

Experian plc

Preliminary Results for the Year Ended 31 March 2012

Presented 10 May 2012

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Part I: Strategic and operational review

Don Robert
Chief Executive Officer, Experian

Introduction

Good morning everybody and welcome to Experian's preliminary results presentation. I hope you enjoyed that video. We recently recorded it mostly for internal use, and I think it does a nice job of illustrating the global nature of the company and what we do for all of our various constituents, so we thought we would play it for you this morning.

Well, 2012 was indeed a fantastic year for Experian. In fact, these are our best results since becoming a public company. Not only did we deliver high quality premium growth, but we continued to lay an important foundation for sustained growth both now and into the future. We are also pleased to be able to announce today that we have agreed to divest of our lead generation businesses in North America including PriceGrabber and LowerMyBills, so the numbers that we are presenting today are net of those figures and I think they give us a clearer picture of how the business is actually performing. I hope you would agree that this performance is outstanding.

Of course, my only and biggest regret today is that Paul Brooks is not here to present these results. He would have been truly proud to have done so.

Today's line up for the presentation is going to be a little bit of a departure from our usual line up. I will start the proceedings today with an overview of our progress and an update on strategy. The financials will be presented by Antony Barnes. Antony is our Group Director of Tax and Treasury. Those of you here who are bond investors or bankers will know Antony, who has a lot to do with our capital strategy.

Our new CFO, Brian Cassin, is here today. Brian is in the front row and Brian joined Experian only 10 days ago, so we thought it was a little bit rude of us to put him up here on the podium today until he gets his feet under the desk, but, Brian, this is the end of your grace period. Incidentally, I have had the pleasure of working with Brian on a number of occasions over the last seven or eight years. He is a great guy and he will be a wonderful addition to the Experian team and I hope you all have a chance to say hello to him at some point after the session.

Finally, Chris Callero is missing from our line up this morning due to a minor medical issue, so we will be joined in Q&A by Antony and Peg Smith, from our Investor Relations team, who I think needs no introduction.

Highlights

In 2012 we achieved new record levels of performance, with 10% organic growth. In fact, all regions and all lines of businesses contributed to the growth. Pre-divestment you can see the numbers here: 7% organic in the split between first half and second half. Margin moved ahead by 50 basis points while we continued to invest for growth. Of course, we made further strategic progress with the global growth programme and a few bolt-on acquisitions.

Regional Highlights

We grew across all regions of the business. In North America, our global growth investments are clearly paying off, even as the economy there begins to show some good signs of strength. Brazil continues to power ahead, as we all know, with organic growth in excess of 20% and, of course, we have extended our Latin America footprint into Colombia with the acquisition of Computec.

The UK delivered good organic growth for us this past year and, in fact, it was our second fastest growing region without any help from the economy. In EMEA / Asia Pacific we have been largely shielded from the turbulence in Europe, while we have grown very strongly in other parts of that region.

Seven year performance trend

Total revenue was up 16%; continuing EBIT was up 18%; Benchmark EPS growth was up 18% to 78.9 cents, which was our best ever performance; cash flow conversion was 96% even though we continued to step up growth investment; dividend was up 14% to 32 cents per share.

It is interesting to note that in seven years we have approximately doubled profits and we have generated cash flow in aggregate of approximately \$5 billion.

Delivering against our strategic metrics

I wanted to post you a quick update on the progress we have made against these key strategic metrics that we spoke to you about last year. About one third of our revenue now comes from emerging markets. Of course, a big portion of that is Latin America but it is important to note the strong growth across Asia and Eastern Europe as well. We continue to diversify the customer base. Now, 68% of revenues come from outside of financial services, which is very important. Finally, new product investment continues to move along, and that is a very important source of growth for us as well.

Global growth programme update

Now, the key to our global growth programme is something that you will all be familiar with: it is our global growth programme strategy. You see the three pillars of

it depicted here. During the year this contributed 4% to our growth, which was way ahead of our earlier guidance. In the centrepiece of the strategy are, of course, product innovation, geographical expansion and entering and building out new customer segments.

Drivers of growth in new customer segments

As an overall comment, I would say that we are seeing the power of market forces creating a lot of demand in new segments for rich data segmentation tools and software programs that only we offer. In the public sector, of course, the big drive is in fighting benefit fraud. Telcos are also trying to deal with big fraud problems and to get a grip on customer profitability. Utilities are fighting energy fraud and profitability fraud as well. In US healthcare, the consumer is being forced to shoulder more and more of the burden of their healthcare and so we are helping the providers of that healthcare make sure they can get paid.

