Full year results – FY21

19 May 2021

Contents

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

1.1 Introduction

Good morning and welcome, everybody. I am joined today by Lloyd Pitchford, and Kerry Williams will also join us for the Q&A session. Let us get started with the strategic and financial overview for the year.

2. Strategic and operational review

FY21 was a challenging year, but the business performed really well. To finish the year with organic and total revenue growth as we did show the business's capability and resilience, even in the most difficult circumstances. Most importantly we focused on looking after our people and our clients – the most critical components for our long-term success. We have now grown our way through two major downturns, and the macro environment is now strengthening significantly in our major markets. By making the right strategic choices in previous years, we have put ourselves in a position to continue growing once the crisis abates.

Of course, it has not all been plain sailing. Parts of the business did struggle, but overall, we are emerging from this period in really good shape. We see signs of recovery in some markets already and have the opportunity now to step up, and I am confident that we are going to have a very good FY22. Before we start, I want to say a huge thank you to my Experian colleagues, who have shown enormous dedication and commitment during this time.

2.1 A force for good in society during the pandemic, and powering the road to recovery

Data for Good

Whilst we are proud of our financial performance in FY21, we are also very proud of the work that we have done to give back. This was a year that really demonstrated the power of data when correctly used, and what we can do to help governments and societies. Right from the start, we moved quickly to make our data and data insights available to governments, health providers, charities and many others, and we worked with lenders and governments to support families and businesses, reaching vulnerable populations and keeping economies moving.

United for Health

Alongside this, our United for Financial Health programme used financial education and partnerships to empower those people hit hardest by COVID-19. During the year, we partnered with 11 new non-profit organisations to improve financial health worldwide, including organisations such as Operation Hope, Black Girl Ventures, the Big Issue and many more.

People First

We adopted a 'People First' agenda to provide support to our Experian colleagues. As a way of saying thank you for their exceptional effort, we will be making a special one-off recognition award for helping Experian to thrive during the pandemic.

2.2 Financial Highlights: delivering good growth in testing times

Turning to the financials, we finished the year well. Q4 was a good quarter, with 5% organic revenue growth, it was at the top of our guidance range, and we ended the year with full-year organic growth of 4%. When you add in acquisitions, total growth was 7% at constant currency, so it was a high-single-digit growth year overall.

The story of the year was consistent throughout. North America and Latin America had very strong years, particularly in the context of the pandemic, and whilst we had challenges in some markets, we saw a recovery in almost all areas in H2, improving into Q4. I am very pleased to say we made great progress on our transformation in the UK, with the UK returning to growth in Q4. Consumer Services had an outstanding year. It delivered 17% growth and we now reach 110 million free members, up 28 million on last year. The B2B business held flat, which, considering the external pressure, was a resilient performance. Mortgage, Health, Ascend, other new products and countercyclical elements of the portfolio all helped us weather the decline in unsecured lending volumes, which was broad-based across all the regions.

The main point, however, is that the work done in previous years to position the business strongly and the strategic choices that we made served us very well. We made some key decisions at the start of the year to support our people and to invest in key strategic opportunities. This worked out really well. Innovation-led growth is a major driver of our performance. We continue to invest to retain our capacity to improve and expand, including investment in people, marketing, new products and our technology transformation, all of which continued in FY21. This did have some impact on margin but positions us well for recovery.

EBIT growth was 3% in the year, but we expect margin compression to largely reverse in FY22, so we are set up for a strong year for EBIT growth. Our cash performance was outstanding. We converted over 106% of EBIT into operating cashflow – our strongest performance in our history as a public company – and we also held the dividend level with last year and now plan to restart the buyback.

2.3 Investing in critical growth initiatives and extending our global reach

Organic Investment

We deliberately balanced our approach to cost management. We continued with critical growth investments while holding discretionary costs tight. We also added inorganically to our position in key sectors. I've referenced the emphasis we placed on people, which is hugely important, as well as the concerted action we took to support marketing expenditure in Consumer Services. We continued to make progress on new product innovation through our Athena programme. 158 projects from Athena went live across the globe, and a further 266 were started with future go-live dates, so we have a strong portfolio of initiatives which is supporting hundreds of millions of dollars of future revenue potential. We also materially progressed our technology transformation as we migrate from mainframes into a distributed framework utilising the cloud.

Acquisitions and Venture

We also moved forward with some important acquisitions. We added new bureaux in Germany and Spain. We strengthened our position in fraud and identity management with the acquisitions of Tapad and BrScan, a fraud-management business in Brazil. We accelerated our entry into new verticals, with three bolt-ons in verification services, and finally, we exited our investment in Finicity, with the return of six times equity capital we invested, realising a gain of $120 million.

2.4 Our addressable market opportunities are significant and growing: market drivers intact since COVID-19

Our addressable market size is over $130 billion and growing. In some case, COVID has accelerated the underlying trends and, therefore, the opportunity. The faster-growth parts of these markets are focused on capabilities positioned higher up in the value chain, and this is at the heart of our strategy, marrying best-in-class data with sophisticated analytics and software products to create more and better solutions that address key client needs.

Client needs are expanding all the time as digitalisation fundamentally changes markets. The need to respond with more effective solutions for their customers drives demand for better data, more data, and better products to effectively serve their business needs. Consumer Services is a great example. We can be a data supplier to Identity and Lead-generation players, or we can capture additional value by providing these products ourselves and building direct relationships with consumers. The scale of the opportunity that we have by choosing the latter is very clear from our results and also from platforms that we have built, which give us great future potential.

The same is true in our core data business. Additional market opportunity comes from innovation around our data, products and platforms that provide better use and functionality and greater value. Increasingly, this comes from combinations of our capabilities across business lines and by extending these products help clients' automation journeys.

We are in a very good position to address the huge shift in fraud that comes with e-commerce. Experian can provide the relevant data for risk decisions in customer acquisition, onboarding, fraud and authentication as people shift more of their lives online.

