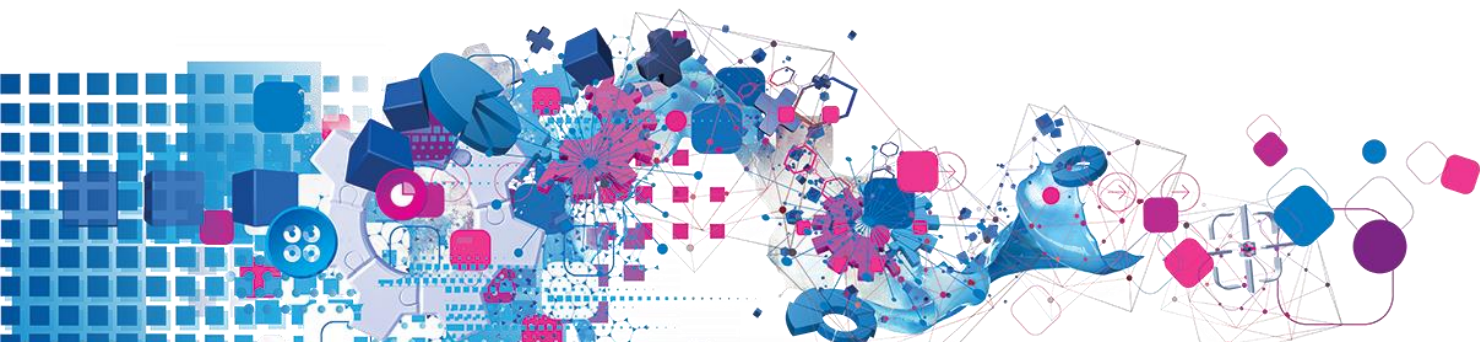




# Full year results FY20

20 May 2020

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# Contents

1. Opening remarks - Brian Cassin, Chief Executive Officer, Experian .....	3
1.1 Introduction.....	3
1.2 COVID-19: our response.....	3
1.3 FY20 results highlights .....	3
1.4 We ended FY20 strongly with +10% organic revenue growth in Q4 .....	4
1.5 FY20: successfully scaling multiple innovations .....	5
1.6 ...and engaging millions of consumers .....	5
1.7 Resilient April .....	6
1.8 North America – an illustration of some key trends .....	6
1.9 Areas of heightened client demand .....	6
1.10 Propositions to maximise emerging opportunities .....	7
1.11 We are managing our cost base but continue to invest for the future .....	8
2. Financial review - Lloyd Pitchford, Chief Financial Officer, Experian .....	8
2.1 Highlights – FY20 .....	8
2.2 Double-digit Q4 organic growth; 8% full year.....	8
2.3 Strength in North America and Latin America.....	9
2.4 Benchmark EBIT margin .....	9
2.5 Benchmark Earnings per share (EPS) .....	10
2.6 Reconciliation of Benchmark to Statutory PBT .....	10
2.7 FY20 capital framework .....	10
2.8 Investment in technology and innovation .....	11
2.9 Strong financial position and funding liquidity .....	11
2.10 April trading trends .....	12
2.11 Range of outcomes for Q1 FY21 .....	13
2.12 Our principles in managing our cost base.....	13
2.13 Foreign exchange .....	14
3. Concluding remarks – Brian Cassin.....	14
4. Questions and Answers .....	14
5. Close - Brian Cassin .....	26

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

## 1.1 Introduction

Good morning, ladies and gentlemen. Welcome to our full-year results presentation. I hope you and your families have stayed safe and well throughout these unprecedented times. We are now some months into the crisis, so you do not need to tell me that COVID-19 has caused significant disruption and suffering on a very large scale. We would like to take this opportunity to extend our appreciation to all the people on the front line dealing with this pandemic such as doctors, nurses, other care workers, and other key workers. We all know there are many of them.

Amidst all of this experience, FY20 seems a bit like ancient history now, but it was still a year of many accomplishments: new products, significant technology investments, and millions of new customer engagements. That said, we have moved quickly on from FY20, and we are adapting rapidly to the new environment we now find ourselves in, pivoting to areas where we can best help, focusing on costs, and continuing to push our business forward.

## 1.2 COVID-19: our response

Normally I would start with some performance statistics for the year just past, but I first want to share with you some perspectives on our response to the COVID-19 crisis. We acted very quickly as soon as it became clear this was going to cause widespread disruption, and very early on we adopted several principles to navigate through this crisis. These were to protect our people, to ensure the protection of our business and uninterrupted provision of services to all of our clients, to help our business clients and consumers navigate the crisis, to provide assistance to governments as they manage through it, and to position ourselves strongly for the future.

Our business is functioning incredibly smoothly. We rapidly moved nearly all of our people to remote working, including our colleagues in call centres. Morale is high, our client service is uninterrupted and our technology, infrastructure and security systems are all working well. We have taken the lead in providing help to governments and consumers at this time, using data and analytical models to help governments in many geographies to protect the vulnerable and direct resources to where they are most needed. We are helping consumers deal with financial distress, avoid negative impacts to their scores, and assisting them with access to affordable credit. Our people have rallied hugely to this cry, and I am incredibly proud of how they have responded.

We are fortunate to rank among the set of companies which sit at the centre of secular drivers. These are not going away. The shift to the digital economy will intensify in the wake of the crisis and we want to be very well positioned for that.

## 1.3 FY20 results highlights

As I said at the outset FY20 feels like a long time ago now, but please bear with me for a few minutes as we go through some of the highlights, and we will come to FY21 shortly. FY20 was

a really good year for Experian and, despite COVID-19, we closed the year on a high note. Organic revenue growth was 10% in Q4. We did see the COVID-19 impact limited in Q4, and that is true given the timing, but there is no doubt that things did get tougher at the close. Double digit organic revenue growth in Q4 is very good performance, bringing us to 8% for the year, which is at the top end of our FY20 guidance, especially in a year where we underperformed in a couple of areas. Total revenue growth was 9% with the acquisition contributions.

We made a lot of progress in B2B, up 7% for the year. Data was the real driver of that, with a lot of momentum from newer products. Consumer Services had an outstanding year, delivering double digit growth and up 10% overall. For those of you on the call who have covered us for a while, you will know how far we have come in that business, and we are really seeing the benefits now of decisions we made regarding this business several years back.

Markets were flat, largely this reflects two things: continued investment in the business, and some underperformance in the UK and Asia Pacific. Benchmark EPS progressed 5% after a 3% FX headwind. We only have one month's full trading for FY21 so far, but in April organic revenue was down 5% globally. Considering the scale of the shutdown this was a better result than we expected, and I will share with you more on that in a moment.

Just a brief word on our balance sheet: it is very strong. Leverage is within our target range, and we have significant funding headroom and liquidity. We will pay our final dividend, which has been held at the same level as last year. We are obviously taking a prudent approach to acquisition activity and have suspended the buyback.

## **1.4 We ended FY20 strongly with +10% organic revenue growth in Q4**

Let us quickly summarise some of the FY20 highlights by region.

North America had a very strong year, including a very strong Q4. B2B performed well, with contributions from new products and Consumer Services had an outstanding year with a big success for Experian Boost.

Latin America also performed extremely well, especially in Brazil. We made huge progress during the year in preparing for positive data, and growth was helped by new products, particularly in the automotive sector. Progressing towards CI and BI businesses were very good, and for the first time we are breaking out our Consumer Services in Brazil, and I will talk about that in a moment.

