Full-Year Results – 18 May 2017

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Strategic and Operational Review

Brian Cassin
Chief Executive Officer, Experian

1. Preamble

Good morning, everybody. Welcome to Experian's full-year results. I would say FY17 was a good year of progress for Experian. We delivered organic revenue growth in our target range and we have seen significant improvements across many areas of our business. Importantly, we have also made some very good strategic progress. As we look ahead from here, we see a lot of opportunities for our business, both in our traditional markets and in new customer segments. This morning, I am going to give you a brief recap on the FY17 results. Lloyd is going to take you through that in a lot more detail. I am also going to give you an update on the progress we are making against our strategic and operating objectives. We are also going to give you a little bit more insight into some of the opportunities we are working on that we think will drive our growth going forward.

2. Highlights

Revenue Growth

Okay, let us start with the highlights. Organic revenue growth was in the mid single-digit range. That is the target we set ourselves a few years back. The important point here is that the quality of that growth is actually improving. Two-thirds of our business is now growing at over 5%. That compared to about one-third of it three years ago. We are seeing much more consistent growth across each one of our regions and across a much larger part of our portfolio.

This is really evident if you look at the B2B performance. We grew 7% organically this year. That has really started to reflect some of the changes and investment we have made over the last few years. Our aspirations are that the whole business can perform at that level and higher.

Consumer Services

Consumer Services is obviously still a business that is still in transition, but we are making progress repositioning this business both in the US and UK. We know what we have to do here. The key in the Consumer Services business is to generate large audiences and give them a chance to drive material new revenue streams. We are well on the way to doing that in the UK and the US, but it is not just about the UK and the US anymore. We are also expanding into Brazil and we are also going to look at other global opportunities for that business.

Marketing Services

FY17 saw us complete the restructuring of our Marketing Services portfolio. Our business is now much tighter and more coherent. We are now much more focused on the businesses where we are either the market leader or where we can be the market leader, i.e. where we can win. Most of our investments are focused now on core opportunities within the business. They are really designed to drive organic growth. We will also, as we look forward, look at selected inorganic opportunities.

Capital Allocation

In FY17, we also returned $700 million to shareholders through dividends and buy-back. Today, we announced another buy-back of $600 million, which will also recycle the proceeds of the disposal of the CCM business. That really continues our disciplined focused on capital allocation. We also raised the dividend by 4%.

3. Regional Performance

As I said, Lloyd will take you through the details, but let me give you a few highlights. I mentioned organic growth was 5% after adjusting for CCM. Our EBIT margins were up 60 basis points and benchmark EPS growth was 5%. Cash flow was again strong, with a conversion rate of 96%.

North America

There is a lot to talk about in the regions, but I just have a few highlights for you. In North America, the B2B business was very strong, and we also have had very significant margin improvement. Star performers were Credit Services and Marketing Services. It has been a while since I have been able to say that, but Marketing Services had a great year. We had a lot of initiatives in flight in the region, which are driving that. Last time we were here, in November, I mentioned decisioning as a service. That is actually a business worth over $100 million, and it is growing very fast. We also talked about a new product we introduced called Digital Credit Marketing. We think it is a big opportunity that is potentially beginning to scale now. There is a lot of promise in the initiatives we have in flight there.

We saw great growth in Business Information and Health, which was really driven not just by further penetration of existing clients but also a lot of new client additions. As I said, Marketing Services has performed really well. As you know, we put that business through a very significant transformation, and that is really paying off in the growth rates we are seeing in our Targeting and Data Quality businesses.

In Consumer Services, our free membership base is scaling well. We are now at over 9 million customers, and we are adding around about 500,000 customers every month. I will come on to discuss this business in a bit more detail shortly.

Latin America

Latin America has performed extremely well over the last few years. When we consider the economic backdrop in Brazil, I think the performance of that business has been really outstanding. We have not just been putting up good numbers in Brazil. We have been doing a lot of work to position that business strategically well for the future. We ended the year very strongly. We built on our leadership position in B2B and we actually signed new multi-year agreements with several of the major Brazilian banks. Our sales pipeline is expanding both in size and quality of opportunity. We still see tremendous growth potential in the region.

Proposed regulatory change is going to drive some of that positive data, but I also think we have an improving economy compared to some of the years when we have been talking about the prospects for our business there. The operating environment is starting to produce some new opportunities for us so we believe we can sustain and hopefully improve our growth in Brazil as we go forward. We are very excited about the first step we have taken in Consumer Services in Brazil, the introduction of the fee Serasa score. We are going to be driving that business forward and introducing lead generation and other services over the coming year.

UK and Ireland

Turning, now, to the UK, the B2B operations delivered robust growth. Really, in this market, it is the breadth of our capability that is driving opportunities for us. It is very significant, and we are leveraging that. It is one of the best examples we have of how experience can drive growth for us as a business. We have a lot of capabilities that set us apart, like credit pre-qualification, new customer deployments for ExPin, which is our unique bureau pinning technology. We have had first wins for CrossCore, our fraud-prevention platform, and Pandora, which is not a platform we have talked about a whole lot. Pandora is in our Data Quality business, and that is actually going to be a very important product for us as the new GDPR regulations start to roll out over the next year.

Consumer Services is obviously the one area of decline and, as you all know, this business and this market is going through some fundamental change. We are adapting our business to this, and we took a number of important steps during this transitioning year. We are proliferating access to the Experian Score, and we are using that to build direct consumer relationships. In just over six months, when we have been focusing on this, we have built a free membership base of over 1.7 million members. That shows we can generate traffic and we can build those relationships.

