



Experian plc

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Jane Sparrow: Thanks, everyone. Welcome. My name is Jane Sparrow. I recently joined the JPM research team in London. It is my pleasure to introduce Lloyd Pitchford, CFO of Experian, to you today. It's great to have you here fresh from obviously last week's very strong first half numbers.

I'm sure some of the themes we'll pick up on in today's session were certainly evident in that strong first half performance and your very positive outlook for the second half. Let's get into some questions. Perhaps we can start in financial services. You delivered very strong organic growth there, particularly in North America.

Specifically, perhaps we can talk about the Ascend Platform, which obviously has been a big investment program for you, clearly helping to drive that growth. Can you perhaps talk a bit about the penetration you're seeing with customers on Ascend, particularly the big tier 1 customers, how much full adoption you're seeing, and how you monetize that expanded functionality of that system?

Lloyd Pitchford: Sure. The performance in financial services is going very well. Before I talk about Ascend, you're clearly seeing a continued sequential good momentum in the lending environment.

With the benefit of hindsight, you look back over now three quarters, you've seen improvements in the core lending across categories across those three quarters, which has been helpful to the growth rates.

Ascend, as you know, is our long-term plan to essentially create the workflow end-to-end of a consumer through the banking ecosystem into a platform. We launched it originally on the Ascend Sandbox, which was how you determine and build a credit model.

Since then, we've been building that out into lots of individual modules and connectivity and

workflow between them. Great penetration. Over 20 of the top 25 financial institutions in the US touch Ascend in one form or another.

We've got about two-thirds of lending in the UK, either in production or in trial, touching an Ascend module. Obviously, we're rolling out elsewhere. The penetration that you mentioned, it's shifting as the distribution platform for all of our products and financial services.

Where we used to have, say, a fraud platform called CrossCore, it's now a center for fraud, and all of the distribution of our fraud products is through Ascend. You can connect to all of the other products, and importantly, optimize across products.

That's the benefit of a platform. You're not just selling an individual use case. You're able to integrate data and workflow across lots of different use cases. The job is to drive penetration and adoption. That's where we're heading.

This next year, one of the things we'll launch with Ascend is we obviously have quite a lot of customers who, usually in tier 2, tier 3, who are data-only customers. Up until now, they've seen none of the functionality of Ascend.

We'll reveal to them a very thin layer of Ascend functionality and the power of it on top of the data that we already provide to them. We think that in trials, that's been a really important lead generator for us into the adoption of Ascend. That's the plan.

We'll start in the US, and then we'll go to the other geographies over the next year. Lots of traction with this product across ecosystems. Versus competitor products, there isn't a similar competitor for Ascend.

There are competitors who provide individual services, whether it be decisioning or fraud, but the breadth, there isn't really a similar competitor. When we first launched Ascend, you may remember, given that strategy, Equifax and FICO launched a partnership to try and partner on capability.

That didn't really gain traction. It's at least a couple of generations ahead of the nearest competitor.

Jane: You've talked previously about it's quite hard to gain share from the other big players in the market on certain things. The banks, Equifax had their breach and customers stayed with them

and so on. Is this about deepening the offering you have with your existing partners, or is it a market share argument, just to understand that a bit more?

Lloyd: When people look at us, and I think the same is true for our competitors, they think that the majority of the way we try and grow is by taking share of existing wallets. That's not how we think. We operate in ecosystems with enormous value around the signals and data.

The biggest way we grow is by finding new values in those signals, innovating around them, turning them into products, and creating value for our clients.

That value can be finding a loan that would otherwise not be originated, in finding a fraudulent origination that would otherwise not have been found, or helping them automate and reduce their labor. That's the biggest way that we grow. Clients are sticky in our ecosystem. You've seen it across every geography.

It takes quite a lot to shift a client to move from one player to another player. When you have a unique capability, and with Ascend we have a unique capability, you have a better shot than average, but it's still not easy.

Jane: Perhaps now a question that I feel like I have to ask, but you're maybe a little tired of answering it today. Can we touch on FICO, given recent market developments?