We have enhanced our technology estate, accelerating the rate of innovation. We are integrating more of our capabilities, making our platforms interoperable, and we have data differentiation, better products, network effect and the advantages that come with a large consumer membership base. Consumer engagement is now becoming a competitive advantage. We have enabled consumers to directly contribute additional data to improve their credit scores and access affordable credit, while, at the same time, reinforcing our B2B propositions.

2.5 Well-defined strategic priorities underpin our growth ambitions

We are addressing these markets through a set of well-defined strategic priorities across a number of areas. Consumer consent in open data will become a big driver of change in growth, and we are at the forefront of this. Our Open Data platforms are best-in-class and we plan to offer these globally. Traditionally, our global products were consigned mostly to our Decision Analytics (DA) products, and particularly PowerCurve; however,

Ascend has now reached a total contract value of $374 million, still heavily weighted to North America, which, of course, is the largest market opportunity for us, but we have broadened the use cases and taken Ascend to many more countries, with particular success in Brazil and now the UK, which has tripled the size of the pipeline. We have many more global opportunities for products like this, particularly in areas like advanced analytics.

Ascend and PowerCurve provide us with platforms from which we can build, with existing installations that we can leverage. We are also working on combining Ascend and PowerCurve, which is a complicated exercise but one which will see us develop a true cradle-to-grave data-to-final-decision capability. We will aim to offer Ascend wherever we have PowerCurve, and we have over 370 PowerCurve clients worldwide, so that should give us a great platform to potentially unlock several hundred million dollars more of opportunity. It is a focus for investment and effort right now.

More and more of our propositions are now cloud-enabled. Clients want cloud first and for an easy connection to analytics. Ascend Intelligent Services, one of our newer products, provides the ability to develop and deploy models into production seamlessly and quickly. The Experian One investment has been hugely important for us. Interest in cloud solutions was growing before COVID, but the pandemic has changed this entirely. Many of our products even outside of DA are built on Experian One. For example, the decision capability which is embedded with our US consumer business is built on Experian One, which leverages our world-class decisioning capabilities to provide solutions to consumers.

Of course, new verticals have played an important role in our growth. Health is one of our largest businesses now. Patients need help with the financial side of healthcare, and better digital-care coordination, and we are excited about the progress we are making in verification services. In Consumer Services, we now have really significant platforms in three geographies. We are going to build memberships and expand use cases. We are becoming more and more relevant to consumers in financial services. We have also entered the insurance market in the US and are evaluating exciting new opportunities in payment services.

We have proven that there is really strategic benefit from having consumer bureau services and consumer facing platforms by driving deep integrations with our financial partners, taking friction out of the credit-application process and providing quality offers. Region-specific opportunities like positive data and business diversification in Brazil still make up a huge portion of our growth potential, and we are pursuing all of those aggressively.

3. Regional reviews

3.1 An outstanding year of progress in North America driven by innovation and strong execution

Unsecured Credit Starts to Recover

Turning now to the regional updates, North America's performance this year was very good, with organic revenue growth of 7%, which is respectable in any year, never mind a pandemic year. New products, strong innovation and great execution contributed to a year when core bureau volumes were down materially. We have started to see volume recovery from our top customers. Acquisition programmes are reactivating. Much of the clients' focus is shifting to digital. We had great support last year in mortgage. We did expect that to reverse this year. Credit quality is at an all-time high, and delinquencies are low. As unemployment reduces, we do expect clients to focus on portfolio growth.

Innovation-led Growth

Ascend continues to perform very well. We signed 15 new clients last year. We continue to expand the platform and now have several modules. Since the initial sandbox offering, we have added data services, marketing, account management, CECL and Ascend Intelligence Services. Ascend marketing had a number of wins this year and we have just launched Ascend for small- and medium-sized business lenders. We are making good progress on our promise of rapid strategy development and deployment. We have had a very strong response and we have a lot of innovation that is driving material differentiation. This also comes as we shift our decisioning software from on-premise to a fully hosted model. Many of our applications have now been put in the cloud through Experian One and this gives us a new way to address clients, which will ultimately deliver higher-quality recurring revenue.

Health

Health had a pretty solid year. We added new logos, new bookings were strong, and deal sizes were bigger. Clients were compelled by circumstances to upgrade their digital capabilities, and our investment in this space was really well-timed, Today, most providers offer registration before patients get to hospitals, to avoid form-filling. We have bundled this capability with our payment capability, so we can now schedule appointments, register the paperwork, provide estimates to pay for care, and check if the patient is all-in. It is all part of a push for a new digital experience.

3.2 North America Consumer Services – our brand grows in power and reach

Consumer Services in North America delivered one of its strongest years ever and has now become a significant growth engine. Organic revenue growth was 16%. We made a conscious decision to increase investment as the downturn hit, and this has paid off. We added more than 10 million members to our free base, and it now stands at over 41 million members. Our market share of credit-card applications has increased and, compared to the market leader, our share of traffic, which used to be around one third, is now 62%.

This year, we diversified into auto insurance, with great success. We are now accelerating this vertical-diversification strategy. We think the auto-insurance opportunity is as big as our other market opportunities in financial services, lead-gen and identity. You can see here the progress we have made on engagement. We are hitting all-time highs on customer log-ins and monthly engagement, and this is a really important piece of our go-forward plan. We are introducing a new breed of smart services to help people manage their financial health and, overall, I think we have great foundations for another very good year.

3.3 Latin America – Positive data proliferation in Brazil and Consumer Services more than doubles revenue

Business to Business

Brazil also had a really good year, and we can already see that this is continuing into Q1. COVID was and remains a huge challenge in Latin America, and particularly in Brazil, so huge credit to the team there for an outstanding job in FY21. We passed another significant milestone last year by signing major new agreements with all of the large banks in Brazil, with very significant expansion in terms. Volume enquiries for positive-data attributes are growing as client consumption grows. Experian Ascend signed 12 new clients, and we have launched a dedicated vertical specifically to address the FinTech community, which was already a key source of growth for us in Brazil. Positive data is enabling and driving demand for more precise credit-risk assessment, and we are introducing a new generation of credit-risk analytics in the marketplace.

