by a 120-basis-point improvement from cost savings delivered by the restructuring programme. There was a negative impact of 130 basis points from incremental investment activity in new markets, including the joint venture with CCB in Japan and new bureau activity, principally in Canada and India. Regional and foreign exchange mix had an adverse effect of 70 basis points, with a further 40-basis-point impact from acquisitions.

Decision Analytics

This delivered 9% sales growth. The acquisition contribution of 2% is attributable to the Tallyman collection software business and N4 Solutions.

Organic growth in the UK was driven by strong demand for counter-cyclical products and some one-off software deliveries that we highlighted in the trading update. We saw strong performances in new geographies, with good demand across a broad spectrum of products. I should also point out that given the phasing of one-offs, we expect lower growth in both the UK and EMEA in Q3.

The reduced margin from 33.8% to 31.4% is due to adverse product mix effects in both the UK and EMEA/Asia Pacific markets.

Marketing Services

Organic revenue growth here was in-line with last year for the half with the acquisition contribution coming primarily from Hitwise and Emailing Solution in France. New media activities continue to deliver excellent growth, offsetting the decline in traditional activities, which have been impacted by the weak economic environment. The newer activities, notably email marketing, contact data management, and online competitive intelligence, operate across multiple geographies and have delivered the strong performance in growing scale in EMEA/Asia Pacific.

The EBIT margin was flat, with negative operating leverage in traditional media offsetting a strong positive mix effect from new media activities and actions to drive cost savings.

Interactive

This delivered 9% revenue growth. In North America, sales were up by 6%, with another excellent performance by Consumer Direct, which grew in excess of 20%, principally from new membership growth. The very weak mortgage market conditions in the US continue to adversely impact interactive media in the first half, and we saw softening in PriceGrabber in the second quarter.

UK Interactive continued to perform strongly, up nearly 50%, driven by growth in Credit Expert membership. The margin improvement of 130 basis points to 21.4% was driven mainly by higher return on marketing spend at Consumer Direct and significantly reduced spend at Interactive Media.

6. Cost Efficiency Programme

We continue to monitor costs closely in view of the trading environment, and as we have executed on the trading programme, further savings opportunities have been identified. As a result of the speed with which we have implemented our cost efficiency programme, we have delivered savings of $29 million in the first half. Our target for the full year is $70 million, significantly ahead of our original target of $50 million. This will help underpin margins in the second half.

Today, we are announcing additional cost savings that we expect to yield in incremental benefit of $20 million on a full-year basis, to take total annualised cost savings to $130 million for fiscal year 2010. Incremental initiatives are consistent with existing cost saving plans – the focus on offshoring and outsourcing, infrastructure consolidation, organisational efficiencies and product rationalisation. We will increase the total exceptional restructuring charge forecast from $140 million to $170 million, with $30 million recognised in the first half of financial year 2009.

7. Group Benchmark Earnings

EBIT for the half was $476 million, a 10% increase on last year at actual exchange rates. Discontinuing activities in 2007 relate to the run-down of UK account processing. Net interest was $60 million, up marginally on last year. The benchmark tax charge of $87 million is at a rate of 20.9% on benchmark PBT. We anticipate the full-year rate to be approximately 22%. The minority of interest of $19 million arises mainly from Serasa, which brings us down to benchmark earnings of $310 million, up 8% on last year.

8. Cashflow

Cash generation in the half was strong. Cashflow in the first half is traditionally weaker, but our conversion rate of EBIT into operating cash in the first half was 83%, which is significantly higher than the 73% that we achieved last year. Capex was in line with depreciation with both reflecting a full half-year of last year’s acquired businesses.

Working capital outflow was $27 million less than last year, owing mainly to lower debtor day sales outstanding. Net interest is higher than the P&L charge because of the net pension credit and timing of interest payments. Tax paid of $40 million represents a cash tax rate of around 10% on benchmark PBT. The dividend payable to minorities relates to Serasa.

Free cashflow was up 14% on last year at $270 million. This represents a conversion of some 87% of benchmark earnings.