EMEA/Asia Pacific ended on a high note, returning to growth in Q4 despite the COVID-19 situation. This was a weak year for Asia Pacific, COVID-19 aside; we do not expect a repeat of that going forward. After the yearend we signed an agreement to acquire a 60% stake in the second largest credit bureau in Germany. This is the Risk Management division of Arvato Financial Solutions, which itself is a subsidiary of Bertelsmann. Entering the German market has long been an ambition of ours, and this is going to give us a very significant position in this market going forward.

The UK had a challenging year, even before COVID-19. We are seeing good progress in our core CI business, but we also faced a number of internal challenges which particularly affected the Decisioning business and impacted profitability in the region as a whole. We have appointed a new management team and we are undertaking a significant business transformation, and we are very confident that we will get this back on track.

## 1.5 FY20: successfully scaling multiple innovations

For the last few years new product innovations have been adding significantly to our growth rates, and that continued into FY20, adding over half a billion dollars to our revenue. That has more than doubled over the last two years. Our data businesses continue to power the group's growth. We have gained considerable share in US mortgage and we have introduced new scoring and analytical products. We are seeing increasing opportunities as a result of the trend towards open data. Solutions like affordability, categorisation of transactions, and consumer-contributed data are all going to be long term drivers of growth.

More and more of our data products are sold as integrated components of higher value added platforms. Ascend is now embedded in over 45 institutions. Its total contract value reached over \$300 million, and it is currently live in six countries. It is also emerging as a critical platform for our COVID-19 response due to its ability to rapidly integrate new data sets, and at the moment we are integrating economic data, which is an area of urgent need for lenders.

I am very pleased with our progress in Brazil on positive data. We now have comprehensive positive and negative data assets and a significant range of new products, well ahead of the rest of the industry, which we will roll out now and over the next 18 months. CrossCore, our fraud and identity platform, is now installed in over 250 clients, and we just launched our newest version, CrossCore 2.0, with enhanced capabilities which will position us very well.

We are moving forward with Decisioning in the cloud, with Experian One now available in nine countries, and we do expect one of the trends that will be accelerated as a result of the COVID-19 situation is the shift to cloud-based Decisioning systems, and our investment in external platform is really well timed. In Health we have successfully executed our strategy on the patient relationship, from the beginning of the healthcare journey through to collections, and we have secured a lot of new logos.

## 1.6 ...and engaging millions of consumers

We have become a leading consumer brand, with 82 million free consumer memberships globally. That makes us one of the biggest consumer-focused financial services platforms in the world. You have seen over the past few years how we have continually added capabilities to our Consumer Services business, entering new markets like identity protection and lead generation, and adding unique propositions like Experian Boost. We think one of the lasting consequences for the COVID 19 pandemic would be an even faster acceleration of the existing trends towards the digitisation in all of our markets. Consumer Services will be a long term structural beneficiary of this, and we are extremely well-positioned.

We have also been quietly investing in our Latin America Consumer Services business over the past few years. In FY20 this business generated revenues of \$40 million, with growth of over 100% year on year. As you can see, we have made massive progress. I should mention that this is also one of the reasons why our margin progress has not been stronger in Brazil as we have been investing in this business, but we are very, very pleased with the results. It is hard to overstate how important the platform we have built is going to become. Limpa Nome, the debt settlement service, is now the number one portal for debt settlement. We are now by far the largest consumer financial services platform in Brazil, with over 45 million members. This is at a time when financial services in Brazil is going to undergo a huge change. Positive data will be the catalyst to that, and to greater competition and more choice. The importance of digital platforms for customer acquisition is only going to grow, and we are incredibly well positioned.

The UK delivered a lot of progress in Consumer Services in FY20 and crossed into growth for the year. The pandemic has had more of an impact on consumers in the UK than in our other markets, but we are placing a big emphasis on new product and we see an opportunity to enhance our position over the coming year.

As I mentioned overall, our Consumer Services business continued to grow. Subscriptions in the US are showing great stability. We are also doing well in lead generation. Engagements with consumers are strong, and we are able to deliver some of the best quality leads in the marketplace, and as a result our lender panel continues to have offers in the market and is trading relatively well. We think there is an opportunity to enhance our position in the market, so we are continuing to invest in marketing.

## **1.7 Resilient April**

Turning to current trading, what are we seeing and what do we expect to see going forward. April was relatively resilient, down 5% globally, with North America flat, Latin America down 5%, with the UK, EMEA and Asia Pacific weaker. Credit enquiries in support of new lending applications are down everywhere, although there is considerable variation across markets, with big variations in volume trends and week to week volatility. In some markets like the US volumes are down in single digits. Other markets like India – a much more manual economy – are harder hit. Our best view right now is that Q1 revenue will be down in the range of 5-10%.

## **1.8 North America – an illustration of some key trends**

If we turn to North America, where we can drill into the details, you can also see that there is significant volatility by category. Mortgage volumes have been strong as consumers have refinanced to lock in lower rates, while cars and loans volumes were hit initially and have recovered somewhat from the lows. Auto was hit quite hard initially; car dealerships were unable to open, and no new car production in the US. Having said that, trends have improved more than we expected as lockdowns have started to lift.

In Consumer Services as you can see here, Experian's share of voice in the US has grown, as has awareness for Experian Boost. Recent search traffic also shows very significant growth for other Experian related terms, and we see similar trends in unbranded search related to the word 'credit', both of which say that consumer appetite for credit is currently quite high and our brand profile is rising. We are in fact seeing the highest level of demand for our brand since 2014, which is as far as the data goes back. Our brand recognition is growing and all of this is positive

## **1.9 Areas of heightened client demand**

The current crisis also gives rise to several challenges across our client base, which in turn will require solutions to meet those challenges. We have very broad capabilities; many of you saw this in the global financial crisis, and this provides us with the ability to find new revenue opportunities even in this climate. While the global financial crisis was very different to COVID-19, the capabilities that we have today are much more sophisticated and our ability to help is much greater. Some of the main focus areas will be ability to pay, debt management, downturn analytics, and there are opportunities across all verticals and business segments.

More specifically, financial institutions need to accurately evaluate the risks within their portfolio of existing customer relationships, and these are giving rise to opportunities in account management. They also need to analyse real term trends across their credit portfolios, and we



have already launched new real-time triggers to address this. There is of course a huge focus on loan modifications and forbearance as lenders work through economic hardship relief programmes. Portfolio models need to be updated to predict losses better and ensure proper reserves, and also ease of implementation becomes really critical. Rapid development and deployment are the new norm in credit analytics. We are well positioned here with Experian One and Ascend, which are going to be crucial to this.

In places like Healthcare we are seeing some really interesting opportunities. With much of the US healthcare closed for anything other than emergency care, US patients are looking to access healthcare digitally through online portals, video, telephone physician appointments, and with this shift we are seeing increased demand for authentication and identity products such as Precise ID and Universal Identity Manager in both private and government sectors. Of course, governments want help to restart their economies, and our consumer data actually helps that. It helps them authenticate the process of underwriting small business loans and getting credit to those that desperately need it.

As I mentioned before, consumers are interested in their credit. Many, many more will monitor it more closely, particularly those that have been most heavily impacted and may be in forbearance with their lenders. Across all areas we see increased demand for better tools to improve fraud prevention. I think that is only going to become more pronounced. We are seeing an uptick in two particular types of fraud: account takeover fraud and synthetic ID fraud. We have compelling offers to combat these and other forms of fraud, including a new product which we are launching this week called Sure Profile.

