

Announcement Conference Call – 23 October 2012

Opening Remarks

Don Robert
Chief Executive Officer, Experian

Good morning, everyone, and thank you for joining us on today's call. I am delighted to be able to announce that we have entered into a conditional agreement to acquire a further interest in Serasa. We have agreed to acquire a further 29.6% stake, which takes our total holding to 99.6%. The consideration is BRL3.1 billion or \$1.5 billion, plus a cash adjustment to completion. The transaction will be fully satisfied in cash and funded through our existing facilities.

We first acquired a stake in Serasa in 2007. Since that time, the business has flourished, far exceeding our expectations and the initial acquisition buy-plan. Our growth has come on the back of strong structural drivers in Brazil, with the rapid expansion and emergence of the middle class and the associated growth in credit.

We have also created our own growth, however, sustaining and growing our market leadership. We have developed new markets for our products in areas like the small and medium enterprise sector and across other new customer segments such as telecommunications. It has also given us confidence to spread our wings across the continent, taking us into new countries like Colombia and Peru, an investment which stemmed directly from the success we have enjoyed in Brazil. Through these efforts, we have delivered compound annual growth in revenue and EBIT of 20% and 28% respectively over the last three years, with strong margin progression, and the business continues to perform well and in line with our expectations.

As we look ahead, we see considerable opportunity for future growth. As the credit market grows in sophistication, it will drive the demand for more data, better scores and new risk-management tools, and new needs are emerging in sectors such as telecommunications, utilities and insurance. We are beginning to build scale in Decision Analytics and Marketing Services by bringing Experian global products and capabilities into this fast-growing market. Now, with the advent of positive data, we see new avenues emerging in areas like the B2C market. All told, we see plenty of ways to keep winning and sustaining growth in Brazil.

Turning to the specifics of today's transaction, we acquired the initial 65% stake in June 2007, which we subsequently increased to 70%. At the time of the original deal, we entered into put and call provisions over the minority. While these became exercisable in June of this year, the deal we are announcing today is the result of a negotiated transaction, and this is an important point. It is important because it provides the added benefit of strengthening our partnership with the major Brazilian banks, by extending for several additional years those pre-existing commercial and data-supply agreements with the shareholder banks. Those banks have agreed, first, to extend existing agreements for their contribution of negative data, with commitments to provide positive data once the law becomes fully operational. Second, they have agreed to extend their minimum purchase guarantees in our favour. We believe these new agreements will underpin our business and help us to sustain the strong growth rates we have enjoyed in Brazil for years to come.

We expect the deal to be earnings-enhancing in the year ending 31 March 2013 and thereafter. With the completion of this transaction, we expect our net debt to EBITDA at March 2013 to be at the upper end of our target debt range, subject to further acquisition spend in the second half.

Experian is purchasing the 29.6% interest from Grupo Santander, HSBC and a consortium which owns the shares owned by Itaú Unibanco and Bradesco. The consortium holds a 24.4% interest in Serasa and, as such, is classified as a related party under UK Listing Rules. This means the transaction is conditional on shareholder approval at an EGM. The acquisition is also conditional on approval by competition authorities in Brazil. The EGM will take place as soon as practicable, and a shareholder circular will be published in due course. Assuming all conditions are satisfied, we are expecting the deal to close this calendar quarter.

It is worth pausing to reflect on our total in-price for Serasa. Cumulatively, adding the original purchase price paid for the initial 70% to that announced today for the minority gives a total consideration for Serasa of approximately \$2.8 billion. This implies a multiple of EV to trailing EBITDA of 8.5 times. We feel this is a fair reflection for a business with the fundamentals and growth prospects of Serasa.

Finally, before we wrap up this part of the call, let me update you on the latest status on positive data in Brazil. On 18 October, legislation governing the collection and use of positive data was fully enacted when the government published the final rules for implementation. Our data-collection efforts will now begin to gain pace and we are adapting our internal processes to ensure we are ready and fully compliant with these new rules. The agreement reached with the minority shareholders to extend the data-supply agreements, which include supplying positive data, becomes even more relevant now that this final step in the legislative process has been completed. We anticipate an elapse of 18-24 months to accumulate a critical mass of positive data for our clients to begin using it, with new products and with the scorecards.

I hope that provides you with an overview and, with that, let me turn the call over for your questions, for which I will be joined by our Chief Financial Officer, Brian Cassin, and by Nadia Ridout-Jamieson and Peg Smith from our IR team.

Questions and Answers

Jaime Brandwood, UBS

Thanks for the details. I just wondered if I could ask a couple more things. In terms of your competitors – Boa Vista and Crivo - do you believe that Bradesco, Itaú etc have signed positive data agreements with them as well or do you believe you have some kind of degree of exclusivity here around positive data?

Peg Smith

Under the legislation that was enacted last week, there is specific language that prohibits any bureau from entering into exclusive agreements on positive data. While we cannot say whether or not they have already signed agreements, they certainly have the opportunity to do so.