A Truly Unique Consumer Offer

We have also created a truly unique consumer offer. The business more than doubled in size in local-currency terms. It now has 59 million free members, and you can see here that our audience share is comparable to some of the largest financial services brands in Brazil. We have built this business funding it through P&L investment in its loss-making phase for the past few years. It is now breakeven and we are pretty sure it is going to go on to be a material contributor to profit. We are also sure that this is going to be one of our biggest businesses in Brazil, and it certainly looks like it is going to be one of the highest returns on investment that we have ever generated, all of which was done organically.

We are creating an ecosystem that sits around the consumer. We already have the leading collection marketplace in Brazil, which helps people to pay their bills and become banked. Score Turbo is generating fantastic consumer engagement, and we are now adding meaningful new revenue streams. eCred, our comparison offer, saw a big leap this year in credit card deliveries and a significant ramp in revenue contribution. We are launching new features to compare cards and ineligibility, expanding into personal loans and looking at some new concepts in payments. We are incredibly well-positioned in Brazil, pandemic notwithstanding. We made a lot of progress this year and we are excited about the prospects as we move forward.

3.4 UK and Ireland: Transformation on track, back to growth in Q4

We've seen good improvement in the UK. It is now on a very good trajectory. It got back to growth in Q4 and we have made a lot of progress on our transformation journey there. The H2 margin also improved a lot sequentially. One of our core aims is to return the business to its historic high levels of margin, so we have encouraging progress.

Just to give you a flavour of some of the accomplishments on the transformation, there was a lot of work done. We made some significant changes to the leadership team. We simplified the operating model. We have done a lot of heavy lifting on our technology transformation. We made significant changes to our commercial approach. We have really ramped up our innovation approach in the UK, and we are seeing that come through in a lot better operational KPIs. Customer satisfaction has improved significantly. We have much better people engagement, and our win rate in the market is improving and really good now. We have secured a lot of new logos and we are encouraged about the business pipeline.

The business is on a much stronger footing. That is translating into success in different areas of the market. Ascend, for example, had some important success with some household names. We have one major lender that wants to roll it out to every part of its operations. We had encouraging progress in platforms such as CrossCore and Experian One, and in our affordability propositions. This comes at a time when the market in the UK is recovering. It is not fully open yet, but more and more offers are coming to market, and activity now looks set to pick up as the economy starts to reopen. Consumer Services had a significant rebound in H2. Boost has had a very good start, with 370,000 net new connections. It has been a real boost and help to our brand in the marketplace.

We feel good about the work we have done in the UK. We think we are in a good position and we're well-set to take advantage of that as we move into FY22.

3.5 EMEA/Asia Pacific – performance impacted by pandemic; new bureau bring scale

EMEA/Asia Pacific had a tough year. This is the area where lockdowns impacted bureau volumes the most and, with a higher exposure to Decision Analytics, we are impacted by a reduction in spend on new software implementations as that scaled back. We do have some markets like India that are still suffering, so we still have some headwinds in this region that have not yet quite abated. That said, the pandemic is creating a market shift, and clients are adopting cloud-enabled technologies. It was not so much the case before COVID. We do see this particularly in the EMEA bureau markets. As previously referenced, our investments in Experian One set us up well to really play into this. The new bureaux that we acquired in Germany and Spain have got off to a very good start. We can see the synergies from those deals coming through. Germany, like other markets, is seeing a very big shift to digital channels and a positive effect on e-commerce and e-payments from the pandemic, so we have had a big uplift in volumes from that. All of our global platforms are now also available and usable in Germany – Ascend, PowerCurve and so on – and we started to sell these software products to the existing client base, with a lot of new logos. This is part of the strategy to concentrate our efforts in markets where we have a path to drive real scale and to drive more profitable growth in this region. We have made a lot of progress in EMEA and we intend to make significant progress in improving that in Asia Pacific in FY22 and beyond.

3.6 ESG – New gender diversity and climate-related targets

Social Targets

ESG is core to how we run the business. We help transform the lives of consumers every day by widening access to credit. I often think of companies that sometimes struggle with this concept to come up with a purpose. We were created with a purpose in mind, which was to widen the access of the general population to credit and make it more affordable. That is exactly what bureaux do. The whole company has really bought into this. We contribute to three United Nations Sustainable Development Goals. You can see this on the slide.

We have reached 28 million people through our Social Innovation programmes and are on track to meet the target that we set ourselves of 100 million by 2025. United for Financial Health – our financial-recovery programme – reached 35 million people this year. It is fantastic progress, considering we launched it only last year.

Diversity Targets

We have set new targets for gender diversity, with a goal to reach 40% women in our senior-leadership team by 2024. We continue to meet the recommendations of the Hampton-Alexander Review on gender diversity and the Parker Review on ethnic diversity.

Environmental Targets

I am really proud that our CDP rating is now 'A-', which is a significant improvement. Today, we have announced new environmental targets to cut our Scope 1 and 2 emissions as part of our plan to be carbon-neutral in our own operations by 2030.

There is more to come, of course, but I do feel like we have made a lot of progress in this last year. With that, let me hand over to Lloyd to take you through the financial update.

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

4.1 Highlights – FY21

Thanks, Brian, and good morning, everyone. It is great to be with you, albeit virtually, to present our annual results after one of the most tumultuous and challenging years in our lifetime, and a year when the strength of our business continued to shine through. Let us start with the results highlights.

After a very tough first quarter, we recovered well through the rest of the year, reporting 4% organic revenue growth for the year, with Q4 at the top end of our guidance range. Acquisitions added 3%, taking total growth for the year to 7% at constant currency. Exchange rates were 3% revenue headwind, mainly due to weakness in the Brazilian real, with total revenue at actual exchange rates up 4% on the prior year. Constant currency growth and benchmark EBIT was 3%, and flat after including the FX headwinds. Benchmark EPS was 4% at constant rates, and, again, flat after including FX. We delivered really strong operating cashflow conversion of 106%, with operating cashflow up 22%. The board has approved a second interim dividend of 32.5 cents, taking the full-year dividend to 47 cents, in line with last year. We ended the year in the lower half of our leverage range at 2.2 times net debt to EBITDA, with a very strong funding position.