## **1.10 Propositions to maximise emerging opportunities**

We are introducing new propositions to maximise on emerging opportunities. We use a consistent systematic process for driving innovation across Experian, which we call Athena an agile framework aligned to our strategic focus areas. We use this framework to focus quickly on initiatives that are relevant for the current environment. From that, we have identified over 160 product opportunities, many of which draw on existing products and capabilities.

Ascend is a priority. It gives us a significant advantage in many ways. It gives a fresh view of what is happening in the market. It is easy to implement, and it can be adapted for customer management and other use cases. We are prioritising a couple of modules. Account Review is an obvious one, as this places squarely into new client needs. We have also introduced a new module called Ascend Portfolio Loss Forecasts to help with stress testing, and this helps clients understand future losses based on different economic situations.

It is no surprise that analytics is a big focus, with recession and downturn triggers. We have also launched state of the market dashboards, credit and economic reports that clients can track in real time. We have developed new segmentation suited to current requirements and, as I mentioned just a moment ago, we are launching a new product, an important one called Sure Profile. This is addressing synthetic ID fraud, and it is a predictor for use in underwriting. Synthetic ID is a growing problem, and it is going to get worse as digitisation accelerates. This solution dramatically reduces the probability that lending institutions will be subjected to synthetic identity fraud, and thus leads to substantially lower losses. We are as certain as we can be that there is going to be a strong demand for this product, and it is launching just at the right time.

In Consumer Services we are diversifying into new verticals, targeting the auto insurance and home refinance segments, and generally looking to where we can help consumers to save

money. These are just a few of the examples; we are putting significant effort into the biggest of these opportunities as we go forward

## **1.11 We are managing our cost base but continue to invest for the future**

We have acted quickly to reduce costs while protecting our capacity and continuing to invest for the long term. We aim to preserve the healthy Experian franchise and position ourselves to emerge as strongly as we can from this crisis. A proportion of our costs is directly variable to revenue – for example, royalties – and we quickly stopped all discretionary spend such as new hires, professional fees, travel, and corporate events. We have not availed ourselves of any government furlough schemes or made significant headcount reductions. We have continued to invest in our people, in our products and in our technology platforms. We have also taken a conscious decision to continue to invest in customer acquisition and marketing expenditure in support of our consumer platforms. As others cut back we think this is giving us a significant advantage.

We have put non-critical capital expenditure on hold, but crucially we will continue to invest in our ongoing technology transformation programmes. We believe all these actions are incredibly important. They will protect our business and our franchise, and position Experian strongly for what comes next.

To summarise this section, after a strong FY20 we are responding rapidly to the new reality. While it is going to be a tough few months, the strength of our business and our innovation capabilities give us a huge amount of confidence in our ability to weather this downturn. With that, I will hand you over to Lloyd to take you through the financial review.

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

### **2.1 Highlights – FY20**

Thanks Brian, and good morning, everyone. I hope you and your families are all safe and well. Starting with the highlights, as you have heard from Brian, we finished the year well, with 8% organic revenue growth, which was at the top end of our guidance range. Total growth including acquisitions was 9% at constant rates. We had a good conversion to benchmark EBIT, up 9% in constant currency, and also to cash, with 88% operating cash conversion. We finished the year in a strong financial position, which I will cover in more detail during my remarks.

### **2.2 Double-digit Q4 organic growth; 8% full year**

Looking at the organic revenue trends, as you can see, despite some of the challenges emerging during the last quarter we had a very strong finish to the year. Against strong comparatives we again delivered double-digit Q4 growth, bringing the second half and the full-year growth to 8%. The impacts of COVID-19 were felt most in our Asia Pacific and EMEA regions, with the effects in our larger regions only in the latter days of the quarter. The overall impact of the emerging crisis was therefore limited in the broader group level. Overall, without



the crisis we estimate the revenue would have been around \$15 million higher in the quarter, and operating cash conversion would also have been higher. In addition to organic revenue we added 1% from acquisitions made during the year, including Compuscan in South Africa, MyHealthDirect and Auto ID in North America, and a number of other acquisitions across the group.

## 2.3 Strength in North America and Latin America

### North America

Looking at the regions, as you can see on the left here, we delivered a very strong performance across North America and Latin America, which together represent nearly 80% of group revenue. North America had an excellent year, up 11% overall. Some highlights included our Ascend offerings, which grew around 80% during the year, and our Clarity Alternative Data business, which grew 30%. We also had a very strong finish to the year in mortgage, together meaning our overall core consumer bureaux grew 13% in North America for the full year. We have been very pleased with the growing breadth of our consumer offerings, including the great response to the Experian Boost launch. This all helped us achieve tremendous growth in customer traffic and engagements, underpinning Consumer Services organic revenue growth of 11%.

### Latin America

Latin America was driven by strong momentum across our Brazil business. We delivered 14% organic growth for the year as a whole in Brazil, and 18% in the second half of the year. We saw strong growth in volumes across the business and a growing contribution from new products such as Ascend and our new automated debt registry business. We have mentioned previously our investments to grow a material Consumer Services business in Latin America, and we have been making great progress. For the full year across Latin America our Consumer business contributed \$40 million dollars of revenue, growing over 129%. Given the increasing scale and our strong outlook for these businesses, we will break them out from our data business in our reporting from FY21.

### UK and Ireland

As Brian referenced, the UK performance this year was considerably weaker than we expected. We are pleased with the progress in our consumer and digital businesses, but the combination of our legacy technology environment and the effects of economic uncertainty meant that we did not execute as anticipated.

### EMEA / Asia Pacific

Lastly, we were pleased to see a good performance in EMEA/Asia Pacific in Q4. This was a strong finish to the year, particularly given this region was the focus of COVID-19 related effects in the quarter.

## 2.4 Benchmark EBIT margin

Looking to EBIT margin progression and on a geographic basis, if we start with our reported prior year margin of 26.9%, we had a \$10 million EBIT benefit from IFRS 16, taking us to 27.1%. As you will recall from my comments earlier in the year, this IFRS 16 benefit is offset by an additional charge in interest.

North America grew EBIT by 16% in the year, contributing 90 basis points to group margin. We saw strong operating leverage in B2B and also an improved Consumer Services margin, where strong revenue growth more than offset the launch investments we made in Experian Boost. In EMEA/Asia Pacific we benefited from the additional of Compuscan this year and good operating leverage in EMEA, which offset the flow-through of lower revenue on tough comparatives in Asia Pacific.

In Latin America you can see the impact of our investment in the new positive data bureau in Brazil and the growing consumer business, which is still in its investment phase but scaling rapidly.

The challenges in the UK business were reflected in its margin, which was a 90 basis points drag on group margin.

Within Other we saw increased bad debt provisions at the end of the year, reflecting the current COVID 19 related uncertainty.

## **2.5 Benchmark Earnings per share (EPS)**

Turning now to EPS, starting from FY19 the benchmark EPS was 98 cents per share. Growth in benchmark EBIT from continued operations was 9%, reflecting the strong organic revenue growth performance. Interest expense increased to \$132 million as a result of higher average debt and the IFRS 16 interest charge offsetting the benefit at the EBIT level. The tax rate was 25.8%, and we saw a small benefit from the share repurchase programme, with weighted average number of shares at 902 million. EPS was therefore 8% up on a constant FX basis and 5% of actual FX, reflecting the weaker Brazilian real.

## **2.6 Reconciliation of Benchmark to Statutory PBT**

Looking at our usual reconciliation to statutory results, amortisation of acquisition intangibles increased to \$124 million, consistent with the increased acquisition activities during the year. Other acquisition related items reduced slightly to \$35 million, and other exceptional items including movements on legal provisions that we reported in the first half of the year. Non-cash finance remeasurements increased from \$95 million to \$125 million, and this includes the FX losses on Brazilian real intra-group funding.