Jaime Brandwood

You may, however, at least have some kind of first-mover advantage, perhaps.

Peg Smith

We have had first-mover advantage in terms of the size and scale of that business for some time, and we will build on top of that.

Jaime Brandwood

This is probably a difficult question to answer, but do you have any sense, when you look at the \$1.5 billion you have agreed to pay for the minority stake, as to what kind of proportion of that purchase price relates to the data agreements versus the actual buyout of the business per se?

Don Robert

I think you can value it. I would not put an exact number on it but, clearly, just the data-supply agreements and the minimum purchase-price guarantees for the commercial supply would be, I think, worth several hundred million dollars.

Jaime Brandwood

I guess my view here is that you are not just buying a business; this purchase price partly reflects these potentially quite lucrative data agreements.

Don Robert

Exactly.

Jaime Brandwood

Could you give us an update on current trading in Brazil vis-à-vis previous guidance? There was an expectation of mid-teens growth for the year; are you still happy with that, and do you have a sense of current trading in Brazil?

Don Robert

You are being very tricky, Jaime, and, as you know, we have results coming up in a couple of weeks, so we will have more to say about that then.

Jaime Brandwood

Lastly, I know this has been a case of 'it could happen; it might not happen', but can you give us a sense as to when you might know whether this particular purchase, like the one five years ago, will attract any tax deductibility on the goodwill associated with the transaction? Can you quantify for us what the goodwill is out of that \$1.5 billion?

Brian Cassin

I do not think that we can say, at this stage, whether there will be a goodwill deductibility for this transaction. We will be going through our structuring over the next few months so, by the time we complete the transaction, we will have a clearer picture on that. We cannot, however, guarantee that we will get it this time round.

Jaime Brandwood

In terms of the size of the goodwill, if we look at that \$1.5 billion, how much is net assets and, therefore, how much is any kind of intangibles around contract lists, etc? Finally, therefore, how much is goodwill?

Brian Cassin

I do not think we will go into the specifics of that, but it is a substantial proportion of it.

Jaime Brandwood

Would it be fair to say that over \$1 billion is goodwill?

Brian Cassin

Again, I will not get dragged into it, but I think we will just leave it at a substantial proportion of that. We will give people a fuller update as and when we finish the structuring around that.

Don Robert

To be fair, we have not even completed the purchase accounting.

Robert Plant, JPMorgan

In terms of the agreements that you have reached, can you say how long those agreements last for? Related to that, while those banks had a stake in Serasa, they were also customers and investors. Going forward, do you think they are going to become more demanding customers, particularly in terms of the pricing that they are paying?

Don Robert

These are the largest, most sophisticated retail banks in Brazil and, as you can imagine, they have been plenty demanding with us all along and that will continue. The demands are more, I would say, for creativity in helping them manage risk and customers than for price. That is part of what we do so well in the way we manage large global and strategic accounts.

With regard to the data-supply agreements, we are not allowed to say exactly how long they have been extended for, but I will say that they have been extended for long enough that we are not worried about it.

Jason Mollins, Pramerica Investment

Good morning. Could you update us on your liquidity position? You mentioned that you are funding the transaction through existing facilities. Once you have funded the deal, how much headroom will you have left in your bank lines? In terms of bond issuance, is this something that you will be contemplating further? You issued in the dollar market earlier this year, but I would appreciate some form of update on that.

Brian Cassin

When we draw down to pay for this purchase, we will have ample liquidity left. We still have substantial headroom in our facilities. The majority of our facilities run until December 2015, so this really is not an issue from a facility or a liquidity perspective. With respect to the bond issue, we did the bond issue earlier this year, really to get ahead of the curve in terms of some of the bond maturities. One maturity was coming up during the course of calendar year 2013. I think that our funding position is secured. I think we have flexibility to think about our longer-term funding position over the coming years, so there is no immediate action which is required out of this.

Rajesh Kumar, HSBC

I have two questions, if I may. First, you mentioned that this deal was likely to be EPS-accretive in the year. Does that assume that goodwill amortisation will happen or not? Second, what are the steps from now which you need to take to launch positive bureaux? You said 18-24 months, so why is it going to take so long?

Don Robert

I will answer your second question, and Brian can take the first part. This is largely a mechanical process of gathering the data and getting it into the database, a lot of which we have already, and just putting in compliance procedures to deal with consumer enquiries, disputed information and certain kinds of notifications and permissions. Largely, however, it is a critical-mass issue, because the positive data will only become useful when there is enough of it for a retrospective look-back at the history in a consumer's file.

Brian Cassin

In terms of the EPS-accretive question, we are not assuming that we are going to get the goodwill amortisation, so we are assuming it will be accretive without that.

Concluding Remarks**Don Robert**

Thank you, everyone, for joining us today. We look forward to speaking to you again on 8 November, when we will be announcing our interim results.