Perhaps you could talk about how you think it might impact the opportunity for VantageScore, and also specifically, how it potentially impacts your supplier-customer relationship that you obviously have with FICO.

Lloyd: If you think about secured credits, a mortgage, their historic position is clearly, it's been essentially a regulated monopoly for FICO and their score, and that's now changed. You've clearly are going to see a period of transition to score competition.

We're clearly incentivized to provide pricing and product into the market to help clients make the choice for Vantage. We'll clearly be working on that in the coming period. Naturally, the time for people to shift is slower than you would think.

It takes a little while for people to assess it, but the pricing models that we've put into the market clearly provide a very clear economic incentive, particularly when compared with the forward signaling that FICO have put in around what their future pricing policy will be.

Outside of that, our ecosystem is full of frenemy kind of relationships with customers, partners, suppliers, with many people in the ecosystem. I don't expect that to change. We'll see how it develops. Our position, for example, in the consumer business is a strong partner with FICO, so we'll see how that develops.

Jane: We just had Equifax in this room, and they talked about their pricing responses on VantageScore. Could you expand on, you said you're going with the competitive pricing, could you talk about that?

Lloyd: Sure. Again, this is in secured credit. We've said that we'll provide the VantageScore free inside our Choice Bundle, as we've called it. Anybody taking a FICO score will get a VantageScore as part of the existing price that we have for that. We're doing that to help people test and model.

At the point that somebody wants to take just a VantageScore, we've said that for the foreseeable future, we'll price at at least a 50 percent discount to whatever FICO's price is in the market.

Of course, in those conversations with lenders, what we're essentially doing is putting a price point in, privately, agreeing to that price point for a sufficient period of time to underpin their economics in switching. It'll be clear that there is now competition.

That's what the regulator has asked for and has encouraged, and we'll take part in that and make sure that Vantage earns its share in the market. I should say, also, of course, we're providing all of our data and all of our processing of the data, and there isn't a score without data. We'll also make sure that the data and the processing earns its fair rent.

Jane: Moving from one hot topic to another, so from FICO to AI, the debate seems to rage about what AI means for various information services companies, with the primary focus seeming to often be on the threat.

Perhaps you could share with us some of your thoughts about how you feel you're protected from that threat, but also how you use it as both a growth driver and a productivity saver yourselves.

Lloyd: If you think about our value chain, we have the raw material, which is the data, and we have huge proprietary data assets. We then have the value creation layer, which is how you find value in that data and monetize it essentially through a piece of software, usually, or a data point

that you distribute, then you have scale distribution.

If you think about those three bits, clearly the ability to produce code, to produce a software product, the barriers to entry there have reduced. The ability to produce something that somebody could use, but without data and without distribution, it's meaningless. Think about our data assets. They're huge and they're proprietary.

We have, in the US, as an example, over 12,000 individual contributors, over 1.1 billion new data points every month, and decades of history of understanding the signals in that data. That's a really important point, understanding how the propensity to repay and all other signals that are embedded in that data add value to our customers.

We won't make that data available to other people to train their models on. We have a really defensible positioning. The same is true across our other businesses outside of core financial services. At the other end of the spectrum, building scale distribution that's defensible is also another part of our strategy.

Ascend, embedding Ascend in workflow inside big financial institutions that are regulated, we know those things are sticky. What AI will enable us to do is it'll enable us to find valuable signals in vast data sets more quickly. At heart, that is the company we are.

If you think about what a credit score is, it's a signal embedded in credit history that tells about a propensity to repay, but it's a signal in data. There are enormous signals embedded in our vast data sets.

AI will help us find propensity in those signals, and then we'll be able to turn them into a product more quickly, because the whole shift from individual coding to vibe coding, you're able to build software products much more easily, so the pace of product development will be quicker.

Inside the company, clearly, like everybody, we're becoming more productive through the use of AI. We've got about 11,000 people out of our 23,000 employees who are technologists. About 7,000 of them have hands on keyboard as product developers, coders, deploying code.

The productivity of those individuals is changing quite rapidly. If you go back four years, they were coding keystrokes. Back three years, they were using code repositories to reuse coding strings. A year and a half, two years ago, they were using Copilot to generate code. They're now using vibe coding.

