

Preliminary Results – 20 May 2009

Welcome

**Don Robert
CEO, Experian**

Good morning, everybody, and welcome to Experian's full year results presentation. It is safe to say that we have delivered a great set of numbers in what is probably the toughest market in history. We are glad last year is over. It has been a good year in many ways; part of our success is due to the fact that we adapted very quickly to the new trading environment and we were able to grow through it and take market share. We plan to continue doing that.

Now we are turning our sights to the future, to investing for future growth, which we have quite a bit to say about this morning. It is also safe to say that throughout this crisis the business has improved; it is a better run, tighter organisation than it used to be. So, if there were a silver lining to a crisis, that would be ours.

Today I will take you through the strategic and operational review and Paul will go through the financials with you. For the spotlight presentation we return to Brazil. We are privileged today to have Francisco Valim, who is the President of Experian Latin America. Valim joined us about six months after the acquisition of Serasa, and the financial performance we have seen, which exceeded the buy plan in terms of EBIT, is largely down to Valim and his talented team. Prior to joining Experian, he was a CEO of the largest pay-TV company in Latin America.

Strategic and Operational Review

Don Robert

1. 2009 Review

Key Highlights

We feel good about the fact we grew through the year, through each quarter of the financial turbulence. That is down to balance in the portfolio; product-wise, geographically and vertically we have been able to compensate for weak trading in the US and UK. We adapted very quickly to the new reality and, as I said six months ago, part of that involved pushing counter-cyclical, collection-orientated products very quickly to our lenders who were experiencing big challenges. Another part of the adaptation was rearranging our cost base. We made very early cost actions and the results are coming through the P&L slightly ahead of our expectations.

Margins were up 50 basis points to 23.3%; exceptionally in the second half of the year margins were up 120 basis points. We feel very good about that. We have rearranged the portfolio; as you know, we successfully exited our French cheque processing business. In a very difficult M&A environment the business no longer fitted the strategy. We made a couple of good acquisitions: a business information

company in South Africa called KreditInform and a medical payments company in the US called SearchAmerica. Our cash flow was great, which allowed us to significantly pay down debt. So, we have some nice de-leveraging in the balance sheet.

Financial Highlights

Headline revenue growth was 8%, of which 3% was organic growth. The margins improved nicely. Benchmark EPS was up 8% and we experienced our fifth consecutive year of beating our own cash conversion target. We converted 99% of EBIT to cash, again allowing us to pay down debt significantly. Today we are happy to announce a full-year dividend increase of 8%, bringing it to 20 US cents. For our UK shareholders receiving the dividend in sterling, the actual rate of increase year-on-year is 40%.

These are a good set of solid results, delivered in extraordinary circumstances. In fact, they are probably our best set of results ever and I'd like to take a minute to compliment the whole Experian team for everything they have done to produce such a fantastic set of results, for their execution and their winning attitude.

US Market Trends

In November I showed a map of US delinquencies for various asset classes of consumer loans in the US. The trends are broadly similar in the UK. We agree with Secretary Geitner's message a few weeks ago that while the US banking system was stabilising, it was not yet normal. That is exactly what we see. The banks still need us as the delinquency trends continue to improve.

As we go back in history, we can note that consumer loan delinquencies tend to peak about three to five months after the rate of unemployment peaks. As we told you in November that delinquencies would continue to increase, they have done so. The rate of unemployment is also increasing.

There are some key messages. The consumer remains under pressure and until that situation changes, the major US and UK lenders are not going to be too inclined to spend a lot of money marketing to them. The good news for us is that what we sell in terms of defensive products is very necessary but do not expect anything to change in terms of experience rating until unemployment peaks and the consumer is a little less pinched. Those are the next signs to look out for, and we are beginning to see those in the US.

Current Client Trends

How is this impacting our clients? Firstly they are concerned about operational efficiency and improvement. They are coming to us looking for higher-value products, which bodes well for enterprise software solutions such as Strategy Manager. Secondly they are all reviewing their risk strategies and processes from top to bottom. If they are not, Experian consultants are happy to tell them that they should be. This often leads to good engagements for us to rebuild lender scorecards. A few weeks ago we picked up a very nice contract for a major US lender, whereby we will be rebuilding 30 scorecards, resulting in revenue of about \$1 million. That is one of a number of million-dollar contracts relating to reviewing risk strategies.

Our mid-tier clients are now starting to feel the portfolio degradation that the top-tier clients were experiencing. They are coming to us for help with account management processes. Some market observers have asked us recently if there would be any kind of trail off in our account management revenues. We do not think this will happen, firstly because delinquency trends are still increasing and secondly because mid-tier lenders now need our services.

Major banks are also rationalising their platforms, a lot of which is driven by M&A integration. We have enterprise software that helps with that. There is a new focus on acquisition of core deposits among lenders; core deposits are more important than ever due to the capital constraints. This presents an opportunity for us to help lenders with fraud scores and a lot of the pitfalls around acquiring new deposit relationships.

Finally, we have seen in the last few weeks several of our better-capitalised US lenders coming to tell us they are starting to think about pre-screen marketing again; reaching out to new potential clients with retail loan products. We are starting to help them plan campaigns and segment databases. We hope they follow through with that and that it represents an up-tick in the retail banking environment.

