

Half-Year Results – 17 November 2010

Opening Remarks

Don Robert
Chief Executive Officer, Experian

1. Introduction

Well good morning everybody and welcome to Experian's first half results presentation. We have a strong set of results to share with you today and I am anxious to give you some of the detail behind some of the numbers. I would say that as our half progressed, we saw sequential improvement in many of our markets, which certainly helped underpin the numbers. We also executed very well on our global growth initiatives, which obviously gave a boost to the numbers as well. This gives us some confidence today to tell you that we expect those trends to continue. We expect to continue to deliver good mid to high single digit organic growth going into the future. Our agenda for today is as follows: I will take you through the highlights, the strategic and operational review, Paul will run us through the financials and our spotlight presentation today will be on Marketing Services.

I think most of you will agree that Marketing Services at Experian has been a real bright spot in our performance these last few quarters. Today we have Jim Hodgkins from Experian Marketing Services who leads our Global Business Council to talk to us about what is behind the progress and what is behind those great results. So, Jim, welcome, it is nice to have you here.

2. First-Half Highlights

Organic Revenue Growth

In terms of financial highlights, this slide shows organic revenue growth over the last few years; first half versus the second. You can see that the results we are announcing today are the best half yearly results that we have shown in four years. During the first quarter of the half revenue was at 6%. Organic growth accelerated to 8% in the second quarter giving 7% organic growth, and 8% headline growth for the first half of the year.

Profits

In terms of profits, continuing EBIT was up 8%. Margins were up 10 basis points, benchmark EPS edged into the double digit range at 10%. The big drivers behind these numbers were Brazil and Marketing Services. We also got about half way through our announced \$350 million share buyback. We purchased \$147 million of our shares in the market, effectively returning capital to shareholders. I am pleased to announce that the first-half dividend will be 9 cents, and that is up 29%, in line with the enhanced distribution strategy we announced in May, which sees us increasing our dividend payout ratio.

3. Geographies

Let us take a quick tour around our geographies. As I said, we have seen modest improvement in most parts of the world. Starting with the US, I think the big news here is that Credit Services began to recover in the US a bit ahead of schedule, so that was certainly a big driver of success in the US. We continue to see early stage financial recovery. Many of our clients are back in the retail marketing game again. Many of our card issuers are doing pre-screen programmes, but they are different than they were. They are coming to us now with more data, more analytics and a more thoughtful approach to who they are targeting, and their targeting is very careful. Therefore, there are lower volumes, but higher quality volumes are happening there. Our business information group performed very strongly, as did automotive, as did US healthcare, and of course Marketing Services continues to do very well around the world, certainly in the US. All in all, organic revenue is up 6% in the US.

US Interactive

The growth in US Interactive was 9%, driven largely by our lead generation business and specifically within lead generation, the education Vertical. Six months ago we guided that you could expect to see broadly flat trade performance from Consumer Direct. That is what we got. The transition from the old brand FreeCreditReport.com to the new brand FreeCreditScore.com is going very well. About eight weeks ago we closed on the acquisition of Mighty Net, which is effectively a step in the roll up of the Consumer Direct business. It is a great acquisition and one that we think will deliver a lot of ROI and really leverage our advertising spend in the US. We picked up two excellent brands with the Mighty Net acquisition: CreditReport.com and CreditScore.com. This is very consistent with our approach of assembling a portfolio of brands that will attract a wide range of consumers to our web properties.

Latin America

Latin America and Brazil keeps going from strength to strength. This image from the cover of *The Economist* Magazine says it all. There are very, very favourable conditions generally speaking in Brazil. The consumer economy is driven by low unemployment, real increases in income, rising demand for credit and a lot of new credit products in the marketplace in Brazil. Additionally, we continue to bring more Experian product into our Brazil business from other parts of the world around Decision Analytics and Marketing Services. We are growing off a small base but we can certainly see the integration on the product side taking shape.

UK and Ireland

We believe that things have stabilised in the UK in terms of our lender and client environment. Lending is depressed at current levels and what we see reminds us of about 2004 in terms of the level of credit being granted. Demand is weak and supply is tight but even so, we are beginning to have conversations with our lenders here, just like we had with our US retail lenders several months ago. They are starting to think about growth again and starting to plan for growth. In a cycle that we have seen happen so many times, we believe that we are in a six to nine month lag in the UK behind the US, and we do expect recovery here. We do expect to exit the year

with positive growth in our UK Credit Services business. I could not leave the topic of the UK without touching upon the public sector. Obviously, there is an austerity package being executed on by the Government. We are very close to a lot of the things that are happening in the public sector or working closely with the Government on specific opportunities. It would be inappropriate of me to say whether that is more positive or more negative to Experian, but I will say that most of what we do is around identity verification, helping to deal with things like benefits fraud, big ticket items that can save the Government a lot of money. Therefore, we are hopeful that this all works out well for us.

EMEA and Asia-Pacific

Finally, EMEA & Asia Pacific; all of our markets in Asia are in good shape in terms of underlying fundamentals. Again, I will remind you that our business in Asia is mostly Marketing Services. We are rolling out a lot of new products across our Asian markets and this year we expect to generate about \$150 million in revenue in Asia. Therefore, that has been significant and steady growth for us over the course of the last five years. In Europe, EMEA; most of our developed economies in Europe are weak, sluggish if you will. What growth we are seeing there is coming from South Africa, Turkey and Russia. All in all, it averages out to about 4%.

4. Strategic and operational review

Our journey since demerger

It is worth taking a little bit of a look back on what has happened at Experian strategically since we demerged from DUS exactly four years ago. We came out of the blocks with a growth story, a growth story that was driven by a couple of factors: a big tailwind in the market and a portfolio of high growth businesses. That gave us the confidence to guide toward mid to high single digit organic growth going forward.