What these all have in common are issues around efficiencies, managing arrears, customer profitability and, of course, fraud. This is exactly what we do and what we have always done.

Progress in new customer segments

Now, across these new customer segments we executed very well in FY12, with a lot of new opportunities in the pipeline coming up. We are winning new contracts in the telco sector, which I will talk about more in a minute. There is renewed activity in the UK public sector, and we have secured a number of good contract wins there. We saw good progress in the US public sector with several new important contracts around fraud and authentication in the Social Security Administration and the Centre for Medicaid and Medicare Benefits Administration as well.

In US healthcare we have completed the integration of Medical Present Value, which again is involved in helping providers of healthcare services get paid. In the SME sector we are now really tapping into the market in a big way in the US, UK and Brazil. In fact, this year we acquired Riskdisk here in the UK, which I think will make a big difference to our SME efforts.

Spotlight on Telecommunications

Now, how are we accomplishing this growth? Let me answer that by going one layer deeper in the telco sector and go through an example with you. To put a little more context around it, telco is increasingly an important vertical for us today. We are three years into a strategy of building that up globally and we offer the services I am about to talk about in one form or another in approximately 30 countries around the world. We are seeing more and more telcos standardise on Experian platforms and solutions. Quite simply, this is because the things that we have cannot be obtained anywhere else.

What Experian does for telecom operators today

The Telco industry continues to become more complex and competitive, and their problems become more complex and competitive. Traditionally, the way that companies like Experian have participated in the telco industry is by helping with credit risk: assessing new customers – whether they are businesses or consumers – and their creditworthiness for credit accounts – post-paid accounts, if you will. Increasingly, telcos now want to understand who their best customer is and what their lifetime profitability looks like; they want to be able to spot churn before it happens; they are fighting fraud; they want to recover collections and fight arrears.

Providing a one-stop shop for Telecom operators

I wanted to take you through a real life example of a case involving Oi, who is the largest telco provider in Brazil. The issue they came to us with was they wanted to improve customer acquisition and to reduce churn in their customer base. What we brought to bear in the case of Oi was all of our rich data sets around credit marketing, our risk tools, segmentation tools and collection software. The result was a multimillion dollar, multi-year contract with Oi that is making their business tremendously better and, truthfully, has given us a lot more confidence to continue to invest in the sector around the world. Things like this we are also doing for a lot of other providers including Vodafone here in the UK, AT&T and even European providers such as Turkcell.

Update on new product investments

Of course, new products continue to roll off the assembly line. In Credit Services we will this year move our global value added products platform into 11 new countries. BusinessIQ has created massive competitive distance between us and the competition in the US. It is about to come to the UK. We are developing a new version of that called BusinessIQ Express for very small businesses. In the Decision Analytics space, we have standardised all of our software offerings on a new product called PowerCurve that is in the market now and being sold. Our multichannel digital marketing offerings continue to gain traction and our more joined up and interactive products are moving now to the fraud and family protection identity theft side of the equation, which I think is going to result in some nice growth in that business.

Spotlight on Latin America

Economically, the region still looks in reasonable shape to us. In Brazil, further credit expansion is anticipated. The government is taking more actions now to stimulate the economy by reducing interest rates, and that is resulting in a certain amount of competition for credit customers between the banks, so we are seeing a lot of activity in the marketplace. We are continuing to see our bank clients target people on the lower end of the credit spectrum: the emerging consumer and the SME customer as well. In Colombia, the main focus of the central bank right now seems to be keeping inflation under control and the current expectation is that credit growth will moderate a little bit in Colombia off of that 20% mark.

Latin America – investing for growth

In terms of Latin American penetration, our strategy for Credit Services should be familiar to you: we are going after additional data, pushing into new segments in Latin America and trying to take that SME business to the next level. We are only about 20% penetrated in Latin America SME.

Our Decision Analytics business is still pretty small in Brazil. It is about \$20 million in annual turnover, so we have a lot of room to grow that business, and we are doing it by using the new PowerCurve platform and we are very encouraged with the early results of that and how that pipeline looks. Of course, the opportunity for Marketing Services in Brazil is truly substantial. Broadband and mobile penetration in Brazil is still under 50% of the population, but growing fast and, of course, there is an emerging class of consumers in Brazil who want everything everybody else has: cars, healthcare, travel – all of the things that define a vibrant economy. Our clients are sophisticated. They want these tools; they want digital marketing tools. That creates a great tailwind for our business there.