2. Winning in the Global Marketplace

Extending Our Lead

Our strategic framework was put in place about a year ago and we have rallied the organisation around a three-point strategy. The team has responded well in our internal operating and strategic plans around that plan of attack. Experian is about twice the size and twice as diversified as our next closest competitor. Over the last year we have seen a greater separation between Experian and the rest of the competitive field. Many of you have recognised that too. To be blunt Experian has continued to grow at the top and bottom line, while, as a group of competitors, they have gone backwards.

There are three main reasons for this. Firstly we have a very customer-centric approach at Experian, which is executed by the 15,000 people who do what they do so well for our company every day. Secondly we always invest for the long term. So investments that were made years ago are being harvested right now. Thirdly our geographical reach continues helping us get bigger client relationships. I am very happy that our separation from the rest of the pack is even more pronounced than it used to be.

B2B and B2C Operations

In our B2B operations we have put a lot of emphasis on the way we engage with our clients. Over the past year we have rolled out our strategic sales model throughout the world, so that we can have enterprise-wide relationships with our clients. We pursue ROI-based selling; instead of pushing products to our clients, we start by consulting with them and ultimately demonstrating a high Return on Investment (ROI) if they decide to spend money with us. We also spend a lot of time fine-tuning our delivery; specifically, cutting the cycle times from when a client orders from us until when it can be installed.

On the B2C side of the business, our competitive distinction at Consumer Direct is our expertise in broadcast and online advertising. That has helped us to sustain a very clear market leadership. We are about four times the size of our closest competitor in the consumer direct space. The name of the game now is driving loyalty on the party of our nine million consumer members, and doing that with more products, features and a consumer-friendly experience, as they call us or visit any of our web properties.

Underpinning both sides of the equation is the investment we continue to make to keep our data fresh, our analytics powerful and our investment in innovation. One of our KPIs that we track very closely is the percentage of revenue that comes from new products. At present that number stands at about 20%. So, 20% of group revenue has come from products that did not exist five years ago.

Prior Period Investments

To illustrate the point about continuous and relentless investment, I would like to review some of the investments we have made in prior periods that are now being harvested. Firstly, in terms of expanding our geographic input, we are now getting good traction in some of the newer regions of the business. In the past three years, we have doubled the number of business information bureaux that we have around the world from six to 12. Business information is now a \$500 million plus revenue business for us. We now have offices in 40 countries, which help us stay very close to the client and helps us deliver more products to more clients more quickly. In the past year we opened new offices in Costa Rica and Morocco.

We do not always tell you about every single product that comes off our assembly line, but it is important to note there is a continual selection of counter-cyclical, high-impact, high-ROI products that we have introduced and that are being very well-received by our clients, especially in this difficult economy.

Investment in new verticals is paying off. About five years ago, 60% of our revenue came from financial services; today that number is less than 50%, the reason being that we have made investments in government, telecommunications and now in the healthcare industry. We are very pleased with the additional diversity in the portfolio, and we would never neglect our core; the balance is great.

3. Longer-Term Investment

The investments we are making today will be paying off and form the foundation for our growth tomorrow. We invest about 200 basis points through the P&L continuously for growth. New sources of data in analytics, such as identity management tools at Consumer Direct, are on the plate right now. There are credit and marketing extensions in Brazil and Asia, and we are in the early stages of rolling out our collection software in North America, which we have very high hopes for. We are planting more flags around the globe; two weeks ago we received our provisional licence to open a credit bureau in India, so we are very excited about that, and in Spain the introduction of positive data to the credit bureau will have a nice impact. And we have just opened a small, but important, credit bureau in Morocco.

While it will take some time for these initiatives to achieve scale, it is very important that we always invest for the long term. It is another point of differentiation between Experian and the competition.

4. Short-Term Imperatives

I think we are scraping along the bottom of this economic cycle. We are confident that we will continue to outperform the market and gain market share. The organic revenue growth, however, in the first half will be moderate. So, we need to get to the end of that cycle before we see anything really pop. We are not too concerned about it; it might seem like a long time ago but the Lehman collapse was only in September 2008 and we have not annualised the impact yet. For the meantime, we are going to run the business tightly, run it for cash and market share gains, and the rest will take care of itself. We will extend our lead in the market by focusing on excellence in every facet of client engagement. At the same time we will continue to position Experian strongly for the recovery by all of the investment and the efficiency that we are building into the business now. We have a great momentum going and I believe we will be able to build on the fantastic performance that we have delivered.

Financial Review

Paul Brooks
CFO, Experian

1. Preamble

Overall we delivered a strong set of financial results in 2009, demonstrating the strength and balance of our business model in the most challenging of external conditions. Before reviewing the detailed financials I should point out that the transaction processing business in France is treated as a discontinued business for GAAP purposes, following its disposal in October. Consequently it is excluded from the P&L account and operating cash flow statement for this year and last. All numbers are as reported but growth rates down to EBIT are expressed in constant currency.

