

Experian plc

Interim results – 8 November 2012

Contents

Part I	Strategic and operational review (Don Robert, Chief Executive Officer)	Page 2
Part II	Financial review (Brian Cassin, Chief Financial Officer)	Page 7
Part III	Questions & Answers	Page 13

Part I: Strategic and operational review

Don Robert
Chief Executive Officer, Experian

Introduction

Good morning, everyone. Welcome to our first-half results presentation. We are delighted that you are here and I am delighted to present yet another very strong set of results. I think the results are reflective of great execution against our strategy, great results from our ongoing global growth programme, and it feels to me like the business is firing on all cylinders right now. Of course, all of this gives us confidence in a very good outlook for the full year.

Highlights

Let us take a look at a couple of highlights:

- Organic revenue growth for the half was 8%, broken down into 9% in the first quarter and 8% in the second quarter. Very pleasingly, the growth came from right across the business. All geographic businesses and all business lines grew during the period.
- Margins moved ahead another 10 basis points, but I think the bigger story here, and one of the real keys today, is understanding that, without a currency headwind, and stripping out the effect of acquisitions, that margin progression was 50 basis points, which I think is quite an impressive number.
- Our global growth programme continues to contribute in a big way to growth at Experian, gaining momentum.
- Today, we are talking about a new growth and efficiency programme, designed to help us take advantage of some of the most tantalising growth opportunities that we have right now at the company, by realigning our cost base, so we will get back to that a bit later.

Strong H1 Performance

In terms of financial highlights:

- Total revenue growth from continuing operations was up 12%, at constant currency.
- Organic revenue growth, as I said, was 8%.
- EBIT from continuing operations was up 14% at constant currency.
- Actual revenue and actual EBIT were each up 6%. Again, that is reflective of the currency-translation headwind of the Brazil real to US dollar.

- Accordingly, EPS was up 3% at actual rates.

We are pleased to announce that we have put the dividend up 5% to 10.75 cents a share, reflecting our continuing confidence in the business.

Update on Global Growth Programme

I mentioned the global growth programme a moment ago. We are delighted with the continued progression there. We are four years into it now and, if anything, it just continues to gain momentum. The biggest contributors to the success of the programme are telcos, identity management and the SME sector, all operating on a global scale and at double-digit growth. A handful of equally as exciting opportunities are still coming along, with US healthcare, BusinessIQ and multichannel digital marketing, and we will talk about a couple of these in a bit more detail later. In an overall sense, however, growth initiatives have contributed in excess of 4% to our revenue growth so far.

Trend in Key Markets

A quick tour around the world, starting in North America, our North America business is really thriving now, with some help from the economy, for sure, but really the growth there is reflective of the investments we have made to diversify that portfolio. The affiliate channel, US healthcare and US government, which we will talk a bit more about, are all combining to create a very strong and diverse scenario now coming out of the recession.

In Latin America, we had told you and predicted for some time that growth would moderate there a bit; indeed it has. That is fine. We have a great business that is well diversified, well positioned for growth, and capable of winning in a number of different areas. Our investments of a year ago in Colombia and Peru are also doing extremely well.

Here in the UK, there is not much to be excited about in the macroeconomic sense, but I am pleased to say that our business has remained in growth in the UK the whole time. No help is coming from the financial sector, so, when you look at the underlying growth in our Credit Services UK business, which is now back into positive territory, that is coming from investments and initiatives that we have taken outside of the financial-services vertical. The real superstar in the UK business, however, is our Consumer Services CreditExpert business, growing like a weed, which is down to great execution on the part of a fantastic team.

Finally, in terms of EMEA and Asia Pacific, there are a lot of challenged economies in that geographic portfolio. I think it is important to keep in mind that most of our Credit Services businesses in this region fall outside of the eurozone, which is a good thing. Marketing Services in EMEA and Asia Pac is growing very strongly, reflecting a shift to digital marketing. We are facing a bit of a headwind in Decision Analytics in this region. We have done a lot already to restructure and realign resources and the cost base. We think that has bottomed out and we are seeing light at the end of the tunnel, although we will notice a negative impact on Decision Analytics margins – and regional margins, for that matter.

Extend global Lead in credit data and analytics

Turning to strategy for a minute, you know we are the global leader in Credit Services and Decision Analytics. One of the main ways that we can grow here is to enter new geographies. It often makes sense to do that inorganically, and you saw us do that in a significant way a year ago, when we purchased Computec in Colombia. Computec, along with its sister credit bureau in Peru, is doing extremely well, growing at 20% and outperforming the buy plan. I am pleased to say that our Australia credit bureau, which we own in partnership with the largest Australian banks, will launch in the first calendar quarter of 2013.

New sources of data continue to differentiate us from the competition, and we have invested in rental information and new public records in the US, and a national property database here in the UK, and now in several of our key geographies around the world we see this movement to positive data, including Brazil.

Finally, on the new product front, we have made a very significant investment in re-platforming and modernising our core Decision Analytics software suite over the last four years. I am very pleased to say we have 13 very nice client contracts for PowerCurve product platforms in the bag now. Our Data Lab, full of scientists in the US, is coming out with some fascinating new products that I think are going to have a real impact on our clients.

Growing Our B2C Presence

You will also note that Consumer Services – B2C – now accounts for about 20% of Group revenue. Again, we have three ways to move that business ahead. One is by evolving the product. Here in the UK, for instance, we are providing UK consumers with the ability to come in and out and look at their credit score as often as they want. In the US, we have a score-tracking product that is doing quite well. We are now combining the offerings of our personal safety products – Garlik and SafetyWeb – and I think that will be a big driver of growth in the future.

