



Q1 FY24, trading update

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Transcript

Contents

Overview.....	3
Introduction	3
Highlights	3
Regional Performance	3
North America	3
Latin America	3
UK and Ireland	4
EMEA/Asia-Pacific	4
Financial Review.....	4
Trading Performance	4
Regional Performance	4
North America	4
Latin America	5
UK and Ireland	5
EMEA/Asia-Pacific	5
Guidance	5
Summary	6
Questions and Answers	6
Concluding remarks	12

Overview

Brian Cassin
Chief Executive Officer, Experian

Introduction

Hello, everybody, and welcome to our Q1 trading update call. I am here as usual with Lloyd, who will take you through the trading performance after my opening remarks.

Highlights

We started the year on a solid note. The business is holding up well. Total revenue growth was 5% at actual and constant exchange rates, and organic revenue growth was also 5%. All regions delivered growth, with a double-digit performance again in Latin America and good progress in EMEA/Asia-Pacific. By segment, consumer services, where we now reach 172 million free members globally, delivered 4% organic growth, and B2B was up 5%. In all, Q1 was in line with the expectations that we discussed with you in May.

Regional Performance

North America

Let me touch on some of the regional Q1 highlights, starting with North America, where organic revenue growth was 4%. Our CI and BI businesses have been resilient. We have a diverse product line and we saw good growth in many areas, which offset softness in core bureau services. We had a positive contribution from Ascend, Clarity and Buy-Now-Pay-Later as well as in business credit. We are very pleased with the adoption of Ascend Ops, which was another part of our B2B portfolio that also contributed favourably. Targeting performed well, particularly across digital channels, and Automotive and Health also delivered strongly.

While some lenders are adopting a cautious stance and some are still tightening, there has been a stabilisation in supply compared to the uncertainty that followed the regional banking stress. That has now passed, and conditions remain largely the same as when we spoke to you in May.

Consumer services saw some deceleration. Credit marketplace conditions remain tight, and we still see very strong demand for credit. Supply of offers has, as expected, weakened a bit. We have been successful in mitigating this impact by onboarding new partners and expanding adoption of Experian Activate, which increases approval odds for our members and has elevated our share of available credit offers. We saw higher revenues from premium services driven by higher enrolments. Insurance also had a very strong start to the year, with a higher number of policies written in our marketplace and increasingly promising prospects.

Latin America

Latin America delivered another strong performance with organic revenue growth of 13%. In Brazil, positive data, analytics and other software products have sustained their momentum. We are making very good progress on our agribusiness vertical, and also in the SME channel. We are very excited about the growth prospects we are seeing that are being driven by open data and open receivables. Spanish Latin America, where we have steadily expanded our position with selected bureau acquisitions, also delivered another strong performance.

Consumer services had another strong quarter and was up 26%. We have added new partners to Limpa Nome in Brazil, and we are making really great progress towards further business diversification with growing contributions from payments and premium services.

UK and Ireland

Despite the economic backdrop, we have sustained modest growth of 1% in the UK, with progress in B2B offsetting a reduced rate of contraction in consumer services. In B2B, the strong run of new business performance continues into this year. We have a lot of new products in market and are encouraged by the performance so far. Volumes have been impacted as rate rises have caused lenders to reassess credit offers. However, we are encouraged by the momentum we see in our innovation pipeline. This plus increased demand for affordability assessments and portfolio analysis have helped us withstand weaker acquisition and new credit origination volumes.

On consumer services, business declined in the quarter, but at a lesser rate. The marketplace was impacted, but with several new lenders now joining our panel, we feel well positioned for when that market improves. We also saw gains in premium enrolments through the quarter, helped by increased adoption of CreditLock, where we continue to make significant enhancements to the consumer experience.

EMEA/Asia-Pacific

Q1 was a very good quarter for EMEA/Asia-Pacific, which delivered very good organic revenue growth of 8%. There are some notable callouts, with countries such as Italy, Australia and India exhibiting really strong momentum and delivering double-digit growth. While these are still relatively early days, we are making very good progress towards our ambition for stronger growth and margins in this part of our business. With that short overview, I am now going to hand it over to Lloyd for the financials.