## **2.7 FY20 capital framework**

Turning now to our capital framework, during the year we invested \$487 million in organic innovation investments, which I will discuss in more detail in the next slide. We invested \$795 million on acquisitions of minority investments. In the first half we completed the acquisition of Compuscan, which is now fully integrated within our South Africa business. We also completed the acquisition of Auto ID, which expanded our capability in automotive fraud. We bought out the minority stake in our Microanalytics business, and expanded our healthcare capabilities with the acquisition of MyHealthDirect.

In FY20 we made shareholder returns of \$613 million, including \$424 million of dividends and \$188 million from our 400 million share repurchase programme. Our Return on Capital Employed was 16.1%, up from 15.9% in the prior year. After the end of the year we were pleased to enter the German bureau market with an agreement to acquire 60% of the Risk Management division of Arvato Financial Solutions. Given the environment, on completion the consideration will be satisfied by issuing 7.2 million Experian shares, and this is expected to close in the second quarter.

## 2.8 Investment in technology and innovation

As Brian mentioned, we continue to invest organically in technology and innovation to drive the future growth of the business. On the left-hand chart here you can see we again invested 9% of sales in capex, in line with the 9-10% guidance we gave. Within that you can see that over the last four years, the proportion of our Capex that we have invested in product development, shown in light blue at the top of the chart, has continued to increase, and is now close to double the proportion it was in FY16.

This increasing focus on product development has been a significant driver of growth and you can see this on the right-hand chart, which shows the growing revenue from new and key scaling products. This includes new consumer products such as ID Works, lead generation and the consumer business in Brazil, as well as some of our key scaling B2B products like Ascend and CrossCore.

## 2.9 Strong financial position and funding liquidity

If I turn now to the balance sheet, given the external environment this has been an area of particular focus. We have recently extended a number of our facilities and also raised additional bond funding. As you know, our target net debt to EBITDA range is 2 to 2.5, and we have consistently been in the lower half of this range in recent years. We finished FY20 at 2.2 times, so again, well within our range. We continue to hold strong investment-grade ratings, and these have been stable since 2011. Looking at our funding we have recently extended our facilities and raised the bonds, so I will comment on our positions at the end of April.

On 30 April 2020 we held \$2.4 billion dollars of undrawn bank facilities which have an average remaining tenor of four years. Our bond and drawn bank loans totalling \$4 billion have an average remaining tenor of six years. We have no bank repayments until July 2021 and no bond repayments until October 2021. We have just one covenant on our banking facilities, which is to maintain benchmark EBIT cover of 3 times net interest. As of 31 March this year on that ratio we had 11 times coverage. As you can see, we are in a strong financial position with no near-term bank or bond repayments, and have very significant headroom on our one financial covenant.

As we look ahead, given the uncertainties in the external environment, it is right that we continue to take a prudent stance on our capital allocation. We have a strongly cash generative business model which is globally diversified and resilient, and will continue to provide significant flexibility across our priorities for capital allocation.

Our first priority continues to be investing in the organic development of the business, protecting and enhancing our fantastic franchise, and securing our future growth opportunities. Reflecting our capital priorities, and given the progress of the business in FY20, our strong financial position and our confidence in our business model, the Board has recommended a final dividend of 32.5 cents per share, unchanged on last year. This brings the total dividend for the year to 47 cents per share.

Beyond our prioritisation of capital on organic investment and our dividends, we have chosen to suspend the current buyback programme and to reduce our near-term focus on acquisition activity. We feel that this prioritisation of capital marks an appropriate and prudent near-term response to the current uncertainties in our markets. As we start to see the external uncertainty reduced we will keep our capital allocation closely under review to ensure that it strikes the right balance between financial prudence and delivering on our growth opportunities.

## 2.10 April trading trends

As we can all see, the external environment is uncertain, with a broad range of forecasts on the depth and length of the current health crisis and its potential economic implications. Like most other companies, this means we are unable to give formal guidance and modelling considerations for the full year ahead. However, given this uncertainty, we want to provide an understanding of current trading trends in the business. On the next two slides, I will show a breakdown of our business, with North America and Latin America on this slide, and UK and Ireland and EMEA/Asia Pacific on the next. We have shown what proportion of group revenue each segment of our business comprises, and then we have given the organic revenue growth in April. I will comment on some trends.

### North America

Our North America business performed very well in April, given the circumstances, flat on an organic basis. Our core bureau was very resilient, with revenue down 2% for the month as a whole. On the volume side we saw total credit report volumes reach about a 30% decline in early April, then improve to around a 10% decline as the month progressed. Mortgage volume growth continued to be strong in April, whilst card and banking volumes were consistently down around 20% throughout April. We saw strength in Ascend and related analytical services. Our Auto business had revenue down 12%, where we saw volume declines of around 50% in early April, moderating at the end of the month to low double-digit decline. In Targeting we saw ongoing reductions in client demand from retailers and others for marketing and targeting services, with revenue down 19%. Our Decisioning business was very resilient, with Health stable, as good growth in new products was offset by reduced transaction volumes as non-COVID-19 health services were deferred. We saw positive markets in Analytics and Fraud, as clients focused on services to respond to the current environmental challenges. Consumer Services business was up 7%, driven by very strong double-digit growth in Direct to Consumer, as we grew our membership base of both our credit education and identity protection business. We also saw a good year-on-year growth in lead generation as Experian Boost continued to increase traffic to our site and drive higher engagement levels.

### Latin America

Latin America declined 5% in April. In Spanish Latin America a number of the countries went into robust lockdowns, with significant drops in volumes in Colombia and Peru. In Brazil, where the effects of the virus hit a little later than our other core markets, organic revenue was 3% lower in the month as continuing strength in our growing Consumer Services business, as well as some support from more counter-cyclical parts of our consumer bureau offset credit volume declines.

Overall, across our North America and Latin America businesses – which account for almost 80% of our revenue – organic revenue was down 1% in April.

### UK and Ireland

Our UK and Ireland business was down 15% overall. Our core bureaux saw volume declines of just over 40%, and these have remained fairly consistent throughout April and into early May. We have seen strong growth in consumers searching for credit, with credit eligibility searches continuing to increase by over 30%. However, we have seen a significant withdrawal of lenders from the market, with around half of lenders withdrawing products and a further quarter

restricting lending criteria. This leads to a reduction of transactions for both our bureau digital services and also our credit matcher platform within Consumer Services.

Decisioning was down 9%, as we saw some of our core products perform well, partially offsetting declines in Decisioning Software business. Consumer Services was down 17%, driven by that reduction in the supply of credit offers in the market.

### **EMEA / Asia Pacific**

Our EMEA/Asia Pacific business was down 22%, with EMEA down 30%, driven by declines across our markets, especially in those with more stringent population lockdown policies. Asia Pacific was down 10%.

## **2.11 Range of outcomes for Q1 FY21**

As I mentioned, group revenue was down 5% in April, and whilst this gives us some information on how Q1 as a whole performed, there are a number of factors to consider when thinking about the outlook for the first quarter. Clearly there is uncertainty, and therefore I am not going to provide guidance, but will give some factors which are likely to determine the outcome depending on the course of the health crisis, and of course the public policy response in each market.

One of the key revenue dependencies is the length of the lockdowns. It is hard to predict how long these will last in different regions and the rate at which they will be lifted, and how economic activity will respond and recover. Brazil was later in seeing the rise of COVID-19 cases, and felt the economic impact later than other regions. As some restrictions ease we may see improvements in volume trends, but the impacts on the pipeline development in our software business and more structured sales businesses is hard to predict. We expect elongated sales cycles here as the quarter progresses.