Channel-wise, the affinity market, where we ride on the back of large card issuers, for instance, is coming along nicely, with a big win there in the first half. We are evaluating several opportunities to expand that business geographically.

Success in new customer segments

New segments are probably the most capital-efficient and cost-efficient way that we have to grow the business. Healthcare payments in the US are a great story. We have combined a couple of investments and we now cover the full spectrum of medical-debt management from the physicians' offices on the low end to hospital bills on the high end. In doing that, we are now picking up higher-value, longer-term, more lucrative client contracts.

We had big wins in telecommunications and energy. I think it was in May that we presented the case study of the Oi telco in Brazil to you, showing you what we can do with a multi-product approach in a telco. We are also having a lot of success now with the US government.

Key US public sector wins

Let us spend a minute on that now. We have been telling you for a couple of years that we were investing in the US government space, because we had had success in the UK public sector. Now we have a whole host of US government contracts. The Social Security Administration is the US national pension agency, to which every citizen will eventually be entitled. Our product right across these three government agencies is an identity-management product, using one of our core identity-management tools called Precise ID.

The Social Security Administration is going paperless, so, by the end of this year, US citizens will no longer get a paper statement in the post a couple of times a year. If they want to look at their benefits statement, they will have to go online. Obviously, there is a massive fraud risk here, so we contracted with the Social Security Administration to build them an identity-management system on the front end of their database. I have used it myself and I almost failed the test, so I think it works pretty well. We are authenticating about 20,000 US consumers a day through this system.

DrFirst is a federal programme that allows physicians to prescribe controlled substances online and there is obviously a huge risk there too. We are providing identity-management services for them.

The goal here is that Experian identity-management technology will become a US government standard, and I think we can get there.

Going global in digital marketing

Just to touch on digital marketing, the sea change continues. We are now moving clearly from the single-channel-marketing approach of 'fire and forget/hope for the best' to a true cross-channel-optimisation scenario, where the more sophisticated marketers are getting interested in the person rather than the channel. The channel almost becomes incidental, but we have to be able to help the marketer find the consumer, no matter what channel they dwell in online, be it social media, mobile or email. You can do that only with data analytics sophistication, which, of course, plays to our strengths.

Brazil – update on acquisition of minority interest

On 23 October, we announced that we had struck a deal to acquire, essentially, all of the remaining interest in Serasa for \$1.5 billion. As pleasing as that part of the deal is, it is also very pleasing that we were able to extend our commercial agreements with our very large bank minority partners in Brazil. They have now agreed to extend their agreements to contribute both positive and negative data to us, and they have extended their minimum-spend agreements with us that cover the services they buy from Experian. We are waiting right now for competition approval on the deal in Brazil. At our end, we will be holding an EGM on 20 November, our circular is on our website right now, and we hope to have the whole thing wrapped up by the end of the calendar year.

Brazil – positive data sustains growth

About the same time, we finally got the news on positive data. The rules have been written and the implementation date is 1 January 2013. There is a provision that, for a consumer's positive credit data to be included in the credit bureau, the consumer must give consent, so the banks are now working out the framework in order to gain that consumer consent, which will take a bit of time. After this initial period of consent, we think that can happen just through the normal credit-application process. Suffice it to say that it is going to take a while to get enough of this consensual positive data in the file for it to make a difference, but at least it is on its way.

A quick reminder on what that means to the business: first of all, hopefully we get a higher price in return for a richer dataset. It allows us to introduce new value-added products, behavioural scores, fraud products, targeting products and all sorts of things. The net macro impact on this is that it will have the advantage of stimulating retail credit, which is a good thing, in a responsible way, for the Brazilian economy.

Maximising our growth potential

On to the growth and efficiency programme: I have to say I have never been as optimistic about the future of our growth potential at Experian as I am right now. The way that the efficiency and investment programme came to be was as a result of a discussion in the strategic-planning cycle around the senior management table. We have often said that we have so many growth opportunities at the company, and the biggest challenge is just identifying the best ones and focusing on them. Indeed, that is still the case.

In the considered wisdom of the team, we have selected a handful of the best opportunities that will continue to maximise growth in the company, and we have decided to realign the cost base so we can shift resources out of less promising, less exciting activities to fund these more enticing growth opportunities. We are very excited about that and I will be happy to talk more about that as the day goes on.

Increasing investment in a range of opportunities

A fair question to ask is, 'What are you going to do with the money?' given that we are anticipating run-rate savings of \$75 million eventually, a portion of which we want to reinvest. Quite honestly, we are going to double down on some of the best bets we have already made, like in new vertical markets, where we are having a lot of success. We want to do more in exciting geographies – Russia, Turkey and Colombia – and offer more products in Colombia. We have more product-innovation opportunities. Globally, fraud and identity management is something that is absolutely on fire, and it is really incumbent upon us to do more with that, more quickly.

Summary

In summary, I would say we are delighted with our progress in the first half. We are continuing to make our own growth and to make our own fun, despite the well known, well spoken-about economic headwinds. It has been a great performance right the

way across the business. We are very excited about our efficiency and growth programme in terms of the impact it will have on sustaining premium growth. It gives us the confidence to say we are pretty sure we can continue to deliver premium growth, both now and into the future. With that, can I turn it over to Brian Cassin, who has a couple of things to say about the financials?

