

Half year results for the six months ended 30 September 2016

9 November 2016

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Strategic and Operational Review

Brian Cassin
Chief Executive Officer

1. Introduction

Good morning, ladies and gentlemen. We have certainly picked an interesting day to announce our first half results. I think if we reflect on the first half, we have had an impeachment and removal of the President in Brazil, the British people voting to leave the European Union and now a surprising election result in the US. There have been quite a lot of things thrown at us but we have still produced 5% revenue growth in the first half so we are steadying the ship. Some things are proceeding as normal.

We have had a good start to the year and, as I said, growth was in line with our mid-single digit target. We continue to make progress on a number of fronts. You will have noticed this morning we have taken a further step to execute on our strategic plans and have commenced a sale process for our cross-channel marketing (CCM)/email business. I will come and talk about that a little later in the presentation.

Let us start with the main points. We delivered 5% organic revenue growth. We have had good progress in both EBIT and benchmark EPS. Growth in North America, Latin America and EMEA/Asia Pacific was strong, while growth in the UK has slowed a bit. At 7% organic revenue growth, Credit Services globally is performing extremely well and that is both in the core Credit Services businesses as well as some of the specialised verticals.

Decision Analytics also continues to grow very strongly with 8% growth on a global basis. We had an improved performance in Marketing Services in the half and we continue to make good progress with the changes we are making in Consumer Services. There is really quite a lot of activity and a lot of good progress across the business.

We have raised the dividend by 4% in US dollar terms and we also completed \$79 million of the \$400 million buyback programme in the first half.

2. H1 Performance

Quickly recapping on first half performance, organic revenue growth was consistent at 5% in both Q1 and Q2. Revenue growth for the half was 5% at constant rates and that was 3% at actual rates. Constant currency EBIT growth was 5% or 2% at actual rates, while on a reported basis our Benchmark EPS growth was 3%.

3. Regional Updates

Moving to the regional updates, North America is delivering in the range of 5% organic revenue growth, performing very well. This has been the case now for several quarters. Underlying conditions in the US are good; we are winning new clients and expanding our share of wallet. We have a good example of this, which I will come to

later in the presentation, called our Decisioning-as-a-Service solution, which is a combination of our Credit Services and Decision Analytics business. That comes together to create more convenient and better solutions that our clients consume out of the bureaux. I will show you that later.

Decision Analytics itself had a good second quarter with some very good software wins, including a large contract with Freddie Mac for our analytical toolbox. Marketing Services also returned to growth in Q2, which was driven largely by a strong performance in our targeting business. In Consumer Services we are also progressing well. I am going to talk about that a little bit later in the presentation as well.

Moving to the UK, our business-to-business (B2B) operations are performing very well. We have had new client wins with new propositions across all verticals. We have seen some very large contracts signed for PowerCurve origination software. We have not really seen any impact from Brexit. Our underlying volumes in Credit Services are stable, so the business is progressing quite well.

Our Consumer Services business is transitioning from a subscription-only product to a more diverse business model. We expect revenue will contract as we undertake this transition. Some of that is due to the competitive impacts in the market place; some of it is due to our own actions to accelerate the product transition. We are making the right investments and we are evolving that business to be a better business and better growth prospect over the longer term.

Moving to Latin America, I think it is true to say that in Brazil the last couple of years have been very difficult. I think that our performance during this period speaks volumes, not just the strength of our business but also performance of our local team there. The countercyclical products have definitely helped us through this downturn, but we are starting to see some slight improvements in pipelines for our core data and analytics business.

Decision Analytics itself is actually becoming a much bigger part of the mix in Brazil. We are seeing more demand for more sophisticated products. That really plays to our strengths over the longer term. Right now, that is leading to some larger deals with clients across all sectors including increasing our business with some of the larger banks and, in some cases, lengthening contract durations.

We continue to make really good progress in the SME market in Brazil. In the second half we got some further product introductions and one in particular called our supplier portal, which is an online marketplace that connects buyers and suppliers. We have also taken some very significant steps in the consumer market. We have launched the free report offer and we are going to be bringing more new propositions to the market in Brazil in the second half.

Moving onto EMEA/Asia Pacific, we put a new leadership team into APAC a few years ago. We are now making really significant progress. We have narrowed the geographic and product focus in the region. We are building scale and profitability.

Decision Analytics have really delivered another outstanding performance in the half. I think that has been consistent year on year for progress in Decision Analytics for many years now. We signed six new, large contracts for PowerCurve, so that is

tremendous progress. A lot of that progress we are making in Australia, where we are winning deal after deal for our software products.

In EMEA, it is also another great story for Decision Analytics led more by our consulting efforts but also some tremendous wins for PowerCurve there. There is really good progress across the decisioning suite in both those regions. We are also growing really well in Marketing Services. In EMEA, for example, we signed 20 new cross-channel marketing deals in the first half. There is tremendous progress there.

4. Strategy Update

Turning quickly to strategy, I think you are familiar with the five pillars that we laid out two years ago. Underpinning all of that activity is investment we have been making in the business in customer service, improving our development capability, our technology and information security, all aimed at delivering sustainable growth. I am going to start by commenting on our portfolio focus.

5. Outcome of portfolio review

Today we announce the intention to dispose of our email and CCM business. While that process is just starting, it is another important step in our strategy to sharpen the focus of the portfolio. Over the past two years we have been taking a hard look and evaluating our portfolio to assess strategic fit, scale advantages and opportunities for synergies across the whole of Experian.

As you are aware, we did identify a number of businesses that did not fit. In fact, in the last couple of years we have actually sold six businesses. Some of them – in fact a large number of them – have been in Marketing Services. We did determine at an early stage that both targeting and data quality were a strong fit with Experian. They both have strong market positions, really good growth prospects and actually, more importantly, significant synergies with the rest of the Experian portfolio.