2. 2009 Highlights

In the year ended 31 March 2009 we delivered total revenue growth of 8% and organic revenue growth of 3%. Direct continuing EBIT grew by 10% and we have expanded our EBIT margin by 50 basis points to 23.3%. Both benchmark PBT and EPS grew by 8%. EBIT conversion into operating cash flow was very strong, at 99%, and free cash flow of \$736 million was up 11% on the prior year. We have delivered \$80 million cost savings from our restructuring programme, exceeding our estimate by \$10 million, and we have raised our expectation for total annualised savings to \$150 million. We have also raised the dividend by 8%, representing cover of 3.1 times.

3. Performance by Geography

Total revenue growth for continuing activities was 8%, with organic growth of 3%. The 5% contributed by acquisitions relates principally of Serasa, SearchAmerica and KreditInform, and the step-up to majority control of Sinotrust. We are pleased to

have delivered positive organic growth for the year in all four regions, despite the marketplace challenges. We delivered a particularly strong performance in Latin America.

Total sales growth of 8% translated into 10% EBIT growth in direct activities. The contribution of \$8 million from our FARES associate was 11% lower for the year but was flat in the second half, reflecting cost cuts and a slightly improved mortgage origination environment in the US. Continuing EBIT, including FARES, was up 8% last year in constant currency. We saw significant movements in the sterling and Brazilian real versus the dollar during the year. So, the \$939 million reported EBIT reflects an adverse Forex translation effect of \$38 million. By aggressively managing costs, we delivered a significant improvement in EBIT margin, from 22.8% to 23.3%, while continuing to invest in the business for future growth.

4. Credit Services

Overall organic revenue grew by 1%, despite severely depressed conditions for consumer credit solicitation and origination in the US and the UK. This was partially offset by growth in counter-cyclical activities and in the non-financial services sector revenue. In Latin America, Serasa, which annualised during the year, delivered strong growth and performed significantly ahead of the EBIT buy plan. Margin improved from 31.3% to 31.4%, due to cost efficiencies more than offsetting negative operating leverage in the mature markets, together with the scaling of Serasa.

5. Decision Analytics

Total revenue growth was 6% and organic growth was 5%. In the UK and North America, strong growth in counter-cyclical products, analytics and consultancy more than offset weaknesses elsewhere. Good growth in EMEA/Asia Pacific during the year was driven mainly from the emerging markets. This business is lumpy by nature and we expect to see some softness in Q1 due to timing of deliveries and slower pipeline conversion. The lower margin in Decision Analytics is due to product mix and investment, particularly in the EMEA/Asia Pacific region, as we continue to scale up our capability in emerging markets.

6. Marketing Services

Organic growth was in line with last year, with the acquisition contribution coming from Hitwise, Emailing Solution in Europe and Sinotrust in China. New media activities such as Email Marketing, contact data management and online intelligence have continued to perform very well. This helped offset the impact of weak market conditions on traditional activities in the US and UK. New media activities also drove the significant growth in EMEA/Asia Pacific, including a number of product launches in new geographies.

We have taken firm action on costs in traditional marketing activities, which, together with strong positive mix effect, has driven a market uplift of 250 basis points and helped deliver EBIT growth of 34%.

7. Interactive

Interactive performed well with organic and total revenue growth of 10%. Consumer Direct delivered excellent growth in the US and UK; growth in the US was over 20%, helped by some one-off factors, including data breach contracts and the Discover Affinity migration. Looking into FY10, we expect some moderation in North America Consumer Direct growth, due to the strength of the comparative. Conditions for North America mortgage lead generation activities continued to weaken during the year, and revenues declined significantly.

Growth in the UK remains extremely strong at 47%, as we continue to grow the Consumer Direct market through customer acquisition and product enhancements. Margin improvement of 50 basis points to 22.3% was driven mainly by business mix.

8. Cost Efficiency Programme

Execution has been strong and the delivery of benefits is tracking ahead of plan. We delivered \$80 million savings in FY09, which is \$10 million ahead of forecast. The majority of projects within the programme are at or near completion stage. This gives us a high degree of visibility on total cost savings. We are raising our forecast on savings by \$20 million, to \$150 million, on an annualised basis, from FY10 onwards. The total exceptional charge associated with the programme is expected to remain at approximately \$170 million. Of this, \$52 million was recognised in FY08; \$92 million has been charged to the P&L account in FY09 and the remainder will be charged in FY10.

There have been far more actions on costs than the restructuring programme. In particular we have gained significant benefit from leveraging our global procurement function in all areas of purchasing, as well as managing down headcount in areas of reduced activity and tightly managing discretionary spend.

9. Group Benchmark Earnings

Total EBIT for the year was \$939 million, which includes discontinuing activities principally in relation to the run-down of the UK account processing. At actual exchange rates, this represents a 3% increase. Net interest was \$96 million, which is lower than originally expected, as a result of lower interest rates, strong cash conversion and currency translation. The benchmark tax charge of \$184 million is at a rate of 21.8% on benchmark PBT. The minority interest of \$28 million arises mainly from Serasa. That brings us to benchmark earnings of \$631 million, an increase of 9% on last year. EPS growth in US cents was 8%, up from 57.5 cents to 62.3 cents. Dividend per share is also up 8% from 18.5 cents to 20 cents.

