

Experian plc
Interim results – 6 November 2014

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Part I: Strategic and operational review

Brian Cassin
Chief Executive Officer, Experian

1. Introduction

Good morning, ladies and gentlemen, and welcome to Experian's half-year results. I would like to start by introducing our new team. At the front, here, we have Lloyd Pitchford, our new CFO. Lloyd joined us about six weeks ago from Intertek. I know some of you already know him. Of course, we also have Kerry Williams, who many of you know from his previous roles in the company. Kerry has now assumed his full responsibilities as Chief Operating Officer. I would also like to introduce our new Chairman, a gentleman called Don Roberts. I think some of you know him too. He is bedding in well. He has finished his induction programme. We are very happy to have him on board as well.

Since I took up my role as CEO, we have been working with the leadership team to focus on where we are, assess our current status and set our priorities going forward. In addition to talking about the first half results, we are also going to talk to you a little bit about our strategic priorities as we look forward.

2. First half performance

Let me start by providing you with an overview of the half. While it has not been the easiest first half for Experian, we actually have had many positive developments. In the first instance, we have grown our earnings quite strongly – by 6%. We are very pleased with the cash-flow performance – up 17% on the half. That means we are deleveraging quickly, and we should be well within our target gearing range by the year-end. Our growth in the first half was held back by some one-off factors, and by the transition that we are undertaking in Consumer Services North America. That transition is progressing to plan, and today the announcement that we have made about our agreement with FICO is an important step in repositioning that business. It is actually one of many steps that we intend to take over coming quarters and over the next year.

We also had some very strong performances which really, I think, confirm the strength of our business. We saw another good performance from Credit Services North America. Importantly, Brazil returned to growth in the second quarter. We think that the prospects for Brazil are improving slightly. The UK continues to perform really well. We had growth across all of our business lines. I am very pleased with the actions that we have taken over the last couple of years in both EMEA and Asia Pacific, and that is positioning those businesses to continue to improve from here.

I am very pleased also to say that our two acquisitions last year – Passport and 41st Parameter – are both progressing to plan and growing strongly in the first half. We are very pleased with the progress in those two businesses.

Let us summarise the first half performance. Total revenue growth was 5%, at actual rates, and 4% at constant currency. The organic growth rate was flat. Our EBIT was up by 3%. The margins were actually up by 60 basis points on an organic basis, before the effects of FX and acquisitions. On a reported basis, they reduced slightly to 26.2%. The benchmark EPS growth was strong at 6% and we have raised our dividend by 7% to 12.2 cents per share. As I mentioned earlier, while the first half is usually a bit weaker for cash flow, we had an extremely strong performance on cash flow in the first half, with growth up by 17%.

3. Regional highlights – North America

Let's look briefly at the performance across the divisions and start with North America. We are seeing that the consumer and business-lending environment in North America is robust. It is driving good growth in the core bureau operations. We are very pleased with the performances that we have seen across the core Credit Services business. We are seeing major lenders returning to being a bit more growth-focused. That is opening up opportunities for us in the core areas of credit risk management and credit marketing. We are also seeing a lot of appetite for fraud and identity management tools.

We are seeing strong performances across some of our higher growth verticals, such as the public sector. Business information and automotive continuing strong trends you have seen there for a number of years. While our Marketing Services business in North America declined slightly in the first half, we are actually seeing very encouraging progress there in our cross-channel platform. To give you an example of that, in the first half of this year we have actually had 46 new CCM (cross-channel marketing) wins. 22 of those were in North America, and they included some really big marquee names, which is really going to help establish our credentials in this space. We are very encouraged with the progress that we are seeing in CCM.

4. North America Consumer Services – brand transition

Turning to Consumer Services North America, earlier this year we outlined a plan to transition our business, and make Experian.com the principle brand for consumers in North America. I am pleased to say we have made some significant progress on this. We spent the first half of this year really focusing our efforts on raising consumer awareness of the brand through advertising and promotion, and while the revenue for the division as a whole was down in the first half, we did see some very good performance in Experian.com – up 15%. Bear in mind that we have not yet really introduced any of the new features and products that we are planning to and we will talk about that in a second.

Our strategy for this business is focused on delivering a different value proposition to consumers. We are going to do that by leveraging the strength of our positions as a data owner, providing a superior consumer experience, and using our firepower in consumer marketing to make that really impactful. What you are going to see over the coming quarters is a series of announcements about new product introductions, aimed at enhancing the products, the services and the features that we offer on this platform. The announcement today about FICO is just one component of this. Under the FICO agreement, we will be making FICO scores available through our products, and we will be marketing them under the Experian brand. We think it is a significant differentiator for us going forward.

Really, that rests on putting together the highest quality data business, and the biggest Consumer Services platform in North America, with a score which is most commonly looked to and used by consumers when they think about their credit profile. Together, we think this is going to create a really compelling proposition, and we think it is going to generate quite a lot of interest. We are also, in so doing, responding to what we see as high consumer demand, not just to know what their FICO score is, but also to understand what it really means and what they can do to improve their position.

5. North America Consumer Services – affinity partners

I want to talk a little bit about affinity because it was a little bit weaker in the first half than we were expecting. It is, I think, probably a story we have told for a few quarters now. However, if we just take a step back and talk a little bit about this market, we do see this as a long-term growth market. We are the clear market leader by some distance, and we have also been continuing to win deals in this space. The frustrating thing is that those deals have taken longer to come to fruition.

In our core client base, the legacy affinity bases that we have, what we are seeing is that none of those institutions are really out aggressively marketing for new customers. That is mostly because of the regulatory environment that we are operating in, and they are reluctant to become more aggressive in on-boarding new clients right at this particular moment. We have this year rolled out the pilot with one of the top five retail banking companies that we talked to you about last year. We expect to move that into national rollout over the coming months and into FY16. We are seeing some progress.

I think what really encourages us about this is that, when we talk to our affinity clients, we know two things. First of all, we know that the affinity programmes are actually really valued by these clients, because it generates a lot of consumer interest and it generates a lot of consumer loyalty. It is one of the few programmes that they know actually really works so they are keen to get back to it. Secondly, in conversations with them, we have now, I think, got some optimism that one or two of them are really beginning to think about where they get back into on-boarding new subscribers. There are, therefore, some signs there that that is starting to move. We also think that if one or two institutions start to move, then the rest will follow.

I really believe that this is a question of when, and not if, this business really starts to move forward. The performance that you are seeing in the first half really represents the fact that the legacy basis will see some natural attrition – at a very low level, actually, I might add – and that unless we have some new on-boarding of new members then you are going to get that weaker performance. We are confident that we are going to get back to a much better trajectory for this business.

6. North America Consumer Services – summary

As we expected, we saw attrition in the legacy-free portfolio, and that is as we concentrate our marketing efforts on the Experian brand. As I mentioned earlier, the Experian brand was up by 15%, and our big push on this will come as we introduce new products and features in coming quarters and into FY16. I mentioned affinity in the other category that was weaker, as I have just described. For the division as a whole, we expect the second half to be similar, in terms of revenue trends, to the first half. We really expect the benefits of new product introductions and marketing efforts to come into the fourth quarter and later as those products come on-stream.