As our business evolves and we put more and more of our proposition together, we actually see those businesses as having a closer fit in the future. Targeting is really a pure-play data analytics business, with some of the largest consumer data information bases in the world. It has been growing very well in the last couple of years and that growth has really been driven by the fact that we are becoming a key component in the shift to digital advertising. I think that creates a good runway of growth for that business. It also plays a key role in many of our products across the business, including fraud and identity, Credit Services and Consumer Services. We also see actually quite a big growth opportunity for that in areas like health going forward.

Data quality has also been growing well. We have been expanding this business geographically and have done particularly well in Brazil and Asia Pacific. This business really acts at the front end of our clients' processes which makes sure that data is correct before it goes into a database.

That functionality itself is actually very important to Experian globally and, indeed, it is actually used in a lot of Experian business units. I think in previous presentations we have referenced products like DataArc 360, which is where the data quality business

really sits at the front of those big information databases. We are going to continue to invest and expand that business. We expect that to be a growth business for us going forward.

6. Email/cross-channel marketing business; prospective divestment

Moving to cross-channel marketing, our assessment showed that there were more limited synergies between this business and the rest of portfolio. That said, it is a really good business. It is a global business. It is in a market that is growing and it has good potential longer term. We had a lot of work to do to fix some past operational issues and improve the credit portfolio. For the past two years, we have been investing to actually do that to ensure that we have a world-class platform for cross-channel marketing.

To give you a data point on that, in cross-channel marketing the product has gone from \$3 million a few years ago to \$90 million today. There is really quite substantial growth in that product area. At the same time, we have also invested to stabilise our email platform. That was the source of some of the issues that we had with client attrition in that business. We believe that we now have that at a point where it has stabilised and we can get back to growth.

We have paved the way for an exciting future for this business, getting back to growth and with good prospects ahead of us. Really, there is a lot of hard work to get there but I want to thank our colleagues that have made that happen. These actions have really created the best prospect we have for generating value for our shareholders. We are confident we have created a strong business that will flourish under a different ownership structure.

7. Building enduring relationships with consumer

As we have shaped our vision for the future of our business, we are also changing the way we operate to put consumers more central to our business. We hold information on approximately 1 billion customers worldwide. Our goal is to be a trusted resource and create enduring relationships with them. We think this is strategically important not just for our Consumer Services discussion but actually, when you think about consumer information, it is actually the biggest and most important asset that we have. It is really important for our information businesses that we maintain and develop a position as a trusted steward of consumer data.

That requires engagement and developing propositions that consumers value. This approach is distinct. We believe that in the long run our B2B businesses will be more successful if we have stronger relationships with consumers. While a lot of the tension has been focused in the past couple of years on the short-term financial performance of our Consumer Services, we have been investing very heavily to ensure that the long-term strategic importance of consumers to our entire business is realised because they are integral to each other.

8. Differentiated approach to lead generation

That leads me onto how we are transforming the Consumer Services business. As we evolve this business, we are expanding our products away from just, say, a consumer base based on subscription, to offers that range from free products and scores to premium credit and identity products.

As that base grows it brings with it millions of opportunities to interact with consumers and offer valuable, relevant, information products. Most of these products aim at helping consumers make better decisions about eligibility for credit, risk of identity fraud and greater choice in their purchasing decisions. It is the mirror image of what we do in our B2B business. This will result in a more diversified revenue model for the business going forward, which today already includes subscriptions, transactions and lead generation revenue.

Last week in the US we launched something called RightOffer, which is a lead generation product. This was a different product that plays to our strengths as a credit bureau. Not only do we have the data, but the lenders also trust us with their lending criteria. That means we can provide them with high quality, preapproved offers and applicants. We can do that at scale.

This creates a better consumer experience and also creates better response rates for the lenders. It takes it one step further and what we do is rank order the offers, which are the best match for consumers' needs. Today in the US most of the offers are ranked in order of the priority. The priority is who pays the highest bounty to the company providing the service. We are changing that. This is a very significant a few lenders to optimise performance. We are going to be adding more and more card and loan offers to this service, opening it up to more consumer traffic over the coming weeks and months.

9. Affinity, data breach and CSIdentity (CSID)

While we have focused a lot on our direct to consumer business we have also been very busy in our affinity and data breach channel. These are going to benefit significantly from our near-term acquisition of CSID. We are enhancing the product sets to include both credit and identify features. We will use the CSID platform for that.

CSID's relationships are mostly outside the financial services industry. The acquisition extends our industry reach and provides us with a significant growth opportunity. The combination is already benefitting our data breach business: we have had a few quick wins in a short period since we closed the acquisition. We are progressing well. We now have a full range of credit and non-credit features to respond to any kind of data breach.

10. Building relationships with consumers in our biggest credit markets

Let me provide you with a quick snapshot of where we are in each of our Consumer Services markets.

Starting with the US, we are rapidly expanding our base through a combination of free and premium products. The market has shifted more to free and we have grown our free base to over 6.5 million members today. We have only been going since about the first quarter of this year. Consumers are now moving fluidly between paid and free products. We are seeing about 170,000 upgrades and downgrades between free and paid for on a monthly basis.

In the UK we launched our free for life score offer in September. That is roughly about eight weeks ago, which emphasised in the campaigns that Experian scores are the ones that are most used in lending decisions. We are also gaining traction with our CreditMatcher price comparison offer. Since launching, we have attracted around 700,000 free members. I think that demonstrates the potency of the Experian brand.

In Brazil, we launched a free offer in July and we are already enrolled with about 1.6 million consumers. Over the coming months, we are going to launch more propositions to educate consumers about credit reporting and promote positive data opt-ins.

We have also enhanced our Limpa Nome service, which is our debt resolution portal making it easier for the 8 million consumers who are on that service to see all of their debts and click through to debt resolution offers.