Financial Review

Lloyd Pitchford
Chief Financial Officer, Experian

Trading Performance

Thanks, Brian, and good morning, everyone. As you have seen, we started the year in line with our expectations, with Q1 organic revenue growth of 5%. As Brian mentioned, our core lending markets in the US and UK remained tight during the quarter, while our Latin America business continued to perform strongly and delivered double-digit growth and a number of our key verticals in North America delivered another good quarter.

B2B globally grew 5% while B2C grew 4%. In B2C, we continued our trajectory of strong membership growth, adding 4 million new members in the quarter, taking us to 172 million members. Acquisitions and exchange rates had a neutral impact on the revenue in the quarter, meaning total revenue at actual exchange rates was 5%.

Regional Performance

North America

Turning to the performance by region and beginning with North America, organic revenue was up 4%, with B2B up 4% and Consumer Services up 3%. Data was up 3% with growth in all business units. The bureau business, excluding mortgage, was up 2%, as revenue from core bureau volumes was down modestly and lenders were cautious around acquisition marketing. We continued to see strength elsewhere in the bureau, as Ascend delivered another double-digit quarter. Clarity services grew well in a tough subprime market, and we had another very strong quarter of growth in employer services and verifications.

As expected, mortgage revenue was down by 8% on a volume decline of 32%. As a reminder, mortgage revenue is now only around 2% of group revenue. Automotive had a strong quarter, growing at 8% as industry inventory supply improved. Targeting also performed well with growth of 9%.

Decisioning was up 7%, with health delivering another strong quarter of 9% growth and decision analytics up principally due to strong software sales. Consumer services was up 3% for the quarter. We mentioned in May that we expected the credit marketplace climate to be tougher due to tighter credit supply. Overall, US marketplace declined by 4% against a very strong growth in the prior year. The subscription business delivered another quarter of good growth of 6%, following the member acquisition growth in the prior year. Partner Solutions grew modestly in the quarter and, as a reminder, will lap in Q2 and Q3 strong comparatives in the breach business for one-off breach support services.

Latin America

In Latin America, organic revenue was up 13%. At constant exchange rates, total revenue was up 14%, including acquisitions. Factoring in an FX headwind during the quarter, revenue grew 12%. B2B was up 10% organically, while consumer services delivered organic growth of 26%. Data grew 9% organically as momentum from positive data propositions continued, with our clients digesting more data through new solutions. We have been leveraging our global capabilities in customer management tools, and you can see that in the decisioning business, where we grew 15% in the quarter.

Consumer services grew 26% organically. Limpa Nome continued to show strength, delivering another double-digit quarter as we expanded the service by adding new partners. Our payment service, PagueVeloz, grew strongly as we engaged more members and increased volume, including increasing cross-sell of integrated consumer journeys between Limpa Nome, PagueVeloz and e-cred.

UK and Ireland

Turning to the UK, we saw 1% organic revenue growth. B2B grew 1%, while consumer services was down 2% on last year. Data grew 2% during the quarter and, within this, the bureau was up 1%. As expected, lending volumes were weaker during the quarter as interest rates increased and lenders remained cautious, while we saw more desire from clients for affordability propositions. Our new business wins on product innovation also continued to support growth. Decisioning was flat on last year, as strong growth in decisioning analytics and marketing intelligence offset modest declines in the timing of deals in software and fraud.

Consumer services was down 2%. Marketplace revenue was down 7% but broadly stable sequentially with where we ended last year, as lenders remain cautious and the credit requirements for new lendings remain tight. We continue to add new lenders to the panel, and new approval propositions with key lenders are helping to improve conversions. Subscription revenue also declined against last year but grew sequentially, benefiting from the adoption of new features like CreditLock.

EMEA/Asia-Pacific

Moving on to EMEA/Asia-Pacific, organic revenue grew 8% with decisioning growing 21%, coming from our Australia, New Zealand and Southern Europe markets. We also saw good growth in the bureau from India, Southeast Asia, Spain and Italy.