Computec Update

Computec is forming very well and right in line with the buy plan. On a pro forma basis Computec grew approximately 20% in FY12. We have owned the business for five or six months. We have today largely completed the integration of the back office of Computec, so now we are turning our attention to product synergies, as you saw us do in Brazil after the acquisition of Serasa.

We are also in the early stages of evaluating opportunities for business credit in SME in Colombia. As you can see from this image, which was in Time magazine about three weeks ago, a lot more attention is being paid to Colombia. There was a special section in the FT about investing in Colombia. Now that the US-Colombia Free Trade Agreement is in place, the interest is increasing even more and the flow of foreign direct investment into Colombia is increasing. We are continuing to be very bullish about Colombia.

Summary

It has been a year of significant progress for us. We are very pleased with our performance. Our global growth programme is coming of age now as it moves into its third year with future benefits yet to come from a lot of the investments that we have made and will continue to make. We are seeing tangible results in new customer segments, which are growing in scale and in materiality. Geographically, we are focused on replicating that full Experian model in places like Brazil and Colombia, and this is a great base from which to grow and it is the basis of our guidance to you today of further premium growth in the coming year.

With that, let me turn the podium over to Antony Barnes, who will provide you with a financial update. Antony, welcome and thank you for standing in for our friend Paul.

Part II: Financial review

Antony Barnes
Group Director of Tax and Treasury, Experian

Introduction

Good morning everyone. I am very pleased to present these results, which demonstrate Experian's strengths and our ability to deliver our growth strategy. I have worked with Paul for over seven years; I, too, am sorry it is not him making this presentation today.

As Don mentioned, the results we are reporting today exclude the comparison shopping and lead generation businesses, which we have agreed to dispose of. This means they are excluded for the results for FY12 as well as for the comparatives. I will focus on the impact of this shortly. As usual, as we run through the details, all of the growth rates down to EBIT are expressed in constant currency.

Highlights

In the year ended 31 March 2012, we delivered total revenue growth of 15% and organic revenue growth of 10%. We are pleased with the progression of the EBIT margin, which increased by 50 basis points to 26.2%, leading to growth in continuing EBIT of 18%.

On the back of a reduced interest charge, Benchmark PBT was up 23% and Benchmark EPS was up 18%. We have increased the dividend by 14% to 32 cents. This comprises a first interim dividend of 10.25 cents and a second interim dividend of 21.75 cents.

Impact of the disposal on the results

Now, the exclusion of the comparison shopping and lead generation businesses has reduced overall group revenue and EBIT. However, the underlying growth rates and margin are enhanced as this reconciliation shows. Total revenue has decreased by just \$283 million to \$4.5 billion. Both the total and organic revenue growth rates have increased by 3% to 15% and 10% respectively.

The EBIT margin had increased by 110 basis points. Continuing EBIT has decreased by \$20 million. Overall, Benchmark EPS was reduced by 1.1 US cents to 78.9 cents, which represents EPS dilution of around 1%.

I hope that will help you reconcile your forecasts to the numbers that we have reported today. There is a comparison of the organic revenue growth rates provided in the appendix to the slides in your packs.

One other item to note in this respect is that we are renaming the Interactive segment to Consumer Services starting from our Q1 results. This is going to more effectively reflect the continuing operations of this segment.

Revenue and EBIT by geography

Overall, organic revenue growth of 10% in FY12 reflected the excellent performance in Latin American and good growth across the other three regions. Total revenue growth was 15% coupled with good EBIT margin progression, and that translated to EBIT growth from continuing activities, which was 18%.

Revenue bridge

Our organic revenue growth was strong across all regions and segments. With the exception of the small EMEA Decision Analytics business, all businesses are in growth. In fact, about a third of our revenue base delivered double digit organic revenue growth, and about a quarter delivered organic revenue growth over 20%.

EBIT margin by geography

Taking a look at the margin drivers, the largest contribution to margin accretion came in North America, reflecting positive operating leverage across all business lines. There was further progression in Latin America, with strong positive operating leverage in Credit Services which offset adverse mix following the first time contribution from Computec. In the UK, the margin was also affected by adverse acquisition mix. In EMEA Asia Pacific margins were lower as we increased investment in the region. We also took a \$5 million charge in relation to the restructuring of the EMEA Decision Analytics business. Taking those together, this leads to the reported margin of 26.2%.