11. Case study: Decisioning-as-a-Service

Finally, you heard me in the past talk a lot about One Experian and I referenced our Decisioning-as-a-Service product earlier in the presentation. I thought I would take you through a quick example to give you an illustration of what that is.

This is our PowerCurve strategy management software, which is hosted in the credit bureau itself. It combines not just the Credit Services products, but also the decision engines that we have through Decision Analytics. The illustration on the slide gives you a quick example of how it works.

In real time, we access the credit data; we calculate the data attributes, which essentially summarises the raw information. We feed those into scoring models and those scoring models are either built by Experian or the custom scoring models that the clients have. That information is then fed into PowerCurve to apply the credit criteria that the lender has. We then output an actual credit decision.

At the end of that process, what you are seeing is clients using the bureau to pull decision, not just data. That process is all completed in less than one second. It is pretty impressive. Decisioning-as-a-Service is actually one of the fastest growing products in the US. Over the last few years, we have been building this business quietly. It is now approaching around about \$100 million in revenue.

12. Case study: solving the challenges of digital credit marketing

There is another quick example, which I think illustrates how we can pull together all the different businesses to create propositions for our clients. This problem is around bank card issuers; they know that they have to move more of their business online to capture a greater share, but there are some big challenges to actioning that for the most effective form of marketing, which is preapproved offers of credit. We have managed to solve this problem.

The solution combines our credit and our targeting data, using PowerCurve software as well as our online marketing expertise. We use that to develop and launch new products, which have effectively reinvented the pre-screen credit process. In the first half we have launched three products designed to hit this.

1. The first concept, which was really hard to execute, is a pre-approved offer of credit in email. We had to solve some significant compliance and fraud issues to make this approach work for our clients.
2. The second approach takes that forward and re-targets an offer to a consumer through display advertising. That is very common in other forms of marketing, but it is not very common in credit marketing because it is much harder to do with a preapproved offer of credit.
3. Finally, we are partnering with some of the biggest social media sites to deliver preapproved offers of credit on their platforms. This is what many of the top card issuers have said is actually a big of a game changer for the industry.

It is really only by combining our capabilities across many business units that we are able to solve these kind of problems. I think that is a good illustration of what we mean by the power of One Experian and making it happen to solve client problems.

13. Summary

To summarise this second before I hand it over to Lloyd, we are making good progress executing against our strategy, focusing on our biggest opportunities and innovating across the business. We continue to improve delivering organic revenue growth within our target range and as we continue to deliver on our plans we are creating greater value for our shareholders.

Financial Review

Lloyd Pitchford
Chief Financial Officer

1. Highlights FY17 H1

Thanks Brian. Good morning everyone. I will start as usual with a recap of the key financial metrics and then move on to review the results in a little more detail. As you have heard from Brian, we continue to grow well in the second quarter, taking us to 5% of annual revenue growth for the half overall at constant rates. Foreign exchange was a modest headwind, bringing the total revenue growth to 3% at actual rates for the half.

Benchmark EBIT was stable at 25.7% and after the effect of disposals we made in the prior year, Benchmark EPS was 3% at constant rates and 1% at actual rates. Benchmark operating cash conversion was 87%, which is a good result in our seasonally weaker first half of the year. Finally, following the good progress in the half year, the Board has approved a 4% increase in the first interim dividend per share.

2. Sustainable organic review growth

Turning first to revenue growth in the half, our goal for the full year has been to deliver organic revenue growth in our mid-single digit target range in line with our financial framework. On the left you can see that we achieved that and you can see our recent growth history. It has been consistent at 5% in each quarter this year, continuing the underlying trends from the second half of last year. You will recall in last year we had that additional one off contribution from the onboarding of an affinity client in Q3. I have added 1% of group organic revenue growth in Q3 that you can see on the chart. On the right, you can also see all the regions that have contributed to the growth this half, with strength particularly in North America, Latin America and EMEA/Asia Pacific.

3. Summary of portfolio performance

If we look a little further at our organic revenue growth, one of our strengths we have as a company is the diversified nature of our portfolio. This slide looks at the contribution to organic growth from each of our key business lines by geography and helps to show the strength of the portfolio. This slide looks at the contribution to organic growth from each of our key business lines by geography and helps to show the strength of the portfolio.

To orientate you through the slide, the width of each bar represents the relative scale of each of the businesses in terms of revenue and the height of each bar shows its progress in organic growth in each of the periods at constant currency. I think that you see in both periods we are reporting good growth in our target range but with a slightly different mix of businesses providing that growth as they moved through different stages of their business cycles. In both periods, the chart shows the strength

and quality of the Credit Services and Decision Analytics businesses. You can also see the improvements we have made in our Marketing Services business with the segment growing at 3% globally this half versus stable in the first half last year.

North America's Consumer Services business has continued to progress its transition. You can see that it was stable in the first half of this year, whilst, as we signalled previously, the much smaller UK Consumer Services business has commenced its transition, taking advantage of the learnings and technology and investment we have seen in the larger US business. Overall, I think you can see from the slides we are seeing a strengthening of the overall performance of the portfolio this year. We remain well diversified to deliver on our growth ambitions.

4. Benchmark EBIT margin by geography

Looking now at EBIT and the key margin drivers, adjusting for the disposals we made in the prior year, you see that the first half margin rebase is 25.8%. In North America, we saw good margin progress as we benefited from the positive growth and operating leverage that you have seen in the business there. The improving trends in EMEA/Asia Pacific continued, with the business continuing its trajectory towards profitability.

In Latin America, we continue to invest and diversify our business in line with our strategy. The margin reflected these investments and mixed trends. In the UK, margin reflects the transition of the Consumer Services business, including the launch at the end of the half of the new consumer products business alongside some increased legal and regulatory costs. Overall, then, the group margin was 10 basis points lower with no impact from FX on margin in the first half of the year.