10. Cash Flow Performance

Because of the significant dollar/pound exchange rate movement during the year, EPS growth expressed in sterling is 29% and the increase in dividend paid will be about 40%, assuming the rate in July is similar to that today. Cash generation during the year was strong; we converted 99% of EBIT into operating cash flow, demonstrating the quality of the profits.

Capital expenditure of \$305 million was lower than guidance due to tight control over spend and currency translation benefit. Capex was 108% of depreciation for the year. Aggressive management of accounts receivable has helped to reduce DSO and drive a reduction in working capital of \$27 million in the year. This brings us to operating cash flow of \$927 million. Net interest paid was \$128 million, which is higher than the P&L charge due mainly to the \$17 million non-cash net pension credit.

Tax paid in the year was just \$39 million, due mainly to tax deductible goodwill amortisation and a rebate in the US. Free cash flow of \$736 million was up 11% compared to prior year and represents a cash conversion of 117% of earnings.

11. Net Debt

Closing net debt at the end of the financial year was \$2.1 billion, nearly \$600 million less than last year. This was driven by strong free cash flow of \$736 million; the exceptional cash outflow was \$102 million, relating mainly to the restructuring programme. Total spend on acquisitions and associates was £208 million, which includes the acquisitions of *SearchAmerica* and *KreditInform*, as well as deferred spend from previous years. The \$191 million disposal inflow represents the net proceeds of the sale of the French transaction processing business. Foreign exchange totalled \$161 million and the total dividend payment amounted to \$191 million in the year.

12. Funding Position

The significant reduction in net debt to the year-end position of \$2.1 billion means we are now at a level we feel comfortable with, especially given the external environment. Subject to any acquisition activity, we expect to remain at this level over the next six months, for two reasons: firstly the first half is traditionally our weaker half for operating cash generation, and we also pay the final dividend during this period. Secondly we intend to purchase up to 14 million shares in respect of employee share incentive schemes that vest during the year. Turning to the maturity profile of our debt, our banking facilities of \$2.5 billion are committed until July 2012 and our headroom remains in excess of \$1 billion. We plan to use our existing facilities to fund the \$300 million required to redeem our 2009 Eurobond in July.

13. FY10 Modelling Considerations

In terms of the impact of foreign exchange translation, if spot exchange rates prevailing on 31 March 2009 were to remain for the whole of the fiscal year, we would expect a negative translation impact on EBIT in the region of \$50 million. Given current interest rates, we expect net interest rates to be in the region of \$80-100 million, after a small net pension charge. We expect the benchmark tax rate for the year to be in the region of 23% and we expect our cash tax rate to be about 10%. Finally we expect our Capex spend in the next financial year to be \$310-340 million.

14. Outlook

During a year of unprecedented challenges and the external environment, we have delivered a financial performance that demonstrates the strength of the business. Despite revenue declines in part of the business, we have expanded margins and delivered good growth, backed up by very strong cash generation. As we move into the new fiscal year, the short-term outlook for revenue growth remains challenging but we remain confident in our objectives of broadly maintaining margins, growing constant currency profits and delivering a strong cash flow.

Spotlight on Brazil

Francisco Valim

President of Experian Latin American Region

1. Latin American Region

Almost two years ago the acquisition of Serasa was a significant strategic investment. It is not only producing results exceeding the buy plan, but also representing a great prospect in terms of future growth. Serasa's 40 years of experience in the market, coupled with Experian's technology in producing sustainable growth in Brazil and its platform for experienced Latin America development, the challenges that we have faced and the changes we have implemented to the business in terms of structure and strategy, will guide us through these times of uncertainty and slowdown.

We have a strong market position. We are the leader in consumer and business credit information in Brazil and Latin America. Our market share represents about 45% of the \$1.1 billion of revenue generated in the region. Brazil is the largest market in the region by far; and Serasa has a 61% market share. This year ACSP, a trade association based in Sao Paulo, has a second position and Equifax is a distant third player.

We have a team of over 25,000 people. Serasa is majority owned by Experian and one of the key strengths of our business is that we operate as an integrated entity, meaning that we are able to provide economies of scale to all the businesses. As Paul has mentioned, we had a great year last year, even though it was a slow year.

2. Market Attractions – Brazil

Brazil is still a place where we have a lot of room to grow. We have a large population of 200 million people, most of who belong to the young demographic. That is one of the main reasons why Brazil's market is still growing; because it is not so dependent on international markets. There is a growing middle class; close to 50,000 new families moved into the middle class last year, and the low penetration of credit presents them with a great opportunity for continued growth for the business in the country. With an economy that represents 40% of the Latin America economy and, with a favourable regulatory environment, Brazil is the main focus of our investment in the region today.

3. Mid-term Market Drivers

There is great potential for credit penetration in Brazil. By dividing regions into four categories (Latin America, Emerging Europe, Emerging Asia and developed countries), based on their credit penetration, it is easy to infer that Latin America is still lagging behind most developed and emerging countries in terms of credit. The world average is around 80% of GDP growth in the form of credit; developed countries and Emerging Asia have already reached that level, leaving Emerging Europe and Latin America with 45% and 33% respectively. Brazil only has 41% of GDP granted in the form of credit. Only 2% of the GDP is represented by mortgages. So, there is huge space for growth in this arena.