Part II: Financial review

Brian Cassin
Chief Financial Officer, Experian

Introduction

Good morning, everybody. It is a great pleasure to be here, and it is an even greater pleasure to be here at my first results announcement presenting a pretty good set of results. We are very pleased with the results in the first half. I think that they show significant further progress and show that we are executing against our growth strategy. I am going to take you through the performance of the first half. I am also going to give you some further detail on the efficiency programme that Don referenced. You will remember that, as we go through the growth numbers, all the growth rates down to EBIT are at constant currency.

Highlights

Let us recap on the highlights of the first half:

- We had total revenue growth of 12% and organic revenue growth of 8%.
- EBIT margin was up 10 basis points to 25.8%, slightly ahead of the guidance that we gave you, so we have done a little better there.
- This meant that we had EBIT growth at constant currency of 14%.
- In terms of the constant-currency point, we had a big headwind in the half from FX, mostly down to the Brazilian real, which had appreciated against the dollar. That headwind was about 6%, so, at actual rates, benchmark PBT was up by 6% and EPS by 3%.
- As Don mentioned, we raised the interim dividend by 5% to 10.75 cents.

Revenue and EBIT by geography

Turning to the performance by region:

- The 8% organic revenue growth in the first half was really down to a further strong performance in Latin America and good growth in North America.
- Growth in EMEA/Asia Pacific held up reasonably well, despite pressures in the eurozone and strong growth in some of our Asian markets.

- What is particularly pleasing is that we continue to deliver modest growth in the UK set against a tough economic backdrop, and we are very pleased with that outcome.
- Total revenue growth of 12%, coupled with a modest EBIT margin progression, resulted in EBIT from continuing activities at 14%.

EBIT margin by geography

Just taking a closer look at margins:

- Again we are very happy that we have managed to move margins forward slightly, despite the headwinds that we had anticipated. The two main drivers are the good margin progress that we have achieved in North America and Latin America, both driven by the positive operating leverage that we are experiencing in those regions.
- The UK was net neutral to overall Group margins.
- We had a small decline in EMEA/Asia Pacific, driven by two factors: first, the investment in the Australian bureau, where we are increasing the investment in the run-up to launch; and second, revenue contraction in Decision Analytics, which reflects tough conditions in continental Europe and some parts of Asia.
- Don referenced this but, before acquisitions and FX, we managed to increase margins by 50 basis points, so those two headwinds have taken our overall EBIT margin progression down to 10 basis points.

Credit Services

If we turn now to the four business segments, starting with Credit Services, we had another great performance, with total revenue growth of 15% and organic revenue growth of 9%.

- The strength in North America was driven by the strength in mortgages and growth across the other segments, helped by new sources of data. We also saw good growth in automotive and healthcare payments.
- In Latin America, the mid-teens growth we achieved in the first half was in line with our expectations. We had good growth across Credit Services and Consumer and business information.
- I would point out that, looking ahead to Q3, you will recall that we had a strong boost from authentication in Q3 last year, so we do expect some moderation in the growth rate looking at that comparative.
- The UK returned to growth, getting a little stronger as the half progressed, as we start to see the benefit of some of the investments there, so we are pleased that we had a slightly better performance there.

- In EMEA/Asia Pacific, in our bureaux in Europe we have held up pretty well. We have been pretty resilient and we have had some strong growth in our business information businesses in Asia Pacific.

Positive operating leverage in Credit Services gave us a margin increase of 80 basis points in the half, again driven by the strong growth that we had in the two major territories.

Decision Analytics

We had total revenue growth of 8% and organic revenue growth of 5%.

- We had another strong performance in North America, with double-digit growth, driven by pushes in fraud prevention, software and global consulting, and as we started to convert the pipeline for PowerCurve. We also had particular success in North American public sector, with a series of new contract wins, some of which Don highlighted in his presentation.
- In Latin America, although the numbers are still relatively modest, we are starting to see some real traction there. We put a big focus on that business and it has started to pay off.
- In the first half, the UK faced a particularly tough comparator from last year. You will recall that the growth rate for Q1 was slightly higher than that, so we have had a bit of progression as we have gone through the first half. We have had some good wins recently. Our pipeline remains good, although I think that conditions in that market remain tough, with clients still slow to make decisions.
- While revenues in EMEA/Asia Pacific were down, the rate of decline moderated as we progressed through H1, really reflecting continued difficulties, but we are really starting to execute against some of our initiatives in those areas.

The margin of 18.6% really reflects the revenue decline that we experienced in EMEA/Asia Pacific, as well as the investment expenditure that we are putting in across Decision Analytics.

Marketing Services

Looking at Marketing Services, total revenue was up 12% and organic revenue growth up 6%. We have had stronger performances from our newer geographies offsetting tougher conditions, particularly in the UK.

- In North America, growth slowed as clients undertook a one-off exercise to cleanse inactive email addresses from customer lists, and the market for our traditional list businesses also continued to shrink. We have taken action to refocus the operations in this area.
- Latin America, which is becoming more meaningful, is going from strength to strength. We have had some significant progress there with client wins, in particular in the telecoms sector.

- Conditions in the UK were fairly tough, although we still saw some growth in email marketing.
- Our strong growth in EMEA/Asia Pacific continued, driven really by growth in our Digital Marketing operations.

The margin contraction in Marketing Services is really down to two things: first, an adverse acquisition mix, mainly in relation to the addition of Computec; and second, the new platform investment as we roll things out like our next-generation email platform.

