

FY23 Half-year results presentation – 16 November 2022

Opening Remarks

Brian Cassin
Chief Executive Officer, Experian

1. Delivering strongly in H1 supported by product innovation, new business wins and consumer expansion

Thank you very much and hello, everybody, and welcome to our first half presentation. I am joined as usual by Lloyd, who will run through the financials after my initial overview. Also on the call today is Craig Boundy, our Chief Operating Officer, and Craig will join us for the Q&A segment of the call.

I will mention a few highlights from our H1. First, we delivered another strong performance, exactly in line with our expectations. Q2 organic revenue growth was 8%, taking us to 8% for the half, which was solidly in the 7% to 9% range that we expected coming into the year. Add in acquisitions and total revenue growth was 9% at constant FX. Second, we are executing really well and new business performance has been strong, and, thirdly, our new product investment is adding to our growth and our resilience in the current environment.

North America and Latin America performed very well, but a special callout for the performance in Latin America. The UK was robust, particularly in B2B core bureau, and we are making progress in EMEA/Asia Pacific, putting this region on a path to stronger, more profitable growth. B2B growth was good, up 7%, and Consumer Services growth was again up double digits at 12%, and our free membership tally is now 145 million.

EBIT progression in the half was 8%, both at constant and actual FX, and we are reiterating the full-year guidance for constant currency margin progression. It is important to highlight that our cash progression, balance sheet position and liquidity profile are all highly favourable, giving us a lot of flexibility in this environment.

Now, if we look ahead, economic conditions have undoubtedly got tougher and we are closely monitoring the trends in the credit economy. We know everybody is very interested in that so we have added some trends in consumer metrics. Just to pull out some of the highlights, there has been an uptick recently in the US delinquencies to just above pre-pandemic levels. We have not yet seen, perhaps surprisingly, much adverse change in the UK and, in Brazil, delinquencies have yet to revert to pre-pandemic levels.

2. North America B2B resilient, linked to new product growth and new business performance

Overview

Turning now to the regions, and let us start with North America, organic revenue growth was strong at 8%. Our B2B volume trends have remained favourable, excluding mortgage. In fact, the core bureau in Q2 grew double digits, which represented six straight quarters of double-digit revenue growth, and this is strongly linked to our innovation drive resulting in really good new business progress.

Economic Environment

There has been much discussion about consumer employment, income, spending and credit performance, but all of these held up quite well in H1. There is now a bit more pressure on household

balance sheets, but at this point, credit card loan balances are still below pre-pandemic levels, as employment in particular and savings, although being utilised, have remained strong.

This presents lenders with an underlying picture which is a bit mixed. There is some distinction emerging between Prime and Subprime lenders. Some clients are tightening criteria, particularly in fintech and also for Subprime score bands. Tier 1 clients, on the other hand, with their greater focus on Prime, have remained very active on the acquisition front. We have not yet seen any significant pull-back. We do also see some new types of lending coming into the market to take advantage of the higher rate environment in areas like home equity-based lending.

Growth was underpinned by strong new business performance, which kept our volumes growing as we added more clients. Newer products still in growth phase are a primary factor, as is our ability to put together compelling commercial packages with technology, data and our expertise being key differentiators.

3. North America B2B: Ascend, Verification Services and vertical expansion add to our progress

To give you some examples of where we are winning, we have added clients in the financial services mid-market, successfully deploying analytics, Ascend and PowerCurve. We have tapped into new areas of client spend in tier 1, for example Ascend Marketing and now Ascend Ops. Large technology companies have become a specific area of focus as they establish their financial services platforms and we have really good momentum in business credit, where we are securing new primary positions.

Ascend is a key factor in all of this. It is now a suite of solutions that increasingly integrate across more and more of our B2B products. This has positioned us as a lead innovator in our markets, with advanced solutions for an increasing range of client needs, and these products bring significant productivity benefits to clients and, as such, demand remains strong. We have more users, more new clients, and we continue to introduce new modules.

Ascend Marketing is one of the more recent and perhaps one of the more exciting evolutions and a great example of how we are accessing new value pools. Financial marketing services revenue growth in Q2 was in the mid-teens, for example, which has significantly outperformed the market. Ascend Ops is another great prospect, with client uptake accelerating, and we developed Ascend Ops specifically to help clients simplify their operations. It deploys data, attributes and scores in a way that greatly reduces model deployment time, making clients, more productive, and so is very appropriate for the current changing environment. When you add this to the strength that we have in decision analytics, it is a pretty compelling package, and creates new business opportunities and drives our performance.

Verifications is also adding to this growth picture. In the two years since we have entered this space, we have made significant progress. We are adding to the total and unique record counts through new payroll partnerships, client wins and employer services, and we will add to this with consumer permission data. Experian Verify is growing and revenues are on a good, upward trajectory. To pick one data point, we signed contracts for Experian Verify with 16 top mortgage lenders.

Automotive and targeting

Moving on, then, across other key verticals, automotive and targeting are exhibiting good resilience and health, of course, is fairly acyclical. We saw good strength in automotive in H1. In automotive, there is a lot of pent-up demand for cars because of supply chain issues and chip shortages, and dealers have started to market more, and we have seen an uplift in profiles. This is because dealers

are now having to search for new customers and, at the same time, there has been a significant shift in available financing options that is helping us to sell more instances of Ascend. It might sound a bit counterintuitive, but we are actually cautiously optimistic about the outlook for auto in the second half and beyond.