4. Market Trends in Brazil

There has been a limited impact of the credit crisis in Brazil. Even though there was a sharp slowdown in GDP growth over the last quarter and the same impact is expected over the next quarter, recent data shows some signs of stabilisation. Credit demand in Brazil is an index that we produce ourselves, evaluating the demand for credit in the country, both for consumers and businesses. In February, slow recovery meant that some stabilisation has taken place. Consumption, in terms of retail, has not been hugely impacted by the current crisis. Our business has softened but is still growing and we anticipate double-digit growth for the fiscal year 2010.

5. Evolution in Serasa

We were very successful implementing several things that not only guaranteed current performance, but also formed the basic foundation for future performances. A lot of internal reorganisation has taken place; firstly we have restructured our sales force. We are trying to create a sales machine, which I will discuss in detail shortly. There have also been several organisational changes; for example, we have organised ourselves according to Experian, divided into business units for credit, marketing and decision analytics.

We have a common shared service that not only provides services to Serasa, but all entities in Brazil, providing the basis for expansion in Latin America. We have strengthened our management team, which is critical to the business. We are composed of former Serasa employees and managers, supplemented with people from other units from Experian and the market.

We have also implemented a cost management discipline. We have generated margin growth that exceeds the original buy plan and operating leverage that is comparable to Experian's best practices. The adoption of Experian products to complement the portfolio of offers that we have is also important. We have also integrated the Experian brand name; Serasa is the most well-known name in terms of credit and we are now called Serasa Experian. That brings local knowledge of the Serasa brand name and adds the international capability of the well-known Experian name.

6. Sales Force Realignment

The sales force realignment is a key factor of the growth we have seen over the last year. We have implemented a commercial sales force with several tools to produce

better results than what we have today. We have implemented pipeline management sales compensation systems, aggressive remuneration, and cross-business-units product training certification and compensation. With more than 5,000 sales people in the market we are able to cover effectively all the segments of the market.

Importantly, we have segmented the client base. There are three major segments, each representing one third of the business. Our well-balanced portfolio minimises the risk of concentration. For example, banking clients represent less than 30% of our revenues today. The three segments are further broken down into more than 100 sub-segments, which gives us the focus, products, packaging and pricing to be identified and delivered to each segment. That is critical at this time.

The SME segment has significant potential; it has grown faster than other segments and we have only tapped around 10% of it so far. Our strategy is to aggressively increase penetration in corporate and SME markets with products and packages that suit their needs.

7. Value-added Products

We are systematically evaluating the quality perceived by our clients and improving our level of services and products. We have several value-added products that are the core drivers of our growth. We have products with basic information and high-value-added products, the growth of which is much higher than overall growth. This is a trend that we have been implementing.

What are the value-added products? Looking at consumer low-end and high-end value-added products, the thin file contains basic data, while the more robust value-added full file contains more sophisticated information, including bankruptcy data, civil actions, better credit scores, fraud alerts and credit behaviour, which strengthens the offer.

In the business cycle the products are also very robust. We have an unmatched situation into the region in terms of product. The complete array of products and data, comprising credit bureau, scores, portfolio management, and balance sheet analysis, is the best not only in the region but also when compared to best practices throughout Experian.

8. Customer Lifecycle

We have organised ourselves around the client lifecycle. The focus on smaller clients gives us a great opportunity to provide high-value low-cost products and services through hosted solutions. Delivering solutions over the internet is a key part of our strategy and we can adhere to our clients' needs efficiently through their lifecycle. In line with the broader Experian strategy, we are positioning ourselves as solution providers. Our aim is to have a complete set of data and the latest decisioning tools, which means our clients can focus on their own internal processes and we will focus on their marketing and credit processes.

This is a never-ending course. We keep evolving this and generating a significant amount from new opportunities that we expect will create future business. For example, in marketing services to complete our portfolio we have introduced several

Experian products, such as Mosaic, Hitwise and CheetahMail as a marketing proposition. In terms of credit portfolio, we are also introducing Transact and Hunter. With that, we will be able to have a complete suite of products and services that will be very compelling in the market.

9. Data in Brazil

Let me update you on the legal situation in Brazil. First of all, after this was printed we had to make a minor adjustment, because positive data legislation was just voted by the House of Representatives last night. Hence you have an outdated copy since things are moving forward. Obviously, we still have to go to the Senate and then go back to the House of Representatives and eventually the President has to approve it, but it is a sign that the regulation is moving. All of them are involved, the House of Representatives, the Senate and Federal Government, so I think this is positive in terms of understanding that this is a scenario that will develop further. However, some points of concern should be raised here. One is the extra cost of postage and also the limitation in marketing. Those are two points of concern that I would like to highlight.

