

Experian (EXPN LN) - Experian's New Verticals: North America Autos & Health | Jefferies | December 5, 2024

Ryan Flight:

Good afternoon to those in Europe and good morning to those in the States. My name's Ryan Flight. I'm an Analyst here at Jefferies. Just before getting started today, I have a short disclaimer to read. So members of the media and the press are not authorized to be on this call. If you are from the media or the press, please disconnect from the call now. The content presented on this conference call is proprietary to, and or subject to the copyrights of Jefferies or third parties. Further, as a matter of legal compliance, we remind you that you must not attempt to elicit from any speaker at this event, any material, non-public information or other confidential information.

And accordingly, the speaker may decline to respond to any question in his or her sole discretion. You may not publish or otherwise publicly disclose the name of, or otherwise identify the speakers unless Jefferies permits it in writing. And by attending this event, you agree to all of these restrictions. With that done, I'm really pleased to be joined by some of the Experian team today discussing the autos and health verticals, two verticals that are really important demonstrations of Experian's platform. And with that, I'd like to hand over to Group Chief Communications Officer. Nadia.

Nadia Ridout-Jamieson:

Well, thank you Ryan, and hello everyone. I'm Nadia Ridout-Jamieson. I'm responsible for investor relations at Experian and it's a great pleasure to be here today to talk about our automotive and our health business. And maybe I'll just start off quickly with some introductory remarks, and just to say that health and automotive make up about 14% of Experian Group's revenue. And just to put that in context for you for a moment, our North America unsecured credit linked revenues account for about 16% of Experian group revenue. And I think that's an interesting point because it really illustrates how successful we've been in identifying new growth opportunities, which have really extended our opportunity, and which have broadened and changed our business model. And of course that is our direction of travel. How do we think strategically when we're going into verticals, either as we're building these verticals or as we enter into them? Well, clearly we look for market segments which have really strong growth opportunity in large addressable markets. We also look for attractive margin potential.

And I think it's worthy of note that both health and automotive deliver margins in excess of the group average margin. And actually if you look back over the course of the past decade, we've seen quite significant step ups in those margins over that time. But if you step back to the strategy, we are looking for where we, Experian, have the right to play. And usually that means that we enter into markets where in the early days there is a link, a close adjacency to some of our other businesses, and that's the case in both health and auto. So we look for either a credit link or maybe a marketing link, and then we can enter into those markets and expand. We look for a right to win. How can we position ourselves to really win competitively? And so you typically see us leveraging existing Experian data assets or analytical capabilities, and then we layer in industry-specific investments. And that drives product superiority and in the end, competitive advantage. And that's extremely important to us in all of our businesses, having that right to win. Also, we look for sectors which are experiencing rapid digitization. That tends to drive increased use of data, increased use of analytics to help make those industries more efficient and more productive. And increasingly, we look for scope to bring our products together into market-leading platforms, and that really changes the dynamics of how our products are consumed and how we can make it easier for clients to consume Experian products. So you're going to see examples of all of the

above points in today's presentations. And we're going to bring that to life as well, hopefully if everything works well, we've got an auto video demo for you which illustrates the opportunity that we have in automotive marketing. And then also we have a video which shows how the acquisition we made last year of Wave HDC is really starting to open up new opportunities for us in healthcare. So with that, we're going to just introduce all our speakers here. So I'm going to hand over to John, Tom and Jason who will introduce themselves and then we'll get started. So Tom, why don't we start with you?

Tom Cox:

You bet. Thank you. And hello, I'm Tom Cox. I have responsibility for the health vertical within Experian. I joined Experian about five years ago through an acquisition. I've been in healthcare for over 30 years and look forward to sharing more about our healthcare vertical within Experian. So with that, I'll turn it over to Jason.

Jason Considine:

Hello everyone. I'm Jason Considine. I'm our Chief Commercial Officer in our health business. I look after sales marketing and corporate development, and I joined the company through an acquisition in 2011. Pleasure to be with you today.

John Gray:

And I'm John Gray. I'm the President of Experian Automotive. I've been with the company now 18 years, working in the auto business unit. And my experience in the industry is over 30 years and I'm looking forward to discussing the auto industry with you today.

Nadia Ridout-Jamieson:

Thanks everybody. So let's go ahead and get started. And John, I think we're starting with you, so over to you John.

John Gray:

Great, thank you Nadia. Let's wait until we get the first slide up. Perfect. Yeah, go to the next slide. Next slide. So what's interesting is when Nadia did her introduction, I think she covered off on why auto. So I'm sure happy that we're aligned Nadia on when we look at the industry. Because why? We always get the question of why the auto vertical and Nadia talks strong growth potential. There's a lot of headroom, very robust. It plays both in the B2B market space as well as the B2C, our ECS consumer business as well ties very importantly into this large growing market. It is the second-largest expenditure a consumer is going to have, other than a house. So it plays into all those pieces of the area. The life cycle of the auto industry is now digitizing. COVID actually accelerated the ability to have people start at home, working on purchasing a car or figuring out which car they want to buy and then walking through the processes that has been going on and growing, takes it into the marketing and transacting businesses, which is we play.

And then when you look at the assets of one Experian, which I'll get into a little bit further, you'll see that we take all the power of our company to create solutions for this market space. So it plays in exactly all of the assets. So we have the place to play in this area. Go ahead and change the slide. A quick overview of the Experian Auto business unit in the United States. We've got five product lines that we go to market with. Vehicle history reports actually was our original product that was launched in 2001, and it's been growing steadily for the last 20 some years in that area. When you think about marketing, this is a combination of us working with our marketing services business unit as well. EMS as we call them.

Working together so that we can target, retain and grow in the marketing space. The core of the business really comes out of automotive statistics. If you look at the bottom left, you'll see what we call the North America vehicle database. There's only two databases in the industry that have all the state registration data.

So we are only one of two that has all the answers to who bought what cars and what's in the garage, loyalty, all those capabilities. So it makes a very unique proposition as we get into it. You know Experian for our credit solutions. When you think about the car industry, 80% of new cars are financed, 55% of used are financed. Credit is a big part of this business that we do in the auto industry. And then you get into fraud. The bad news of digitizing our process flows is that now we have a lot more identity fraud in other areas like power booking that go on, which I'll cover again another slide. Key element there, it plays exactly off the core business we've got in our company, the North America... Or sorry, the National Fraud Database. So when you look at the bottom, these are all the repositories that we have across the company. In auto we have the vehicle database, our FSD division has the credit. EMS is marketing. We get in the online with marketing and then we get the fraud from our decision analytics team.