Guidance

Finally, turning to our near-term expectations, our full-year expectations are unchanged from what we discussed in May. We continue to expect core lending markets in the US and UK to remain tight, while the rest of the group continues to grow well, in particular our businesses in Latin America. Accordingly, we continue to expect organic revenue growth for the year as a whole in the range of 4-6%, and we expect Q2 to be in the range of 4-5%. Our margin guidance and modelling considerations remain unchanged. With that, let me hand you back to Brian.

Summary

Brian Cassin

Thank you, Lloyd. To summarise, we have had a very solid start to the year, helped by the strength and diversity of our portfolio. We continue to make good progress with all of our strategic initiatives, and the countercyclical features of our model give us very good confidence that our business will continue to be resilient and that we will be able, as Lloyd said, to deliver on the full-year expectations that we set out in May. With that, we will open up the line for questions.

Questions and Answers

Andrew Ripper, Liberum

Good morning, everybody. I have a couple of questions, if that is okay. Just following up, Lloyd, on your comments at the end there about the outlook, it implies that the second half could be slightly better than Q2. I am just wondering what underpins that. I appreciate that the delta is pretty modest, but are there any swings that we should be aware about across the regions and businesses?

Lloyd Pitchford

Thank you, Andrew. No, it has only been a few short weeks since we outlined the guidance for the full year. We talked then about the range of scenarios that might determine the top or bottom of the range. We started pretty much in the middle of the range with similar expectations to Q2. The second half is really going to be shaped by what we see in the economy. You can see that our non-lending volume businesses continue to grow well, so the sentiment about that core lending will really shape the second half. It is a bit too early to call, but we have had a good start to the year.

Andrew Ripper

Just following up on that and focusing on North America, can you say what the growth rate is for employer and verification for the quarter? For the businesses where you have the benefits of investment and countercyclicality, such as health, auto and targeting, which is obviously also growing well, do you see those growth rates being sustained in the second half?

Lloyd Pitchford

Employer services and verification grew strongly at somewhere between 20-30%, in line with the very strong growth rate we saw last year. The other businesses are all slightly different. Clearly, the health business has consistently seen mid-to-high single-digit growth; we expect that to continue. The targeting business is helped by the shift to digital marketing. Clearly, when you have more economic headwinds, some of the marketing budgets can be a little tightened, so we might see that soften a little, but we'd still expect good growth.

Auto is interesting because the recovery of supply is offsetting what would normally be a time when things were tighter, but just remember that less than half of our auto business is around the credit cycle. We have been growing lots of other analytical services there that help us support growth. If you take them all together, Andrew, we expect continued good growth from the non-volume businesses.

Andrew Ripper

Finally, on the central costs number, just remind me how much of that relates to the UK. I am just thinking about the FX.

Lloyd Pitchford

Something like two-thirds to three-quarters of that will be sterling denominated.

Harry Martin, Bernstein

Good morning, everyone. I have a few questions. Firstly, at the full-year numbers, you give your revenue from new product innovation. If you take the sequential improvement, it looked like it drove more than half the organic growth last year. I wondered if you could give any comment on how much of the 5% organic growth in Q1 is from that new product innovation KPI.

The second question is on the philosophy of launching new consumer marketplace products like insurance when the volumes in the marketplace are under pressure. Would you ever delay the launch of some of those products, or do you accelerate them to try to drive some volume back?

Finally, you have helpfully outlined the Brazilian consumer business and that integrated model there. I wondered if you could give any colour on the proportion of the members today in Brazil that are being monetised on more than one product area and where that can go in the longer term.

Brian Cassin

Thank you for those questions. Let us deal with the philosophical one first. Insurance is not something that we have launched this year. We introduced the insurance product some time ago, but we have been improving the products significantly, and particularly the digital experience, which is crucial. We have also been improving the panel of insurance products that are available to members.