9. Net Debt Reconciliation

Net debt at end of September was $2.6 billion, which is nearly $0.1 billion less than at 31 March 2008. Free cashflow during the period was $270 million. The exceptional cash outflow of $46 million relates to the restructuring programme. Acquisition investment spend of $80 million relates mainly to deferred payments on acquisitions made in previous years. In addition, there was increased investment in Sinotrust and the CCB joint venture in Japan. Foreign exchange and other accounts for $60 million and last year's final dividend payment amounted to $121 million.

10. Funding Position

Since the period end, we received $203 million proceeds from the disposal of the French transaction processing business, which brings us just inside the top end of our debt target range of 1.75-2 times EBITDA.

In the current climate, we think it appropriate to target the bottom end of this range. We will continue to monitor our capital structure in the light of our trading performance and compelling investment opportunities, as well as ensuring we have adequate headroom on committed facilities.

In terms of commitments, we have bonds to the value of £308 million, or $460 million, coming up for redemption in July 2009. Currently, we have headroom of about $1.1 billion on our $2.5 billion committed bank facility. We are likely to use this to fund the redemption. We have also generated over $700 million of free cashflow in the last 12 months.

11. Modelling Considerations

There are a few modelling considerations relevant to the full-year outlook.

We have seen significant recent strengthening of the dollar, particularly against sterling. This is likely to have a significant impact on reported dollar EBIT for the full year. In fact, if rates remained unchanged in the current levels for the remainder of the fiscal year, we estimate that EBIT for the full year will be reduced by approximately $35 million, compared to translating at last year's average rates.

Reflecting the disposal in France and recent forex movements, we expect interest on net debt to be in the range of $110-125 million after a pension credit in the region of $20 million. We expect our benchmark tax rate for the year to be about 22% and we expect our cash tax rate to be at a similar rate to last year's level of 11%.

Finally, we expect our capex spend of the current financial year to be in the range of $330-350 million, again reflecting the French disposal and recent foreign exchange movements.

12. Summary

To summarise, during a very challenging period, we have delivered a high single-digit growth in benchmark EBIT, PBT and earnings. Operating cashflow is up 23% on last year, and free cashflow up by 14%, with 87% conversion of benchmark earnings. Our restructuring programme is ahead of schedule and has led to us identifying additional opportunities to reduce our ongoing cost base. As we look forward, there continues to be uncertainty in the external environment and, clearly, both the financial services sector and the broader economy are suffering weaker conditions since the end of our first half. However, we see our business continue to grow. Currently, we expect to deliver organic sales growth in Q3 at a similar rate to the first half. For the full year, our objective is unchanged, namely, to broadly maintain margins and grow profit.

Strategic Accounts Programme

Victor Nichols, CEO UK and EMEA

Client Input

Thanks and good morning to everyone. Let me set the context by sharing a few client quotes with you. These came to us as part of an input session we had from our customers at a global management conference. The theme that they characterised was very consistent against all of the input we had from our clients. They are looking for us to partner with them, which for us really means opportunities to cross-sell. They are looking for us to innovate with them, developing new products and services, which for us really means opportunity to upsell in the market. They are also looking for us to support them globally as they expand, which of course enables us to expand tremendously.

Ability to Differentiate

The strategic accounts programme is really what enables this to happen across the globe. We have a very strong account programme. If there is one point I would like you to take away from this, it is that it is a real differentiation for Experian. We can do this and our competitors cannot, and it is because we have the best client-facing organisation, the product suite on a global standard basis, the broadest product suite and we have a machine of processes and tools to enable this to be replicated.

Definition of a Strategic Account

A strategic account is one that has in excess of $10 million in annual revenue. Think of that as them having a deep client base that they are serving. They need a lot of our services and solutions to really serve their clients and optimise the value they are receiving from them. They are also buying more of our products; they tend to buy across our business lines. They have complex needs and we are able to serve them.

Also, in almost every case they are multi-national – in fact, often global. We have 66 strategic accounts identified. Some of them are actually identified as being global institutions as well, and I will come back to that.

Client-facing Organisation

What really sets the strategic account programme, first and foremost, is that we are a client-facing organisation. The account managers and their teams are not just subject matter experts in our products. Certainly, they know our data and analytics and are very skilled in all of our product offerings, but they know the industry deeply and they typically know the client very deeply – sometimes better than the client knows themselves, certainly from an organisational standpoint and how to ensure things are done.

These same efforts are incentivised to really see that client succeed. They are consultative in their approach and we have teams complementing those clients in all of those locations.