4.2 Organic growth trends

Touching briefly on the organic revenue trends, we delivered 5% organic revenue growth for the quarter compared to the 3-5% guidance range, and as we lapped the strong fourth quarter in FY20. Acquisitions added 3% to growth for the full year, taking total growth to 7% at constant exchange rates.

4.3 Experian has grown through two extraordinary external shocks

Given the nature of the last year, I wanted to place this year's results in their historical context. Over the past 15 years, you can see just how resilient Experian has been through two global crises, having grown organically through both the pandemic and the global financial crisis, and every year in between, whilst maintaining a very strong record of cash conversion throughout. This places us in a small list of companies with such a long-run resilient growth.

4.4 Segmental trends

Back to last year and looking at our segmental trends, and starting on the left with B2B, you can see that this recovered since the decline in Q1, when we saw the greatest impact of the pandemic. Bureau volumes were hardest hit in Q1 but gradually improved through the year, although they remain below prior year levels throughout in some regions. Growth was supported by strategic initiatives such as positive data, the elevated contributions from US mortgage, health and Ascend. Consumer Services, on the right, delivered great momentum, growing strongly and accelerating into H2 on the back of our continued investment in membership growth and expansion of services in the US and Brazil. The UK also recovered as the year progressed, growing as we exited the year.

4.5 North America trends

B2B Revenue +4%

Turning to our regional performance and staring with North America, on the left-hand side, you will see a breakdown of growth from North America B2B. The non-mortgage-bureau revenue was flat for the year. Our Ascend platform continued to generate strong revenues, contributing 1% of group revenue growth over the year. This was offset by declines in our core profiles business, as the tightening of lending criteria restricted the supply of credit during the pandemic. As Brian mentioned, volumes for unsecured credit in North America have recovered and are now trending well above last year.

Our US Mortgage business grew from around \$200 million to \$300 million this year, off the back of strong refinancing volumes following a low-interest-rate environment. During Q4, we began to lap the start of this trend, with the contribution to group revenue growth reducing to 1%. Our forecasting assumption is that mortgage will decline around 20% through the balance of FY22, or about a 1% headwind on group revenue.

Automotive was flat versus last year, which is a great achievement, given the challenges the automotive industry has faced. Stimulus payments and tax refunds have helped support demand during the pandemic.

Health delivered good growth of 5% for the year. Authentication volumes progressed through the year as patients increasingly needed to be authorised digitally. Targeting remained challenged, declining 13% organically, as advertising activity remained lower than pre-pandemic levels, especially in a number of challenged industry segments.

Consumer Services Revenue +16%

On the right-hand side, you can see more detail North America Consumer Services trends. As you can see, the great performance in North America consumer trends was broad-based. The subscription business continued to gain members throughout the year, as strong free and Boost traffic converted to paid services. Lead-generation revenues also grew in the credit vertical and as we added the new contribution from vertical expansion into auto insurance. Partner Solutions delivered good levels of growth too, helped by new contract wins and data-breach services. Overall, this shows the growing power of our Consumer Services business as we gain material scale of membership and increasingly spread our service offerings.

4.6 Brazil trends

On to Latin America and Brazil. Our Brazil business also had a great year, delivering organic revenue growth of 11% against the pandemic backdrop. The top chart shows our B2B revenue growth profile. As you can see, we declined in Q1 as the impact of the pandemic was felt the hardest. Through the year, we have seen volumes steadily recover, and we expect this to continue. Our positive data scores and attributes products continue to drive revenue growth, with Serasa Positive Data solutions now embedded within many of our largest clients. The B2B business is also becoming more diversified, with growth coming from new verticals such as Auto and ID & Fraud.

The momentum in our scale and consumer business has continued. This chart shows how the local-currency revenue has accelerated in Brazil. The business has scaled significantly, with 59 million members, and our growing product offerings driving increasing engagement and monetisation. Limpa Nome had another successful year, helping consumers renegotiate $7.8 billion worth of debt. Our lead-generation product eCred also grew well, as the switch to positive data continued to drive both interest and credit opportunities for consumers. With the business scaling successfully, it moved into profitability during the second half of the year, and we are very excited about the rich opportunities to innovate and further scale this business in the years ahead.

4.7 UK and Ireland trends

In the UK and Ireland, the business returned to growth of 1% in Q4, having delivered sequential improvements throughout the year. The top chart shows our B2B organic revenue growth profile. As you can see, the core bureau delivered growth in H2, reflecting the progress we have made with innovative propositions – for example, in the affordability and categorisation space. UK Decisioning was on an improved trajectory into Q4, down 2% from the lows of being down 13% in Q1. Consumer Services progressed well through the year, strengthening in Q4 to deliver 4% growth. Lead generation recovered well, with growth in memberships and as credit supply resumed, adding to the strength in subscription services, driven by upsells from our free and Boost acquisition programmes.

4.8 Quarterly organic growth trends

On the next two slides, I will provide a more granular view of quarterly trends through the year, in line with the additional disclosure that we have been providing this past year. North America overall delivered 7% growth for Q4, taking revenue growth to 7% for the year. The Latin America region delivered 12% growth in Q4, representing double-digit growth for the third quarter in a row and against a strong prior-year comparative, despite the ongoing pandemic challenges there. As already mentioned, the UK was back into growth in the fourth quarter, after good momentum, and showing a clear pathway to recovery as we stabilise the business and the reorganisation has progressed. EMEA/Asia Pacific declined 10% organically in Q4. EMEA has been on an improving trajectory as bureau volumes recovered from the lows, but Asia Pacific has continued to be impacted by volume reductions, particularly in India, and in Decisioning, where clients delayed decision making on new software contracts.