We take all those data repositories to create unique solutions. No other competitor has all these data repositories in one location, under one roof. So we have a unique proposition. Next slide, please. When you think of our vision, our vision is all about the car buying and selling and owning life cycle. We really want to power every decision in that process. So when you start looking at the top, you can see the assess, consider shopping, just a traditional life cycle of the car industry. And then you go underneath and you get into understanding the market, acquiring. These are the areas we break down and drive solutions in so that we can drive the complete life cycle. When you think about it today, there's 288 million cars on the road. There's roughly 16 million new vehicles sold a year. There's 38 million used vehicles that change hands a year, and cars are being held for at least 12 years on average. There is a lot to these flows and how things work from buying and selling and servicing cars, and we play into all those facets of the process. Next slide.

When you think also the auto industry, you got to think of the ecosystem, starts with the car manufacturers. They're finally known as OEMs. Dealers. You have franchise dealers, which is about 17,000. You have independent dealers that are not tied to a manufacturer and there's roughly 30,000 in that space. We've got the lenders, we've got the commercial side of the business of the consumers, and we have a full aftermarket area which gets into auctions. It gets into aftermarket parts. It gets into all the other pieces. And we design our solution sets to go after each one of these customers uniquely. So we play in a broad market opportunity, leveraging the raw data of the company and the other information needs, and then we provide solutions to each one of these spaces. Go ahead. The key area of why we win. When you think about it, we're positioned very effectively in those five product lines. Four of the five we're number one or number two. When you think about the marketing space, it's very fragmented. It's a big opportunity, but it's very fragmented in that area.

When you think about the unique data assets, car, consumer and credit. As we always say, it takes three things to buy or sell a car. The car, which is our North American vehicle database. The consumer, which gets into the marketing database. And the credit because 80% is financed and new and 55% in the used. We have all those repositories. Then you look at leveraging the rest of Experian's power from all the other business units to bring together the solutions. And then for us, we've had a dedicated sales force in this industry for over 20 years. My entire sales team comes out of the auto industry. Our solution sets are designed and built by our customers for this industry. Go ahead. Next slide. I talked early at the beginning about the size of the market. Our total addressable market is really in the 5 billion range. And if you add the consumer side, which I've got a slide coming up in a few that talks about, we're doing other ECS partners, there's another 3 to 5 billion.

So we have a huge opportunity. And when you look at the pie, you can see 44% is in the marketing side. Auto is the second-largest marketing spender in the country. When you think about from OEMs for positioning of new vehicles, you look at dealers for selling what's on the lot. You look at lending, you look at all those things. We have a huge potential in that space, as well as our traditional credit business and getting into vehicle history reports, or even into the fraud. Fraud is actually 15% and growing in that space. So when you look at how we grow the business, it's truly those growth pillars. It's how do we get market share gains and innovation to our current customer sets and grow? How do we bring on new initiatives, the fraud market and lending? How do we then add our consumer opportunity that we'll talk about and our M&A? And that's what gives us continuous double-digit growth in the auto business here. Next slide.

One of the other pieces that I wanted to touch on is always the question of, when you think about cyclical and counter-cyclical areas, we worked very hard to design our solution sets and our products so that we can weather any storm. When you take a look at the chart, you can see that our growth has been over 10% since 2007, this business unit. For Nadia, I can remember back when the pie chart for us, for the globe was we're part of the 3% other for the globe, for our contribution. Now we're part of a big number when you look at health and auto together as a 14%. That's a big change that we've been able to drive over the years. But you can see the car industry is roughly flat. It bumps a little bit and we've been able to deliver consistently. And if you go to the next slide, you can see why we can weather the storm. If it's a cyclical because of the credit profiles and all the transaction business that goes on. Our auto check consumers, they're buying cars. It's transactional. You get into the counter cyclical.

The interesting part with car dealers is that in good times they're selling cars, in bad times they're selling service, so they have to make money. They're entrepreneurs, they know how to do it. Marketing is a big piece in the good and the bad times. So it always helps us weather the storm. You get non-cyclical. The Ascend Sandbox, here at Experian we talk about it a lot. That when you add all the credit data with our auto data, it gives our lenders all the analytics they need to power their risk portfolios and really help them design solutions for financing cars and make it profitable for themselves. And then we have the new market trends of fraud that are kicking in. So these are all things are allowing us to balance, and it puts the wind at our back in any situation that the industry is in. Next slide please. Just a quick one on the industry trends right now. For anybody that follows the industry, it's really, number one is affordability. Right now a new vehicle is \$48,000.

A used is about \$38,000. Interest rate on a new is 9.12%, and on used it's 13.5%. The high in use was 14%. So when you look at buyers, they're having a hard time on the monthly payment because it's mostly done by the monthly payments. The typical wheelhouse used to be between \$200 and \$300 monthly payments, typically 5% to 10% of household income. A new car monthly payment is about \$768, and a used is about \$540. So it's making it very tough for people to buy vehicles. So when you see that part, it's all about how do you market, how do you package, how do you really drive what's happening in the area? As well as, then we get a lot more fraud happening in the industry. In the lender space, it's really about preventing the fraud and really also understanding how they can handle the rising delinquencies that are happening because of these new higher prices that are happening. And in the car manufacturing industry, it's truly the shift to EVs. The country, we made a quick switch. Now the car manufacturers are trying to figure out how to produce the right vehicles for the country to drive all that. And the key on that is also, they need the marketing. How do I find my next EV buyer, versus a combustion engine car buyer? So all of these trends play into exactly what we provide in the Experian auto portfolio. Next slide. I am going to highlight too, we'll start with fraud and then that's when we'll get into the video that Nadia talked about. When you think about fraud, really starting to pick up in auto because of all of the remote identities, deliver cars at the house and all those pieces. We had products like Fraud Protect, and Fraud Protect is all about verifying the identity of the person. Are they who they

say they are? The Hunter Consortium solution that we're putting together is all about having lenders work with each other so they can figure about fraudulent applications. Typically, you get what we call bust-out fraud in auto, where somebody will go in and go to three BMW dealers and buy three cars. So you get a lot of signals that happen that the lenders can actually share that information and know that they're being frauded on these capabilities. And then you get into CrossCore, which is our platform that lets our customers use one solution to drive across all these different fraud areas. Ascend, we're putting a lot more data about fraud in it.