We will also continue to see swings in volumes from week to week, so it is hard to extrapolate demand for the rest of the quarter. We have seen strength in Mortgage in March and April, but it is unknown how long that will remain at that level. We have also seen tightening of criteria in the supply of credit products, but again, it is uncertain how this will develop.

I think you can see that we have a range of scenarios for Q1 organic revenue growth that might see organic revenue decline in the range of 5-10%, and clearly April was at the low end of that range.

## **2.12 Our principles in managing our cost base**

Turning now to our approach to managing our cost base, our comments here reflect our approach in the first quarter as we see how the crisis develops, and as we await some greater clarity around the market outlook for the rest of the year. At the top we have volume variable costs, including data royalties, variable cloud, and postage costs. Together these make up around 15% of our cost base, and consist of items that flex in the near term broadly in line with revenue.

Next, we have our near-term discretionary costs, which make up about around another 15% of our cost base. Within this you have items like travel and marketing. About two-thirds of this category is marketing and, given the strength of our US and Brazilian consumer businesses, we are maintaining our levels of investment in marketing. Of the remainder we have sharply

reduced travel and other discretionary costs, so that overall costs across this category are down around 20%.

We then have our people costs, which make up around 45% of our cost base. As Brian mentioned earlier, we want to be in a position for a strong recovery as the crisis abates. Holding employment flat compared with March means that we see low-to-mid single-digit increases in costs due to annual pay rises from last June annualising.

Lastly, we have 25% of our costs that are fixed in the near-term. These are made up of depreciation and amortisation, as well as contractual agreements for technology services and facilities. In the near term these costs will continue to rise in line with recent trends, with depreciation on our recent investments and also our growing spend on technology and innovation.

Overall, you can see our near-term responses to protect our capacity, innovation and technology spend, to ensure we are ready to recover strongly. The reductions we have made in discretionary and variable spend will offset those increased investments for the first quarter, meaning our costs will be flat overall. As we see the longer-term impacts of the crisis clarify we will clearly keep all our cost options under close review.

## 2.13 Foreign exchange

Whilst we are not giving any broad trading guidance for the year, I wanted to briefly touch on foreign exchange, given the volatility received in global FX markets. Looking at the range of FX rates we have seen recently, the biggest impact we have seen is the devaluation of the Brazilian real. Overall we expect the Q1 revenue and EBIT headwinds of around 5% at these levels. With that, I will hand you back to Brian.

## 3. Concluding remarks – Brian Cassin

Thanks, Lloyd. To summarise, FY20 was a strong year both financially and strategically. We have taken swift action in response to the COVID-19 pandemic. Our business is running smoothly, to protect our people, and help governments and societies through the crisis. We have a strong balance sheet with significant funding headroom and liquidity, and while we have short term headwinds which will affect performance, our business has resilient qualities. We are pivoting into new areas of demand, and we are looking to position our business strongly for the future.

And now, we are going to open up the call for your questions, for which we will be joined by our Chief Operating Officer, Kerry Williams.

## 4. Questions and Answers

### Paul Sullivan, Barclays

Firstly, I am just trying to get to the bottom of the working capital movement, receivable spike, bad debt write-offs that you talk about, and the sense of what is really going on. I would not



have imagined that there is a receivable issue with Experian, so a little bit more colour there would be useful.

Secondly, just on the margin and how we should think about the droptrough, with revenues down 5% and costs flat we are looking at mid-single-digit margin pressure in the first quarter. Is that the scale of the degradation that you are willing to tolerate as you focus on holding strategic investments?

Finally, just putting volumes to one side, how would you characterize conversations with customers at the moment and their appetite to engage on some of the new solutions that you are talking about? Is that the key offset to volume decline?

### **Brian Cassin**

I will cover the last one first and we can come back to Lloyd on the working capital movements and question around margin. The key conversations are really around how they are coping with the new environment. There is a lot changing. There is going to be a lot; some of the issues I outlined included a real need for different kinds of analytics. In time there is probably a real need for a different approach to risk management and how they look at their underwriting, but in the short term there is just a need for fresher data to understand what is happening. All of the things that I highlighted around trying to second guess what the economic impact is going to have on our client base and so on just gives rise to those opportunities.

Some of the bigger ones are related to things like account management. It does give us an opportunity with products like Ascend, and it does give us an opportunity across the board in a number of areas there. I think it is those areas. There is a difference between the types of engagement we are having now versus 2008-09, and that is related to the position of the institutions themselves. If we think back and contrast between the two types of downturn, the first one was a financial crisis and it really impacted the banking sector first. The big question was the survival of the banking sector itself, and so we were dealing with a really difficult environment where they were cutting headcounts, you would be engaged with some people one week and next week they would be gone. There was an element of real turmoil across the sector. That is not the case today, because the banks are in a much stronger financial position. They themselves have actually made some really strong commitments to how they are going to try and help companies, consumers and governments through this crisis. They have obviously received huge injections of availability of liquidity to help them through it, and they have actually made a lot of commitments themselves to protect their own people, such as HSBC's decision to postpone what was a pretty massive restructuring. All of that is helpful in having a much more productive dialogue this time versus last time.

The second difference is that if you look at our product set today versus 12 years ago it is much more comprehensive, it is much more sophisticated, and we are engaging at a different level. All of that is very helpful and very positive. In the short term what drives the volumes is of course going to be acquisition related activity in credit, and you have seen that impacted, but we have never said that we are completely immune. What we have said is that there are counter-cyclical elements in the portfolio, and I think you are seeing that come through. Hopefully I have addressed that question. Lloyd, do you want to pick up the other two?

### **Lloyd Pitchford**

Yes. Paul, on your first question on working capital and margin in the year just gone, starting with margin, there are two real things to call out. The UK was certainly weaker than we expected, particularly in the second half of the year, so that obviously weighed a little bit on margin. On bad debt provisions, as our accounting close came at the end of March there were a number of different requirements from accounting regulators to consider the risk of credit and bad debt losses in relation to the COVID-19 crisis. We have not seen any increase in actual bad debts. The area that the assessment really focuses on for us is our SME businesses across the world, so we have taken a fairly prudent position there. That had a drag on margin of about 20 basis points and non-cash provision at the end of the quarter, and we will see how that how that progresses.

Regarding working capital, you remember at the half-year I guided to around 90% for full-year cash conversion. We came in at 88%. We saw weakness in March around cash collection, so DBO in our closed position was about four days higher than the prior year, and that was just really some greater challenges as the world – both us and our clients – migrated to working from home in getting the cash collections that we had expected. You add that four days back and you would have seen cash conversion in the low 90s, which I think is a reasonable place where we would normally expect.

Regarding margin for this year, I think the way to think about it is probably not as 'drop through'. We are talking about Q1. We are almost two-thirds of the way through Q1, so our cost base is fairly fixed. I talked through how we are managing each piece of that. We are clearly continuing to invest in marketing, given the strength in consumer, and also protecting our capacity and our people in this near-term crisis. Clearly as we go through into the rest of the year we will be seeing how things will recover. We are obviously encouraged by how some of the volumes have moved as we have come through the last six weeks, but it is still uncertain. I think we will keep that under review and take the action that we think is right, based on the outlook for the business.

#### **Paul Sullivan**

Just to clarify, presumably you have not seen any further deterioration on that working capital as you have gone through April.

#### **Lloyd Pitchford**

No.