The factors that determine the right time to launch any particular product are going to be a combination of our own readiness with the proposition; obviously, market backdrop, to a degree; and when we feel that we can actually market the thing effectively. That probably does not apply to insurance. For example, marketplace would be the area in which you would think very carefully this year about a big push into a particular area because you can generate a lot of demand. The issue is whether we will actually be able to fulfil that demand. That weighs on how you think about that business during a time like the present.

On the Brazil question, there is very low penetration of the membership base from the point of view of multiple products. The majority of the revenues come from Limpa Nome. We have seen significant growth in the other products, but to date, penetration is limited. I am not sure that that would be our focus, to be honest, because we still see significant growth in each of the individual product lines. While cross-sell is an opportunity, the bigger opportunity comes from just continuing to grow the individual product lines where we see significant potential ahead.

Obviously, the point that Lloyd referenced around the utilisation of the payment services on the Limpa Nome product is quite interesting. That was a strategic push that we made some time ago in buying that business because we felt that that would make the Limpa Nome product much more effective, and that is proving to be the case. That was the reference that Lloyd made about the utilisation of those two services together. They were meant to be that way.

On the new product, we do not give that split at a quarterly update. I would be happy to give those updates at the half-year and the full-year.

Kelsey Zhu, Autonomous

Good morning. Thanks for taking my question. I have three quick ones on North America. The first one is on the core credit bureau business. I was wondering if you could talk a little bit more about the latest trends you

are seeing across card, autos and fintech accounts. I understand that auto is still holding up very strongly, but how do you view origination trends going into the second half of this year and early next year in light of delinquency rates and write-off rates now being back to 2019 levels, if not exceeding 2019 levels?

The second question is on Decisioning revenues. It is still up 7%. It looks very strong. I was wondering if you could tell us a little bit about what is happening there. How much of that is driven by further share extensions from Ascend?

My last question is on North America Consumer Services. I was wondering if you could tell us a little bit more about the 3% growth. How would you break that down into market growth versus any visible share shifts in the market? Obviously, some of your competitors have talked about de-investing in that business.

Brian Cassin

Thanks, Kelsey. Let us tackle those questions between us. Maybe I will just give an overview response on the core bureau question, and then, for some of the detailed product breakdowns, I will hand over to Lloyd. I do not think that we see any change in the conditions from when we talked to you in May. When we talked to you in May, we had been pointing out for some time that we expected conditions to tighten, and they have. They have not really changed. We are in that period now in which there has been a broad tightening of credit conditions. We expect that to continue, probably for a while, and certainly until we actually see the end of the US Federal Reserve rate hike tightening cycle.

We also see conditions in the marketplace and consumer economy being quite strong. Although delinquencies are up slightly, as you pointed out, they are actually only back at the 2019 levels, which was not anywhere near a stressed level. I expect that there will be continued caution, but not stress, if that makes sense, and not excessive stress. It is our expectation that, when some clarity about the direction of the economy comes, you will probably see people getting back on the front foot. That will probably be in the second half at some point.

On the detailed questions, I think your second question was about Decisioning. Lloyd, do you want to cover that?

Lloyd Pitchford

Yes. There are just a couple of things there, Kelsey. Ascend is actually in Data and not Decisioning, but it highlights a point. The split between Data and Decisioning is becoming a little less relevant as we start to sell integrated propositions across Ascend, PowerCurve and fraud and identity. We are seeing really good momentum with those combined sales, and our strategy is to tie together all of the different things that we can do inside a bank, all the way from having the best data through to the best onboarding, decisioning, identity authentication and customer management. You are seeing that both in strength inside Data and in Decisioning.

On Consumer, we mentioned the growth rates of the different pieces. The subscription business was up 6%; that was really due to the members that we added in the second half of last year rolling through into revenue this year. Marketplace was down 4%, and Partner Solutions was up 2%. When you look at differential growth rates in marketplace, you have to think about the different mix of customers and products. We mentioned that some of our competitors are more skewed to loans. Others are more skewed to cards, and others are more skewed to other products. Some of those have reacted a little bit differently to tightening credit conditions. The key thing about this market, though, is that it changes quite quickly when people get back on the front foot. I think this will be the first place in which we will see growth return once people progress a bit on origination activity.