And then power booking. And for those that don't know what power booking is, when you can put a lovely term to when a dealer is trying to sell the consumer a car but they can't handle the payment that they're putting to it, they'll actually add... misrepresent, a better term, the vehicle's functions. Might put the sunroof, might put all the nav systems in. It raises the price so that the lending is less. Well, everything's fine because the payment is what the consumer needed. It goes out the door. The only time it becomes a problem is if they go delinquent and the car gets repossessed. Then the lender comes back and goes, "Wait a minute. It doesn't have those features. It's not worth what I take at the auction."

So we analyze and do all the work for the lenders to work with the dealers to make sure that they render payment back on those situations that happen. But when you have tough times, you get a lot more power booking. And it's typically 30% of the cars leaving a car dealership have been power booked, meaning they misrepresent a little bit of the vehicle. So we have solutions to completely handle that area.

Next slide. Marketing, big opportunity. As you saw, it was a big part of our total addressable market space, and it really is from the identity resolutions through the insights, to targeting, all the way to campaign measurement, because at the end of the day, there's only two companies that actually know every car that was bought and who bought it. So we have the ability to do a lot of measurement at the end of the activation and help them address how to find new customer sets for that area. And instead of me talking about it, I think it's easier to have this eight-minute video that Erik Hjermsstad, who is our head of product marketing and product management, talk about it. So go to the next slide and let the video run, and it'll explain it all.

Erik Hjermsstad:

Hi, my name is Erik Hjermsstad from Experian Automotive, and I'm here today to talk to you about how we're taking some of our fantastic insights and really turning them into action, specifically, the Experian Marketing Engine, where we're building powerful applications to help our customers find, reach, and retain the most profitable customers. And really, what we're here today to talk about is effectively how we've had success in the marketing business in the automotive ecosystem. And that goes from dealers to manufacturers to lenders to agencies, marketing technology companies, and how we've had success over the last three to five years really transforming our business to meet the needs in the marketplace today.

And really, the success that we've had here draws from two places: world-class data and cutting-edge technology. And as we go through today, what we're going to show you through the demo here in just a minute is really how we bring these two things to light. As it relates to world-class data, what we're doing is we're matching together over 120 million households here in the United States together with 18,000 franchise dealerships and even more on the independent side, which are dealerships that are not tied to a specific brand but sell specifically used vehicles, tying all that together with over 900 million historical transactions. So what you end up with is arguably the most robust marketing data set in existence today.

When you couple that world-class data together with cutting-edge technology, which we'll show you on our platform here in just a minute, you end up with one of the most powerful and robust solutions in the industry today. And as it relates to this technology, what you'll see from our demo here today is our user interface that we drop on top of all of this exciting data. Now, what some of our clients will do is leverage a robust set of APIs that we have driving this system. So what you end up with is a very flexible system with cutting-edge technology that makes our world-class data very easy to use. That is why we've had success in the market. That's why we're growing at double digits. So let's get into some of the demo and show you what this thing looks like.

All right, so here we are. We're live in the Experian Marketing Engine. We've got our platform open, and I want to show you some of the features and functionality that really make it a great tool for helping take insights all the way through action and really get the measurable results there. So what I'm going to do is I'm going to pull up a dashboard here that shows, for this specific Nissan dealership down in southern Florida, exactly what's going on. So as a customer, as a specific dealer, you get the ability to log in and see fantastic insights right at your fingertip, very easy to digest, easy to use. So what you really want to do here as you get into it is really help our customers, and specifically this Nissan dealership, get into what should they be doing in their marketplace to help retain customers and go find new ones.

So we build in analytics machine learning behind the scenes to say here are some of the best opportunities that exist in your market area. In this specific case, we're looking at a Nissan dealership down in southern Florida. What you see very easily on the screen here is specific areas of opportunity that exist for different makes and models as it relates to Nissan. What the dealer or agency or whoever's working on their behalf can do is really then dive in even deeper to get a sense of what's happening in the marketplace. So the exciting part here is we can drill into a map. We can see where they're doing well, where they're not doing well, and where the opportunity lies.

The other really cool thing that we've got on the page here is we map all of their local competitors, so they can understand where do they sit, where should they be finding new customers, and what's their risk? In this specific case, you can see that there's a couple other Nissan dealerships within 15 miles, so they've got some work to do. But after that, they really don't need to go any further than that to go find new customers. So what this specific dealer can do from here is now say, "All right, I want to take this intelligence, and I want to go build an audience to go find and conquest some new customers."

So what we'll do is we'll get in here, and we'll call this Erik Test. And now what we're going to do is we're going to go specifically to the location where that dealership is found. If you remember, they are in zip code 33027. And if you remember from what we just learned, we're going to deal with a radius of 15 miles around that store. What the system will automatically do, and you can see it's nearly real time there, is it populates all those zip codes where they're specifically at. So once we've got this defined, now what we'll do is we'll go in and define the types of vehicles that we want to go get access to for this customer.

So in this case, if you remember, we were dealing with Nissan. And just for simplicity's sake, what we're going to do is we're going to go in here; we're going to select every Nissan vehicle. And you'll notice as we scroll down on the page here, there's a lot of different configurable options, ranging from type of vehicle. Is it new? Is it used? Is it luxury? Do we want to target just electrics? Anything we want to do. What we're going to do here is we're just going to go find every owner in their market, and this is where the power really comes into play. So we are now hitting a database of over 200 million vehicles across the entire country. And what you'll see coming up here on the screen in under 10 seconds is we're actually going to render counts specific to this dealership and what their opportunity is. And so you can see here on the page, they've got about 90,000 records and basically opportunities within just a 15-mile radius of their store.

From here, it's as simple as clicking a submit order button, and you're ready to go. I'm not going to do that for demo purposes, but what happens next is this is going to generate in a matter of 10 to 20 minutes. What'll happen next is our customer is going to get an email and have to go through two-factor authentication to download the audience. You can see the passcode screen up here on the page. From there, they'll get redirected into a different part of the platform that allows them to just download and access their audience and now push it out into the ecosystem, whether that be for digital advertising, connected TV, social, email, and we've even got a lot of customers that are still doing direct mail.