CreditMatcher, which is our price comparison services in the UK, is actually growing strongly. It is off a small base, but we are seeing very good traction there. We are also expanding into new verticals such as energy switching, and you are going to see us do more of that as we go through the year. It is going to take some time for these initiatives to be big enough to offset the subscription to clients we are seeing, and we do expect that it is going to be into next year before we get that business back into growth.

EMEA and Asia Pacific

EMEA and Asia Pacific is another region in which we have seen dramatic improvements over the last three years. If you go back to 2014 and before that, you will have seen these businesses were actually a drag on our growth, and now they are a material contributor. With the disposal of the CCM business line, these regions are now really focused on our core Credit and Decision Analytics business and some Data business. We are really winning a lot of new business in these marketplaces. We are seeing significant growth in places Australia and India, particularly with PowerCurve. Particularly, we ended the year with good momentum in both of these regions and we are making significant progress towards turning that region into a profitable region for us.

4. Progress

We have finished the regional roundup. I want to take a step back for a moment and remind you of a slide we put up for the first time in November 2014. This is where we set out five components we were going to focus on to turn our business around and to really move our business forward. We are happy to say we can tick many of those boxes.

We simplified the portfolio. We are now more focused on our core Data Analytics and Software businesses. Importantly, these are all in areas where we either are the market leader or we are the number – or where we can be the market leader. Overall, growth has returned to our target range, and we have a lot of initiatives, which are going to sustain and hopefully increase that growth. We are executing on a strategic repositioning of our relationship with consumers, and that is taking time. It will take time, but we are making a lot of substantial progress.

We have not talked about this a lot, but we have also driven really significant efficiency savings in our business. That has given us the flexibility to invest, as well as to cope with the Consumer Services transition that we have experienced. The level of innovation in the business has really increased substantially, and I am going to give you some examples of that. You have also seen us take a rigorous approach to capital allocation. We are very focused on value creation in everything we do.

A lot of our investments over the last few years have been focused on enhancing what we call the foundations of our business to drive operational excellence. As I said, we have not talked about this a lot. We have focused mostly on what has been happening in Consumer Services, Marketing Services and other businesses, but behind the scenes we have been really re-architecting the whole business. We are transforming our technology, moving to open systems and cloud computing. This is going to give us greater speed, accuracy and flexibility in ingesting and handling data. Ultimately, this is going to lead to lower technology costs and free up additional funds for reinvestment back into the business.

We have moved to agile development, and that is accelerating our pace of innovation, improving our time-to-market and allowing us to come up with better products and better solutions for our clients. We are also thinking about how our clients want to engage with us with greater flexibility and giving them access to our data through their preferred format, which is through our API hub.

We are also investing in a lot of areas in the business which do not get a lot of headlines. For example, we have transformed our call centres; we are setting new standards in customer service and we are investing in our people with new training and development programmes. None of this is really exciting, but these are areas that lead to absolute improvements in our business in client retention, employee retention and, ultimately, they lead to higher revenue and lower operating costs.

The sum of all of that is that over the last three years, we have been doing a lot of things. We have also been investing in the foundations of each business to make us more nimble, more innovative and to start to unlock the power of the franchises we have both from a geographical and a breadth perspective.

5. Moving Forward

What are we focused on to drive our business on forward from here? Our prime focus is going to be to build on the strong foundations we have made for the business. The first point is data, which is the lifeblood of this business. It is going to be a big focus for us going forward, broadening and deepening our data assets globally. Where it makes sense and we can own the data, we will. However, we are also going to gain access to new sources of data through a range of investments and partnerships.

Secondly, our analytics and decisioning-software solutions, today, are the best in class in the world. We are the world leader in advanced decisioning for large-scale financial services applications, and we are investing heavily to extend that lead and to use these capabilities to develop better solutions and to give us more applications for them.

You have also heard me talk on many occasions about One Experian. I realise people say stuff like that very often, but let me explain why this is actually important for us and why it makes a real different. It plays exactly to the trends and the strategic needs of our customers. The market and our clients need better, faster solutions that simplify their operations and lower their costs while improving their decision-making. They actually all need fewer vendors to do that for them, who can integrate multiple pieces of technology stacks for them. That is where the breadth of our capabilities really gives us an advantage. In the past, we have not always maximised this, because we have gone to market with separate business units. Sometimes, this has been a bit confusing for our clients. It has meant that sometimes we can be competing on product by product and on price. The more we can provide integrated solutions and seamless products, the better it is for our clients, the more growth opportunities we have and the harder it is to compete against us.

As we look at the growth opportunities going forward, we also see significant potential in scaling the targeted verticals, where we have done very well in the past. We see a lot of growth opportunity in our key geographies. We are building the portfolio with a mixture of new products and near-term and long-term growth opportunities.

In our B2C business, we are transforming that business. Probably the best way to describe that is to think about it in this way. What we used to do in that business was simply provide consumers with access to their credit reports and scores for a fee. What you are actually seeing is us transitioning that business to a consumer-engagement model, where the revenue streams are going to come from many sources. In time, consumer contributed data becomes an important asset for Experian to use across its whole enterprise.

6. Consumer Services

Market

Let us move on to our Consumer Services business. The business today in the US is already very different from the business of a few years ago. FY18 is going to see another significant shift as we introduce some major new products in Price Comparison and Identity Services. Two weeks ago, we launched our lead generation service in select markets. This is not a new market, we know. There are established players, but the combined size of that market is well in excess of $1 billion annually. To make an impact, we know we are going to have to do a few things differently. We need a differentiated product, and we also need to be able to explain that product to consumers. I am glad to say that our product is significantly different and significantly better than any of the propositions that are in the marketplace today.