Global Solutions Set

That is a real point of differentiation, as is our global solutions set. Our clients are serving their customers across a life cycle. They prospect those customers; they acquire them. They then manage them, and then in some cases, they recover against them. It is really client value optimisation through that entire life cycle. We are seeing that as a growing focus and a growing practice. We have the consulting, software, data and analytics in both Marketing, and Credit and Risk, to provide a suite of services that they need across that whole spectrum – another key point of differentiation.

What accentuates that, is we do it on a global basis: our clients can buy once, integrate once, and implement our solutions for usage many times around the globe.

Proven Model for Buying a Mixture of Solutions

That presents us with a great opportunity. Out of our six business lines, we have 45% of our large clients buying from three or more of those business units. They are buying a mixture of solutions. The good news is that the 45% indicates it is a proven model; it works and can be replicated. The really great news is there is still 55% to go. We can apply this and have further growth and expansion across the strategic accounts sector.

Processes and Tools

The third important element is the machine behind this. We have the processes and the tools to really make this work. They have aids for their sales cycle. They have facilities to listen to their clients. We have input from these clients very formally through a process twice a year; that input is very revealing and we respond to it and adjust our approaches accordingly.

We have a structured sales cycle that really helps our account teams. That is driven by our relationship management system.

There are incentives to pull our teams together in serving these clients. There is an executive sponsor programme on each and every one of these clients to strengthen the professional relationships at the top.

Again, coming back to it, we are identifying now global accounts that have reached out to us and said they want to do business with us differently. They want it to be on a global basis completely – another key point of differentiation. As you can imagine, this is very hard to implement across all the countries on a multi-national basis in support of that many accounts.

A real point of differentiation.

Examples

What does it mean to us? These are a few quick examples. There is one very large global bank that is very acquisitive – has lots of acquisitions going on. This is the sort of account, despite the great relationship we have with them, that you would talk about in terms of having to renegotiate prices with these people. That is true. We are constantly renegotiating as they make these acquisitions. The bigger story is that they look to us for our best of breed solutions. When they see they need to put more emphasis on collections, for all the reasons Don was sharing with you, they came to us very quickly, bought our Tallyman solution, and are implementing it around the globe in all their locations, including the ones where they have made acquisitions.

Another example, in the emerging markets, there is a major Russian institution that was looking to raise the bar across that whole client life cycle. They came to us, the Decision Analytics group, and they bought the suite of products that go through from prospecting to recovery. Now, a great implementation is underway in that institution. It will raise the bar for them and be a success.

There is a large US bank that reached out because it was struggling in some key areas to reduce its expenses. We brought in teams to analyse some of their problems. What we were able to identify was that they could implement our contact management data solution and dramatically reduce the return mail that they were receiving in their deposit and lending bases. There were major cost savings. We had a needs-based approach and the consultative services to identify and implement that solution.

The last example is a major utility company here in the UK struggling with its debt management. It had our teams come in, using our consultative services, and we were able to provide them with data and the consultation to make some major improvements.

Did I mention this is a point of differentiation? We think this really distinguishes us and are very excited and proud of what is going on here. We will continue to serve our clients well with it.

Thank you for letting me share that with you.

Summary

Don Robert

1. Performance

Thank you. Well said, and it is a point of differentiation.

Again, thank you for noticing and we also feel the half one performance has been excellent, and more importantly not easy for us. It reflects well on the skill of the management team, many of whom are here today.

2. Resilience to the Economic Environment

The business is proving definitely to be resilient and we are pleased with the fact that such a high percentage of our business units are growing and more than offsetting any weakness in other areas.

Data and analytics we see as being very much part of the cure for the credit crisis and a vital tool for our clients. Again, the fact that it draws on so many different parts of the company shows that the investments of the past are very well placed for the future.

We are also encouraged by the fact that consumers are so interested in actively managing their own credit portfolios. Credit Expert in the US and UK continues to be a big driver and a strong driver of growth.

Our early and tough actions on costs are coming through ahead of schedule. They have been surgical, precise and well executed in large part by Chris and Victor's teams. They will permanently lower the cost base.

At the same time, there is good investment through the P&L, largely in long-term organic growth: new bureaux, products, vertical markets and geographies.