Consumer Services

Finally, moving to Consumer Services, we have had a tremendous performance. Total and organic revenue growth were both up 10%.

In North America, revenue growth was 7%. There, what we have experienced is our newer retail brands continuing to progress well as we transition away from the free-credit-report brand. The affinity channel also performed well and included a first-time contribution from the new client win. The pipeline there continues to look good for the affinity deals.

There was another outstanding performance from the UK and Ireland, with growth of 26%, as Don said down to great execution on retention, pricing and product mix.

That translated into positive operating leverage, with a margin increase of 270 basis points, which is down to the growth that we have seen in the businesses, plus some marketing efficiency spend, all of which offset the increased costs that we experience as we get ready for onboarding affinity clients.

Group benchmark earnings

Moving to the income statement:

- Our 14% growth in EBIT at constant exchange rates translated to 6% growth at actual rates. Again, that is referencing the depreciation primarily in the Brazilian real that I talked about a minute ago.
- We flagged to you at the start of the year that our interest costs would rise, and net interest costs were \$27 million. We had a net pension credit in the half of \$4 million, which also takes account of some of the costs associated with funding the new bond that we issued earlier this year.
- Benchmark PBT was up 6% at actual rates and 13% at constant exchange rates.
- Our tax charge was \$141 million, 25% on benchmark PBT, again reflecting the higher mix of profits in higher tax jurisdictions, particularly Latin America, where marginal tax rates are higher.
- The minority of \$37 million relates primarily to Serasa, and this will be significantly reduced once that transaction completes.

- That brings us to benchmark EPS of 39 cents, up 3% at actual rates and 9% at constant FX.

Cash flow performance

Looking at cash flow, most of you will know that the first half is traditionally the weaker half for us for cash flow conversion.

- In H1, we converted 73% of EBIT into operating cash. For the full year, we would expect to be at our normal guidance of at least 90%.
- Capex was \$218 million, up 10% on the previous year.
- The depreciation charge of \$160 million really reflects continued investment in data sources and new platforms for growth.
- We had a net working capital outflow of \$100 million, reflecting the usual seasonality that we experience in H1 due to bonus and commission payments.
- That gives us operating cash flow for the first half of \$433 million.

Our other deductions are interest paid of \$35 million, tax paid of \$48 million, and dividends to minorities, which brings us to free cash flow of \$315 million.

Net debt reconciliation

- We started the half with \$1.8 billion of net debt.
- I referenced the free cash flow of \$315 million.
- Net acquisition expenditure in the half was very modest, at \$42 million.
- Our net share purchases came to \$157 million, which was slightly ahead of the guidance that we had given to you, reflecting additional vesting of shares awarded in previous years.
- The final dividend paid to shareholders for financial year 2012 was \$215 million, which takes us to net debt at the half year of \$1.9 billion.

Net debt/EBITDA

In terms of net debt/EBITDA, the agreed consideration for Serasa, as you know, is \$1.5 billion. On a pro forma basis, that will take us outside of our target net debt/EBITDA range. However, over the course of the year, we expect cash generation to continue to be good and, absent further acquisition spend, we expect that net debt/EBITDA will come down into our target range, which is 1.75 to two times net debt/EBITDA.

New cost-efficiency programme to drive growth

As Don said a minute ago, we are launching an efficiency programme to enhance and drive our growth. These are largely strategic efficiencies that will make permanent reductions in our cost base in some areas. We will be taking various actions:

- The biggest one is around our offshoring programme. We see further opportunities to near- and offshore, and that is a programme that has been very successful for us in the past.
- We will be reengineering some of our fixed costs, which means we will be consolidating some of our facilities and there will be some infrastructure optimisation as part of that programme.
- As Don said, we are going to be rebalancing our resources to take advantage of our growth opportunities. For example, we will be reducing some of our exposure in our lower-growth markets.
- Finally, we intend to rationalise some of our lower-growth legacy products.

New cost-efficiency programme

Looking at this programme in a little more detail, we expect the programme to deliver annualised gross savings of approximately \$75 million. Those savings will be spread across two years, so the full run rate will occur in financial year 2015. About two-thirds of those savings are going to be reinvested for growth, which gives us net savings of \$25 million, again spread over two years and the full run rate in financial year 2015. The charge itself is going to be primarily financial year 2013 and some financial year 2014; again, it is two-thirds in financial year 2013 and one-third financial year 2014. We have already taken \$9 million of the charge in the first half, so that will translate into about a \$75 million charge in financial year 2013, with the balance thereafter.

Other modelling considerations

Turning to other modelling considerations:

- We expect our net interest to be in the region of \$65-70 million, after a net pension credit of \$8 million for the full year, and that includes the additional funding for the acquisition of the Serasa minority.
- We expect our benchmark tax rate to be about 25%.
- Our capital expenditure guidance is unchanged from the guidance we gave you at the start of the year, so we expect that to be in the region of \$470-490 million.
- We estimate the share repurchases in respect of vesting employee schemes to be around the \$170-180 million mark, depending on our share price.

Financial summary and outlook

In summary, it has been a very good first half. We are very pleased that we have delivered a strong financial performance, with high-single-digit organic revenue growth and a modest margin improvement. As we said, we are looking to maximise that growth potential and, to do that, we have conducted a strategic review of our cost base and, over the next 18-24 months, we will be focused on delivering that plan. The savings from that programme will largely be reinvested to drive growth. Looking ahead to the full year, we expect a tough comparable in Q3 and, for the full year, we still expect to deliver high-single-digit organic revenue growth. We also expect to be able to deliver modest margin improvement at constant currency and we will look for our cash conversion in line with our target of at least 90%. With that, I will hand you back to Don.