Targeting also delivered a very strong half. The Tapad acquisition has performed extremely well. We are seeing great strength in our digital portfolio, particularly addressable TV. Structurally, this business is much healthier than it was in the Global Financial Crisis (GFC). We are intentionally diversified, and we have moved up the value chain to participate in connected TV, campaign activation and data enablement, which are all higher growth segments. It is another area where we are securing good, competitive wins, also on the back of integration of our capabilities in targeting into Ascend, to gain greater share in financial services marketing. When you add all of this up, the benefits of our strategy become clear. We are accessing new value pools in North America B2B, and client base has become broader.

4. Richer features are attracting and engaging a larger audience in North America Consumer Services; diversifying our revenue sources

Turning now to North America Consumer Services, which had a major half for new product introductions, including Boost with rent, which is helping us attract and engage more members. We have introduced 'Claim your Car' for auto insurance. Members can now compare and switch auto insurance easily. We have added a new bill negotiations feature to help members save money on their everyday bills, highly relevant in today's environment.

We have also introduced a personal privacy scan, which is an upsell to Premium, and Experian Activate, which is targeted at the lenders in our credit Marketplace, is helping those lenders to better target our customers and making our client relationships more sticky. These richer features are showing up in our engagement statistics, which are on a positive trajectory. They are important steps for us to establish trusted relationships with consumers. We have added to our free membership tally and we see free memberships upselling well into Premium services. Premium membership enrolments have risen recently, reflecting investment we have put into the product and the natural countercyclicality of this revenue stream.

Our credit Marketplace has seen some tightening of standards. Lenders have become more selective as to who they want to acquire and in which bands. We are managing this through the diversity of our portfolio and its countercyclical elements. New sources of revenue are also starting to contribute. Insurance and particularly digital agency revenue have started to scale as we write new policies, and this balances our portfolio and gives us assurance in the growth outlook. We also continue to see good performance in partner solutions, with a strong new business performance and our lender partners' focus on driving engagement and education with their customers.

5. Latin America to have a strong year with major credit market transformation underway in Brazil

Moving to Latin America, which is going to have another very strong year, both in Brazil and Spanish Latin America, as we previously highlighted, there is a huge change underway in Brazil in the way credit risk is assessed and our strategy has positioned us to benefit from this. Positive data is part of this equation. We have introduced new scores. We are upgrading our analytics and we have created a good base for Experian Ascend and we have much further to go. Since positive data was enacted, we have introduced over 190 new products, with different features and scores.

Open receivables and Open Banking reforms are going to add to this opportunity. Open Banking provides access to consumer transaction data and we have some promising pilots in flight. Open

receivables enable companies to register trade receivables, which can then be used by SMEs as collateral to access credit or lower lending costs. We expect this to add to the credit analysis package we provide to SMEs and to extend our position in this segment. Other diversifications in growth come from fraud and ID and our agribusiness, all of which are performing very strongly.

Consumer Services is developing well. As in the US, we continue to add features to establish ourselves, with a premier consumer financial health management platform. Our 76 million members demonstrate the reach of the Serasa brand and our focus is turning to enhancing value of our offers to drive greater engagement. Adding to Limpa Nome and our credit Marketplace, we are also developing our e-wallet or digital account so consumers can pay regular bills, such as tax or utility bills, which really is a very interesting opportunity.

6. UK and Ireland H1 B2B performance driven by core bureau, analytics and underpinned by new business wins

Moving now to the UK, the UK&I had a good first half, up 5% organically. B2B continued its strong run, with a strong start in core bureau, analytics and identity management. We have major innovations coming through and it is, again, showing up in a strong new business performance. In this half, we extended client positions and secured new clients across a wide range of industries, including public sector, telecoms, energy and utilities, as well as cross-financial services.

There has been some fallout from the October mini-budget which lenders have been dealing with, but we generally see B2B holding up well. Consumer demand for cards, loans and buy now, pay later is still quite healthy and consumers are still actively seeking credit. Lenders have been adjusting for the instability in the economy and are doing a lot of analysis to understand what their lending policy should be. Most continue to lend where they see good credit quality.

We have positioned ourselves well to deal with this. We have created a cost-of-living package to help lenders assess vulnerability, affordability and expenditure. It will also help lenders to meet their obligations under the new consumer duty measures required by the FCA. Affordability is a really strong theme currently, as you might expect, and we expect clients to intervene sooner and to introduce forbearance measures. We are helping them with this and with analytics to optimise things like credit limits. We are also responding to client needs to understand risk in their portfolios and this demand for analytics helps to drive up volumes.

We are also making rapid progress in verifications. We are live with the work report and Pay Dashboard, where we are building a two-sided market. We have accumulated meaningful records with 20 million contracted PAYE records, representing 70% of the contracted market.

7. UK Consumer Services: well positioned to help consumers with the cost-of-living crisis

UK Consumer Services was flat in the quarter and will be a soft point into H2. Lenders are seeking good-quality customers but credit supply at the Subprime end has contracted, which will affect Marketplace revenues. Our business is naturally a bit more defensive because of subscription revenue base and because our brand skews more into the Prime segments. People are also looking for help and we have a big part to play helping consumers manage through the cost-of-living crisis and this will be a feature of how we develop this business over the coming months.

8. Implementing our plan in EMEA and Asia Pacific to drive more sustainable and profitable growth

I am turning now to EMEA/Asia Pacific, which made progress in the half on an ongoing basis, helped by recovery in our Asian markets, and we are on an improving margin trajectory. Ongoing margins rose by 480 basis points. We are implementing our plan to drive stronger and more profitable growth. We have a strong bureau presence in some markets, which we will build on, along with certain other geographies where we see a path to scale. We are also closing or disposing of operations where we lack scale and this simplifies our operations and will continue to enhance profitability. We expect these actions to put us on a path to scale through common growth initiatives based on core Experian capabilities.

