

Experian plc
Investor Seminar – Q&A
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Session I

Questions and Answers

Andy Chu, Deutsche Bank

Firstly, on your data acquisition, I wondered if you could just outline how you price your inorganic data collection. On healthcare, could you give us an idea of your market share within the segments? I am interested in that. You talked about 90%-plus client retention but, given the product you seem to be offering, I am surprised that is not 100%.

Don Robert

Scott, can you consider the revenue cycle management as it exists today and the piece of it where we could be competing? We do not have any interest in debt collection or billing. What would you say our market share is?

Scott Waldron

It is a very fragmented market to start with. If you look at it across the product board, I would say our market share is in the 10-15% category.

Don Robert

There is plenty of room to go.

Scott Waldron

Yes, there is plenty of room to continue to grow. The good news for here is that the physician groups and hospitals are starting to merge at a faster pace in the US. Our strongest ability, because we compete across the board, is that when they do that our solution is perfect, just as I showed you with Emory Healthcare and Integrus. That is when we have a great opportunity to sell all the way across the board, so we will continue to pick up share as we go, in addition to gaining more of the bigger pie.

Don Robert

Kerry, you may want to sketch the picture more broadly than the way Andy asked the question. His question was how much data costs when you purchase it, but there is no overt cost to a lot of it; there is an internal cost. Sometimes we do purchases and sometimes we have to acquire a company to purchase their data.

Kerry Williams

That is right. Specifically for the inorganic, all of those are companies that we would have purchased, so the source of data is coming from an acquisition. All four of those that we have shown under inorganic are acquisitions. There are two ways, generally speaking, that we derive revenue from those. One is similar to the example that I gave where, if we are able to put it on to the credit bureau

and there are new consumers there, we will have an automatic lift from the natural velocity going over to credit bureau.

The other way is that the unique data source allows us to build unique solutions and to take those out in the marketplace. An example would be with the RentBureau acquisition in the US. We took their data assets; we were able to see what someone was paying in rent; we were able to model their income estimation from that. Particularly for these emerging consumers, we are then able to give an income estimation with a very thin credit history, which would allow lenders to attract them as clients. We would price it similarly to how we would price a model score in the marketplace.

Rob Plant, JP Morgan Securities

Do you think your markets could achieve 100% penetration or are there sources of data that will never be available to Experian?

Kerry Williams

The highest we have today is the US at 96%. We are fortunate in that one of the outcomes of the global financial crisis is a loosening of regulations in many markets around the globe, which is why you have seen positive data come about in Brazil and Australia. You have seen India license new bureaus. Where we have started one, you have other countries looking at creating a bureau environment. The general trend in many parts of the globe is the recognition of the need to have a robust credit bureau environment. I think it will continue to improve in many areas. We at least know what 100% looks like, and then work towards that in every market.

Rajesh Kumar, HSBC

You showed how the depth of data and verticals yield different revenue levels for the same database size. You have given the database size in each of the markets. The other two factors would be the velocity of credit in each of the markets and also the competition you face. Could we have some more details on your experience in new markets, especially Brazil, Australia and India, on these two factors? Digging a bit deeper on Brazil, the long-term duration of credit on the consumer side seems to be growing longer. With positive data, you would expect interest rates for consumers to start to come down, which would mean velocity of credit would start to come down. What strategy do you have in place to protect your revenues for the medium term in such an environment?

Don Robert

I think we had better break this one down. Ask your first question first.

Rajesh Kumar

It is basically about the velocity of credit and the impact of competitive landscapes in new markets, especially positive data in Brazil, Australia in India.

Kerry Williams

In India, we are seeing our biggest success, particularly in pricing and revenue generation, in our value-added products, not so much a core credit report, but triggers and things like that. We are actually having very good success in India in those particular areas. We know that some of the competition is struggling in India, which is good for us. That obviously shows that we are having an impact in the marketplace there, so it is good from that perspective. In Australia, we just launched 25 days ago, so I have nothing to report except that clients are now starting to test access to the bureau and we are heavily into sales mode.

