

Preliminary Results – 21 May 2008

Welcome

Don Robert
CEO, Experian

1. Preamble

Good afternoon everyone, and welcome to Experian's preliminary results. I am here in London with Paul Brooks, our CFO, and the Investor Relations team. As I look back on 2008, I see a year full of extremes, and I see balance. On the one hand, we have had excellent performance. About 75% of our business grew strongly, with great numbers coming out of Serasa, Asia-Pacific, EMEA, and many other parts of the US and UK businesses. On the other hand, it has been a year marked in the US and UK by major disruption in financial services, which has adversely affected our Credit Services business, and continues to do so.

Considering all this, I think it was a very good overall performance in fiscal year 2008, and one that reflects strength of increasingly more balance in our global business, which offsets challenges in other areas. There were many highlights for the year, but let me just touch on a couple.

2. 2008 Highlights

Investing for Growth

We continued to invest aggressively for future growth in new markets, new products, and new verticals. We did a number of strategic bolt-on acquisitions, and we initiated strategic reviews of our French transaction processing and PriceGrabber businesses, which we determined may not fit as well as we would like with the overall strategy. We do not have much more to say about those today as the processes are ongoing, but we certainly will as soon as it is appropriate.

Challenges

As we look through to the first quarter, we see trading challenges continuing in the US and UK, but these are offset by other growth in other parts of the businesses. Net-net against extremely strong comps in the face of the US credit business continuing to soften, we expect the first quarter to be flat to slightly down, keeping in mind that the comps do get progressively easier throughout the year. Please keep in mind, as well, that we do expect growth for the full year.

Our focus during the year was, and remains, on maximising profit and cash flow. At the same time, we are making sure we keep investing to drive future growth. We took swift and deliberate actions on costs. In January, we announced a programme to achieve an \$80 million reduction in our cost base. As we began implementation of that, we identified additional areas for cost efficiency, and we decided it was appropriate in this environment to go even deeper. So, today we have increased our

expectations for cost savings to \$110 million on an annualised basis, and we have increased the one-off restructuring charge to \$140 million.

Where do we see things today? Given the market conditions, it is natural to obsess on the US and UK, so let us start there. The action now seems to be moving from Wall Street to Main Street, as we see real evidence of banks contending with a weakening consumer, particularly in the US. In the UK, the climate feels a bit more stable. There has been a well-documented decline in mortgage approvals in the UK, but that is a relatively small part of the overall market. We have had a number of structured conversations with our largest clients in the US and the UK recently about how their consumer customers are behaving, and how this behaviour is likely to impact their decisions over the next six months. I would just say that the climate is decidedly cautious.

In the US, the quality of existing portfolios continues to deteriorate. Even outside of mortgage, consumers are behaving a lot more cautiously than they were a year ago. We see a lot of focus on portfolio management and collections, where clients tell us they will be increasing their spend with us. In the UK, there is a different tone, although one that is still cautious. The quality of existing portfolios is holding up reasonably well in the UK; credit and mortgage approvals are down, but that is due to tougher lending policies, as well as the discontinuation of certain retail loan products. Appetite for capital spending on the part of our UK clients is still low, but it is not materially worse than it has been. So far, there has only been a limited impact on small business lending, and the demand for business information products remains solid.

To summarise, in both the US and UK we see clients questioning traditional lending practices. In this environment, they are looking for new data, new tools, and better decision-making, all of which bode well for Experian for the long-term.

Opportunities

In other Experian regions, we see a different picture. Latin America is very strong. Brazil has all the major attributes that underpin the sustained growth. We also see strong economic growth in Asia-Pacific and other emerging markets. In continental Europe, we have seen greater resilience and less impact from the credit crunch.

In April, we said the conditions looked set to remain challenging for US and UK lenders, but with greater stability elsewhere. One month on, we still hold to that view.

Serasa

In short, we are absolutely delighted with what we have found in Serasa, which has exceeded our buy plan and our expectations. This is a business of the highest quality: the management, our clients and our partners are all absolutely first rate. The integration, with which we are essentially complete, has also gone well. We have realigned the sales force to optimise performance, especially around the largest lender clients we have in Brazil, and we have identified Experian value-added products suitable to the Brazil market; we will be importing those as the year plays out. Post-acquisition, we have begun to report Latin America as a separate region, so the performance will become increasingly visible in our numbers. For the nine months

ended 31 March, revenue was \$305 million; pro forma revenue growth was in the high teens; and the margins are in excess of 25%.