7. Regional highlights – Latin America

Turning now to Latin America, I guess the big point here is Brazil. Brazil improved in the second quarter. We called out, as expected, an impact from the World Cup in the first quarter. I am glad to see that that came back. We do expect actually to have some modest improvements in Brazil. We are feeling a bit more optimistic about that. We are not really seeing any change to the economy; I think you are all aware of that. It remains quite difficult. At least we now have the presidential elections behind us, so some of that uncertainty is out of the marketplace. I think it is too early for anybody to really call whether that makes a big impact or not.

I think, putting the economy to one side, what we are really focused on is actually developing ways to drive our own growth. I think that is the source of our optimism. There are quite a few areas where we think we can drive growth as we go forward, particularly in some of the new verticals, and building Decision Analytics. I think we mentioned earlier this year that we were re-engineering our sales model in Brazil and that is actually starting to have quite a positive impact. Secondly, we have also taken a lot of action to reduce our cost base in Brazil, bearing in mind the lower growth environment over the last 12 months. That is starting to see some benefits, and we will see that as we go forward.

Elsewhere in Latin America, we continue to see strong growth in our other bureau markets, like Colombia and Peru. Again, we are investing in these businesses, introducing new products to keep those growth trajectories moving forward.

8. Regional highlights – UK and Ireland and EMEA/Asia Pacific

Moving now to the UK and Ireland. Again, we had another very good performance in the UK. We had growth across all of our business lines, and a good performance in Credit Services. We also had a strong performance in Consumer Services, and growth in both Marketing Services and Decision Analytics. In Credit Services, we are seeing lenders increasingly focused on enhancing their core lending operations. They are prioritising spend in areas like regulation and fraud. These are both areas that we are well positioned in.

In addition, next year we are going to see, I think, a few more entrants into the banking market and that again provides more opportunity for us. We are also seeing a lot of progress in areas like automotive, insurance and telecommunications – some of the newer verticals that we have been investing heavily in. One of the star performers I want to call out in the UK in the first half was cross-channel marketing, where we really had an outstanding first half, and that actually sets us up very well for volume growth as those platforms come on stream.

Progress in EMEA/Asia Pacific was good, but it was masked by the one-off contract that we talked to you about last year and that was in EMEA. When we take that out, the trends are positive. I really think we have made a lot of progress in these two businesses over the last few years. We put in a lot of investment, we have changed a lot of things, and we are starting to see the benefits of that coming through. Asia Pacific, we think, is on a path to more sustainable and more profitable growth, and it is good to see that EMEA is now, on an underlying basis, actually getting back to growth as well.

9. Progress of acquisitions

I am pleased to say we have had some great progress on both of the acquisitions. Passport and 41st Parameter both grew by over 20% in the half. Turning first to Passport, we are really executing well against our plan. There are a lot of cross-selling activities going on between Experian and Passport. We continue to win new clients, the pipeline is building and actually we are seeing larger transactions as well. These are all positive trends.

Just taking a step back and talking about why this market is so attractive to us, the US healthcare industry is facing quite a lot of issues. Costs are rising, the patient responsibility for those costs is rising, regulatory complexity is being introduced into the sector and there really is a need to introduce more automation and efficiency in this industry. That is really what plays to the strength of our business position there. We are well positioned in revenue cycle management, and this makes a big difference to people's operations: big ROIs and therefore big growth trajectories. I think we see very positive trends in this business for a number of years to come, and a lot of growth.

It is not just in revenue cycle management. We actually think there are lots of other opportunities to introduce other Experian products into the healthcare industry. We have started to do some of that. For example, we are introducing authentication in some of our fraud products in there. We are opening up additional growth adjacencies around the revenue cycle management space and again this gives us even more confidence about the prospects for this part of our business.

For 41st Parameter, we are very much in 'build mode', and we are progressing well. Our primary focus for this business has been to rapidly globalise it. I am pleased to say that we have done that, and we have actually achieved sales in every territory now. We are making a lot of progress with some very big institutions. This is going to be a market where we continue to invest, because there is a lot of growth available. Market needs are acute and market opportunity is very large.

I think there are some interesting features about this business, in that the opportunity is not really just limited to our core traditional Experian client base. It is taking us into some areas where we, Experian, really never did much before, such as e-commerce, and retail brokerage. They are not only opening opportunities for 41st Parameter; we are actually starting to see some opportunities for our other products through those channels too. It is a very interesting development within that business. We are pleased with the progress. There is a lot more work to do, but we are developing well.

I would say, actually, I think that 41st Parameter is proving to be a really important addition to our capabilities, in building out not just our fraud product set, but actually in introducing us to some areas of opportunity, as I said, in some of those new verticals.

10. Strategy

I took up my new role in July and since then, as I said, we have been taking stock of where we are and what our future priorities are. I want to start by just making one point: this is a hugely successful business with a very impressive track record. We are very fortunate to actually be at a point where we are inheriting a business with market-leading positions in most of the markets that it plays in today. That gives us a lot of opportunity to grow the business.

Having said that, we are still quite early in our journey in globalising the business. We are not just striving to grow substantially but we are also now striving to make that as efficient as possible, to continue the journey on globalisation, and really drive our performance improvement. We know we have some scope for improvement in some areas. We have talked about some of them and we will touch on a few more in a minute.

Fundamentally, this is a really, really strong business with a lot of opportunity ahead of it. Our job is to deal with the issues, and to obviously deliver against our growth plans. I think the important point is that we are going to do that in a way which balances the needs for investment in the business with returns for shareholders.

11. Strategic priorities

Let us talk about priorities and we have listed five. The first one is actually to focus our business, our investment and our resources on the areas where we have real scale and competitive advantage. The second is to deliver performance improvements in the areas of the business where we know we need to improve. Thirdly, we are going to execute against some of the big growth opportunities that we have. Fourth, we are going to take action to improve the efficiency of our business, and that is going to give us some room as we go forward. Finally, we are going to be very focused on our capital strategy, we are going to be very focused on the returns that we generate on that capital, and we are going to be very focused on creating shareholder value.

Let us touch upon each one of these in turn.

12. Focus on our key strengths

The first point I want to make is focus. It is a relevant point, because lots of things fit our business, but not everything actually drives real scale or competitive advantage. Where we successfully combine a lot of our capabilities and bundle a lot of them together – the data, the analytics, platforms – a lot of the time these are ways that actually really only Experian can do some of this and we drive real competitive advantage. Delivered is an integrated set, with a lot of our products positioned in a way that creates real value for our clients. That is where we get the unique positions; that is where we get the superior returns from our investment and the real, strong client relationships and longevity.

We also become really quite difficult to compete against, because when you look at the broad set of capabilities that we have, while we have people that can compete with us in individual single business lines, very few people can actually put that together and compete with us across the space. An example of this is our credit bureaus. We have high barriers to entry, and that is because of the access that we have to the data – the power of data aggregation. When we put that together with the analytics, and some of the software platforms that we have in Decision Analytics, well then actually we are creating something that is different, unique, hard to repeat and that gives us a real competitive advantage.