Summary

Don Robert

Thank you, Brian. I will say it one more time: I am very pleased with the performance that we delivered in the first half and very confident about the outcome of the year as a whole. Brian just gave you some guidance on that. Our growth programme, now in its fourth year, is gathering momentum and clearly having a big impact on the organic growth line. What gives me the greatest optimism as I look out there is all of the growth opportunities that we have, and it makes me feel truly as though our best opportunities and our best days are still out there in front of us. The key now is to match our resources with our opportunities, and I think we have a great opportunity to bring those into alignment. With that, can I just say we aim, as always, to sustain premium growth now and into the future.

With that, I will invite Chris up for Q&A.

Part III: Questions & Answers

Rob Plant, JP Morgan Cazenove

In terms of the growth initiatives, can you say which ones will take the most money? Also, it sounds as though you had more growth initiatives that you could have invested in; what was the thinking in terms of how much savings you wanted to generate and how much you wanted to invest in growth initiatives?

Don Robert

Maybe Chris and I can handle that in tandem, but I would start out by saying that, when we really began plotting this with the senior team, our starting point was: what can we do that is 'capital lite'? Where can we really capitalise on stuff that is already built, on technologies that already exist and on success that we have already had? Speed would apply to those situations too. That was a very important screen. Chris, do you want to talk about what fell out of the hopper and did not pass the test, and be more specific on that part of that?

Chris Callero, Chief Operating Officer, Experian

Maybe I could just add a little colour on top of that, Don. First and foremost, recall that we have roughly 20 initiatives under our global growth programme. About half of those are product innovation-oriented; the balance of the other half is oriented towards vertical-market expansion, such as what was described earlier in the presentation, as well as geographic expansion.

We went ahead and looked at a couple of things. One was: we already have these initiatives in play; how much more can we do with what we have already have? With some of the product innovations rolling off and being watched, how can we get more aggressive and accelerate adoption of those products into the market? At the same time, how can we better balance the amount of penetration by investing more in vertical markets? As Don has indicated, vertical markets are very capital-efficient.

As a result, we stood still and strong with those 20, and then we looked at other areas where we could expand, largely in the area of vertical markets, so we will continue to add more vertical markets and some geographic expansion. As you would expect, Turkey and Russia are two prime examples that we spotlighted today in the presentation.

We always have the biggest issue of prioritisation, along with which comes alignment of resources – and resources in the broadest sense, incorporating the capital being applied to the investment, the P&L room that we have in order to continue to produce the kind of returns that we have promised our investors, and at the same time balancing the best sense of growth that we can provide to our clients and to the markets that we are serving.

Some of the ones that we have left off are ones that we still see in our strategic pipeline over the next few years, but which are maybe a little before their time in terms of readiness for the market, so that we can continue to be nimble, particularly with our capital-intensive investments. Those are the ones that I would probably highlight are set aside and put on the shelf for a while, to come down as we have more capital room and opportunity. There are also P&L investments further on the same theme of vertical-market and geographic expansion, and continued investment in our sales-producing or sales-generating resources.

Probably the last thing I would want to spotlight, since I know we will get pockets of questions on this, is that we talk about sales-generating resources. That implies we get talent from the vertical market or the industry itself, as the case may be. It implies that we have folks who are expert at the propositions that we can build on the

back of products and services that we principally already have. In addition to that are the consistency that would be appropriate to go along with that, the sales force, and the delivery of those products and services, as the case may be. We wrap all that together when we say sales-generating resources, and we think that is the real key.

Ed Steele, Citi

Just a follow-up question on the new growth initiatives: for the ongoing \$50 million of incremental P&L investment, could you give us a flavour for a central case on the additional sales that could be generated as a result, and a timeline? Do you feel that this is an incremental sales result or is it more to sustain the organic growth rate at the same sort of level as you have at the moment?

Don Robert

It is more the latter, is it not, Chris?

Chris Callero

In the end, what it becomes is, when the markets are extremely tough, we are still in the mid-to-high-single-digit growth range. When market forces are a little more favourable, we are at the higher end of it. That is how we look at it.

Don Robert

High should be lower; low should be higher.

Chris Callero

It sounds good.

Don Robert

High should be higher.

Chris Callero

High is always good.

Ed Steele

In Latin American Credit Services, it looks like you had about 12% organic growth in the second quarter. Were both Consumer and Business double-digit, or was one much higher than the other?

Brian Cassin

All our business lines in Latin American Credit Services were double-digit in the first half.

Ed Steele

In the second quarter?

Brian Cassin

In the second quarter, yes.

Don Robert

Just pass the microphone to Jaime. This is Jaime's last results meeting from the sell side. I guess, depending on whether you follow your convictions, we may have to be a little more respectful of you.

Jaime Brandwood, UBS

Thank you, Don. I just had a couple of questions, if I may. On US Credit Services, sometimes you give us some degree of granularity on some of the moving parts there. I wonder if you could maybe help us in terms of H1 on things like your mortgage business – even though I know that is not a huge part – your business information and your auto data. Of course, you have referenced healthcare, which I presume is growing very quickly. I just wonder if you could give us a bit of granularity on the moving parts within US Credit Services.

Don Robert

In terms of growth rates in the half?

Jaime Brandwood

Growth rates in H1, and any sense of outlook into the second half.