Of course the economic downturn happened and like most businesses, we went into crunch mode, we got very focussed on efficiencies, cost and tactics. We pulled ourselves out of it in part by identifying a specific set of growth initiatives that we began to execute on about 18 months ago. We are reporting today those that have contributed greatly to the growth. In looking ahead, the strategic plan is all about looking at growth driven opportunities as well, and we will look into those in a minute.

Secular drivers of long term growth

I want to remind you of the great tailwinds that are behind this business, the excellent secular drivers of long-term growth at Experian that sometimes we tend to overlook.

All of our banking clients are facing not less but more regulation pretty much everywhere in the world. Often, that is tough for them to cope with. It was tough for them to implement and comply with. For us, it's always good. There is more data, more analytics, more consulting and execution support.

We have done a great job in part creating demand in new verticals for what we do; insurance, telco, utilities, automotive, US healthcare. Again, these are big drivers of

growth but with the same products and know-how adapted to different vertical markets and that will continue.

In emerging markets around the world, it is all about banking systems and enabling consumer economic growth. We play a very strong role in that and we cooperate very closely with the World Bank as we target emerging markets around the world.

You will hear from Jim in a few minutes about the secular shift to digital marketing. I cannot emphasise enough how important this has been in the growth acceleration in the company, and will continue to be. L

astly, this trend that really began 12 years ago of individuals being able to satisfy their curiosity about their own credit, to take a little bit more responsibility for preventing and detecting fraud, will only increase and heighten as well, especially as individuals will want to manage their own identity in all of their activities around the internet and social media. We see a lot of opportunities for us there, as well.

Our global growth programme

We are driving this through our global growth programme, which fits very neatly with our overall strategic framework. Each of the opportunities you see highlighted here – classified by innovation, geographic expansion, or moving into new segments – is a specific opportunity that we have identified that is global in nature and that we are driving very hard through an operational regime led by Chris Callero, which has contributed in the first half of the year about 2% of our organic growth. Each one of these initiatives in their own right has the ability to contribute up to \$100 million in incremental revenue over the next three to five years. That is the price of admission to this list, which is big potential revenue impact. Let me highlight a couple for you.

Innovation: growing in business information

Firstly, business information has been a real bright spot for us. Globally, it is a \$5 billion market. At Experian, it is a half a billion dollar market. In North America it is about \$1 billion market, and our slice of that is only 10%. Therefore, we have a lot of room to run in North America and globally in business information. We are executing that by making it easier, slicker and more effective for clients to do business with us. We have invested a lot in platforms, automation, analytics, and decision making tools; tools to help our clients manage their own base of receivables. It is really starting to make a competitive difference in the marketplace.

Innovation: investing in Credit Services data and analytics

One thing we do not talk about much is how much we invest in data – as I said at the beginning – how much more our clients will rely on us for new tools, new transparency and compliance for regulation. We have to match up to that. In this case, we wanted to highlight for you what has been going on in our Credit Services business and the fact that we are not standing still with the same set of data assets we have always had. To highlight what we have been acquiring over the last few years, it is things like Moroccan credit data, voter ID here in the UK, Capital Markets information in the US, as well as lots of data assets that we are in the process of bringing online now in various parts of the world. Therefore, there is continual and

very aggressive innovation in data as our primary asset that helps solidify our position as the global leader in Credit Services in almost every global location that we compete in.

Expanding geographically

We are now very good at exporting new products around the world. In the last 18 months we have launched new Marketing Services products, about 10 of them into eight different geographies around the world, including many parts of Asia, Europe and Latin America. Of course, we are often asked, what good is global scale in this business of ours? The answer is, if we can build something once and deploy it through our global systems and platforms in many other places around the world that is a heck of a big benefit. To wrap up my section, I would say that the game for us continues to be all about growth. You have seen the fruits of those growths happening in the first half of this year, as we have accelerated from first to second quarter. Focussing on the biggest and most global initiatives that we can get everybody behind, we are very, very focussed on sustaining and strengthening our leading market positions, again, using our global platform to deploy. The end result of all this is to get back and sustain a mid to high single digit organic growth rate. I will ask Paul to come up and take us through the financials.

Financial Review

Paul Brooks
Chief Financial Officer, Experian

1. Introduction

Thank you, Don and good morning everyone. We are pleased with the financial performance in the half. We saw improved sales trends across all regions and delivered double digit growth in our benchmark earnings per share. Before reviewing the detailed financials, I should point out that as usual, all our growth rates down to EBIT are expressed in constant currency.

2. Financial Highlights

First, let us go to the financial highlights that Don referenced earlier. In the first half of the financial year, total revenue growth was 8% and organic revenue growth was 7%. The EBIT margin was a little better than we expected, progressing by 10 basis points to 24.3%, helping to deliver continuing EBIT growth of 8%. We delivered double digit growth and benchmark PBT, which increased by 12%, and also benchmark EPS, which was up by 10%. We have increased our interim dividend by 29% to 9 cents, which is consistent with our new payout policy of approximately 40% of earnings. We have spent a net of \$147 million on repurchasing shares in the half. Within performance by region, organic revenue growth of 7% reflected an excellent performance in Latin America. There was good growth in North America and modest progress in EMEA Asia Pacific. The UK made steady progress through the half to end flat, year on year. Total revenue growth of 8% translated into EBIT growth from

continuing activities of 8%. There was very strong margin improvement in Latin America, while the UK margin increased slightly. This helped offset declines in North America and EMEA Asia Pacific. As I said, the overall margin increased by 10 basis points to 24.3%.

