Investor Results – 18 January 2017

Opening Remarks

Brian Cassin
Chief Executive Officer, Experian

1. Introduction

Thank you and good morning, and thank you for joining our Q3 trading update call. Here is Lloyd Pitchford, who will take you through the trading performance following my opening comments, and we will then open the lines for your questions.

2. Headlines

We delivered a solid performance in Q3, with an organic growth of 4%, and we have continued momentum across the business. Our underlying performance was impacted by a tough comparator in the prior year in North America ECS, but despite that we delivered mid-single digit organic growth, consistent with our guidance. Credit Services, Decision Analytics and core Marketing Services businesses delivered mid-single-digit growth or better in the quarter, and our strategy of combining data, software and analytics capabilities continues to make a difference to our performance.

We are continuing to invest to sustain good, organic growth, reflected in the number of new products introduced every quarter, which in many cases combined capabilities from multiple business units. We are making progress on the new products we introduced to you in November, including digital pre-screen and decisioning-as-a-service, and these are big opportunities to provide a long runway for strong growth in the future. We believe that our investments in innovation are laying a strong foundation for the future growth of the business, and you are going to continue to see us bring new solutions to the market.

In Consumer Services, we are transforming our business, diversifying our revenue streams and reducing our dependence on the paid membership model. New products coming on stream will see us build a lead generation business, with our right offer and credit match of products. That will change the revenue model, create new partnerships and develop higher levels of consumer engagement, all aimed at building a bigger and stronger business in the future.

In the US, these efforts over the last few years have returned the business to flat year-on-year performance on underlying terms, and we are also moving quickly with similar changes in the UK business. Since launching Right Offer, our US lead generation platform, which we introduced to you in November, the focus has been on optimising performance of the platform and it is performing well. Early results from this are giving us confidence that Right Offer creates greater value for consumers and lenders, by taking friction out of the process. We are matching consumers with the best pre-qualified credit offers, which is producing higher response rates and better conversion for lenders. We are now adding more lenders and directing more consumer traffic to the platform, to enable us to generate meaningful progress as we go through FY18.

3. Brazilian legal changes

Now, before I turn the call over to Lloyd, let me touch on a recent development that will benefit our business in Brazil. After nearly four years of severe recession, the macro-environment in Brazil has largely stabilised, and the central government is now taking action to stimulate economic development. As some of you may have picked up from the Brazilian press, one of the legislative proposals introduced last month would accelerate the collection and use of positive data, in an effort to expand access to affordable credit. The amendment would eliminate the need for consumers to opt in, and instead provide a mechanism for consumers to opt out of positive data. Should this new law be approved – and we will review the final language and assess the impact on our business – we would view this as a big change that is better for consumers, lenders, the economy, and of course our business in Brazil.

We are deploying our resources to scale up the build out of positive data, and accelerate our product development. As Brazil gradually moves towards economic recovery, we intend to be gearing up to be first in the market, with the most comprehensive data and products which combine positive data on 70 million consumers, with Serasa's superior negative data, to create the best value for our clients.

So with that, let me turn the call over to Lloyd, who will take you through the trading performance.

Q3 Trading Performance Overview

Lloyd Pitchford
Chief Financial Officer, Experian

1. Overview

Thank you, Brian. Good morning, everyone.

As you have seen from the announcement, we have continued to make good progress in the third quarter, with total revenue growth at constant exchange rates of 6%, benefiting from the first full quarter inclusion of CSIdentity. Organic revenue growth was 4%, and you will recall that we had significant one-off revenue in the prior year, which added 1% to group organic growth, and 2% to North America organic growth in the third quarter last year. Adjusting for this prior year effect, this quarter was 5%, continuing the consistent performance we have delivered in each quarter this year. Exchange rates represented a 2% headwind to revenue in the quarter, as sterling weakness more than offset the recovery in the Brazilian real, with total revenue at actual exchange rates at 4%.

2. North America

Turning to the performance by region, and beginning with North America, where total revenue growth was 7% and organic revenue growth was 3%. Credit Services delivered organic growth of 8%, and Marketing Services grew 4% organically. Decision Analytics organic revenue was down 3%, whilst as anticipated Consumer Services organic revenue was 5% lower.

In Credit Services, we saw good growth across all areas, against a very strong prior year comparable. Decision Analytics declined modestly, reflecting the lumpy nature of the business, and new business wins should contribute to growth in the future quarters. In Marketing Services, we delivered good growth in our targeting business, while cross-channel marketing delivered record high email volumes through the holiday season. In Consumer Services, we continue to diversify our model, and develop our products to monetise our increasing membership base. Last year, we onboarded a large affinity partner, which included a significant one-off component. Revenue declined in this quarter, as we lack this comparable, and excluding the one-off element organic revenue growth was flat.

