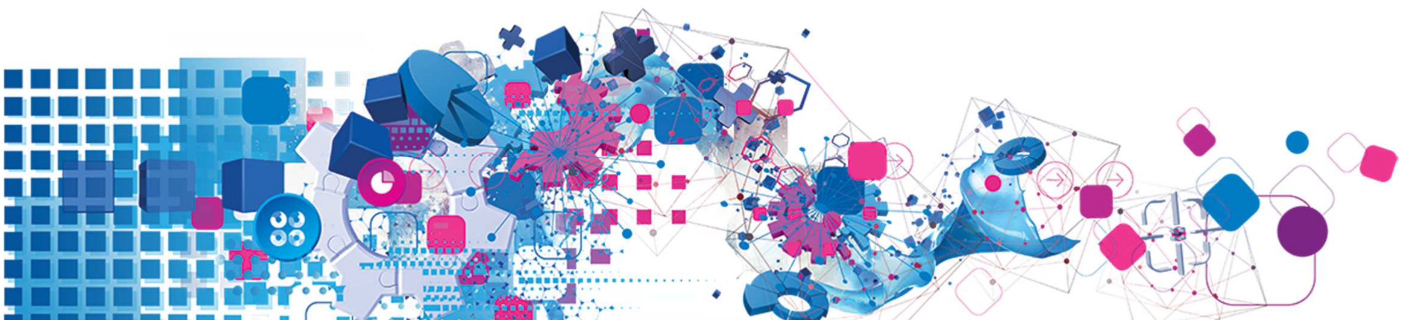
Full year results FY19

15 May 2019



Contents

1. Opening remarks - Brian Cassin, Chief Executive Officer, Experian

1.1 Introduction

Welcome, everybody, to our results. I am pleased to say it has been a very good year for Experian – one of our best in our history, in fact. We exceeded the growth expectations that we had going into the year, and what is really pleasing is that we have delivered strong growth across all of our businesses, both B2B and B2C.

Our core businesses are performing really well, and it is a lot of the new products that we have introduced over the last couple of years which have really driven our growth higher. That is in every region, and our strategy of combining evermore of our capabilities together to create innovative solutions for our clients really is starting to gain a lot of traction.

The pace of innovation, if anything, has quickened, and we expect that to continue, the most recent example being the introduction of Experian Boost, which we believe will further transform the strategic position of our consumer business in North America going forward.

There was very good growth across the business but, more importantly, a good part of that growth is coming from product offerings that either take us into new areas of client spend or new markets, and areas that we can scale globally. This provides us with a lot of opportunities as we go forward.

1.2 Financial Results Highlights

Lloyd will go through the financial details shortly but I will pick out a few highlights. We had 9% organic revenue growth for the year, with an outstanding 10% organic revenue growth in Q4. Momentum is B2B is very strong and a continuing trend that we have had in the last few years. Globally, we grew by 9%. It was a good year in Consumer Services, up by 6% organically. North America B2B was the outstanding performer, up 11% organically. The UK also had a very strong year, up 7% in B2B. Brazil had a fantastic fourth quarter and we had another really great year in EMEA and Asia-Pacific in terms of both results and strategic progress that we have made in those regions. In Consumer, we are not only back to growth but we now have significant scale audiences for our consumer products. Across the three territories, we have over 55 million members in total, so really building a substantial presence globally there.

Finally, margins were up 20 basis points at constant currencies, as we continue to invest back in the business.

Capital allocation

It was a strong year for cash conversion, at 97%. During the year, we invested heavily in new products, technology and innovation programmes. We expanded the scope of our minority and venture programme. We completed the acquisition of Compuscan in April and we continue to return cash to shareholders. We have now returned over $4.5 billion through dividends and buybacks over the last six years. Today, we have announced a further 4% increase in dividends and another $400 million buyback.

1.3 Market Opportunities

There are opportunities in the markets that we operate in. We aim to grow by focusing on a few things: first, the expanded use cases for our data; second, by developing increasingly sophisticated solutions in our core markets that combine data, analytics and software, which you have heard us talk about a lot over the last few years; and finally, by entering new high-growth markets where real-time uses of data are changing the way business is performed. In most of the segments that we are in today, we have significant growth opportunities and relatively low market shares, with a fantastic roster of products to address those opportunities. As we look at these end markets, they are all being driven by a number of factors, some of which I mentioned before. First, there is an increasing need to improve productivity and reduce cost, which is true across our entire client base. There is a strategic imperative to deliver better, frictionless customer experiences in a much more competitive world. We are also seeing that transactions are becoming increasingly complex, with the need for more and more data, and that needs to be turned into instant, accurate and fair decision-making. Increasingly, we are seeing customers and consumers demand instant decisions, great digital experiences and control. All of that relies on sophisticated solutions that use large datasets and new technologies that can process this into actionable insights and drive better outcomes for business and consumers. This is a strong backdrop to our growth prospects.

1.4 Strategic Highlights

Credit

These really tie into our strategic focus areas. Credit remains the biggest vertical across the business and we want to make all parts of the credit and lending process better, simpler and faster for both businesses and consumers. We want to improve the experience but also reduce cost for our clients. Some of the biggest opportunities that we are seeing in the market today are to address that, and we see that growing in the future.

Customer Interaction

We also have a big role in helping our clients find, understand and connect with their customers. All businesses want to do this better. They want faster interactions and more intelligent interactions, and our products and services help them address that.

Customer Empowerment

A big focus for us is to empower consumers in their financial lives – something we are uniquely positioned to do – and we see identity-verification as a large and growing market opportunity as more transactions are conducted digitally, the scope for fraud increases and the need for robust B2B and B2C solutions also rises.

Removal of Complexity and Costs

Some of these points are immediately obvious when you think of our traditional financial-services marketplaces, but they apply far beyond that. All industries need to use data and solutions to remove complexity and costs, and a good example of this would be our healthcare vertical, where our core capabilities in verification and risk assessment are giving us great opportunities, and there are many more like that.

Product Bundling

We have thousands of products across our regions and business units and we have driven great success in the business by commercially bundling these products. Increasingly, however, what we are seeing is that, by combining these products not just in a commercial bundle but in a technological bundle, which creates a platform that not only addresses key business needs but also helps our clients automate processes and, importantly, platforms that can scale globally, we think a lot of our growth opportunities are going to come from these areas.

PowerCurve

The first one of these platforms is one you are probably very familiar with, which is our Decisioning platform – Decision Analytics, as it was known. Most of you probably know it as the PowerCurve suite. PowerCurve had a fantastic year and that suite of products was up by 60% during the year. PowerCurve has a lot of growth opportunities in its own right across the different modules that clients use it for – across originations, strategy management, customer management and collections – and we are investing behind all of those. It also serves as a core component for a lot of our other Decisioning platforms like CrossCore, Experian One, which we are introducing to the market this year, and others that we have in the pipeline.

Ascend

We see a similar opportunity for Ascend globally. Recent client wins in the UK, Brazil and Italy are adding to the momentum that we see in the US and validate that this is a platform which is applicable in all markets, including those where we do not have a bureau.

Open Data

Open data is our newest proposition and we have one of the leading open-data platforms in the UK, the most advanced market with respect to open banking. We are in proof of concept in several countries, including Spain, South Africa and Italy, with our Trusso categorisation engine, with several clients due to come onto that product in the next year. It is in its infancy and we have a great set of propositions. We believe that there is going to be a lot of growth in this in the years to come and we are very well-positioned for that.