2. Trends by business segment

This slide shows the underlying sales growth trends over the four quarters by business segment. At Credit Services we have seen a marked improvement which we will take a closer look at shortly. Decision Analytics turned positive in the most recent quarter and there are early signs of some improvement in activity. We have seen a significant pickup in growth of Marketing Services as the repositioned business demonstrated its ability to exploit the improved market conditions. Growth rates at Interactive have moderated this year as we execute the brand transition of our North American Consumer Direct business.

3. Trends in Credit Services

Let us take a regional view of underlying sales growth trends in our largest segment, Credit Services. The largest region in this segment, North America, turned positive in the second quarter after 11 consecutive negative quarters, dating back to the start of the credit crunch. In Latin America, recent quarters have seen a short term boost from authentication revenue but underlying growth remains very strong. Whilst still negative in the second quarter, both the UK and EMEA Asia Pacific have been moving in a positive direction over the last two quarters.

Credit Services

Turning to the numbers for the four business segments for the half, we will start with Credit Services where both total and organic revenue growth was 6%. In North America, there was some recovery in both prospecting and origination revenue as the half progressed. In Latin America, growth reflected greater adoption of value added products and further penetration of the SME channel. It also reflects the spike in authentication revenue which will not continue into the second half. In the UK, strong performances across new verticals helps offset ongoing weakness in financial services. In EMEA Asia Pacific, origination activity in developed markets was generally weak but emerging markets, such as South Africa, perform well. Margins held steady at 33.8%. Strong growth in Latin America was offset by the impact of negative operating leverage elsewhere.

Decision Analytics

Moving on to Decision Analytics, here total and organic revenue both decline by 1%. Growth in EMEA Asia Pacific and Latin America helped offset declines elsewhere and generally, strong demand for analytics helped to offset weakness in transaction revenue and software sales. During the half there was certainly some improvement in activity levels and pipeline strength. The decline in EBIT margin reflects the negative mix effect from the differential analytics and transaction revenue trends.

Marketing Services

In Marketing Services, total revenue grew by 15% and organic revenue by 10%. The difference relates mainly to the A-Care systems and United Mail Solutions' digital marketing acquisitions. We were delighted to have delivered growth across all regions. Improving market conditions and new business wins drove higher volumes and we are benefiting from the mix-shift to digital services. These factors drove a margin improvement of 440 basis points to 14.3%, and EBIT growth of 70%.

Interactive

At Interactive, both total and organic revenue grew by 9% in the half. There was good performance in North America with organic revenue of 9%. Consumer Direct was broadly flat year on year, in line with our earlier guidance, and we expect a similar organic trend in the second half as we transition to new consumer brands. There was especially strong growth in lead generation, notably from the education vertical which we expect to moderate as we annualise strong comparatives in the second half. In the UK, organic revenue growth was 13%. Margin declined by 220 basis points to 19.9%, primarily due to increased marketing spend and a negative mix-effect from strong growth in lower margin lead generation activities.

4. Group benchmark earnings

Moving on to the lower half of the income statement. Total EBIT was \$484 million which represents 10% growth at actual exchange rates. Net interest was \$34 million, reflecting lower average debt levels and a net pension credit of \$3 million. The benchmark tax charge of \$98 million is set at a rate of 21.8% on benchmark PBT. The minority interest of \$25 million primarily relates to Serasa and reflects its continuing strong profitability and also the stronger Brazilian Real. This brings us down to benchmark earnings of \$327 million, an increase of 9% on last year. With the weighted average number of shares in issue reduced to 1008 million as a result of the share buy-back programme, EPS was up by 10% at 32.4 cents.

5. Cash Flow

In the traditionally weaker half of the financial year for cash flow conversion, we converted 79% of EBIT into operating cash. For the full year, we expect to convert our normal 90% or so. In the first half capital expenditure of \$144 million was slightly higher than the depreciation charge of \$140 million. The working capital outflow of \$107 million reflects a first half impact of bonus and commission payments as well as increased debtors from the pickup in revenue growth. This brings us to operating cash flow of \$380 million. Net interest paid in the period was \$34 million and tax paid was \$43 million, which is just under 10% of PBT. Dividends paid to minorities was \$25 million, bringing us to free cash flow of \$278 million which represents a cash conversion rate of 85% of benchmark earnings.

6. Net debt reconciliation

Closing net debt at the end of the first half was \$1.89 billion, up by \$260 million in the half. We started the year with net debt of just over \$1.6 billion. After free cash

flow of \$278 million, exceptional cash outflow amounted to \$18 million, largely related to the balance of the cost efficiency programme. Net share purchases amounted to \$147 million. There was a net outflow of \$226 million from acquisitions net of disposals, the majority of which relate to the acquisition of Mighty Net. We paid the fiscal year 2010 final dividend, in the period, of \$161 million. This takes us to a net debt of just under \$1.9 billion at the period end.

7. Net debt / EBITDA

Adjusting for the Serasa put option which increased by \$72 million to \$733 million during the half, we ended the period at the top end of our target debt range with net debt to EBITDA of 2.0x. The second half will benefit from the \$250 million net proceeds from the FAREs disposal as well as the seasonally stronger operating cash flow and lower dividend payment.

8. Capital Strategy

Our objective is to support the growth strategy of the business while maintaining a strong investment grade credit rating. We will look to return any surplus capital to shareholders after meeting these objectives. We are very pleased that Standard & Poor's reaffirmed our BBB+ rating recently and revised the outlook from stable to positive. We remain on target to complete the share buyback programme announced in May by the end of this fiscal year. This will amount to \$350 million, including an estimated 50 million to satisfy employee share plans. During the half, there was a net spend of \$147 million on buy-backs. The average price paid for the shares acquired was 621 pence and we reduced the number of shares in circulation by 13.7 million. Our refinancing programme remains on track. In the course of the next six months, we plan to replace our 2012 bank facility and also to issue a further bond.

