

**Interim Management Statement**  
**Third Quarter – 16 January 2013**  
**Experian plc**

**Contents**

<b>Part I</b>	<b>Opening remarks (Don Robert, Chief Executive Officer)</b>	<b>Page 2</b>
<b>Part II</b>	<b>Financial review (Brian Cassin, Chief Financial Officer)</b>	<b>Page 3</b>
<b>Part III</b>	<b>Questions &amp; answers</b>	<b>Page 6</b>

**Part I: Opening remarks**  
**Don Robert**  
**Chief Executive Officer, Experian**

**Preamble**

Good morning ladies and gentlemen and thank you for joining us on today's call to discuss our third-quarter performance. I am joined by Brian Cassin, who will take you through the financials shortly, and, after my concluding remarks, we will open up the line for questions.

**Introduction**

I am pleased to announce another quarter of good growth. On a global basis, in the third quarter we delivered total revenue growth of 7% at constant exchange rates, and organic revenue growth was also up 7%. We delivered growth across all of our principal activities, with good balance across the portfolio. Three of our four principal activities delivered high-single-digit organic revenue growth. All regions also delivered growth, despite economic pressures in some markets. We attribute most of our strong performance to the ongoing successful execution of our global growth programme. Our focus remains squarely on developing the big growth areas that will drive Experian's performance over the near and longer term. We will be sharing more detail about some of these major initiatives with you in a couple of weeks' time at our Investor Seminar.

**Regional Breakdown**

**North America**

Let me share with you some of the operational highlights in the quarter which speak to the progress we are making against our global growth strategy. Our North America business continues to put up very strong growth. Both Credit Services and Decision Analytics delivered double-digit growth in the quarter, an outstanding performance. US economic conditions have only improved modestly, so we are not getting much help there.

Aside from a strong mortgage-refinance market, growth in financial services has been fairly modest, as lenders continue to struggle with new regulations, which are curtailing their ability to grow loan portfolios, despite historically low delinquency levels. As a result, most of our great progress has come from our investments to diversify the business, including automotive, healthcare, telecommunications, the public sector, Business Information (BI) and, in the sale of new products such as Identity Management, PowerCurve and Business IQ.

**Latin America**

Our Latin America operations delivered good double-digit growth, despite a very tough comparative in the quarter. The Brazil economy has softened throughout the year, and our business is not immune to a slowing market environment. As we said in November, we have seen a slowdown in lending as banks have tightened their

criteria in order to improve portfolio quality, and that has resulted in some moderation in our Credit Services growth rates.

We continue to find new sources of growth through expansion into new vertical market segments and the up-sell of higher value-added products, which help diversify and further strengthen that business. We are having good success broadening our product range, with strong growth in Decision Analytics and Marketing Services. Elsewhere in the region, Computec continues to perform in line with the buy plan, and delivered strong double-digit growth. We are moving our global products into that market and, in the quarter, we launched email marketing in Colombia, delivering those services from our Brazilian platform.

### **UK & Ireland**

In the UK, both Consumer and Business Credit Services delivered growth, even though the overall lending environment remained sluggish. Growth in Consumer Credit was a combination of stabilisation in traditional financial services, and good growth from new market entrants. We also benefited from continued expansion into new vertical markets, including utilities and telcos. BI did a soft launch of Business IQ in the quarter, and signed contracts with about 100 clients. Plans are underway for a full launch, including migration of our existing BI clients to this platform over the next few quarters. Once again, the outstanding performer in the region was Consumer Services, with very strong double-digit growth.

### **EMEA/Asia Pacific**

In EMEA/Asia Pacific, market conditions across parts of the region remain weak. We are not expecting a quick economic rebound and we have taken quick action on cost that is aligning our resources with near-term revenue opportunities to drive growth. We are on a good path to recovery in this small region. As an example, our European Decision Analytics business has improved sequentially every quarter as a result of the actions taken in this business earlier in the year, so we are pleased about that.