Consumer

On the consumer side, we want to be an undisputed champion and are going to help build more direct relationships, in more geographies, that help consumers in all aspects of their financial lives. We are already unique amongst our competitor set in this regard. We are the only one with largescale direct consumer relationships and we see more opportunity for this in the future.

Continuous Innovation

One of the key planks of our strategy that we set a few years ago was to create a culture of continuous innovation, from the way that we work to the solutions that we create, and we can see the results of that coming through in the last few years. We are going to continue to press that agenda forward. Equally, if not more importantly, is the belief that, because of the unique position that we hold as an organisation, we also have a responsibility to directly engage with consumers in all markets to help provide systems and products that help them improve their financial lives. The aim of that is to foster financial inclusion through all our efforts across B2B and B2C. Increasingly, this is what the societies that we operate in – politicians, regulators and consumers – expect from an organisation like Experian. It is a very powerful mission and one that everybody in Experian passionately believes in and one that we are pushing through very hard.

Our first step was to put consumers at the heart of what we do, which starts by using our capabilities to develop products and services that give them the ability not only to control their lives but also to get better outcomes in their financial lives. That is through direct relationships and free propositions to consumers. We have almost 1.7 billion people globally who are unbanked, just in places that you would expect, such as Asia and Africa, but we have about 100 million consumers in the US who do not have a fair chance at access to credit today. Products like Experian Boost in the US, rental data in the UK and marketplaces in Asia-Pacific are just a few of the initiatives that we are pursuing to undertake to address this global issue.

The good news is that it is a really worthy goal and, as is so often the case, if it is the right thing to do, it is also a big opportunity for us as an organisation. I am extremely proud of the hard work and dedication of everybody at Experian, and we remain committed to enabling more opportunities to drive financial inclusion in economies around the world.

1.5 North America

Turning to the regions, North America had an outstanding year, with 10% organic revenue growth and 11% total growth. We previously talked to you about One Experian, and a good example of what this means in practice is that the vast majority of our large clients in North America now use significantly more than one Experian product in every contract that we sign.

Innovation was a big part of the B2B agenda in North America this year. B2B grew by 11%, and it was new products like Trended Data, Clarity and PowerCurve that made a big contribution to that.

Consumer Services made huge progress, up 9% organically, with very strong growth in identity protection and lead generation. We now have nearly 19 million free members in the US through Experian.com, providing us with a big audience for our products.

We launched, as I mentioned, our latest innovation, Experian Boost, in March, and we are very confident that it is going to scale quickly. The significance of this should not be overlooked. We are now the second largest free-membership platform in the US, which is going to provide us with a whole range of business opportunities going forward.

We have had great success with many of our top clients who are now using the Ascend Analytical Sandbox. It has been a great year but we are really just getting started and we have many more modules to come. Sandbox was the first module on the Ascend platform and is now in most of the largest financial institutions in the US, and we are going to expand from that base. We have added new capabilities which incorporate datasets – for example, Clarity data, Automotive data and Business Credit data – and we are winning new deals in these verticals with the Ascend platform. We also expect that growth will come from the rollout of this platform to mid-market clients, which should begin in the middle of this year.

Importantly, by bundling Ascend with PowerCurve for customer management, we are expanding the use case of the Ascend big-data platform, and we are already in market with a solution for account reviews. Decisions like credit-limit increases are being made using near-real-time data from the Ascend platform, incorporating artificial intelligence (AI) and machine-learning techniques to improve decision-making. We already have our first tier-one client wins, and the pipeline for these solutions is growing.

In fact, we had our major client conference in San Antonio last week, and one of the first users of this proposition spoke at the conference and acknowledged that the combination of Ascend and PowerCurve was transformational for his business, having produced an in-year payback by significantly improving the quality of decision-making, so we are very excited about that.

We are expanding the functionality of the Ascend platform, adding Experian marketing data. This is also going to potentially bring significant changes to the way our clients perform credit marketing, and opens up a new area of client spend to us.

In summary, it has been a great start for the Ascend platform, which has been an important contributor to revenue this year. The pipeline is strong and we see very good prospects for the year ahead.

Health performed really strongly. In fact, we have had an eight-year record now of double-digit growth, and we expect that to continue. As a reminder, the main products in Health are Decisioning and Workforce tools that really enable process automation across the breadth of revenue-cycle management for healthcare providers. The focus is on authentication and risk, which are core Experian capabilities, and we delivered really good growth across areas in eligibility, claims and collections. We see significant further growth in health. 60% of US hospitals have at least one Experian solution and we see very large white-space opportunities. We are introducing new services to expand our position, particularly in areas like identity resolution, and we are also now developing services to help improve the consumer experience, as consumers also want new digital ways to manage their healthcare costs.

In Consumer Services, it is a really great story, back on a very good growth track on the back of our successful launch of the Identity product. We are now at a similar stage with Experian Boost, a significant strategic initiative for us. It is an industry first and has had an exceptionally strong start. We are just over one month in and we have over 600,000 consumers connected to Experian, which gives you a sense of how this is resonating in the marketplace. The strategy is centred on the theme of control. If consumers want to have greater control, Experian Boost provides that. We help them get better outcomes by gaining the consumer's permission for access to additional datasets, and that, in turn, turns into a differentiated B2B data asset.

We are going to continue to innovate. We are the only credit bureau in North America, as I said, with direct relationships of scale. As more countries continue to put consumers in control through legislation like GDPR and open banking, this is going to become increasingly important. It works by allowing consumers to add additional data to their credit file. The types of payments they can add include electricity, water, phone, TV and Internet bills. Comprehensive data is added in real time and we then recalculate the score. It is free to everybody. All you have to do is sign up for membership through Experian.com. I am going to roll a couple of the commercials that accompanied the launch in the US a short while ago.

[Video played]

The screens that you see around the room are live representations of consumers in the US who are boosting their score. Considering that it is quite early, particularly on the West Coast, when you see that flash up, you have to wonder what those people are doing at this time of night, but they are up boosting their credit score, which is great.

You can see the impact this is having. If you pay attention to some of the things that flash up, just to give you an idea, a 10-point movement makes a really significant difference to the cost of credit for somebody. You will see a different colour flash up when people change their score band, which is a really big deal. You can see the impact that this is having in real time, and hopefully it will start going a bit faster as we get through.

Experian Boost generates an audience and triggers an ongoing engagement between the consumer and Experian. That audience usually has credit intents. They are often seeking new credit offers. In fact, they are often for new credit offers because their score has changed. Once the data is added and rescored, we match the consumer to the appropriate financial offer through CreditMatch. The volumes through that proposition are scaling pretty rapidly now. It is an industry-first and a first step in what we think is a long roadmap of future innovations around this theme.

1.6 Latin America

Turning now to Latin America, organic revenue growth was 6% for the year overall, with a very strong fourth quarter, up 13%. In Brazil, we made steady progress in what was a tough year of political and economic uncertainty. It rebounded heavily in Q4, as we signed a lot of deals that were pent up from prior quarters. We also signed the first Ascend deal in Brazil in Q4. Spanish Latin America performed extremely well, especially in Colombia, where we had big market-share gains. Our overall view is that the economy in Brazil is now slowly recovering. Of course, the exciting news is that, after a short interval of about 12 years, positive data has finally been signed into law, and it covers all Brazilians, unless they opt out of the process. That is a significant milestone.