On the Brazilian side – and Ricardo please jump in at any point – the strategy is to protect the pricing and dynamics in the Brazilian market by bringing in the full suite of our products and capabilities across the lifecycle. New sources of data and the positive data coming in on top of that allow us the ability to price more for the positive data, and we are ensuring that analytics are there. The combination of all of those items, plus our distribution, we feel confident will allow us to protect not only our position in the marketplace, but our price points.

Fernando Delgado, AKO Capital

My question is on the opportunity for consumer services in Brazil. What do you think about the launch of credit products and when do you think they will be regularly available?

Ricardo Loureiro

We have just launched the first product focused on this market. A big step ahead is related to financial education, which is a very important aspect. As you may know, in Brazil nowadays, even considering the good environment for credit, the banks are struggling. There is a lot of indebtedness across the country, so there is a lot of opportunity to take advantage of this and actually serve the market and the consumers, helping them to better understand credit worthiness in general. Of course, after the formation of positive data as a meaningful type of file, we will have a big opportunity to work on credit building itself, in terms of scoring and helping people to have better conditions to reach credit. I would say those are the most important three main aspects of our strategy.

Together, we also have opportunities relating to fraud, helping people and consumers to protect themselves. This is another aspect that we are considering in our roadmap. Victor is going to talk a little about that. That is the main picture of our strategy, focused on the huge opportunity we have in

Brazil. Beneath everything, I would say that our strong brand in Brazil is a unique ability for us to foster this business there.

Don Robert

I would just add to that, Fernando. It is safe to say that we still have one hand tied behind our back until we have a critical mass of positive data in the file. As with the B2B side of the business, new products and new attraction can be put in the consumer offer at such a time as that happens. If history is a guide, this business was invented in a paper form in the US about 20 years ago, and I would say that, globally, it is now a \$1.7 billion a year business. Maybe that helps you realise the Brazil opportunity.

Andrew Ripper, Bank of America Merrill Lynch

Just to finish that last point, given that positive data is important to providing a credit monitoring service in Brazil, are you saying that you would not expect to launch credit monitoring until 2015? Can you give us a sense of the strategic plan, in terms of the timing of when you would be able to launch credit monitoring, which I guess is a much bigger revenue opportunity than the identity protection you were talking about in the presentation?

Don Robert

I would like to hold that one and ask Victor to address it in his presentation. Victor oversees the global consumer services segment, and he can talk more about product rollout plans.

Andrew Ripper

On Kerry's presentation, I wondered if you could elaborate more on the DDA opportunity. I am not sure how to think about the monetisation of what you are doing with that data. Is there any way you can help us with that?

Don Robert

Before Kerry takes that, let me just do some translation of English to English. DDA equals current account, and Kerry spoke in his presentation about how we are effectively making a credit bureau out of current account or DDA transaction data.

Kerry Williams

As I said, this is the first one on which we have embarked. We have all the data and we are in the process of creating the products and monetising them back to the client. It will be done in a stream of model outputs. In that way we leverage our existing distribution systems into the decisioning processes at the financial institution. The monetisation opportunity is going to depend on how many of these clients we can persuade to take this path. The results we take from the first one will be a big driver of that. It is no small task for a financial institution to turn over this amount of data to us, which is why we have taken

great care in putting the Data Lab on this one and working it hard. It is too early to be able to help you with a modelling exercise on what it might mean in revenue opportunities right now.

Andrew Ripper

You showed some numbers. There were 2 billion DDA transactions, ATM transactions, etc. What does that represent in terms of the penetration of the total number of transactions for those accounts in the market?

Kerry Williams

This particular penetration would be 5-7% of the US market.

Andrew Ripper

In terms of the commercial relationships you have with the providers of the data, can you confirm they are on a give-to-get basis for these new sources?

Kerry Williams

It is a private transaction bureau. Therefore, it is going to be back-to-back financial institution only.