#### **Alex Mees, JP Morgan**

Firstly, in Brazil you are a few months now into positive data. I wonder how you see the competitive landscape evolving there and how we should think about the opportunity to drive growth in Brazil through new product suites, despite perhaps slower economic growth.

Secondly, the strength in Consumer Services in North America in April; I just wonder what your expectation is, given perhaps your experience of previous downturns. Will this be a short-lived spike that falls away quickly, or is it possible it could be more sustained than that?

Finally, you alluded a couple of times to internal challenges in the UK. I wondered if you could give us just a bit more colour as to what those challenges are and how you intend to address them.

**Brian Cassin**

Let us deal with Brazil first. There were three parts to your question, the positive data landscape, and how the new products contribute to opportunities going forward. Let us just talk about the pre COVID situation, because I think that was the most relevant. We have been gearing up for this for about 20 years, as I joked the last time round. Realistically, over the last few years we have made the investments to build out a brand new positive data bureau. More importantly, we know that we are the most advanced in the marketplace at introducing a whole suite of products around positive data. That is strong feedback that we are getting from interactions with clients on a regular basis. We are actually already generating small amounts of revenue from positive data, so we are in market with products, and we have a very strong new product introduction schedule over the next 18 months; essentially we are going to be hitting new features pretty much every quarter. We are in a great position, and I think we are in a much stronger position than anybody else.

There is a question as to how quickly we see take-up of positive data products in the current environment, because while we are in lockdown and a bit of a hiatus we have obviously seen that stall, because like every other market that we are in we are seeing the provision of new credit really grind to a bit of a halt. I think that will cause us to have a longer runway on this than we would hope for. It is not the first time we have said that, but I think right now there are pretty unusual circumstances. Overall we remain really positive about our position; as time progresses on and we talk to six or 12 months ago, we get more confident about that. The answer is that we are in a really good position.

Let us talk about consumers in April. One of our big questions that we had coming into this crisis was how the consumer would behave. We know how they behaved in the global financial crisis; you can look back and see that at that time our Consumer Services business grew really strongly, but the market has changed since then. We did not really have proliferation of free credit reports and so on and so forth, so we were not entirely sure that that would repeat, but what has happened is exactly the same thing. We have seen a huge rush by consumers to get their finances in order, to become very focused on improving their credit and getting their score to be the best as possible. They are interested in how it impacts them, and that is coming through just as it did last time. If we continue on that basis then we would expect that part of the business to continue to be resilient.

We are also seeing the same thing in identity protection as well, which I think also augurs well. Where the market has really been impacted is in the lead generation space, where you have seen some fairly significant drops in the availability of offers in the marketplace. Our lead generation business is still performing really well; that is down to the quality of the leads that we provide, so we still have lenders providing product on our panel. That is not the case for everybody. I think we have to wait and see; if products are still available in the marketplace then we continue to expect to do well. As I highlighted in my presentation, demand for credit is still extremely strong, so we do not expect any shortage of demand. We think the issue is going to be on the supply side, so we have to see how that involves. I think we are now in a pretty good position.

Let us come to UK. We have talked about internal challenges. I think when you dissect the UK business, you look at the bureau. The bureau is doing pretty well, particularly in new digital services; things like open banking and businesses like Runpath and eligibility are all performing really well. The problem has actually come in our Decisioning business, and there are a couple

of elements to that. Firstly, 2019 was actually a really strong year. We had a lot of client migrations into new platforms, and we felt that going into 2020 we could grow over that because we had a line-up of new products that we felt we could get enough traction. Essentially we set our business up to do that, and as the new products did not come through that obviously gave us a bit of an EBIT issue to deal with. At the same time, I have said before that our UK business is our most complex technology environment. We have a lot of very old legacy products in there and we have run into some service issues there, which have given rise to additional costs. Those three things hit, and that meant that, from an EBIT perspective, the impact of the region was fairly significant.

The big question that I am sure you are all wondering is whether this a market issue or this is just a temporary issue. Our judgment is it is not a market issue. Our business still has a fantastic position. We still believe we have great growth opportunities there. We have got certain things to fix and, as I referenced on the call, we have replaced the management team and we are going through a fairly significant reorganisation, which will address not just market opportunities but also some of the legacy technology issues that are holding us back.

### **Brett Huff, Stephens**

The first one is to follow up on the consumer question that was asked a minute ago. More specifically, I think you said in particular regions that half the supply of credit in the consumer side maybe dried up. Is credit supply varying differently, or reduction in credit supply varying substantially across the different regions? Does that explain why North America is +7, Latin America is +110, and UK is -17? Is that the main driver of the variability or is it other things?

### **Lloyd Pitchford**

A couple of things there, Brett. The first one is that the business mix is a bit different. We clearly have a rapidly growing subscription identity business in North America, and we have seen some of the response on our credit subscription business over the last quarter has been stronger in North America than in other regions. In Brazil, again, a different mix. We have the Limpa Nome business, which is around debt resolution. That is growing very well as we have grown our free membership base. That is obviously a very new business.

Regarding the piece on credit supply, we have seen a bit of it in each market but it has been stronger in the UK. My comments about half of offers being withdrawn and about another 25% seeing criteria tightened were in relation to the UK. In the US we have seen some tightening of criteria across a number of lenders, but not at the same scale of withdrawal of product that we have seen in the UK, so obviously we are watching that carefully. Clearly in the US we have a broader product set, and we have been prioritising and shifting our cross-sell based on the demand that we are seeing from clients, and that is clearly helping the business there. We also have Experian Boost in-market in the US, which obviously helps our traffic and engagement levels.

### **Brett Huff**

My follow-up relates to some of the minority investments in small business and small company investments that you have made over the past couple of years. I am guessing that some of those are not particularly well-capitalised. Will those need more funding or are they generally doing well so far? Could you just give us an update on that in this new environment?

### **Lloyd Pitchford**

Yes, sure. We are obviously closely engaged with the management of those companies. The vast majority are well capitalised and can trade through the next year or so. They are in some fairly exciting places. There are some interesting pieces. There are other areas where they will have to trade through some softer demand, but right now they are well capitalised and we feel pretty confident in that portfolio.

### **Rory McKenzie, UBS**

There are two from me. Firstly I wanted to ask again on Consumer. In the past you have given us some detail about the breakdown between subscribers, partner solutions and the new products. Could you give that again or just give an update on what the relative trends are. I am interested in the traditional subscriber base in particular and whether consumers are seeing more uptake of that as they worry about their own finances in the US, or whether they see it as a non-core cost to be cut. Maybe you can give us a bit more on Consumer first, please.

### **Lloyd Pitchford**

I am happy to talk to that. We have actually seen some interesting trends in Consumer. We saw quite a strong response as we came through March and into April on memberships in our core credit offering. We are seeing memberships there and a knock-on to revenue that grew in both Q3 and Q4 in the Credit Education business. Identity subscriptions continue to grow, and we have seen those trends continue. Obviously Lead Generation was up very strongly.

If you look at the fourth quarter as an exit rate, overall Consumer Services revenue in North America you have about \$240 million. About \$55 million was the Identity and Lead Generation businesses. A little under \$120 million was the Credit Education business. I think that gives you a good breakdown. It also shows the strong trajectory we have had in those Identity and Lead Generation products as we have come through the last couple of years.

### **Rory McKenzie**

Can you just talk about the consumer margin itself? Obviously there was a big step up in marketing cost in the past year. I appreciate in the current environment it is hard to think about, but maybe if you look out into the medium term. You always talked about a 20-25% margin range for that business. As the mix shifts, is that thinking evolving at all?