Differentiation

We are using a free FICO Score to draw traffic to the sites. We will convert that traffic by offering consumers advice on which credit products best fit their profiles. There are a few things that make us different. First, we are putting consumers' interests first. We serve up the best offer, not the offer that pays us the highest price. That is not always what happens in the marketplace today. The second most important feature relates to a point I made a moment ago about integrating our capabilities and how that can give us a competitive advantage. This is a really great example.

Our data and our analytics and decisioning software give us the ability to pre-screen consumers against lenders' exact lending criteria. I say 'exact', and I mean exact. Our relationships with our B2B customers mean that they trust us with the most sensitive information. What we do is we apply a lender's exact credit criteria to our data, or analytics and process it through our PowerCurve software, and we make a pre-approved credit decision on behalf of the B2B client. This is absolutely unique in the marketplace. What does that do? It is a much better process, because it eliminates wasted time and effort. It results in higher conversion rates, and it eliminates potential consumer frustration at being denied credit several steps through the process. This is going to change the lead-generation space. Our clients and consumers are responding well to this, and I think it is a win for everybody.

New Products

We have already signed a lot of agreements with many major lenders, and we have launched LendingWorks with over 200 credit-card and personal-loan products. Our panel is already on a par with anything else which is out there in the marketplace, and we are adding new lenders every week. The early results from this are encouraging. beta clients are reporting conversion rates as much as double those they are experiencing elsewhere in the marketplace. I think that is a strong indication of the strength of the product.

The second major product launch is Identity Protection. That is another big opportunity in the US marketplace for us. This week, we have launched our new identity-protection product called IdentityWorks nationwide. This is actually built on the backbone of the CSIdentity acquisition we made about a year ago. I will give you a couple of facts. In 2016, the occurrence of identity theft in the US grew by 16%. We estimate that one third of the US population could be interested in tracking and monitoring their identity. Once again, we know that to win our product has to be better than the existing offering – and it is – IdentityWorks combines the best-in-class features from Experian and CSIdentity, and it is a much better product with more features at a lower price point than any other offering in the market today. I am just going to show you, briefly, the ad we are running on the identity product.

[*Video plays*]

We are up and running with two new major consumer offerings to address the needs of two large and growing markets: lead-generation and identity protection. The products are great and they are going to get better as we add more lenders, more features and more partners throughout the year. We do expect revenue to ramp up from these offerings. Of course, the extent to which it does really depends on consumer response, which is obviously a difficult thing to judge. These things are in market this week, so we are going to measure it and judge that as we go through the next few months.

7. Innovation

Focus on Innovation

Innovation in our B2B business has grown really significantly over the last few years. Important for us to make this point with a focus on all of the things that we have had to do to turn some of our businesses around, but we have not lost sight of the agenda here. Actually, I think we have made fantastic progress. We have been focused on areas that have a few features: one, they have global application; two, where possible, they link to a variety of Experian assets; and, three, most importantly, of course, they address the key issues for our clients. That is what is going to give us the opportunity to scale these opportunities and make them more difficult to replicate.

In terms of some of the market drivers, we have talked about the need to continuously evolve in a digital world, make decisions about consumers in real time and make that interaction with them as seamless as possible. At the same time, we have to manage fraud risk and authenticate people. You need to know who your customer is and make sense of all the data you have both externally and inside your organisation.

Needs like these really play to Experian's strengths. They rely on handling vast quantities of data, segmenting it, analysing it and using the latest technology to do that as efficiently as possible. The initiatives you see on the right-hand side of this slide are really representative of what we have accomplished in our B2B business to date. We do expect that some of these will contribute materially to our growth over the next 12-18 months. We do expect to continue with this agenda. Let me pick out a couple of examples to give you a bit of context.

Digital Credit Marketing

Last November, we talked about Digital Credit Marketing, where we are reinventing how some of our clients prospect and acquire new customers. We have made a lot of progress since then in on-boarding major credit issuers. We do have a large and expanding pipeline for this. Customer authentication and compliance issues have always held some of our clients back from online marketing. We have solved these issues, and clients can now make a pre-approved offer of credit via email and retarget that through social media and online advertising. This is really important, because segments like millennials only really respond to online marketing, so it is crucial to future growth.

We are actually now taking that a step further and introducing what we call mobile instant credit. This is an innovation that came out of our data labs. This product uses geo-positioning and device identification, which is then tied to identity and credit information, and we deliver real-time offers of credit to a mobile device. Let me give you an example of this. Imagine that you are in a car dealership. As soon as the customer comes into the car dealership, we can identify that customer to a sufficient level to make a firm offer of credit to their mobile phone. The consumer has to do very little. Texts will come through to say, 'You are pre-qualified for a loan,' of whatever the amount is. When the consumer presents the preapproved offer to the dealer, they also have the information and the salesman can also target his efforts more effectively on the product and not on the credit. He will also be able to seamlessly comply with regulations about assessing affordability. This is a totally new and highly convenient product offering for both the consumer, the auto dealer and the lender.

Right now, we are in negotiations with a few automotive manufacturers to pilot this scheme. Once we have established proof of concept, our plan is to roll out nationwide in the US. We see global application for this product, and we are going to extend it to other clients, other verticals and other geographies. We are going to do that as quickly as we can. We think this is a really big opportunity for us.