With that, I am going to hand you over to Lloyd for the financials.

Financial Review

Lloyd Pitchford
Chief Financial Officer, Experian

1. Highlights – first half FY23

Thank you, Brian, and good morning, everyone. As usual, I will start with some of the highlights. As you have seen, we had a good first half in FY23, setting us up really well to deliver against our full-year guidance. We saw the strong performance from Q1 continue into Q2, where organic revenue growth was also 8%. For the half, organic revenue was therefore also up 8%. Acquisitions added a further 1%, coming from our verification acquisitions in North America as well as consumer acquisitions in North America and Latin America. FX was a 2% headwind to revenue growth, so total revenue growth was 7%.

That growth flowed well through to EBIT, with 8% EBIT growth at both constant and actual rates. After re-presenting for our EMEA/Asia Pacific exits, EBIT margins were up 40 basis points at actual FX rates. Earnings per share were up 6% at both constant and actual rates. Operating cash flow remained strong in what is usually our weaker half, with 88% conversion, and you have seen that we have announced a first interim dividend of 17 cents, up 6% on the prior year. Our net debt to EBITDA leverage over the last 12 months was 1.9x, just below our 2-2.5x guidance rate.

2. Revenue growth trends

Touching briefly on our revenue trends, we have delivered 8% growth consistently through the half and, if you exclude the mortgage headwind in North America, H1 organic revenue growth was 10%. Within that, our B2B business grew overall 7% and B2C grew 12% organically.

3. Quarterly organic growth trends

America delivered 8% organic revenue growth for the half and the quarter. For Q2, we saw 10% growth in our core bureau, excluding mortgage. We saw continued strength across core profiles, Ascend and Clarity, and good progress in income and employment verifications. Mortgage was down 38% in Q2 and 35% for the half, and based on the current outlook for the mortgage market, we now expect mortgage to be down somewhere in the 35% to 40% range for the year as a whole,

which is around a 1.5% headwind to organic growth at the group level. With that outlook, by the end of this year, US mortgage will represent about 2% of our overall group revenue.

We are seeing good growth in automotive, as some of the backlog of demand in the sector has started to find supply, while targeting remains strong, as we execute our strategy to grow our digital portfolio and digital identity resolution. Health continued its consistent track record of growth, up 8% in the quarter, and looking ahead into Q3, as a reminder, last year we benefited from some one-off Covid related revenue in health, which last year benefited Q3 in particular by around 7%, and we saw particular strength around last year's holiday season in short-term lending. Together, these contributed around 3% to last year's Q3 growth in North America B2B.

North America Consumer Services continued to deliver strongly, up 11% in Q2 and 12% for the half. Credit Marketplace performance was very strong, up 60% for the half. As Brian mentioned, we are seeing some tightening of lending criteria by some lenders, particularly in the Subprime area. Subscription revenue grew modestly during the half and partner solutions grew double-digits, benefiting from contract wins for data breach and core services.

Latin America grew 18% for the quarter and the half, as the benefits of positive data and business diversification continue to deliver strong momentum in Brazil and as we see demand for our global platforms, including Ascend and Experian One. Spanish Latin America also delivered a very strong half. Q2 Consumer Services in Latin America was up 18% and up 29% for the half, with a good performance from our Limpa Nome debt renegotiation platform and a growing contribution from premium subscription services.

The UK and Ireland region grew well, up 5% organically for the half and 6% in Q2. Q2 B2B growth was 8%, with particular strength in the core bureau, up 10% in Q2 and for the half, as well as across analytics and identity management, all boosted by new business, where our performance has been very strong. Consumer Services was in line with the prior year for the quarter and the half, with strong growth in Marketplace offset by lower revenue in subscription services, as we lacked the strong subscriber numbers we saw during Covid.

As Brian explained, we are in the process of refocusing our EMEA/Asia Pacific business. We have therefore shown the growth for Q1 here for the ongoing business and on this basis, we delivered growth of 3% in Q1, 4% in Q2 and 4% for the half, and I will give you a little bit more detail of the moving parts in EMEA/Asia Pacific in a moment.

4. Benchmark EBIT margin

Last year, we reported EBIT margin for the half of 26.3%. in line with our historic practice, we have represented last year's margin for the businesses that we plan to exit, primarily in EMEA/Asia Pacific. This added 60 basis points to our prior year first-half margin, bringing it to 26.9% on a like-for-like basis.

North America margin was down organically during the half, which largely reflected the decline in high-margin mortgage revenue. As some of our growth initiatives gain further scale, we expect the full-year decline in North America margin to moderate. Latin America margin increased from 24% to 27.2% during the half, reflecting the strong revenue performance across the region.

UK and Ireland margin was down 150 basis points, principally due to the investment behind our income verification launch and the active choice was made in the UK to front load investment behind that opportunity that Brian mentioned.

EMEA/Asia Pacific margin improved by 480 basis points on last year on a like-for-like basis. This largely reflected modest revenue growth and tight cost control for the ongoing business, and as we

discussed last year, H1 central activities saw a 20 million one-off cost catch-up in our incentive programme, which we have now annualised.

So this all resulted in a margin of 27.1%, an increase of 20 basis points on the prior year organic activities. Acquisitions were a 50 basis point headwind and a large portion of this is attributable to our acquisition of CIC Plus, which generates most of its revenue in the fourth quarter, so we expect this to improve to around a 30 basis points headwind for the full year. Including acquisitions, the constant rate EBIT margin was 26.6%. FX was a 70 basis point benefit to margin, reflecting a weaker pound sterling and stronger Brazilian real, and as a reminder, around 65% of our central costs are denominated in sterling.