9. FY11 Modelling Considerations

We now expect net interest for the year to be in the region of \$75 to \$85 million after a net pension credit of about \$6 million. We anticipate a benchmark tax rate for the full year in the region of 23%. We expect the weighted average number of shares for the full year to be around \$1 billion and we continue to expect Capex spend for the year in the range of \$340 to \$370 million, reflecting a step up in investment in the second half.

10. Summary

We are pleased to have delivered a strong performance in the first half of the year with 7% organic revenue growth and an improved margin despite a number of cost challenges. Looking ahead for the full year, we expect similar organic revenue growth for the first half. As I said earlier, we have a couple of moderating influences in the second half from nonrecurring authentication revenue in Latin America and a stronger comparative in US lead generation. We expect the impact of these to be offset by improving trends in many of our businesses, together with further execution on our global growth programme. We expect modest improvement in margins, despite stepping up investment in the business in the course of the second half. With that, I will hand you over to Jim.

Spotlight on Marketing Services

Jim Hodgkins

Managing Director, UK Marketing Services and Interactive

1. Introduction

Thanks for the opportunity to speak to you all this morning about Experian's Marketing Services business. I have worked in sales, product management and various leadership positions in marketing for the past 20 years and I can tell you there has never been such an exciting time in the industry as there is right now. We are in the right business at the right time. As you heard from Don and Paul, Marketing Services is now a real factor in contributing to the growth rate of Experian. Clients are back and they are spending money with us. As they come back, there are some clear trends that are emerging. Firstly, there is more focus on line and secondly, clients want to get more targeted. You could say there is a new reality in the marketing industry and Experian, with our focus on data analytics, are right in the sweet spot.

2. New Reality: customised, portable and global

These are just a few quotes from some of the most influential brands in marketing regarding the challenges that we face as marketers. Media owners, such as Google, large brands such as Coca-Cola are embracing the customised and portable world of marketing. Marketing budgets are shifting, which is driving rapid, structural, industrial growth in new digital channels, led by personalisation and improved CRM.

3. Evolution of clients needs

This evolution is now reaching a tipping point with a real understanding of the power of data analytics now arriving; the need for our clients is to personalise marketing messages to individuals, to use online, real-time communications, to improve the effectiveness of their marketing and to market across the increasing number of multiple channels in a joined up way.

Our clients are also wanting to take these more sophisticated techniques beyond the US and the UK and to expand to the new emerging markets where Experian is present. Marketers are on a quest to find new digital direct marketing advertising techniques in what is a massively fragmented market. The good news is that we at Experian are already benefiting from this trend and we are expertly positioned with our strategy to capture more of it.

4. Experian positioning – 30 years of marketing leadership

So if you look where we are positioned today, as one of the largest global players in Marketing Services, we are operating at true scale. We have products and services in about 30 countries and globally we are generating about three quarters of a billion of revenues in Marketing Services. About 60% of this is in digital and over half of it is

outside the US. That positioning is pretty unique and we can support the full range of client needs from profiling and segmentation through analysis, the targeting of media to the delivery of messages across multiple channels, across direct mail, across email, across online. Some of the key facts that illustrate this scale: our global segmentation of consumers segments and classifies a billion consumers in 30 countries. We have demographic data on nearly half a billion people in 250 million households and, as the world's largest provider of email marketing services, we are now delivering over 10 billion permission-based target email messages a month on behalf of our clients. As you can imagine, this scale gives us great competitive advantage and it does so particularly with large regional and multinational marketers.

5. Why Experian?

It starts with our data; it is about contact data such as name, address and email. It is about core demographics like age and income, but it is also about behaviours and preferences that we overlay on top of that. To give you some idea of our scale in the US, we have around 1,000 facts on each of 220 million consumers. That kind of consumer data is pretty much unrivalled. Beyond the data we have developed the systems, the analytics, the platforms and of course, expertise to put the data to work for our clients; for example, sending an email to a high net worth individual for opening a savings account, or targeting a TV advertisement to a family home suggesting a winter holiday.

Finally, we have the technology to put this all together to help the client understand and measure the effectiveness of their campaigns and deliver improved return on their marketing investment.

6. Targeting and engagement across traditional and digital channels

I will explain the process in simple form. We will identify and profile the best customers of a client. We will then match that profile across our own consumer marketing databases but also across the audiences of large publishers and the client's own database. Based on that knowledge and our guidance on consumer channel preferences, we will help the client engage. That will be through appropriate channels that are increasingly shifting to digital. So we have moved from being predominantly targeting direct mail to targeting, profiling, matching data in real time, driving digital marketing decisions.

7. Enabling different levels of targeting and messaging

I will show you an example of how this works in practice. It is for a large automotive manufacturer and it is very close to something we did in real life for General Motors. They want to launch a new model of car, in this case, an SUV. Working with Experian, they helped to define the target segments – basically consumers best matched to the profile that they want to target. Each of the segments is going to respond differently to different types of advertising, so the creative content and the messaging are changed to optimise this and address the specific interests of that consumer. Through direct mail, that may mean a different mailing pack being produced. In email, we can change the subject line, the offer and in online, we may change the banner ad that is displayed, depending on the preferences that you see here on the right. TV advertising will be similar. In the future, everyone in this room

could be watching the same programme and seeing different advertisements in the break, based on your target profile.