PowerCurve Collections

Another example is PowerCurve Collections. You have heard us talk a lot about PowerCurve over the last few years, and in April we have just launched our new suite, which takes us to the other end of the credit cycle, where we are helping clients manage risk and collect past-due accounts where credit quality deteriorates. PowerCurve, as you know, is our flagship credit-risk-management product. It is a decision engine that is installed in over 200 clients worldwide. It is the recognised global industry leader.

I do not think we often talk about just how great these products are. I will give you a little snippet of it. I was in Asia recently, talking to a client who recently installed PowerCurve. They were telling me that with this software suite they make 100 million decisions on their consumer portfolio every day. These are not decisions like, 'If you bought this product, you might like this also.' These are decisions around credit limits, the cost of credit, compliance with regulations and compliance with capital adequacy requirements. They are fundamentally important decisions. They have to be right, because they go to the bedrock of profitability for our clients.

As this graphic shows, the launch of our Collections module completes the entire life cycle modernisation of our software products. We can now offer an integrated solution from strategy management and planning, new account originations, account management and now collections. We are now seeing great cross-selling potential for clients who have installed one module, who are now interested in pulling all of that together.

Another really important development in our software business is that we have embarked on SAAS enabling the entirety of our PowerCurve suite. SAASenablement is going to allow us to be more cost-effective and deploy our capabilities quicker. Very importantly, it is going to open up tier-two and tier-three markets for us. Traditionally, PowerCurve has been focused on tier-one markets. It has traditionally been a host of decisions. It is a very complex system; it takes a long time to implement and it is expensive. Typically, it is only the larger organisations that can really access that capability. What SAAS will do is broaden that capability to a much wider audience. That is exciting, and that is what we are going to be working on over the coming year.

Now, collections itself is a large, global opportunities. It is being driven by the need to automate and streamline collections, make it a better experience for the lender and for customers. There is big regulatory pressures on the experience lenders put customers through when collections become an issue. For the banking sector alone, the market is close to $500 million. There are lots of other industry segments to which these systems apply, such as telcos and utilities being good examples. We have already signed a tier-one bank in Australia as an early adopter on a multiyear deal. Actually, that is a good example. That tier-one bank recently implemented the PowerCurve suite for originations, and Collections followed on pretty quickly. We have a great pipeline and great engagement across all of our regions.

These are just a few examples of innovations that are building and scaling. We have great expectations for the coming years. It already has fuelled faster growth in our B2B business, and our expectation is that we are going to see a similar impact in B2C as we move forward. It is key to underpinning our ambitions to deliver premium growth for our growth on a sustained basis.

8. Conclusions

To summarise before I hand over to Lloyd for the financials, I think we have made great progress executing on our strategy, delivering organic revenue growth within our target range and good growth in earnings.

The B2B business, as you can see, is growing very strongly, and we are taking some really important steps in Consumer Services. We have put a lot of investment back into fundamentals to build a really powerful base for our business. We are taking the next step to evolve and capitalising on some of the major opportunities that we see, adding new sources of data, bringing new offers for consumers and accelerating the pace of product innovation across the entirety of our business.

I think that sets us up for good growth in the future and some exciting prospects for Experian going forward. With that, let me hand you over to Lloyd.

Financial Review

Lloyd Pitchford
Chief Financial Officer, Experian

1. Opening Remarks

Thank you, Brian. Good morning, everyone. I will start with some introductory comments on the financial results for FY17. As has been outlined, we grew consistently within our target mid-single-digit range and made good progress across our strategic and financial objectives during the year. As you know, we announced an agreement to divest 75% of the Email/Cross-Channel Marketing business, resulting in net cash proceeds of around $200 million after estimated tax and completion costs.

The agreement to sell the Cross-Channel Marketing business was signed on the last day of the year, so we have therefore classified the business as a discontinued operation and removed it from our reported benchmark financials. On completion of the transaction in the current year, our 25% stake in CCM will be treated as an associate and with our share of profit after tax included in our benchmark EBIT. We will also record a $75 million loan note as a financial asset.

Given the change in the financial results with the carve-out of the CCM business, let me start with a reconciliation of the results we have presented today so you have a clear basis for the rest of the presentation.

On the slide here on the left-hand column, you can see the benchmark financial metrics as reported. These excluded our discontinued operations across the CCM business and represent our continuing operations into FY18. In the middle column, you can clearly see the effects of the disposal. These are summarised at the top of the second page of the release you have seen this morning. The impact of the key metrics for the year was to add 40 basis points of organic revenue growth and 70 basis points to overall EBIT margin. Including the Cross-Channel Marketing business, our EBIT margin was unchanged at constant currency for the year as a whole. You will recall that is in line with the guidance we issued at the start of the year. For the remainder of the presentation, my comments will be related to the financial results of the Group on its ongoing operations, so excluding the CCM business.

2. Financial Highlights

Revenue Growth

Turning to the financial highlights, total constant currency revenue growth was 6% and 4% after the foreign exchange headwind. Organic growth was 5%. Benchmark EBIT margin increased by 60 basis points, of which 30 was FX-related. Benchmark EPS grew by 5%. As Brian mentioned, it was another strong year for cash generation, with operating cash conversion at 96%. Finally, the dividend was increased by 4%, which at today's FX rates represents an increase of around 9% for anybody who receives their dividends in sterling.