3. Guidance

You have heard us say that visibility is still somewhat limited. We feel that Q3 will look very much the same in terms of organic revenue as the first half of the year. Also, the actions that we have taken on costs should provide us with the opportunity to achieve our objective of growing profit for the full year.

With that I invite Paul, Victor and Chris to join me as we move to Q&A.

Questions and Answers

Jaime Brandwood, UBS

May I start by asking about the margin bridge that you gave for credit services; you said you had put in an extra 130 basis points of increased development expense. Can you give us a feel where that has gone from to?

Paul Brooks

It is spread between five areas, it includes first of all the Canadian bureau, which is about to be launched, and so we have stepped up investment there in the current year. It refers to India, where we are awaiting approval of a credit bureau licence, but have been developing the infrastructure in the meantime. It refers to Japan where we have been investing in the joint venture with CCB to develop a credit bureau, and that includes a share of the losses of that joint venture. Finally, our bureaux in Eastern Europe, and some investment in Latin America, including Mexico.

Jaime Brandwood

In the past you have talked about roughly 200 basis points of your P&L expense was development expense-related, does that mean you have taken it up to roughly 330?

Paul Brooks

Yes, a lot of that will be investment in the core areas of the business, where we are reinvesting for new products and so on. In terms of geographic losses, or investment in geographies, that is probably at a lower level, maybe in the $20 million region overall...

Jaime Brandwood

It therefore represents a significant uptick?

Paul Brooks

It does represent a step-up of overall investment in the business.

Jaime Brandwood

In terms of the roughly 3% organic growth you have seen in the quarter, if we look back over the first half it was 1% in Q1, 5% in Q2; are you saying there is a bit of deceleration despite the easier comps, and if so, where?

Paul Brooks

The point I made in the presentation was Decision Analytics, where we expect the growth to be slower in the third quarter, is not a trend issue. It tends to be a 'lumpy' business, particularly currently with some of the big software deliveries that we have been making. Based on the current pipeline, in terms of completing existing contracts, we would expect in the UK to see lower growth. We had a particularly strong Q2. In EMEA Asia Pacific we had a very big delivery in the third quarter of last year in the Middle East, which gives us a very tough comparative. Decision Analytics is one area where we would expect slowing for third quarter, which is a fairly specific Q3 issue.

Elsewhere in the business, the external environment has clearly got weaker since our second quarter. We are seeing sequential softness mainly in the US, in parts of the credit business, particularly mortgage, which has continued to soften in the current quarter. In the traditional marketing business in the US, which is mainly retail focused, we have also seen some sequential softness. Against that, as you mentioned, we are facing weaker comparatives in quite large parts of the business in the second half, which mitigates some of the sequential issues we are facing.

Jaime Brandwood

On UK Credit Services, your business information piece, there is a lot of news flow about some of these credit insurers like Euler Hermes and so forth, that are pretty large customers for that area. Does that imply increased usage of your business information products?

Victor Nichols

Certainly we are seeing a good pipeline, a lot of consultation and demand with our clients. I would view it as holding its own with potentially some upside.

Don Robert

Victor, maybe you could expand on the demand that seems to be fuelled increasingly by the value-added products in the SME market?

Victor Nichols

There is a lot of work going on to help locate, identify and trace on various SMEs, much like what is happening on the consumer side, so you see various offering that we will customise for clients. Then, akin to the consumer side, you will see a different sort of analytics, to try to do some of the pre-analysis activity that Don had talked to, pre-delinquency.

Don Robert

It is akin to credit scoring as well.

Jaime Brandwood

So the information piece in the UK continues to grow well?

Don Robert

Yes.

Andy Chu, Deutsche Bank

First, in US Credit Services you talk about gaining market share and new contract wins; could you elaborate in terms of the contract wins themselves, where they are coming from and what they are bringing to the top line?

Chris Callero

To summarise the great wins that we have been able to secure on a number of factors; over the past few years we have significantly invested in our data, which we think is a key differentiator for us, and that we will continue to invest in. We have invested in our sales and service efforts, Victor went through his presentation, where you saw a lot of the components of that. That discipline and skill-set is a big differentiator and helps us win the marketplace. Our product innovation well-known, we are bringing out five or six new products a month, our clients are constantly looking for new things, and the range of services that we have gives us a better chance of winning in the market. We invest in vertical markets, we tailor our offerings to those vertical markets, that is a big deal, it is very important for us to be able to understand the industry with the experts that we have, and subject-matter expertise in the company. It is also very important for us to consult with client and demonstrate the products to them in the ways that they would like to see it.