So from here, once all that activation has taken place, then it gets down to time to analyze the results. So from here, let's go over and take a look at those results. This is where we actually show our customers how well things worked for them. So what we have the ability to do now is, once we've delivered all this data, they do the activation on it. Now you end up with record-level detail that says, "Here are the number of records that you sent out. Here are many new sales they generated, used sales, and total sales in the entire marketplace." So we don't just give them visibility into what they specifically sold, but how many of those customers ended up going to one of those other competitive Nissan stores to buy that vehicle.

And this gets powerful. As you drill down deeper into this, you can get into record level to see that record number 7 on the file that we sent in actually left and went and bought a vehicle somewhere else, versus records 1, 17, and 19 ended up buying from your store. So it gives you powerful intelligence that allows you to then replicate the results, change your marketing program so that next time you're going through things, you can be more effective. The last thing I want to share with you as it relates to specific results is how well our data actually work in the marketplace. We know from studies that we've done over the past five to seven years that our audience data outperforms the market by a factor of nine all the way up to 15X greater than what should be expected in the marketplace. The exciting part is that we've actually seen results 20, 25, and 30 times greater than industry averages. So as it relates to predictive power of our data, ease of use, these are the exact reasons why we're having such great success as it relates to marketing today.

Well, thanks for your time today. Hopefully, you've enjoyed getting a sense of what the Experian Marketing Engine is, how it works, and how we leverage our world-class data and best-in-class technology to allow our customers to really access hundreds of millions of data points in near real time to make their marketing efforts more successful. This is exactly what has driven us to significant double-digit growth over the last five years as it relates to marketing in North America here in the auto sector. Thanks again for your time.

John Gray:

Go to the next slide. So as you can see from that video how we've been able to harness the data, make it easy for, in this case, this was for dealers to then target customers and then push it out for any of the different channels that they want to do targeting in, and then close it out with the metrics to prove out that we deliver the ROI. So it's a very powerful tool. It makes it very helpful for everybody that's doing the marketing space, so we think there's a lot of upside force in that area.

The last area I want to touch on is really consumer side. Now, if you think about it, everything I've been talking about prior is us talking to dealers, so B2B2C, lenders and others. This is now working with our ECS partners, who have a 70 million consumer marketplace, and doing the exact same process but from the consumer side, not the other side. So with the opportunity you get into for using our targeting data, which is what Erik was talking about, we can generate leads and then how we can push the leads out for dealers for selling cars, lenders for financing, insurance, all the power we're going to use as our data partnered with their expertise to drive this business. And as I said earlier, there's about a \$3 to 5 billion

TAM in this space, and we're just now working with them right now to get something out and launched. That'll be early next year in this process space.

So if you go to my last slide, you can understand why we're excited here about the auto industry. You go back in the previous 20 years, we've had a double-digit growth in this business. As we look forward for our strategic planning of all the market trends, all of what the customer needs are, our partner needs, the channels in their areas, and you can see the products that we have that we can bring to bear for marketing on those pieces, we see that we can continue that double-digit growth, which is our ambition, way into the 2030s. So we're very excited with all the power of One Experian product sets and the industry that can deliver the high margins, product set, and the revenue. So thank you very much. Now let's go listen to the exciting health business. So Tom and Jason, it's all yours.

Tom Cox:

All right. Thank you, John. Appreciate that. And you can go ahead and go to the next slide. And what I think you'll see here is some parallels between the automotive business and the health business, and it's consistent with what Nadia talked about in her opening remarks around size of market and then sort of the characteristics of that particular market. So healthcare within the U.S. is huge. It's 17% of the U.S. GDP, which is about \$4.5 trillion, and it's about \$13,500 per person. So it's obviously a huge marketplace. The space that we play in is still significant, an \$8 to 10 billion addressable market, so a very large market that presents to us. The other thing I think you will see in healthcare is that it's probably 10 years behind financial services when it comes to using data and analytics to improve performance. So this creates a big opportunity for us in the marketplace to leverage the assets that we have within Experian to improve the U.S. healthcare market.

And then the last thing that's somewhat consistent with auto but probably even further behind in healthcare, and for those of you who live in the U.S., you will know this, the user experience in healthcare is not great. There is a significant opportunity to improve the user experience when it comes to access to care and then really understanding the transparency of the billing and collections process in healthcare. So there's a lot of opportunity for us, and I think that's what excites us at Experian Health about our health business, is there's a lot of opportunity. It's a really big market, and we have a lot of assets in our data and analytical solutions that can help simplify healthcare. So if you can go on to the next slide please.

Just a quick overview of the business, the healthcare business in the U.S. here. So as you can see, it's a relatively large business. Nadia has already talked about the percentage of the automotive and health business in the U.S. We'll do over 600 million in revenue this year in the health business. It's grown at about 9% over the past five years. And a little probably different than the automotive businesses is, is we are primarily a SaaS-based business. So 85-plus, a little over 85% of our business is recurring revenue, which creates for a great deal of predictability in this business, which is something that, combined with the growth, has been, I think, nice within healthcare.

John talked a little bit about being counter-cyclical. The thing I would say about health is we're not counter-cyclical. We're non-cyclical. People obviously get sick when times are good. They get sick when times are bad. It's pretty consistent. And I think that's what we've seen over the past few years, is that as there's been some pressure in the credit markets, the health business has continued to deliver relatively consistent returns here.

I would also say this business is in an enviable position within our marketplace. We've got relationships with over two-thirds of the hospitals in the U.S. That is an excellent place to be. And oftentimes within our business, people will hear me say, "The goal of our business is not to get the last third. The goal of the business is to sell more to the two-thirds that we already have." And we'll talk about that in a little

bit. So that really is... There's a ton of white space that is available to us. Having said that, we've also added 52 new logos this year. So while I say the goal is not to get the last third, we, of course, want to go get the last third. We want to get it all.