Credit Services

Total revenue growth was 16% and organic growth 12%. North America performed well; in fact, it was our best growth rate for four years. Consumer information benefited from the gradual recovery in lending as we introduced new data and products. Business information, automotive and healthcare payments all performed strongly. Latin America has gone from strength to strength, driven by volume growth, new premium products and the addition of new sources of negative data. As we have said before, we do not expect these exceptional rates of growth to continue indefinitely. We continue to see an outcome in the mid-teens as a more likely prospect in the region for this year. We are pleased to return to growth in the UK, helped by new client wins in financial services and across other segments. EMEA Asia Pacific held up well, showing resilience in Europe and good growth across Asia Pacific.

There was good progress in margins in Credit Services which increased by 50 basis points, as positive operating leverage in the US and Latin America counteracted adverse margin mix relating to Computec and investments in the bureau developments in India and Australia.

Decision Analytics

At Decision Analytics, both total and organic revenue increased by 8%. North America performed strongly as the buying cycle for new software started to take hold. Latin America is becoming more material from a virtual standing start four years ago. One item to flag here is that from FY13 we will recognise some Latin American revenues from scores and value added products in Decision Analytics rather than Credit Services. This brings it in line with our reporting in other geographies.

As expected, in the UK, a bounce back towards the end of the year helped us to a strong finish, although we do anticipate further lumpiness in the first half of the new financial year. EMEA Asia Pacific declined, reflecting client cutbacks and deferrals in Europe. We are taking action to improve efficiency and return this business to growth.

The margin decline to 22.5% reflects both the revenue decline in EMEA and the one-off charge which we have taken in response.

Marketing Services

Total revenue grew by 17%, with organic revenue growth of 9%. The difference here relates to certain document management activities within Computec, which we are reporting within Marketing Services, as well as to some other small acquisitions. Strength in North America and in EMEA Asia Pacific was driven by our digital marketing platforms. The low growth here in the UK reflected the fairly weak economic environment, though good growth was seen in email marketing and the slight moderation in margins is due to adverse acquisition mix. In underlying terms, margins improved.

Interactive

Total revenue grew by 13% with organic revenue growing by 7%. The financial performance reported relates only to our continuing direct consumer businesses. In North America, organic revenue was up 3%. We had strong growth in new brands, which helped offset a decline for the legacy freecreditreport.com brand. More recently, we have made good progress in the Affinity channel and we have got a strong pipeline of opportunities here into the New Year. Organic growth in the UK of 30% was outstanding, helped by our enhanced CreditExpert product and strong retention rates. The margin improvement of 370 basis points reflects positive operating leverage, improved retention and optimising of marketing spend.

Group Benchmark Earnings

Total EBIT was \$1,175 million, which represents 19% growth at actual exchange rates. Net interest reduced to \$47 million due to lower average interest rates and after a net pension credit of \$11 million. The Benchmark tax charge of \$274 million was at the rate of 24.3% on Benchmark PBT and reflects the changing mix of products from higher rate tax jurisdictions.

The minority interest of \$74 million relates primarily to the strong growth in profitability at Serasa and that brings us down to Benchmark earnings of \$780 million, an increase of 16%. EPS was up 18% to 78.9 cents and the dividend of 32 cents per share represents 41% of Benchmark EPS.

Cash Flow performance

We again delivered good cash flow, this year converting 96% of EBIT into operating cash. Capital expenditure of \$453 million was in line with the guidance which we gave in November. After depreciation of \$312 million and a net working capital of \$80 million, operating cash flow was \$1,124 million.

Net interest paid in the period was \$57 million and tax paid was \$107 million. The total of dividends paid to minorities was \$71 million, which brings us to a free cash flow of \$889 million, which represents a cash conversion rate of 114% of Benchmark earnings.

Capital expenditure

This slide shows the uplift in capex during the year by area of expenditure. The increase in FY12, which is 23%, relates to the growing scale of our businesses, including acquisitions, investment in data and software platforms to drive future growth as well as the investments we are making in our new bureau start-ups. We expect a more modest rise in capex in FY13 as some of the major investments start to roll off.

Net Debt reconciliation

We started the year with a net debt of \$1.5 billion. Free cash flow was \$889 million. There was a net outflow totalling \$775 million for acquisitions, the majority of which relates to Computec and Medical Present Value. Share purchase in respect of employee share plans amounted to a net \$167 million. Dividends paid to shareholders totalled \$290 million. Foreign exchange and other was \$26 million, which takes us to net debt of \$1.8 billion at the year end, up \$0.3 billion on last year.