4.9 Benchmark EBIT margin

Turning now to the EBIT margin, during the year we exited some small businesses in the B2B segment across the UK, EMEA and Asia Pacific. Adjusting for this increases the prior-year margin by 10 basis points from 26.8% to 26.9%. Acquisitions were at a slightly lower margin, having a 10-basis-point impact. Over on the right-hand side, you can see the impact from FX, a 20-basis-point drag due to the weaker Brazilian real. Strong growth in Consumer Services meant that there was a negative mix effect on the margin as the consumer segment is slightly lower margin than B2B. If you exclude these items that I have just talked through, you can see the trading margin impact in a blue box was around 50 basis points. The drop-through of revenue slowdowns in the UK and Asia Pacific B2B businesses contributed to this lower margin. Whilst revenue here dropped, we have made a strategic choice to retain capacity investment to take advantage of specific growth opportunities and to position us well as we exit the pandemic. Elsewhere, we continued to invest in marketing during the year, which gave rise to membership growth and share gains in Consumer Services. These revenue impacts were partially offset by tight control of discretionary spending, leaving the core trading margin down 50 basis points.

I would like to make two other comments on our operating margin. Firstly, another way to look at the margin change during the year is that, of the 80 basis point constant currency margin decline, around 60 basis points came from increases in depreciation and amortisation from historic capital investment. At an EBITDA level, margin was down about 20 basis points, reflecting the mix effects.

Secondly, as you know, we are now well advanced into our technology- and cloud-transformation programme. These programmes are executed over time, and there was an inherent increase in capex and dual-running opex costs while the transformation is underway. I want to scale the impact of these ongoing programmes to help you better understand our financial performance and our outlook. Starting with capex, our current capital investment as a percentage of revenue was 8% this last year and will be 9% in the year ahead. Of this, between 1% and 2% is associated with investments around our technology transformation programmes. In the P&L, we have dual running expenditure related to this transformation programme, and this amounts to around a 100-basis-point headwind to margin in FY21.

4.10 Benchmark Earnings Per Share (EPS)

Turning to benchmark EPS and starting from FY20, when benchmark EPS was 103 cents per share, growth in benchmark EBIT from continuing operations was 3%. The interest expense decreased to $121 million as a result of lower average global interest rates. The tax rate was 25.9%, at the bottom of our guidance range. We saw a higher weighted average number of shares, at 910 million, which included shares delivered on the purchase of the German bureau. EPS was, therefore, up 4% on a constant FX basis and in line with actual FX rates, at 103.1 cents.

4.11 Reconciliation of Benchmark to Statutory PBT

Taking a look now at our usual reconciliation to statutory results, amortisation of acquisition intangibles increased to $138 million, consistent with the increased acquisition activities last year. We took an impairment charge of $53 million against the goodwill of our Asia Pacific region. As you know, our Asia Pacific region is currently in its investment phase. Whilst this is a long-term investment for us, the pandemic has pushed the growth profile back and triggered a requirement to partially write down the goodwill value.

The gain on Finicity relates to the divestment of one of the group's associates, where we were an early investor in open data platform businesses. Our original investment of $24 million realised a post-tax gain of $120 million and demonstrates the value that can be created within our associate and venture investment programme.

The transformation programme charge announced at the half-year mainly related to the UK and has now concluded, and we are on track to deliver the $40 million of year-on-year annual savings. Other items included acquisition-related expenses and some other small amounts. Finally, non-cash financing remeasurements were, again, $5 million against a $111 million loss in the prior year, due to FX losses on Brazilian real intragroup funding.

4.12 Very strong cash generation

Turning now to cashflow, we saw very strong cashflow generation, with 106% conversion. We had strong growth in our Consumer Services business, which has a shorter working capital cycle, due to the cash profile of some of our subscription products. This combined with a strong collections performance, with some catch-up from FY20, when some clients delayed payment in March last year, at the height of the pandemic. There was a reduction in capital expenditure due to FX, and we took a disciplined approach to prioritising investments this last year. Net capital expenditure represents 8% of full-year revenue, slightly down on the 9% that we saw in FY20. Lastly, D&A has increased, driven by the investments in previous years, resulting in benchmark operating cashflow increasing 22% at actual rates.

4.13 FY21 Capital framework

Now turning to our funding position and the capital framework, we increased funds from operations by 23% versus the prior year. We continued to invest organically through capital expenditure and maintained our dividend through the year. During the year, we continued to invest in a number of acquisitions, as you saw from Brian's presentation, and total acquisition spend in the year was $583 million in cash and $253 million in Experian shares for the German bureau acquisition. Acquisitions contributed $140 million of inorganic revenue, or 3%, to group growth in FY21. Even accounting for this spend, we reduced our net-debt position. As of the end of the year, we have concluded a further $302 million of acquisitions, which will contribute to growth in FY22. We finished the year at a leverage of 2.2x EBITDA, which is at the lower end of our 2-2.5x leverage range. Our funding position remains very strong, with over $2.65 billion in undrawn banking facilities. Our bonds are long dated and, excluding the 2022 Bond, which has already been refinanced, our next bond is not due until FY25.

4.14 Modelling considerations for FY22

Lastly, turning to FY22 modelling considerations, we expect organic revenue growth for FY22 in the range of 7-9%, and we expect to start strong in Q1, in the range of 15-20%, as we lap the deep impact of the pandemic last year. We expect acquisitions to add a further 3-4% to full-year organic revenue growth, and we expect this growth to deliver strong margin accretion. We expect FX will have a neutral impact on EBIT growth in FY22, assuming rates since the start of the new fiscal year continue. We expect net interest for FY22 to be between $115 million and $120 million, reflecting lower average interest rates. The benchmark tax rate is expected to be around 26-27%. Taking into account the shares issued for the consideration of the German bureau, the weighted average number of shares is expected to be in the region of 915 million for the year. We expect capital expenditure of 9% of revenue as we continue with our technology transformation investments. Our operating cashflow conversion is expected to remain strong, at over 90%. Finally, we will restart the share repurchase programme, expecting to spend around $150 million in FY22, which will mainly offset deliveries under employee share plans. With that, I will hand back to Brian.