Looking at the trends in revenue growth for the year, first-half organic revenue growth was 5%, with 4% in the second half as we lapped strong comparators in a number of the businesses. On the right-hand chart you can see the growth across our B2B activities, which has been strong for the year at 7%. We achieved mid-to-high single-digit growth in each of Credit Services, Decision Analytics and Marketing Services.

Revenue Progression

Looking at the revenue progression for the year, here you can see – excluding CCM – revenue in the prior year was 4,164 million, as a base. All regions then contributed to growth in the year, with particularly strong growth in Latin America and EMEA and Asia-Pacific. There was 6% total revenue growth for the Group as a whole. After the foreign exchange headwind, reported revenue was 4,335 million.

Portfolio

Looking a little at the portfolio, this slide shows the strength of the B2B business, which we talked about earlier. There was strong growth across Decision Analytics and the larger Credit Services markets, and there was significant growth coming through from the now focused Marketing Services business. On the left, you can see the Consumer business, which remains in transition, with the significant launches you saw a moment ago now underway. This slide highlights the point Brian made earlier. Two thirds of the portfolio is growing in mid-to-high single digits organically up from one third just a few years ago.

Key Margin Drivers

Turning to the key margin drivers, if we restate the prior year for the divestment, EBIT margin was 27.1%. As you can see, we then delivered good margin progress in North America during the year, benefiting from positive operating leverage and some tight cost control. In EMEA and Asia-Pacific, the region is improving rapidly. It will move into profitability in the year ahead.

As we highlighted at the half year, margins in Latin America reflected the investment we have been making in the consumer proposition and, also, the move of a number of our operations out of São Paulo and into São Carlos. The UK margin reflected the continued transition in the Consumer Services business. Finally, with an overall FX benefit of 30 basis points, the reported margin was 27.7%, up 60 basis points overall.

3. Regional Performance

North America

Looking, now, to the regions, I will start with North America. We delivered total revenue growth of 7% and organic growth of 5%. Credit Services grew strongly, up 8% organically, with growth across all areas. There was strength in credit prospecting and acquisition across both Consumer and Business Information, with some slowing in Auto. Health also continued to grow strongly in the mid-teens. In Decision Analytics, new-business wins and strength in scoring and analytics was offset by the non-renewal of a customer contract we talked about earlier in the year.

Growth in Marketing Services reflected the growing position we are establishing in digital advertising. Combining these positions together, we had 8% growth across our North America B2B operations. In Consumer Services, total revenue growth was 6% and organic revenue was down 2%. As you have seen, we are now launching at scale, in Q1, the offers Brian outlined. Looking ahead, there are clearly a range of outcomes this year as we see how quickly those new services gain traction in the markets.

Latin America

In Latin America, we had a really strong finish to the year, with 12% organic growth in Q4, bringing the full-year average to 9%. That is a great result given the economic backdrop we see in Brazil.

6% growth in Credit Services was driven by both Consumer and Business Information, with continued strength in countercyclical products, a strong new-business performance and double-digit organic growth in Q4. Spanish Latin America also contributed strongly, while Decision Analytics and Marketing Services continued to benefit from the increased market adoption across the region, as we pursue that strategy of diversification in Latin America that we outlined a couple of years ago.

UK and Ireland

Moving to the UK and Ireland, organic revenue growth was 1%. Credit Services grew 3%, however, as we lacked a strong comparative in Q4. In Decision Analytics, organic growth was 5%, with strong demand for decisioning and for prevention software. Marketing Services grew 5%, with a big growth in Targeting through some of the digital market tools. There was a solid performance across our B2B portfolio in the UK and Ireland of 4%. Revenue declined 9% in Consumer Services, including an organic decline of 15% in Q4, as we introduced the free score offer and continued to execute on the strategic transitioning of the business.

Looking ahead, we anticipate an overall decline in Consumer Services during FY18, moderating as we progress through the second half and at the launch of the free service and the free proposition that we had in FY17, and on the back of the new services we will launch this year.

EMEA and Asia Pacific

We saw EMEA and Asia Pacific perform strongly, up 9% in the year, with a strong finish to the year. Credit Services was 3% lower due to headwinds in the Nordics and South Africa, partially offset by strong performance in our bureau in Asia-Pacific and Southern Europe. Decision Analytics had another great year, up 21%, reflecting new client wins and, generally, a very strong demand for decisioning and fraud-prevention software. Marketing Services also performed strongly, up 16%, with good growth in Data Quality and Targeting.

4. Financial Statement

EPS

Bringing that altogether in our benchmark EPS bridge, FY16 benchmark EPS we stated for the divestment was 84.4 c. Growth in benchmark EBIT for ongoing activities at constant currency was 7%, reflecting good organic growth performance you have seen in the numbers. This translated into a 7% EPS growth at constant currency before the effect of our FY16 disposals.

Interest expense increased marginally, to $75 million. The tax rate increased to 26.2%, reflecting the geographic mix of profits during the year. We saw a benefit from the share-repurchase programme with the weighted average number of shares now at 940 million for the year. After the impact of FX and those FY16 disposals, both benchmark and reported EPS was 5%.

Statutory Results

If we look at our statutory results, there were no exceptional items in the year. The only material movement was in non-cash re-measurements, which relate to the currency effects of intra-Group funding. We had a $21 million negative contribution in FY16, and that turns into a $67 million positive contribution this year, principally driven by improvements in the Brazilian real exchange rate. Taking these items and the acquisition integration costs into account, statutory PBT was $1,071 million.

Cash

On to cash, we had another strong year, with 96% conversion of benchmark EBIT into operating cash. $1,149 million of operating cash, $933 million of free cash flow, which represented 112% conversion of benchmark earnings to cash.