Net Debt/EBITDA

During the second half of last year, the value of the Serasa put option increased by \$227 million to \$1,092 million due to the strong growth in the business and the unwinding of the valuation discount as we approach June 2012. Adjusting our net debt for the value of the put option, we ended the year with net debt to EBITDA of two times, which is at the top end of our target range of 1.75-2 times. Taking into account that we are at the top end of the target range and the opening up of the window for the Serasa option we have decided not to conduct a share buyback programme this year. However, we do expect to make further share purchases for employee share plans which vest.

Divestment Agreement

As we commented on earlier, since the year end we have signed an agreement to sell our comparison shopping and lead generation businesses to Ybrant Digital. The divestment includes PriceGrabber, the comparison shopping business, and the North American online lead generation businesses, including LowerMyBills and ClassesUSA. The agreed consideration is \$175 million, consisting of \$100 million cash at closing, which will be applied to pay down debt and a \$75 million loan note.

We also expect to realise cash tax relief of approximately \$120 million in respect of the transaction, spread over the next two years. Under IFRS we expect to book a profit on the sale of the businesses, because of the way that acquisition goodwill was originally treated. The transaction is subject to various conditions and events by Ybrant and we expect to complete it in the first half of this fiscal year.

Funding

We continue to diversify our sources of funding and to extend to maturities of our debt. We have a £334 million bond, which matures at the end of calendar 2013 and to refinance this we anticipate that we will undertake a new bond issue during calendar 2012. In the short term, the cost of funding the new bond is expected to be higher than the funds replaced and we also anticipate an increase in average net interest rates.

For these reasons, our best estimate at the moment is that net interest for FY13 will be in the region of \$50-60 million.

FY13 Modelling Considerations

I have already mentioned our net interest expectations. In addition, we expect the Benchmark tax rate for full year to be in the region of 25%. This slight increase is due to the change in profit mix and a larger contribution from the Latin American region, where tax rates are higher.

We expect capital expenditure to be in the range, of \$470-490 million. We expect that share purchases for employee share schemes which vest will be in the region of \$130 million, depending on the Experian share price. Finally, if current foreign exchange rates prevail for the year – and especially the Brazilian real – we would expect some translational impact from FX.

Summary

We are pleased to have delivered another year of strong financial growth, meeting or exceeding our financial targets for organic revenue growth, margin progression and cash conversion. As we move into fiscal year 2013 we expect another year of strong performance. We will continue to invest in the business for growth, via the P&L account, via capex and via acquisitions. For the year as a whole, we expect to continue to deliver against our core financial objectives, which are mid-to-high single digit organic revenue growth, modest margin improvement and further strong cash flow conversion.

Summary

Don Robert

Thank you, Antony. As I stand back and reflect on the last five years of our life as a public company, there is no question a lot has changed. The company is truly global now. Our products now work consistently across geographic boundaries. The vertical segments we serve have expanded and they have done so globally as well. Telecoms is a good example of that. Our client base is even more multinational than it ever was. This is progress that has truly been gratifying to me and certainly to the team here. There is still a lot to come.

With that, I will invite Peg Smith up to the platform. We will move to Q&A and, as usual, we will also be taking questions from those of you who are joining by phone.

Part III: Questions & Answers

Robert Plant, JP Morgan

Don, could you talk about what is happening in Brazil in terms of the move towards positive credit checking and what the banks were doing? It is a year of transition; what are the implications for that in terms of the put and call on the Serasa option?

Don Robert

There has really been no movement at all on positive data since the last time we updated the market. We had expected a lot of the final rules to be written and in place by the end of the calendar year, but that has not happened yet. It has been a long five year journey towards positive data in Brazil. I do not see any impact on the put and call. We have always said that our view of positive data is simply that it should help sustain a strong rate of organic growth in our Brazilian business, but there will be no direct impact on the put/call.

Andy Chu, Deutsche Bank

Good morning. I have three questions, if I may. Firstly, in terms of the split, Don, I wondered if you might be able to give us a flavour of, over and above financial services, which is now 32% of your revenues, where are the next chunks? I guess it is telco and utilities. Could you help us on that front, please?

Don Robert

It is telco, utilities, automotive, government and retail. Those would be the big five.

Andy Chu

Are you able to give a flavour of how large telco and utilities will be? Is 20% the next largest chunk?

Don Robert

We break that down often. We show our revenue pie charts by segment, by geography. Do you want to run us through that, Peg?