8. Investing in long term growth

I want to turn now to our strategy. Marketing Services is a core component of the global growth programme that Don has described. While we have made very good progress in repositioning the business, we are really trying to deliver sustained, long-term growth, focused around three pillars of our strategic plan, innovation, expanding geographically and importantly, exploiting Experian's synergy. I will briefly touch on each of these.

Innovation

Firstly, in terms of innovation, we are currently undertaking a fairly major investment across several of our key platforms. We are investing around \$40 million right now in Marketing Services globally on innovation spending and we are developing a new generation of services to support our email marketing and contact management business. We are moving beyond email to deliver marketing messages to mobile devices and we are evaluating propositions in social media. We are starting to see real progress in digital advertising services. We are working with Microsoft and other major online publishers to power their advertising, winning a new range of clients and growing strongly off a small base where clients are using targeting techniques similar to those that I have just described.

Geographical Expansion

Next I will focus on expanding geographically, the second pillar of growth. The reality is that there are opportunities across all of our regions and there are opportunities to sell locally to clients as well as to our large global clients. In the US and UK, we are very much focused on the shift to digital and the expansion into new verticals; verticals such as auto, retail, and leisure. In Brazil, EMEA and Asia Pacific, much of the focus is on the global product rollout that Don touched on. For example, in Latin America, we have recently launched both Mosaic and Hitwise. Our focus on EMEA is now very much in the major ad spend markets, France, Germany and Spain and we have expanded our footprints there. In Asia Pacific, we are focusing primarily on China, Japan, Korea and India with email launches already gaining traction in markets and more launches planned. In India, we are able to leverage our credit bureau presence to help build the Marketing Services business.

Synergy

Finally, I would like to touch on the subject of synergy, because it is obviously a distinguishing factor for Experian and one that we are very focused on exploiting. Increasingly, we are linking our products together as a business. Within Marketing Services, you would expect us to be linking our data platform and analytics but we are also linking Marketing Services to our credit-related activities and that enables us to create propositions that are unique to Experian. So, for example, we have linked Hitwise and VantageScore in the US, so our marketing clients are able to view the credit behaviour of website visitors. We have combined the QAS platform for contact

management with our credit bureau data to facilitate scores for authentication helping with our fraud and identity business. Today we have around 200 clients who analyse online website traffic by Mosaic so they get a detailed demographic profile of the visitors to websites. Unique opportunities like these will be a big part of the growth equation in digital marketing as we look to gain further momentum from our expansion of products and sales.

9. Investing in long term growth

So in summary, we are very proud of the performance Marketing Services delivered in the first half. We see it only as the beginning of sustained high margin growth and we believe that there is a tipping point and we are at the threshold of a new era of growth in digital marketing, which is increasingly centric to driving client's spend and industry growth. Having repositioned our business we think we are in a sweet spot now with new market trends, dependent on data and analytics, and we have a clear strategy for growth centred on innovation, geographic expansion and exploiting the broad assets we have across Experian's global business. So as I said at the start, it is a very exciting time to be in the Marketing Services business right now.

Thank you for your time this morning and I will hand the podium back to Don.

Don Robert

Thank you, Jim, for that excellent presentation. As I see it, there are three factors driving the current growth at Experian. First of all we discussed very strong, secular growth drivers – there were four of them that we went through – gradually improving conditions in most of our markets and then finally this whole notion that we have really been taking control of our own growth through a specific set of growth initiatives that we have been executing on very well. So all of that adds up to improved performance. Our aim is to continue to invest in the business and deliver mid to high single digit growth on a sustained basis whilst maintaining a capital allocation strategy that is disciplined in value creating. I am pleased with the performance delivered in the first half and it has been a pleasure to go through it with you today. I am also grateful to the 15,000 plus men and women of Experian who have made it happen. With that, we will move to Q&A and I will invite Chris Callero up to the stage to join us.

Finally, I would just like to mention that we are planning an investor seminar as we have not had one for a couple of years. We will do back to back days on January 27 here in London and January 28 in New York. I hope that you can all join us. Now for the first question.

Q&A

Andrew Ripper, Merrill Lynch

I have a couple of questions on cost and margins. Paul, I think at the end of your presentation, in summary you said that we would step up investment in the second

half and I just wondered if there was anything specific that you would draw our attention to. Obviously the marketing presentation referred to \$40 million investment but I am not sure over what time period that is spread. In terms of driving the growth initiatives, what can you tell us about costs and investment going forward?

Paul Brooks

There are a number of ways in which we invest in the business to support the growth and Capex and some investment for the P&L as well. I referred to the ramp up in Capex and Jim referred to that, particularly supporting the Marketing Services products which we are looking to roll out internationally. Then, through the P&L, where we build up costs is done in a number of ways. For instance, in the vertical initiatives, it is a question of particularly building up sales forces. There is product development work which we do to make products right, particularly for new markets or to adapt products for new verticals, which may or may not be capitalised, and particularly when we move into new geographies with products, we are incurring infrastructural costs. So all of those we are looking to ramp up to support the growth initiatives in the second halves. I would expect at least \$10 million of extra cost, both second half compared to second half of last year. Obviously that will mitigate the margin improvement which we would otherwise expect to see through operating leverage.

Don Robert

I believe we have a question on a conference line.

Dan Leben, RW Baird

Just a couple of questions. First Don, the US lead generation business; anecdotally our understanding from Apollo and a number of other for profit colleges in the US is that they are looking at changing their marketing stance, particularly around regeneration. Can you comment on that; have you seen any changes in behaviour from them?