I think I would also be remiss if I didn't mention kind of a large event that has happened in our space this year, which has provided some tailwinds for us, and that is that one of our competitors, a company called Change Healthcare, which is a subsidiary of UnitedHealth Group, experienced a cyber attack and a ransomware event. So, that's created a lot of switching within the industry, which has benefited us. We certainly not how we want to win the business, an unfortunate event for them, but it has helped give us a little bit of tailwinds as well. You can see that this year we have added 52 new logos. We've also added two of the largest contracts in our history, so we're winning some really big contracts as well. And despite all of that, there still is a significant amount of white space available to us. So we've got a very broad portfolio of products, about 30 products, and not all of our customers buy all of our products. So we can continue to grow this business just by selling more products to our existing customer base. And I think I would just finish this slide by talking a little bit about the innovation that we have here. There's a couple of areas that we focused on within claims. And if you think about claims in the US health care system, you can just think of that as like that's a bill, effectively. That's how the provider, the hospital or the physician group will bill the insurance company to get paid.

We've got some exciting opportunities there. Jason will talk a little bit about that. And then in collections is an area where we can really leverage the data that we have within our core credit business to understand how we can help healthcare providers prioritize where they should spend their efforts trying to collect from patients. So a couple of exciting places that we have for growth there and then we'll talk a little bit about innovation. And when we think about innovation, one of the ways we do think about innovation is through acquisitions. And so we will share more about our Patient Access Curator, which is really exciting and being very well received in the marketplace on how to help providers get the most robust view of a patient's insurance information to help reduce the number of denied claims that they are experiencing. So we'll talk a little bit more about that, but we've got a great customer base for which we can take new products that we either build internally, we'll share a little bit about those or that we acquire and leverage those across our installed customer base. So next slide. So exactly what do we do? So when we think about our vision, our vision really is to simplify healthcare. And when we think about it, it's to simplify healthcare from two different perspectives. So one is from the patient perspective, how can we make it easier for the patient to get the care that they need to understand the billing collections process of that so that they will take better care of themselves. And then the second part of our business is really focused on how do we make it easier for the providers to collect all the money that is due to them from the insurance companies and from the patients. Just to give you sort of a frame of reference in this slide here, the digital front door for us is a smaller market for us, probably about 10%. And the majority of our business comes through our revenue cycle management business, which is the core asset of the health business, which is at the bottom of the slide here.

So I'm going to start actually at the bottom of the slide since that is the majority of our revenue here. And when you think about how this process works, it's all about making sure that we can help the providers collect all the money that they are due from first, the insurance company and then the patient. So what do you need to do to do that? The first and most important thing is you've got to get the most accurate information so you know who to send that claim to. So that's making sure that they have insurance and that they have active coverage that's in the verify the insurance. And then from there, there's a cascade of a number of services. Again, I mentioned we have 30, you'll notice there are not 30 chevrons on this slide, so I'm not going to go over all of them.

But there cascades a number of other products that come off of that to make sure that when that patient shows up at the provider, the provider has all the necessary information from the insurance

company to treat them so that they will be able to collect on that. One of the things, if you pay much attention to the U.S. health care market right now that you'll hear a lot about is denials. Denials come from when the insurance companies or payers, we use those terms interchangeably, but when the insurance companies put new rules in place for the providers to have to get the care and those are changing rules. And right now there's a lot of friction in the U.S. health care system from the payers, the insurance company changing those rules for the providers, it makes it really hard. So that's where these authorizations come in place.

And that's also where making sure that you get the most robust view of a patient's eligibility and insurance information comes in. And that's why when Jason talks a little bit in a couple of slides about our Patient Access Curator, you'll see the excitement in the marketplace there because of how robust it can... How robust of a view of individual's insurance information it provides. So that's sort of like everything that happens, the front end, that's before you go to the doctor. The back end is after care is provided. So front end, get all the accurate information up front, back end, then we need to send a bill or a claim to the insurance company. That's where you have a number of services as well like claims administration where we send claims.

And then if for example, a patient showed up through the ER, they didn't have their insurance card so they couldn't verify their information up front, so then we can search for insurance in our vast repository of eligibility information. So we have a number of tools to make sure that the providers are getting all the information that they can so that they can collect from the payers and the insurance companies. On the digital front door, this is much more of how the patient engages with the U.S. healthcare system and this is making it easy for them to get the care that they need. So think about this in kind of three buckets. To simplify it, there is the schedule, there is the register, and then there is the pay. So the schedule is making it easy to schedule an appointment to find what availability a provider has.

The registration, and we'll talk a little bit more about this from innovation as the registration process to make sure that the provider has all of the necessary information ties into that eligibility that I talked about. And then the last is the payment process and how you pay your copay or your deductible to the provider. So that's kind of the digital front door. Together, these make up portfolio of products. And I would say that we have one of the most robust platforms in the marketplace, which positions us well again, to leverage the assets that we have. So I'm going to now turn it over to Jason, who's going to talk a little bit about innovation and how we leverage innovation to sell more into our existing customer base.

Jason Considine:

Thank you, Tom. And as Tom mentioned, denials are one of the biggest challenges that U.S. hospitals and provider organizations face. And we see a lot of data. We have a very large claims business that connects the provider to the payer and we transmit the claim data to the payer and then the payer remits back to the provider, the payment through an electronic remittance process. And because we see all that data, we can see when the payers change their behavior and they change a rule that previously they were paying a claim, now all of a sudden they're not. And by leveraging machine learning and AI on that massive data set that we have, we can predict when the payer's behaviors changed and embed an alert back in our client system and stop them from billing a claim that we now know is going to be denied.

And by doing that, we accelerate their cashflow and reduce a lot of labor expense that's required to fix a denied claim when it happens. And we're not going to catch all of those through this predictive engine. So it also has a reactive model on the backend. So if claims are denied, we're able to look at the

probability of successful appeal and stack rank those claims so that when they do deploy their labor to work those denials, they're working them the most efficient way possible to get that cash in the door. This has been a great innovation and provided a lot of competitive advantage for not only our business, but delivered a ton of value to our clients. With the registration process, Tom was talking about the digital front door. And if you've experienced healthcare in the U.S., this is one of the processes that I personally don't like as a consumer because every time I go to the doctor, they ask me for my driver's license, they ask me for my insurance card, and I also have to fill out a lot of questions and paperwork.

And we have massive data assets at Experian that allow us to link somebody's identity to information about their insurance, where they live, and a lot of that stuff that we ask somebody to fill out in the registration process, we know at Experian. So this is something we're working on right now. It's in our innovation process, and we believe we can get to the point where a user can simply go in and tap their credit card or scan a QR code and we can automatically populate a lot of that information into the hospital or provider system without the user having to do much more than a tap or simply scanning a QR code. So we're really excited about that. I think it's going to improve the patient experience, but also reduce the poor data that's in our client systems that can result into a claim denial or a bill going to the wrong place for a patient.