Peg Smith (Experian)

The second largest segment for us is retail; that is in the range of 15%. We will put the actual pie chart up on the website for you to reference. The other very large chunk, though, is direct to consumer, because of the size and the scale of the US and UK businesses. Telco and utilities together are in the range of 4% of global sales. They get very small once you get below those three big segments.

Andy Chu

My second question was on your global growth initiatives, which have had tremendous impact – 4% to organic growth this year. What can we expect for the initiative's impact into full year 13, please?

Don Robert

I think we would be happy with similar performance.

Peg Smith

We would expect in the range of another 4% incremental. Given the velocity that is beginning to build up in those programmes we would be disappointed if it is not another 4% contribution to growth.

Andy Chu

My last question is around Serasa and the tax authorities looking at deduction of goodwill, which has been ongoing. I wondered if there was any update or timeline. Clearly you do not believe there is any impact to numbers as it is a contingent liability, but when can we hear about any further progress, please?

Don Robert

We are on top of it but we are pretty relaxed about it, to the point where we do not see any liability from that. Deductibility of goodwill is something that has been done for ages in Brazil. It is part of the tax code. Other cases like ours have been successfully challenged recently, so we do not expect any negative impact. It could take years to resolve.

Charles Wilson, Goldman Sachs

Don, I think you said at the interim results that you had received limited help from the economy. Could you give us a sense of what type of help you felt in the second part of the year and what your thoughts are for the future?

Don Robert

I think I was being charitable when I said we had received limited help from the UK economy. In the US, clearly, we are seeing a recovery trend. The credit sector is getting very active now and I think that is evidenced by the performance of our core credit business. In the US, the consumer is a bit more buoyant and confident. Unemployment continues to tick down. A lot of the supply of housing stock, particularly for foreclosures, is being burned off. Things are returning to normal in the US although we would not describe it as robust. Here in the UK, the situation is completely different but I think we have done a good job of making our own fun here particularly in the direct to consumer business in the public sector, which seems to be coming back to life as everyone gets through the initial austerity measures. Our Marketing Services business has been good here as well. We have already talked about Brazil and the eurozone is well known to all of us.

Carter Malloy, Stephens

On your Latin America business, looking at growth rates going forward, you called for mid-teens growth this year, but we still have a mid June deadline for authentication business, is that correct? Will we expect to see a big bump in the front half and a slowdown to perhaps a 10% exit rate for the year. Is that how we should consider that business to grow in the longer term?

Peg Smith

Yes, the authentication revenue you are referring to – to bring everybody on to the same page – is that the government extended its due date for companies to secure digital certificates to the end of June. Brazilians tend to wait until the last minute to do things, so we do expect in the June time frame we will see another wave of activity related to that.

That being said, Q4 for us was in the high 20s in terms of overall growth rate. If you extract authentication from that it was a relatively good quarter. The credit businesses themselves are growing in the low 20s. Where you will hit a peak in performance is in Q3. That is where we will be against our toughest comp in this year because of the extraordinary growth in authentication in Q3 of last year. Be careful of that number. That is why we caution that this will come down, especially in the second half, relative to the comparative.

Carter Malloy

We talked about the pros and cons around the options of you guys exercising the put/call. If that does not happen – and it seems like the rhetoric on your end has slowed a little bit – then you are looking at an incremental \$1 billion plus in liquidity.

Would your preferences around capital allocation change? Would we see a buy back come back or would we see Experian get more active on the M&A front?

Don Robert

Let's not talk about it not happening, because the window has not even opened yet for the exercise of the put/call. It opens next month and it stays open for five years. We continue to feel that a transaction falling within the formula that is agreed would be accretive to us. It makes sense to do and we are hoping sometime in the next five years we are able to agree. We will keep some dry powder for that, yes.

Carter Malloy

Lastly, in your US Credit Services business there was a delta between your performance this half versus Equifax. I know there was a little bit of a put and a take there with one large customer, but even excluding that customer there seems to be a little bit of a growth difference.

Peg Smith

There was a delta in performance, and let me give you a few data points about that. First of all, we are really pleased with the performance of our US consumer credit business. Credit Services overall is definitely performing at the strongest level we have seen in four years. All competitors in that space are seeing an increase in activity, with lenders really getting back into the game and moving to growth. Anyone in the mortgage space – including Equifax, CoreLogic, First American – who is playing in that cyclical trend of mortgage is getting a bounce right now in their numbers. There is no doubt about that. We have chosen, as you know, not to participate in that segment of the market because of the cyclical nature. It is not a predictable high quality piece of growth for us, so we stand to the side on that and simply sell credit reports to those who choose to be in that space.