5. Closing summary – Brian Cassin

Thanks, Lloyd. To summarise, FY21 showed the strength of our model. We did really well, helped by portfolio diversity and also by some of our past investment decisions. We are very excited about the opportunities ahead. We are well-invested. We retained our capacity during the pandemic and it puts us in an incredibly strong position as we move forward. We are going to have a very strong Q1 and a very good FY22. I am now going to hand back to the operator for your questions, for which we will be joined by Kerry Williams, our Chief Operating Officer.

6. Questions and Answers

Paul Sullivan, Barclays

Good morning, everyone. Just a few from me. Firstly, in terms of the organic revenue outlook, can you talk through the main moving parts at a divisional level? What assumptions are you building into the second half? Why the conservatism in light of the strong Q1?

Secondly, on margins, are you signalling a change in margin progression beyond fiscal 2022, so not this year but next year? Do we view the commentary around margin and tech transformation as pointing to a multiyear step-up from your previous guidance of modest margin expansion?

Finally, in terms of income verification and employment verification, can you talk about your ambitions there? How big is that vertical post the deals that you have done? What is the pitch versus Equifax, and can you quantify the opportunity?

Brian Cassin

Hi, Paul. Lloyd, do you want to deal with one and two, and I will come back on the verifications?

Lloyd Pitchford

Yes, sure. On the organic outlook, I do not think you can draw a straight line through this first quarter into the rest of the year, given the very easy comps as you look back a year. I also think we are clearly during a period of very elevated consumer activity post the various lockdowns. The question when we are looking to the second half of the year is, ‘How long does that continue?’ We clearly move to a place where mortgage becomes a bit of a headwind and we have much tougher comps in our direct-to-consumer business. We are a bit more cautious in the second half, with a bit more uncertainty. We hope that consumer activity continues and we will be able to give you an update later in the year, but it is great to be off to such a strong start so early in the year.

On margin, we clearly wanted to scale the impact of some of the technology transformation. That has been ramping through this 100-basis-point headwind. It will sustain at about that level for the next 12 to 18 months as we continue with that programme. As you look out on a four-to-five-year time period, we are going to have more choices around our margin than we have had in the last few years. We are getting to the other side of the technology transformation, the recovery of margin in the UK business, the scaling of the Brazil consumer business, which has been in its investment phase and will become more profitable, and the scaling of our Asia Pacific business. That just gives us a lot more options. We will guide to the extent to which we invest that to accelerate growth versus dropping it to the bottom line on an annual basis, but we certainly have more options over that time period.

Brian Cassin

Thanks, Lloyd. Let me come back on verification and just a bit of background. We first went into looking at verifications in about 2016, on the back of our investment in Finicity. We approached this really almost like an open banking proposition. One of the reasons we did that was also because the access to data sources at that time was very difficult, so we have been building the products organically for a few years. What has changed is that some of the large payroll providers are now providing access to data on a much broader scale, and so we will have access to that. That is one key component.

As we evaluated the strategic position and opportunity, we really felt we needed three things: one, a very strong organic proposition, which we have; secondly, access to payroll providers to build out a dataset; and three, some unique capabilities around data. The third bit is where the acquisitions come in, because it puts us into that space and gives us access to unique records on which we can build a proposition. We have been in markets testing with our clients. The reception is very strong. We are pretty confident that we are going to make good progress. In the next year, this will start to build out to be a meaningful contributor for us. The market is growing. We can see that from results elsewhere. It is an attractive opportunity and I think there is space for new players. It is changing, because, in the past, it has been extremely difficult to enter this, because of the inability to get access to data. We now have an opportunity to really build this out, and I think it could be an interesting one for us.

Paul Sullivan

Can I just follow up on the 7-9% guidance? Can you provide us with any divisional guidance or building blocks to get there? I am trying to get underneath the skin of the B2B. It feels like B2B was a little disappointing in the US in the fourth quarter. Is that unfair?

Lloyd Pitchford

You have to look back to the prior year. If you look back, B2B growth in Q4 FY20 was 14% in North America, which is a very strong quarter comp. You always have to look on a basis of a couple of years. Bearing in mind that in mind, we were pleased with where we exited. We are not going to give individual divisional pieces. We would expect North America and Brazil to continue strong. Mortgage turns into about a 1% headwind for the year ahead, as I mentioned. Consumer will stay strong but will hit tougher comps as we go through the year. I would expect the UK to start strong and continue to benefit from the transformation programme. Decisioning in EMEA/Asia Pacific has been a bit slow, so that might be a little slower to progress as we come through the year. That is probably where I would leave it.

Oscar Val Mas, JP Morgan

Good morning. I had two questions. The first is a follow up on the margin question from Paul. Could you give some context on what you mean by 'strong margin accretion'? How should we think about M&A mix and maybe other lines like central costs or marketing spend in FY22? That is the first question.

The second is a more thematic question. We have had recent news from the US that some banks are looking at issuing credit cards to customers who do not have credit scores. Is that an opportunity for Experian or a threat? How is that related to the investments you have made in the income-verification business?

Brian Cassin

Thank you. Lloyd, do you want to deal with the margin questions, and then I will come back?

Lloyd Pitchford

Yes. As I mentioned in my remarks, the core margin this last year was down 50-60 basis points. In the year ahead, when we talk about strong margin accretion, we expect to be at least recovering that 50-to-60-basis-point core margin decline.

In terms of other areas, it is hard to say exactly what M&A we will do during the year, but M&A, in the year we make it, might be a very slight drag on margin of 5-10 basis points, but it depends on the mix. Within there, we will continue to invest in customer acquisition. We have a lot of momentum behind the direct-to-consumer business, so we will continue with that. Some central costs will come back in this year, but we will have some other offsets. The employee share award that we made was in central, and the majority of that cost will be this year, which will drop away, but some of the travel and discretionary costs will come back into the portfolio next year. Central costs in the year ahead are more likely to be in line with what we had in FY20 than FY21.