3. Latin America

Moving on to Latin America, at constant exchange rates, organic revenue growth was 8%. All segments grew in the quarter, with organic revenue growth of 4% in Credit Services, 48% in Decision Analytics, and 55% in Marketing Services. Brazil continues to be resilient, and grew at 6% within the quarter, with a good performance in the core bureau. In Credit Services, growth in Brazil benefited from continued strength in counter-cyclical products, and increased sales of data and analytics to large banks and retailers. Our bureaux in Spanish Latin America also delivered a strong contribution in the quarter. Growth in Decision Analytics reflected new contract wins and strong demand across a variety of products, particularly analytics and scoring. In Marketing Services, there was a strong contribution from data quality services and targeting.

4. UK and Ireland

Turning to the UK, organic revenue growth was 2% at constant exchange rates, with growth in our B2B operations offsetting the expected decline in Consumer Services. Organic revenue growth was 5% in Credit Services, and 12% in Decision Analytics, with Marketing Services also contributing positively at 3%. Consumer Services was 12% lower, as we continue to focus on growing the free membership base. In Credit Services, we saw strength in credit reference volumes and credit prequalification services across the banking, telecoms and utilities verticals, and as expected Decision Analytics rebounded, driven by strong take-up of our Powercurve software and analytics products. There were also contributions from new contract wins in fraud and identity services.

In Marketing Services, we saw good demand for digital marketing, and in Consumer Services we are executing our product plans and the reaction to our free score offer has been positive since launch in September 2016. We have now attracted over one million new members, and have seen good levels of consumer engagement. Our Credit matcher price comparison service is gaining traction, and whilst it is early days, the initial results are encouraging.

5. EMEA/Asia-Pacific

Finally, in EMEA/Asia-Pacific, where at constant exchange rates, organic revenue growth was 6%. Decision Analytics delivered another strong performance, up 13%, as did Marketing Services, which was up 10%, offsetting Credit Services, which was 3% lower. We are making excellent progress in Decision Analytics, with new client wins reflecting strong demand for credit decisioning software and fraud prevention services. In Marketing Services, we delivered growth across cross-channel marketing, targeting and data quality services. These strong performances offset some softness in Credit Services.

6. Forward outlook

That summarises the performance in Q3. As we look ahead, we continue to expect organic revenue growth to be in the mid-single digit range for the year, with stable margins at constant currency. Currency movements continue to be volatile, and if current rates prevail to the end of the financial year, this will result in an FX drag of 1% at the EBIT level, but with a small margin tailwind.

As you have seen in the announcement, we have made really good progress on a share buyback programme over the last quarter, and are now over 80% through this year's programme.

So in summary, barring movements in foreign exchange, our expectations for the full year are unchanged from the guidance we issued at the half year. And with that, let me hand it back to Brian.

Closing summary

Brian Cassin

Thanks, Lloyd. To summarise our comments this morning, Q3 was another solid quarter, our business is a diversified global portfolio, and the strategic actions we have taken over the last few years have strengthened the portfolio and we are beginning to capitalise on the significant synergies between our business lines. We have delivered good global performance, which demonstrates the resilience of our business model, and we remain focused on executing against our strategy, to continue to drive the business forward.

Now we will open the line for your questions, for which we will be joined by Peg and Nadia from the IR team.

Questions and answers

Brett Huff, Stephens

Good morning. Thanks for taking my question. I wanted to dig in a little bit on the Brazilian news. Can you give us the timeline on when we will know whether this proposed amendment actually takes effect or not? As I understand it, it is proposed and if there are no objections then it rolls into law. When does that happen? Also, can you quantify for us a little more, if you could, how much larger the addressable market becomes as a result of that positive data? Could you give us some parameters on that? Thanks.

Brian Cassin

Sure. Thanks, Brett. It is a provisional measure, which is to be put forward in front of Congress, but that actually should happen relatively quickly. The maximum time period for that is about 120 days. We will know relatively quickly whether this is going to be passed into law. The second factor behind that is not just, actually, the change in legislation from opt-in to opt-out, but what provisions they put around that, which determine what funishers of data have to do, and by when. So we might get the law enacted quickly, but we have to see the detail about how quickly that means people have to act, to furnish data to file.

That said, the impression we have is that the government wants to get on with this, and it sees this as a key measure in really driving some changes in the Brazilian economy, and as a way of expanding access to credit. We are optimistic that this will not be a long-burn timetable, really a matter of months before we can get into an operational positive data environment.