Justin Forsythe, Credit Suisse

Brian and Lloyd, thank you so much for having me on. I just have a couple of questions if you do not mind. The first is a more strategic one. I just wondered if you could talk a little bit about the two-sided network flywheel that that you are developing with the consumer app alongside the core bureau business and other ancillary businesses. You arguably have one of the stronger consumer apps out there in this space with hundreds of millions in users. Obviously, that is feeding your products on the Data side. I was just wondering if you could provide a rough percentage or directional quantifiable number on how much that bolsters your data coverage on the B2B side. I imagine there is perhaps a linkage with Experian Lift and some of the unscorable folks, but maybe you could just provide a little bit more colour there.

Secondarily, I wanted to circle back to the B2C business in LatAm. Obviously, that continues to grow quite nicely. Maybe you could refresh also on what the growth algo is there between free members, conversion into paid and higher engagement and where it is skewed amongst those three categories. Are you expecting the law of large numbers to come into play in 2H this year or any time going forward? Thank you.

Brian Cassin

Thanks for those questions. I will go first and then ask Lloyd to add in. Just to deal with the LatAm one first, just quickly, it is mostly free in LatAm now because it is mostly focused on Limpa Nome. The e-cred or marketplace business has grown significantly over the last few years, but it is still pretty small. The paid business in LatAm is actually relatively small. I do not think that leveraging free into paid will be a primary focus for us. We see the bigger growth opportunities in marketplace and Limpa Nome, so that will be our focus there.

Going back to your question on the strategic position, obviously, this is a deliberate strategy that we set out quite some time ago. You can see the benefit most clearly in things like Boost, where we actually use the consumer business to gain access to additional data from consumers and can use that to score them in a different way and give them potentially better offers and better outcomes. We think we are just really at the start of that.

Our first priority was to get scale in these memberships and relationships that we have. Once we have reached that in the last few years, we have been working on how we really leverage all that additional data that comes to us. One really simple example would be in Brazil, where the data that we got through the consumer services business actually massively increased the accuracy of the file with things like email addresses and basic record hygiene, which sounds innocuous but is actually really important. That is point number one.

Point number two is, when you start to think about the volume of data that we are gathering in terms of email addresses, contact details and their application across fraud and other areas, you start to see quite significant potential there. We are excited about that. That was deliberate as we set out to build these businesses together. There is a lot of opportunity to come on that. Lloyd, do you want to add anything on Brazil?

Lloyd Pitchford

Yes, just to help with the breakdown, last year, we did a bit over US\$160 million in the Consumer business in Brazil and, as you know, that has been going very strongly. Just over half of that is Limpa Nome. About 20% is PagueVeloz, the payments business. About another 20% is e-cred, and 10% is fraud and other areas of subscription. You can see, as Brian said, the majority is Limpa Nome, but it is increasingly diversified. The payments business that we acquired with PagueVeloz offers us lots of interesting strategic choices alongside the Limpa Nome business particularly. We are very happy with the progress there. In a large market where we have a very strong brand presence, there is a lot of optionality in that business for us as we go forward.

Simona Sarli, Bank of America

Good morning, gentlemen, and thanks for taking my question. Can you provide a little bit of granularity on the evolution of your organic growth rate throughout the quarter and an indication of the exit rate? In particular, could you focus not only at group level, but also on North America? Thank you.

Lloyd Pitchford

We do not give monthly growth rates. Probably the best way to answer it is that we grew in line with our expectations in Q1, and in Q2 we expect to be in the 4-5% range. It might round to 5% or 4%, but it would be a pretty similar growth rate in the range that we had for Q1. The lending criteria was pretty stable after it stabilised after that hiatus around the banking failures in the US. 'There were no real discernible trends', is probably the best way to describe it just now. We will see what the second half brings.