Brian Cassin

Let me come back on the second question in relation to the announcement from JP Morgan. First of all, I think this is an opportunity. It is very much in sync with how we have been driving a lot of activities in our own business, and particularly things like Experian Boost. We are involved in this project, so we are part of the initiative. The initiative is aimed at a recognition that financial empowerment is directly linked to positive socio-economic outcomes. A lot of marginalised communities are disproportionately affected by lower access to credit and have a higher likelihood of having a thin or no-file, or being credit-invisible. This is an effort really to try to help in that regard and one that we are heavily involved in and part of, so we are excited about this and it syncs very nicely with not just what we are doing from a business perspective but also our prime objective from an ESG perspective.

Rajesh Kumar, HSBC

Good morning. The first question is on the margin side. Can you give us some colour on how much headwind you are factoring in from the mortgage outlook for the margins? You have done some structural cost savings in the UK, so some would have hoped that you do more on margins than recover the core 50-to-60-bps decline last year. There are some moving parts here and we are just trying to get our heads around that one.

The second one is on the growth opportunities in Germany and South Africa. Could you give some further colour on how you see the growth from these two markets over the next two to three years? Could the competitive position from existing players be a threat, especially if they change ownership, as there has been some market news around that?

On the consumer business, credit-repair-led CFPB complaints were quite high for all three bureaux last year. What was the impact on your Boost product demand from that, as well as the margins in terms of addressing these concerns? Do you expect that to persist at that level?

Brian Cassin

Three questions there, so let me deal with the last one pretty quickly. There is no impact on the Boost proposition from the level of complaints. The level of complaints has been driven by increased activity by credit-repair organisations. It is not really reflective of true underlying complaints. There are a lot of organisations in the US that try, both legitimately and, in some cases, illegitimately, to get credit reports changed, so you are seeing a lot of that activity.

Lloyd, you can deal with the margin one, and then I will go to Kerry for commentary on the question on Germany and South Africa.

Lloyd Pitchford

The way to think about the impact of profiles in North America this last year is that we had a benefit from mortgage, but that was offset by core profiles in the unsecured lending business. In terms of margin, those two broadly offset. As we come into the year ahead, we will have a recovery of core profiles and a headwind on mortgage. On a two-year basis, we do not really see an impact. Just as a reminder, mortgage is much smaller for us than some of our competitors.

On the margin outlook, we continue to have and will have, at elevated levels this next 12 to 18 months, the headwinds around the technology transformation that we have been dealing with before those start to abate. We are pretty confident that we can recover at least that 50-to-60-basis-point margin drop that we saw this year in the year ahead, so we will update as we go through this year.

Rajesh Kumar

Understood. When you say 'at least' 50 to 60, 'at least' are words that we need to think about when we model.

Lloyd Pitchford

Yes, at least 50 to 60.

Brian Cassin

Maybe we can move to Kerry to answer the Germany and South Africa one.

Kerry Williams, Chief Operating Officer, Experian

Thanks, Brian, and good morning everyone. On Germany, we have been working heavily on bringing our global platforms into the German market, and we have done that. These are platforms like Ascend and Experian One. We are now in the process of rolling those out into the marketplace. One of the interesting things about the German bureau is that it has been heavily involved in the e-commerce aspects, so a good portion of that bureau has been very strong during the pandemic because of e-commerce, and we look to grow into other areas as we move forward, leveraging the platforms that we are bringing into the market and leveraging other data sources that we intend to add into the bureau. We are pretty optimistic about the overall growth prospects for Germany.

In terms of South Africa, due to various commitments that we made when we did that acquisition, we have had a timeframe that we have been working on in terms of integrating the assets between our legacy bureau and the one that was acquired. We are in that timeframe now, so we are busily working on integrating the assets, putting the model onto one platform, and being able to leverage more global platforms in the marketplace. We have already leveraged some of our BI platforms out of the US into the South African market. One of the things that we see going forward over the next year or two is a great deal of operating efficiency in the market and the ability to leverage our global platforms, like we have in Germany. Notwithstanding the impacts of the pandemic in South Africa, we have quite a lot of opportunities for growth in that market.

Rajesh Kumar

Understood. Thank you very much. That is very helpful. On the margin question, you have not made any reference to the positive data or the banks deal. Is it fair to assume that, when you said at least 50 bps of recovery, that assumes all the benefits that you might get from a shift to positive data in Brazil or the price renegotiations?

Lloyd Pitchford

All the moving parts from the regions are included in that. Interestingly, as we have gone through this year, we have made good progress with margin in both our B2B and B2C business in Brazil, but the negative mix effect of the strong consumer growth weighs on the aggregated Brazil margin.

George Gregory, Exane BNP Paribas

Good morning. I had a few questions on the consumer business, please; in particular, the US business. I wondered, firstly, if you could share some building blocks for US consumer growth in the coming year. Linked to that, did the US lead-generation business decelerate in the fourth quarter?

My final question is around the competitive landscape for Boost, looking at what some of your peers have done. Credit Karma and the integration with TurboTax into their Lightbox proposition are now able to integrate income and tax data. I guess we have LendingTree with the Plaid integration, trying to tackle a similar issue. I am just wondering what the timeline is for Boost in being able to access income data to push that capability to the next step.

Brian Cassin

Do you want to tackle the building blocks? On that final question about lead-gen accelerating in Q4, it did not.

Lloyd Pitchford

We had a very strong Q4 last year. Sequentially, the quarters were progressing well. The growth rate was a bit lower in the fourth quarter versus the third quarter, just because of the prior year.

You can see the building blocks this last year from the slide. You can see that all the individual bits were growing.

For the year ahead, we are entering the year with pretty strong momentum. We are going to hit very tough comps as we go into the second half of the year and we will see what happens with the consumer outlook when we go through there, but I will leave it by saying that we are very optimistic about the consumer business generally in all of the individual pieces.