Then we have to move onto the operational consequences of that. Obviously, we have been collecting our own opt-ins, and we have had some success with that, with just over five million opt-ins to-date. We are in a position where we can actually ingest and put positive data to file already. That has to be tested at scale. There's a big difference between five million and 70 million records, and all the data that goes with that, but we are not anticipating that from an operational perspective, we have to do a hell of a lot to get to the point where we can make a big positive data file work. All of that summed up is really months, certainly not years. Once we are up and running, we can get out to market with products as quickly as possible; that is our intention. We have already been testing some of the positive data we have on file, with products that we have put in front on a trial basis. Obviously, we know what we are doing here, and our intention is to be out there as quickly as possible.

I am going to ask Peg just to comment about the macro point about the size of the credit market in positive data versus negative data.

Peg Smith, Executive Vice President of IR and Communications, Experian

Brett, your question is dead on with the planning we have underway. There are two things that are going to work in parallel here. One is economic recovery, and the other is positive data, because positive data in and of itself will not drive growth, until you begin to see the economy itself pick up. As we look at it today, we have a much more crowded market in Brazil than we did when this law went into effect four years ago. Whether it is GIC or Boa Vista, or anyone else in this space, what we are sensitive to is that we combine negative and positive data and put the highest value products in front of our clients.

What that says to us is do not look for a lot on price, look instead for expanded opportunity in greater lending, and that is where the two – the economy and the use of positive data – will work hand in hand. Sizing is yet to be determined, but those are the factors we are looking at.

Brett Huff

Great, that is very good. Thanks for your time this morning.

Peg Smith

Sure, thanks Brett.

Rajesh Kumar, HSBC

Hi, good morning. It is Rajesh Kumar, from HSBC. Just following up on that Brazilian issue, clearly it is a constructive move from the government. They are making the whole process easier to opt-in. As you pointed out, it is a more crowded marketplace than before. What is your assessment of how competitors such as Boa Vista and GIC will respond to that? Looking at the wording of the law proposed, clearly, there is a desire to put you and Boa Vista on an even playing field with GIC. So do you think it is a race to build a database first now?

Peg Smith

Rajesh, you probably have not seen the language of the law, as they are still drafting it. What you are seeing is proposed and media coverage of language. On the positive data, I think what the government is aiming to do is get this data out there and used by the industry as a whole, to really facilitate lending. That said, it is really important for investors to understand that Serasa has now a competitive advantage on negative data. You need both to actually have an informed decision on credit lending, and it is our intent to continue to have both positive and negative data, at a superior level to anybody in the market. I think it will be accessible to all. We strongly believe Serasa has a leading edge right now, because we are up and operational, and we have been the player in the market collecting opt-ins actively. So we have had about a two-year lead-time. Others will have to get ready for it.

Brian Cassin

Just adding to that, the big question that was levelled at us during the past 12 months was “would GIC have an advantage over Serasa because it might be able to get access to positive data immediately?” I think that we can now lance that notion entirely. In fact GIC, from a technology perspective, as they say themselves, are not ready yet. So what this does, actually, is turn that table around. A combination of the competition authorities and this move by the government is a fairly clear signal that they view an independent bureau sector as incredibly important to the development of credit in Brazil. All of that bodes well for our future, in addition to the points that Peg made.

Rajesh Kumar

Thanks for the detailed clarification. I just wanted to ask you what your read is about what Boa Vista and GIC might do in response to this change. Clearly it would be stupid for Boa Vista not to invest in the market at this point, and they also have credit bureau standing next to you.

Brian Cassin

You are right that in every bureau market we operate in, there are competitors. Those competitors plan their business just like we do, so I do not know what Boa Vista or GIC will be doing. The positive data will not be exclusive to Serasa; it will be made available to the other bureaus too, but it does not change the position with respect to Serasa’s market position, or superiority on the negative file. I cannot see any factor around this, with respect to Boa Vista, that changes the dynamic very significantly. And as to what GIC does, I really do not know. We have not heard anything from them. They obviously have some time to go before they have the technological capability to get into the marketplace.

The other point to say is from a marketing perspective, Boa Vista is a local Brazilian operator. They do not have anything like the global expertise, products or knowledge that we have, and we are bringing all of our global expertise to bear in the Brazilian marketplace, with respect to building out positive data products. So, all in all, I think this is very good news for us, and puts us in a much better position.

Rajesh Kumar

Is Boa Vista not partnered with Equifax?

Brian Cassin

Equifax has a small stake in Boa Vista. It has a very complicated ownership structure, and it is not a fully owned subsidiary of Equifax.

Rajesh Kumar

Sorry, I did not follow the negative data point fully. Is negative data not a subset of the positive data?