### **Lloyd Pitchford**

I think we were really pleased with the progress this year. We put a lot of investment into the launch of Boost, and as you have seen in North America our margin has progressed in Consumer, notwithstanding that investment. The other thing to remember is that there is a royalty that is paid from our Consumer business to our Data business. When you add that together the combination means that this business is accretive to Group margin. I think, in terms of outlook for where the margin might go, there has been no change there, really. Our focus is really on driving the breadth of different Consumer offers and the revenue growth. We are pretty confident in our ability, once we have that membership base, to be able to cross-sell across different products and engaging different needs at different times. That is really where the power of that platform will come as it grows and progresses.

## **Rory McKenzie**

That is great, thank you. I just have one on Germany, if I may, given that exciting move. Can you talk about how developed that bureau you have bought is, in terms of product offering or breadth, and what are your first thoughts as you look into what you will try and change there first?

## **Brian Cassin**

As I said, we have been looking to get into Germany for quite some time so we are delighted to be able to do this. We have been looking at this opportunity for at least 18 months. It is important to emphasise that Bertelsmann will remain a minority shareholder going forwards. That is a really positive sign from our perspective. It is the number two bureau in Germany. It is focused on e-commerce, as a result of which its current trading is going really well. We could not be more pleased.

We do see the opportunity to really use this as a springboard to launch the full set of Experian products into the German market in a way that has been difficult for us to do before. There are a lot of client relationships and a lot of existing sales channels. The business itself is a good business, but a pretty straightforward one in terms of the product set that it has. We see a big opportunity to really enhance that with the full Experian range of products. We are excited about it and are really looking forward to getting it under our wing.

## **Rajesh Kumar, HSBC**

Good morning. Thanks for taking the question. Following up on the German opportunity, in the medium term, do you see the German market being as big as the UK market? Is the medium term potential not as large but still significant? A scale of opportunity would be interesting to understand. The second question is on the Consumer subscription in the US. What proportion of your business comes from near-prime or subprime customers? What is the risk of churn in the coming quarter with such a customer base? Finally, could you give us some colour on how the competitive landscape has been progressing, especially with the launch of new products in the US and in Brazil with the positive data?

## **Brian Cassin**

Rajesh, can you clarify that last question? Is it the competitive landscape in Brazil or the US? I thought I heard you say both.

## **Rajesh Kumar**

It is both.

## **Brian Cassin**

Alright, we will do our best to tackle that. That is quite a broad ranging question. Let us go back to the German opportunity in the medium term. Our view of Germany is that it is much less developed in terms of the sophistication of products that we see in places like the US and the UK. I think if you think about it from a pure bureau perspective, and you just think about credit application volumes and so on, then I do not know if it is a super growth area. I think it will grow, but I do not think that is where we see the big opportunities come from. I think we see the opportunities come from all of the additional value added products that we provide, which



make up a very significant proportion of our revenue in most of our bureau markets worldwide, and I think that those are pretty much undeveloped in Germany. We think there is quite a big opportunity. There is obviously a lot of selling to do in that; it does not happen in itself, but I think that is where we see the real growth coming from.

On the competitive landscape in Brazil first of all, it has not changed. If anything, probably the current environment will hold them back more than us. I think I have no real further comment on that. We have not seen any activity from anybody. We do know that our line-up of positive data products is substantially ahead of anything else which is out in the marketplace, so we feel pretty good about that.

We do not really see any significant change in the competitive landscape in the US. It is quite a broad ranging question, but I do not think there is anything really significant to note on that. Lloyd, do you want to pick up on Consumer?

### **Lloyd Pitchford**

Yes, I will take that. You have to think about the different markets in our consumer business, Rajesh. The growth in Identity subscriptions has continued to grow really well. We ended this year at just over 540,000 subscribers to our paid membership in Identity. We have given some of those numbers pretty frequently over the last couple of years, so you can see the progression there. Credit subscribers, generally, in the last few years, as you know, have been modestly declining and over the last couple of quarters have stabilised and increased. That has been a focus of acquisition in the last eight weeks particularly. You have to focus back on our strategy in Consumer, which is to have a breadth of membership, a breadth of engagement and lots of different products that we can sell to people as their needs change. As I say, that is the power rather than looking at the individual revenue streams, I think.

### **Rajesh Kumar**

I understand. On the US, the question was specific to Equifax coming back with a few new product launches. Are you seeing a bit more competition in terms of the sale process on a like for like basis?

### **Brian Cassin**

No. I think Equifax themselves pointed out that they are still trailing behind, really, in their US IS business. We have not seen anything, really. I would just highlight that we have been the most innovative player in that marketplace, with new products being introduced every year. We do not see any fundamental change there.

### **Tom Sykes, Deutsche Bank**

Thank you very much. Good morning, everybody. First of all, on the comments about the Q1 growth rate versus the April growth rate, where is the slight deviation and is that just in the sales cycle of software? Would you say that it is going to be disproportionately UK because of the issues you have there, or are there other areas that you would pick out a different kind of cadence or maybe an elongated sales cycle at all there?

Then I have a quick question. How much is fraud and fraud related activity for you at the moment? How much would be covered by existing contracts. If there is a volume increase, does that directly relate to increased revenue for you?

Finally, just again on this Consumer margin, you are looking at a big change in business mix but you are making the same EBIT as you did five years ago on 20% higher revenue in H2. You have a big change in mix of business. You obviously have differences in gross margins. When you look at the flexibility you might have on the marketing side of the business to hold the margins going forward, are you seeing a greater proportion of your spend now on marketing? Therefore, are you going to get a marketing or advertising rates benefit if those advertising rates come down for you, or have they already? Maybe they will come down with a lag because of contracts you have there.

### **Lloyd Pitchford**

Okay, I will maybe take a few of those. Regarding Q1 versus April, clearly there is a fair amount of uncertainty in the market. Our volumes are varying week to week, and you would expect us to be providing a cautious outlook. I think when we look at our transaction volumes we feel reasonably positive that the declines have peaked, with a slow improving trend as we have seen it going through the last few weeks. There are some of the uncertainties I referenced in my remarks. Mortgage has been booming during March and April. Will that continue throughout the quarter? We have seen good progress, as we have mentioned, across Consumer. What will be the development of the availability of supply of products in there? Obviously, we are talking here about months within a quarter. The communications from the prior year are slightly different. We had a strong June in the prior year. I think, given the uncertainty in the environment, you would expect us to be a little thoughtful about the range that we would give you, but we are encouraged by how April has started and the trends we are seeing in volumes.

On Consumer margin, I do not think it is really that relevant, Tom, to look back four or five years. We have a completely different business in Consumer now. It is really strongly growing. The Identity Protection business and Lead Generation business are completely brand new and growing very rapidly. There are all of those engagements with consumers. If you look at how we are managing the business near term, with that strength and the strength of our brand and how it is playing, as Brian referenced, we are going to continue to market into that whilst we see the opportunity to increase acquisition and increase revenue.

Near term, across the business we have seen marketing rates fall a bit, but, again, we do not know how long that will be sustained. I think it is delivering good margins, is overall accretive to the Group and we are going to continue to pursue that while we see the market opportunities. On fraud, our overall Decision Analytics business, if you think for the year as a whole, is something like \$700 million and about a third is fraud and identity. We have a range of different types of contracts that you would see in there, but clearly the near term trends in that business have been positive as more transactions have moved to digital and there has been a greater desire to have both analytical and identity solutions to prevent it.

### **Tom Sykes**

For the run rate of that fraud related work, pre-COVID, what growth rates are we seeing, so we can see what the uplift in fraud related activity going forward would be?