That's a really big share of our employee base that you're seeing quite material advances in productivity on. We can see it at a individual product developer level. We have telemetry that we can see the productivity and the use of AI so we can optimize that in training and deployment.

Jane: That was a pretty core part of your first half margin development that was up organically very strongly, slightly offset by the acquisitions, but some of that is about that AI-fueled productivity.

Lloyd: We're coming to a really interesting point in the company's history. You're seeing scaling of some of the things that we started to deploy seven, eight years ago, Ascend, the consumer platform, etc. They're hitting a really interesting point in scaling.

We also turn off our mainframe in North America, so we start to see the dual run costs that we've had build up start to move from a headwind to margin to a tailwind to margin. We also, some of the dilution from the acquisitions that we made, that's just temporary, that flows back.

We have a really interesting time to generate scale returns. The question is, what do we do with them? Our forward guidance is to grow margin by 30 to 50 basis points. The bottom end of that range is underpinned by the flowback of the dual run costs and the acquisition rescaling.

We have flexibility to make other acquisitions that are dilutive and still hit the margin target, to accelerate our AI investment and still hit the margin target. We have a lot more flexibility in this period than we've had previously.

Jane: You talked about the consumer business scaling there. It's obviously a big differentiator for Experian versus some of your other listed peers on the data side and also as a business in its own right. That business has changed a lot in the last five years.

Can you perhaps talk about the differences in that B2C business across the US, UK, and Brazil, what the differences are in terms of marketplace development, membership penetration, and app usage, and so on?

Lloyd: Sure, so maybe just talk about the strategy. We took a very unique position, as you mentioned, versus some of our competitors. We always believed that technology would enable consumers to share data. If you had a trusted relationship with consumers, that they would share their data for value.

The value embedded in the transactions that a consumer enter into is enormous in comparison to the very large data sets we have today, but it needed to be curated in a trusted relationship. That's what we've been building. We've been growing audience.

We now have 208 million direct relationships across our main geographies, nearly 90 million here in the US. What you've seen is that's enabled us to develop some very unique relationships that have given us data assets that have helped us generate new streams of revenue. We have 18 million connected bank accounts.

This is where consumers have seen value in sharing their transaction data in order to get a credit score that they deserve. That's given us opportunities to talk to them about lots of other things, including things like car insurance.

If you look across the geographies, we're on a journey to the same place, and that place is to have a product that meets every consumer in their need state. Some need state is credit building, so it might be somebody who's younger. Some need state is identity protection, usually somebody older with assets.

There are lots of other need states around saving money, around gaining reward, around do it for me, around giving time back. There are lots of those other need states. Now that we've built the audience, you'll see us build out more SKUs in distribution terms, which means that we can increase the lifetime value of a consumer relationship across an ever-broader bit of products.

Where we started from in each geography was slightly different. In the US and UK, we started from a subscription business. There, about half of our consumer business is still the subscription business. Very resilient, it grows, it's counter-cyclical, so it gives us a nice hedge to marketplace business, which tends to be pro-cyclical.

In Brazil, we started with a debt resolution service called Limpa Nome, which allows people to clear their name by settling old debts and negotiating them. That's about half the business in Brazil. The legacy businesses, if you like, are about half in each geography, but the place we're heading to is a very diverse set of products.

In Brazil, for example, we've got a payments platform where we process about \$1.5 billion of payments on our payments platform. We obviously have all of the signals data around those payments. We also have a car insurance business in Brazil that we just bought, etc.

A really positive, diverse platform that we're looking to build. Of course, you see the benefit of that in the margin, where we've outgrown, over the last six years, the margin of the business has gone from about 20 percent to about 30 percent as we've scaled the number of relationships.

Jane: Can we move on to the verticals that you've broken out? You've obviously built very successful businesses in auto and health through a combination of leveraging existing data and supplementing that with additional data and technology.

As you look forward over the next decade, obviously 10 years ago, those businesses were a lot smaller, are there other verticals, or is it that those are the verticals and there's so much opportunity in them that you feel that's where the focus is?