5. North America

I will now turn to the regional results, commenting on results at constant exchange rates. Starting with North America, we delivered total revenue growth of 6% and organic revenue growth of 5%. Credit Services grew strongly, up 10% organically with growth across all areas. We saw strength in credit prospecting and origination activity, while business information and the verticals continue to deliver good growth. Decision Analytics improved as the half progressed, helped by strong demand for our decisioning software.

Marketing Services revenue was stable, with good growth in the targeting business as Brian explained earlier, driven by demand from digital advertisers and a number of client wins on the new cross-channel marketing platform. These offset the continued attrition in the traditional email platform.

Total growth in Consumer Services of 4% reflected the first time inclusion of CSIdentity, which we completed towards the end of the half. Organically, revenue was stable as we continue to reposition the business and develop the product portfolio. As Brian mentioned, the new free score proposition has started well, driving significant traffic and membership growth, which we will seek to monetise as we go forward in a number of ways.

Looking ahead to Q3, in the consumer business we will lap the tough comparative due to the one-off contribution from the on-boarding of the new affinity client. At a Consumer Services level, that contributed 5% to growth in Q3 last year.

EBIT in North America increased to \$394 million overall with margins up 80 basis points reflecting the positive growth rates that you saw in the businesses there.

6. Latin America

Turning to Latin America, we delivered another good performance with organic revenue growth of 7% for the half. Growth in Credit Services was 5%, driven by both consumer and business information with continued strength in our countercyclical products in Brazil. There is also a positive contribution from the bureaux in Spanish Latin America.

In line with the diversification strategy, Decision Analytics and Marketing Services saw strong growth from quite a small base with Decision Analytics benefitting from increased market penetration. In Marketing Services, we saw a good contribution from targeting. EBIT margin for the region reflected mix, growth investments and the launch of our free consumer offer in July. There were also some double running costs. We talked previously about the move of a number of our activities from Sao Paulo to Sao Carlos. Some of those costs of double running are reflected in the margin.

7. UK and Ireland

Moving to the UK and Ireland, organic revenue growth was 1%. Credit Services saw solid growth of 3%, which principally reflected a good underlying business offset by a tough prior year comparative in Q2. We saw good volumes in consumer credit and prequalification services and are also seeing good progress in business information particularly, in the SME channel.

In Decision Analytics we saw good momentum in Q2, with strong demand for decisioning software and analytics following a tough Q1 comparative in decisioning in the prior year. Marketing Services grew 3% with growth in targeting and data quality.

Finally, in Consumer Services revenue declined as we accelerated the strategic transition and launched the new free offer that Brian talked about earlier. This was really taking advantage of the learnings and technology that we deployed in the much larger US business. The initial reaction to the free offer is encouraging and we seek to grow our overall membership base. It remains very early days. We expect revenue trends to decline further as we get through the course of this year and into next as we transition into that multi-product revenue model.

Overall, EBIT margin in the UK was 28.6% including the investments we made in that consumer transition and some higher legal and regulatory costs.

8. EMEA/Asia Pacific

EMEA/Asia Pacific continued to perform strongly, up by 8% in the half. Credit Services was 2% lower due to headwinds in the Nordics, China and South Africa regions. This was partially offset by strong performance in our other bureaux in Asia Pacific and Southern Europe.

Decision Analytics continued its performance, which was very strong, up at 18% reflecting new client wins and generally strong demand for decisioning and prevention software. Marketing Services performed well, up 11% organically with good growth in data quality, targeting and the new cross-channel marketing platform.

On the EBIT level, the increasing scale we are seeing across the EMEA/Asia Pacific region helped to moderate losses contributing to the continued improvement in the EBIT margin.

9. Group benchmark earnings

Moving onto the income statement summary, Benchmark EBIT from ongoing activities at constant FX rates was up 5%, driven by organic growth. Benchmark EBIT was up 2% at constant rates, and in the first half of FY16, Benchmark EBIT included the contribution from businesses that we subsequently divested, which mostly drop out in the second half comparative. Net interest was flat year-on-year, giving Benchmark profit before tax of \$539 million; also up 2% at constant FX. The Benchmark tax rate was 26%, reflecting the geographical mix of profits this year. After the reduction in the weighted average number of shares due to the share repurchase programme, Benchmark EPS for the six months was 42.3 cents, up 3% at constant rates.

Looking at the reconciliation of our benchmark results to our statutory results, one off items in the prior year related to the divestments, which did not repeat in the first half of this year, although we incurred some expenses related to the acquisition of CSIdentity in the first half of this year and some early divestment expenses on the email cross-channel marketing platform. The other material movement in the first half was in non-cash remeasurements, which relates to foreign currency FX of intragroup funding, particularly into Brazil. You see a \$65 million negative contribution in the first half of last year turn into a positive \$43 million contribution this year. These are all non-cash movements from buy changes in the Brazilian real exchange rate.

Taking all of those into account, statutory PBT was \$500 million.

10. Benchmark cash flow performance

Turning to cashflow performance, we converted 87% of benchmark EBIT into operating cash, and that is in line with our first half performance. Usually our first half is the weaker half of the year for cashflow. After net interest payments of \$28 million and cash tax of \$37 million, free cashflow was \$436 million.

11. Capital framework

I now look at our capital allocation in the first half, which reflects the financial and capital framework we laid out some two years ago. We invested organically across a number of growth initiatives in the first half, maintaining EBIT margins broadly stable. In acquisitions, we completed the CSIdentity transaction towards the end of the half, and made two minority investments in early-stage companies. We progressed the share repurchase programme, completing \$79 million, so about 20% of the way through the \$400 million programme, and we expect to complete that in the balance of the financial year. We raised the first interim dividend by 4%, to 13 US cents per share, and for those who receive dividends in sterling, at this morning's FX rate that represents about an 18% increase.