The key message, as we look forward and we think about where we are going to be focused, is that we are going to be focused on the areas where we have the most differentiation. We are going to be focused on building that differentiation even further. We are going to avoid spreading our capital and our resources as a business too thinly. We are going to prioritise, and we are going to rationalise some peripheral activities.

13. Deliver performance improvements – Consumer Services

Second, we do need to improve some performance in certain areas. We talked earlier about Consumer Services, and the question here is: how do we win? We win on brand. We win on product. We win on consumer experience. We are now moving with pace and agility, adapting to a changing marketplace, and really repositioning this business for the future. Our goal here is to transform the way consumers interact with their credit and identity data, and in a way that actually really only a bureau, or a content provider, can do. That is going to move us into a much higher value-added proposition.

The FICO agreement is an important step in this, but it is a first step, and we have many more to come. We have a very well defined, and I think, very exciting product road map, and you are going to start to see some of those over coming quarters. In addition, it is not just the FICO partnership. We also announced this week an agreement with BillGuard, which is going to enhance our ProtectMyID product. We are going to offer BillGuard's mobile app to consumers on our platform, and this is really going to help to alert people, who have been victims of a data breach, to suspicious card activity.

You can see that we are moving; we are adding more, not just partnerships but also our own product development efforts. That is going to mean more new features and more usability, and a new consumer experience that is going to move the business beyond just credit reports and scores. In this way, we think we have a clear path to get this business back to growth.

14. Deliver performance improvements – Marketing Services

I want to touch a little bit more on Marketing Services. If we take a step back and look at where we are with this business; traditionally, direct mail used to be at the heart of this business and we spent a number of years transitioning this to be more digitally focused. Our performance on the bottom line has actually been very strong, but we know it has been inconsistent on the top line. We do have, really, a couple of reasons for this. First of all, we actually have some mature products in our line-up – some businesses which have very high market shares, but are in areas that are really not going to grow very hard. Secondly, we have had some execution issues as we have managed that transition through.

I think, as we look forward in this business, we can still see that there are really some quite significant areas of structural growth, and some of the trends are actually playing to some of the key strengths that we have as an organisation. These are: massive proliferation of first-party data; an explosion in the number of channels and devices; and the universal need of clients to actually have high-quality and accurate data. We play in all of these spaces and we are well positioned in some of them. That said, we are not trying to be everything to everybody in Marketing Services. We are going to focus on those positions where we have a distinction, where we have a really good market position, where we have a competitive advantage and where we can win.

15. Regulation

I am going to touch also on regulation because the environment is changing and that is not just for us, it is actually for the whole industry. As we look at how the industry landscape has changed, we are really embracing this change. We are changing the way that we do business; we are improving the way we do business. This means that we have to focus on areas like enhancing data accuracy, becoming more transparent, and turning the organisation to be a more consumer-centric organisation.

Now, that involves some expenditure, some of which we are already incurring, and we expect there will be more. We have mitigated this by becoming more efficient in other parts of our organisation and we will look to do that as we go forward too. Ultimately, these trends strengthen our organisation, because they actually raise barriers to entry in key parts of our business, and they also improve our positioning and our stance with our consumers. This actually has benefits not just in our core Credit Services business and elsewhere. It has benefits to our brand and, indeed, has benefits as we look into the Consumer Services business going forward as well.

16. Seize attractive growth opportunities

Thirdly, the key priority is to build on our business and then seize the attractive growth opportunities across many of the positions that we are in. I think the point to say here is that we see a lot of these being within the existing platforms that we have. Some of them are in areas where we have grown before, such as PowerCurve, GVAPS, and more recently cross-channel. We also see that there is a lot of opportunity to continue growth of those platforms.

If we take PowerCurve, for example, we introduced that almost two years ago. We have had some great success since we launched it, but mostly with the on-premise software proposition. We think we can address a much larger market with our on-demand version, and that is really probably aimed at smaller organisations, of which there are obviously a lot more. We are focusing our product development efforts and our go-to-market strategy on accessing that growth opportunity.

Our newest global platform is Global Data Network. This is now going to enable us to address the market for international business information in a way that we have not been able to do before. We are rolling that out in 13 countries and we do think that we have got much more scope beyond the initial rollout phase. In addition, I think we are seeing opportunities within the existing larger businesses like Credit Services. We see opportunities to put more tools on top of the data to drive growth. In fact, in the UK, we are already rolling out a series of new products designed exactly to do that. They include things like pre-qualification services, rental exchange, and statement exchange. This is the way that we actually can get those biggest credit businesses moving back into a higher growth trajectory.

We also see a lot of opportunity in the area of data analytics. Large corporations want to figure out what to do with their data. We at Experian have a tremendous track record and a tremendous brand, and the trust that those organisations need if they are going to work with people, not only to allow them access to their data but, in certain cases, actually give them their data and to come up with relevant analysis which enables them to drive value from that, and indeed, in some cases, to monetise that for them.

Let me give you an example of this. We have recently worked with one large financial institution in North America, where they literally gave us all of their data sets to focus in on a few areas where they could really drive some additional value for them. We came up with some very exciting products, which enabled them to predict, not after, but before a consumer was likely to engage in a credit card transfer balance. A credit card transfer balance is a significant lost opportunity for financial institutions, but being able to identify early when consumers are exhibiting behaviour that is likely to lead to that, it enables the institution to get ahead of that, to market to those customers, and to actually save that from happening.

In rolling out those products, we know this generates millions and millions of dollars of value to our clients. That is just one example of the things that we can do, and we are increasingly seeing more organisations not just in financial services but actually outside of financial services coming to us saying, 'What can you help us with?'.

A lot of that is happening through the investments that we have made in the data labs, which I think we have talked to you a lot about before. Right now, these are bespoke solutions really focused on individual clients, but our plan is that we will productise this, standardise the products that we develop and turn them into more mass-market opportunities.

Of course, we touched upon some of the higher-growth markets. We do have some significant growth opportunities. We referenced healthcare earlier. Revenue cycle management has a long runway of growth ahead of us. We also have other opportunities in some of the adjacencies I talked about, which really are about bringing some more of the Experian product set into these marketplaces.

In fraud and identity management, we actually have one of the broadest sets of capabilities of any organisation globally. This is a global opportunity for us. We are putting our product set together. We are going to market, and we believe that this positions us very strongly in a very exciting area. When you add the opportunities that we have in the core, with some of the higher-growth opportunities that we have, you can see that we really have got the ability to drive the growth of the business forward.

17. Drive operational efficiency and productivity

Fourthly, I touched upon operational efficiency, and it is our priority to really drive our business forward by being as efficient as possible and enhancing our productivity. We have taken actions over the last few years, which have enabled us to fund a number

of initiatives, such as a global fraud and identity business, the collection of positive data in Brazil, Experian.com brand transition, and also some significant incremental regulatory costs, which I referred to a few moments ago.