Lloyd: There's a lot of opportunity in the verticals that we're in. To bring it to life, if you take the auto business, the number of new cars sold in the US has been static for about 15 years. That business has grown double-digit compound for 20 years.

Less than half of it is credit, so how have we grown? Exactly the way that we've grown our other businesses, by finding value in the data sets and curating product and selling it to people in the ecosystem.

The health business is about a \$650 million business, very high EBIT margins, about 40 percent EBIT margins, and that's grown consistently, high single digit, low double digit for more than a decade. The opportunity there is enormous.

If you think as consumers, you move from buying a financial product where you might be very digital, and then all of a sudden, you're a patient and it feels like you've gone back 200 years. That's the opportunity for us is to smooth with data consumers' journey through the healthcare system.

There, Waystar is probably our most relevant standalone listed competitor. We see huge opportunity in those ecosystems. If you stand back and say, so why are we in these ecosystems? Just think of it from a consumer's point of view.

The house we live in, the transport we have, gaining access to healthcare, the revolving credit that we need to finance our lives, and the ad hoc purchases that we make in our lives, which is our marketing services business, these are some of the biggest industries and needs that you

touch as a consumer. We've got assets across all of them.

Jane: On auto, obviously S&P are splitting out their mobility business. Do you think that has any impact on the competitive landscape in your autos business?

Lloyd: Usually, it's a positive for us when you see a business carved out from a larger parent or when it comes out of private equity into the listed environment, because you see usually a more standalone disciplined competitor that's focusing on that industry vertical.

In terms of our auto business, about half of it doesn't compete with S&P because it's focused on the credit side of the business. There, Equifax is probably our main competitor. The other 50 percent, we do. There are only two car assets of all the car ownership data in North America.

We've got one, S&P Mobility have the other. We compete head to head on all of the different products around that.

Jane: I'll pause to see if there's any audience questions.

[pause]

Jane: No, in which case, I'll carry on. Can we talk about Brazil? Obviously, the environment there from a macro perspective has been a bit challenging. Can you talk a bit about how you see things playing out there, some of the challenges that you're seeing, and also any changes in the competitive landscape since Equifax acquired Boa Vista?

Lloyd: We see Brazil as a really great asset for us. The strength of the brand that we have there is second to none in any of our businesses. It's a household name in Brazil.

Said another way, if you think about different competitors here in the US, you might think about Experian, you might think about Equifax, you might think about FICO, or RELX, or Dun & Brad Street or LiveRamp. In Brazil, we're all of them, all added together. It's a really strong position that we have.

What you have at the minute is a continued strong consumer business. This year, we'll grow a bit over 20 percent in that consumer business. It's about 30 percent of the overall business now, growing really well, with a really significant footprint in consumers' lives, similar to a major retail bank.

The B2B business is clearly reflective of the macro environment, where you've got still a rate-tightening cycle in Brazil. Coming to next year, some of our acquisitions in Brazil go organic, so I think you'll see an improvement in the B2B growth rate, but I think it'll take a macro recovery to see it come back to some of the high growth rates that we've seen in the past.

Combined, B2C, B2B, we can still grow mid-to-high single-digit despite this cyclical downturn. Obviously, it'll recover strongly whenever lending comes back.

Jane: I suppose we've talked about North America and Brazil, so we might not want to talk about the UK given we both live there, but [laughs] perhaps you can give us some thoughts on the UK market and the challenges that you're seeing there as well.

Lloyd: We might have to ask everybody to remove their shoelaces and belts.

Jane: [laughs]

Jane: It's a difficult economic backdrop, and clearly, a lot of speculation, which is harming the business environment about the upcoming budget. Despite that, we're continuing to make good progress. The penetration of Ascend in the B2B market is growing well.

We have really strong market share and brand recognition in the UK market. The consumer business continues to grow well. That's growing double-digit just now. Clearly, if you stand back and say, given the economic position, it's difficult to see the UK posting a very strong recovery from there in the near term. Of course, we allocate capital accordingly.