Brian Cassin

We saw good growth across most of our segments in Credit Services. I think probably the one area where we had a bit of softness was BI but, in healthcare, automotive and core Credit Services, we really saw a continuation of good growth. I think we expect conditions to remain good for the rest of the year, so we still feel pretty positive about that.

Jaime Brandwood

Do you sense any issues around greater oversight of banking practices by the CFPB? Is that something that you are at all concerned about, particularly with Obama being re-elected?

Don Robert

That was there with Obama being re-elected or not. The CFPB is just gearing up. Chris, do you want to comment on what is happening?

Chris Callero

Yes – a very important point. The CFPB is currently heavily involved with financial services institutions, where they are looking at somewhere in the order of 250 different types of rules, regulations and issues, etc. surrounding everything from credit scores to pay-day lenders, debt collection and capital levels, etc. There is a huge amount of activity going on with financial institutions as we speak right now, and I think everybody pretty much knows that. At the same time, that has had some consequential effect on pipelines, where they are not necessarily as aggressive for growth until they get a little more certainty with some of the initiatives that they have.

With respect to ourselves and the other two credit bureaux in the US, we fall under the purview of the CFPB. We have received notice that they will be starting an examination. We have been engaged with them. We have provided them with all the appropriate information and data that they have been looking for, and have set up a data room, etc. They will begin their exam with us after the first of the calendar year – sometime in January is the expectation.

Once again, we go back to the history of this company and, generally speaking, regulation is a part of our life. Regulation is normal for us. This is a different form of regulation because it is a different bureau that has been established. Nonetheless, we look for these situations to create opportunities for us, as they can do, and to deal with issues that we, as an industry, in the broadest sense of the word, need to deal with. We look at this square in the eyes; we will work with the bureau and through the issues; we will work with our clients and help them out as much as possible; and we will move on, as we generally do.

Carter Malloy, Stephens

Looking at the growth expectations in the second half, which I assume is some sort of slowdown, going back to your mids, highs and lows on the high single digits, should we assume that we annualise the price increase on your UK Consumer business, we decelerate Latin America a little, and we maybe accelerate Marketing Services to come to somewhat of a 2-3-point organic deceleration in the back half? Is that the right way to think of it?

Don Robert

Not quite. Brian, do you want to help Carter with his model?

Brian Cassin

There are, as always, a lot of moving parts. I think we continue to see good expectations in North America and Latin America. Let us just deal with Latin America first. We have consistently guided to mid-double-digit for Latin America. We delivered a little more than that in the first half, so that was slightly ahead of where we expected it to get to, but we are still comfortable with the mid-teens guidance for Latin America for the full year. I think that is point number one.

Point number two is I think that what we have seen in North America is good performance in Credit Services and very strong performance in Decision Analytics, and we broadly expect those to continue. We expect the Consumer Services North America business to continue to have good growth. We are very happy with the 7% that we delivered in H1. I think, if we track back to financial year 2012, we had much lower growth in Consumer Services at the year end.

When we talked to people in Q1, we were pleasantly surprised that we got up to 7% on Consumer Services North America, so that has continued. We had a benefit from affinity there. We are pretty happy with those sorts of growth rates. That business is getting really quite substantial now, so sustaining very high growth rates in that for long periods of time becomes more of a challenge.

I think, in Marketing Services North America, we expect to see more or less what we saw in H1. It remains difficult. Conditions there have been a bit tougher than we anticipated. Again, if I go back to Q1, we had 3% growth in Marketing Services North America. When we talked to people then, we slightly expected it to be a little better in Q2, but it did not turn out that way, so I think our expectations for that have moderated slightly.

If we move on to the UK, I think what we have said is that we are very pleased to have delivered growth. Obviously, it is driven by the UK Consumer Services business, which turned in a fantastic performance of 26%. We still see strong growth in Consumer Services for the rest of the year, so we expect it to perhaps moderate it a bit but we are still expecting quite high growth rates there.

Our expectations on Credit Services are a little more optimistic than they were in Q1, because we have seen a slight up-tick. Again, however, I think it is too early to call whether that is a real turn or not, so we remain cautious on that segment. In Marketing Services, I think we still continue to see the UK as being relatively difficult from that perspective. That was a quick run-through of the main divisions, and we do not really expect too many changes elsewhere.

One parting comment is that we hope to do better in Decision Analytics in H2 than we did in H1. We have seen some progress in the territories that have been a bit more difficult for us, but our only word of caution is that that remains a business that is lumpy and difficult to forecast. We hope it gets better and we are certainly planning that that will happen, but we will wait and see how we progress.

Don Robert

At a macro level, we are just a bit wary of a big comp in the third quarter.

Brian Cassin

That is right. We referenced that in the slides. We had a big spike, as you will remember. I was not here last year, but you will remember it. We had a big spike in authentication revenue in Q3 last year, which makes that a tough comp. When we talk about mid-teen growth for Latin America, we may see some slight change in the profile of that, but we are still comfortable with that outlook.

Carter Malloy

Given the run rates and tougher comps, do we expect at least some moderation in the organic growth rate for the back half?

Don Robert

That is within the range of possibility: maybe, maybe not.

Carter Malloy

Just quickly in terms of the US Marketing Services business, can you tease apart digital marketing in cross-channel and what is going on there versus some of the declines in the more traditional business?

Chris Callero

In terms of UK Marketing Services, certainly for the first half of the year, again it was a very tough environment, given a lot of client decisions and the like, and a tough environment from the standpoint that a lot of our clients have chosen to really spruce up their email marketing lists. As a result, there is a bit of a consequential effect that we dealt with during the first half of the year.