I think we have got some further potential to improve our operations as we go forward. These are in areas such as leveraging global systems processes and platforms, eliminating duplicated activities, increasing levels of automation in some of the parts of our business, and really streamlining our overhead structure. By doing this, we plan to give ourselves the ability to fund our new growth opportunities, absorb areas of cost inflation where they occur and still deliver good earnings growth for our shareholders.

18. Rigorously optimise capital

The fifth priority I want to talk about is capital optimisation. While we do see a lot of opportunity for our business, it is important that our strategy is set in context of an appropriate capital framework. Lloyd has only been with us for about six weeks, so this is in his in-tray, and we will be talking to you more in the coming months about what this means. However, I am going to give you a general indication of the key principles.

Our focus is on driving growth – it is one of our primary objectives – but our main focus is on generating long-term shareholder value. That means we are going to prioritise. We are going to look at the highest quality investment opportunities. We will rigorously scrutinise our investment decisions, both organic and inorganic. We are going to balance the investment opportunities that we have with alternative uses of our capital such as returns to shareholders.

19. Summary

In the first half, I think performance was good, but it was mixed. The revenue growth was flat. That is as we indicated, but it is disappointing. Offsetting that, I think we have good earnings, and we have got great cash flow performance.

I think we are making a lot of progress in some areas of our business, and we have referred to some of them earlier – with the performances of the North American credit bureau and the UK credit bureau, some of the big core businesses are performing really well. It is very pleasing to see that Brazil has come back to growth in Q2, and that we are expecting some modest improvements from there on in. I think in North America Consumer Services we recognise this is going to take time to turn but I think that the steps we are taking with the partnership agreements and with the new product introductions which are coming, are really starting to reposition this business for future growth opportunities, and we feel really quite good about where we are going with that.

With that, I am going to turn you over to Lloyd, to take you through the financials.

Part II: Financial review

Lloyd Pitchford
Chief Financial Officer, Experian

1. Trading performance highlights

Thank you, Brian. Good morning, everyone. It is a great pleasure to be with you for my first set of results with Experian. It is nice to see some familiar faces around the room. Before we review the results in more detail, I will start with a recap of some of the key financial metrics for the half. As a reminder, growth rates, down to EBIT in this presentation, are at constant currency.

Total revenue growth was 4%, with organic revenue in line with the prior year. Revenue growth related mainly to the contributions of the 41st Parameter and Passport acquisitions. EBIT margin was 26.2%, representing a 3% growth in EBIT from continuing activities and in benchmark PBT. After the effect of a lower tax rate of 25%, growth in benchmark EPS was 6%. Finally, as Brian mentioned, we had a very strong cash performance, with operating cash conversion of 95%, which represented a 17% increase in operating cash flow over the prior period.

2. Organic revenue momentum

Looking a little closer at organic revenue, whilst in line overall, we saw generally stable or improving trends through the half. This chart shows the growth of the different parts of the portfolio with the width of the bar reflecting its share of the Group in revenue terms. We saw a general improvement as the half progressed, with the highlights being North America Credit Services, and Latin America, as Brazil returned to growth and progressed well throughout the second quarter. Overall, the majority of the group delivered organic revenue growth in Q2, with the one notable exception being Consumer Services in North America, which Brian covered in his remarks.

3. North America

Looking at the regional performance in a little more detail, North America delivered total revenue growth of 5%, with organic revenue down 2%. Credit Services grew strongly, at 6%, with growth across all business lines. In consumer information, growth reflected higher prospecting and origination activity, whilst business information was much improved in response to new product introductions. We also saw continued strong growth in the automotive vertical. Looking ahead, Passport will be included in the organic revenue growth from December 2014, so it will mostly affect the fourth quarter. Decision Analytics delivered 4% organic revenue growth against a strong prior year comparable, with growth in software, analytics and identity verification. While Marketing Services reduced 2% organically, this was principally due to reductions in some parts of the data business, and more traditional list

processing activities. Data quality, cross-channel, and digital targeted advertising all saw growth.

Organic revenue for Consumer Services declined 12%, for the reasons Brian outlined earlier. We expect the trend to continue in the second half, with some moderation of declines in the fourth quarter, as our new product propositions gain traction. The EBIT margin was 30.1%, and reflected strong progress in Credit Services offset by dilution in Decision Analytics, as we invested behind the 41st Parameter platform, high legal and regulatory costs, and the brand transition in Consumer Services.

4. Latin America

Both total and organic revenue growth in Latin America were flat for the half. In Credit Services, we delivered revenue growth of 1%, as Brazil made progress throughout the second quarter, and reported low single-digit rates of growth overall, driven largely by business information. Our other Latin American bureaus also performed well. Decision Analytics declined by 12%, mainly because we had a large non-recurring contract, which benefited the previous year.

Excluding this item, we saw deliveries for both PowerCurve software and value-added products, and we secured our first deployment of 41st Parameter in Brazil. Marketing Services declined by 2%, mainly reflecting the weak operating environment in Brazil. Margins reduced in the half, principally reflecting negative FX and the reduction in revenue in Decision Analytics and Marketing Services, to some extent offset by cost efficiencies in Brazil.

5. UK and Ireland

Total revenue growth was 6%, and organic revenue was 5%. Credit Services delivered good organic growth of 3%, with good growth in consumer information, benefiting from steadily improving market conditions and a return to growth in business information, partially offsetting a decline in the payments channel. Organic growth in Decision Analytics was 2%, where we continue to secure client wins for credit risk management software. 41st Parameter also had a good half, winning new client contracts in the insurance and banking sectors.

Marketing Services delivered growth of 2%. Cross-channel marketing had a very strong half, as the contribution from recent client wins grows in scale, and we have got a good pipeline of opportunities. This was tempered by reductions in some data activities. Consumer Services delivered good growth of 11%, helped by growing contribution from affinity. We expect this rate of growth to moderate in the second half as the very strong growth we have seen over the last 18 months consolidates. Overall, margin progress in the UK was strong – up 80 basis points – reflecting positive operating leverage across most areas net of our investment in Decision Analytics in support of the 41st Parameter rollout.

6. EMEA/Asia Pacific

EMEA/Asia Pacific delivered total growth of 3%, and organic growth of 1%. Growth in Credit Services was 5%, with generally stable conditions in EMEA and strength in Asia Pacific. This growth came largely from our bureau in Singapore, with growing contributions from the start-ups in India and Australia. In Decision Analytics, organic growth was 2%. Phasing had some impact on performance, but new business win rates were strong, reflecting demand for PowerCurve software, and much better progress in Asia Pacific following the reorganisation last year.

While Marketing Services declined by 4%, this was due to the large contract in housing that has been previously discussed. Excluding this item, the business performed well at 6% growth, with strong new business bookings and very strong demand for marketing analytics. We expect this one-off headwind to start dropping out of the comparatives in the fourth quarter, and be out altogether by the end of the first quarter next year. Overall, the margin decline mainly reflects negative FX, the impact of the client in-housing in EMEA Marketing Services and acquisition investment.