Our ability to manage our costs strategically has helped us, so we do not have to take knee-jerk reactions to tough conditions in the marketplace. We have been thoughtful about the strategic cost reductions that we have taken, and the ones that we will continue to take. All those things combined give us that element, and these are all words, but we really execute it, and that is important for us.

Andy Chu

Can you say a bit more about the contracts themselves and what levels they have brought?

Chris Callero

There is a whole array of contracts; we have won big renewals, we have made share gains on the back of the reasons I have just given you. I cannot give you specific names, but almost anybody that you can think of that is material in financial institutions and key retailers you will find we have made significant strides in gaining share with them, and with products that hitherto we have not been able to offer them. Now that some banks are getting very large, they look at us to standardise their product sets, which gives us the opportunity to go in there and offer them something that as separate, stand-alone banks would not have been a priority for them. It would have been a nice to have, and now it is mandatory, which helps us position us in those situations, and we have had a few wins on that front.

Andy Chu

Clearly, you talk about clients' attitudes to risk changing pretty significantly, could you help us in terms of the counter-cyclical parts of your activities and how well they are performing. In the past you talked about account management and collections growing 20%, are there any more metrics and indicators that can help us understand the changing attitude?

Don Robert

If you visualise the slide that I used showing how we work across the three different phases of a collection cycle, the revenues that flow into those three boxes from Credit Services, Decision Analytics and Marketing Services at Experian would total approximately $300 million annually, and the growth figure you quoted I am comfortable with at about 20%.

Andy Chu

What is driving the tax rate slightly lower?

Paul Brooks

In any one year clearly we have got a mix of profits in different jurisdictions, and there are a number of issues year by year, so in any one year the rate can vary a little. We would still guide to 23% as being the underlying rate, but going forward in any one year you could see the rate going somewhere between 21 and 24%. This year we expect it to be at 22%. I should also remind you that the cash tax charge remains very low, so we are going to be around 11% on that.

Mark Shepperd - UBS

Can I ask about Consumer Direct and the drivers behind the growth on that, because the growth has continued to be very good, and going back a little while your presentation said you had expected the growth to slow? If I remember rightly, the growth historically had been partly due to when people took mortgages out they looked to check their credit reference, and manage it during that process. However, if they are not taking mortgages out, one would have thought the growth would have slowed as a consequence of that. What are the dynamics behind the growth of it now; is it identity theft or people managing their credit in the different environment? Why is it so good?

Chris Callero

There are four aspects to it, in no particular order. First, we are great marketers in our Consumer Direct business, we have done a great job and our new memberships are a testimony to that. Second, from a market-conditions standpoint a lot of demand in the past was created by wanting to ensure credit was in good shape, to ensure a good score and a lower mortgage rate. In today's environment consumers are concerned about a lot of things, some of which they have no control over in their estimation. The consumer behaviour that we are seeing is, 'I do not have control over my 401K, but I have to keep my household costs low, therefore I have got to keep my credit in as good a shape as possible in these market conditions, because many of them have risk-based pricing'. Therefore, if their score goes down it is likely their interest rates will go up. The consumer is now taking control and managing their credit behaviour, and they need our tools to help them with that.

Third, we have continued to add value to the overall offerings, so we have new products that we have offered that create improved credit monitoring, and identity theft protection – family and child security – and other added value offers that make that relationship much stronger and sturdier for a foreseeable period of time. Fourth, it is important to recognise that with the concern about identity theft consumers will look at data breaches they receive in the mail on a regular basis. They think about it and say, 'I should not wait for another letter informing me there has been a data breach; I have to take control myself'.

Those are the key drivers of the business, we are thrilled with the performance and to be able to say we are substantially continuing to reinvest in that business over this period of time.

William van der Pump, RBS

On the emerging market side, obviously one of the newer stories has been a deterioration in outlook in some of the Far Eastern economies and South America for 2009. How confident are you about that market, where you have an 18% growth rate? What is underpinning your confidence there, particularly with regards to the next full year? The second part of that is, is there anything comparable in that market; it is obviously a new business for you, but what did the guys in that business see last time around?