### **Summary**

To summarise, on a global basis we continue to put up strong growth, despite a sometimes tough market environment. Our investments over the past few years in new products, new geographies and new vertical markets have strengthened the global portfolio and placed us in a great position to win. With that, let me turn the call over to Brian, who will take you through the financials.

## **Part II: Financial Review**

**Brian Cassin**  
**Chief Financial Officer, Experian**

### **Trading Performance**

Turning now to the trading performance in the quarter, growth was 7% at constant rates, and organic revenue growth was also 7%. Due to currency-translation headwinds, total revenue growth at actual exchange rates for the quarter was 5%. As Don said, we saw growth across all four of our principal activities:

- At Credit Services, organic revenue was up 7%
- Decision Analytics grew by 7%
- Marketing Services was up 4%
- Consumer Services was up 8%.

### **North America**

Turning to the performance by region, total revenue growth and organic revenue growth in North America was 7%.

- Organic revenue growth was 11% at Credit Services
- Decision Analytics was up 12%
- Marketing Services grew by 4%
- Consumer Services growth was also up by 4%.

At Credit Services, we saw broad-based growth in Consumer Information, led by mortgage strength, and there were also strong performances across BI and Healthcare Payments. We are very pleased with the growth in Decision Analytics, helped by the fraud-prevention wins we have had in the public sector, as well as good client demand for software.

In Marketing Services, we have seen strength in Data Analytics as well as in QAS contact data. In Consumer Services, we saw good growth in affinity and data breach. The direct-to-consumer (d2c) channel was down in the quarter, but this was because of a proactive decision we took to enhance membership order quality, which meant we temporarily stopped acquiring customers in the affiliate channel. We expect growth to rebound as we resume customer acquisition in this channel, following some changes that we have made.

### **Latin America**

Turning now to Latin America, total and organic revenue growth was 11% at constant exchange rates. Organic revenue growth was 8% at Credit Services, up 47% at Decision Analytics, and up 29% at Marketing Services. As we called out in November, we face a tough comparative in Credit Services because of the big spike in authentication revenue that took place last year. Excluding authentication, which declined in the quarter, Credit Services was double-digit both across Latin America and in Brazil. That growth was driven by strength in new verticals offsetting tougher conditions in the financial-services sector, as Don referenced.

Colombia and Peru performed strongly, with organic revenue growth of over 20% in the quarter, and both Decision Analytics and Marketing Services were up strongly, as we continue to develop and put focus in these business areas.

### **UK & Ireland**

Moving now to the UK, total revenue at constant exchange rates grew by 8%, and organic revenue grew by 6%. Organic revenue was up 3% at Credit Services, flat at Decision Analytics, and Marketing Services declined by 1%. Once again, the outstanding performer is Consumer Services, with growth at 26%.

- The positive trajectory we saw in Credit Services continued into Q3, which was helped by good take-up of new products and data initiatives.

- While Decision Analytics was flat for the quarter, we did see strength in software, with some good deals coming into the pipeline.
- Marketing Services is still experiencing some fairly tough trading conditions, and we saw growth in email, which was offset by some softness in other product lines.
- Consumer Services, again, had an outstanding quarter, reflecting growth in membership and further success of our bundled offer.

### **EMEA/Asia Pacific**

Moving to EMEA/Asia Pacific, total revenue growth at constant exchange rates was 2% in the quarter, with organic revenue growth of 1%. Revenue declined by 1% at both Credit Services and Decision Analytics, and there was organic revenue growth of 3% at Marketing Services.

- We have seen some softness in parts of Europe which affected Credit Services, although, on the whole, this business is holding up well, reflecting the geographic spread.
- While the Decision Analytics business was down, we have made good progress on the realignments we have been making in EMEA, and we saw strong growth in emerging markets such as Turkey and elsewhere.
- We did experience softer conditions in Asia Pacific, however, which also dampened growth in our Marketing Services businesses there.

### **Serasa/Computec**

Before I hand back to Don, I would also like to update you regarding the structuring in relation to the buy-in of the Serasa minority and the acquisition of Computec. We have now completed reorganisations in Brazil and Colombia, which, under current tax laws, are expected to result in cash-tax benefits of around \$500 million, realised over the next 10 years. This will have minimal impact on our P&L, but will feed into our cash-tax charge.