Brian Cassin

Coming back on Boost, when we launched this, it was the first in the marketplace, and it is a unique proposition. There is still nothing out there where you can boost your credit score. We fully expected other people to try to emulate that, but I think we are far ahead of anybody else. There is some mixing and matching of different concepts in the question that you asked around access to different sources of data. Of course, not everything is going to be used to boost a credit score. Some things will be used to develop income and verification products. If you refer back to the question that Paul asked about the income-verification market, I said we have been working on developing income-verification products for some time using open banking like propositions through our relationship with Finicity. To a certain extent, you are seeing a lot of people in the market follow, mimic or copy some of the concepts that we have developed.

We remain very confident of our propositions going forward, of the uniqueness of them, and of the uniqueness of our capability in the combination of the consumer business with our B2B platform in being able to use not only the existing data that we have, but any new data that we can get from the consumer-contributed angle to develop propositions that can become very material for us. I think you are really seeing that in the growth of our business.

Last year was also a year when, frankly, everybody in the marketplace went backwards, and we did not. As we assess our competitive position, we have strengthened materially in FY21 and are in, I think, a very strong position as we go forward.

George Gregory

Thanks, Brian. I acknowledge that there is clearly an opportunity on the B2B side in income verification, but what about the B2C side? Is there a structural impediment to being able to use Boost to access or pull that data to enhance the predictability or otherwise of the credit-match offering?

Brian Cassin

No, there is not, because what Boost already gives you is access to the DDA account, so we can see the data fields that are in there. As we explained when we were launching Boost, we put an incredible amount of work into the Boost proposition, so we understand very well which data elements will make a difference to a consumer's credit score and how it might be used. There are lots of things that you can pull, but there are only a finite number of things that can and will be used, so there is a big difference now. There is definitely more data available, but what can you use in what circumstance? We do have access to other information that we get through that DDA connection, and that is a big part of our product roadmap as well. I do not think that you should be too concerned that we are not innovating aggressively on all of those fronts.

Anvesh Agrawal, Morgan Stanley

I have a couple of questions and one clarification. First, with Finicity going to Mastercard, does it in any way change your relationship or your ability to use the platform? I think it was used by consumers to share data for your Boost product. Do you still have some sort of exclusive relationship there?

Second, within the US, it looks like the targeting has gone worse in Q4, which slightly contradicts what we are hearing in terms of the activity origination picking up. What is the reason for that?

Finally, apologies if I missed this, but can you tell us the absolute number on the restructuring benefit you are expecting in the UK in FY22?

Brian Cassin

On the first question, we have secured a long-term agreement that protects our ability to continue to use the Finicity connections going forward, and we have secured that position. Lloyd, do you want to touch on targeting?

Lloyd Pitchford

There were some one-off bits of income in Q3 that improved the Q3 position, so the underlying trend is still 10% plus down as we went through the Q4. Clearly, there will be very easy comps in Q1, so we expect that position to improve. Some segments that the business relies on, such as hospitality, travel and tourism, are still depressed, so we will see how those recover in the year ahead.

On the restructuring benefit, it is a $50 million charge this year for a $40 million annualised run-rate reduction in cost. That is across both the UK and EMEA/Asia Pacific.

Caroline Conway, Autonomous Alliance Bernstein

Thank you for taking my questions. I wanted to ask: in the new and target verticals that you are focusing on, the focus on moving up the value chain seems very clear, but do you anticipate any kind of price-investment strategy in comparison to like-for-like products from competitors in those new areas?

My second question is on capex. Given the expectations of very strong acquisition activity and tech transformation, could organic new product capex investments decline? Does this mean that product development is getting more efficient or is there a shift in focus to acquisitions there?

Brian Cassin

Thank you, Caroline. Can I just clarify your first question? I did not quite catch it. Do you mind repeating that one?

Caroline Conway

Sure. You mentioned the focus on moving up the value chain, which seems to imply getting into higher-margin products. I was just curious, as you are getting into new product development, if you compare those to like-for-like products from other competitors, are you are planning to take any pricing action to compete against those comparable products?

Brian Cassin

I think my comment was more towards the higher-growth elements. What we see is that, as we see the marrying of data with analytics and decisioning capabilities, it enables you to provide a more comprehensive and sophisticated solution as opposed to just one individual component. It is not really a pricing strategy; it is a growth strategy, really. The data business is already a very high-margin activity – most of our products are – so I do not think we think about it from that perspective.

When you take something like Ascend marketing, which I referenced in my comments, that is a product which enables us to take share of spend from other areas in the bank environment where they would be spending, because the capability that we put together aggregates several different processes they were doing in a disparate way across their systems. There may well be revenue loss from a different vendor somewhere else, but it is not a directly competing product, if that makes sense. That is the whole point of the strategy, because you create something that is somewhat different and enables them to change and, therefore, gain economic benefit from changing, and there has to be a good motivation for them to do it. However, the value to us is accretive, and so, if we get that right, it works very well. It is not really a price strategy. Does that make sense?

Caroline Conway

It does, yes, thank you.

Brian Cassin

On the capex one, Lloyd?

Lloyd Pitchford

Over the last four years, we have pretty much tripled our investment in product-development capex, and we have done that by offsetting some greater efficiencies, particularly in our data capital programme. As I mentioned, in the current year ahead, capex will be 9% of revenue. Somewhere approaching 1-2% of that is transformational capex. When those programmes finish over the next three to five years, you would expect that to come out of our capex, all other things being equal.

You are right, on new platforms, product-development activity should get more productive. My guess is that we will use that increase our product development output for the same level of spend, rather than reducing the level of product development spend. We have a lot of innovative ideas on how we can use our data to enhance our propositions, so we will continue to invest behind that.

7. Concluding remarks - Brian Cassin

That concludes today’s session. Thanks, everybody, for joining us. I wish you all a good day and we look forward to speaking to you again in the near future.