We are going to spend the next several months receiving positive data and building out the database. Under the new law, it will be available in scores and analytical products beginning in October, following a 90-day period of formal communication to all consumers. Positive data, as a lot of you know, enables us to build out a lot of additional products as well as a lot of additional services to consumers. We are doing incredibly well with our consumer business in Brazil. We have now enrolled 32 million free members, up from 22 million this time last year. We are generating revenue across a number of areas, like debt settlement, credit comparison, fraud comparison and B2B2C offers. With the inclusion of positive data, we expect that growth to accelerate.

Our platforms to enable the receipt of positive data and the use of it has been developed and tested, products have been rebuilt and we are ready to roll out our proposition when it becomes law in the second half. We do think that growth will accelerate over time. It will take time, even when we start to receive positive data, for history to be established and for that to drive incremental value in scores in other products, but it is long awaited and it is great news.

1.7 UK and Ireland

Turning to the UK, we made good progress, particularly on the B2B side. Overall organic revenue growth was up 7%. We had overall revenue growth for the year up 4%, with B2B up 7%. Consumer Services made steady progress and is back on a path to growth. In B2B, we had some very important strategic client wins.

Decision Analytics

As context, most of you will know that we have a very large installed base in the UK for our DA products and, in particular, some legacy products like Transact, Probe and Tallyman – names you probably have not heard us mention for quite some time. Over the last few years, we have been on a very careful migration path for those products to the new PowerCurve suite. We have now converted 50% of the legacy client base to PowerCurve. We have a migration path set for the next 35% over the next 12 to 24 months, and then we will deal with the tail. This is a really significant achievement for us and provides great future visibility about the business. Client upgrades and migrations are always an opportunity for clients to look at different propositions, and it is a significant indication of the strength of our business that we are seeing such a strong conversion rate.

Ascend

In addition, Ascend was launched and has had an excellent start, with very encouraging momentum. We closed five contracts in FY19 and have a pipeline of over 40 potential deals. One of the large major banks wants it for their entire underwriting platform across their lending infrastructure. What is going to be really interesting about Ascend in the UK is that, to my point about the PowerCurve conversions, we are going to be able to sell it into a PowerCurve installs. As we have such a strong base in the UK, that gives us a really powerful opportunity as we go forward.

Experian One

The innovation pipeline, not just in the UK but elsewhere, goes way beyond Ascend. Experian One – our Software as a Service proposition – has made its debut in the UK. We have signed our first two clients and have a very big pipeline. I will tell you a bit about our first client, which is quite interesting. It is a very small company that offers training courses and career advice for adults. It has also started to offer funding for its clients, with manual underwriting – people in this small business, who know very little about credit, making credit decisions, so they were looking for a way to digitise that, hence our out-of-box, cloud-based, scalable Experian One proposition, which combines bureau data, identity authentication, fraud protection and flexible decisioning.

In broader terms, it is a great example of a small company that never would have been able to consume or afford the type of advanced solutions that we provide in the credit space if it was not for this Experian One proposition. It shows that, in broader terms, we have a very large market opportunity for small firms offering these kinds of products online and helping them to scale credit in a way that they just could not do. In particular, that opens up a lot of opportunities in SMEs.

Open Data

In the UK, open data is a reality. We have signed agreements and we are in discussions with another 14 clients for our new affordability check – the Trusso categorisation engine, which is gaining a lot of traction. So far, we have one major UK bank using our Verdus platform to power their open-banking effort.

Moving to the consumer side, we were very disappointed that the CMA process did not go to plan and we abandoned the ClearScore acquisition. However, we dusted ourselves off and we are going to focus our efforts with renewed vigour on organic development of the business. Although it is sometimes easy to miss this, given the overall profile of the business for the last couple of years, we are making a lot of progress. CreditMatcher is already the third largest financial-aggregation marketplace in the UK, growing by 56% last year, and we are making a lot of progress. We have a really robust product roadmap as we introduce a lot of new offers this year. As is the case in the US, we are going to position offers around unique-to-Experian propositions, focused on helping people manage their money better by exchanging data for improved outcomes. Across our UK business, the market position has strengthened. We are addressing new opportunities and we see good prospects ahead.

1.8 EMEA/Asia-Pacific

Turning now to EMEA and Asia-Pacific, this is our strongest-growing region, up 14%, and it was another year of double-digit growth. In EMEA, just to give you an example, we closed more deals in H2 FY19 than we did in the entire year just a few years ago, really driven by banks in EMEA. Just like other markets, it is often cloud technologies, and we are really well-positioned with products like Ascend, Experian One and open-data platforms, which we are marketing heavily in those regions.

As I mentioned at the start, we closed the acquisition of Compuscan, which is another big step for us in EMEA. It is going to accelerate our strategic ambitions in South Africa and give us a gateway into sub-Saharan Africa.

In Asia-Pacific, it was another great story. The opportunities, with the expansion of credit, by definition, given the low penetration, are extremely strong. We have seen that in the penetration of our PowerCurve suite in particular. For example, Indonesia is a market we have been very successful in over the last couple of years. Less than half the adult population have a bank account, yet they will soon have the third-largest middle class of any emerging economy. A lot of consumers still get rejected for credit, due to the lack of data, but we know that the vast majority of consumers in southeast Asia connect to the Internet via smartphones. By partnering with major mobile-service providers, we can directly engage with and access data.

We are partnering, as we have mentioned before, to create something called data marketplaces to bridge that gap. This year, we signed two major new deals with C88 and Jirnexu in Indonesia, the Philippines and Malaysia, and these marketplaces allow us to score more people using non-traditional data. The result of that is that we have increased acceptance rates for credit offers, unsecured loans, credit cards and insurance, and millions and millions of people are now getting more access to affordable credit. Steps like these are new and innovative and are helping us to expand, on top of the additional initiatives that we have across Asia-Pacific.

1.9 Summary

To sum up, it has been a great year and we think there is much more to come. We do sit in a very interesting spot, with a lot of opportunities in a very dynamic industry. We have core capabilities which, we believe, put us in a unique position to take advantage of those growth opportunities. We are now deploying new solutions at pace and scale across multiple markets and we are also putting consumers evermore at the heart of our strategy, accessing large audiences while, at the same time, expanding competitive advantage through consumer-contributed data. Our focus now is on executing this plan across our geographic footprint and sustaining our growth into the future.

With that, I am going to hand over to Lloyd.

2. Financial review - Lloyd Pitchford, Chief Financial Officer, Experian

2.1 Introduction

Thanks, Brian, and good morning, everyone. I will start, as usual, with a recap of our financial metrics. As Brian outlined, we have made some great strategic, operational and financial progress in the last year, sustaining the high rates of growth and finishing the year very strongly. Our B2B portfolio delivered another strong year, with excellent progress across a range of new product introductions, benefiting from the innovation investments that we have talked to you about in recent years. Consumer Services also progressed well, with strong momentum behind our new consumer products and also in our Partner Solutions business. In line with the guidance we outlined a year ago, we progressed our margin by 20 basis points at constant currency, with another strong year of cash conversion, and we ended the year in a strong financial position, at the bottom of our leverage guidance range and with our facilities extended.