Peg Smith

They are actually being used in Brazil as two separate files: a negative data file and a positive data file. It is not the same data structure as you would see in the US and UK, which means that the demonstrated value of what we own today in Brazil will still be there in the market, a very strong and comprehensive negative data database. It is hard to replicate that.

Rajesh Kumar

Thank you.

Andrew Farnell, Morgan Stanley

Morning, guys. Just on Consumer Services, I was just wondering, in terms of the path to recovery in the UK, do you think this will be determined on how much you are willing to spend on advertising, or are there genuine differences that you see between your product offering and the alternatives in the market?

Brian Cassin

To a certain extent, but you have to remember that we spend a lot on advertising today, as well. It is actually more a question of what you direct that advertising towards. Do you direct that advertising towards trying to build a subscription product, or towards building a larger free membership base from which to upsell and generate revenues from lead generation? If you look at the advertisement in the UK most recently, you will see that most of it is directing consumers to take up a free proposition. That has actually been very successful. As Lloyd referenced, we have had just over one million customers in just over three months, so quite a significant response to that.

The monetisation of that actually comes in two formats. One, we are upselling people from the free product to the full paid-for membership. We are also generating lead generation revenues from the credit matchup programme. So really, the diversification of the revenue stream comes in two parts. First of all developing scale in those lead generation revenues, and secondly launching the identity features onto the premium service. Both of those initiatives will be fully ready to go in FY18, and the same story in the UK. That is the job we have to do to really get to where we want to get to.

The other factor, as we think about the US business, is as we think about the CSID acquisition is going to help significantly on the affinity side, and of course, that business is going to give us some growth as well as the features that we need on the premium products. So, yes, you are always going to have to market behind these propositions, but that is something we have always done.

Andrew Farnell

You do not expect a material step-up related to where you have been historically? Is there no thinking that you have to put more spend behind it to make these products more successful now there is a bit more competition in the market?

Brian Cassin

As I said, I think it is a question about where we direct our spending. Advertising spend, the level of marketing you need is always something which is fairly dynamic. At a future point in time, we may decide that we want to do that, but that will probably be a very encouraging sign, based on if we are getting a very encouraging response, and we see an opportunity to really go after that, then we might take a different view.

Lloyd Pitchford

It depends a little on time horizons, as well, Andrew. If you look at what has happened in the US, over the last three years we have actually reduced our advertising spend. Part of the technology upgrade we have talked you through means we can identify flows of customers much more specifically, and we get more bang for our marketing dollar; more online search, a little bit less in terms of online TV advertising, which makes it more effective.

Andrew Farnell

Thank you. Just on those products you have talked about, so Right Offer and Credit Matcher, can you give us a sense of when you expect to meaningfully increase that offer to customers? I think you talked at H1 about leveraging your relationships with the banks and card providers; in terms of the new entrants, are they able to leverage those same relationships, or is that something unique to you?

Brian Cassin

They are slightly different, so I will take them in turn.

Right Offer – when we talk about leveraging the relationships with the financial institutions, what that essentially means is that we can develop a platform which has very specific, in essence, lending criteria from those institutions, which enables us to put a superior proposition in front of consumers. In other words – I think we explained this in September – consumers will actually be presented with offers they are qualified for. Today in the marketplace in the US, that does not happen. They are presented with offers which they might be qualified for, but in many – certainly not all, but many – cases when they go through the next steps in the application process, they find that in fact the product is not available to them at the rate advertised, and therefore they sometimes get a substituted product or not a product at all. It is a pretty negative consumer experience, and it is imprecise. It is imprecise for the consumers and the institutions.

What we have seen from the banks is a real support in our efforts with Right Offer, in making available a wide range of their products on the platform, and encouraging us to really develop this as a channel. I think that is also demonstrated by the fact that we are in discussions with all of these institutions to actually make the right offer capability available to them on their own platforms. For us this is both a direct consumer play, and it is what is called an affinity play, if you like.

That is a demonstration of the sort of support that we are getting. Of course we have to make the public aware that there is a better proposition out there, so that is part of what we will be planning into FY18. However, it is a big change, and it is no doubt a much better proposition.

In the UK, Credit Matcher is already in-market, and is starting to generate some meaningful revenues off that platform. Again, very big support from the financial institutions and the relationships they have. Everybody is interested in actually making the consumer experience better and getting the right products in front of them. An important distinction for us is that we do not push products based on the highest commission to Experian, we push products based on the most suitable product for that consumer, and that is really where our access to bank lending data and our own information comes into play. It is a much more tailored experience.