Andrew Ripper

Kerry also talked about the global data gateway on the commercial side, with the US and the UK. I wondered if you can elaborate on what you are doing differently with that, and help us to try to think about monetisation and how meaningful an initiative it is for you.

Kerry Williams

One of the things that multinationals need to do their trade credit across the globe, and even smaller sized businesses, is the ability to understand all of the operating subsidiaries that a particular company has and that they are linked back to the parent company, in order to have a true profile of the credit risk of your trading partner. Historically, there has generally been one provider of that across the globe. If you take our data assets, some key partners out there in the markets and our skill set of linking things together – linking data together to one entity or to one consumer is a core competency that we have – if you put that together, you create the ability to pull in this information, either in an online or batch environment, and run it into your existing commercial credit bureau capabilities. Therefore, an entity in India could pull the trade credit on a business they want to consider working with in China, trading the information back and forth so that they can make an assessment of their credit worthiness.

That is what we are talking about here. It is being able to have a unique identifier for every company across the globe in the countries that we will be adding to this process. That will allow us to go more upmarket, meaning large

corporate multinationals – the big data opportunities and sells in the commercial credit space – than what Experian has normally pursued to date.

Don Robert

We have only had one question from the buy side so far. Do we have any buy-side questions at all?

Aamod Mishra, Threadneedle Investments

Bizarrely, as you have expanded more into the SME market in Brazil, rather ironically, you have had more bad debts for yourself. Why is this and how do you intend to control it going forward?

Brian Cassin, Chief Financial Officer

As you have seen from the presentation that Jorge and Ricardo did, the pyramid of customers is quite stratified. At the top, you have the strategic customers, where we have strategic client relationships. At the bottom, you have this huge swathe of SME customers, many of which have been onboarded in the last few years. From a systems perspective, this is quite an operational challenge. We are adding thousands of customers every month through that, and we have a significant re-platforming of the Brazilian business to enable us to cope with that additional volume. As you work through not only onboarding new clients, but actually changing over into a new system, you have issues with collections. It is obviously not as good a channel for collections from the point of view of comparing it to strategic or corporate clients. As that business grows, you have to invest more and stay on top of it.

William vanderPump, UBS Securities

You alluded in the Credit Services presentation to international opportunities and areas of interest. Could you talk about the timing for specific countries or regions and the kinds of opportunity, whether they are more like the Australian opportunities or the Colombian or Brazilian types of opportunities? Linked to that, how should we think about your balance sheet and the leverage ratio over the next couple of years, particularly after the Serasa deal?

Don Robert

On the bureau question, William, Kerry said something interesting and true, which is that we would hope to see a set of circumstances, and we do from time to time, that when someone wants to sell a bureau they think of us first. A lot of the opportunities that we have are very long-term romances. The Colombia transaction was a great example of one of those. We probably have half a dozen of those out here in various parts of the world. It is very difficult to predict who might weaken first. I would be hesitant to be any more specific than that. Geographically, you know where we are, you know where we have failed and you know where we would never go. That does not leave too many places. I do not want to give the whole playbook to anybody who might replay the webcast.

William Vanderpump

Are we talking about it being within the next five years or is it not possible to be even that precise?

Don Robert

Do you mean who might decide to sell a bureau to us in the next five years?

William Vanderpump

Is there a possibility that that could happen?

Don Robert

Yes, it is possible.

Session II**Questions and Answers****Charles Wilson, Goldman Sachs**

On Decision Analytics, I think you are 10 or 12 percentage points below your peak margins. Do you think you can return back to those key margins and, if so, what are the key drivers behind it?

Brian Cassin

Charles, you and I have talked about this separately. As we see some of these initiatives coming through and as we start to achieve more consistency of the revenue going in the right direction, we should gain natural operating leverage not only from the core stuff of our platforms but also from some of the new products we have. So I would expect Decision Analytics to be a business that will continue to execute well and we should see margin progression in that business over time.

Don Robert

Joy, what would you say are the top three initiatives that you have to get margins optimised?