2.2 Highlights and Trends

Turning to the highlights, we had a great end to the year, with organic growth in the fourth quarter at 10%, which brought both total and organic growth for the year as a whole to 9%. As expected, we saw a 3% drag from foreign exchange at the revenue level. Banking EBIT grew double-digit at 10%, and margin was up 20 basis points at constant currency, as the benefits of the productivity programme more than offset the increased investments in new products and technology. Benchmark EPS grew 9% at constant currency and 4% at actual rates, in line with the FX guidance we gave earlier in the year. Cash generation was strong, with 97% operating cash conversion. The board, as Brian outlined, has approved a 4% increase in the full-year dividend.

In terms of organic growth for our B2B business, growth across the portfolio has been consistently strong and reflects the momentum behind the innovation investments that you heard Brian outline. We saw a great finish to the year, with 11% growth in the fourth quarter, bringing organic revenue growth to 9% for the year as a whole. Within that, we saw strength in B2B across all of the regions, but particularly strong in North America and EMEA/Asia-Pacific. In the fourth quarter in particular, we saw double-digit growth in both the UK and Latin America B2B businesses. For the year as a whole, our global Decisioning businesses, which represent well over $1 billion in revenue, grew 14% organically, as we saw some really strong momentum in Decision Analytics across all regions and, as you heard from Brian, another year of double-digit growth in our Health business.

Our consumer business has grown consistently through FY19, with organic revenue growth of 6% for the year overall. The US consumer business progressed well, with growth of 8% in the fourth quarter. In the UK, we have made steady progress and were down just 1% in the fourth quarter and stable at the turn of the year. Our strategy across the businesses of diversification is going well, with very strong growth from those new products in lead generation and identity protection.

Looking at quarterly growth by region, North America was consistently strong and we maintained the high-single-digit growth rate in Q4, even at the annualisation of the Fanny Mae contract for Trended Data. Financial Services revenue grew double-digit in the fourth quarter. Latin America delivered double-digit growth in Q4, with a very strong quarter in Brazil and continued strength across the Spanish Latin America region. The Brazil performance for this year was heavily Q4-weighted, when we landed quite a number of contracts which had been pending discussion earlier in the year and pending the outcome of the political and economic uncertainty. It was great to get that growth landed within the fourth quarter. As to the year ahead, we probably expect to start more in line with the average for the year as a whole in Latin America, given that phasing in this last year.

In UK and Ireland, B2B was the main driver of growth, ending the year strongly with a number of decisioning deliveries finalised in the fourth quarter. The Consumer recovery really masks the B2B trends a little, and we had a very strong Q1 this last year in B2B decisioning, when we won a number of large contracts, and a similarly strong exit in the fourth quarter. As we lap that strong Q1 in Decision Analytics, we fully expect to start the year and Q1 in the UK in low single digits.

We see consistently strong growth rates across EMEA and Asia-Pacific from the marketplace development and also Decision Analytics wins.

2.3 North America

Looking at North America, I will comment on performance at constant rates. Organic revenue growth was 10%. In data, there as strong growth from Consumer Information market, driven by growth in core profiles, Trended Data and mortgage, and the great momentum that you heard from Brian in Ascend. Auto also performed strongly, growing double-digit as it benefited from new product introductions across the dealer network.

There was also significant growth in our decisioning business. Decision Analytics performed very strongly, growing double-digit, as we secured multiple wins in software. Analytics, as well as fraud, identity management and health, delivered that eighth successive year of double-digit growth.

In Consumer Services, we saw great progress, with considerable momentum in IdentityWorks and a rapidly growing contribution from CreditMatch, the lead-generation product. For the year as a whole, these two new products generated over $80 million in revenue and exited the year on an annual run rate of over $110 million, so you can see growth momentum from those two new products. We also saw good growth in Partner Solutions, our B2B2C business. At the end of the year, we concluded the acquisition of AllClear ID, which provides breach and pre-breach preparedness support to customers.

Tying all the financials together in North America, the strong revenue growth translated into very strong EBIT progression and we reported 90 basis points margin progression, benefiting from our productivity programme and the strong growth in the consumer business, while we continued to invest behind the scaling of our new products inside B2B.

2.4 Latin America

For the full year, the region grew 6%, with Brazil growing at mid-single digits. FX landed with a 15% headwind to Latin America revenue overall. There was good growth in data across both Consumer and Business Information in Brazil, as we secured multiple wins across several large clients, which helped offset our weakness in our mid-market vertical. Spanish Latin America had another strong year, where we secured new and expanded mandates for our B2B platforms.

In our consumer business in Brazil, we invested strongly behind the expansion of the consumer base in advance of the move to positive data. We currently report the consumer business within data and it performed very well, as we monetise our free-membership base with particular strength in the Limpa Nome and eCred product lines.

The diversification strategy that we have in Brazil, which we talked about a few years ago, continues. Decisioning progressed very well, up 23% across Latin America, reflecting the strong demand for software, analytics and scoring in Brazil and across the broader Latin America region.

The margin reflected the mix of growth, the FX headwind and the investments behind our consumer business.

2.5 UK and Ireland

B2B growth was 7% and the consumer business declined by 4% for the year overall. There was good growth in data, driven by our strength in our pre-qualification service and growing contribution from affordability services through our open-data platforms, as well as solid progress in core credit volumes.

Decisioning performed strongly, particularly in the first and fourth quarters, as I mentioned, where we had a number of large software wins and renewals, and we also saw strength in analytics.

Consumer Services improved through the year and exited the year in a stable position. The rate of decline in membership revenues continues to moderate, while CreditMatcher delivered very strong rates of growth, as you saw in Brian's presentation. For the year ahead, we have a great pipeline also of new products to bring to the market from our US business.

2.6 EMEA/Asia Pacific

EMEA and Asia-Pacific performance very strongly, up 14%, with double-digit growth in both EMEA and Asia-Pacific. We saw great strength across both EMEA and Asia-Pacific, especially in our high-potential markets in Asia and Africa. Individually, there were some very strong country performances, including India, where we grew 60%. Southeast Asia was up 40%, Turkey and the Middle East 52% and South Africa 26%, so some very strong scaling performances from some of our emerging countries.

Data was up 4% in total, with strength in our bureaux in southeast Asia offset by some softness in our European bureaux. Decisioning was very strong, up 21% overall, driven by multiple business wins for software and analytics, as well as the great progress we have made in marketplaces this year, as we onboarded the new partnerships with C88 and Jirnexu in southeast Asia.

2.7 Benchmark EBIT Margin

Looking at the EBIT margin, overall our operating margin progressed in line with the expectations we set out at the start of the year, with constant-currency margins up 20 basis points. We made strong progress in our productivity initiatives, which allowed us to invest more of our growth back into organic investment. As part of that, during the year, these productivity initiatives meant that our full-time-equivalent headcount increased by just 1% compared to our organic revenue growth of 9%.

Starting the year from our rebased prior-year margin of 27.1%, progress in North America reflected the good operating leverage as well as the increased investment behind the significant new products of Ascend, IdentityWorks, CrossCore and Experian Boost.

Latin America margins increased modestly as underlying margins offset higher investment in the development of our consumer business ahead of the move to positive data.