3. Strategic Reviews

Our strategy for growth continues to evolve as the business evolves, and it is now centred on three simple elements that will help enable us to build an even stronger, more focused business and to drive growth and shareholder value.

- First, a focus on data and analytics. In other words, increasing the value of our proprietary data by adding predictive analytics.
- Second, driving profitable growth. We will continue to expand our geographic footprint; we will continue to invest in innovative products; and to drive operational excellence and efficiency across the business.
- Third, to optimise capital efficiency. Paul will give you a more detailed look at this.

Financial Review

Paul Brooks CFO, Experian

Hello, everyone. Overall, we delivered a good performance in a very challenging environment, again demonstrating the resilience of the business. I am pleased to say that these results were achieved while continuing to invest in the business for future growth.

1. Revenue Growth

Total revenue growth for continuing activities was 14% for the full year, with 10% contributed by acquisitions, principally Serasa and Hitwise. Our organic revenue growth was 4% for the year. The credit crunch hit us in September, depressing growth in the last seven months of the year. The impact was focused on our US and UK consumer credit businesses, UK database marketing, and LowerMyBills. These businesses, which represent about one-quarter of our revenue, saw an aggregate double-digit percentage decline in the second half while the rest of our business saw consistent high single-digit growth in both halves. This included some very strong performances, including Consumer Direct, Business Information, new media marketing activities, and Decision Analytics and emerging markets.

Our EBIT margin was 21.8%. Our aim is to maintain or to improve group margins, and this was achieved before central activity costs, which are non-comparable with the prior year. This is also against a background of raised P&L investment spend as we funded future growth initiatives. Total EBIT was \$945 million, and EBIT from continuing activities was up by a total of 13% on prior year on constant currency. Our cash flow performance was excellent. Operating cash rate conversion of 95% was

significantly ahead of our 85% target. Acquisitions, particularly Serasa, in the year performed very well.

Detailed Results

Revenue growth of 14% in the Direct business translated into 15% EBIT growth in Direct activities. The contribution from our FARES associate of \$54 million fell by 11% in the year. FARES, of course, faced one of the toughest mortgage environments in recent history. Continuing EBIT, including FARES, was \$938 million, up 13% on last year.

2. Performance by Principal Activity

Credit Services

Total organic revenue growth was 1%. In North America, organic sales in Credit Services were flat, weakening during the year due mainly to lower mortgage volumes and reduced spend in credit pre-screen. However, throughout the period we saw strong growth in portfolio management and collections, and our business information and automotive businesses also performed well. In Latin America, Serasa performed strongly, contributing \$305 million in its first nine months of ownership, with revenue in line with the buy plan and EBIT ahead of plan. Going forward, Serasa will represent over 20% of Credit Services' sales.

In the UK and Ireland, organic revenue growth was 1%. Weakness in consumer information was offset by good progress in business information and in new vertical markets such as the public sector and telecommunications. In EMEA/Asia-Pacific, organic revenue growth was 3%. There were strong credit bureau performances, particularly in Southern and Eastern Europe. Transaction Processing in France saw weakness in cheque processing but good performance in business process outsourcing and debit card processing.

The margin for Credit Services went from 27.9% to 27.4%. Through proactive cost management, we improved the organic margin in Credit Services, despite the sudden slide-down in activity in the second half, while increasing investment in the business for future growth. Acquisitions during the year, principally Serasa integration costs, explain the slight reduction in reported margin.

Decision Analytics

Decision Analytics delivered 13% total revenue growth, with 7% organic growth and acquisition contribution attributable to the Tallyman collections software business and N4 Solutions, both of which performed well. In the UK, organic sales were in line with prior year. Lower revenue from application processing was counterbalanced by growth in fraud prevention and risk management, despite delays to pipeline conversion. In North America, organic revenue growth was 7%, which was a good performance against a tough comparative. There was excellent growth in EMEA/Asia-Pacific, with strength across Europe and a number of countries in Asia-Pacific, notably Japan, Australia, Korea and China.

Underlying margins were stable, with a lower reported margin being attributable to the acquisitions and differential regional growth mix.