Joy Griffiths

I think they are among the key characteristics that I talked about for our business in the presentation. The first is to take what we know and do very well in financial services and look at spreading that across other verticals. All the other business lines in Experian have done that, so it is a well-trodden path that we can follow. The second is our market strategies. We have to have differentiated market strategies, as I said. Being all things to all people when the market is not ready or you do not have the sophistication of the clients, for the sort of things that we do you can end up with the wrong people in the wrong

places, so market strategies is another. The third thing is the leverage across all of Experian. All of us have talked about that today and it is the maturity of our entire business, where we look at the connections between all of those different parts of our business and offer that as an integrated solution to our clients. That is where I think we will start to see improved business margins. We never win today on price. We do not do cheap. There are many competitors out there who do, but we win because we have an integrated proposition to sell to our clients.

Don Robert

Is it also fair to say that we cost ourselves a lot of money because we are not brilliant at software delivery and support and if we can get that fixed there is a big opportunity there?

Joy Griffiths

Yes. That is the delivery machine that I talked about. It is all very well to have this really cool kit, but delivering it is a big component of what we do. It is not just technical installation. It is about taking our capabilities and using them to solve a particular, specific client problem. They might call it the same thing from client to client to client, but spaghetti within their company, the way their systems work, the data availability they have, the internal sophistication is all different, so the delivery machine is critical for us.

Kevin Lapwood, Seymour Pierce

Can I ask exactly what it was you were looking to acquire when you bought the 192business last year? One would have thought that with the vast amount of data you have accumulated in the Credit Services business you were well placed to provide the services that 192 were providing anyway without an acquisition. Does it not draw into question the applicability of the Credit Services data to the other applications that you described in the second half of this morning?

Scott Carter

That is a great question. Keep in mind the 192business company was based in the UK and that certainly helped to integrate the products and capabilities we have in the UK with additional data sources. One of the key assets that we really liked was they had a very modular platform that allowed us to port that to other geographic markets and to link to a variety of other third party data services. You are right that credit bureau data is a very important key part of what we are doing, but there are other markets where we do not have credit bureaus or where there are local demographic data sources with third party data services that we can very easily link to using that 192 platform. The modularity and flexibility of the platform was very appealing.

Graham Brown, Canaccord Genuity

I have a question on the UK consumer business and maybe you could give us a bit of information about how well this spreads across the rest of the consumer business. On the website it would appear that approximately 43% of the ticket price of the Credit Expert is represented by the post-theft insurance policy. I wondered to what extent that is across the rest of the other products and what sort of feedback you have had from your customer base on that level of ticket price within the overall mix. I just wonder if there is any sort of customer push back when they are made aware of that.

Don Robert

First of all, I would just say that we do not have insurance features on any products, other than the one here in the UK, so this is not something that would span to the US.

Victor Nichols

Relative to the price, we have not had much push back or negative sentiment coming from our discussions with clients either in the focus groups or in the call centres. That has not been a driving, negative impetus.

Related to pricing, we think we have it fairly optimised right now in terms of relative elasticity. We do monitor that constantly with a number of trials, so empirically we are fairly certain of our pricing acceptance being optimal in the market. We have made a number of adjustments both in the States and here of late and so we feel good about the price points.

Graham Brown

Can I ask a quick follow-up? Can you give us a sense of the claims history of the UK product and the claims to loss ratios?

Don Robert

We do not disclose at that level. We have had claims, but we would not be comfortable getting down to that level of granularity.

Rajesh Kumar

On Decision Analytics, when you look at the different markets and geographies you are going into and also you are launching into new verticals, if you look at the margin progression, how much of that is negative operational gearing from Europe and how much of that would be start-up cost, if we could have a bit of sense around that.

Brian Cassin

The question is how much of the margin is negative operating gearing specifically linked to which vertical?

Rajesh Kumar

In Decision Analytics, the margins have been coming down and a part of that has to be start up in new verticals and new geographies.