The extent to which we can scale those revenues, we have to see that as we go through FY18. Obviously, the markets in both cases are very, very large. There are plenty of players out there. It is not as if there is not available revenue to go for. It is really down to how quickly and how well we execute going forward. That obviously has to be a key plank for the business going forward, and we have to judge that relative to the spending on the membership product as well. All of that we calibrate as carefully as we can.

Andrew Farnell

Okay. Really helpful, thank you.

Paul Sullivan, Barclays

Good morning, everybody. Just two from me. Firstly, in the US, on the Credit Services side of the business, we are seeing growth gently slow there. Would we be right to expect that growth to continue to slow as we progress through the fourth quarter, and into next year? What are your thoughts on the tough comps and the challenges in the US mortgage market going forward, and further thoughts on the situation on healthcare, and whether uncertainty delays some of the uptake in product offerings there? That is the first question.

Then, adjacent to that, on trended data, the US guys keep making a big fuss of this; you do not. You do not really mention it much at all. Could you maybe just clarify the differences between what they are saying what you are saying there? Thank you.

Lloyd Pitchford

On Credit Services, the best thing to point to is the trends we saw in the prior year. We saw the core bureau grow at 11% at the second half of last year, so the softening of growth as we have gone into the second half of this year is really a reflection of that step up in growth and the tough comps we had in the prior year. I would expect something around this level as we go through Q4. Q4 might have slightly tougher comps, but we will see from there. Trends continue to be fairly positive as we look at the economy.

In terms of mortgages, mortgages make up a small part of our business; it is about 7% of Credit Services North America overall, so much less material for us than it is for some of our competitors. Obviously, we are watching the flows there quite carefully, but not expecting it to really move the overall number in Credit Services for us.

On health, the area that we are in, as compared to some of our competitors, in revenue cycle management, we do not expect some of the regulatory uncertainty to really have that much of an impact. We are certainly not seeing it so far. The trends of mid-teen revenue growth continue as we increase the number of products we sell into individual hospitals and increase the total contract value that we have with each of the areas.

On trended data, I will pass over to Peg to give an update on that.

Peg Smith

On trended data, you will remember that we had to move our product from purely a batch product over into our online systems, so people could access it one record at a time. That has been accomplished; it was actually released to the market back in October. Now, in terms of a Fanny Mae opportunity, remember that all the noise in the market today is about one contract: Fanny Mae. Our product is ready, when they are ready to accept our data. We do not, at this point in time, have an indication from them on when they will put Experian into the next release of their software, but the product is certainly there for them to access.

Paul Sullivan

If they do decide, would that be a reasonable revenue opportunity for you, if they do decide to take onboard your data?

Peg Smith

Yes, the background on this is that it is, of course, a three-bureau market for mortgage in the US. Fanny Mae requires that all three credit bureau reports are pulled on every applicant, so the impact in terms of sizable opportunity is the same, for each of the three players in the market. When our product is incorporated, that portion of the list that you have seen, that the other two have already benefited from, will also come over to Experian.

Paul Sullivan

Great, that is very clear. Thank you.

Robert Plant, JP Morgan

Good morning, Lloyd and Brian. I have two questions, please. In North America, Decision Analytics had a 3% decline, but the commentary looks quite positive. How quickly do you think that will go back to growth? Then in UK Consumer Services, at the time of the H1, you said peak decline probably would not be as bad as the -14% that happened in the US, and it was -12%. Do you still think that is the case?

Lloyd Pitchford

I wills start with the peak decline. That was an annual decline. We had peak quarter at -18% for North America Consumer Services, so you can see the rate of decline has slowed a little. We were -1% in Q1, -8% in Q2, -12% in Q3. As we go through Q4, Q1, and really start monetising some of these million-plus free members we have, you would expect to see that moderate some, and we will see how we go from there.

On Decision Analytic, we have said in the past, Rob, that this can be a little bit lumpy, and dependent on whether some contracts land. Sometimes they land at the end of a quarter, sometimes they land at the beginning of the following quarter. I would expect that to be back into positive territory in Q4. The one drag we have is that you will recall that we had the contract and some of the issues with T-Mobile in relation to Decision Analytics in North America. After taking some time to prepare the ground, they are moving to a new supplier; they have now done this. We expect that to drag on a little, as we go through into Q3 next year, but that should not stop us getting back into positive territory in Q4.

Robert Plant

Okay. Thanks, Lloyd.

Joel Spungin, Bank of America Merrill Lynch

Good morning, it is Joel Spungin, from Merrill Lynch. I have three questions. if I could start quickly on Brazil, going back to some of the things you spoke about earlier, could you just clarify for us, in terms of the Brazil Credit Services revenue, how much of it relates to consumer information as opposed to business information?

Lloyd Pitchford

A little bit more from business information than consumer information, but broadly 50/50.