We made good progress in EMEA and Asia-Pacific as these regions continued to benefit from improving scale.

The UK reflected the revenue decline in Consumer Services but also a higher net investment, including our preparedness to introduce our new platforms to the UK region.

'Other' reflects the central investment in our global scaling teams and also a negative contribution from our associate interest in cross-channel marketing, where we disposed of a majority stake a couple of years ago. That business contributed a loss of $4 million in FY19 versus a $3 million in FY18, as the current majority owners invest to restructure that business.

We expect a similar result from that associate in FY20. Just as a reminder, our principle route to monetising that investment is via a future disposal.

Taking all of that together, the EBIT margin was up 20 basis points at constant currency and down 20 basis points after a 40-basis-point FX headwind.

2.8 Benchmark EPS

Turning to EPS, rebased IFRS 15 EPS was 94.4 cents. Growth in benchmark EBIT from ongoing activities was 10%, reflecting the strong organic revenue growth and the operating leverage. Interest expense increased to $113 million with the rises in market interest rates. The tax rate was 25.5%, in line with the prior year. This year, non-controlling interests reflected the strong growth that we have seen in MicroAnalytics, and we saw some statistics on that in Brian's presentation. We own a majority stake in that, so we see the minority stake for that growth in the income statement. We saw a benefit from the share-repurchase programme, with a weighted average number of shares at 904 million. EPS was, therefore, up 9% on a constant-currency basis, continuing the EPS progress we made from the prior year. After the FX headwind, reported EPS was up 4%.

2.9 Statutory Results

Looking at our statutory results, in comparison of our benchmark to statutory, the things really to pull out on the slide are the other acquisition related items, mainly the step up in fair value acquisition consideration, which is where some of our acquisitions are ahead of buy case, which we are happy with the P&L. Exceptional items we have used substantially from the prior year, when we incurred some one-off legal expenses, and the non-cash financing re-measurements you are familiar with are really around the non-cash foreign exchange re-evaluations on our Brazilian real funding.

2.10 Cash Performance

Turning onto cash, we had another strong year. Cash generation strengthened in the second half of the year to give another strong year of cash conversion at 97%, with growth of benchmark operating cash flow of 11% at constant FX. Our free cash flow of $907 million was 102% conversion of benchmark earnings to cash.

2.11 Capital Framework

Looking at our Capital Framework we continue to invest organically across a broad range of the activities, including technology transformation and innovation, new product developments and the growth initiatives you have heard us talk about. Organic capital investment for the year was 9% of revenue.

We completed the acquisition of AllClear ID near the end of the year and made a number of other minority venture investments. We also announced the acquisition of Compuscan, which completed at the end of April in FY20.

We raised the full-year dividend by 4% to 46.5 cents per share, reflecting the momentum we are seeing in the business and a strong outlook for the year ahead. We completed £215 million of share repurchases by year end, at an average price of £18.22. We took advantage of market volatility during the year to exercise the programme. In the year ahead, including the carry over from last year's programme, we expect to complete around $400 million of purchases, of which we would expect around $250 million to be accretive. We continue to report strong return on capital employed, which was 15.9%, up 40 basis points during the year.

2.12 Investment in Technology and Innovation Driving Growth

Turning to capex, I wanted to give you a little bit more understanding of the makeup of our organic investments. Historically, a significant portion of our capex has been on our data assets, representing over half of our FY16 capital investment. Over the last four years, as you can see on the slide, we have been investing significantly behind our technology and innovation programme. You can see the proportionate increase of our investment we have been making in infrastructure and new product development. These two categories now make up over 60% of our overall capital investment programme.

On the right hand side, you can see this investment has delivered significant growth from a broad range of new products. I have highlighted here some of the major platforms we have talked to, but the other category also includes a broad range of new innovation. The chart includes the growth from products introduced in the prior two years. With the significant potential for growth as our markets expand and technology creates addressable markets around us, you will see us continue to prioritise organic investment to generate growth and value.

2.13 Net Debt Reconciliation

Further on the balance sheet, we ended the year with net debt of $3.3 billion, down $100 million since the start of the financial year. Our net debt to EBITDA at the end of the year was two times. If you adjust for the Compuscan acquisition, it would have been 2.1 times, which is well within our two to 2.5 times guidance range. During the year we issued bonds maturing in 2024 and 2029, and extended the average duration of our debt and our bank facilities to 2023.

2.14 Minority and Associate Investments

Updating this slide, our minority investment programme that I talked to you about at the half year. In the first half, we invested in C88, the parent of CekAja.com, one of south east Asia's fastest growing comparison sites in Indonesia and the Philippines. We also made smaller investment in the year in early stage health decisioning with our business Madaket. In the second half, we also took stakes in Jirnexu, Malaysia's leading comparison site for financial products. Aire labs operates an online platform, enabling users to create personalised credit scores and get access to financial products. TrueData provides a mobile data platform that helps digital advertises generate user insights and data for mobile advertising.

Our investments you can see on this page are already generating significant value through the commercial relationships we have with the businesses. You can see that really through our partnership with Finicity to launch Experian Boost, and the marketplace collaborations across Asia.

2.15 Modelling considerations

Looking ahead into some modelling considerations for FY20, as you have seen, we continue to expect momentum next year, with revenue growth again in the 6-8% range, starting in the lower half of the range, as Brazil reverts to trend and as we lack a strong decisioning comparable in the UK in the first quarter. The acquisitions of AllClear ID and Compuscan will add about 1% of revenue to the year as a whole, and we expect EBIT to grow at or above revenue growth, with another year of modest margin progression, as we continue to invest strongly behind scaling our new products and increasing consumer offerings and consumer engagement across the business.

Next year, we will be transitioning to IFRS 16, the new standard for leases. There is not expected to be a material impact to the group. Based on our current operating lease, our portfolio, the impact is an increase of about $10 million on net interest, offset by a reduction in operating costs of about $10 million, so no impact on our overall bottom line. At recent rates, we expect only a moderate FX headwind, at a little under 1% to EBIT. We expect net interest to be around $135 million, and that reflects increase in market rates and the $10 million impact from IFRS 16. Benchmark tax rate will be around 26% and cash tax will be in the low 20% range. We take into account the share repurchase programme that we announced today. The weighted average number of shares is expected to be in the region of 900 million for the year ahead. We expect capex to be around 9-10% of revenue, as we continue to invest behind the innovation and technology programme.

2.16 Summary

To summarise, we have delivered really good financial and strategic progress in FY19, with a strong finish, strong growth in revenue, constant currency EBIT margin progression and strong earnings per share growth. As we move into FY20 with strong fundamentals for the business and good momentum, we expect another year of revenue growth, EBIT growth at or above revenue growth and further strong progress in benchmark earnings per share, all at constant currency. We will continue to apply a capital framework, investing in innovation and strategic initiatives to drive long-term shareholder value, given the expanding markets you have seen that we are operating in. With that, I will hand you back to Brian.

3. Concluding remarks – Brian Cassin

Thank you, Lloyd. To sum up, FY19 was a great year in our addressable markets. We have made great progress and we think we have expanding opportunities, a lot of growth opportunities coming from the major trends we talked to you about. We have the solutions technologies, the data and the tools to really play into that. We operate on a wide geographic footprint. That gives us tremendous opportunity to scale our propositions globally. We are very focused on that. We look forward to the next year with some excitement and confidence as we head forward.