And then finally, Tom's mentioned Wave, the acquisition that we made just about a year ago. It's performed very well for us in the market. And when you think back to that bottom line on the previous slide, when somebody checks into a hospital, you have to verify insurance. A lot of times the patients don't have their insurance card or maybe they only have one of their insurance cards. There's a lot of people in the U.S. that have more than one insurance. And the process prior to Wave for every hospital in America was a user, a staff member had to push a button to trigger a request to an insurance company, or there's an automated process that can kick that off as well.

But you're just asking to verify whether that insurance they presented with is active and then the process stops. There's a lot of other information you need to know to successfully bill a patient. And with this new technology, we're able to go find all the insurance, all the identity and address information, correct that in less than 30 seconds. And that's providing us a lot of ability to help our clients reduce denials that originate due to poor data being captured in the registration process. So let's move to the next slide and watch a video that explains more about the Patient Access Curator.

Speaker 1:

It's no secret that rising claim denials are costing you time, energy, and money, or a lot of all three. Denials often up weeks after a patient receives care but can generally be traced to the beginning of the patient journey, check-in and registration. It's not just about relying on old technology and manually applied tools, it's also about using an antiquated strategy. Current revenue cycle solutions may only solve for a single problem at a time and can allow poor data into the health system creating more downstream denials. Human claim management processes are prone to errors, wasted time, and ultimately, more denials. The pain isn't yours alone. Patients get unexpected bills. Your team works harder and longer and the cost to collect is higher than ever.

What if data could be captured, curated, and corrected at the beginning of the journey automatically and completed in under 30 seconds before the patient ever leaves the lobby? At the registration process, we solve for gaps in eligibility, demographics, insurance discovery, NBI information, and CLV primacy with just a single automated inquiry. Welcome to the new age of denial prevention with Experian Health's revolutionary Patient Access Curator. [inaudible 00:51:08], 100% accuracy, huge efficiency gains, massive time savings and universal satisfaction with a bold new way forward in RCM

processes and technology. It's not a future [inaudible 00:51:22]. Experian Health clients are using it now with game-changing results. Don't take our word for it, take theirs.

Jason Considine:

All right, next slide.

Speaker 1:

It's time to turn old school denial management into AI and machine learning based denial prevention with Patient Access Curator. Schedule a free denial analysis report and find out how much time, energy, and money your system can save now. We simplify healthcare.

Jason Considine:

Now next slide. All right, so we thought we'd walk you through a case study, and this is actually one of those largest contracts that we've signed in the company's history that Tom mentioned a few minutes ago. So large national health system, they have over a hundred hospitals and operate in 27 states and generate over \$20 billion in annual revenues. This company was affected by the change healthcare cybersecurity incident that Tom also mentioned and found themselves unable to bill claims to insurance companies as a result of that incident. And they launched a process to replace their current vendor. We competed with Waystar, Finthrive and Change Healthcare in this opportunity and we won this business for a couple of reasons. First, we have a very well-established claims platform and we adjusted the way that we implement customers to save them from the financial distress that this cybersecurity incident caused and compressed our implementation from what was a 90 to 120 day implementation process into being able to get clients live in five to 10 days.

And our ability to do that certainly was a driver in us winning this business. But the Patient Access Curator also significantly improved our competitive position against the competition. We were able to take the denials that this organization had and prove to them that if they were running this platform on the front end, we would've substantially reduced the denials that originated on the front end of their process. And it allowed us to secure this win and it was a wonderful contract for the company and multiple year agreement, a seven-year contract, and really exciting new business win for us. And I'm going to turn things back over to Tom to talk more about the market.

Tom Cox:

All right, so the next slide, please. Thanks, Jason. So hopefully kind of what you've gathered thus far is that we've got a robust product set, we've got a robust client installed base as well. And I think we're well positioned for the trends that exist in the marketplace as well. So no secret, as consumers, we're all getting used to operating in a digital world and as John said, COVID accelerated a lot of that. In the automotive business, will have absolutely accelerated that, in the healthcare business as well. Probably moved us forward about a decade yet we're still way behind, so consumers are driving change. The other thing that's happened a lot in healthcare, which I think has been very, very positive, is there's a lot... Healthcare has become a lot more convenient. There's a lot more places to get healthcare in the U.S. It used to be pretty much either the physician or the hospital.

And now we've got standalone emergency rooms, we've got urgent care clinics, we've got freestanding imaging, et cetera. So it's become a lot more unbundled, which I think is positive. And for the consumer, it also creates a lot of opportunities for us because a lot more people to sell to who need our services. So I think that's been really positive for us. Now the other thing about healthcare is there's still a lot of really manual processes that happen and registration and other things. And so there's a big opportunity

to leverage AI and basic robotic process automation in healthcare as well. And we're already seeing some benefits of that. The last thing I would say is it's just about transparency in healthcare. It's really, really hard to figure out how much something costs and how much you owe. We've got some tools that can help give you an estimate of how much that care is going to cost before you buy it.

I might argue a little bit with John, he says the car is the second most expensive thing. I don't know, healthcare is super expensive in the U.S. and people generally make a buying decision without any information. They have no idea how much it's going to cost. And what we've seen is by providing an estimate up front, the providers have a much greater ability to actually collect because people can prepare for that bill, which hasn't really happened in the past. So there's a lot of opportunities for us still in the marketplace and that's why we're excited about the continued growth in this business.

Next slide. This is just talks a little bit about some market adulations that we've provide... That we've received. I won't spend a ton of time on this, but KLAS goes out and surveys our customer base, the providers in the U.S. and ranks based on that. And two years in a row, we've received best in KLAS in our claims business...

Tom Cox:

... years in a row, we've received best in class in our claims business, and also in our contract management business, two of our products. So that certainly doesn't hurt when we have sales opportunities, we're excited about that, and we'll continue to be best in class in all of our solutions. Next slide, please.