Don Robert

Yes, I think the broader issue is Title 4 in the US which is changing the way that for profit universities acquire students and this sharpening, shall we call it, has led to a flight to quality. That has been good for our business as some disreputable marketers are leaving the arena and we are the beneficiary of that because of the way that we operate and the assets that we employ.

Dan Leben

Can you also quantify the impact from the [inaudible] mortgage business in the US?

Don Robert

I am sorry, the investment for what part of the mortgage business?

Dan Leben

The mortgage business in general has been pretty good for [inaudible] in the US and [inaudible] numbers in that regard. Can you quantify what impact is seen from increasing mortgage activity in the US on your business?

Don Robert

Keep in mind, Equifax does have a specified mortgage credit reporting business, we do not, they deliver merged credit reports directly to end users. We act more as a wholesaler or reseller of produce. I think the contribution in the half was a little less than 1%.

Paul Brooks

I think if you look at the improvement in growth in North America Credit Services from the first quarter to the second, we went from minus three to plus four. The swing in mortgage represented about half of that improvement. The mortgage revenue itself, which is less than 10%, is a relatively small part of our total Credit Services sales in the US. That went from negative to positive from the first quarter to the second quarter, so about half the improvement was down to that.

Don Robert

In Credit Services?

Paul

Yes.

Don Robert

Back to the floor.

Rajesh Kumar, HSBC

Can you give us some colour on where you are planning to spend the Capex in the second half? Also, in your comments, you mentioned that activity in Decision Analytics and Marketing Services is sequentially picking up, so how should we think about the shape of trade payables coming at the full year in terms of working capital?

Don Robert

Paul you already touched on some of the investment related activities. Is there anything more you would like to add there?

Paul Brooks

I mentioned the Marketing Services investments are probably the largest part. We also are working on an upgrade or a new release of our Decision Analytics products at the moment. We also are actually doing work on infrastructure around our SME business in Brazil to support the explosive growth that we are seeing there. Those are the three biggest investments we are seeing through Capex in the second half.

Working capital – the reason for the big outflow in the first half, the vast majority of it is down to the fact that bonus and commission payments, which get accrued largely in the second half, all get paid out in the first half. That big effect will get reversed in the second half. We are seeing some increase in the receivables because of the revenue growth and generally, at least half of the receivables growth, if not more, would be offset by increase in payable and accruals in the course of the half, so we do not expect to see much of an impact on working capital.

Charles Wilson, Goldman Sachs

Could you share with us what role acquisitions will play over the next two or three years, maybe as a percentage of your free cash what you might end up spending on that? Secondly, do you have thoughts on the tax situation in Ireland? If they are forced to increase their corporate tax rate, what, if any, implications might that have for you?

Don Robert

Paul, I will let you take the Irish tax situation.

In terms of acquisitions, going forward the emphasis is more on organic growth versus inorganic growth. That said, we do have quite an active M&A pipeline spread fairly evenly across the world; targets in Latin America, Asia, Europe, the US. Nothing is currently of alarming size or scale. Everything is very close to the core of the business and as always, it is all about timing so is very hard to predict what percentage of free cash flow might be used for acquisitions because one might never know what will happen.

Charles Wilson

More broadly on a long time scale in a few years' time.

Don Robert

I am not going to wander into that one, are you Paul?

Paul Brooks

It is very unpredictable.

Don Robert

Sorry, it is almost impossible to plan for that.

Paul Brooks

On the tax issue, we have a very small business in Ireland but we also have a corporate infrastructure there, so as a result, we actually incur losses in Ireland. We do not pay tax in Ireland and none of our international global profits are brought into the country, so the answer to your question is a change in the corporate tax rate in Ireland would not have an impact on us.

Don Robert

Special welcome to Carter Malloy from Stephens in Little Rock Arkansas. As I said earlier today, it is not often we get a visitor from Arkansas here. We are especially pleased to see you.

Carter Malloy, Stephens

First Paul, on the model looking at a slowdown in the second half in Latin America, authentication work in the US mortgage business and your lead generation business, where can we expect to see specific acceleration in the model in order to maintain the organic growth rates that we are seeing now?

Paul Brooks

I think where you are seeing some momentum at the moment is in the US, the UK and EMEA Credit Services and Decision Analytics businesses. Those are where we are seeing some positive momentum right now.

Carter Malloy

Okay. Can you talk about Decision Analytics overall, just the new common architecture there, what the strengths are in that business and what it is going to take to get that turning in the right direction again?

Don Robert

Chris, I think, asking about a project we call Anaconda. Do you want to comment on that?

Chris Callero

A little over a year ago, we began to invest in a project we internally call Anaconda. Basically it is a technology that is being developed in our development centre in Kuala Lumpur. The idea behind it is to take what seemingly were probably disparate products that were built and acquired over a period of time in our Decisions Analytics software business and architect and build those under not just a common architecture but common tools so that they are more readily deployable as a service provider, or

directly into the operating environments of our clients. So, over a period of time, we have releases of that technology that we bring to market. You would probably want to consider a two to three year effort and we are well into it right now. Progress is in line with what we expected.

Carter Malloy

As a follow-up, what will it take to turn that business positive again? Is it just a matter of banks opening their purse strings?

Chris Callero

Right now, in the immediate sites that we have it is market conditions. Our pipelines are actually continuing to grow, we are just not converting and largely that is held back by a lot of our clients wanting to be able to extend that spend in the short run. So we have good current pipelines, however, we think over a period of time with the market forces at our backs and with the new underlying products and services that we are developing that we will be in pole position.