As Brian discussed earlier, in line with our active management of the portfolio, and after material progress with the fast-growing cross-channel marketing platform, we have announced a process that may culminate in the divestment of the email/cross-channel business. Just for modelling purposes, in FY17 we expect that business to contribute around \$290 million of revenue, at an EBIT margin at around the group average for the Marketing Services business, of around 20%.

As you can see, when you look across the capital framework it reflects the priorities that we have laid out as a Group, and the discipline of the framework as we drive to improve the quality and performance of the overall portfolio.

12. Net debt reconciliation

Taking that into account, looking at our net debt reconciliation, we ended the half with \$3.3 billion of net debt, up approximately \$250 million from the start of the financial year. After acquisitions, share repurchases and the payment of the dividend, net debt to EBITDA at the half year was 2.1 times, so towards the lower end of our 2 to 2.5 times leverage range.

13. Modelling considerations for FY17

Moving onto some modelling considerations, we now expect net interest for the full year this year to be in the region of \$80 million, so that is at the lower end of the \$80-85 million range we laid out earlier this year. We now expect our benchmark tax rate to be around 26%, reflecting the mix of profits across the group. As we have seen this morning, FX remains volatile, with recent strength in the Brazilian real offsetting weakness in sterling. If recent rates prevail, for the full year as a whole we expect foreign exchange to be a 2% headwind to revenue, but a 1% headwind to EBIT, so marginally positive at the margin level for the full year. Our capex expectations are unchanged for the year, at 8-9% of revenue. Following a slightly more back-end weighted progress with the share buyback programme, we expect weighted average number of shares to be 942 million. Previously we had said that was 940 million, so it is up to 942 million.

14. Financial summary and outlook

To summarise, we have had a good first half, delivering on the financial goals we laid out at the start of the year. At constant FX, we delivered good, consistent revenue growth with stable operating margins. We have been disciplined in the application of capital, focusing on investments in growth and returns to shareholders, and looking ahead our growth guidance is unchanged. We continue to expect organic revenue growth in the mid-single digit range, stable margins at constant FX, and to deliver further progress in Benchmark earnings per share.

With that, I will hand you back to Brian.

Closing Summary

Brian Cassin

Brian Cassin

Thanks Lloyd. To conclude, our efforts over the last year have been aimed at putting the business back to growth, and back on a path to delivering consistent organic growth in line with our targets. I think we are actually in that range, now. We focused on building bigger, stronger businesses by driving synergies across the portfolio, enabling us to benefit from scale, competitive advantage and also to build a distinction between us and our competitive set. To sustain good growth, we are developing a lot of our plans to continue to invest in product innovation, global development of our Consumer Services business and our go-to-market approach, as OneExperian.

We are doing this in the context of a very defined capital framework, which we put in place two years ago and which has resulted in a disciplined approach to capital allocation. As a result, we think we are creating a lot of value for our shareholders.

Thank you for listening to the presentation. I am now going to invite Kerry up to the stage, and we will move into the question and answer session. We will also be taking some calls from the conference call line, so if you would like to call in with a question, please follow the operator instructions and we will take your calls. Thank you

Questions and Answers

Kean Marden, Jefferies

We have not touched much on Brazil today, but the regulator provided some guidance to banks looking to set up a consortium for positive data, back in September. In that they guaranteed non-discrimination for competing credit bureaux on access to credit information. Can you potentially shed some insight into how that would work in practice for your business?

Secondly, I know you do not disclose quarterly data, but it looks like the UK credit organic revenue growth slowed about 6% in Q1, to about flat in the Q2. Is there any lumpiness there or underlying deterioration in the market, or should we just average out the quarters and look at that as a more sensible run rate for the business?

Brian Cassin

May I ask Kerry to address the positive data point with Administrative Council for Economic Defense (CADE), and then ask Lloyd to cover the UK Credit Services question?

Kerry Williams, Chief Operating Officer

Thanks, Brian. The draft proposal on those rules for the banks consortium did come out in September. They are not finalised yet; they came out as a draft to give players like ourselves and other industry participants the opportunity to comment back on them. They may still shift a little bit, and hopefully they will shift even further in our favour. We thought that what CADE came out with was favourable to us. It created a lot of good options for the consumers, so we will continue to get the data reported to us from the banks. Also of particular note was that the banks do have to collect opt-ins on each consumer. I know there had been some speculation on the fringe that possibly the banks would not have to do that; that has now been confirmed, alongside the banks having to list as the first option all the bureaux to be receiving the data from the consumer. Of course, as you know, when a consumer is opting into something that is the most likely default, so across the board they are really favourable coming from CADE and their review process.

Lloyd Pitchford

On the UK, the numbers are right. If you look back, the lumpiness was really in the prior year. In Q1 we had a real strong Decision Analytics number. In Q2 we had a strong Credit Services number. If you take the two together, and under One Experian we generally bundle in more products these days, it was 3%/3%, so stable. However, the prior year comps drop out as we enter the third quarter, so we would expect that business to improve, and at a UK level that will broadly offset some further weakness in the consumer business we are expecting in Q3.

Paul Sullivan, Barclays

Firstly for me, have you any colour on the shape of the UK consumer transition from here? Last time you said that you did not think the growth rate would deteriorate as

much as in the US. It seems to be moving in that direction. How do we judge the success of that transition? In margins in the UK of the overall consumer business held up remarkably well. Is that temporary? Do you think we will see a margin dip as we go through the second half? That is the first question.

Secondly, on the acquisition pipeline, is there any colour that you can provide on the shape of that or the areas that you are looking at? In terms of the divestment proceeds, will that be a balance between return and recycled?