Anvesh Agrawal, Morgan Stanley

Good morning. I have two questions. The first is on the mortgage trends. The volumes were down -32% and the organic growth was -8%. I just want to clarify if -32% is the market volume or your own volume. If that is the case, it seems that there is a massive pricing tailwind. I am just looking for some clarification there and when you expect that to annualise.

The second question is around the membership trends in consumer. As you reach a significant penetration of the free members as a proportion of the adult population in your three big markets and that sequential growth rate comes down, do you expect your marketing and acquisition costs to come down as well? That has seen a sizable pick-up over the last four or five years. Are we at a stage where it will start to flatten out going forward?

Brian Cassin

On mortgages, the difference between our volume decline and revenue is really the pass-through of FICO's repricing. I think you see that difference in us and our competitors. It is just the pass-on of that pricing. That annualises in calendar Q1 2024, so it is our Q4. Typically, you see annual price rises being put through in that quarter. We do not know what they will be just now, but they usually come forward at that time. Sequentially, the declines in mortgage are getting a bit better. They were 40-something percent last quarter, 30-something this, and I think they will be 20-something next quarter. Overall, that is quite a small part of our business, as I mentioned.

On membership and consumer, our end goal is obviously to have a relationship with everybody we have data on on the bureau. As we get further through that, the goal is to engage them, so it is about making sure that we have multiple products that can help them in different aspects of their financial lives like the launch that we have made into auto insurance and the spread out of the different things that we can do to help people save money in the core credit-related products. That is really the goal. I think there are customer acquisition costs, but there are also member activation costs and being able to maintain that brand awareness with customers into some of those propositions.

In the long run, if we can have multiple products in multiple areas and engage consumers, then you are right that the overall activation and acquisition cost comes down and the lifetime value of the consumer goes up, but we have to really build out the product set to get to that point.

Karl Green, Royal Bank of Canada

Thanks very much. I have two related questions. The first is on North America and CI/BI bureau ex-mortgage. Can you just give a bit of granularity about the respective organic growth trends between CI/BI there?

Relatedly, roughly what proportion of the combined 2% like-for-like growth was driven by Ascend in the quarter? Thanks.

Brian Cassin

The BI bureau grew stronger than the consumer bureau. I mentioned that the core bureau was modestly declining. Within that, you got good growth from the BI bureau. Sorry, what was your second question, Karl?

Lloyd Pitchford

It was about the contribution from Ascend.

Brian Cassin

Ascend grew double digits in the quarter. That continued, but its contribution inside that 2% would be less than 1%.

Arthur Truslove, Citi

There are a couple of questions from me, please. First of all, in EMEA and APAC, you have obviously been transforming that business and doing some restructuring. I just wondered where you think the margins can ultimately go over the midterm in that line of business following everything that you have done.

The second one for me was around Brazil, and particularly on the B2B side. Clearly, the run rate has slowed a little bit from where it was in the first half of FY23. I just wondered what the reason for that was and whether you expect it to accelerate as we get into the second half. Thank you.

Brian Cassin

Thanks, Arthur. Yeah, we are pleased with the performance in EMEA and APAC. There is no change, really, to the margin targets that we set out. Lloyd, keep me honest here, when we spoke about this?

Lloyd Pitchford

Yes, it is mid to high teens on a four to five-year time horizon. You will see us continue to progress from here each year. The key to it is scaling those markets that we are now focusing on. You can see that starting to come from the growth rate. That is really the most important thing.

Brian Cassin

Back on Brazil, no, I do not think you can read anything into the difference. Typically, we have our strongest quarters in the second half as we close out the year. The growth is still very strong, and we are still significantly outperforming everybody in the market. We are very pleased with the progress there.

James Rose, Barclays

I have two questions, please. First, could you talk to the countercyclical business lines within the bureau and any signs that those are starting to kick in and help?

Secondly, on Brazil, not that we can see it in the numbers, necessarily, but are there any signs tighter credit conditions there impacting the B2B or the consumer side?