Overall, then, our EBIT margin was 27.3%, an increase of 40 basis points against our restated margin position and up 100 basis points versus our FY22 H1 reported margin. Looking forward for the full-year restated FY22 EBIT margin, we expect the impact from exited activities on the full year to increase margins by 40 basis points. This means the restated FY22 EBIT margin will go from 26.2% to 26.6% and you can see a representation of this in the earnings announcement. Should current exchange rates sustain, we expect FX to be a full-year tailwind of 60 basis points to margin. Then, looking at our operational business, our constant currency margin guidance of modest margin growth remains unchanged.

5. Benchmark earnings per share

If I turn now to EPS, starting from last year, in which the H1 Benchmark EPS was 61.7 cents per share, Benchmark EBIT from continuing operations grew 8%, reflecting the strong organic revenue growth performance. Interest expense increased to 62 million as a result of higher short-term interest rates. The tax rate is 26%, in line with our expectations for the full year, so EPS was therefore up 6% on a constant and actual FX basis.

6. Cash flow generation

Turning now to cash flow, we have seen another strong first half, with Benchmark operating cash flow conversion of 88%. Nominal cash flow was up 49 million and increased in line with EBIT growth, and net capital expenditure represented 9% of revenue, in line with our expectations for the full year. This reflects our continued focus on investing in new products to drive growth and our continuing technology transformation.

7. Funding

Given the changes to the interest rate environment, I would like to highlight our strong funding and interest rate fixing position. Around 90% of our current debt is in bonds, which have an average remaining tenor of six years, with no refinancing due until September 2024. We also have undrawn committed bank facilities of \$2.4 billion. Over 90% of our current debt is fixed for the next two years and over 60% is fixed for at least six years, and we have no bond refinancing required until September 2024.

Given this position, our interest guidance for the year is unchanged, at \$120 million to \$125 million. Our net debt to EBITDA leverage was 1.9, below our guidance range of 2 to 2.5 and all this means that we have a very strong liquidity and funding position. Our programme to fix forward interest rates has mitigated for quite some time the full impact on our current debt of rising interest rates.

8. EMEA/Asia Pacific restructuring

As you have seen, we have started to implement our plans to improve efficiency and profitability from the EMEA/Asia Pacific region and, as you heard from Brian, we are predominantly focusing on markets where we have the ability to drive scale and improve financial returns. We have decided to either sell or close operations in a number of subscale markets. While we work through this process, both revenue and EBIT associated with these operations will be recorded in exited business activities, and we expect this to take around 18 months to full complete the exits and closes.

During the half, restructuring costs of \$20 million associated with this programme were incurred, mainly consisting of severance expenses and change-related professional fees. We expect these to be around \$50 million for the full year. We have provided a table of the impact on last year's numbers for the changes we have made and a full reconciliation is included in page 12 of the release. We expect all of these changes to enable improved financial returns from our EMEA/Asia Pacific business and our goal is to elevate EBIT margins over time to the mid-teens range.

9. Reconciliation of Benchmark to Statutory PBT

Our Benchmark profit before tax grew 7% at constant rates and 8% at actual rates, driven by the strong revenue performance. Acquisition intangibles and acquisition-related expenses grew in line with acquisition activity. The fair value of continued consideration payable on prior acquisitions was 66.5 million. This was driven by TCC in North America, reflecting its very strong performance since acquisition. 'Exceptional and other items' is largely made up of the restructuring charges related to EMEA/Asia Pacific I mentioned earlier.

We recorded an accounting impairment charge of 152 million related to the EMEA business, principally, due to the change in interest rates lowering the valuation of future cash flows and consideration of the current European macroeconomic outlook. Changes to non-cash financing remeasurements was driven, as usual, by FX changes on intercompany financing and also movements on interest rate edging, while we recorded a gain of around \$90 million following the interest rate fixing programme that I mentioned earlier. This leads to statutory profit before tax of 517 million.

10. FY23 Modelling Considerations

These relate to our ongoing activities. Our guidance related to operating performance is unchanged. We continue to expect 7% to 9% organic revenue growth for the full year. Acquisitions are expected to add around 1% to our organic revenue growth for the year. On divestment and closures, the full-year impact to the margin level of our divestments and exits is to add 40 basis points to margin.

We continue to expect modest organic margin progression at constant currency for our ongoing business. Recent moves in FX rates mean we now expect to add around 60 basis points to the full-year operating margin for the FX tailwind. We still expect net interest for the year to be between \$120 million and \$125 million. The Benchmark tax rate is still expected to be around 26%. The weighted average number of shares is still expected to be in the region of 914 million. Our capex guidance is unchanged at 9% of revenue and we continue to expect a strong cash conversion of over 90% for the year.

Summary

Brian Cassin

To summarise, we performed really well in H1, exactly in line with our expectations. The economic outlook in H2 is going to be somewhat tougher but we are confident we are going to be able to grow and deliver within the guidance range we set out in May, which, given the challenges that have emerged since then, is a real testament to the strength of our business.

Financial services clients are generally in good shape, with no wholesale impact across the industry. Inevitably, there is some recalibration going on, but many remain active, particularly in Prime segments and we also see clients continue with programmes to improve efficiency, innovation and pursuing growth strategies. Our own innovation-led agenda has positioned us very well and it is becoming increasingly evident in our competitive position, which is quite clearly strengthened, and our financial position is also very strong. All of that gives us great confidence as we look ahead.