Joel Spungin

Okay, that is clear. Thank you. Then, onto a completely different subject, Marketing Services obviously had a pretty decent quarter in terms of organic growth, and I think it also had a good quarter in Q2, too. Obviously, part of that business is currently up for sale. Can you give us a sense of whether or not there was any difference in the organic performance of the bit you are keeping, as opposed to the bit that is going out the door?

Brian Cassin

The bit we are keeping is performing extremely well, we are glad to say. CCM is improving, but it is not at the growth rates we are seeing in targeting and data quality. I cannot quite recall when it was we spoke to you about the opportunities we saw in targeting and data quality, and obviously, that was a large part of the reason behind thinking about how that portfolio should be reshaped in terms of the opportunities we could get behind. However, both of those businesses are growing, certainly in the US, in the high-single digits. We have good performance in the UK as well, and we have seen sequential improvement in CCM, and obviously that is part of the whole proposition, currently the business up for sale. We will see how that progresses. However, we are pretty happy with how things have moved in Market Services.

Joel Spungin

Is it fair to say that the bits you are keeping probably did a bit better than the overall Marketing Services organic growth rate that you reported?

Brian Cassin

Yes, that is right. Yes.

Joel Spungin

Okay. Thank you. Finally, just to finish off, on the buyback: I just wanted to understand, obviously, you really stepped on the accelerator this quarter with regard to the rate of buyback. If I remember back to what you were saying at the Half Year, when you had only done 80-odd million, you said you would be judicious in how you went around doing the buyback. Obviously, the share price is higher, on average, than it was in the first half and you have done a lot more. What is your thinking around that? I guess you are just going to finish it off now, but should we just assume going forward that if there any further buybacks, it will be more linear? Was there something unusual in the first half that meant you did not do anywhere near as much? I am trying to get a sense of what was going on there.

Lloyd Pitchford

When you think about executing our programme over a year, markets are quite volatile and clearly we choose our timing quite carefully. We have had, I would say, six quite intense buying weeks so far this year. The two to three weeks in the run up to the Brexit vote, when there was a lot of weakness in the market, and in the three or four weeks post the US election, when there was a lot of weakness in the market. Our average buying price for the $324 million we have done so far is £14.22. You can see we have been quite focused in how we transact the programme. We expect to finish up the other almost 20% before the end of the year.

Joel Spungin

Okay, just finally to finish on that point, if we think about where you are going to be in terms of leverage by the end of the financial year, and given we might get some sort of finalisation of the sale of some of the Marketing Services businesses, I guess you will review the share buyback programme for the new financial year when we get there, given where we will end up?

Lloyd Pitchford

Yes, that is right. We always look ahead, for the year ahead, in our main results, and really look at where does our deal flow in terms of M&A and cash expectations. Then we will decide what to do with the buyback. We have, however, consistently said that we expect to be at the level of free cashflow where we expect the buyback to be a continual part of our allocation.

Joel Spungin

Thank you very much, both.

Giasone SalatiMacquarie

Good morning. Two questions on a couple of details. In North America, have you quantified the one-off from affinity contractor in the previous year, so we have an understanding of the underlying rate in North America? Secondly, for UK Consumer Services following the comments you made on trough rates, I think you are implying that this could actually be the trough quarter in this segment; is that correct?

Lloyd Pitchford

I will start on UK Consumer. We expect the trend of decline to continue, but perhaps shallowing a bit. Perhaps from -12% in Q3, we would expect that to get a little bit worse in Q4, and then we will see the products gain traction exactly where that bottoms out.

On the prior year comparative, Q3 last year was between $11 and $12 million, and it added 1% to group growth, 2% to North America growth, and 5% to North America Consumer growth in Q3 last year. If you adjust those numbers back, then you will see that group growth this year moves from 4% to 5%, North American growth moves from 3% to 5%, and Consumer Services North America moves from 5% decline to flat. Very consistent with the growth, when you adjust it for what we have been in for the last four quarters.

Giasone Salati Thank you very much.

Tom Sykes, Deutsche Bank

Morning, everybody. Just to follow up on the questions on the US, and what the split in where you are getting the growth means for operational gearing in the business. If you are growing at mid-teens in the passport business, are you actually getting operational gearing on the passport business itself, given the amount of implementations that you have at the moment? Then what does the mix of revenue growth there do to the weighted average margin for you? If you are growing at mid-teens in passport, then the rest of the US Credit Services business is probably around 6 to 7%; can you still get reasonable operational gearing on 6 to 7% growth there?