7. EBIT margin and group benchmark earnings

Reported first half margins last year were 26%. Adjusting for non-core divestments, the restated first half comparable is 60 basis points higher, at 26.6%. In organic terms, we saw a strong contribution in North America and the UK, more than offsetting the drag from Latin America, with overall organic margins up a further 60 basis points at 27.2%. This represents strong progress, considering the transition in the Consumer Services business and increased legal and regulatory costs. Acquisition mix was negative, mainly due to 41st Parameter, where we have been investing in sales and delivery capability. We also saw a negative FX impact, which took the overall margin to 26.2% for the half.

Moving on to our income statement summary, including discontinuing activities total EBIT was \$627 million, to give growth at actual rates of 3%. Net interest increased by \$2 million to \$37 million, as additional debt related to the acquisitions was mostly offset by lower rates following recent refinancing and higher interest income. This gave benchmark PBT of \$590 million, up 3%. The benchmark tax rate decreased to 25%, predominantly due to a changing of profit mix and structuring of our new US debt funding. Benchmark earnings were therefore 6% higher, at \$441 million. Finally, benchmark EPS for the half was ¢45.1, up 6% at actual rates and 7% at constant currency.

8. Cash flow and net debt

After a very strong performance on cash in the second half of last year, the group delivered another strong cash flow result in the traditionally weaker half. We converted 95% of EBIT into operating cash, due to a strong focus on capital

investment and working capital, and in part due to the phasing of some payments. This translated into 113% conversion of benchmark earnings into free cash flow.

We ended the half with \$3.7 billion of net debt, down around \$100 million from the start of the half, including net share repurchases of \$130 million, to meet the employee share plans vesting in the year. With that very strong cash flow performance, we continue to deleverage, with net debt now at 2.17 times EBITDA. We expect to be firmly within our target range of 1.75-2.00x by the end of the year.

9. Other modelling considerations for FY15

We now expect net interest to be slightly lower than previously indicated, in the region of \$75-80 million for the full year, as we benefit from lower interest rates. We expect our benchmark tax rate for the year to be consistent with that in the first half, at around 25%, which is an improvement on earlier guidance. We now expect our full-year capital investment to be in the lower half of the guidance range of \$400-425 million.

We have completed share purchases in respect of employee plans which vest this year, and expect weighted average shares of approximately 977 million. Finally, if current FX rates prevail, we would expect a headwind on second half revenue growth due to the weaker Brazilian Real, resulting in an overall full-year adverse currency impact on revenue of just under 1.5%.

10. Summary

To sum up, we have delivered a solid performance in the first half. While organic revenue was flat, we saw good momentum across a large part of our business, particularly through the second quarter. We delivered good earnings growth and a strong cash outcome. Looking ahead for the second half, we are likely to see continued subdued organic revenue growth in the third quarter for the group, as we continue to see our repositioning in North America Consumer Services. However, we expect growth rates to improve as we exit the year. For the full year, we expect to maintain margins at constant currencies, and make further good progress in earnings at constant currency. We now expect a cash conversion for the full year of over 95%.

With that, I will hand you back to Brian.

Concluding remarks

Brian Cassin

Thank you, Lloyd.

To summarise, as we look at progress in the first half, we have made some very good performances across some of our businesses. We have had some difficult challenges in some areas but I think, when we look across the piece, we are very pleased with where we are coming out: good earnings; good cash flow; and prospects that we can see as our growth picks up in the second half of the year. If we think about what our objective is as we look forward over the next five to ten years, I think our objective obviously is to grow the business as fast as we can.

I think that, as we look back on the platform that we have, the last ten years has seen us build a very powerful business, one of the premier information organisations in the world, and gives us really some tremendous market positions that we can leverage and we can grow going forward. We are now taking the next steps, the natural evolution in that strategy. We set out some key strategic priorities for ourselves as we look forward, focusing where we have scale and real competitive advantage.

We know we have some areas where we need to deliver performance improvements. We are very focused on that; I think we have got some very clear plans in place to do that. We clearly have a lot of growth opportunities in the portfolio, and we need to get after that. We need to make those happen.

We need to also be smarter about how we operate. We talked a little bit about some of the efficiency measures that we intend to take that are going to give us some room to execute against that over the next few years. Importantly, again, we need to be rigorous in how we optimise capital going forward. I think we are all very conscious that this is a business that has a great gift in that it throws off an awful lot of cash, and, of course, the value that we generate is how we use that cash, and how we can use that cash to turn this into a very effective compounding machine. I think we are very focused on making sure that we deliver really good returns on that capital, and we are very focused on driving shareholder value for our shareholders.

With that, let me invite Kerry up to the stage. We have Lloyd with us, and we are going to take your Q&A. Thank you.

Part III: Questions and Answers

Robert Plant, JP Morgan Cazenove

In terms of focusing the business a bit more, are you going to have a strategy review, or is it more piecemeal? Do you think it is going to be more focused on reducing the numbers of products or countries? Will we see any savings come through in the margin, or would that be reinvested back into the business?

Brian Cassin

If you look back, actually, over the last couple of years we have already started on some of this. We have exited some peripheral activities that have been mostly focused in Marketing Services, document outsourcing business in Colombia, and some business in China. I still think we have a number of areas where we can do that. I think the main emphasis on the focus point is that we understand which of our businesses can drive real-scale competitive advantage. We are going to be looking to put more of our resources behind those as we go forward. If we do not think that we can achieve that objective in any of the businesses that we have, we will re-evaluate.

On the margin point, in terms of efficiencies, we have had to do this a bit, because of some of the cost pressures, particularly from regulation. You have seen that, actually, this year already. I think Lloyd referenced, when he talked about Brazil, that we did see some margin contraction in Brazil, but it was much less than should have been the case if you just read through from the revenue drop. You can see that we are taking these actions as we go along. I think structurally, we feel like we have some opportunities to do more.

Kerry Williams, Chief Operating Officer

As Brian said, Marketing Services is one where we have some opportunity. As Brian mentioned, our globalisation plans, and being able to eliminate some of the duplication that we have in our current structure across the regions, is a great opportunity for us. There are businesses where we know that we can focus our investments and drive better margins and that will mean that there are some other areas that we will de-emphasise.

Graham Brown, Canaccord

Good morning. I just have a few questions on the new FICO relationship. I wondered, first, what the impact is on the margins, because I am assuming that FICO will need to be paid for the provision of their scores. I wondered whether you could give us a sense of what the new economic model is in that part of the business. Second, I wondered what your view is, having had the Experian.com brand a little bit longer now, about the trade-off between the decline in the old sites, and the pickup in the new. Obviously, the decline in the old is larger. I just wondered if there was any impact from the free services that are being launched around and about. I will leave it at that for now. Thanks.

Brian Cassin

I think the main focus of the FICO agreement is that, as part of our strategy to reposition the business, we are going to be making the FICO scores available to consumers on our platform. We think that is going to drive a lot of interest and a lot of traffic. Obviously, there is a commercial arrangement with that that will be beneficial to both organisations. We see that as a positive development for the business going forward. There is obviously a cost with it, but we are not disclosing the details of that agreement.