With that, I am going to hand you back to the operator for your questions, for which we will be joined by Craig Boundy.

Questions and Answers

Paul Sullivan, Barclays

Good morning, everyone. There are three questions from me. Firstly, Brian, what are your thoughts on macroeconomic tailwinds and what you are incorporating into guidance, and is there any change to the peak-to-trough scenario or slowdown scenario you have previously talked about? Then, on Consumer Services, is there anything to note in the second quarter LATAM slowdown, and what are your thoughts on the second half given the recent warning from Credit Karma and can you just remind us how you differentiate from them in Marketplace? Then finally, when it comes to Brazil, is there anything we should be thinking about or is there anything that you are thinking about given the transition of power in Brazil to Lula and is he a fan of positive data? Thank you.

Brian Cassin

Okay, thank you, Paul. There are quite a few questions there and I will lead off. On macroeconomic tailwinds, I think outlined it in the talk track. Definitely there are some more of them about. It is going to be, as we said, a tougher H2. What makes us feel confident are the things that we referred to, which is the momentum that we have in the business. We have a lot of initiatives and new product initiatives and an underlying strength that we see in the business.

We definitely have seen a bit of pull-back in Subprime. Perhaps surprisingly, when we talked to you in May, there were a lot of questions about what the outlook would be and we remained very confident about the outlook at that point. The performance in H1 has really borne that out. We saw really strong performance in the Prime segments in H1. There are a lot of customers still out there acquiring. Undoubtedly, pressure is building in the system, but we refer back to the overall point that we made in May, which is that, when you look at some of the statistics, yes, there are some signs that delinquencies ticking up, but they are still more or less at the 2019 levels.

The key thing is that financial services clients remain in very good shape from a capital perspective. There is an opportunity to do well if you have your credit risk profile balanced properly, so we are not seeing a wholesale pull-back in the Marketplace across the board. We are seeing that in spots, and we have to see how that progresses as we go through H2, but we feel okay about that.

Let us move on just to Brazil. I do not think we see any changes as a result of the election. It is still just very soon after the presidential election but we do have a situation where we have a split congress in Brazil and so there is a balance of power in there. We know that Lula's priorities will probably be aimed towards more income redistribution, which we have seen before. We do not really anticipate any major shifts that are going to change the drivers for us, particularly around the changes in positive data in the marketplace and all of the initiatives that are being undertaken by the Central Bank to improve competitiveness and to drive more financial inclusion. I think that, actually, will be very much in line with the agenda that Lula will want to pursue anyway. It is early days but we do not think that there is a whole lot of change to that.

There were two consumer questions, one on LATAM and two in North America, in relation to what we expect from the second half.

Lloyd Pitchford

I will lead off there. The Latin America consumer business continues to grow well. If you look back over the last year or so, you will see we have been pretty consistently in the 20% to 40% strong growth range. In some quarters, it is better than others, so there is nothing really to call out there. I expect that to continue just to grow strongly in the second half and we are really getting scale in that business, as you are seeing, start to come through into the margin progression for the Latin America business.

In North America, there are a few things to call out. There has been very strong growth in Marketplace in the first half and, as we have said, the Marketplace business is often driven by availability or supply of credit, which remains strong. We have seen a little bit of tightening in the Subprime area, so we continue to expect strong growth in that, maybe moderating a little from those rates but still strong growth.

On the other side, if you look at our subscription business, typically that is a business that does well on acquisition of subscribers at times when there are a few more economic headwinds and we have seen the early stages of that behaviour over the last couple of months, where the acquisition of subscribers has increased and has growth quite strongly. There are just some signs of encouragement there, that the different bits of that portfolio act as we would expect.

Craig Boundy, Chief Operating Officer, Experian

If you look at our various consumer businesses, we do find ourselves very well positioned. We have a different set of offerings in both membership and in the Marketplace, but we have continued – and Brian touched on this in his presentation – to add in more value for consumers. Adding in the ability for people to add their rental payments via Boost is another important thing that you can do with Experian. It lets consumers really get access to the best products that they possibly can. We have also added in things like the personal privacy scan. We continue to add more and more value for the consumers.

It is the same in our Brazil business, where the team there are allowing you to pay bills online. At the moment, our Limpa Nome fair is underway as we speak, allowing people to settle their debts and having great success. We find the breadth of the offering and our continued innovation really driving that excellent engagement with the consumers.

Kelsey Zhu, Bernstein Autonomous

Just on Brazil, we have seen rising NPL ratio and deteriorating credit conditions, which might lead to poor credit growth. How should we think about the growth rate of that market in the second half?

Lloyd Pitchford

The key thing, when you look at the metrics for credit, is just how much the deregulation on the data side is really driving structural growth in our business. We know that credit spreads are very high in Brazil because of the absence of complete and accurate data to be able to do risk underwriting and, with that change, that brings a lot of new competition into the market, a lot of new sources of credit, which is really driving our structural growth.

It is also interesting to see some of the economic metrics in Brazil moving in the opposite direction to the UK and the US, with lowering product inflation forecasts etc and, this year as a whole, slightly higher GDP growth expectations. We are very confident in the outlook in Brazil and, as we have said, the changes to the market that really drive financial inclusion and drive credit capacity across the market, we think, will provide a tailwind for a number of years.

Justin Forsythe, Credit Suisse

Just two questions from me, if you do not mind. Firstly, I want to get a little bit more around the assumptions going into next year. You mentioned that it seems like there is a little bit of weakness starting to show in the US side of the business. What timing are you thinking about for a potential more concentrated downturn? Also, there are a lot of differences to the GFC, and you have talked in the past about your resilience through the GFC, but perhaps you could parse through what you are thinking about when reiterating guidance for the remainder of the fiscal year and then going into the following year.