Brian Cassin

That is right and I do not think we have given the split, although you can sort of see it when you look at the performance of the Decision Analytics business. Broadly speaking, in the last year we have had two territories that have been growing rapidly, North America and Latin America. You can see that where we have that progression you are going to get positive margin progression. Weaker performances have been in EMEA, Asia-Pacific and also in the UK, which has been flat to slightly negative for most of the first half of FY13. Those markets are also heavily exposed to financial services, as Joy pointed out, and where you have those revenue drops you are going to get margin compression. So, although we do not give a specific split, you can sort of work it out depending on how the geographies are performing. Typically speaking, we have had not only a revenue drop in EMEA, Asia-Pacific in Decision Analytics, but also it has been an area where we have been putting new investment in to places such as Russia and Turkey. Hence, at the same time, we are transitioning a business across as well as coping with a downturn in your biggest end market.

Rajesh Kumar

If I may explore that further, how easy is it to basically use a piece of code or software from one vertical and port it to, say, a telco end market software being used in utilities or insurance, or do you have to recode the whole thing and involve the programmer?

Joy Griffiths

No, you do not have to recode the whole thing. What you require is not so much the kit itself or the software; it is the domain expertise of our people to be able to talk to the client. To give you a simple example, collections, I think up until about two or three years ago the only type of organisations that bought our collections systems were financial services. Today, pretty much every telco has a collections system. It does not require any more technical work for us, but it certainly requires our people, which is why in markets like EMEA we have set our folks up in a way that supports the vertical markets with that domain expertise, so that they can talk to the client in their language and make it relevant to them. The technology is not the issue; it is the domain expertise.

Paul Sullivan, Barclays

In Marketing Services, is it possible to differentiate growth rates between data analytics, data quality and the cross-channel marketing areas of the business?

Brian Cassin

I do not think we have given that split between the different verticals on the Marketing Services side. Are you looking for the margin base for each product?

Paul Sullivan

Not margin, just growth rates.

Brian Cassin

I do not think we have given that split publicly.

Paul Sullivan

I am just trying to get a sense, because it looks like the overall growth rate of the Marketing Services business is lagging that of, say, the general digital environment. Obviously there are some bits that are growing faster and others slower. How should we view that business evolving over the next two to three years?

Brian Cassin

What we can say is that, although Matt was saying it is becoming increasingly difficult to determine which is digital and which is not digital, you can certainly see that some of our assets, like CheetahMail, are clearly at the digital end. They have been very high growth businesses for us for a long time, as has something like QAS, which over a 10-year period has grown terrifically for us. I think what you have seen is a transition within some of the core MIS businesses, which were very much legacy and offline focused, where we were having some of that under pressure and then, as Matt explained in his presentation, as that business gets more repurposed towards use in an online world, we are starting to see growth come back into that channel. So I would still characterise it by saying that the purely digitally-focused assets in the portfolio are higher growth and that is across every region, whereas the assets that are still data-oriented are the lower growth parts of that portfolio. That is the bit also that you do get that is slightly more exposed to some of the economic variations. Typically, when we have big jumps down or up in retail sales, it will still impact on that MIS sale more than the other channels.

Paul Sullivan

Thanks. Secondly, Victor touched on it briefly, but mobile wallets and mobile payments are obviously a big focus in financial services at the moment. Would you expect Experian to be a primary beneficiary of that or is it more secondary in nature?

Victor Nichols

I see it as secondary, but a very strong secondary provider. That is even the case today in relation to a large North American store value card activity – some of the partnerships you have read about. We are the agent behind those doing

the authentication and the fraud work and some of the setup of those facilities, but we will be a behind the scenes operator supporting those across fraud authentication.

As it relates to digital wallets, we do not have an active client yet. We are in a number of discussions, but it is easy for you to imagine how we could help them overcome one of the big pitfalls, which is, first, identification and then fulfilment of the wallet. There are some interesting discussions there and we will see where that goes.

For ECS, we could play a stronger role in that piece.

Paul Sullivan

Finally, would it be fair to characterise the next phase of the growth programme as slightly more capex-light, but opex-intensive as you look to monetise some of the investments that you have made over the last two to three years? What implications does that have, firstly, for capex over the next three years and, secondly, on margin, as some of those investments continue to flow through the P&L?