On the second part of your question about the dilution of the free versus the Experian.com brand, what I would say is that we have had a really good reaction to the marketing efforts that we have put behind the Experian.com brand in the first half. I think that gives us great encouragement that that has resonance with consumers, and there really is quite a material opportunity to go for. Bear in mind that we have not really changed a whole lot about the proposition today. What we are setting out today is, as we go forward, quite a significant change and quite a significant enhancement. As we marry up the Experian brand, the FICO scores, and the new product introductions, we are very optimistic that we are creating a new and exciting proposition.

Graham Brown

As a US consumer, I just wondered what the attraction is of going to Experian for a FICO score. I guess it is something that you can buy direct from FICO already, or perhaps free via an affinity channel. I just wonder what it is that pulls them towards Experian.com.

Brian Cassin

I will start that, and maybe ask Kerry to add. Quite simply, consumers are very interested in their FICO score, but they are also interested in understanding what it means. A FICO score is just a number, unless you actually understand how that score is arrived at, or, indeed, what you can do to improve it, or take action to improve it. That is where you actually add real value to consumers.

These are things, when we talk about things that are content that only a bureau can do, these are the kind of things that a bureau can do. It is much more comprehensive than just seeing a number. The number itself does not mean very much to the individual, even though the brand actually has quite a lot of resonance.

Kerry Williams

That is right. The other thing I would say around the brand is that when the consumer is at a financial institution trying to acquire a mortgage or an auto loan, and if there is an issue with their past credit history, and their score is too low, the bank does not refer them to one of these free sites to get it resolved. They come to who they trust and who they know can resolve it, and that is going to be one of the bureaus. We

have the vast scale in this business. We have the best brand recognition. We are known for having the best data assets in the US market. The brand of what we do, and the way that the banks refer them back to us, is one main reason why they will do that.

The other thing is that we have been asked to provide this by consumers for a number of years. For a variety of reasons, we have not done it. The demand has been there, and demand continues to be there. Now, we have been able to structure a way that we think it will help us with the business, offer it to the consumers, and offer it into many different channels that we have and gain an advantage in the market. There are therefore a variety of reasons why this will be beneficial to us.

Andy Chu, Deutsche Bank

Three questions, if I may. In terms of the North American Consumer Services business, would it be possible to split out the Q2 decline, which is I guess about 14%, by the three blocks in terms of free sites, Experian.com, and your affinity and data breach parts of the business? Second question: in terms of North American Credit Services, I think at Q2 you were running at about 6%. Was there any mortgage headwind impact within that number? If so, could you strip out that impact? Thirdly, on regulation, where are you, please, with your change of regulator and the review? Could there be a positive impact from regulatory costs abating into next year, FY16, or not?

Brian Cassin

I am going to ask Lloyd to address the questions on the breakdown. I will then come back to the regulation point.

Lloyd Pitchford

On North American consumer, you are right. It was about 10% in the first quarter, and a little under 14% in the second quarter. The big difference between the two was affinity, and a bigger decline in the second quarter. The declines on the free and the growth on the Experian was broadly similar between the two periods. On North America Credit Services, we had some headwind from mortgage in the first quarter, but no real headwind in the second.

Brian Cassin

On the regulation point, as I said, we are moving into a new world where regulation has become a much bigger focus for everybody in the industry. In the last couple of years, we have seen significant interaction with CFPB as an institution in North America. We are now regulated by the FCA. We are seeing this in every part of our business. It has introduced additional cost into our business. We have been able to mitigate that. I am not too sure many people would be predicting that the tide of regulation is going to turn the other way any time soon, so that is our working assumption.

Like I said, while it does bring some unwelcome bits, it actually also brings some opportunities for us as well, in terms of how we position our business, and, indeed, some revenue opportunities. Kerry, if you want to comment on the data initiative that we have?

Kerry Williams

Actually, one of the main focuses that the regulator has in the North American market is on the data quality, and the whole data flow, from the data reporters – the financial institutions – into the bureaus. We have developed a way to proactively show the financial institutions their data quality linked in with their dispute processes, coming from their consumers, and how they compare in the industry. Then, we go back out and we help them improve their processes, and that has now turned into a revenue stream for us.

We are monetising that in the marketplace and helping them improve the way that they ultimately report on the consumer into our bureau. Then, of course, there are downstream benefits for us, because the better our data is, the better it is going to stack up against anyone else.

Kean Marden, Jefferies

Could you possibly share with us the likely gross increase in regulatory and compliance costs in your business, just so we can try to scale how much efficiency saving that you need to take out of the business to offset that, first of all? Secondly, on Passport, I think there was some management change recently. I just wondered if you could talk to that.

Brian Cassin

I am going to ask Lloyd to take the regulatory one. Then, Kerry, do you want to comment on Passport?

Lloyd Pitchford

On regulatory costs, already, over the last two years, the additional costs at the margin level for the group are material – we are not outlining the exact number, but – it is tens of basis points on a group level each year for the last two years.

Kean Marden

Is that the same going forward or are you suggesting that the pace has stepped up?

Lloyd Pitchford

I think I would expect to see it continue to drag over the next 18-24 months as we see the regulation from the FCA and also regulations in the US and Brazil.

Kerry Williams

On Passport, Scott McKinsey did recently leave. We promoted Scott Bagwell. When we acquired Passport, we had the conversations with Scott McKinsey. We asked him to stay through the integration, bringing the two organisations together. He did that, and he actually did that better than what we had in our plan, so that is one of the reasons why that is ahead of plan. It is a great job that he has done. He did it, and he wanted to go pursue his next big gig, so we had asked him to make sure that we had the management team in place, and who the next leader was going to be.

Scott Bagwell was essentially the Chief Operating Officer of Passport, and we have promoted him to run the healthcare business. We do not expect any issue here at all, except to continue the great performance of our healthcare business.

David Phillips, Redburn

Good morning. Can I just ask about the consumer business? Clearly, you talked about a lot of confidence in the proposition going forward. Have you got to the stage yet where you are thinking about what price you can charge for it? Clearly, in the wider market there is a lot of disruption with the 'freemium' sites. Is it a case that you will build the great product and then see what the market will bear? Or have you got a price point in mind yet?

Brian Cassin

There are a lot of things happening in our consumer business. It is a very competitive marketplace. Product introduction strategies on what we do on price are not things that we are going to talk about publicly.

David Phillips

The inference was that the phase of products that you have to enhance Consumer is longer than a three or six-month process. You have a plan in mind, a pipeline of new additions to the product that could last for multiple periods. Is that fair? You were talking about the FICO enhancements just now. You were talking about further enhancements to the product at the end of maybe Q4.

Brian Cassin

The FICO announcement is really, as I said, just one step of it. There will be further product enhancements, which may or may not include elements of the FICO arrangement in that. As I said, FICO is one bit. BillGuard is another. You are seeing us working with other players. It is probably worth dwelling on that for a second. I think this is a real demonstration of the power of our brand and our platform, in that, as we pursue this partnership model with some of these companies, we are seeing a lot of companies that want to come and work with Experian. Why? Because of the brand. Because of the quality. Because of the large installed base. Because of access to financial institutions. These are all things that they can see huge benefits from.