Jaime Brandwood, UBS

Can I start by asking about the Brazilian SME initiative? I think you described that portion of your business as now being a third of Brazilian revenues. I am wondering whether that is all in the business info side of Brazil. Could you talk about the kind of growth rates you are seeing in that particular portion and any other colour that you could add on that initiative?

Chris Callero

The first thing is, it is a very strong market for SMEs. In Brazil, it now makes up roughly about a third of our sales, about 200 million, and as you can well imagine, there are hundreds of thousands of small to medium sized enterprises in Brazil. We have basically developed unique propositions that address segments of the SME population and deliver simple, critical products and services to aid the SMEs in conducting their business. Of course we have used the telephone, we have offices throughout the country as well as the internet to deliver those products and services. It is fast and it is growing and it is very exciting. It is also one of our top overall growth acceleration programmes. In a large part, there is a lot of that that can be exported and we are looking at investment to accelerate that adoption around the globe for the success that we are achieving in Brazil. We are excited about it. In terms of the growth rate, it is growing double digits organically itself and doing nicely.

Jaime Brandwood

In terms of the products you are offering, is it a combination of consumer and business information and part of the synergy that you can exploit between those two?

Chris Callero

To an extent it is because in many cases the profile of the SME, particularly at the lower end, is more like a consumer so we leverage those capabilities.

Jaime Brandwood

Just on the US side – Don, I think you spoke about how the upturn in areas like pre-screen is a little bit different in that it seems to be more data intensive, i.e. the banks are relying on your data more. Can you talk about what that is doing to the pricing that you are drawing with clients, and as to whether you are benefiting from that?

Don Robert

I think Jaime is probably referring to a mix issue but I am not sure that it is discernible in the pricing. I do not think there is pricing pressure in the market but I also do not think there is pricing benefit from the mix, do you Paul?

Paul Brooks

No, that is right. There is a slight mix benefit in our average unit price of profiles because of the slightly stronger mortgage component because mortgage is a higher price point but in the most recent quarter, the average unit prices were virtually flat in the US consumer credit business.

Jaime Brandwood

Year on year?

Paul Brooks

Year on year.

Jaime Brandwood

Lastly – Marketing Services. I think in the press release you alluded to particularly strong development in UK Marketing Services margins and that being responsible for the overall UK margin performance. Can you talk a little bit about the differential in margins between the UK and the US, whether there is any and also to what extent you could push the UK further or whether some of these growth initiatives of \$40 million might dampen the margins in Marketing Services in the second half?

Paul Brooks

The margins are similar in the US and UK marketing business. Both of them are in the 15% to 20% bracket. The reason the overall margin is lower is because of the EMEA/Asia Pacific where profits are negligible because of the investment we are putting into new products in those geographies. The mix is a bit different because the biggest single business in the US is the email marketing business which is high

margin; the biggest business in the UK is the QAS customer contact business, which is also very high margin

Jim Hodgkins

We did move to address the mix in the portfolio in the UK. We are now very much more focussed on this digital advertising targeting, multichannel marketing, email delivery and we have switched focus away from some of the areas that we were in which we were not growing at a good margin previously in the last 12 months. I would say it is about focus and it is about mix of services that we were providing.

Jaime Brandwood

Andrew asked this question earlier but the \$40 million, how is that phased, have you already taken some of that in H1 and is the remainder taken in H2 or spread over a longer period?

Paul Brooks

It is a little bit in the first half, it ramps up in the second half and it goes through to next year as well.

Jaime Brandwood

It is primarily Capex?

Paul Brooks

Yes.

Andrew Ripper

Just on the margins, looking at credit, you have done a phenomenal job on keeping the US credit margins up over the last 11 quarters while you have had negative revenue growth. Now revenue growth has turned positive and presumably you would expect that to be sustained going forward, how should we think about the US credit cost base and margins going forward? Do you think you can get some positive leverage in what is already quite a high return?

Paul Brooks

As revenue picks up, there should be some opportunity to deliver some operating leverage but there are a couple of mitigators to that. One is the fact, as we have flagged many times, we have got some costs coming back into the business particularly employee related such as the 401(k) match, so that will have some cost increase from that. The other is again, the investment for growth because where we are investing in new verticals such as the US, public sector, health care, telecommunications and so forth, that will be additional investment going through the P&L so as a result of that, I would not expect to see any significant improvement in the US Credit Services margin in the short term.

Andrew Ripper

Thinking about credit margins, swing factors, just in terms of India where I guess the losses have increased this year – I think you previously talked about 5 to 10 million, how should we think about the profile of investment in the merging bureau, in particular India, looking beyond this year, are we going to peak at losses in terms of the second half and improve into 11/12 as revenues build?

Paul Brooks

I would expect this year, you are right, \$5-10 million of losses in India, and that is mainly the bureau but also you saw the Marketing Services launches in India as well. I would expect the losses next year to be a similar level to this year and then to see some improvement from the following year onwards.

Andrew Ripper

Finally, looking at Brazil/ Latin America, it is very strong with positive leverage in the first half. I appreciate your comments about the authentication product but the revenue growth is still going to look pretty good in the second half. Do you expect the positive leverage to continue or are there any material changes in terms of the pace of cost increase in Brazil?

Paul Brooks

Yes, we continue to see opportunities improve margins in Brazil.

Andrew Ripper

Very finally on margin in Interactive – my guess is that the only weak spot in the first half – and I guess you are putting more advertising behind the new URLs which probably require more per subscriber than freecreditscore.com; how long do you expect that to have a negative impact on the margin for the division?

Paul Brooks

I would say this is likely to be the weakest margin that you see for Interactive so I would expect it to be higher in the second half than in the first half. Having said that, we have got a very strong comparative margin in Interactive in the second half because, as you recall last year, we had a number of things working in our favour at the end of the year, including the fact that we cut back on marketing spend in March, ahead of the FTC ruling, so we have got quite a tough comparative for Interactive. Sequentially, we should improve the margin.