One final note before we move to Q&A is to just mark that this is the last set of results that we will have the pleasure of the company of Peg Smith, who is retiring from Experian after 42 years of outstanding service. I think that all of you in the investment community know Peg. I am pretty sure that none of you would really understand what Experian does without Peg. She has been a fantastic servant to the company, been a great servant and help to all of us in the management team, and we just want to express our deep gratitude for everything she has done and recognise her achievement. Thank you, Peg. With that, I am going to invite Kerry up to the stage and we will move into Q&A.

4. Questions and Answers

Paul Sullivan, Barclays
Just a couple from me, firstly, the US B2B growth in the final quarter slowed a little more than I think we expected. Could you just talk about market conditions behind that? The lower end of the 6-8% group organic growth for the year ahead, given the exit rate, would seem very conservative, so is there any colour on the moving parts there? Secondly, on Brazil, how meaningful do you think positive data could be? How excited should we get about the opportunity there and over what timeframe? Can you help us to quantify or frame the opportunity in any way?

Lloyd Pitchford
I think the majority of the Q3 to Q4 in the US is really the end of the lapping of the trended data contract. We said, when we talked to our Q3 results, that we expected the US overall to be 7-8% in Q4 and we came in at the top end of that range, so, if you take the trended data out, it is very consistent high single digit growth. As we look out across the year ahead, we expect North America again to be very consistent and strong in that high single digit range for the region as a whole.

On the 6-8% range, if you look at our 9% this year, you take out the trended data and the one-off breach, you are in the 7-8% range. Clearly, going into the year we have a range of our forecasts, just as we did going into this year, so that is where we are starting the year and we will see how we progress.

Brian Cassin
Just coming back to the Brazil question, the answer is I have been excited about positive data for about 12 years, but I think the time has finally arrived when the lull has passed. We do think it is going to give tremendous opportunities to our business. We think we are well positioned. It ties into a lot of the things we have been doing, the consumer services push we put in the last couple of years. We now have 32 million members on that platform. There is the strength of relationships that we have, the data superiority that we have, the negative data, which is going to be a big advantage for us going forward as well. I think there is just a ton of opportunity there.

I think the question is always going to be timing. It has always been a question of timing in Brazil, but I think more nuanced. First of all, it is October before it really becomes operational. We then have to build up the history of data, because it is from that point on, not looking back. It will take time for the data sets to build. What we do know is that we have collected a significant degree of positive data off our own back, roughly about 12 million consumers, so we have already developed propositions on the back of that. We know exactly what kind of solutions we will go to our clients with and we know that we will be able to generate new revenue streams off that. I will just ask Kerry to add a bit more colour to that.

Kerry Williams, Chief Operating Officer, Experian

I think that is right. I think we are going to see near-term opportunities in our consumer propositions because the positive data obviously will make it more attractive for the consumers to access our free offerings and then things we have planned over the top of that. Then, as Brian said, the historical build up of the data to incorporate into the models for the financial institutions will just take a little bit of time, so that will progress over the next couple of years.

Andy Grobler, Credit Suisse

Just a couple from me, if I may. On slide 3 you showed your addressable markets. How much of those markets are you currently engaged with? How much in any scale, and how much is a new opportunity over the next two to three years? Secondly, in the UK, what have you seen in terms of competitive response from the likes of MoneySuperMarket, which is bit more active, that is potentially impacting your business?

Brian Cassin

On the UK, is that business overall or specifically?

Andy Grobler

The matcher products and the B2C products.

Brian Cassin

Addressable markets. I will give you one example. I think the number we had on the slide was $10 billion for decisioning. The actual potential market for decisioning products is actually much bigger than that. We think that $10 billion directly addresses markets that we can attack with the products we have or are about to introduce into markets. I mentioned the PowerCurve suite grew by 60% last year. It has been fantastic growth. We are, I think by far and away, the number one provider of large-scale decisioning systems to tier one and tier two institutions globally. Experian One is really the first chance we have had to turn that incredible capability into a broader set of customers, who frankly could not afford the time or the money to engage in something as comprehensive as PowerCurve. That is why I gave you the example of the small trading company. There is no way they would even have been able to entertain anything like a PowerCurve proposition; it just would not make sense. SaaS based solutions really open up that opportunity for us. That is where we see that market opportunity expanding quite significantly, 10 billion is the market opportunity for Decisioning across many verticals. We are counting financial services, telcos and utilities, i.e. the places we traditionally sell to. That number is absolutely realistic. Of course, how well we do within that is down to us, but I think we are doing pretty well so far.

Andy Grobler

The 10 billion is out of the 110 billion.

Brian Cassin

10 billion for Decisioning, yes.

Andy Grobler

It is 10 billion for Decisioning. If you can quantify it, how much of that are you active in right now? How much is new? You have talked about Decisioning, but I mean across the broader spread.

Brian Cassin

Off the top of my head, I do not have the split between what we call tier one and tier two Decisioning. I am going to say that tier one and tier two probably have a market opportunity in the order of $2 3 billion overall. We have a significant share of that today. The rest is really as we start to penetrate further down into broader applications.

Andy Grobler

Okay, and then I would come back to the question on the UK.

Brian Cassin

You mean in terms of increased competition. I think we have had this question before. The UK is a very competitive marketplace in the Consumer space. We have some existing incumbents there, but we should not overlook the fact that, from nothing a few years ago, we have built almost 6 million free consumer relationships. Our CreditMatcher product is now the third largest in the UK. Frankly, we see no let up in the momentum behind that. As we start to look at some of the propositions we have in the US and elsewhere and we leverage that into the UK, the strength of the brand and the relationship we have and the position we sit in gives us a huge amount of opportunity. You cannot take anything for granted. It is going to be very competitive; a lot of people will be looking at this. We expect that we are going to be able to hold our own just fine, however.

Alex Mees, JP Morgan

I have two questions, please. Firstly, headcount is up by 1% in FTEs. Do you see this as sustainable? If so, what does it mean for margin? Secondly, how have the headcount trends varied by region within the year? Thirdly, on ClearScore there was clearly a disappointing outcome. I wonder what the lessons learned there are. Do you see the UK as less of a market for M&A now?

Brian Cassin

Kerry, do you want to take the headcount one?

Kerry Williams

Yes. Headcount is going to vary in any given year depending on where our opportunities are, but it is part of our plans to maintain the trend at where it has come from in FY19 going forward. We think the productivity measures we have put in the Company, the technology we have leveraged in the Company and the capabilities we have to take to market position us very well to be able to sustain good productivity numbers in the headcount area.

Brian Cassin

On the ClearScore question, I also sit on the board of Sainsbury's, as most of you know, so I have had a lot of experience with the CMA over the last 18 months. There is no doubt that there is a tougher stance being taken by the CMA. You only have to read Andrew Tyrie's letter to Greg Clark to show that they are going to take a much more stringent view of consolidation in the UK marketplace. We did not agree to the CMA's approach to this. We still do not think they are right. They took a view that somehow in combination we would have a disincentive to innovate in what is one of the most competitive marketplaces you can think of. As I said, it would have been nice to have completed the ClearScore acquisition. We will continue with our own initiatives and continue to build the business organically.