We can see very big benefits from adding those product capabilities as part of our platform too. It is really a relationship that works for both parties. We said FICO is important. We think Kerry outlined some of the reasons for that. It is a long-term agreement, so we expect it to be an important feature of our business for some time to come.

David Phillips

If I can just put greater emphasis on perhaps returning capital, which you mentioned a few times in the slide. Are you at a stage where you might think about putting a certain medium-term target on that? Or is that just something that is a wider discussion? As a target on return on capital for the group?

Brian Cassin

I think we can come back to this. I think we have made a pretty clear outline that we are very focused on this as a metric going forward. We will be coming back and talking about capital framework. We know as a business we generate a lot of cash. It is our objective to make sure we use that cash in the best possible way. We have actually done capital returns in the past, although people do tend to forget, so we do see that as a fundamental part of how we run the business going forward. We will come and give much more detail on that over coming months.

Paul Sullivan, Barclays

Firstly, could you just talk about the competitive situation in Brazil, and whether you have seen any changes over the last six months there? That is the first question. Secondly, on the consumer business, are there any signs that you are starting to see any of that pressure bleed into affinity? Ultimately, even in affinity, it is the consumer that is the end customer. Is that whole market being devalued by what is going on in free? Is that partly what we are seeing in affinity? Should we not expect that to continue?

Brian Cassin

I am going to let Kerry answer the Brazil question, and I will come back to the Consumer Services one.

Kerry Williams

We have not seen any new competitive measures in the Brazil market, besides normal competitive pressures. If anything, our measurements show that we are incrementally increasing our share in our major areas. There has been no significant development, competitively, in Brazil, that we are aware of.

Brian Cassin

To answer your question on the market in Consumer Services, I think, just like lots of markets, consumer or otherwise-facing, there are going to be different segments of it.

You are seeing that. You are going to see some consumers that are happy to access a fairly basic credit report score proposition. You are going to see consumers who are prepared to pay premium prices for premium products. That is already evident in the marketplace today. There are plenty of people out there that have paid-for propositions, even in the context of free, as indeed we do and others. I think that is how we see that developing.

Our strategy is obviously focused on making sure that we attack the high end of the value proposition. We think there is lots of scope actually. It is a very large marketplace. I think there is room for both ends of that to grow.

Paul Sullivan

Can I just ask one more? In terms of the five planks of the strategy you have outlined of the refresh, what does it mean for medium-term targets? You have not talked about the old medium-term targets that Experian have talked about for many, many years. What is your thinking there?

Kerry Williams

I am sorry, I need to hear the first part of the question again.

Paul Sullivan

Just in terms of the five planks of the strategy, and how that fits into the group's medium-term financial objectives.

Kerry Williams

Yes, I think that you are going to see a steady stream of improvement as we implement those strategies. I think that it will be continuous improvement in our numbers.

Brian Cassin

I think in terms of high-level objectives, Paul, we are not calling out anything today. I think we are going to come back and talk about this. I think we have talked a lot today about being focused on earnings growth and on shareholder value. We want to drive growth, but we want to drive high-quality growth, and we want to deliver at the bottom end as well as the top.

Ed Steele, Citigroup

Thanks, Brian. Three questions please. First of all, just back on the share buy-back discussion. You have made a point of bringing it up as one of your five planks to your corporate strategy. Experian in large part has been focused on acquisitions in the past, in terms of using its capital. To what extent is the intention of that to signal a break with the past, and a new nuance to the use of funds strategy in the future, please?

Brian Cassin

You use the word 'nuance', but I think there are a couple of important points in what I said today. I made a key point in saying we are going to focus on the areas where we have got scale, and real competitive advantage. Are we going to do acquisitions in future? Yes, we are. I think it is a fundamental part of how we see the development of the business going forward.

I also said, however, that we are going to balance that with how we use our capital, and I also said that we are very conscious that everything that we do with the capital in the business has to drive real long-term value for our shareholders. Capital returns will be part of that armoury going forward, and will be a key component of how we think about how we discipline ourselves as we approach the next five to ten years in the business.

Ed Steele

Thank you. Secondly, one for Lloyd on the 2% lower tax rate. You mentioned mix, but also something to do with US debt. I did not really understand what that was. Could you walk us through that, please?

Lloyd Pitchford

Sure. At this time last year, we took on additional debt to fund the acquisitions. During this year, we have been working to structure that debt and put it in the most tax-effective way. We have done that quicker than we expected. We originally went into the year holding the tax rate stable with the previous year. We have seen some mix changes, but also we structured that debt more quickly than we expected. Our tax rate for the year is 25%; as we go into 2016, 25-26% I would say is a good range. That is lower than we previously said.

Ed Steele

Thanks. My last question: what were your affinity partners in North American Consumer Services most fearful of, in terms of the regulatory backdrop changing? Why are they getting less fearful, please?

Brian Cassin

A number of them have had some very extensive interactions with CFPB, and as you all know a number of them have received some very heavy fines, some of which has been linked to various things that have occurred, both in the marketplace and with some of their customers. To a certain degree, it is actually really the uncertainty around where that is all going, which has meant that, when people are uncertain around that kind of landscape, they tend to stand still and not do anything. We have seen that.

I think we fundamentally believe, and it is really based on, not our view, is the feedback we get from our clients, that they know that these programmes really do drive customer engagement. In fact, a number of them have commented to us that it is one of the few things that does. That gives us the confidence. We absolutely need to get into a better regulatory environment, and our institutions need to feel like when they go out to the market, they are going to do that in a compliant way, and that is not going to give the problem at a later point in time. That is really the focus.

For those of you who have had interactions with some of the big financial institutions in most recent years, probably the biggest growth activity in those institutions has been regulatory and compliance. It has become really difficult to get anything done, because of that aspect. It has been an overall factor, which they and we have had to deal with.

David Brockton, Liberum

I have just one question, focusing on the outlook for Q3. It feels like Q3 may be another flat quarter for organic delivery, but one would have thought that Brazil may start to improve, given there was maybe an element of hiatus in Q2, and also the acquisitions from last year annualise and start to contribute to organic growth. Given those two supporting trends, what gets worse in Q3 before it gets better?

Lloyd Pitchford

Two things. I think with regards to the US Consumer business, we said trends would be similar to the first half in the second half, but with a better Q4 and a slightly worse Q3. On the UK Consumer, we said we have had very strong growth there over the last 18 months, so you will see some of those growth rates come down in the second half to a more mid single-digit, after that very strong growth period.

David Brockton

Perfect, thank you.

Rajesh Kumar, HSBC

Two, if I may. First, on Brazil and Australia. How is the positive data collection progressing? Is there any further progress or changes to that story? Second, if I may, on the consumer side, you have got three broad channels: free brands, affinity and the Experian.com. If you look at your customer base in the three, is there some striking difference in each group, or in the type of data they are looking for? If we could get some colour on that it would help.

Brian Cassin

Kerry, do you want to take the Brazil one? I will do the consumer.