Capital Framework

Looking at our capital framework and our capital allocation, it continues to reflect the framework we outlined a couple of years ago. We have invested organically across a broad range of growth and innovation initiatives, which you have seen in Brian's presentation. We have completed the CSIdentity transaction and this year we have made a number of minority investment in early-stage companies.

As already discussed, we signed an agreement to divest the 75% of the Cross-Channel Marketing business. We have raised the dividend by 4% to 41.5 c per share, and this year we completed $353 million of the share-purchase programme we outlined earlier this year. Today, we have announced a $600 million share-repurchase programme for the year ahead. That recycles the disposal proceeds we talked about with the CCM disposal and continues to apply the core principles of our disciplined financial framework. Of the $600 million, around 90% we would expect to be accretive.

[*This section was inadvertently missed from the presentation due to a technical error and has been added to this transcript for purposes of completeness*:

ROCE

As part of our capital framework, one of the measures we use to assess our performance is the returns we are making from our capital base. In FY16, Post-tax Return on Capital Employed was 15.4% and this has improved to 15.5 % during the year, a continued strong returns performance.]

Balance Sheet

Turning to the balance sheet, we ended the year with net debt of $3.2 billion, up $150 million from the prior year. We had an asset-generating free cash flow of $933 million. Taking account of acquisitions and net share repurchases, we had net debt to EBIT at year end of 2.1 times, which is at the low end of our target range.

Modelling Considerations

Turning, now, to some modelling considerations, we expect net interest for FY18 to be in the region of $80-85 million, inclusive of the share buy-back that we announced today and expected interest income from the loan note on the CCM business post-completion. The benchmark tax rate is expected to be between 26-27%, reflecting the mix of profits in the Group. As a reminder, the cash tax rate will trend upwards towards the P&L rate over the next few years, and for FY18 we expect the cash tax rate to be in the mid-teens range.

Looking at FX, if recent rates prevail, finally, we expect foreign exchange to be neutral for our results for the year ahead in respect of revenue and EBIT. We expect capex to continue to be in the 8-9% guidance range. Taking account of the share-purchase programme we announced today, we would expect the weighted average number of shares to be in the region of 920 million for the year ahead.

5. Financial Summary

To summarise, we have delivered good financial results and strategic progress in FY17. At constant FX, we delivered good organisation revenue growth with good operating margins, and we have been disciplined in our capital allocation, focusing on investment in high-return growth and capital returns to shareholders.

For FY18, we expect Group organic revenue growth for the year to be in the mid-single-digit range, weighted to the second half of the year. We expect to deliver stable margins as we invest for growth in our key strategic and innovation initiatives and we expect good progress in benchmark earnings per share. We will continue to apply our capital framework and execute on our strategic initiatives to drive long-term shareholder value creation. With that, I will hand you back to Brian.

Closing Summary

Brian Cassin

Thank you, Lloyd. Looking at this slide here, it looks like I have been demoted to CFO again. Unfortunately, Lloyd, that means you have been fired. Thank you all for listening to the presentation. Hopefully you have a sense from us today that we see a lot of opportunity across our business, particularly in B2B, which is really enacting in our business today, with strong organic revenue growth.

The opportunities we see there are really the changes in the marketplace: more data; the requirement to deal with it in a regulatory-compliant way; and to handle that financial data and make sense of it all – all of which really play to the core strengths of Experian’s products and capabilities.

I hope you will also see that we have significantly changed a lot of our business, with many area sort of investment that we have not actually taken the time to talk to you about, because we have been focused on other things. However, we have been focused on all of it, and particularly the foundations for our business and increasing the pace of innovation. We are really starting to focus our business on what is next for our clients and where the market opportunities are.

We see that as an exciting prospect for our business going forward. We have an opportunity to create deeper, stronger relationships with our clients with more products and services. We have the opportunity to build significant and large-scale consumer relationships and to address new revenue streams from those relationships. We also have the opportunity to tie all of that together and scale our business both from a geographic and a vertical perspective. There are really a number of ways we see these trends playing out to the benefit of Experian.

I think that gives us a great opportunity to go forward. It is not just an opportunity to sustain the growth rates we are seeing; our ambitions are for higher growth rates. We are going to be investing to drive that forward. The pace of change in Consumer Services is accelerating and will accelerate through the years. We have rolled out new consumer offers, and we are going to have a better understanding of what the market perception is over the next few months. Right now, what we can say is our product offers are competitively distinct. They are the best products in the marketplace and they are very attractively priced.

As we look forward, the outlook we are giving remains the same: we continue to target mid-single-digit organic revenue growth and generate double-digit EPS through business performance and capital allocation. Thank you for listening to the presentation today. I would now like to invite Kerry to the stage, and we will be happy to take your questions.

Questions and Answers

Ed Steele, Citigroup

Good morning. Thank you very much. I have three questions. First of all, on Brazil, we have seen the one-off cost drags that have held margins back this year. What is the timeframe on those backing out, please and giving you a bit of tailwind rather than headwind?

Secondly and thirdly, I have a couple of questions on North America Consumer Services. With the FICO Score now being embedded in the lead-generation offering, how distinct do you feel your proposition is in the subscription model in comparison? Do you feel that is sufficiently differentiated at this point? Finally, do you now have a feel for the mature margin prospect for the lead-generation business model on Consumer Services relative to the subscription model? Is the mid-20s the right mature margin?