Thirdly, on the healthcare business, I do not know if you can give us any sense on how much of that business or how much of the growth in that business has been dependent on changes brought about by the Affordable Care Act, and obvious changes that may come about post last night's event?

Brian Cassin

We have a lot of questions there. Can we limit our questions to two per person, to give everybody a chance to get around the room? Paul, you got in before the deadline there. Let us take a few of those in turn. I will ask Lloyd to comment on consumer outlook in a second. I would just say as an overview comment: the key to both our business in the US and UK is actually how do we build a bigger audience across both subscription and free. What you have seen in the last couple of years in the US is that you have actually got to a point where the decline in subscription memberships have stabilised, and we are now building quite a big free base. In the UK, we have been quicker to react to the change in market circumstances than we were in the US. We have taken a lot of learnings from the US into the UK. We probably would have been even faster, but we had to re-platform our technology stack back in the UK as we did in the US. We did that much more quickly here.

What you can see is the early results of a free proposition in the UK: with two months in the marketplace, we have built almost 700,000 members. That shows you that we are capable in the markets where we have big brands, which is the US, Brazil and the UK, of building large audiences. That is the key. If we can get large audiences, we become ambivalent as to whether they are on a premium product, whether we are generating transaction fees off the free product, or whether we are generating lead generation fees. That is the key, and in both of those jurisdictions we are actually exceeding our expectations in how quickly we are building the scale in those products. Our challenge now is to monetise them, at the same time as managing an investment to increase the product proposition on the premium membership product. Obviously, to the extent you give more away for free then the more you have to put into the premium product to continue to justify that price premium. We fully understand that, and that is part of the reason we have got CSID coming on-stream in the US to actually build both, not just credit and identity features. You are going to see that in every marketplace that we do.

The strategy is very clear, and we are moving at pace to execute against that. The UK is obviously a much smaller business than the US, though; in terms of drawing parallels between that impact that it had at a group level, it is really not in the same order of magnitude. I will ask Lloyd to comment at how we look at that a few quarters out, but this is a much more manageable issue for us compared to the US.

Lloyd Pitchford

Just to put some numbers on that, the UK business is about a third of the size of the US business. You saw us transition that; it peaked at an annual decline of around 14% over one financial year, so we are some way below that right now. We expect the decline to increase, as we get through the second half of the year. It was 8% in Q2, so we expect it to increase from there. The thing to watch is how we are growing the free membership base. We have grown that from a very strong start. Only really in September did we launch.

The second question was around consumer margin. There are a couple of things to remember there: the phasing of marketing spend really drives quite a bit of the consumer margin. We launched in the UK really at the end of the second quarter, so you will see a bit more of that spend in the second half, maybe, than the first half. Our consumer business in Brazil is too small to break out in the segment, so that is actually reported in our Credit Services business. When you think about consumer margins, you have to really look at the UK and US business, and it is really phasing the marketing spend.

The third one you asked was about divestment proceeds. We have a really structured capital framework. We have three ways we can spend our money: investment in the business – you have seen us do that in strategic initiatives – acquisitions and returns to shareholders, and I expect us to apply that and that balance across those areas.

Brian Cassin

Just to come back on the healthcare question, the growth in healthcare has not been predicated on Obamacare, historically. We do not know what, if anything, will change with that programme under the new administration, so it is too early to perceive how the landscape may or may not be impacted, but irrespective of that, the growth opportunities we see in healthcare is around modernising the information technology stack in that industry, and I do not think that is going to change. I am not sure we would see much of a different prognosis either way.

Kerry Williams

The only thing I would add is that for a number of years now, our decisions in healthcare have been predicated on whether this investment would play out differently if Obamacare were in force or not in force, including back as far as the Passport acquisition. Our strategy is very much neutral, as best as we can tell, to whether or not Obamacare is in force or not in force. As Brian said, it is about helping to modernise the flow of payments in revenue cycle management in the healthcare industry.

Tom Sykes, Deutsche Bank

Going back to the US Consumer Services business, you are saying your lead generation and transaction fees within US Credit Services are growing. They are obviously a smaller proportion. Does that imply your subscription revenues are still going backwards slight in Consumer Services? What is happening to the number of subscribers, and maybe the price point at where they are at?

Brian Cassin

I will let Lloyd go through the ins and outs of it. The lead generation revenues in the US are pretty much non-existent today, because it was literally a week ago that we introduced our RightOffer product on a very small amount of traffic. What I can say is that we generate an enormous amount of consumer traffic into our sites every day, and we are attracting hundreds of thousands of consumers visiting our sites every week. The revenue generation model on that depends on having a viable product for them to actually look at – we now have that – opening that up to significant amount of traffic, which we have not yet done yet, and obviously the conversion rates. What you can see across the industry is that there is a substantial amount of revenue available in the lead generation space. As a prospect for us, if we can get this right, it looks like it could be meaningful for us.

Onto the subscription revenue.

Lloyd Pitchford

If you think about the total membership base, we have a little over nine million total members, and what you see now is a single ecosystem that people are moving up and down between. Each month there are about 170,000 people who move either up or down between our free and different member propositions. People come in through one door and end up in another door, so the splits between them are a bit less relevant than they were before. If you go the revenue level, we are stable overall. affinity is up a little bit. Overall direct-to-consumer is down a little bit, but it is all in the margins around 0%.

Tom Sykes

On the US Credit Services business, obviously you are still at the high growth rate in Q2: the implied 9% versus 11%. I wondered whether you can make some comment about what is above or below that 9% benchmark in terms of health, consumer, autos and business, and what was a little bit slower year-on-year.

Brian Cassin

I will ask Lloyd to comment in a second. I will just note. On the strength in the Credit Services business across the board, we are still getting that kind of boost from the businesses we have traditionally talked about, like health and auto, which are growing at double digit rates, but the core Credit Services business is actually growing very strongly.