Marketing Services

Marketing Services delivered total revenue growth of 10% and 1% organic revenue growth. The acquisition contribution came from Hitwise, Emailing Solution in France, and Infomarketing in Brazil. In North America, organic revenue growth was 2%. We continue to see good progress in new media activities, particularly in data integrity and digital services, while the rate of decline of traditional activities has moderated. In the UK, organic revenue declined by 3%, reflecting significant cutbacks by financial services clients, both on new database contracts and on direct marketing campaigns. In EMEA/Asia-Pacific, which is increasingly significant in scale, we saw strong organic growth of 11%, principally from our data integrity business QAS. Hitwise, which is split across all three regions, is performing well, and we are very pleased with the progress made over this financial year, in line with the buy plan.

Margins for Marketing Services improved by 50 basis points, with a favourable mix shift and acquisition impact offsetting weakness in the UK.

Interactive

Interactive delivered 9% organic revenue growth. In North America, sales were up by 5%. We saw growth in excess of 20% in Consumer Direct, reflecting strong growth in subscription revenue and good progress in third party channels. PriceGrabber continues to perform well, driven by higher referrals and growth in co-brand revenue. The offsetting factor was, of course, LowerMyBills due to the well-documented impact of the subprime lending downturn. The strong growth trajectory in the UK continued, and the business nearly doubled in size in the year. We maintained margins in the year, despite severe pressure in LowerMyBills due to the effectiveness with which we targeted marketing spend across the business.

3. Cost-Efficiency Programme Update

We have extended the cost savings programme since January. The additional restructuring means that we are raising our annualised savings from \$80 million to \$110 million. We believe this is the right action to be taking, given the continuing softness in the market environment and the fact that we have identified additional cost-efficiency opportunities as the process has progressed. In January we told you of the off-shoring initiatives, organisational streamlining, and consolidation of facilities. The incremental efficiencies announced today relate principally to more restructuring in US Credit Services and further global IT integration. In total, we now expect a total restructuring charge of \$140 million, with \$60 million being charged in fiscal year 2008 and the balance of \$80 million charged in fiscal year 2009. The majority of the \$140 million will be cash costs relating to headcount reductions. We now expect \$50 million of savings to come through in the year ended 31 March 2009, up from the \$40 million previously announced, which will mainly benefit the second half. From

fiscal year 2010 onwards, we expect to achieve full savings of \$110 million per annum.

Experian is a highly cash-generative business, and we maintained our five-year track record of converting more than 90% of EBIT into operating cash by achieving 95% in fiscal year 2008. There are two items that I would highlight:

- Tax paid in the year was \$91 million, representing a cash tax rate for the year of just 11% of benchmark PBT.
- Our free cash flow was \$679 million, which represents a conversion of some 108% of benchmark profit after tax.

4. Capital Structure

Before moving on to provide a summary of today's presentation, I would like to spend a moment talking about our capital structure, because we are often asked about our position on share buybacks.

Our starting point is that we stay committed to maintaining a strong but efficient balance sheet. We will be flexible when warranted, so we were prepared to see our credit ratios rise temporarily above levels consistent with a strong investment grade rating in order to fund the strategically important acquisition of Serasa last year. Since then, net debt has reduced from \$3 billion to \$2.7 billion as a result of strong cash conversion. During the course of the current fiscal year, we expect to move back within our target debt range.

We will continue to assess our capital structure in the light of trading performance, impelling investment opportunities, level of group debt and the outcome of our strategic reviews. We would look at returning any surplus capital to shareholders within the framework of maintaining a strong but efficient balance sheet. Of course, our dividend policy remains unchanged, meaning we also return about \$200 million each year to shareholders by way of dividend.

5. Summary

The turmoil in the financial services sector both in the US and the UK made fiscal year 2008 a very challenging year. Against this backdrop, we have delivered a good performance for the year. In quarter one of the current year, we face tough comparatives, and we are seeing further softening of activity in North American Credit Services. As a result, we expect the group organic sales growth to be flat to slightly down in the first quarter. But, the balance in our portfolio gives us confidence on the outlook for profit growth for the year. In the second quarter, organic growth will benefit from the annualising of some of last year's acquisitions, most notably Serasa and Hitwise. From September, the comparatives get easier in the areas of the business most impacted by the credit crunch. On EBIT, the cost efficiency measures that we have implemented will help to underpin profit as the year progresses.