Just a little bit here, I'm just going to touch quickly on our four pillar strategy within the health business. So you've probably now know, I've mentioned it several times, we've got relationships with two thirds of the hospitals in the US. So the main thing that we have to do is make sure that we deliver on that, because if we don't do that, we can't sell more to them. So making sure that we strengthen our position in our core business to protect that business that we have, and then really innovate new products, so that we can sell into that base. Sort of the two key tenets of our strategy. And then, leveraging these opportunities that are emerging from the digitization of healthcare, which is still relatively in its infancy compared to other markets.

And the last thing I would say is that, I touched on this a little bit with the fragmentation of healthcare, creates lots of other opportunities for us to look at selling our solutions into. For example, one of the trends in the US healthcare system is for surgeries to move from the hospitals into what we refer to as ambulatory surgery centers. The number of procedures that can get done in ASCs continues to grow. So that's a growing market for us to sell our services into. Underlying all of that is our vision, which is really to simplify healthcare on behalf of the providers and the patients. So, next slide please.

So, how has this all played out for us? What has this resulted in? Well, I think it's resulted in, as I said earlier, a pretty predictable growth business that's continuing to gain and scale here. And you can sort of see the chart, you love to see these, pretty consistent up and to the right here, that's been positive for the business. I think also Nadia touched a little bit on the margins, and you can see the margin progression here, from the low teens up to the high 30s, so we've done a good job leveraging the scale of the business. And also in selling more products into our existing customer base, and you can see the revenue per client growing there, as well. So, next slide.

Just to wrap it up here, so we can get into the Q&A. Hopefully kind of what you get a sense of in this business is that we are well positioned to take advantage of the large and growing US healthcare business, here. We've got a very, very robust product set, and we have a robust customer base that we can continue to sell more products in, and we will continue to leverage both internal innovation and acquisitions to help us continue to sell new products in to our existing installed base. And last but not

least, we'll certainly try to get that last third as well, and we've had a lot of success this year as well with 52 new logos. So hopefully that gives you all a good overview of the Experian health business in the US, and now I'm going to turn it back over to Ryan for the Q&A portion.

Ryan Flight:

That's brilliant. Thank you very much for those presentations, everyone. That's really, really insightful. As I said, so we're now going to head into some Q&A, we've got a little bit of time left. So I've got a couple to kick things off, but for everybody that's on the call, if you would like to ask some questions, please do use the raise hand function. That should be at the bottom of your screen. But from me, to start, so one on health and one on auto. So, on healthcare first, thinking about the kind of growth algorithm, could you help me understand, I guess, the runway and the pipeline of new products available for you. And perhaps how your, I mean a big part as you said, was selling new products to existing clients. So perhaps how you're selling those products to those customers, and how you're embedded.

And then on autos, I think the comment on countercyclicality was really, really interesting for me. So maybe if you could expand on that, and drill down on it a little bit. What elements of the business are particularly countercyclical, versus which elements are more cyclical? It'd be really useful.

John Gray:

Tom, go ahead. All right, Jason.

Jason Considine:

Yeah, I'll take the first question first. So the growth algorithm, as Tom mentioned, we're trying to sell more products into our existing customer base. And that's a key part of our strategy, in our sales organization. And we track that quarter over quarter, and we've seen an acceleration of the number of products that we're selling every time we land a new customer, or a big expansion inside of an existing customer, as a result of these new innovations that we've brought to market, Ryan. So that is definitely a key part of our strategy, and will continue to be a key part of our strategy as we move forward. One of the things that we do in our contracting process, we sign a master services agreement, so every time we have an upsell opportunity and we want to bundle more products and services into an existing client, we have a pretty easy way to do that contractually.

And we also see a trend in the healthcare space where these hospitals want to do business with fewer vendors. It's less cost for them to do that, it gives us the ability to do more analytical work across the entire platform, and so we structure our agreements to make it easy for them and for us to expand that footprint and our share of wallet inside of the clients.

John Gray:

And then, Ryan, on the auto side, when you want to talk about the countercyclical side of the business. When you think about when times are tough in the auto industry, the production of cars, they typically throttle back so that there's fewer sitting on the lots right now, just to put it in perspective for everybody. There's 83 days of new cars in the days of supply from a build to a sale. That's pretty much right on top of where we were pre COVID.

It's also, when you think about used, used is sitting at 43. So there isn't as many used cars. So now, what's the dealer to do? The dealer has to shift and sell service, because if they're going to sell fewer cars, to make up the money they need to make. So you get into a lot more marketing, you get a lot more... If it's not new, they go downstream into used, because affordability, that's why there's a tight set of used car market. Which means vehicle history reports, our vehicle history reports are on

subscription based business. So good and bad times, we're still making the same amount of money, because it's all you can eat for a certain rate on a monthly basis, that drives on that piece. And then you get into the other creative areas of, how do they go market incentives, how do they drive loyalty to their current customers? Which gets back, again, to more marketing and more marketing. That gets into that area. So a lot of our key core products, heyday, when you have lots of cars they need to market. When you have fewer cars it shifts to incentives, because right now when you think about it, tough times for the consumer. But zero based financing, you get, "Zeros for the next," for a down, the payment for the first 12 months, there's only roughly 3% of all loans doing that right now. It's actually the lowest it's been, so nobody's really cranked that one back up yet. And 3% financing, because remember, the average rate is nine, 3% is running about 15% of loans. So those levers are still out there to be played, and again, they have to communicate to the consumers to come buy the cars from them.

Ryan Flight:

That's brilliant. Thank you. We should be over to the core moderator now, I believe?

Moderator:

If you wish to ask a question, please use the raised hand function at the bottom of your Zoom screen. I'll wait for a moment to assemble the queue. We currently have no questions on the webinar, so I'll hand back to Ryan Flight for further questions.

Ryan Flight:

Yeah, that gives me a chance for some more questions. But I think the other one that was really interesting, on healthcare. I think you mentioned 85% recurring revenues. Could you help me to understand the kind of remaining 10, 15%, and perhaps the swing factors there?

Tom Cox:

Sure, yeah. The majority of the remaining 10 to 15% is actually just the implementation fees, for when we are installing new customers. We have very little business in our US healthcare business that's transaction oriented. So it's mostly comprised of the annual subscription fees, and then the implementation services.

Ryan Flight:

That's brilliant. And then, back on autos. Could you, John, maybe give us an overview of at the moment, I know you spoke about marketing and a few other areas. But what are the areas that excite you the most at the moment, when we're thinking about growth over the next two, three years?