Brian Cassin

Brazil experienced tougher credit conditions. It might not have been to the same extent as we have seen in the UK and the US, but I think, when we talked in May, we said, 'It has not been an easy year from a credit perspective'. We have been doing extremely well based on the advanced and positive data, and all of the new products that we have been building on the back of that. If you just look at the comparator in the marketplace, which is BoaVista, we are substantially outperforming it.

We do not see anything changing from that perspective. If anything, Brazil has had the lowest inflation. We are in the rather bizarre position of Brazil and Latin America teaching the developed economies how to get inflation under control. We might start to see interest rates moving in a different direction there much quicker. I do not think there is any change there, and I do not think that there is any phase of further weakening or tightening. It already has been, to a certain extent. That probably deals with the Brazil one.

On the countercyclical products, I would just make the comment that the performance all throughout FY23 and Q1 includes the contribution from those countercyclical products, particularly in things like analytics, as well as some of the other business units that are really not perfectly correlated with the credit cycle. There is quite a big contribution from that.

Lloyd Pitchford

If you think about volumetric businesses, the classic countercyclical one is collections. We haven't had that pickup. The reason for that is that delinquencies have not really elevated. You are seeing some other areas of service. As Brian said, the focus is analytics. We saw that really strengthen last year. In the release, we commented about the increase of things like affordability services in the UK and the strong growth in our short-term lending business, Clarity. That tells you that lending is moving around a bit in the ecosystem as credit terms tighten. Of course, one of the joys of having a broad portfolio, as we do, is that we can pick up the demand wherever it lands.

Oscar Val Mas, JP Morgan

I have two questions. The first one is on the insurance marketplace business you are building. Can you just give us some more details on how significant or how large that business can be over the next few years? On that basis as well, just to give us more colour, the US is quite different to the UK in terms of how auto insurance is purchased. Are you seeing anything in the US market changing over time to more resemble the UK market?

The second question is on pricing, and it is something we have discussed over the last few years. You have talked about FICO significantly putting up prices. Your core credit bureau is seeing flat growth. How should we think about pricing initiatives with your customers, given that there is obviously some cost inflation coming through from people in data? Is that a significant conversation you are having with your customers around pricing?

Brian Cassin

On insurance, you are right. It is quite a different marketplace compared to when you look at something like the UK. We think that the insurance market in the US is on a journey towards digitisation. There is a long way to go. We are very encouraged with what we see from a number of perspectives. One is consumer demand, which we think is very strong. Another is our own ability to create seamless propositions for consumers, which is much more complicated, given the complexity of the US insurance marketplace, but we are getting there. The third is the willingness of large insurers to actually be part of our panel. We are seeing really good traction in that.

We expect to make further progress. This market is going to evolve very quickly. It will obviously evolve over a period of years, but we do think it is a very big opportunity, hence the investments we have made in this. We have a really great position. In terms of sizing, Lloyd?

Lloyd Pitchford

We have it. Clearly, it is all tied to the transition that you are asking about. If we see a rapid transition to a more digitised market, then the opportunity could be very material. Doubling on Brian's points, we have audience. We have relevance. We have a big auto business with all of the data associated with it. We have over three million consumers on our platform who park their car in their virtual garage, which gives us permission to talk to them about auto-related products. We have a panel and a journey that can take them through a pretty seamless, low-friction auto insurance journey. We feel quite positive about the potential of that business. The direction of travel is very clear, but the question really is the pace. We plan to be a key part of that ecosystem as it develops.

Brian Cassin

On the pricing?

Lloyd Pitchford

As we have talked about, we have pricing conversations with our clients. Often, they are part of a big-bundled discussion in that we want to grow our relationship with clients into new product areas. There is always a trade-off between the pass-through of inflation, the pricing of products and the growth of new innovation revenue. We see it as a single conversation rather than a separated conversation. Clearly, it is easier to have a discussion on price at times of high inflation, so you might expect more conversations now than there have been in the last few years.

Concluding remarks

Brian Cassin

Thanks, everybody, for joining today. Thanks for all the questions. I hope you all have a good day, and we look forward to speaking to you again in November for our half-year results. Thank you.