Second-Half Performance Summary

Don Robert
CEO, Experian

Thank you. First of all, we regard our 2008 performance as a very good one against a US and UK backdrop that was tough and remains so. But, just because it is tough does not mean that we are not in control of the business. We are outperforming our competitors, we are in control of our cost base, and the lion's share of the business is growing strongly because of the investments that we have made in places like Brazil and in Asia. More importantly, however, is that we are continuing to invest aggressively for the future, and we remain confident in the outlook for this year.

Questions and Answers

George Gregory, Credit Suisse

Firstly, I am just struggling to understand how the cost initiatives are being counted for as exceptionals. Presumably part of the process will be in response to a deteriorating environment, and in that context surely that means the results are, to a degree, being flattered by these cost cuts. What is your view on that?

Paul Brooks

We see this as a single programme of cost-cutting efficiency measures, and as such we see it as a one-off programme. It is clearly a very fundamental, important one for the business, but we do see it as a one-off restructuring programme, which warrants the exceptional treatment. This is something which our auditors are very happy with, as well; they see it exactly the same way. As a result, we think in order for the results to accurately reflect the performance of the business, it is right that we take these as exceptional items.

George Gregory

Are the buybacks that you discussed predicated at all on the potential divestment of French Transaction Processing and PriceGrabber in any way, or are you not commenting explicitly on that at this stage?

Paul Brooks

What we are saying is that is one factor that clearly will influence the timing of any buyback programme. We are open to doing a buyback, or returning cash to shareholders, as our balance sheet and our cash flows permit, based on our objective of maintaining a strong and efficient balance sheet.

George Gregory

How do you expect profitability to evolve in LowerMyBills, as and when the market picks up? Specifically as and when you step up marketing in that business, could margins come under pressure, or is the response in profitability real time, as it were?

Paul Brooks

We have, of course, integrated LowerMyBills with our education business, and we have now diversified it into other vertical markets. The whole business is actually our Interactive media business. It is still profitable, albeit it is low margins so it is a low single-digit margin at the moment. The reason we have managed to maintain the profitability is because we have reined back our marketing spend, and we are still generating plenty of leads; the issue is supply of loans right now. Also, because we are diversifying into these other verticals, our leads are actually being sent towards other vertical markets. As things pick up in this business, clearly we would expect margins to pick up, as well.

George Gregory

In terms of MSN's announcement this morning that Jellyfish.com, the cash-back shopping search engine, is being integrated into their core search engine. Are these cash-back shopping search engines not a big threat to your traditional comparison shopping channels? Is there any reason why PriceGrabber will not be forced to go down the cash-back route? Do you have any comments on that change in that portion of the industry?

Don Robert

We do not. We have had a hectic morning, so we have not had a chance to digest that particular development, and I am personally not familiar with Jellyfish or the concept of cash-back. Several years ago, there were lead-generation businesses on the internet that paid various kinds of rewards, including cash payments, that went the way of the dinosaur very quickly because the models became uncompetitive, being taken advantage of by consumers. It is nothing that has ever registered as a threat on our radar.

George Gregory

Just wondering, obviously, with the big name such as MSN integrating it into their core engine. Perhaps it is something that we can discuss in the future. Thank you.

Kyle Evans, Stephens

If I heard correctly, there is a decelerating decline in your traditional US Marketing Services business. Did I hear that correctly? If so, is that project revenue that is starting to come back in, you taking share, or are we just down to the bare-bones contractual obligations that cannot go any lower?

Don Robert

I think you have read it right. The main reason is that we have had an unbelievable streak of database wins this past year, and that particular part of the business is in the traditional Marketing Services segment.

Kyle Evans

Is there any particular vertical industry in which you are seeing success?

Don Robert

It is pretty much in line with the traditional mix: retail and financial services.

Kyle Evans

I am not familiar with the public sector work that you are doing in the UK. Could you please explain that? How sustainable do you think that is? Are there similar opportunities in other geographies?

Don Robert

The nature of the work that we do has a lot to do with identity management, fraud-type services, and verifying that the recipients of various types of public benefits in the UK are indeed entitled to receive them. We do a lot of work for the public housing authority, for the Department of Works and Pensions, for public assistance departments and for various taxing authorities in the UK. The nature of the work typically involves verifying that somebody who is about to receive subsidised housing, for example, is truly that person and deserves the benefits. It utilises our databases and oftentimes our analytics that predict fraud and identity issues.