John Gray:

Yeah, so when you step back and take a look at our five-year strategic plan, you start talking about the traditional areas of credit. It's mostly, it's not the transactional prequals or profiles, it's really the analytical side. So we're going to see some more significant growth in the analytics, in the sandbox type solutions that are happening.

The biggest opportunities for the next five years are with the digitizing of the consumer process. It's marketing, it's fraud. Those are some big areas that are going to escalate, as well as the consumer side, as we partner with ECS. Because now we're doing the complete digitizing, all the way through the marketplace of our 70 million customers. So those three areas, on top of our traditional, will get us our double-digit growth.

Nadia Ridout-Jamieson:

So Ryan, if I can just jump in here. I think this is a great initiative that John is referencing here, between the consumer services part of the business and the auto part. It's not the same as the auto insurance opportunity that we're currently pursuing, it's another one. It's really about, how can we generate leads? It's a little early for us to really know whether that's going to be a big successful business for Experian. I would say that it falls among a number of next horizon opportunities that we're evaluating at the moment for the consumer services business. And maybe John can elaborate a little bit on it, in a moment, but it gives you just a sense.

We talk a lot in all of these meetings about the opportunities that are driving revenue for the Experian today, and the auto insurance on the consumer side is clearly doing that. It's starting to scale. But we're also working behind the scenes on what's going to continue to drive and sustain the growth over a longer period of time.

John, I don't know if there's anything you'd like to add.

John Gray:

Yeah, no, I think you hit on it. When you think about the marketplace that our ECS team has built, and now that there's selling insurance into it, the other area is, "How do we take them and put their cars into my auto garage?" So once they garage their vehicles, we can tell them if there's recalls open on those cars, we can give them a vehicle history report so they can see the value of the vehicle in the thesis. Which then gets us to the point where we can say, "Hey, it's time that you might want to buy a new car. You have positive equity. Here's some opportunities, based on all the information we know about in the profiling."

So we're then trying to then help them work the process, because as we know, buying a car probably is only one step higher than going to the dentist. It's not a fun process. So therefore, our job is to help make it simple, make it easier for the consumers because we connect them, lenders, dealers, and the other players of our ecosystem they need to touch. So we know if there's a good quality dealer, we know about the car, we know all the information to help them make the right purchase decision, and help them through the process. So with the assets that we have, plus ECS and the consumer in the marketplace, it's a perfect joining of all the information to take it to the next step from just the auto insurance into the whole process. And then eventually, it will be at some point probably, "Hey, I want to sell my car." Well, we can then help that process as well. So there's going to be an interesting eco play in this area that's made up of three or four steps in the process, that we're going to do one at a time and get them up and running, so it's got a long growth cycle in the consumer side with auto.

Ryan Flight:

That's brilliant. I'll hand back to the moderator if there are any questions, but if not, I'll have some closing remarks.

Moderator:

We have one question from Stuart Meldrum, please go ahead.

Stuart Meldrum:

Can you hear me?

Nadia Ridout-Jamieson:

We can, Stuart. Hi.

Stuart Meldrum:

Okay, lovely. Thanks for doing the presentations, it's been really great. A question if I could for John, and the auto business. It would be wonderful if you could paint me a picture of the competitive landscape in automotive marketing. I guess I mean that both in the narrow sense, against direct competitors, and then in a broader sense versus all the other ways that your customers can choose to market their products. Thank you.

John Gray:

Stuart, you picked the fun one, because there's a plethora as you get into it. But when you really start down to the core, which is the auto information that you then marry up to the consumer information, there's really only two data sets. It's us and SMP Mobility, because we know the cars in the garage, we know all that information. So when you look at the pure raw auto data that you then tie to consumer data, we really are competing with them for that part of it. And then you start building up, and you saw the demo that Eric was talking about, of building all those audiences. Because we know who bought the car, so we can re-engineer the target audiences so that they can hit those things successfully. So then we start working through the platform providers, so that they can pull down the Experian audiences. We can push the Facebook, we can push all the social media sites, we're doing all of the pieces to do that process.

So who are the other competitors? They're agencies, they're the platforms. They're getting into, players like Oracle came and kind of went, into that space. It's the Facebook audiences that we compete with in that area. But we work it dealer by dealer, OEM by OEM. And then when you think about the digital side of the business, it rolls back into the Comcasts of the world, and the digital part of the process. Because again, we can peg down to the set top box. So where they can deliver advertising, what you get at your house, what the next door neighbor gets, will be two different ads potentially based on all the profile information, and the power of our audiences that goes on.

So it is a very fragmented, there's no one player, but when you really just say "auto data," it's us and SMP.

Stuart Meldrum:

Okay. Excellent. Thank you. Are you able to give us some sense of your market share, how that's been changing, and who you've been primarily winning from?

John Gray:

Yeah. When you think about the business, the audiences, they put up audiences on these platforms. And if they're working, they continue using them, and if they don't they pull them down, they change audiences. We actually have over a thousand different targeted audiences for the car industry. New,

used, make model, EVs. So it's getting those right ones harnessed in that area. And when you think of marketing, right now, when we talk about the size of our business. You saw that TAM was 44% of the five billion. We're only 12%. We've been growing from 2% to 12, rapidly. We've been running 20 plus percent growth in this space. So we see a long runway in this area of marketing, and it's really just continue to tune, it's more of a real time play where you're tuning your audiences based on the returns that you have, and proving your returns.

So it's the dealers, it's to the lenders, it's to the manufacturers, it's to all the agencies, it's to the platforms. And making it simple for them to say, for somebody to say, I want to push this out to this social media, that social media and this site and even direct mail, and giving them all the capabilities to do it fast and easy, so they can make it happen.

Stuart Meldrum:

Excellent. Thanks for that.

Moderator:

There are no further questions on the webinar. I'll now hand back to Ryan Flight for closing remarks.

Ryan Flight:

That's brilliant. Thank you very much, everybody. Our time's up, but I think that's a brilliant demo. Really useful on the Experian platform, the autos and health verticals, but also I think really importantly, the one Experian modeled in, is pretty clear collaboration and innovation in the group. So once again, thank you very much to the Experian team, and thank you to everybody who joined the call. If you do have any follow-ups or questions, please do reach out.

Nadia Ridout-Jamieson:

Thank you, Ryan.