Lloyd Pitchford

If you look back to last year, you saw the core consumer bureau strengthen as we went through the year, so the comps just change a little bit as you move through the quarters. Health has held at a mid-teen growth rate, so all the things we have talked about have held at those levels. It is really just a slight change in the comp and a little bit of rounding.

Andrew Farnell, Morgan Stanley

Could you just talk about how the integration of CSID is going, and whether there are still opportunities to leverage that into the affinity network? Also, have you lost any major customers since the integration?

Kerry Williams

The integration is going well. In fact, we have already been experiencing some wins, because we have the additional capabilities through CSID. We have also been working quite heavily on our geographic expansion with the CSID capabilities, into other markets we have the capability to distribute to, and we have extended offers and have been signing offers up with the existing customers. We have modelled into our buy-plan that there would be one that would leave us, most likely for competitive reasons and they have left. Other than that, we are stable.

Participant

Was it a large contract?

Kerry Williams

It was a reasonable size, but we had modelled that into our buy-plan.

Rajesh Kumar, HSBC

On the Brazilian CADE document, if you go to it, they are very clearly talking about protecting the data supply agreement to all the bureaux, like yourselves. They have not specified the cost of such data, in that document. If I remember correctly, when the deal was done there was consideration for the data paid until 2020, which obviously was settled in the deal. After 2020, what sort of data expenses do you think you will have to incur on a rolling basis, or if you were to take that expense on an annual basis, what would that account for?

Secondly, on healthcare, could you run us through some of the recent metrics for account wins, growth and the trends faced in that market? That would be helpful.

Brian Cassin

I will answer the Brazilian question. Maybe Kerry can come back on the healthcare one. If I understand your question correctly, it is about our data security beyond 2020. We never gave a date for those agreements. We did say they extended for quite some time. That is still the case. Actually, if you look at the CADE ruling, as Kerry outlined, it actually envisages access to data, irrespective of existing agreements that apply today anyway. I think that issue has completely gone away now. As we understand it, essentially the ruling, if it stays the way it is in draft form, at least, looks like it gives complete security of data supply to all bureaux players, so that should not be an issue.

Kerry Williams

I did not understand the healthcare question. Could you repeat it, please?

Rajesh Kumar

Could you give some colour between consumption, number of account wins, the different growth metrics and how they are performing, within the healthcare business?

Kerry Williams

Our implementation backlog is at its highest level ever. We have been assigning more contracts at higher rates and velocity than really we have at any other time with it, so our implementation rates continue to grow. That translates to revenue downstream, and that is why we have such good visibility and forward-looking revenue streams and growth rates of the business. Our average contract size has continued to stay in that \$300-400,000 range on an annual basis – as an annual amount, not total contract value. If you will recall, when we acquired Passport that was around \$100,000, so we have extended that because of the additional capabilities and whitespace we are selling. We are selling multiple capabilities into the contracts we are signing these days. There is still a lot to do there, and we are at probably around 60% penetration to the hospital system we target in the US market.

Ed Steele, Citigroup

Two follow up questions on North American Consumer Services: first of all, on the 6.5 million new users for your freemium product, have you managed to accrue intelligence about where they came from? Can you give us a rough flavour for how many you lifted from Credit Karma, versus new users for this type of service, versus coming across from your subscriber base?

Then, the second question is on the experian.com website. What is the run rate of subscribers there?

Brian Cassin

I am not sure we do know where they came from. They came from the internet. Joking aside, they come in through all of the different brand banners that we have, so essentially consumers that are looking for their credit access, and they are looking for some information around their score and report. It is usually because they have a credit worry or transaction in mind. We do not know which consumers go into Credit Karma or indeed anyone else's. We do not see that information. However, it is quite widespread. From a demographic perspective, we know that there is going to be a fair amount of overlap, but there are also going to be people looking specifically for Experian information, because it is the only place they can get it.

If your question goes to what sort of audience we are attracting and whether we can monetise it because it is being monetised elsewhere, I think the answer is yes, because actually they are getting something different on the Experian site compared to what they can get elsewhere. That is what the uniqueness is about. However, it is large scale mainstream consumers, people who need some form of credit assistance, so typically not prime borrowers, typically people who are just below prime and in some cases further down the scale.

Lloyd Pitchford

Just on numbers, you heard that around 6.5 million are free members. Total members is a bit over 9 million, so that is the difference of those who are on the subscription platforms. You will remember we converted all of the legacy free subscription base over to Experian.com over a number of periods, so broadly that is the membership base.

Ed Steele

Is the Experian.com subscriber base growing at the moment?

Lloyd Pitchford

The revenue from Experian.com was up a bit, offsetting a bit down on what we call the legacy free members, who originally came in to the free channel, but are now on the Experian.com membership, if that makes sense.

Ed Steele

That was growing in double digits, a couple of quarters ago, was it not, Experian.com?

Lloyd Pitchford

Yes. Obviously we lapped the launch of the FICO score earlier this year, so naturally growth is slower. You have seen us focused this year on the launch of all of our free products, and you have seen today some of the progress we have made across all three geographies. That has really been the focus of our customer acquisition this year.

Brett Huff, Stephens

Two quick questions, one specifically on PowerCurve: can you talk about the addressable market size that you see for that? How is that product differentiated from some of the other analytics products out there? I know that FICO has a new DMS product; Equifax offers one that at least sounds similar. Could you give us a view there?

The second question is broader: as we get through some of the investments that you have been working on to drive growth in the medium term, have we started thinking about when we will start to see a little more EBIT-margin expansion? I know that you have said that you are going to balance that over time, but do you have any thoughts, as we move forward, around when that might start to happen?