### **Financial summary and outlook**

Finally, on the outlook, we are pleased with the good growth in the third quarter, which demonstrated the strength and balance of the portfolio. Looking ahead, we expect organic revenue growth to be high-single-digit, with organic revenue growth in the second half similar to the third quarter, while, for the year as a whole, we reiterate our expectations of modest margin improvement and strong cash-flow conversion.

## **Concluding Remarks**

### **Don Robert**

Thank you, Brian. We are pleased to have delivered good growth this quarter. While mindful of the macro-environment, we are also confident in our strategy and our ability to execute. We are realising good benefits from our investments in growth, and we expect a good outcome for the year as a whole. Let me now turn the call

over for questions, for which we will be joined by Nadia and Peg from our Investor Relations team.

## **Questions and Answers**

### **Robert Plant, JP Morgan**

My question relates to Brazil. Can you update us on progress towards the transition towards positive data? In particular, I think you mentioned, at the H1 results, that one of the short-term hurdles was trying to transition people with existing credit relationships, so that the data on those relationships could be shared.

### **Don Robert**

As you correctly point out, data-collection efforts are underway in Brazil and across all of our vertical markets. Just to remind everybody, operational guidelines for lenders other than banks were approved in October, and those just became effective the first of this year. Final regulations for banks were approved in December, with a compliance date of 1 August 2013. Not a lot has been done yet, simply because there has not been time in reference to those effective dates, but internal preparations at our business include infrastructure modifications, some technical certification for information security, and compliance with call-centre requirements.

Other than that, we are having consumers give authorisation to include their positive credit information when we hold credit fairs, which we do from time to time in Brazil to help people understand or begin to deal with issues in their credit files. We have included authorisations in our routine correspondence with consumers in collection letters. We are working very closely with the banks on joint efforts. It is starting but it is very early days and this is going to be a very long, repetitive story over the course of the next few years, I am afraid.

### **Robert Plant**

Could it be an issue in that there could be a large number of existing credit relationships that you cannot tackle through credit fairs and correspondence, that do not give permission for their data to be shared? How would you address that?

### **Don Robert**

I think we will have to see what the early response rates are like. As I said, right now it is early – it is a trickle – but undoubtedly there is going to be a certain percentage of that population that really do not have an interest, and we are going to have to figure out alternative ways to get to them.

### **Andy Chu, Deutsche Bank**

My question is on the US business. In Credit Services, you have seen a nice uptick to 11% growth. Could you give us a feeling in terms of what the volume/pricing breakdown of that 11% might be, and how sustainable you think this double-digit growth rate is? I understand that a lot of that growth has been boosted by the BI side and self-help initiatives, as you alluded to in your comments, but is there an underlying message that, in Q3, you think that it may be related to SME business activity in the US being a bit stronger?

**Brian Cassin**

The real thing that has changed in Q3 in Credit Services is that, in the first half, we had a pretty soft performance from BI. In Q3, BI has basically returned to plan, with a good level of growth, so that has boosted the number there. We did get a benefit from mortgage in the quarter, as we did in previous quarters, but it was really no more significant than we have talked to you about earlier in the year. I think what we are seeing there is growth in other verticals continuing at pretty high levels, such as in automotive, healthcare and others, which are really boosting that growth rate, and some modest benefit in some of the other verticals as well.

On the volume/price point, we are seeing benefits in both volume and a little on pricing. Pricing is more mix-related because of the mortgage activity, but overall the metrics in the business are performing well.

**Andy Chu**

Could you remind me: in terms of mortgage, how much is mortgage of US Credit Services?

**Brian Cassin**

It is about 10% of our US Credit Services business.

**David Hancock, Morgan Stanley**

First, on North America Consumer Services, I think you said, back at the half year, that people had been pleasantly surprised with the 7% in the first half. That has slipped back again. Can you give more detail on what you are doing around membership quality there and when you expect that bit to rebound?