Chris Callero, President and COO, Experian

The first thing to say is we are now entering the fourth year of our global growth programme, which is arrived at through our strategic planning process, the establishment of our strategic priorities and then the weight we put behind that through our budget process. We have roughly 20 programmes, many of which you have listened to and interacted with today. About half of those 20 programmes are product innovation-oriented – products, platforms, that ilk – which generally require capital. About half of that number, or a quarter of the 20, are pretty much in the late or final stages of development and are now entering into market adoption or implementation as the case may be. You also have the geographic markets where, in some cases, it is done through inorganic means, which you are familiar with. Computec is a good example of that with the three countries in that region. Lastly, we have vertical markets and the channels, which are a little over a quarter of the 20, as are the geographic markets, if you are scoring. In the case of vertical markets and the channels, the channels being the affinity channel and SME, vertical markets being things like health care and so forth that we talked about, the public sector, those are very capital-light insofar as we are repackaging and getting the demand expertise we require, so it is opex. We are getting the propositions right that are pertinent to that particular vertical market and making minor modifications to what we have to be able to penetrate that market with the most opportunistic products and services.

When I look at the whole thing and where we are at, yes, we may have more vertical markets as grow and expand; we may have more channels as we grow and expand; we may put more heft and might into some of the opex initiatives

that we have; and we will continue to do product innovation in the way that, for example, Kerry described today or even some of the things that the others have described.

Brian, you might want to talk a bit more about the financial side of the capex.

Brian Cassin

We have had an increase in capex over the last couple of years. I think if you look at FY12 to FY13, you have already started to see that come off. The growth rate in FY13 is nothing like in the period that we have had in FY09 to FY12. As Chris said, a lot of the initiatives are organic P&L-orientated, but also they are building on the platforms that we have built. For example, to give you some idea of what we have been investing in over the last few years, we have replatformed the UK bureau; we have put a lot of investment into Brazil; we have put a lot of investment into new products like BusinessIQ, NextGen, global VAPS, all of these in core Credit Services giving us the potential to develop these new products and to scale them up. So I think we really have had a heavy investment phase. From here on in, we see it as maintaining stability at this rate. We still have a couple more years of follow on of hard work as well as some follow on investments from some of the big programmes we have had and obviously we still have a fair amount of new product development that we want to do in each of the business lines going forward.

On your question on margins, all of the investment that we are putting in the business is geared towards keeping us in the premium growth range, which we say is mid to high single-digit organic growth rate. For a business of our size, we think that is a good ambition. We will, within that, continue to manage the margin or to drive the business to maintain a modestly improved margin on an annual basis. There are always a number of things that go into that: the positive operating leverage we get from some of the business; sometimes some of the businesses go backwards in a particular year. In addition, every year we are putting quite a lot of investment through the P&L, particularly on the GAP programme but also other stuff that you have heard today, like consumer affairs and annual initiatives. That is how we see it developing over the next few years.

Brian Dineen, Generation Investment Management

With some of the problems with your competitors in the consumer affinity space it is a double-edged sword. On the one hand, clearly there is an opportunity for you to pick up some business. On the other hand, the probability of a consumer or regulatory backlash against the whole industry increases. I would like to hear your reflections on that.

Don Robert

Chris, do you want to talk about probabilities of a regulatory backlash against the affinity channel?

Chris Callero

Yes. Strategically, the first point I would make – and I think Victor brought this out in his presentation – is that we are extremely well positioned with our affinity business, insofar as we have been in this business for a good number of years and have built it on the back of the regulatory environment. As a result of that, we have good compliance and a good process associated with supporting compliance. In many cases, we are looked to as a better response from somebody who may be offering affinity-like services today, because of our capabilities, process and controls. I do not want to enter into the whole discussion right now, but maybe I should pass it to Victor at this point to see if he wants to add anything.