Positive data could already be implemented in Brazil under existing regulation and the reason for that not happening is because the different stakeholders are reluctant to contribute their data to a single database. The law will expedite that process more than anything else. This is important because we will be able to enhance our solutions in terms of predictability and better scoring and will build upside for Experian through better products, premium pricing and that will sustain above-average growth over time.

10. Conclusion

Lastly, market conditions in the short-term present some challenges in some segments, but the added effort from the sales team and product development and delivery should compensate for any macroeconomic downturn. In the long run, we have significant scope for market expansion not only in terms of penetration but also growth of the credit market itself, as I showed earlier. We are very well positioned for growth. We have a leading position in the market and a strong organisation. The brand is also a key asset moving forward. Our strategy for growth is based on sales channel segmentation, selling value added products and hosted solutions that cross the client lifecycle. The incorporation of Experian's products will create an even more robust portfolio and strengthen further our position competitively. In time, positive data can improve our business model through value added products and better pricing and we have a strong base for future regional expansion. We are very optimistic about the performance of our business in the past and, obviously, in the future.

Preliminary Results Summary

Don Robert

Thank you, Valim. To summarise, during a year of many challenges Experian has demonstrated the great strength of its business model. We have performed well financially, helped by the breadth of our portfolio. We have made great operational

progress and are now a more efficient organisation. We are taking market share and have not let up at all in the strategic development of the business – indeed, laying important foundations for future growth. For now, therefore, we will focus on growing profits at constant currency. We will focus on generating cash. We will focus on investing for the long-term and in taking additional share from our competitors.

With that, I would like to invite Paul Brooks and Victor Nichols to join me. Victor, who I think you have met, oversees our UK and EMEA businesses. Chris Callero, who you normally see, is not here today. Chris and his wife are expecting a baby any day now so we gave him a pass on this particular meeting.

We are ready for the first question and I could have laid odds that Jaime's hand would be the first one up.

Questions and Answers

Jaime Brandwood, UBS

May I start just by asking about Consumer Direct and your expectations for this year? Perhaps if you could talk about what you felt the underlying growth was last year, excluding the Discover deal and the data breaches and, therefore, whether you think you can still maintain double-digit growth in the current fiscal year.

Don Robert

Let me take the first part of that question. The Consumer Direct business remains in good shape, still growing in the double-digit range. We have had some phenomenal quarters this last year, as you point out, greatly assisted by the Discover Card win, which I think resulted in something like 800,000 new members. We had a few big one-off data breach deals and so now we are up against tougher comps. Even with that the business does continue to grow very well on an underlying basis.

Paul, are you brave enough to be more granular than that?

Paul Brooks

I could estimate. I would say probably underlying the one-offs and the data breach revenue we are probably talking mid to high-teens, something like that, and obviously for the overall business we are over 20% in FY09.

Jaime Brandwood

Moving on to Group-wide free cash flow, you have done \$736 million in the year just gone. Obviously, you are still continuing to see very favourable working capital developments and I guess Consumer Direct is a part of that. Is there any reason, given that you are hoping to deliver profit growth this year, why you should not deliver free cash flow growth this year?

Paul Brooks

I would certainly hope we will continue to deliver good free cash flow growth. Our operating cash conversion target is 85% and we have achieved well over 90% for several years now, so we would hope to be well above that target level again. In terms of free cash flow, as we have advised, the cash tax rate should continue to be pretty low at around 10%, so yes I think free cash flow should continue to be strong.

Jaime Brandwood

Turning to Brazil, firstly, regarding how many files you have and how many are thin files, I wonder if you could give us a bit of disclosure there. How many consumer files do you currently have versus the over 200 million that you have in the US and, roughly, what proportion are thin versus full?

Don Robert

That is a very granular question, but Valim, maybe you could just sketch out the broader dimensions of your database.

Francisco Valim

For consumers, we have 100% of the Brazilian files, which is close to 100 million in terms of thin files. With regard to more information and a complete array of positive data and how it is comprised, that is what we are building and the extra information granted would provide us with better capability of predicting results – or delinquency, if I may. Also, we have close to 50 million files that have more than just basic information.

Jaime Brandwood

One of the themes last year in Brazil beyond volume growth was effectively average revenue per transaction growth just by selling higher value add products. How much further do you think that process can go and what kind of growth is being derived from that driver as opposed to just volume growth?

Francisco Valim

The idea is that we still have a lot of room to grow. Credit in Brazil is a new thing. Over the last two to three years it has grown more than 30% every year in terms of volume. This credit thing is new to the entire economy, so we think as people become more sophisticated in their decision making we will see more and more the need for value added products as opposed to just basic data.

Andy Chu, Deutsche Bank

I have two questions. First, could you outline the medium-term revenue opportunity in India as you see it and perhaps highlight some of the differences of the India market versus an area such as Brazil that we have just heard about.

Don Robert

I returned a few days ago from India, so it is a timely question. We have been working on obtaining our provisional licence from the RBI, the central bank, to open a credit bureau there for a couple of years now. Those licences were granted a couple of weeks ago and under the terms of the licence we need to be operational basically within the next nine to 10 months. Therefore, we would expect to bring the bureau up in the December/January timeframe. We have several partners in the bureau. We will own 49% and the partners will own 51%. The partners are the largest Indian banks and they will be contributing data, so we think we will have a very full file. Even with that there are plenty of obstacles along the way. There is no national ID number in India, for instance, so just matching on consumer names and addresses is rather challenging. As Valim just took you through with the Brazil example, if credit is still a new thing in Brazil, it is non-existent in India, so there is a lot of market education required as well.