Lloyd Pitchford

If you look across North America, this year we are seeing positive margin progression. You saw we talked a little bit about that at the half year. At the group level, we have been investing in some of our other strategic initiatives, so the move particularly in Brazil to Sao Paulo, and the launch of the three products we have had across the US, the UK and Brazil. That is all part of our mix of how we get back to flat margins. However, in this year, North America has overall positive margin progression.

Tom Sykes

Right, but when you are looking at it, is that margin progression coming from operational gearing in non-passport business, or is the growth out of passport also margin accretive?

Lloyd Pitchford

Passport is margin accretive, now, for the group. To the group; obviously North America has quite a high margin, so I would say that it is neutral at the North America level.

Tom Sykes

Neutral to North America, but positive to the group. Okay. However, it feels like the non-passport business is a little bit slower than, maybe, where we were over the summer, and I totally understand the comps and the two-year growth effect, but you had a reasonable amount of operational gearing that you decided to reinvest in other areas. That is obviously fine, but I am trying to gauge whether you are going to have the same benefit going forward if you just continue to sequentially grow at the current rates you are at. Do you think you are likely to see, over the next 12 months, a little less operational gearing out of that business?

Lloyd Pitchford

Maybe I will answer this in a different way. Our focus in passport is not to grow the margin; we see this as a really high-growth opportunity, so to develop the product set and to really increase penetration. In a year, it might be that we are progressing the margin, but that is not our focus in that business. It is about penetrating and improving the top line. When you take it back to a North America or portfolio group level, there are lots of moving parts, and it depends on mix of growth and where we are putting the investment. That is really all covered in our flat margin guidance.

Sorry to be not very specific on it, but there are lots of moving parts, and that is what we managed to with our flat margin guidance.

Tom Sykes

That is fine. I will leave it there. Thank you.

David Phillips, Redburn

Good morning, everyone. I have a couple of quick questions. On the one million free signups in the UK, is that including anyone who signed up through the likes of Barclaycard, or has that exclusively come through to you as a brand?

Lloyd Pitchford

It is exclusive. It has just come through on our platform

David Phillips

Great, so that is a bigger number than I thought. Within Decision Analytics, is it possible to give some sort of guidance on how 41st Parameter has performed in the last few quarters?

Brian Cassin

We do not break it out, but it is actually performing well. You will recall last year we talked to you about something called CrossCore, which is the fraud platform we introduced in market, and we are seeing quite a lot of traction with that. 41st Parameter is essentially a key component of that platform, so right now it is getting harder and harder to distinguish individual products in our fraud suite, because we are tending to bundle them together. However, the 41st Parameter has performed well over the last year.

David Phillips

And CrossCore itself; is it possible to put a number on how that is performing?

Brian Cassin

There is not much sales, yet, because the lead times on contract conversations tend to be long. There is a lot of interest in it. We have many, many conversations. We have actually sold cross-core on several occasions now, but we do see the pipeline as very positive. Again, we will not be able to call out specific CrossCore product revenues, because you will not be able to isolate it from things like Precise ID, and 41st Parameter, because all of those are components of the platform. We see that as a key enabler of growing the fraud business going forward.

David Phillips

Okay. Thank you.

Ed Steele, Citibank

Morning, everyone. Just one question from me, please. In Brazil, you get your edited data from a number of sources. You have some competitive advantages in one or two sources, particularly with the retail data. Would that be useful to populate your positive database as well? I suppose I am trying to work out whether there is any way in which your database will be differentiated in the core data, from that of your two key competitors.

Peg Smith

I think that it will be differentiated, that is a good observation on your part. We have more contributors to our file than any other player in this space, given the size and scale of Serasa. The change in the positive data law would affect anyone lending to consumers, so while the focus is always around the banks, that is only 40% of the data. There is 60% that is from retailers, telecoms, energy companies, everybody else in this space also affected by this change. It will enhance the total value of the data that we have in our file.

Ed Steele

Great, so there should be substantive differences in the data?

Peg Smith

We believe so. Yes, we need to actually build out the file to demonstrate that, obviously, but based on the fact we have something like 15,000 contributors in our database, and that makes it a much larger, much more complete file. Others may catch up over time, but we will go to the market with the most complete product, on both positive and negative data. That is what we are gearing this whole thing for.

Ed Steele

Will the exclusivity you have got on the retail data continue for positive data, as well as negative, or does that end?

Peg Smith

You are talking about the relationship with SPC, and yes, that is a multi-year agreement that has a long runway yet on it. They are, as we are, engaged in the positive data.

Ed Steele

Fantastic. Thank you. Thank you, Peg.

Andy Grobler, Credit Suisse

Hi, good morning. Just a couple from me, if I may. On Brazil, in terms of the data and running two separate files – one positive and one negative – for consumers, does that impact the possibilities around a CConsumer ServicesServices product that is akin to the UK and the US, or not? Is that a possibility to build out a business of that relative scale over time?