Secondarily, I have a more strategic question around Open Banking. I know you have mentioned some initiatives in Brazil on a few different fronts, but I really wanted to think longer term as to whether you think of that as a threat or a potential benefit. Open Banking effectively democratises access to a lot of the data that you as a company sell to third parties, so I just wanted to get your view longer term on partnerships and strategy around Open Banking more holistically, especially when it comes to credit data.

Brian Cassin

Just on that point, I think we have already given guidance for H2. I do not think we are going to give guidance for next year. I will allow Lloyd to elaborate on that a little bit and also to address the differences with the GFC profile between the business then and now.

On Open Banking, we definitely see it as a big opportunity for us. It already is one. This started a number of years ago in the UK and, in the UK, there have been two areas where we have seen growth as a result of it. One is the product that we call categorisation. We developed a product called Trusso, which we are using all over the world now, which uses machine learning to essentially categorise transactions and it is very helpful in customer management, in understanding areas of consumer spend and so on.

There are specific aspects of regulation around Open Banking in every market, which mean that the answer to your question whether it ever replaces the core bureau is really difficult. For example, in the UK, current legislation does not allow you to store the data and then you have to re-consent every three months, so you have no history. Really, you need to think about this as an add-on, not as a substitute.

We have seen that evolve into Brazil. It is still very early stages in Brazil around Open Banking, but one of the things that we see, given our membership base there, is that we are going to be able to

very rapidly use the Open Banking legislation to get access to additional consumer contributed data, which will, again, further enhance our B2B business and our B2C propositions.

Although we do not have Open Banking in North America, we have been actively pushing Open Banking concepts. Boost is really an Open Banking concept which we use in North America to get consumers to contribute more data to their file and something in the order of 11.5 million people have done that already. I think you are going to see this become a bigger and bigger opportunity for us and, of course, in EMEA/Asia Pacific, primarily in EMEA, Open Banking again really plays into things like affordability and, in many cases, depending on the structure of the market, it can actually enhance the prospects of B2B business because you don't have perfect datasets everywhere where we operate.

I do not see it as a threat; I see it as an opportunity. There are a lot of players in it. A tremendous amount of funding has gone into it. If you looked across the Open Banking world, you would probably find that we have more revenues than all of them put together, so it is very much in its infancy. For example, Open Banking in the UK has been around for at least five years, if not more. It took a long time to get going, but we think it is a great opportunity for us longer term.

Lloyd Pitchford

Justin, onto the guidance, we outlined our guidance for this year back in May. Clearly, a lot has happened in the world since then, but you can see the strength of the business and the momentum that we have. We have reiterated that guidance today after reporting a strong first half. As you think about the outlook into next year, obviously we will guide in May to next year.

On your question of a possible economic downturn, we are seeing the number of economists that are forecasting the UK and the US entering a recession clearly increasing. That probably is more a next-year question than a this-year question. Looking back, we have had two big global shocks since we have been a listed company, with the GFC and the pandemic, and we did not go negative in either of those. We reported 2% through the GFC, and the outlook we have given and the guidance we have given previously is, if you applied a GFC-type scenario on our current business portfolio, that has changed quite a bit, you might expect growth to be something in the 4% to 5% range.

That is a very particular scenario. Clearly, the froth has been taken out of the mortgage market, which is the bit of our business ahead of any coming economic downturn, so that might turn that 4% to 5% into a 5% to 6% range. Clearly, every economic cycle is different, but we have shown the ability to be very resilient in a downturn and to be able to also protect margins and investing for the future, so that we have a strong recovery when it comes.

Sylvia Barker, JP Morgan

Good morning, everyone. I have three questions, please. Firstly, on expectations by quarter, your comments indicate that you might be below that 7% to 9% range for Q3 but you have maintained the range for the full year. Can you just talk about the sensitivities you have within the guidance for Q4? Secondly, on the cost split between H1 and H2 for North America, could you give us any quantification of how much more you have spent in H1 and how much less you might spend in H2? Finally, on verification, do you have any update on the \$150 million run rate for this year? Can you comment, maybe, on the employer services versus verification mix by year-end or are you still not commenting on that?

Lloyd Pitchford

We do not give individual quarterly guidance, Sylvia, but I have highlighted that we had, in the prior year, two particular bits of one-off income that we called out at the time in health and around the short-term lending, so you have to take that into account a bit when you think about the seasonality, but it is more a last-year effect than a this-year effect.

We have, what, four and a half months to go in this year, a very strong 8% banked for the first half, so that gives us the confidence, really, to reiterate the guidance and the momentum we have, so nothing really further to add on that. On the cost split, I think the guidance I have given on the margin is we expect some of the margin headwind in North America to abate in the second half as we get a better flow through from some of our investments, so it is really about those scaling, rather than a difference in our discretionary spend. The 150 million I have mentioned previously, and we said over 150 million, and we are very confident in that. We will give you more details on that at the year-end.

Craig Boundy

Yes, Sylvia, overall we are very pleased with the progress we are making. The employer services capability combines very well with allowing us to build out the Experian Verify proposition. Brian covered earlier that we have 134 contracts signed and we are really across a range of sectors, which shows us making excellent progress there, and our record count keeps growing. This is something where the combination of our understanding, not just of data but also of the analytics and the use of the data, is helping us really grow that business very effectively. We are pleased to see the growth across a range of different client groups and sectors, and the combination of employer services works very well, allowing us to strengthen our Verify proposition.