### **Lloyd Pitchford**

For the year as a whole, fraud and identity globally ranged between mid-single to high single digit growth across the year. We have seen that strengthen as we have come through March and into April.

### **George Gregory, Exane BNP Paribas**

Good morning, Brian. Good morning, Lloyd. I have three questions, please. Firstly, I wanted to go back to that April trend in your core US bureau down 2% despite total credit volumes being down, as I think Lloyd mentioned, about 20% over the month. I wondered if you could perhaps expand a little on what drove the significant offset in growth and enabled you to demonstrate a rate of growth that is visibly above your peer set through April.

Secondly, just going back to that discussion around the development of availability of supply in the Consumer Lead Generation space, is there typically some lag or latency between credit volumes and offers? I would have thought that, as the underlying volume trend picked up, we would see supply of loans broadly follow that, but maybe there is a lag there. My final question, I suppose more strategically, Brian talked about acceleration in the transition to cloud-based applications in the context of your decisioning. I wondered if you might look to accelerate any of your own migrations, such as your databases, given the backdrop and admittedly near term headwinds that you are facing.

### **Brian Cassin**

Thank you, George, for the questions. I want to ask Lloyd to deal with the April trend one, then I am going to invite Kerry to address your question on the development of supply in the Lead Generation space. I think it would be quite interested to just contrast what happened in the global financial crisis. Kerry will have that perspective. Then I will come back on the strategic question.

### **Lloyd Pitchford**

Picking up the bureau numbers, obviously you see overall trends in overall profile polls, but when you then convert that to revenue there are clearly different price points for different sub-segments. We have clearly had a lot of strength in Mortgage, and that has been sustained through April and into early May. We have also had strength in Ascend services. You have quite a mix of benefit in there as you think about how it all adds up. The relationship between data and the Ascend services that we are providing is a pretty strong addition year over year, given the progress we have been making in that business.

### **Brian Cassin**

Kerry, can we move over to you for the question on the development of supply in the Lead Generation space?

### **Kerry Williams, Chief Operating Officer, Experian**

Yes, Brian. Good morning or good afternoon, everyone. If you take the three major markets of Brazil, the US and the UK you have to look at them a little differently. The Brazil Consumer

market is very much in a state where the Brazil Core Credit bureau was during the last financial crisis. If you recall, the Brazil Credit bureau was one of the bright spots of Experian. It continued to grow and had great growth through the global financial crisis. The Consumer business there looks to be in the same position because the consumers in Brazil are continuing to move towards acquiring credit and wanting to understand their credit, their credit report and their scores. We just see that as having a tailwind in the Brazil market.

If you move to the US, you have plenty of supply for prime and super-prime consumers, which is a large proportion of our customer base. However, you have a diminishing supply, as you would expect, in the subprime consumer base because of the timing of the credit policies. That is where we have primarily seen a change in supply in the US market. It is noticeable, but I would not put it at a severe rate in terms of supply. What we have seen is that there has been a recognition by the lenders that we clearly have the quality leads in this space. There is the fact that we are a bureau, that we do have capabilities like Experian Boost, the brand recognition that was already talked about earlier today, and consumers have migrated to us fairly strongly, you see it in the results. The lenders recognise that. We have been able to keep supply in the US market where others have lost their supply, and we expect that to continue for the indefinite future with this crisis.

In the UK market, the lockdown was quite severe. There has definitely been a pullback in the supply. Again, we feel that we have a high quality of leads in the market, and we are viewed that way, so we have been able to keep a good portion of the supply. To give you an example of what has occurred in the UK market, typically around 80-85% of consumers coming to us and looking for products prior the crisis would have seen some type of offer because of their creditworthiness and their credit background. During the pandemic and lockdown in the UK business, that has moved down closer to 50%, and that is purely a reflection of the tightening of the credit policies and the tightening of supply in the UK market. That lack of supply is what you are seeing with the big difference in the UK business versus Brazil or the US. We expect that supply to come back. We are already starting to see financial institutions to come back a bit and starting to test some new opportunities in the market. It will evolve at the pace that the market in the UK continues to move. The supply in the UK has been noticeably different, and was directly cut back due to the more severe lockdown that was in the UK business and the tightening by the UK lenders. I will stop there.

## **Brian Cassin**

Thanks, Kerry. George, just coming back to your question on acceleration, I will just give some context. We have talked to you a lot over the last few years about our own technology transformation. It is not one big programme. There are obviously several programmes that we have running in tandem. You have actually already seen the results of quite a lot of that in the new products that we brought to market. Just to list them off, for example, there is Ascend, Experian One, CrossCore, new Consumer Services platforms, a new positive data bureau in Brazil and new bureau architecture in Colombia. We have actually already built all of the underlying components that we need from a technology perspective to really re-engineer the whole business.

Over the last few years we have engaged in a quite extensive strategic review to map out how we do that, particularly around things like some of the migration of the legacy pieces of technology. It cuts across a lot of different businesses, from Health to CIS to BIS and others. That is a big management job. It is something that we are approaching extremely carefully, not

just from a cost perspective but also from a risk perspective. We feel that we have a lot of the components that we need.

Could we accelerate? We are some time into this now. We are learning a lot. Most of those projects are going really well, though obviously not right now in the middle of a pandemic when the first thing we have to do is move 17,000 people to working from home. As we think through, over the next few months, what the long-term implications are for our business arising out of the changes that COVID 19 is bringing, be they temporary or perhaps permanent, that is when we will look to re-evaluate any of that. That may be something that we come back to at a later point in time.

### **Anvesh Agrawal, Morgan Stanley**

Good morning, everyone, and thanks for the detailed presentation. I have just one last question on the Health business. Again, the revenue trends that you have given for April seem to be much more resilient than what your peers are indicating. Can you give a bit more detail on the nature of your business? Is it more software and less transitional for you? What are the drivers for better performance for Experian?

### **Brian Cassin**

I am going to ask Kerry to address that one. Kerry, are you okay to take that one?

### **Kerry Williams**

Yes, I am happy to, Brian. Thank you. Yes, our Health business is instrumental to the healthcare providers. It is as simple as that. They cannot conduct their business unless our products and platforms are up every day to allow them to manage their business. We do not see the type of volume drop-offs that you might have if all you have in that business is a collections offering or some fraud authentication offerings. Those can clearly fall short in a situation where the hospitals are swamped with a pandemic, because they turn their attention to managing their customers and dealing with the pandemic. They use our system to do that. Our software systems are embedded. Our ability to help them understand their customer base, the demographics of their customer base, which demographics in their area that they provide care for and whether they might have different groups of consumers who are more at risk. There is our ability to help them with tele-health which is now exploding because consumers do not want to go into a hospital for their normal medical needs like they used to because the hospitals are dealing with the pandemic. There is our ability to help them schedule. Tele-health might have been five or 10 instances per week for a hospital with consumers prior to the pandemic to over 1,000 per week now. Our ability to help schedule that, to help manage that workflow and to get them taken care of is a big part of our capabilities in the healthcare space. There is a noticeable difference in the type of offerings that we do in healthcare. We are integral part of what the hospitals need to run their business, and so we do not tend to see the large fluctuations that are purely economic driven, as you might see with some other providers. Brian, back to you.

## 5. Close - Brian Cassin

There are no more questions on the line. Thanks to everyone for joining the call today. It was nice to speak to you all. I hope everybody keeps safe and well, and we look forward to speaking to you again in a few months' time. We might all be back in offices by then – you never know. Good luck everybody.