Don Robert

I will talk about the first part of the question; maybe Chris can pick up on specific opportunities in Brazil. We returned a few weeks ago from a trip to Brazil, we took the Experian Board to Sao Paolo for an interesting educational trip, which was a new experience for many of our Board members. We met with the President of the Central Bank, prominent law makers, ambassadors and clients. The reason we continue to feel bullish about Brazil has to do with several factors, it is a very strong economy, and in a lot of ways it is an economy of one. It is very natural resource rich and does not have huge dependencies on other countries around the world. The Central Bank is extremely well run, and banking system is very well run and well regulated. From a macro perspective Brazil is also under-leveraged in terms of debt to GDP, one of the lowest nations around the world, and the political regime has been stable for the last few years. For all those reasons, and for the reasons that our clients share with us, be they telecommunications providers, banks or retailers, we continue to see a lot of room for growth, especially when you consider that common financial instruments like mortgage loans are just coming into existence in the Brazilian market, and we see a lot of emerging middle class generate consumer activity on the horizon.

Chris Callero

We think that Brazil continues to have phenomenal opportunity, albeit at a point in time when, because of the dark cloud around the world, the banks are looking at their credit criteria and tightening it somewhat. That has not had much of an effect on us at all, so we are still looking at mid to high teens. We have a very strong management team in Brazil, and that enables us to get to market quickly with some of the capabilities that Experian brings with the legacy parts of what is now our Brazil business, which is the foundation for Latin America. We have a strong emphasis on integrated sales; we have added in the tools that Victor went through in his slides, so that we have a common process and common tools in place. In the past, Serasa was more of an individual product sale, not consultative, and we have modified the environment for that and have continued to upgrade our sales force in the market.

Even though we are doing very well, we think there is much higher potential. We are bringing together the Decision Analytics and the Marketing Services, which are nascent in the region, and we think that gives us a formidable opportunity to create more value for our clients. You put that together with new products that we have developed in the region, and global products that we will be trotting out in the region, our sales people constantly have something new to talk about, and our offering is much broader than anybody else in the region. We continue to add value, not just to financial services, but we are strong with the telecommunications industries and other related vertical markets.

Ed Steele, Citigroup

First, on your cost savings, where you have obviously had a lot of success; can you talk about phasing? On the $29 million for the first half, was that annualised, and how does it relate to the $70 million annualised for the full year?

Paul Brooks

The $29 million was the actual saving for the six months, so our target for the full year would be $70 million of savings.

Ed Steele

Therefore another $6 million in the second half.

Paul Brooks

That is right.

Ed Steele

When do you do your next round of savings?

Paul Brooks

We were previously at an annualised rate of $110 million, which is what we expected for the full year next year, and we have added $20 million to that now. Therefore, we are now talking about $130 million on an annualised basis next year, compared to $70 million for the full year this year.

Ed Steele

Therefore, next year in the first half will be the next round of big savings coming out?

Paul Brooks

Effectively, yes.

Ed Steele

The working capital has been better than last year, and that has helped drive your cash conversion. It is impressive in this environment to get your cash in, but the second half is the more important cash in-flow of your year; how do you feel about collection from banks going into the second half?

Paul Brooks

As you can imagine, we are very vigilant on our accounts receivable in the current climate, but in the first half we actually improved our DSO by a couple of days, which is what is behind the lower working capital outflow in the first half. We will remain vigilant; clearly the broader economy is getting weaker, so it becomes a bigger issue. So far we have not had any problem there, and we are going to remain alert and stay on top of it.

Ed Steele

It is pretty comfortable?

Paul Brooks

Currently, yes.

Ed Steele

On Decision Analytics; previously you have intimated that you get one or two quarters of visibility in your pipeline, is that reasonable?

Paul Brooks

You get visibility over quite a long period of time, but it gets less as you move out. At this stage of the current quarter we have a pretty good view of the software side and the development work that we are doing. There is also a transactional revenue element to Decision Analytics, which is relatively predictable, but has different drivers.

Ed Steele

Do you have much visibility on Q4?