The sustainability of the work is the second part of your question. Typically what happens is once you are in, you kind of stay in with the government because those pieces of the budget have to be authorised, and they tend to get reauthorized in successive tax years. Without sounding cavalier about it, there does tend to be an extremely high percentage of recurring revenue associated with that.

Kyle Evans

Is there potential to do similar work for other governments?

Don Robert

Not in a highly meaningful way. We have made a decision over the years not to pursue government work in the US, which requires different levels of scrutiny and clearance, and there are a lot of issues around the edges of being qualified to do work for the federal government, so we have shied away from it and left that to others who seem to have it as a niche.

Kyle Evans

The business information segment of Credit Services has been highlighted a couple of times as a positive for the year. If I heard correctly, your earlier presentation highlighted a three-year compound annual growth rate for that business, excluding Serasa, of 7%. Is that 7% something that has accelerated in 2008, particularly in the second half?

Paul Brooks

No, I would say that it has been fairly consistent over the three years at that kind of growth rate.

Kyle Evans

The fraud prevention progress in your US Decision Analytics business is chalked up in the press release to new products and new channels. Could you elaborate on both of those?

Peg Smith, Executive Vice President, Investor Relations, Experian

In fraud in the US in particular it is all being done under the banner of something we call Precise ID. It combines the scoring in Analytics with the multi-question authentication. It is actually very predictive in terms of detecting and preventing fraud. Where we are moving it is not just in new credit origination, but also into retail banks for determination of fraud on setting up deposit accounts and checking account relationships.

Kyle Evans

Could we please get an update on India? It seems like we are just waiting for the licences to be handed out.

Don Robert

As a matter of fact, I was just there two weeks ago and met with our partners and with several governmental agencies. We have 15 people on the ground in India right now involved in setting up the credit bureau, which is a bit presumptuous of us because as you correctly point out, we are still waiting for the licence. Meanwhile, we are doing as we always do when we expand into new geographies: we are selling Decision Analytics products in this case to the largest Indian banks. We are looking for other opportunities to invest in the country. We are modifying our global bureau platform to fit the Indian market, and we are taking samples of data from a lot of Indian banks and making sure that will be easily populated in our credit database when we do have the clearance to operate. It has been long, but we are hopeful that the decision on these credit bureau licences should be forthcoming in the next 45 days or so and that we will be one of the recipients.

Kyle Evans

When you build out there, will commercial data also be an area of focus for you?

Don Robert

Not initially. We will probably have a limited amount of SME data, but the initial focus will be on personal data.

Kyle Evans

Is there any change around your thinking for the timeline for where Brazil either will or will not begin to collect positive data?

Don Robert

No change, but that is not a negative thing. The process is still moving along, both judicially and legislatively. We feel like there is still momentum in the right direction, and while we are not planning for it in a financial sense, we still expect it to happen sometime in the next year or so, I would hope.

Kyle Evans

My recollection is that LowerMyBills was at one point up to one-fifth of US Interactive revenue, and every quarter we get 'significant' declines. What was the contribution for the full year of LowerMyBills to Interactive?

Paul Brooks

It used to be more than that within North American Interactive, but now it is down to less than 20% or something like that.

Kyle Evans

Is it something substantially less than that in the March period? Has it been declining significantly and consistently? How much further could it go down?

Paul Brooks

The subprime mortgage market clearly has not been getting any better; we have been diversifying the business, and we are seeing good growth in the new verticals, but they are still dwarfed by the mortgage side of the business. We are still seeing quite strong declines at the moment, but clearly in the course of this year the comparatives are going to get a lot lighter.

Scott Williams, TIAA-CREF

You mentioned that the credit crunch was spreading from Wall Street to Main Street, particularly in your major markets of the US and UK. Could you remind us: are you

over-indexed or under-indexed in the small regional banks relative to the larger banks? How do you see that dynamic playing out?

Peg Smith

Our largest users of credit reporting are obviously the major banks, not the mid-tier and smaller banks. We have a foothold there, but it is nowhere near the size or scale, even in aggregate, of the big guys.

Scott Williams

Could you give us a feel for how much bigger the large banks are relative to the small banks? Is it three or four to one?

Peg Smith

I do not know that we have that breakdown offhand, but I can come back to you with some clarity on that.

Closing Remarks

Don Robert
CEO, Experian

Once again, thank you for all the attention that you have paid to today's results announcements. We appreciate your questions and having you on the call. We look forward to seeing you soon.