**Brian Cassin**

The Consumer Services point in Q3 was really in the affiliate channel. Affiliates are people who market our products on their website, not to be confused with the affinity channel. We have seen strong growth in the affinity channel, as we have done for most of the year. In the affiliate channel, however, what we were seeing was that the quality of orders that were coming through was not of an acceptable standard, so we pulled back from marketing that while we improved our processes. We have taken a bit of time to get that right, but we think that we are now in a position where we can go back and start pushing the marketing in that channel again, so we would expect to see that to improve in Q4.

**David Hancock**

Second, on Latin America Credit Services, could you clarify that the slowdown from 12% growth to 8% is all due to the authentication business or is there some underlying slowdown too? Maybe you could clarify the split of growth within Credit Services between Brazil and non-Brazil.

**Don Robert**

I think we had guided in November that we were going to have that tough comparative in Q3 in Credit Services, due to the big boost last year in authentication revenue, and that was because the business was really rushing to meet the government-imposed deadline for digital certificates. Specifically to your point, if you

stripped out the authentication revenue, Latin America organic growth would have been 14%. Authentication is then about 8% of Brazil Credit Services, and that was down about 20%. Credit Services would have experienced pretty healthy growth but it would still be falling short of what it was a year ago. As I said in my opening remarks, some of that is due to the fact that banks were struggling a bit with portfolio quality and have tightened up underwriting standards, and that has had a bit of an impact on the business. Overall, however, there is still a very strong performance there.

**Brian Cassin**

Just to add to that, if you take the authentication revenue out of the Credit Services numbers, Credit Services in Latin America and Brazil were double-digit in Q3. I think that is the first point.

Just to answer the specifics of one of your questions, we did see a further slight moderation in core Credit Services from Q2 to Q3 in that number.

**David Hancock**

Brazil and non-Brazil in Credit Services are both low double-digit, then – is that fair?

**Brian Cassin**

That is right, yes.

**Matthew Walker, Nomura**

My question is on the US. You mentioned that a lot of the growth has come through expanding the product range into auto and healthcare etc. As the US economy recovers, what is the multiplier effect that you would expect on your core US credit business?

**Don Robert**

I do not think there is a multiplier effect. Rarely have we ever seen the core US credit business performing more strongly than it is right now, with 11% growth, so I would think that, as the US economy continues to strengthen, we would probably see effects in vertical segments outside of financial services, which is still a bit constrained by regulatory issues. If anything, then, I think we would be delighted with a bit of a modest drift upward if the economy really continued to strengthen, but of course that remains to be seen.

**Matthew Walker**

What about growth within the financial-services sector? You said lending is still quite constrained. If that was to change, what would be the effect on your business?

**Don Robert**

I guess that depends on your assumptions, but there is currently growth across all retail-lending-product segments. Most of the larger banks are growing their retail-loan books. Things are solidly back in growth, but let us keep in mind that we still have a fairly serious unemployment picture and we still have issues with consumer confidence, so it is a mixed bag. I would be hesitant to go out on a limb and predict



any kind of a bounce, because it feels to me like we have already had a pretty decent uplift.

### **William Vanderpump, UBS**

On the US, in terms of the regulation and the activities of the CFPB, I know you have referenced an inspection or visit happening in January. Could you give us any update on how that is progressing?

Second, in terms of the affiliate marketing being reduced, could you give us any colour on whether that would be beneficial to your margins in North America in the second half?

Third, on Brazil, you made some comments about moderation in growth. Has anything in particular changed? A lot of your commentary seems to point to pretty good stability in the underlying business ex authentication.

### **Don Robert**

Let us start with Brazil. I was just there last week and I spent some time with our senior team and met with some clients. I have a fresh view on things. Just to take you back, we have always said that we are not immune to the broader Brazil economy, and that indeed has slowed to a crawl. I think we stand at about 1% GDP growth. As I mentioned earlier, we have seen some tightening by the banks and by other specialty lenders, but we have offset that by expansion into new verticals, such as telcos, and by the import of other Experian product lines into the country. We have seen good growth there, especially in Decision Analytics and Marketing Services.