One more data point for you to remember involves taking a step back. During the downturn we actually declined at a much lower rate than the competitors in this space. We were held in the game for a longer period of time by our account management and collections activities, so that actually gave us more momentum in our business during that downturn. And we saw recovery sooner than the others. We are recovering from a higher base and for a longer period of time than the other players are, so one or two quarters does not make a trend. Let's see how this unfolds over time. I am extremely confident that we are in very good stand in the US credit business.

Andrew Ripper, Merrill Lynch

I have a couple of questions, if I may. I think Carter touched on it a minute ago. What does the M&A pipeline look like and, given the lead generation disposal today versus what you paid for those businesses, what lessons would you take forward from your experience of previous acquisitions?

Don Robert

The lead generation businesses, the ones that are being disposed of, were acquired in the 2005/2006 timeframe. The strategy was different then. We were pursuing a strategy that would allow us to touch as many consumer transactions around life events online as we possibly could due to our success in the direct to consumer business in the US, so we acquired these three businesses and over the next couple of years we realised that the strategy was not going to play out and, at the same time, we became much more sharp and more sharply focused on the strategy we articulated a year or so after the demerger, which was a focus on the core of unique data and analytics, the things which Experian has always been known for.

Really, since 2008 we have been saying that those businesses are non-core to us and I think the lesson I have learned from those transactions is the old one that you could probably articulate: stick to your knitting; do what you do best.

Andrew Ripper

And the pipeline today?

Don Robert

It feels a little thin to me. Again, a lot of this is a reflection of the strategy. We are sharper in terms of the focus – where we are focusing and what we are focusing on – and I do not expect that this is going to be a big M&A year. Let's not forget that Colombia was a \$400 million deal and that was a few months ago, so I do not think you will see a whole lot but, again, we want to stay in position in case we are able to deal with the Brazil put/call.

Andrew Ripper

Secondly, on the US, there is some commentary in the press release about Affinity wins, which I appreciate can be quite lumpy. Perhaps you cannot say too much in terms of the additional revenue coming through, but could you talk about whether you have actually signed material contracts on the Affinity side of consumer direct and when they might kick in to the numbers, please?

Peg Smith

We have had three significant wins in the Affinity space. One is firmly under contract; the other two are in contract negotiations, but those are both verbal wins for us. This is a big space for us, because when they come on board, of course, the Affinity partners tend to have very strong retention in the members once they bring them over to Experian to process. You will begin to see the benefit of those from a revenue standpoint late in the second half, because you have to onboard and transfer from a competitor to Experian. Expect to see revenue late in the fourth quarter. We will not be able to tell you names any time in the near term, simply because of confidentiality in those agreements. As you can imagine, if they are with an existing competitor today we need to inform the consumer before we do anything in terms of disclosure of the programme. Bear with us on that but we are absolutely pleased with the size

and the scale of it. It is a big win for us to be able to take these Affinity partners on. I will caution you a little bit that there is upfront investment involved in getting them on board. We have to invest ahead of the revenue actually hitting us, so it will put some pressure on margins in Interactive in the first half, until we match that up against the revenue as these programmes start to unfold.

Andrew Ripper

On US credit, you made the point regarding the mortgage piece perhaps being a bit lower quality. What do you think about credit conditions in general? There seems to be quite a lot of loan growth coming through in areas like student loans and auto as opposed to revolving credit. Of your 9% growth in Q4, can you say how much of that came from buckets where you seem to have quite a strong structural momentum like health and business information, please?

Don Robert

I think in general the way we characterise the credit environment in the US is that if it swung from the far left to the far right, it is moving back to the middle now. Banks have money to lend; they are well-capitalised; their risk systems and scorecards have all been rebuilt or recalibrated; they are trying to figure out how to grow again so they are coming back down the risk spectrum a little bit more towards the middle. They are not doing dangerous things, in our opinion, but moving more to the middle.

I think it is measured. The consumer has had a change to deleverage a bit. They are a bit more buoyant and as more of them go back to work that puts some demand into the marketplace as well. As I said earlier, it feels more like a healthy, normal credit supply and demand environment to us. I am not sure whether we could break down the growth in US consumer business amongst those particular buckets that Andrew referenced.

Peg Smith

I think the answer, Andrew, is that it is broad-based. You are seeing growth in origination of credit, growth in pre-screen. You are seeing continued strong performance in account management and collections, so it is across the whole customer lifecycle and, for us, across all of the industry segments that do lending to consumers. As Don said, it is a healthy environment right now for US lending.