We continue to make very sound investments in our Marketing Services business, and have just launched a set of new product features and functionality that is getting rave reviews with our clients. Internally, we call that Project Fusion. Basically, it is a re-platforming of our CheetahMail technology, which enables us to provide digital marketing, which is a key driver of growth for us right now.

The beauty of that investment is that it will go in tandem with our ability to do the cross-channel marketing that Don referenced, whereby clients are more interested in their consumer, regardless of channel preference or approach, or, as Don mentioned, where they are at a particular point in time, be it wanting to be contacted, reached or communicated through mobile, social, email or maybe even in person, as the case may be.

When we look at the first half of the year, we dealt with a lot of that. We have this new technology that we have launched. Thus far, again it is getting fabulous reviews. It positions us for growth going forward. We continue to invest more in the data analytics and digital aspects of Marketing Services, with less excitement around list processing and things along those lines, as those technologies have evolved to become more digital.

I would say, right now, we have worked through a tough market environment. We continue to work through it and position ourselves very well going forward, and we have a fabulous team driving that business.

Andy Chu, Deutsche Bank

In terms of Credit Services Latin America, Don mentioned that Computec was running up 20% and, in Q2, Credit Services Latin America was at 12%. I wonder if you could

just help us in terms of what the Brazilian part was growing at. In terms of a 15% mid-teens growth rate in Latin America, is that predicated a lot on the shift to positive data coming through in the next couple of years? With tough comps into the second half and potentially into next year, could you see that growth rate in Latin America tail off before mid-teens growth?

My second question is about numbers. The cash flow conversion is still pretty healthy at 73%, but that has sort of chunked down from 79% last year in the first half. Also, when you look over the last two years, on an annual basis it has come down from 96% to 92%. I wonder if you could just talk about what we should expect from a cash flow-conversion point. In the first half, I think the payables number spiked up within working capital.

Don Robert

I will give Brian the cash flow question in a minute, unless you want me to take it.

Brian Cassin

I will take it.

Don Robert

That was a joke.

Brian Cassin

I definitely do not want you to take it.

Don Robert

On the mix, the Colombia business, top line, is less than \$100 million, so it can grow at 20% and still not move the needle much on Latin America. I think Brian already said that all of the Brazil business lines were growing at double digits. You sort of answered your own question, Andy, about tough comps in this particular time of this year. We had a very challenging comp in Brazil, but when we look at the pipeline, the segments and the customer verticals we are operating in there, and when we see what is happening with Marketing Services and Decision Analytics, which is new since the Experian acquisition, all that adds up to ongoing comfort in the mid-teens region for Latin America.

Brian Cassin

Last year, the 79% was actually 78% when you take out PriceGrabber, so there is a 1% difference there. The main difference this year is due to two things: capex is up a little, but we also had a movement on working capital, which was primarily down to a slight increase in the overall sales that are coming from the SME channel, which tend to have a slightly longer debtor cycle. We have seen that, particularly in Brazil and elsewhere, which impacted a little on collections in the first half.

Just to put it in context, what we are doing there every year is, as you grow that business, you are onboarding thousands of new clients, so you tend to get a slightly altered profile of collections there. That is the reason why, in the first half, we have had a slight movement on that. We do expect to get back to 90% for the full year.

To your wider point about why our cash flow conversion has come down over the years, our capex investment has increased over time, so that is part of the reason. The reason why the capex investment has increased over time is really twofold: first, we have invested very heavily in the growth markets in Brazil, in two areas – new sources of data and also re-platforming that business as it has grown. That business has increased substantially in size and, when you have a business that scales up, your system investment needs to follow it, so that is part of the reason. Second, we continue to invest across all the businesses in new platform rollouts in Decision Analytics and Marketing Services, which also feeds into that. That is why you have seen that rate come down.

Don Robert

Again, that also plays into the growth initiatives that we are layering in, and especially those that are 'capex-lite'.

David Hancock, Morgan Stanley

In terms of the B2C new geographies that you referred to, where are you thinking of taking those products and over what timescale?

Second, on the flipside to the growth initiatives – the areas where you are reducing exposure to lower-growth products – can you give us a bit more detail on that?

Don Robert

In terms of the B2C geographic expansion, the requirements to do that successfully are population, usage of digital channels and, most importantly, a good credit bureau system that contains both positive and negative data. That opens up a lot of possibilities, from Brazil to India and a lot of points in between. Since our internal planning and discussions on that subject are pretty early on, I would be hesitant to be more prescriptive or descriptive than that, but you could probably work some of it out.

In terms of the flipside of the growth opportunities, we have tens of thousands of products in the company. We have a lot of facilities, some of which have come into the fold recently via acquisition. We have some geographies that are very difficult to stimulate growth in right now. I think Brian sketched out the broad categories of things that we would be rationalising, but it will be products, facilities and things like that in less exciting growth parts of the world. We are not, however, exiting any geographies; it will just be pruning in the right places.

Charles Wilson, Goldman Sachs

Assuming a successful completion of the Serasa deal, and given your excitement about the internal growth initiatives, do you expect to see a difference in the balance between acquisition growth and potential capital returns than you have seen in the past?

Don Robert

I do not think we see a difference in capital returns. By definition, the Serasa minority transaction has been, by far, our largest potential investment opportunity that we have had on the radar for quite some time. There is not much else out there, to be quite honest, of any scale.