Brian Cassin

Let us deal with the Brazil one-off costs. Lloyd, do you want to take that?

Lloyd Pitchford

Yes, you saw a distinct change in margin position between the first half and the second half. We had more of the investment in the first half. We are actually embarking on a further stage of development. There is more expansion in the São Carlos facility, so there will be some more investment in the year ahead – but not at the scale we have seen in the last year. I think we would expect margins to hold firm and possibly move ahead a little bit.

Brian Cassin

On the FICO Score, Kerry, do you want to comment on that?

Kerry Williams, Chief Operating Officer, Experian

Sure, yes. The subscription differentiation with the FICO Score certainly helps, but I think what you are seeing, looking forward, we have other areas of focus in the business such as the IdentityWorks or the LendingWorks products that we are moving out. It is having a definite positive improvement in the subscription model but it's not one where we think that it is going to be able to do more than keep that business kind of trending where it is today Lloyd Pitchford

On the margin question, I think there are clearly a range of outcomes on where the Consumer Services will ultimately trade. I think we also need to remember that our Consumer business is about reinforcing an engagement with the consumer that actually supports our core business. Somewhere in the low-to-mid 20s is where we model for that.

Brian Cassin

Can I just ask you to keep it two questions to give everybody a chance?

George Gregory, Exane BNP Paribas

Following up a little bit from Ed's question, firstly just on LendingWorks and the differentiation there. I believe that Credit Karma has access to Equifax's analytics platform and, I presume, also to that of TransUnion, although I do not have the details. I guess I am wondering whether their ability to undertake analytics as part of those agreements are catching up with what you as an analytics business can offer.

Secondly, on the lead-generation business as a whole, clearly it is an area where you have struggled in the past to make the margin you would have liked to have made. What has changed in your view of the segment over the course of the last five years that has given you the confidence to move more meaningfully into that, rather than focusing on your core skill set of analytics and driving growth that way?

Brian Cassin

Just in terms of the product offering, I think this really is an example of the capabilities of our organisation. There are probably close to 1,000 testimonies of this about the combination of our Data Analytics and our decision software, which is the real advantage. What we are able to do is actually load up lenders' lending criteria. They are not going to give our their lending criteria to a lot of different players in the marketplace. Some may; some may not. However, they trust us with that, because they trust that we can actually make the decisions for them.

I cannot comment on what other people are doing. What I can tell you is that this proposition is far superior to anything that is available today. Who knows whether other people will catch up? We are doing what we think is the right thing. We think this is a market-leading proposition.

On the lead-generation point, frankly none of us were here five years ago. What we are talking about here is a market that has changed substantially since then. What we are talking about is a proposition where there are substantial revenues to be gained. It is a very different business now. If you look at what was called lead generation then, it was very different to today. What you are actually seeing today on these platforms is advanced customer management.

It is important to remember that although lead-generation businesses are focused on the consumer, they are not actually consumer businesses. They are B2B businesses, because they generate their revenues from large financial institutions. Those large financial institutions are prepared to pay large sums of money to generate the relevant traffic for them, which leads to an actionable event and the creation of a customer. That is exactly what we do in our core business. Frankly, we are one of the best in the world at this. We do this all the time for institutions. All you are doing is using that capability and putting it into a different audience.

The audience is large, and it is a very big marketplace. We have a very strong brand, and we generate tonnes of consumer traffic month just organically. There are millions of people who come to our site. That opportunity is available to us, and we have the capability to do it right, do it well and do it better than anybody else. That is why we are going after it.

Paul Sullivan, Barclays

Firstly, on innovation, are you talking about a change of emphasis there or will we see a real step change in what we will see coming through organically over the next two years in the company?

Secondly, going back to consumer, if we get to the end of this year, going through your first-half numbers into the first quarter of next year, and we are not seeing these products gain material traction, is there a plan B for the Consumer business?

Brian Cassin

I will let Kerry comment on the innovation point, and we will come back to Consumer.

Kerry Williams

We have actually been spending quite a bit of time over the last couple of years on innovation in the Company. What you are seeing is that we are now just starting to talk about what we have been doing publicly. We did not get ahead of it; we decide to build it first and then start talking about it. If you run through where we started, we really started on innovation, from the technology perspective. We have spent a lot of time changing our model on technology from a federated model to one where we build things globally and then can roll them out across the globe.

We brought in a new head for our technology capabilities globally, and we have created a number of platforms we have built over the last couple of years, including our analytics platform, getting back to the previous question. We launched that in the fourth quarter this year; we have clients live on it now. It has 15 years of full credit data in a real-time environment. We are leveraging a hybrid model between the web and our own capabilities. It is fully encrypted and it rests in transit with the data. It has the ability for clients to use new visualisation tools like Tableau; it has machine-learning capabilities built into it, like H2O and Python. It is by far and away architected and has more flexibility and capabilities for clients than anything that is out there in the market.

We have done that with a number of technology platforms. We built our consumer-facing platform in the US market. We have gone live with it now in the UK market. We told you that we would leverage what we have learned in the US market to the UK market in terms of dealing with the Consumer business in order to turn that around. We have built our API technology, portal and strategy for our clients. There are also the PowerCurve investments, the SAAS decisioning that Brian referenced. There are literally many more technology platforms we have built, and now we are bringing them out to market. We expect to get the results on those.

It is more that we are now starting to discuss them with you than any immediate change that we are experiencing.