George Gregory, Exane BNP Paribas

Good morning. I have a couple of questions on Boost and one on your broader EM strategy. Firstly on Boost, you talked about the 600,000 consumers who have seen their scores boosted. Could you talk a little bit about how that is converting and what you have experienced in terms of being able to up sell those consumers into profitable products? Secondly on Boost, you have utility and telco data now. What are the hurdles to adding more data? Are the hurdles self imposed by Experian? Is it an FCRA regulatory issue that is preventing perhaps income data being scraped by Finicity.

I have a final strategic question. What is your strategy for emerging markets where we are seeing online payment companies internalise transactions? How do you see Experian playing potentially in those markets in the long term, please?

Brian Cassin

Lloyd, do you want to deal with the conversion rate in Experian Boost?

Lloyd Pitchford

Yes, I think the way to think about our Consumer business is in terms of how we generate traffic and how we, within the ecosystem, cross sell into various different things. Boost is a great way of engaging with the consumer by bringing them in and showing them how they can increase their score while also keeping them engaged on an ongoing basis. That traffic and engagement converts, and it will convert into product introductions through CreditMatcher but also cross sell into the identity product. You saw a bit of an uptick in our identity onboarding membership during the first quarter. So it is a bit early to say, but anything that generates traffic and drives engagement will drive options for us to monetise.

Brian Cassin

Kerry, do you want to talk about the FCRA point?

Kerry Williams

One of the things to remember with Boost is that we started with the ones that were the most straightforward for us. We have a whole roadmap of additional items that we will expand and introduce to the product going forward. We are in the early days of what we are going to do with our consumer engagement, not only in the North America market but in other markets. It will continue to expand over what we have introduced in this first phase.

Brian Cassin

There was a final question on Asia Pacific. I think this is really interesting strategically, because a lot of the organisations you are talking about – I will not name them – are actually coming to us to power those opportunities. A lot of that is because they are seeing what we are doing with things like Marketplaces. They are seeing that as a significant business opportunity for them. If you think about some of the commerce platforms in Asia Pacific, none of the organisations that are members of those commerce platforms have banks, but they have a need for credit and they are often getting credit through informal mechanisms. So the runway of growth for that is very significant.

By the way, it is not mutually exclusive. It is not that the payment guys are going to win or the commerce guys are going to win. Actually, the incumbent banks are going to see a lot of growth as well. This is why initiatives like being able to score people using alternative forms of data are really key developments for us, and we are in a great position. I think that will drive additional growth.

Kerry Williams

If I could add to that, it is very good for us from a long term perspective to see online payment companies or commerce companies develop lending capabilities, because these are emerging markets. In the early days, it is perfectly acceptable for them to be able to lend to a consumer, but, as that market develops, you are going to need visibility into all of the lending that is going on in that market. The regulators are going to need to be able to see it; the banks are going to need to be able to see it. As that continues to develop and there are multiple points of lending going on in that emerging market, it creates opportunities for our business model. So we are participating at the very beginning, but, as it develops, it creates a lot more opportunities for us in the future. When we see those things developing, it is a good thing from our perspective.

Brian Cassin

We will go over here, and then we will go to a question on the line.

Tom Sykes, Deutsche Bank

I have three questions, please. The first is on the Consumer margin. It looked like it was up less in H2 on a bigger increase in revenues. I was just wondering why the drop through was a bit lower in Consumer in H2. I also have a question on FTEs. I think labour costs were up by 6% on an FTE increase of 1%. It seems that some of that number is the incentives, which you have perhaps spoken about, but what is the level of wage increase and investment in higher paid people?

Thank you very much for putting the slide up on capex, but, obviously, your internally generated software number has gone up quite considerably over the last couple of years. I wondered what proportion of that is made of personnel costs. I assume it is a large percentage. Can you say what proportion of your software development costs you are capitalising, please?

Lloyd Pitchford

Let us take Consumer margin first. Clearly, for the year as a whole, we had quite a lot of new products to launch in the second half, so we saw more marketing in the second half, and particularly in the final month or so of the year. That was really driving the Consumer margin position.

On FTE and the 1%, you have seen that we have had quite a broad productivity drive in the Company. We have trained and certified close to 1,000 people on Lean Six Sigma. We have had a robotic process automation programme, which is developing through the business. That is really helping us to scale without the need to add total heads. You are seeing the benefit of that in our ability to invest more back in the business. Salary growth includes incentives. Obviously, you are seeing that, as you automate some of the more routine roles, the average cost per employee increases a little bit faster than the overall cost, but we think the programmes we are putting place are sustainable; we will drive growth more through technology than headcount growth.

On capex, I know there has been some comment on how our capex and depreciation has changed over the last few years. If you were to look back to FY11, you will see that our capex as a percentage of revenue has varied. It has gone from 8% up to 10%, down to 7% and then up to 9%. If you do the same trend line on depreciation, you will see that it follows a similar trend but with a three to four year delay. It is very normal in that range. What you have seen in the last few years is that much more of our focus has been on infrastructure and, particularly, product development. You have seen the benefit we are seeing there in our growth rates. You will see, again, a continued focus on that in the year ahead. Internally capitalised software will be a big part of that, and a portion of that, clearly, is our people cost.

Tom Sykes

Could you say approximately what proportion of your software costs you are actually capitalising? Obviously, there are differences within software companies in terms of whether they capitalise all of it or expense it through the P&L. I am just trying to get a feel for what the total software development costs for you as a Group would be and what proportion you are capitalising.

Lloyd Pitchford

There is no rule of thumb there, Tom. You look at each individual product. Is it more like maintenance capex? That would be through the P&L. Are you significantly enhancing the value of the asset? If so, we would capitalise that. In a world of agile development, you are doing both big platform product development and also agile feature enhancements. It varies for any individual product in any individual year. So I will not give any individual guidance on that.

Brian Cassin

If you want, perhaps we can pick it up afterwards. Let me go to a question on the line.

Brett Huff, Stephens

Good morning and thank you for taking my questions. My first question is on Decisioning. You have a $1.3 billion business growing at, I think, a remarkable 14%. I am curious as to what the key drivers or, I guess, use cases would be for the success of Ascend, the fairly quick 50% upgrade from old systems to the new PowerCurve systems in the UK and, I guess, just PowerCurve's success in general. Is there a killer app or a vertical that is really driving that update that we should watch?

Brian Cassin

Thank you for the question. I think the figure that I referenced for PowerCurve of 60% growth gives you a good indication. We have talked to you over a number of years about the power of that platform. If there is one killer app in the whole suite, it is called Strategy Manager. By far and away, it is the most flexible and best platform for large scale decisioning which is in use

across tier one and tier two clients. We have that as a core component of pretty much every module that we have. When we introduce things like collections, we have that embedded as part of it. People are very familiar with it.
One of the great things about our products is that, if you are sitting in a risk department and using them, they are configurable by the user. The risk professionals can actually design their strategies and make changes without having to involve the internal IT department. That is a big, big difference. It has always been one of the advantages we have. Of course, it works; it is robust; it operates on a large scale. A huge proportion of the risk community worldwide is very familiar with this platform, and it has a tremendous reputation. That is part of the reason we are doing really well in every territory with it.