Sylvia Barker

Thank you both, and maybe just on the growth in records, so you have some payroll providers in the UK. You obviously have at least one that we know of in the US. Maybe since the previous time you spoke, can you just update us on any progress with the payroll providers themselves contributing or new payroll provider relationships that you might have signed up, as opposed to getting more records through the employer services side?

Lloyd Pitchford

Just to clarify, the records that we talk about and the 150 million are entirely focused on the US business. Brian outlined in his slides the great progress. We have taken a market-leading position with the payroll providers in the UK and progressed very rapidly, and we have continued to add to those payroll providers in the UK during the first half and in the US during the first half also, so there has been very strong progress. As you see, we have had a particular focus in this period on contracting financial services clients with the Verify product and we are making great progress on that, and that tells you a lot about the scale that we have been able to achieve now in the record count. We are very optimistic about the outlook for the business.

Anvesh Agrawal, Morgan Stanley

Good morning. I have three questions, please. The first is, Lloyd, you talked about the balance sheet being below the leverage target range and, clearly, given the rates environment, the private market multiples must be coming down, so I am just wondering what set of opportunities do you see on the M&A side? Do we expect an acceleration and if the answer to that is yes, what are the areas you are looking to add?

The second question is, clearly, the UK margin was pegged back by the investments we have seen. I am just wondering where are you on the cost saving and transformation plan and are there any changes to your mid-term expectation of improvement in that business? Then the third question is related to the FHFA link. I know mortgages are quite small for you, but given your stake in Vantage, I was wondering any quick update on the option of the VantageScore and then also what impact the deregulation that, instead of three scores, the lenders can now use only two can have on the business.

Brian Cassin

On the M&A question, we continue to be very active in looking at opportunities. I think at the start of the year, I referenced the fact that prices have not adjusted in the private markets. We are still seeing low levels of activity, so it may take a bit more time. We will always be judicious in how we use that capacity, so we are looking to make good, strategic additions at good value prices if we can get them.

I do not have anything in particular to say that it is about to accelerate, but we do think there should be more opportunities in this environment and we are actively looking, and the areas that we would be focused on would be the areas that we have spoken about before: strengthening core data assets, looking to add in areas like fraud and identity, some of those add-ins in some of our business units and some of our target verticals, so quite a broad spread. There are plenty of opportunities. Whether we can get them at the right valuation remains to be seen.

Lloyd Pitchman

On the balance sheet, we have covered it. We are very strong. We are below the bottom end of our leverage range, and this is a great time to have that balance sheet strength given the valuations, as you mentioned.

Craig Boundy

On the FHFA ruling, maybe let me start at the beginning with what the FHFA ruling was. This is a ruling that applies to mortgages that are securitised by Fannie or Freddie and it laid out two particular things. One was the ability for lenders to use a new score, and they were using FICO 2, which is really quite an outdated score. There are two potential options, one of which is Vantage, and the second is to move from a three-bureau report to a two-bureau report.

Now, it is important to understand the timing. The mortgage industry typically moves quite slowly and at the moment, this is just an announcement with no guidance on exactly how to implement, so it will take quite a period of time for this to be implemented. Of course, the purpose of the change is to drive inclusion, which is something we have been a big driver of as an organisation and something that we think is incredibly important, doing things like Vantage allowing a broader scoring of the population. For us, this will take a while to play out but the ability to add in Vantage is a good thing and this will drive some demand in archive and analytics, and some kind of retrospective analytics and score analysis.

In terms of the move to two bureaus, there, it will come down to the strength and importance of the data and the analytics, and so our Ascend capability plays us very well to allow people to conduct the right analytics. Our Boost offering, particularly, most recently adding in the ability for people to add rental payments, which are very important in mortgage underwriting, gives us another good strength. As an organisation, we really believe in financial inclusion. We think these moves are very good for financial inclusion, but it is the mortgage industry, and so it will be slow for them to be adopting. At this stage there is not even any guidance on exactly how to implement that, but we are

well-positioned, particularly with the Boost and the Ascend analytical capabilities that we have, for this to be a good thing that we can do in adding our help to financial inclusion.

Lloyd Pitchford

On the UK margin, Anvesh, no change to our long-term guidance there. Over the medium term, we would expect the great position that we have staked out in the verifications market to contribute well to margin. In the near run, if you look at the full year and into next year, we expect the underlying margin to continue to progress in the UK. Clearly, we are making the investments in verifications but we will call both of those movements out and there is no change to the long-term guidance.

Brian Cassin

Maybe I will just add that the investment in making UK verifications is a very material one and it is another example of the investments we make in the P&L to drive longer term opportunities for us, so we expect that will play out to our benefit in years to come but we are doing a number of those across the business this year, irrespective of macroeconomic environment.

Kate Carpenter, Bank of America

This is just a follow-up on verification services. I definitely appreciate that there are strong structural growth opportunities here, but I was wondering if you could talk about how increasing revenue and earnings from this business line could impact the cyclical of your overall business mix, maybe not this year but as we think about the medium term. Then my second question is just if you could elaborate on the customer profiles of your value-added services, such as Ascend, and whether the mix skews more towards larger or smaller institutions. Thank you.

Brian Cassin

On the cyclical, quite frankly at this stage it is going to make no difference but longer term, if we are hugely successful in this, it may add a bit.

Lloyd Pitchford

Yes, it is probably procyclical if you think about what we are doing with that business. Clearly, there is a lot of opportunity with those records, not just within the markets they are currently used within but more broadly, and that is why long-term it is a really interesting market for us. It is probably procyclical long-term, but it is still a small part of the business for us.