Victor Nichols

There are plenty of activities going on, on the regulatory front. I do not see a backlash or a great threat there. If you look at the core business and the value it is providing to consumers, the regulators, affinity clients and ourselves see it as a product they do want in the market. Nobody is trying to have it not be there. They just want to make sure it is sold and fulfilled effectively, which may play more to our success than not.

Don Robert

Andrew, you get two parts to your question only.

Andrew Ripper

I have already asked one of them, which was coming back to Victor in relation to when you might launch credit monitoring in Brazil. Can you remind us whether Brazil's financial system is risk-based pricing or not?

Victor Nichols

Your original question was if it was dependent upon the availability of positive data. I think it is enhanced with positive data, but today we offer credit and monitoring services in Brazil. We have many consumer clients we have generated directly. We have a lot of affiliate relationships, which we are actively growing the memberships and we are close to closing a number of affinity clients as well. So we are fully engaged in Brazil and underway. The product will become richer no doubt as positive data is also available, but it is not hindering us in any way today. We are actively in the market.

Andrew Ripper

Can you give us a sense of the size, in terms of the non-US and UK business for Consumer Services? Give a sense of the order of magnitude, Brazil, Colombia, South Africa.

Victor Nichols

It is very small.

Andrew Ripper

On slide 103, you have given a subscriber split for the first time in a while, which clearly shows quite a big ramp up of affinity subscribers. My understanding is you were going to have a fairly slow burn onboarding of subscribers with the new customers, so I wondered if you could talk a little about that ramp up and remind us of the economics of affinity as opposed to people who come in directly. I am thinking about lower revenue per subscriber, but lower cost to serve because the affinity customers are doing the marketing.

Don Robert

Let us break that up into chunks. First of all, why is there a big ramp up in the affinity members' customers?

Victor Nichols

We have closed large affinity clients in the US this last year. I would not want to overlook that we also have strong growth continuing on the D2C front, particularly in the UK, but a lot of that ramp that you see there is affinity and it was US-based. We have, as I mentioned, just closed our first large affinity client here in the UK. In the last week that went live in production, so we see that trend continuing. I do not know if I said something to give you the impression otherwise, but it is a slow sell cycle; it is not a slow onboarding. Once we get them, these affinity clients tend to bring on members very rapidly

Don Robert

The second part of that question is: is an affinity client member less profitable than a D2C member?

Andrew Ripper

That is, for revenue and cost. Obviously, revenue per subscriber is lower, but cost per subscriber is lower as well, so just the economics basically of affinity versus direct.

Don Robert

Brian, do you want to break that down?

Brian Cassin

Yes and Victor can add to this. The affinity contracts are all individual. There is no one template. I would say that, on average, we would expect to make a slightly lower margin on the affinity side than the consumer side, but that is on average. For example, in one particular year, we might onboard an affinity contract that has a higher margin, so it will distort it a little bit and Victor can

explain some of the reasons for that. It really depends on the way the financial institution wants to structure the contract, which is one part of it. Typically, that could be some form of revenue share, which means that we have a higher see through. Hence to a certain degree the margin is almost a by-product from the quantum of EBIT or sales that we want to get out of this channel going forward. So it is not going to be terribly easy, year on year, to say the margin will progress smoothly; it will move around depending on the size and nature of these contracts.

Victor Nichols

That is right. We are not trying to dodge the question. A good assumption at this stage is slightly less, but it is going to vary because each contract is so different. In terms of the customisation of the products, what they want to offer, the data elements they are buying, how much of that reverts to our Credit Services business, in fact, for revenues as well. Whether they are taking all the revenue and we have a fee schedule to us based on members they bring on board for the types of services they use or whether they might want us to take the revenue and we pay them a revenue fee for members that come on – there are a lot of variations.

Don Robert

One last point on that: in a year where we might bring on two or three very large affiliate relationships, there would be margin pressure at the regional level. Would that ever be visible in the numbers?

Brian Cassin

Yes, because we have an onboarding cost, which we tend to have to invest in front of getting the clients on. So, typically, you would see that margin profile starting off down and then building over the lifetime of the contract.