Lloyd Pitchford

Brett, I would add that the power of the integration of our tools is also really starting to land. You saw us talk about the cross sell in the North American market, where we have a lower install base for PowerCurve, the cross sell from Ascend into PowerCurve and, as Brian talked about, the cross sell from our big install base on PowerCurve into Ascend. We have always talked about One Experian as being the integration of our products. None of our competitors have the breadth of capability in different markets that we have. They have to partner with other companies to do that. We can bring to bear the power within our single company. Increasingly, we are seeing that that is what clients want.

Brian Cassin

There is one thing I would add. One thing that goes across all of our products like PowerCurve, CrossCore and Ascend is the deep understanding across the organisation not just of credit risk, authentication and customer management, but we also have a deep understanding of how the people within those parts of these organisations use these products and what they do on a day to day basis. They are designed really closely with that user in mind. That is why they are so successful.

Brett Huff

That is helpful. I just have one quick follow up. You mentioned that lead generation was a $50 million business, which sounds like a great success so far. Then you talked about the $110 million run rate for IdentityWorks and CreditMatcher. I put all of those similarly together. If we look at that 160 million, does that come out of the Consumer TAM that you articulated on the earlier slides or is it a mix of Consumer Information and Identity? I am just trying to figure out where we are from a share point of view and trying to see where the $160 million comes from.

Lloyd Pitchford

I guess I would put it into two categories. If you think about the identity protection market in North America, we have said that we think the total market is about 2 billion, so clearly we have a little under 5% of that market. We sized the lead generation market at 3 billion about a year or so ago. We thought it would go to 7 billion. Again, we have a very small part of that market today. It is a rapidly growing market. We see a long runway and a lot of brand resonance with our clients in both of those two markets, Brett.

Brett Huff

Thank you. I appreciate your time.

Rajesh Kumar, HSBC

I have three questions, if I can. On the PowerCurve piece you very helpfully gave a 60% growth figure, but you also mentioned that you are retiring some of the legacy platforms at the moment. When you think of your overall growth in the B2B space, there is a component of selling into new customers and selling new products, there is a retirement rate and then, on top of that, you are adding more modules into existing contracts. If we were to look at your growth run rate, how would you split this between the three? I do not need an exact figures; I am just looking for an order of magnitude to help us think about the growth equation going forward.

Brian Cassin

That is the actual growth number for the year. PowerCurve is one product within our decisioning suite. That is growing strongly. We have legacy products which, as we said, we are retiring, like Transact, Probe and Tallyman. We do not sell Tallyman anymore; we actually sell PowerCurve Collections. We still have installations of Tallyman, though; people love it. It is a bit old. Some of those legacy products are declining, but it is being massively outstripped, because people are upgrading from Tallyman to PowerCurve Collections and from what was Strategy Manager into PowerCurve Strategy Manager or PowerCurve Originations. So in some ways we are seeing a continuation in growth in spend, but product by product we see big variations. Overall, the growth is really strong.

Lloyd Pitchford

Probably the easiest way to do it, Rajesh, is to look at Decision Analysts within Decisioning. We had a great year in Decision Analytics this year. It grew 19% globally. For a business that is close to three quarters of a billion dollars to grow at that level, you can see that there are a lot of new client wins in our product portfolio there.

Kerry Williams

Finally, the UK and Europe/EMEA are the only two markets where there is any scale of replacement in terms of upgrading someone from Transact of Tallyman to our new suite. It is not North America; it is not Latin America; and it is not Asia Pacific. If you want to think a little bit about our opportunities and what is going on, when you look at those other markets you get a good flavour of new sales versus upgrades.

Rajesh Kumar

When we think about the growth, then, inferring from what you have just said, if I said that a third of the growth was coming from upgrades, a third of the growth was coming from new customers coming onto the platform and a third was coming from up selling, would that be a fair characterisation? Is it largely due to more contracts and up selling more modules?

Lloyd Pitchford

The majority of the growth is coming from new penetration into new clients or new modules into new clients. The power of our data just has a lot of option value for our clients, if they can get the technology to use it better. What our products are really doing is unlocking that option value for clients. As technology is enabling that, the demand is stronger.

Kerry Williams

To close the point on FTE that we had over here, in terms of implementing these products and the new technology architectures that we are using, we have taken the number of man days to implement these products and we have cut them by 75%. Our ability to do throughput on these implementations is drastically increased with our new technology architectures and the new productivity measures that we have been putting in place. That has helped, with our velocity, to be able to put more sales on the board with, essentially, the same amount of FTE.

Rajesh Kumar

If you were to launch more modules, you could sell those to the customers you already have; you could get future growth by adding additional modules to the existing setup.
On the Boost product, what does it do to the competitive positioning of the quality of data you have? Are there any B2B applications apart from cross selling or lead generation? Are there any B2B applications of getting more data in the system when you do a Boost contract?

Kerry Williams

It gives us a higher quality and breadth of data, and it gives us a competitive advantage.

Rajesh Kumar

Is this something you would explore in Brazil while collecting positive data? Can that strategy be applied in Brazil, when you are going to collect positive data?

Kerry Williams

Yes

Brian Cassin

It can be applied everywhere, and that will be our intention.

Giasone Salati, Macquarie

First of all, congratulations. Gamifying credit ratings with Boost is an amazing result. I find myself attached to the screen and cheering when somebody gets a better score.
Now, with all the excitement of new products and 9% organic growth last year, I have a question on the guidance. Let us take the midpoint of 7% organic for this year. Are you being conservative? Is there some phasing of product launches? Maybe this is an impossible question to answer, but, if you were giving us guidance for 2021, would the midpoint be 7%, 8% or 9%? I am not even sure I expect a direct answer, but you see where I am going.

Brian Cassin

I can never make you happy.

Lloyd Pitchford

We will reconvene back here in a year’s time to talk about that. Going into this year there were a range of outcome levels, as there are in every year. We guided the situation and saw strength on a tough comparator in the fourth quarter and we have outperformed that guidance range. Going into this year, there are a range of views from you all in the room, depending on your different views of the economic position. We feel confident with the new products we have, and we think 6 8% is a good range to start the year. I think you have seen the breadth of new product innovation that we have put in and the contribution that is making towards our revenue growth. That means we are facing the year with confidence.

Ed Steele, Citi

I just have one question. Could you give us a flavour for the discussions you are having with banks in Brazil in anticipation of the change to positive data? Are the big banks excited? Are they a bit wary, because credit spreads could come under pressure? Are the entrepreneurs, small businesses and new market entrants eagerly knocking at your door to get that data, please?

Kerry Williams

The different industry players have different perspectives on positive data. The retailers – they are a very large portion of our business in Brazil – are very excited about it, because it is going to make credit available to more consumers. As you will recall, there is a very pervasive lending environment in the retail sector in Brazil to allow consumers to purchase goods. So the retailers are quite excited about it. Smaller and mid sized financial institutions are also very excited about it. I think the larger financial institutions would be split internally. Some areas of their business would be excited about having access to the data, and I think other areas would be a little bit like, 'Okay, what is this going to do? We have such a strong position in the marketplace.' They would have a little bit of concern around that.

When you go outside of those four or five very large financial institutions, you typically have lots of very positive conversations and excitement going on in the marketplace today. Again, to remind you, those four or five large financial institutions are 14-15% of our total book of business. The vast majority of our book of business is excited about positive data coming into the market.

5. Close - Brian Cassin

Thank you all for your questions and your attention today. We look forward to seeing you later in the year.