It has become mathematically harder to sustain those stellar growth rates that we have been delivering in SME. Part of that is due to the law of large numbers, but part of it is due to the external macro situation. Especially in the industrial and manufacturing sector, I think there has been a decided slowdown in investment, which has led to a bit of a dampening in our SME business directly.

All of that said, when I was there, among the people who I met with, I detected a real degree of optimism for calendar-year 2013. Most people feel inherently like it is going to be better than 2012 was, and I guess I would just say, as an overall comment, that, notwithstanding all of these macro issues, we are continuing to deliver double-digit growth, and again that is against a backdrop of a 1%-GDP-growth economy, so I will take that any day.

Moving on to your question about the CFPB in the United States, you are correct. We have been scheduled for our first examination by our new regulator about now. They have pushed us out a bit, so I would expect to see them turn up end of January or early February. They have published their guidelines of what we should expect and what they would like to review, and they have now made formal enquiries of all three of the major bureaux.

We have established our data-room. Unfortunately, we have had to hire a lot of expensive people to get through this compliance exercise. We are likely to be adding call-centre resources. We have had to make some modifications to systems. There is certainly going to be a cost to this, but in terms of getting through the examination itself, I think we feel like we are ready but we do not know exactly what to expect yet, so we will just have to update you on that post the examination.

## **William Vanderpump**

In terms of the costs, is there anything you can say on sizing that at the moment?

## **Don Robert**

It is certainly well north of 10 million and a bit less than 50, so it is not insignificant. It is creating a bit of a drag on North America margins.

## **Brian Cassin**

Just to give you a little more granularity on that, this year we have probably had to absorb a few million dollars of cost, which will probably ramp up into next year, but I think we can give you more guidance on that as we get towards FY14.

On affiliate and margins, I do not think you are going to see any significant margin movement as a result of that. Remember that most of this impacts in Q3. If we reverse out in Q4 net-net, we may end up in the same position. I think we have told you previously that there is a lot of stuff going on in Consumer Services which impacts the margin, which is more significant around the affinity contracts. I do not think that that item itself should be focused on as a margin driver.

## **Andrew Ripper, Bank of America Merrill Lynch**

Well done on the numbers. I have a number of tidy-up questions. First, in terms of the mortgage side, could you remind us of the magnitude of benefit to the growth numbers, either the 11% for Q3 or the nine-month year-to-date? From memory, Equifax, which I appreciate has a bigger exposure, was talking about a seven-percentage-point benefit in their last reported quarter. You are going to be less than that, but can you just remind us of the absolute benefit to US growth either in Q3 or year to date?

## **Brian Cassin**

The benefit is around a couple of percentage points in that number. That is about the size of it.

## **Andrew Ripper**

Second, on cash, I have a two-part question: first, can you give us your expectation for the cash-tax rate, given your comments about the Latin America cash-tax benefits? Can you give us a sense of what cash-tax you are expecting for 2013-14?

## **Brian Cassin**

Not much of this is going to feed into 2013. It will feed into 2014. Our cash-tax guidance is broadly unchanged, at 10-15%. This means we are going to be towards the lower end of that range. Remember also we will also have some cash-tax benefits from the disposal of PriceGrabber. That will feed through discontinued items, so it will not impact the headline number, but the cash tax paid will be the lower than the cash-tax rate that we report.

## **Andrew Ripper**

Second, regarding cash, in the first half the build-up of working capital was greater than one would normally have expected, and I think you referenced a build-up of debtors in the Brazilian business, maybe in relation to SMEs. Could you give us an

update on that? Are we likely to get a normal move back down in working capital in the second half? Is Brazil a factor?

**Brian Cassin**

I think we are saying that we are targeting at least 90% conversion this year, so we are on top of that. As we said at the half year, they did move out a bit, and I think we talked about some of the operational issues that were driving that. We are on top of that and managing that as hard as we can.

**Andrew Ripper**

Finally, just to clarify Don's point when he was talking about Latin America growth ex authentication of 14%, were you talking about Latin America overall growth for which Q3 reported was 11?