Ed Steele, Citi

On the software development side, it was mentioned earlier that you can improve your software delivery and integration processes. How effectively do you feel you have invested in your software in the last couple of years? You have obviously capitalised quite a lot. Do you feel the money on that development process has been efficiently spent?

Don Robert

This just pertains to the Decision Analytics line. Joy, PowerCurve, friend or foe?

Joy Griffiths

Definitely a big fat friend. I think that the development of PowerCurve has been a very good investment for Experian. From a market perspective, there is nobody out there who has the capabilities we now have with that product.

Ed Steele

I understand it is a good product but how effectively have you spent the money? Do you think it has been a good, cost-effective way of developing the product externally? Give us a feel for that. It has cost quite a lot of money in the last couple of years, and that will affect P&L for the next few years. How does that affect margins?

Joy Griffiths

It has been very effective. We are not going to see it in the first year, although I did mention in my presentation that we launched it in the second quarter of this fiscal year and we have sold 30 to date. There are also relatively long sales cycles and while it is across verticals, the predominant customer for us, even this year, has been financial services. It is not the best year for them in terms of outlaying capital, so this is something that is appealing to our clients. I think it will go from strength to strength. The way it has been built, the way we have replatformed all our core decisioning systems and the enhancements that I showed that we are going to be doing sets us up for quite a good many years to come. We will obviously continue to enhance, but it will be on function, not on technology platform.

Brian Cassin

I think it is important to clarify that, while we have had big investments in things like PowerCurve, it is not the major part of our capex. In fact, the major part of capex is data spend and that has increased over the last few years, mostly because we have been increasing data spend in Brazil.

The second point to make is that a lot of the increase in capex has been because we have been replatforming core systems. Let me give you some examples of the biggest individual spends that we have. We have replatformed the UK credit bureau over that period and that is one of the biggest projects we have in our capex over that period. We have substantially expanded the systems in Brazil. We have put in a new accounting system and a new bureau platform for SME. Therefore, while we tend to concentrate on PowerCurve and BusinessIQ, they are important products and they are major elements of spend, but they are not the majority of our spend.

To go back to whether we are happy with the returns we are making on the investments, I think we are. If you look at certain of the products that are now in the market long enough for us to see the returns, I will give you the example of BusinessIQ. Without being specific about the amount we spent on that, that was a modest-sized investment and we have a business now that is growing in a flat market at double-digit rates and has been for some time. The return on that is fantastic, to be frank. With things like PowerCurve, we are starting to see a lot of traction. It is too early to say whether it is a slam dunk with a very high IRR return. We do not know yet. We will have to see how it develops over the

next few years. It looks like it is going to be, so that gives us great confidence that when we are putting these investments in we are getting great returns.

Coming back to some of the platforms that we have and some of the points we make about the investment that we have. If you look at the Brazilian business, it has tripled in size in the last few years and one of the biggest channels of growth has been in the SME space. That space did not really exist a few years ago, so a lot of our capital expenditure has been to increase the size of our capability to process that number of transactions. That gets classified as software because we are internally developing these systems and bureaus. Much of that investment has been giving us the capability to grow those businesses in the way that we have and giving us the capacity to onboard more growth as we go on over the next few years.

Matthew Walker, Nomura

My question is for Matt on Marketing Services. You mentioned you are providing help to CMOs identifying clients in a digital world. Are you competing against the big media buying companies and agencies like GroupM or do you ever come up against them, because they were not one of the competitors you mentioned in your talk?

Matt Seeley

In fact, the agencies are friends. If you think about the skills of an agency in buying media, creative engagement, creating a brand, etc, what is happening increasingly is that the agency needs help in the data-driven aspects of market, which is what we happen to do well. Hence there is a tremendous opportunity for partnership with these big agencies, taking our core competencies of data and analytics and data-driven decisioning, their core competencies of creating brand messaging and owning those media budgets. We see that as a huge opportunity for us to work together.