Secondly, in EMEA Asia-Pacific, the Credit Services business appears to be under strain. What are your thoughts around that business over the next year, 18 months or so? Thank you.

Brian Cassin

Thanks, Andy. First of all, Consumer Services. This is great news for our ability to build a Consumer Services business in Brazil. As we told you last year, we launched a free proposition. The free proposition last year was predicated only on negative data, which has a more limited appeal. Positive data enables us to put a much more comprehensive product offering in front of consumers, so in addition to the efforts that are focused on building out the positive data product set to our B2B customers, we are now accelerating our efforts on the Consumer Services side to build scale.

Just a further point on the Consumer Services business, we will be launching that as a free-first proposition. With the brand strength we have, we are optimistic that we can build big-scale audiences there. Obviously, the Brazilian population still has a lot of education to go through, so it is not a done deal, but we are pretty optimistic.

On EMEA Credit Services, I will let Lloyd comment on some of the individual trends. As we look forward, most of that performance is driven by some surplus in our European bureaus. The last year, our focus really has been on building a combined Credit Services offering across those marketplaces. We have a lot of effort on that now, to really get the performance up by putting new propositions in-marketplace.

Lloyd Pitchford

Three micro-pieces there: a bit of weakness in our business in Russia, some competitive changes in South Africa, some regulatory-driven weakness in the Nordics. They are all quite micro issues, but the European bureaus are quite mature, so you might see some of that drag reduce a bit, but the majority of our growth there will come from building out the analytics tools on top of our own bureaus and the bureaus we partner with.

Andy Grobler

Thank you very much.

George Gregory, Exane BNP Paribas

Good morning. Three from me, please. Actually, just following up on that last one, when you talk about the growth coming from building out the analytics, presumably therefore the growth would come from DA, or could we also see some of that growth coming from within Credit Services?

Secondly, just a point of clarification on North America Consumer Services, Brian. Did you say you would expect it to be back in growth in Q4, or rather the rate of decline to moderate, please?

Finally, just on tax: Lloyd, I wondered whether you envisioned any impact from the base erosion and profit-shifting efforts, and the timing of that? Thanks.

Brian Cassin

Thanks, George. I will take the first point about Credit Services DA. If you look at the DA performance across EMEA Asia-Pacific, for some time now we have actually had very strong growth. We have not had a perfect alignment between where we have been growing in DA and our Bureaux, and that goes back to the comment I made about combining those product offerings as a way to drive growth within the actual bureau markets themselves.

In markets like EMEA and Asia-Pacific, particularly EMEA, we have talked previously to you about the One Experian initiative we had. It is increasingly difficult to actually distinguish, in a bureau market, between what is Credit Services and what is DA. DA capabilities are actually added into the bureau. They may end up as revenues and Credit Services, but they are in fact DA products and capabilities. I suspect that distinction for us, over time, will become more and more difficult to articulate to you, because really the propositions and products need to work together.

What I would say is we are not happy with the Credit Services numbers in EMEA Asia-Pacific at all. There are some specific factors, which have driven that, but we are very focused on getting those numbers up. However, I think it will be a combined growth rate that we look across the two business lines and use to judge our performance, if that makes sense.

George Gregory

Understood.

Brian Cassin

Lloyd, do you want to touch on the North American Consumer Services?

Lloyd Pitchford

If you look at the North America Consumer, if you add back the 5% into the prior year, we have been at a stable growth rate now for four quarters. Our focus is really on Q1 next year, when we are looking to launch at scale some of the products that Brian talked through. As we exit this year, I would expect we will be within a range around flat to -5%, as we go through to Q4. The focus, though, is really on next year and the grounding of those products.

George Gregory

Thanks.

Lloyd Pitchford

Tax. So we are obviously watching the tax environment quite closely, or avidly looking at Twitter to see what the North America changes will be each day. However, on BEPS, there is a lot of change underway. I would say that the direction of travel, just as we go through the BEPS implementation over the next two to four years would be marginally up on the tax rate – maybe 1% plus as we go through the next few years. However, it is very difficult to fine-tune it, and I would say the overriding tax rates in individual economies is more likely to affect the tax rate than the pure BEPS implementation.

George Gregory

I guess it is far too early to make any calls on North America.

Lloyd Pitchford

Yes, there is obviously lots of commentary, but the devil is in the detail with tax, so you really need to wait for the final rules to come out, and work out what it means for our business.

George Gregory

Thanks very much.

Brian Cassin

I think we do not have any more questions, so thanks everybody for your time this morning, and your questions, and we look forward to speaking to you again in May, for our preliminary results.