Dan Leben, RW Baird

Regarding churn around the legacy products. Is there any more insight into some of the geographies or product lines that that may fall in more than others? Could you also talk about what the overall drag of those products is right now on organic growth, and what organic growth would look like if you were already out of those products?

Don Robert

In any given geography, there is a bell curve of products, and the ones at the far end of the bell curve tend not to be very productive. That is just a fact of ageing. It is not so much a question of how many of those there are or how much of a drag they are, but it also touches things like new systems. If you want to install a next-generation credit bureau platform in any country, there will be a handful of products that will require a lot of development and make a new system very costly to deploy. The ripple effects of too many products that are not fully in revenue-producing or optimisation mode are ones that spread out beyond just the product itself. Again, we would prefer not to be drawn on which products and how much they account for or which geographies, because we do have people involved in these geographies as well, and we need to treat announcements in a certain way.

Dan Leben

On the Marketing business, could you mention how big the impact was to margins from Computec? Brian mentioned there was a drag. In the longer term, what is the opportunity for margins in this segment? Where can you drive these two in the longer term?

Don Robert

Only in Computec?

Dan Leben

No, for the Marketing segment.

Brian Cassin

Marketing Services are never going to achieve the same margins that we achieve in Credit Services. Can we expect margins in that segment to go up if we get revenue going forward? We will see some positive operating leverage come through. I think that will be balanced also against the need to continue to develop new products and to continue to invest in that area. We would expect to develop modest margin progression in that division overall, as we progress, but I think that is probably about the quantum of what we would plan for.

Andrew Ripper, Bank of America Merrill Lynch

On Brazil, I wanted to understand the SME payment terms point. I appreciate it is a big, chunky Brazilian business. I understood that it was largely a subscription-based business and, in terms of direct to consumer, we are used to seeing you getting paid in advance. How does it work differently in the SME channel in Brazil?

Second on Brazil, no doubt you will be aware that there has been some softening of retail credit data in the last few months particularly; sequentially, it has been flat. What is your reading of the retail side of the business in Brazil?

Chris Callero

First, on the overall macro conditions, I think Brian referenced this earlier but the credit originations, principally from financial institutions, have moderated somewhat in Brazil. We are seeing nice growth in non-financial-institution verticals and continue to invest our resources to take advantage and seize the opportunity associated with that.

If you recall, the mix of business is roughly 60/40 consumer/BI. We are fortunate enough in Brazil, where thousands and thousands of new businesses are being established. As a result, we have hundreds of thousands of SME clients that we serve through our SME channel, and we continue to simplify the offering that we have, so that it is tailored to the SME. We continue to see good growth. As you would expect with all small businesses, there is a reasonable amount of churn that generates its own activity in and of itself. Quite frankly, a year and a half ago, we had an embarrassment of riches, and now we have gotten more in front of that and continue to get in front of it from the standpoint of the payment mechanisms and the onboarding process that we use for the SMEs, and that continues to get better.

Don Robert

Can you say anything more on the subscription model?

Chris Callero

That is a good model but we also have a lot of transactions that will come straight through that are not as consistent, yet we still want to serve that portion of the SME market – very small or maybe micro businesses that have those needs – and we want to tailor our offerings to those too.

Andrew Ripper

On Asia Pac, I appreciate it is pretty small but the profits are well down. I just wondered if you could give us a sense of the impact of the Australian bureau. What is your expectation for the loss this financial year? Maybe you could quantify what the first half figure was. Again, although it is small, I appreciate Don mentioned it is going to launch in the first half of 2013, so what is your sense of the gearing as you start to generate revenues? When do you expect to become profitable in Australia?

Don Robert

The loss related to the Australia bureau this year is around \$10 million. That is the negative impact. We also have a negative margin impact from Decision Analytics in Asia Pacific this year, part of which is also due a little to the macro effects in Australia and China. In terms of the new bureau, it will be profitable in year three of operation.

Andrew Ripper

Is that fiscal year 2016, just to be simple?

Don Robert

We will go with that.

Andrew Ripper

If anyone is listening from Australia, you heard it here first. Finally from me, on Analytics and PowerCurve, I think you mentioned 12 new contracts. The Analytics margin has been on a one-way ticket downwards for the last three of four years. While I appreciate there are various explanations for that, I am just wondering what your sense is in terms of how material the pipeline is and whether you have some leverage to the upside as PowerCurve sales build, which could claw back some margin for you going forward.

Don Robert

We do – and, incidentally, it is 13 contracts, not 12. We do have opportunity in the upside. The pipeline is robust, according to where in the world you are. Joy Griffiths is here with us today and she runs Decision Analytics globally. She is doing a lot of very hard work on all of the plumbing and the framework that underlie that business: development, delivery, consulting – all of the things that could add a lot of lift marginalised to the business, once the sales pick up. Therefore, I do think – and I think Joy would agree – that there is quite a bit of margin potential there.

Andrew Ripper

In terms of materiality, could you give us a flavour of what the aggregate would be from the 13 contracts?

Chris Callero

Millions of dollars.

Closing Remarks

Don Robert

With that, I think we do have to end the Q&A part of the session right now. Before you go, please direct your attention to the front, where we want to give you a 'Save the Date reminder'. An investor seminar is coming up at the end of January, on the 29th here in London and the following day, the 30th, in New York. We will be featuring presentations by the leaders of our global business lines. We will be going through a lot of cases studies, which always seem to illuminate what we do, and some product demonstrations. You will not want to miss it and we hope to see you there. Thanks a lot.