Andrew Ripper

Can you say what the losses were in India and Australia in relation to the start-up bureau and give any guidance for 13/14, please?

Don Robert

Losses were less than \$10 million and will probably be similar in FY13/14.

Jaime Brandwood, UBS

I have a couple of number questions to start with. You gave us the margin trend for the group as a whole excluding the online lead-gen at 50 basis points. Can you give us the H1/H2 split on that? I know including online lead-gen H2 was stronger than H1, but can you confirm that on an ex online lead-gen basis?

Antony Barnes

I do not think that is one we have split out, actually, so no.

Jaime Brandwood

On the Brazilian business, in terms of the Credit Services margin, this was clearly dampened a little bit by Computec in the second half of the year. Are you expecting a similar sort of trend to play out through FY13, i.e. not much margin improvement in H1 as you still annualise the Computec deal and then returning to stronger margin trend in the second half?

Antony Barnes

I think we still see positive operating leverage in Brazil. The annualisation of Computec will come through at the half year point, but there is a mixture there between the Computec margin in Credit Services, which is higher in the margin, and that which is in Marketing Services, which is lower.

Jaime Brandwood

Lastly, in terms of coming back to North American Credit Services, I know you are not as involved in the mortgage market, but looking at your Q4 growth at around 9% or 10% organically, can you say how much of that was mortgage refi and what the underlying growth rate was?

Peg Smith

We, like every participant in the space, had some bump in the fourth quarter, but I do not have a specific number on it. As I said to Andrew just a minute ago, the good news in Q4 is it is broad-based. Mortgage, to remind all of you, is less than 10% of US Credit Services, even at its peaking performance now with refi, so it is a small component of the mix.

Jaime Brandwood

I suppose it is hard to put a number on it, but would you guess that it was no more than 2%?

Peg Smith

I would not guess at it.

Jaime Brandwood

Very lastly, thinking more strategically in terms of what you are now calling your consumer services business, including the core focus being now consumer direct, are you entering any new countries in consumer direct over the next 12 months?

Don Robert

We are looking at a couple but we are not quite prepared to say which ones they might be yet. It is safe to say that it is on our agenda to expand consumer direct to other parts of the world.

Jaime Brandwood

Would that be on a 12-month deal?

Don Robert

Starting, yes.

Rajesh Kumar, HSBC

Regarding the capex budget you have put forward for this year, if the Brazilian law is finalised, how do you see that change? Or does that change at all?

Antony Barnes

I do not think there are huge particular ones related to positive data. There is obviously a lot of conversation going on around positive data and uploading it, but most of the capex we have got is committed to the general databases that we have there. We are not expecting anything particular from positive data.

Ed Steele, Citi

I have two questions. The first is on your US consumer direct business: you obviously had a transition year in terms of URLs in 2012. Where do you feel we are in that transition? Are we done now? What do you think underlying organic growth should be in that business? What should we be thinking about for 2013, please?

Peg Smith

I think the good news on the US Consumer Direct business is we are now nearing that tipping point where the new brands are actually the material part of the business and we are starting to outrun the slow degradation that has been occurring in the old brand, freecreditreport.com. As we move into this year we would be disappointed even in the base business with anything less than mid-single digit organic growth. Then compliment that with some of these Affinity deals we have been talking about.

Ed Steele

Your comment earlier about Decision Analytics being lumpy in the first half: did you mean lumpy on the downside rather than the upside?

Don Robert

Yes.

Antony Barnes

There is a good pipeline of opportunity there and it is just a question of when those particularly commit.

Ed Steele

Do you see the same new software cycle in the UK or is this just a US phenomenon?

Peg Smith

You actually have a good software buying cycle on both sides of the pond. Some of the projects that we do for the public sector here in the UK tend to make extraordinary bumps and that lumpiness, if you will. That is what you are seeing in quarter-to-quarter performance right now. We are pleased with the performance of the business; there is no doubt about that. You are just going to have some lumpiness as we go through the next year or so until things begin to smooth out.

Aamod Mishra, Threadneedle

I would like to ask a slightly left-field question, if I may. I was wondering whether you were worried at all about the threat of repatriation of any of your assets in South America.

Don Robert

No. Should we be?

Aamod Mishra

Would fear of repatriation prevent you from expanding into, for example, Bolivia?

Don Robert

I think it would prevent us doing more in Venezuela, but Bolivia is not on our radar screen.

Closing Remarks - Don Robert

With that, thank you for coming. We will talk to you in July at our Q1 update.