Brian Cassin

I will answer the PowerCurve question first and ask Kerry to add his thoughts, and then we will come back to Lloyd on the margin point. There were two parts to that question, I think: first of all, how does PowerCurve compare to other products in the marketplace? You referenced analytics, and maybe you are picking up on analytical toolbox win that we had with Freddie Mac. PowerCurve is a full suite of decisioning and analytics solutions, and I think it is genuinely the best product of its type in the

world. The evidence for that is the number of wins that we have in many jurisdictions across the globe. Our win rate is extremely high. I do not think that you are going to find a better decisioning tool for credit-risk assessment out there anywhere, and that includes any of our competitors.

Specifically referencing PowerCurve embedding in the bureau, that is, as you said, a relatively new proposition. Of course, that gives us a very interesting angle because one of the issues with PowerCurve historically has been that this is a very heavy-duty solution, so it requires a lot of effort by large institutions to install it. These are big workhorse decision solutions. Unless you are coming up to an investment cycle and people are ready to re-platform, then it can be difficult to get people to move on to a new system. This starts to attack that issue because, of course, they do not really have to do a lot to their IT stack to take advantage of PowerCurve's capabilities when it is embedded within the bureau decisioning. For that part of the business, then, we see a very significant market. We think that the growth that we have experienced in Decisioning-as-a-Service, as we call it, is going to go on for some time to come. More broadly, for PowerCurve globally, for the host of decisioning we have?, we are still seeing really strong growth rates and we expect those to continue. It is very difficult to size the thing in its entirety, but we definitely see a runway to several more years of strong growth with that product suite.

Kerry Williams

On the market-sizing question, I spent about two hours yesterday with our PowerCurve team going through the latest market research on that, and the number was right around \$750 million – an opportunity that we are targeting with our client base and our current capabilities.

Lloyd Pitchford

If I can talk about margin, thinking about the equation that we are really looking at across a number of years, on average you have a slight negative mix development in the group as we see growth in Decision Analytics. We have a slight positive from our operating leverage and we have the net sum of where we are investing in. We have a lot of opportunities to invest in growth and we are seeing some of those in what we have announced and walked through today. You really have to form a view on that equation each year, when you look at where each business is in its cycle and what investment opportunities you have. Our margin guidance for this year is flat margin, and we will update for next year when we look ahead from our plans in May.

Matija Gergolet, Goldman Sachs

I have two questions, both on Brazil. The first is on the numbers. We saw a 300-basis-point margin decline in Brazil. You mentioned that part of that is due to the running costs as you move to São Carlos. Could you help us to quantify how much of that is due to the move? When will they run out?

Second, on Brazil marketing is very strong and additional signalling of perhaps some pickup in the economy. It seems that there is a recession but are you seeing any signs of an improvement in the overall new-business trend in Brazil for the second half of the year?

Brian Cassin

I will let Lloyd come back to the margin question. I think that we are seeing slightly better conditions, and we say that cautiously because we have endured a couple of really difficult years from an economic perspective in Brazil. We have seen significant contraction in GDP, so our comments are relative. GDP is not contracting as much as it was last year or the year before, which gives us a bit more stabilisation. As I referenced in my talk, we are seeing pipelines improve slightly for some of our data analytics products, so I think we feel a little better about Brazil compared to, say, this time last year. However, we are proceeding carefully through that because it is still early days from that perspective.

Lloyd Pitchford

Generally on the margin, looking back at Brazil over the last two years, we have seen periods when the margin has gone forward, despite the challenges in the environment, and some where it has gone back. Looking at this half in particular, about a third of the margin drop is due to mix. These countercyclical products are really cost-pass-through products, so you see a bit of a drag from those and, as we see the economy recover, you will see that that will come back out of the numbers. About two-thirds was investment, which was investment in the free product that we launched there, as well as the transition to São Carlos. We will continue to see that transition through this year and next – not necessary the same level of investment but I would expect the margin position in Brazil to be a bit better and the drop to be less in the second half.

Joel Spungen, Merrill Lynch

First, on the disposal or divestment plan for the email/cross-channel marketing business, what confidence do you have that there is a natural buyer for this asset? Have you ever received any offers for that business in the past? Is there a market for it, given that there is a tendency among investors to think of that as an ex-growth business?

Second, on the share buyback, you did not do very much in the first half and you have a lot to do in the second half. Are you certain that you will complete it by the end of the financial year or could it be that it does roll into the next financial year, given how much volume is implied by what is left to do?

Brian Cassin

I will deal with the disposal. It is definitely not an ex-growth business. To give you some historical context, that business 12 years ago was producing \$30 million of revenue; today, it is roughly \$300 million. While it might not have had much growth in the last couple of years, we have demonstrated our ability to grow that business over a long period of time. I have been quite specific about some of the challenges that we have been overcoming over the past couple of years, but what we can say is that the email business has stabilised and you have seen the growth that we have driven through the cross-channel platform: \$3 million to \$90 million. That makes it one of the fastest-growth products in the entire marketing services industry. I think

you would struggle to find any business that has managed to book that amount of revenue growth in just a short period of time.

Do we expect there to be interest in the asset? Yes, of course we do. We are not going to comment on this very extensively, either now or in the future – there is a long way to go and we have to see exactly how that materialises – but I think the actions that we have taken in the last couple of years have put it in a really good place and now is the right time to see if we can move it into a new management structure.

Lloyd Pitchford

On the buyback, our plans are to complete by the end of this year. We manage the programme actively. If you look back at when we bought this year, in the 10 days in the run-up to the Brexit vote, markets were very weak. We bought extensively during that period and we sat back a little while it has been very volatile over the summer, to see where it settles. We expect to complete the programme this year.

Brian Cassin

It looks like we have no more questions, so we will bring it to a conclusion. Thank you, everybody, for attending, and we will see you all in January for our Q3 update. Thanks very much.