**Brian Cassin**

Yes, that is right, 14%. I want to come back on one of the tax points, just to make it clear. The cash-tax benefit that I referenced – the 500 million – is over 10 years, so roughly a 50 million benefit each year over the next 10 years.

**Lauren Slabaugh, Stephens**

My question is with regard to Marketing Services. What are the catalysts to accelerate Marketing Services growth, and should we be looking for acquisitions there?

**Don Robert**

That is a good question. I think, first of all, let us understand the current pressure on growth in that business. Part of it is this tail of old media, traditional list-processing Marketing Services business, which has slowed dramatically, just because of the transition to digital media. On the digital-media side of the business, however, there has been a slowdown in advertising spend this year, which has had a bit of an impact there, as well as some of our larger marketers taking actions to clean up their lists and to be a little more selective about who they mail to. It is a mixed bag of fairly mechanical issues putting pressure on that.

What could be the catalyst for growth? I think continuing improvement in the overall economy that leads to more advertising spend is going to help this continued shift to cross-digital marketing that we are really driving and is certainly a big part of our own self-help initiative. I think we are doing a good job moving things in the right direction there.

It is hard to comment on acquisition spend. I can tell you that there is nothing of note in the pipeline, but we continue to look at things that could give us a bit of an edge in the market that could round out our offerings, and I would point to thinks like the Conversen acquisition that we made a few months ago, which was very helpful in our ability to execute campaigns across multiple channels. It is a lot of different things and it is fairly boring.

**Peg Smith, Executive Vice President, Experian**

Just to give you one further update on that, when we do the Investor Seminar at the end of January, you will get an update on Marketing Services in that programme.

**David Hancock**

I have a follow-up on Decision Analytics in North America. You have had quite a strong growth performance there for the last four quarters now. As you start to lap more difficult comparatives, how do you expect that business to pan out from here? Have you been getting the operating leverage from that strong growth that one might expect?

**Brian Cassin**

In terms of operating leverage, as I have said before, when we get businesses like that moving forward, we would expect some benefit coming through. You have to offset against that investments that we are putting back into the business to continue to build out our public-sector offerings etc, but there is definitely a modest benefit coming through on that. You are right: they will start to lap some difficult comparables, but we do feel very good about the prospects of that business, because the positioning in the fraud marketplace is good, we have new software platforms that we are out there in the marketplace with and that are getting good traction, it is performing well, and I think we are optimistic. I do not know if we are going to see 18% again any time soon, but double digits or high single digits going into next year would be a good target for us, and I think we would be pushing that as hard as we can.

**Graham Brown, Canaccord**

I have two questions. First, on the UK consumer business, could you break down some of the components of the growth that you have seen there? It was a strong number that you mentioned, with benefits from bundling and membership. Could you break that down for us?

Also, on the Latin America bureaux, are you starting to see any effects of the very short tenor of loans there extending. What is your anticipation as we move towards maybe a greater component of debt there shifting towards mortgage debt?

**Don Robert**

On the Latin America business, the answer is no: we have not seen any impact in terms of any shift in loan terms or loan tenor. The mortgage business is still such a very small part of the overall portfolio that it really does not move the growth needle at all. It is still largely in personal loans, credit cards and SME arrangements from the retail banks.

**Brian Cassin**

In terms of UK Consumer Services, we had strong membership growth in Q3, which is a very big component of that growth, and we also had some pricing benefits that fed through, which reflect not only us moving people up from legacy products to higher price points, but also higher value per customer because of the bundled offer. A strong contribution from both of those fed into that number.

**Graham Brown**

Could you perhaps give us a sense of the effects of both of those in terms of how much is price and how much is volume?

**Brian Cassin**

I do not think I want to get too granular on it, but it was a good balance between the two.

**Concluding Remarks****Don Robert**

Thanks for your questions, everyone, and for attending today's call. I look forward to seeing you at our Investor Seminars, in London on 29 January and in New York on 30 January. We will be speaking to you again in May, when we report our full-year results. Thanks a lot and have a good day.