Jane: On the subject of capital allocation, you touched a bit earlier about the acquisitions that you've done and you're perhaps looking to do more of. Can you talk a bit about the pipeline, the criteria that you look for in those deals? Is it strategic criteria? Is it returns criteria? What do you think about when you're building that pipeline?

Lloyd: What are the sort of things that are of interest to us? Firstly, data assets. In a world where you can find new value in signals in data, any proprietary data asset is of interest to us in our space. That could be a bureau. We acquired a bureau in Australia this last year. It could be a fraud data asset. We acquired one in Brazil this last year.

Anywhere that we think we can add value on top of a proprietary data asset, we're interested. If

you go into software, software you have to be quite discerning at the moment. Is the thing that's being created defensible?

There, one of the good things is private equity is stepping away from some of those acquisitions, so the demand for those assets is lower. If we have conviction, it's a pretty good place to acquire, because we can plug those assets in and very quickly monetize on our distribution.

If we can find something that adds value, say, in fraud, on Ascend, it can add value very, very quickly, so we're interested. In terms of distribution, clearly anything in the consumer business that can enhance the franchise, we're interested in. In terms of how we look, we filter through strategy first, those things I just mentioned.

We assess everything on a range of metrics. We have an economic test, which is post-tax IRR. We look at the period to getting to a hurdle rate around that, and it's different by country and by maturity of business.

We'll look at accounting return, so post-tax return on capital, try to get to double-digit between years three and five, and then we do a benchmark against the share buyback.

If you look back over the last six or seven years, what you can see, despite deploying quite a lot of capital, we've maintained very high returns on capital employed, so industry-leading, I would argue, amongst the bureaux. About 17 percent post-tax return on capital.

What that means inside the business is just because we've got capital, we don't deploy it. Nobody has a target for M&A. We want to create value, and if we can't, we'll give money back through a share buyback.

Jane: Acquisitions are typically dilutive to margins. When you talk about your medium-term framework of 30 to 50 basis points, does that assume any acquisition activity in that?

Lloyd: It doesn't. Obviously, you can't model generic acquisitions. They come as they come. What you've seen these last two years is we've been able to offset the near-term dilution.

Typically, not every acquisition is the same, but typically, if it's a bolt-on acquisition, you can get it up to group average margins over, say, three years. The dilution that we had these last two years comes back, as I mentioned earlier. That may not be true of every acquisition, but certainly, we'll try to use the organic development to offset the drag.

Jane: You're below your target leverage range at the moment, and if the acquisition pipeline didn't convert into a certain number of deals, is buybacks your preferred alternative?

Lloyd: Yeah. We've always said it's good to have flexibility. Acquisitions don't come along in a straight line. We're very cash-generative. If we were ever inefficiently financed, we'd use a share buyback to return it. Sitting here today, we finished the half at 1.8. Our guidance is 2 to 2.5.

If we buy nothing else the rest of the year, we'll finish the rest of this year at a little below 1.5. What's the difference between 1.5 and 2? It's about 1.5 billion of capital, just to give everybody a frame of reference. Our preference, if we can find them, is to invest in accretive growth acquisitions to enhance the franchise.

Jane: In your medium-term framework, you've obviously also targeted the high single-digit organic. In the first half, there's a balance of that fairly evenly between your B2B and your consumer. Is that how you see it playing out going forward on average?

Obviously, different years, different businesses will often perform better than others, but on a 5-, 10-year view, would you see those things still being in balance with each other?

Lloyd: The opportunity and the pace to deploy the opportunity in consumer is stronger. Given the audience we have, we can deploy that more quickly. Probably, over time, you see a slightly stronger growth rate in consumer than you would in B2B.

That doesn't mean in individual periods, that wouldn't be the case. We've got a very broad portfolio. Again, just to remind the history, we've never reported a negative organic growth year. GFC, COVID, credit downturn, and if you look more recently, we've generally, in difficult times, reported mid-single-digit organic growth.

We've got a very resilient portfolio. Some of our businesses just aren't cyclical, the health businesses being examples. Some are counter-cyclical.

Jane: That is time. Thank you very much.

Lloyd: Great. Thank you.