Kerry Williams

We are actively collecting positive data. We have virtually every major bank that is reporting positive data to us at this point. We are actively collecting it from a number of different channels. We are striking partnerships with retail Telco channels to continue to bring that in. The way to collect it is a cumbersome law in Brazil. I do not expect there to be a tidal wave of a lot of the opt-ins coming in from the consumers. I think it is a very steady process, but is in play, we are doing it, and it will develop over a number of years.

Brian Cassin

On the Consumer Services side, first of all I think one of the main thrusts of our strategy going forward is actually to consolidate our activities onto single brand platform. We actually have too many brands. This is one of the issues in the business. Do we see a different profile of customer? Yes, we do. On the Experian.com brand, they tend to stay longer. They tend to be people who are more interested in managing their credit, as a lifestyle part. It tends to be a bit more transaction-orientated on the freecreditreport.com.

I think that is why we believe there is a certain differentiation in the marketplace. There are some people who just want to come and get a credit report and get a credit score and that is it. There are some people that actually want more out of that. They want to manage it. They want it to help them improve their financial profile. We see some of that differentiation in the two customer sets.

Matthew Walker, Nomura

I have got two bigger-picture questions. It is more than likely that 2016 is going to be a fairly low growth year. The previous growth you used to target was mid-to-high single digit. At what point do you think you can actually get the business back to those levels of growth? Obviously, that is crucial in the longer term. Is it 2017, or are we looking beyond an investable time horizon for getting back to that level of growth?

You talked about rationalisation of the portfolio, particularly in Marketing Services, and some stuff that you have done in the past. There has been a lot of activity in Marketing Services in general, particularly around digital. Do you not feel your business is slightly sub-scale in Marketing Services, and therefore it might be better, in terms of shareholder value, to just exit that, if you can?

Brian Cassin

Lloyd, do you want to deal with the 2016 point?

Lloyd Pitchford

Yes. If you look at growth rates, and think about the trends we have seen this year, we certainly expect Q4 to pick up. You are right, however; FY16 will be more of a recovery year, with overall organic growth somewhere in the region of 4-5%. It is really a story of that North American Consumer Services business, which is really taking 3% off the group's organic growth rate now. We need to see the new product set really deliver organic growth back in there, which we are hopeful on, and we see a good prospect for that as we go through FY16 into FY17.

Brian Cassin

Coming back to the point about rationalising peripheral activities, that was not meant to be specific to Marketing Services. It was meant to really look across our operations, and where we feel that either an operation in a particular country does not really drive long-term value, or where it does not fit, or where we do not think that we can get superior economics, we will look at those positions and we will take action. To your direct question on Marketing Services, I think it is just important to focus on what we are in Marketing Services.

Actually, I think there is maybe a bit of confusion about what we are and what we are trying to be. We have three distinct businesses. We have a data business, which is an offline data business, and we have had that data business for a long time. We are actually the market leader in offline data business in both North America and the UK. Actually, those are the principal areas where that business is.

Now, questions come at you which say, 'Is that business still relevant, because there is a lot of online data?' Absolutely it is. It is not high-growth, but it is relevant. Every industry study that you will see says that Experian data is the highest quality, and it is sought-after. For example, we will sell that data to online players, because they needed to marry up their own data sets to actually help them monetise that. I think, as we look at that business, that is going to have a growth challenge, but it is still a strong market position, and it is still a good business.

Data quality is the second area that we play in, and that is really about data hygiene. In some senses, it is in Marketing Services, because it has some application there. It also provides services across all of our business. We use it in Credit Services; we use it in Decision Analytics. Its application is global, growing, and very significant, and we have a very significant position with that business.

Then we have the old CheetahMail business – email CCMP (cross-channel marketing platform). There has been a lot of movement in that space. We still are one of the largest email marketers in the world. Of course, that business has transitioned from email to CCMP. Let us be realistic about this. 90% of people that use an email or a CCMP platform – in fact, 90% of people still use email as their primary contact mechanism, irrespective of how many ways they can contact people.

Now, that will change, but the investments that we have made in our CCMP platform over the last couple of years have helped us get in line with that transition. We are now winning a lot of RFPs on the CCMP platform. We have only had it in market for a year. We think that there is growth available in that. To your direct question, I think, as I said, we have done well on EBIT in Marketing Services, but not so well on top-line. We think that our focus is going to be on improving that business, and really focusing in on the areas where we think actually we can drive long-term advantage. If we cannot do that, we would look at that again.

Andy Grobler, Credit Suisse

Just a quick couple of questions from me. You talked about the global data business that you are beginning to roll out. Is that going to compete directly against Dun & Bradstreet? What prospects do you see for that business? Secondly, just on the employee share plan costs, what are your expectations for that going forward? I guess that is still quite a big use of cash per year.

Brian Cassin

We already compete directly with Dun & Bradstreet in most of our marketplaces. One of the areas where they have had an advantage over us is that their network has enabled them to sell international reports into our customer set. We have not been able to do that. This is an important addition to our capabilities, which builds out our product set, positions us better and gives us the opportunity to win business that we were probably really excluded from before.

Kerry Williams

That is exactly right. The other thing that I would add is the way we designed it, it allows us to bring in additional partners. Often what you will find, in other countries that someone like Dun & Bradstreet may be operating in, is that their actual file coverage is secondary to a home-grown business in that country. The way we have designed this, we bring those in. We will have a better access to the data in the local country, and this allows those local players to also play on an international stage that they have never been able to play in, and do not have the scale to do that. We are bringing them the scale to be able to do this. It is quite an opportunity from that perspective.

Lloyd Pitchford

On the share base payment charge, as you know it is quite a complex formula that goes into the makeup of that. It can take a little while for any changes in some of the assumptions to feed through. A stable charge, I think, is a good place to start the modelling just now.

George Gregory, Exane BNP Paribas

Just to slightly better understand what is going on within US Consumer Services, in terms of the three components. Beyond this year, Brian, how do you expect the free portion to evolve? At what point will that be a zero? In the context of the three moving parts within the US, and, in addition, the UK Consumer piece, how should we be thinking about margins for the overall Consumer Services business, please?

Brian Cassin

I am going to ask Lloyd to comment on the margin piece. On the growth piece, I think what I would say is that this year is a year of significant transition in those portfolios. We are going to decide, as the new products come on stream, and as we develop the Experian.com brand, what our exact approach is to the other brands. It is a little difficult to predict at this stage. One would anticipate that as we lap a very difficult year this year, that that becomes a little easier for us. I think there is a lot of further development to go before we can be precise about an answer on that.

Lloyd Pitchford

On the UK, clearly you have got scale benefits offsetting additional costs – things like regulatory costs. I would say it will be fairly stable. In the US, it really does depend on how the different mix of products settle out, and for the same reason it is difficult to say, on the different elements of the portfolio, where the margin will end up there.

Concluding Remarks

Brian Cassin

Thank you, ladies and gentlemen. I just want to announce that we are going to have an investor seminar on 28 January. That will be in London, and we will also do a webcast for those of you who are in the US. We look forward to seeing many of you in January. Thank you very much.