Craig Boundy

Brian touched on this earlier. Ascend is really a suite of products now and so if you start with the analytical Sandbox, it is really a big data analytics platform that is certainly used by very large lenders but, over time, it is being used by mid-sized and smaller lenders as well. It is particularly relevant in the current economic climate with people wanting to be able to more quickly change models and update them.

You then add onto that our Ascend Ops capability, which lets people deploy models into production, so you design a model and you want it to go live, and Ascend Ops really cuts a lender's ability from probably something up in the several hundred days it would have taken them to deploy models to less than a week, so both improving productivity but also improving the speed of deployment. Then, Ascend Marketing lets you combine those analytical technology capabilities and deployment

capabilities used in underwriting now into marketing and customer acquisition and, again, it is very important. That actually plays across a wide range of client segments.

So we have found over time that, yes, they are absolutely used by large organisations and some of the Prime lenders, but now they are progressively used by smaller and mid-sized lenders as well. They are particularly important in the current climate for the agility that they bring, and then, most recently, adding in data and information into those platforms about small business lending and building out our strength and capability there.

Andrew Ripper, Liberum

Good morning, everybody. Well done on the numbers. I have a couple of questions, please. First of all, could you just remind us on tech transformation where you are on the programme? This year is quite a significant one for the rollout in the UK and, Lloyd, maybe you can just touch on the deltas in terms of cash and P&L. That is the first question and an addendum to that is that I noticed the capex on internally generated software was up about \$40 million in the first half. Maybe you can just talk a little bit about where you have been spending the money.

Secondly, on cash flow, Lloyd, you mentioned the \$50 million reorganisation on Asia Pacific EMEA for this year. Just can you confirm if that is all cash cost or the P&L? Is there going to be any difference between the two? Finally, back to Consumer Services, I will ask probably the only question that has not been asked on Consumer Services. You are hitting the annualisation of the Gabi acquisition and we have not really discussed insurance today. I wonder if you can just give us a brief update on how the insurance vertical is going and what sort of growth you are seeing in that business organically.

Brian Cassin

We are happy with the progress there. We have seen good growth. We always said that the main product launch would be towards the back end of this year and, really, that is a substantial improvement in what we call digital agency, developing a consumer proposition that you would expect more to see in cards and personal loans than you can currently get online in insurance in the US today. That is progressing quite well and we expect that to be a contributor to growth in H2.

Craig Boundy

One of the things that is important here is the 'Claim Your Car' proposition that we have launched to our consumer members, that prompts them the ability to say, 'Yes, that is my car', and we have prepopulated that with our existing automotive data that we hold. We have the ability to bring together our capabilities here, giving our consumer members the ability to say, 'Yes, that is my car', and then, off the back of that, connect that into stronger insurance offerings. As Brian said, the digital insurance market in the US is still very nascent relative to other countries and we are very well positioned for our consumer base to continue to grow there.

Brian Cassin

Andrew, on the tech transformation, we are at various stages in different regions but progressing well. We are a large way through, for example, North America; less so in the UK, although it is a heavy lift this year and into next year, and then there is ongoing work in Brazil, which is at various stages of completion. We still have quite a few years to go on that.

Craig Boundy

I think you have said it well. There has been a lot of very good progress all over the organisation as we start to see the benefits, particularly to our speed of innovation, from the new technologies that we are building and the new platforms that we are able to operate. You have seen that come out all the way through the presentations today, most obviously in things like the new modules we are building into Ascend that is on our new technologies stack.

Lloyd Pitchford

Just to add that into the costs, obviously a number of years ago, we put the whole of the consumer business onto cloud modern infrastructure, so if you look across the different businesses, we are well progressed. As a reminder, all of the tech transformation is going through our normal financial numbers. Of the 9% capex guidance that we have for this year, about 1.5% is associated with the migration and tech transformation costs, so that gives you a sense.

In terms of the step up in spend that you mentioned, Andrew, a bit of that is due to the start of the UK transformation programme and quite a bit of it is due to a really active programme of new product development in our direct consumer business, as you can see the breadth of activity that we have there and particularly as we gear up to expand the insurance proposition.

On the EMEA/Asia Pacific restructuring, it is \$50 million for the full year. The rough expectation is now that it will be about three-quarters cash and about a quarter non-cash.

Brian Cassin

I think we have time for one more question.

Kean Marden, Jefferies

Good morning, all. I have a very quick question and, again, it is one for Lloyd. On the \$152 million write-down, I am just wondering whether you can give any insight into whether that relates to a country or a particular acquisition you may have made in the past, and just any other cash-generating unit (CGU) where the headroom is currently tight and, when you retest over the next 12 months, you might meet a similar outcome.

Lloyd Pitchford

The key thing that happened in the first half, as everybody has seen, is the step-change in global interest rates and, if you look in the financials, that had two effects in the first half. The first one, that is positive, and you can see it in our numbers, is we have the mark-to-market fixings that we have done on our debt portfolio and there was about a \$90 million, \$89 million gain on that in the first half.

On the other side, you are required to redo your carrying value tests and it was on the EMEA CGU that that step-change in rates required us to pay the \$152 million accounting non-cash charge. If you go back to the full year, all the disclosures are there in the full year, Kean, and if you look at the change that we have seen in interest rates, if you look back at what we put at the end of last year, you would have expected an impairment given that change in rates. It is a very marked step up, but it is the group of assets in EMEA, so all the way back in time immemorial, all combined together in a single CGU.

Concluding Remarks

Brian Cassin

That concludes today's session. Thank you to everybody for joining us. I hope you all have a good day, and we look forward to speaking to you again in January, for our Q3 trading update. Thank you very much.