All of this is a long way of telling you that we are in this for the long haul and we would not expect to see any kind of revenue production in India that would move the Experian needle for several years. However, we are very patient about that because it is a fantastic country with a very strong economy and an excellent banking system. It is definitely the right place for us to be in the long-term. Positive and negative data.

Andy Chu

I have a financial question for Paul. The balance sheet is clearly deleveraging quickly. I noted in your presentation that pointing to the half-year the net debt position will be broadly flat, but clearly when we reach the year-end with the cash flow generation you will be well below your 1.75 times net debt to EBITDA range. Can you say something about the balance sheet structure going forward and with the cash generation when you might be looking to repatriate some cash back to shareholders?

Paul Brooks

The first point to make is that it is still very difficult out there in the lending markets, so we have to be cognisant of that. We also have to be cognisant of the fact that we have a put option from the minority in Serasa which can be exercised from 2012 as well. From a ratings agency perspective, that is regarded as net debt so we need to bear that in mind. As we said in the presentation, during the first half we do not expect the net debt level to come down, so this is not an issue for now. At the half-year we will review the situation. We will look at the external environment and take a view as to what the approach should be to our cash flow and how it is used.

Don Robert

A good time to have dry powder.

Paul Brooks

Certainly.

Andrew Ripper, Merrill Lynch

Don, what is your thinking in terms of the growth potential in the mature US and UK credit markets when the banks do come back? Do you detect any sign of changing attitudes amongst consumers towards credit? Looking at Francisco's chart, the US and the UK are at the opposite end of the spectrum to Brazil and a lot of us have had big falls in assets. I was just wondering what you feel the potential is for your mature businesses when the banks do come back.

Don Robert

The first part of your question is extremely difficult to answer. This whole economic crisis has been so utterly unprecedented and the scale of the deleveraging is profound that I am totally unqualified to wander out on a limb and say how the retail banking environment might look post the cycle. Suffice it to say there will be fewer players, well capitalised, lending money to more cautious consumers.

That goes on to the second part of your question. I think the consumer is more cautious these days than they have been before. Everyone has less equity in their home, a pension plan that has depleted, and they know people who have lost jobs even if they have not lost their own. We are still seeing very, very cautious behaviour on the part of consumers when it comes to borrowing and even spending, as seen by the recent retail figures coming out of the US. Hence I think the whole game has changed.

I think where we could profit from all of this post the cycle is with the application of more precise analytics, helping banks find the best customers who they really know they want after the cycle has ended. Therefore, I guess our plan would be to apply more science to the business of gathering deposits and finding better credit accounts.

Andrew Ripper

On the two businesses in the US that have fallen the most, pre-screen and mortgage, you mentioned a couple of the better capitalised banks coming back to you maybe in preparation to start marketing again. Can you give us a feel of where those businesses are today versus where they were at the peak?

Paul Brooks

I would say that both would be well under half of what they would have been at the peak. In fact, probably about one-third for both; certainly under a half.

Andrew Ripper

On the US, you talked about rolling out collections software, which I guess is Tallyman. Can you give us a sense of what you think the opportunity might be? Going back to the bigger question in the US, which is analytics penetration, the size of your analytic business in the US relative to what the banks spend is pretty small. I am not sure what your medium-term aspirations are there, so maybe collections software and then the bigger picture further out, please.

Don Robert

It is interesting that the Tallyman acquisition is turning out to be one of the most well timed and highest ROI deals we have ever made. I think we have owned that business for about three years and in my travels around the world I see tonnes of clients and in the last, say, four or five months if I have met with 40-ish clients, I bet you in 75% of those cases Tallyman has featured in the conversations at some level.

The power of the software is that it completely automates the whole collection process from soup to nuts and in so doing takes a lot of cost out of the lender's shop and increases the profitability of the loan book because they are doing a better job collecting on loans. It is a very, very powerful tool. We have been selling a lower end solution in the US that we are, interestingly, swapping out and bringing to the UK so that both markets will have a lower-end and a higher-end solution.

The challenge with Tallyman is it is a long sales cycle because it is a complex piece of software with a fairly long delivery time which we are trying to bring down. I mentioned in my remarks that delivery is something we are really working on, so we have built a dedicated facility in Kuala Lumpur just to develop and shorten the delivery cycles on Tallyman.

The software sells for a few hundred thousand dollars or several million dollars depending on how many accounts go through it and we have a very robust pipeline right now. Therefore, we would certainly expect a good lift in the US and, indeed, as we penetrate further, different vertical markets for collections software around the world.

Your second question was about overall DA penetration in the US. There are a lot of moving parts there, but one of the best moving parts is the continued weakening of Fair Isaac, we believe at our hands. We are taking a lot of share from Fair Isaac, but on the other hand, US lenders have been very tight-fisted about buying enterprise-level software and for the last few months have been more focused on redevelopment of custom scores and consulting engagement. It would be hard to hazard a guess on market penetration because so much of it, as you know, is in-sourced as well, but the business is growing, it is in good shape and there is still a lot more to play for.