Paul Brooks

We do not want to get drawn into longer-term forecasts, but what we have said is what we do see for the third quarter is growth in the UK coming down, it was exceptionally high in the second quarter, because of the timing of deliveries, and because of the timing of deliveries we see it being weaker in the third quarter. The fourth quarter; as we sit here we would expect that to be on a more normal basis, but we will give you an update in January.

Ed Steele

You cannot see the visibility in the fourth quarter?

Paul Brooks

We can see a pipeline, but how that converts and what we expect to see in the way of transaction revenue, we will clearly have a better idea in January.

Andrew Ripper, Merrill Lynch

Going back to the margin bridge slide for Credit, you talk about an underlying margin decline of 60 basis points, which seems good seeing as the US and UK were down 4%

and 5% organically. Does that basis point drop include benefits from the actions you were taking in the US to reduce cost prior to the big initiative, is that why it is so low?

Paul Brooks

Absolutely, it is exactly that. We were always vigilant on costs, but we took some specific actions in the US well ahead of the restructuring programme, in particular setting up the off shore facility in Chile, and that was well underway before we announced the restructuring programme. We are now getting the benefits from that. The margin held up well in the first half of the US credit business. In the UK we saw some softness on the margin, but as the restructuring actions come through in the second half, we would expect to see offset coming through that.

Andrew Ripper

Do those US actions continue to benefit looking forward; is there a full year impact in the second half? On the restructuring, I did not get Ed's maths: you are saying the benefit from restructuring is going to be $70 million; you have had $29 million, so that would be $41 million in the second half?

Paul Brooks

That is right. On your first question, I would say the actions we had taken before the restructuring were beginning to take effect in the second half of last year, so the annualising effect of those will be less in the second half. Equally, we have got more restructuring benefit coming through in the second half, so that will help us.

Andrew Ripper

Is your outlook for full year is to broadly maintain your 20 basis points reduction in the first half? I know there are a lot of swing factors on the margin, but with the extra restructuring benefits is the expectation for a small increase in the second half, or is that in the roundings?

Paul Brooks

I would say it is in the roundings. We have given the broad objective of keeping margins in line. I can give you an example of one of the variables here, in the Interactive business the margin does tend to move, and one of the decisions we will be making as we move to the second half is the extent to which we ramp up or ramp down marketing activity in Consumer Direct. We could easily improve the margin significantly in Interactive by putting marketing back, because that would have a revenue impact in the following year. Those are the variable factors that will influence how margins turn out, so we are keeping it in a broad range currently.

Andrew Ripper

The investment in the new bureau looks like an $11 million incremental hit in the first half, when you look forward, are you expecting similar magnitude in the second half? Are you $22 million for the year, or is there potential ramping up in a market like India post the license?

Paul Brooks

Overall I would expect a similar kind of run rate in the second half, compared to the first half. In terms of year-on-year, a similar increase in the second half to the first half.

Andrew Ripper

Can you give us a sense of what the cash spend on the restructuring is going to be for the full year?

Paul Brooks

I would expect it to be slightly ahead of the P&L charge for the year, but it is difficult because of the timing of certain of the costs, which side of the year end they fall is going to be difficult to predict. I would say that all of the restructuring will be underway before the end of the year. We will not necessarily take all of the charge this year, because that will be determined by accounting rules. Everything will be committed, but whether it is taken will depend on the accounting aspects of it, but I would expect to see the cash broadly in line, or maybe slightly ahead, of the actual charge we take in the year.

Andrew Ripper

The extra 30 of costs you announced today of P&L may run into 2010 financial year.

Paul Brooks

Yes, certainly some of the cash will straggle into next year.

Andrew Ripper

Thinking about where the balance sheet might be at the end of March, today you reported $2.6 billion, and you have got $200 million coming in from Transaction Processing, you are saying nothing is changing in terms of accounts receivable and working capital flows, you have given us a steer on the capex. Looking at the maths, it seems that by the year end you should be down 1.7 net debt to EBITDA, which is the bottom end of your target range, with net debt nearer to 2.1, is that fair enough?

Paul Brooks

The other variable is any acquisition or investment spend we make in the second half, there is nothing mega, but there is some acquisition activity out there as well, and that would be the other variable. Subject to that, your maths is roughly right.

Closing Remarks

Don Robert

Thank you again for coming. We will update on Q3 trading on 15 January 2009.