Andy Chu, Deutsche Bank

Three questions if I may. Just picking up on the Interactive margin, Paul, I wonder if you can break down marketing cost and mix impact of that 220 basis point decline in the first half?

Paul Brooks

I would say it is probably roughly 50/50, probably slightly more due to the ramp up in marketing and Consumer Direct; little more than half, little less than half would be the mix effect.

Andy Chu

In terms of stepping up investment – I think in the past you have talked about 200 basis points of margin investment into the business. Should we be thinking of a similar level going forward or would that increase from 200 basis points?

Paul Brooks

That is an approximate figure. To support the growth initiatives, there will be a higher level of investment through the P&L going forward.

Andy Chu

My last question is on Marketing Services. You are reaching a 14% margin today. I think previously you talked about this business having a target of mid-teen margins; where do you think you could drive this business in terms of margins? You mentioned 15% to 20% range ex-EMEA for business today. Over what timeframe is that, and what type of margin target would you have?

Paul Brooks

I think in the mature markets, US and UK, we have got every opportunity to get to 20 and beyond relatively quickly over the next one to two years. The issue again, like a broken record, is investment in the new territories because, as I mentioned, we are not much more than breakeven in EMEA/Asia Pacific in Marketing Services. It is all a question of the rate at which we invest in new markets and obviously the extent to which we see profits come into the ones we are investing in, so overall that will influence the overall margin for the segment.

Andy Chu

How long does it take to get EMEA to a double digit margin? What is your expectation there?

Paul Brooks

I think it is too hard to give you a good indication on that. You can see there are multiple initiatives here. I would certainly expect to see EMEA Asia Pacific move into a reasonable level of profitability over the next year but because we are investing for future growth, I think it will take time to ramp up to 10%.

Graham Brown, Evolution

Thirty million of the 42 million of year on year EBIT improvement came from the Brazil business where there has been this one off authentication benefit. I wondered whether you could quantify how much of the 30 million came through from that authentication. You mention that you are anticipating that Brazilian margins would see progress going forwards. Would you give us a sense of where that is going because you have also talked about some investment initiatives and historically broadening the footprint? I wondered what sort of impact that would be having upon the margin which is clearly the highest part of the business at the moment.

Paul Brooks

The overall revenue growth was 22% in the credit business in Latin America. The underlying, if you strip out the authentication, was probably in the mid teens on the revenue side. The margin on the authentication is a little lower than the above margin because of the work that is involved in delivering the authentication equipment. That gives you a feel for the impact of the authentication on sales and profit. Going forward, I will repeat the answer to the earlier question. We do continue to see opportunities to improve in the region of Latin America, notwithstanding the investments that we are putting into the business.

Jessica Flounder, Morgan Stanley

Can I ask a question on Consumer Direct? It says that the ProtectMyID has grown which I guess implies that the rest of it is shrinking. When do you expect to see the benefits coming through other work to transfer onto the new URLs?

Don Robert

Are these the new URLs through the Mighty Net acquisition, creditreport.com and freecreditscore.com?

Jessica Flounder

Just the general move, so the growth in Consumer Direct has been impacted by the legislation changes. When do you expect the new initiatives to start, resulting in growth in that business again?

Paul Brooks

First of all, in terms of the transition, the vast majority of the traffic now is coming from freecreditscore.com so that transition is progressing well. The issue we have is you get a kind of hiatus because we pulled back on marketing spend at the end of March, ahead of the FTC ruling and then we have been ramping up behind freecreditscore. Initially of course, you are going to get lower conversion on the new brand. That is now converging to the metrics we would expect to see, so it is all as we planned it. You get a ripple effect which is going to last for the full year, so for the rest of this year, we do not expect to see much, if any, growth in Consumer Direct. We expect to see it return to growth next year, so that is all very much in line with

the conversion plan that we had. ProtectMyID is growing well but it is a pretty small contributor to Consumer Direct in the first half, so it is a loss maker as well. It has had an impact on margin.

Michael Meltz, JP Morgan

I have two questions for you. Within Brazil, you mentioned the underlying growth rate and authentication, does it look like you are getting more competition there from ATSP[?] as it has reincorporated? Can you talk a little bit about the competitive environment and have you seen anything differently?

Don Robert

Michael, I do not think we have seen anything change on the competitive landscape at all and in particular, in the Brazil authentication market, there is one existing competitor but in the brighter sense, no change.

Michael Meltz

Within Interactive, you have said that you do not expect to see much growth in Consumer Direct in near term, can you just talk about, with this acquisition, is it harder to just aggregate it, what is working and what is not now that you are pursuing a different URL strategy?

Paul Brooks

It is absolutely yes, because the Mighty Net business is almost fully integrated already and of course one of the things that we are doing now is getting behind the creditreport.com brand. So we are increasingly diverting marketing spend behind the creditreport brand. You are going to see growth in Consumer Direct in the second half and we do expect to see a strong performance from Mighty Net in the second half as a result of that. However, because of the way we split out the numbers, the organic growth will lack lustre because the growth will be coming through on the creditreport.com brand.

Michael Meltz

There was a question earlier on about lead generation in US for profit entities. Just to clarify, just the regulatory change, but you also had some of the biggest operators say they are going have much lower enrolment going forward. Given that, are you still expecting growth out of your lead generation products over the next year?

Don Robert

We are but at a lower rate.

Thank you everybody in the room for joining us today. We hope to see you all at the investors' seminar in January. Thank you.