Andrew Ripper

I have a quick question for Paul on the residual restructuring. I think you mentioned there will be a P&L charge this year of about \$26 million – just playing with your numbers on the screen. What is the residual cash cost of the reorganisation likely to be in 2010?

Paul Brooks

In the region of \$50 million.

Jessica Flounders, Morgan Stanley

I have a question on the EBIT margin in Lat Am. I think the \$75 million EBIT in 2008 was post the \$11 million restructuring. Adding that back gets you to \$86 million, which implies a lower margin this year than last. Could you clarify what I might be missing there, please?

Paul Brooks

You are missing the integration costs which went into this year as well. We had around another \$7 million of integration costs in the current year, but that is it now, there will not be any more.

William Vanderpump, RBS

I have a couple of questions. Firstly, on the outlook, am I right in thinking that your comments about moderate revenue growth in the first half come from a bit of weakness that you flagged in Decision Analytics because of lumpiness and some tougher comps in the Interactive business? Is it fair to say that in terms of quarterly trends you are not seeing anything else really changing at the moment?

Don Robert

No, not too much. We are also seeing a slowdown in the UK. Typically, the UK lags behind the US by several months. We have some forces of lender consolidation coming into play, not in a vicious way but we are feeling it. You just mentioned Decision Analytics and of course offsetting that we still see growth in Brazil and Consumer Direct. It is kind of the same equation that we have seen now for the last couple of quarters. I think the point is we just do not see any kind of sharp upward trend there until the consumer starts to recover a little bit in terms of housing and unemployment.

William Vanderpump

I have a follow-up question on the margins in Brazil. Obviously, there are different moving parts. There is investment, positive data, and operating leverage. Perhaps taking the cycle out of it, where do you see that margin getting to?

Secondly on Brazil, I notice that there is no Interactive business. It is obviously a young demographic picture there. Is there an opportunity there or are there regulatory or cultural barriers for why you cannot roll out that good business in Brazil as well?

Don Robert

I think you heard Francisco refer to the fact that margins at Serasa had now improved to about the Group average. Is that right, Paul?

Paul Brooks

Yes, just slightly ahead, in fact.

Don Robert

That has been a fairly significant gain over the course of our ownership of the business. It comes from tight operational management, better, more efficient selling, and a lot of very successful integration work. There remain a lot of moving parts in that business, as you also heard – new products coming in, different sales approaches – so I think our expectation would be in all of our businesses that we continue to move margins up slightly over time, year-on-year and exploit the inherent operating leverage in the business and the same would hold true for Brazil. It is in a good place right now.

In terms of Consumer Direct, I think Brazil is a good target long-term for a Consumer Direct business. In order to make the most of that, we do need positive data in place, at which point we would start to think hard about an investment programme – and it would be quite an investment programme - to generate awareness on the part of the Brazilian consumer and to convince them that taking control of their own credit portfolio is an important thing. Long-term however, I think you are on the right track.

Nicolai Tangen, AKO Capital

It is extremely impressive how you take market share in this environment and you mentioned three reasons, but is it possible to be a bit more specific, perhaps division by division, about why you are doing so well? You mentioned, for instance, the customer-centric approach, just exactly what does it mean and how do you see that going forward?

Don Robert

The customer-centric approach means that in our sales environment instead of pushing product on our B2B clients we pursue more of a consulting-led sale. For instance, instead of saying, 'Hi, I am Don from Experian. I have this fabulous piece of loan origination software', the conversation would start out as, 'Tell us about the challenges you have in originating consumer loans.' When the client starts talking about risk issues and cost issues and efficiencies, that opens up opportunities for us, not then and there, but to come back with a carefully thought out proposal based on the hundreds of things that we have in our toolkit to be able to sell to the client. It starts with them and it does not start with our product. That is what we mean by the customer-centric approach.

We have just had close to 2,000 of our sales people in at the beginning of our fiscal year for huge sales conferences in Latin America, Europe and North America and we gave them a big dose of education. We invest in them heavily. We recognise their achievements. We shower them with attention, especially the high achievers. In this particular environment that is one of the easiest places to cut. If you are trying to make a number on a quarterly earnings release, as many of our competitors have done this year, you can save a couple of million bucks if you cancel your annual sales

conference. We have gone on the offence with our sales people, however, with all the tactics that I just mentioned and, if anything, increased their presence, increased the spending on them, and it shows in how they approach the market and how they take deals away from competitors.

Nicolai Tangen

In which part of the business do you feel in particular that you are moving ahead versus the competition?

Don Robert

It is different in different markets, but all over the world it is Decision Analytics in every single market. In North America and the UK it is most certainly Credit Services.

Closing Remarks

Don Robert

There are no further questions, so on the theory that the last one always gets you in trouble I will not provoke any more. We will just thank you for coming today. Thanks for all the nice things you have said about our results and we will talk to you again on 13 July 2009.

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