Brian Cassin

On the Consumer side, I think this is a 'short term versus long term' question. We are focused on building the business for the long term, and our view is not going to change based on what the results are from one quarter to the next. We cannot really judge. We will see what happens in respect of the reaction to the products over the next couple of quarters as we put marketing behind them and recalibrate.

Fundamentally, we believe the market is moving more towards open access to data for consumers. You are going to see it in regulation in Europe; you are going to see it in the UK, where we are going to have the portability of bank accounts. What does that mean? It means that is strategically important for data businesses like ours to have direct relationships with consumers.

It is not only important because of where we stand as a B2B business, but it is important from a regulatory perspective and it is important from all sorts of different angles.

We have spent a lot of time on things like data accuracy, but we are also put under a lot of regulatory scrutiny about things like that. For us to be able to engage with consumers goes far beyond just the revenue we can generate from it. It is strategically important for our business to have that relationship. Let us face it: the most important we have as a business is consumer information on a billion consumers worldwide. If we are not going to develop relationships with them as consumers, I think that is a strategic risk over the longer term for our business.

Let us put the revenue to one side versus the strategic ambition and the right to play, because I think the brand we have in all of our markets gives us an absolutely front-office right to play there. Yes, we will have to recalibrate the business; we have to develop new products to get the revenue where we want it. Ultimately, however, we believe that if we are successful in building relationships with large enough audiences, that will give us plenty of opportunities.

I actually look at it the other way around. I think that we have 220 million people on our file in North America. We already have relationships with those consumers. We are important in their lives. A lot of them just do not know it yet. Now, it is up to us to engage in a way that actually adds value to them. That is well within our capabilities.

Tom Sykes, Deutsche Bank

Good morning. I just wanted to ask a question on your costs. You said your marketing and customer-acquisition costs are down year-on-year. I think they are down about 7%, so about 70 basis points. Were you down more, year-on-year, on the second half, versus the first half? Perhaps you could explain that please?

Lloyd Pitchford

If you look back over the last few years, marketing costs have reduced fairly proportionately with the reduction in revenue, and that is as we have been honing our marketing using more digital marketing in the mix. I think, as we said at Q3, we are expecting to launch our new products in the first quarter of this year. It is right that we pulled back a little bit on marketing through the fourth quarter as we waited for the new product launches, so it is in line with that plan as well.

Tom Sykes

On the Health business within Credit Services, could you talk about the margin profile of that business as maybe the growth matures and as you get over some of the integrations and start adding to the base business that you have in each institute? What happens to the margin if growth were to slow in that business?

Brian Cassin

We are not planning for growth to slow, so the question is academic, but we will give it a go anyway.

Lloyd Pitchford

The margin has progressed really well since we acquired that business. It is strongly accretive to the Group margin now. The question for the margin as we look out is: how do we take that revenue-cycle-management business and innovate and grow it into new services in different sectors – services in different pieces of the healthcare market? That will be a balance between investment and growth. At the minute, we have really strong margins that are accretive to the Group and we would expect to see more.

Tom Sykes

Did you, this year, see the margin itself go up in Health as well as Health going up as a proportion and thereby benefiting the mix?

Lloyd Pitchford

Yes.

Tom Sykes

Did the margins in Health also go up?

Lloyd Pitchford

Yes.

Brett Huff, Stephens

Good morning and thanks for taking my questions. I have two: one is a housekeeping question and one is to make sure that I heard you right. I think that, at the end of your comments, you mentioned that progress on benchmark EPS, in your mind, meant double-digit pro-forma EPS growth. Did I hear that right and, if so, how does that mesh with the stable margin guidance? It is just the buyback that is driving the distinction between those two numbers?

Lloyd Pitchford

Our guidance is good progress on benchmark EPS. What Brian was referencing was our long-term financial framework, which is to take mid-single-digit organic growth and turn it into high-single or double-digit EPS. It is the difference between the guidance for the year ahead and our long-term framework and aspirations.

Brett Huff

My second is also a little related to consumer and a little related to B2B. I understand that you are focusing on the lead-gen business, creating relationships with nine million consumers etc, and then it sounds like those leads are converting at a higher rate than what is typical in the market – I think you said two times. On the other hand, it also seems like some of the larger financial institutions – both with you and other competitors – have started working on more specific or financial-institute-specific lead-generation efforts. I think the example you gave – and I am not sure if it relates to this – is in the auto-geolocation segment. How do we think about lead-gen that is more generic and generated by Experian.com versus lead-gen that is more specific in a programme for a specific financial institution? How do banks prefer between those two and how does that fit into your strategy?

Brian Cassin

The two work in tandem. Financial institutions have always had their own efforts to drive traffic to their own site and monetise that. That is a natural thing for them to do. They will never capture the entirety of the traffic out there – there is always a level of organic traffic that just goes to sites where they do not want to be captive to one institute. In fact, we are making the LendingWorks solution available on the B2B side of our business, so not only do we expect that to be a driver of revenue on the consumer side but to get material revenues from our B2B customers from that too. We have taken the view that it is a great solution. It is the best solution out there. It strengthens our relationship with them. We have existing strong relationships with those institutions and it could work just as well alongside the consumer offering. While there may be a bit of noise in that, I think we are essentially playing that market from both sides.

Hector Forsythe, Stifel

I have quick question on the share buyback. $600 million, if nothing else changes, keeps you firmly at the bottom end of the range. When you introduced the range two or three years ago, you indicated that you could see yourselves drifting to the upper end of the range in time. You show no movement towards the upper end of the range. Are you indicating the visibility of the pipeline for M&A in that or could that $600 million become higher as the year progresses?

Lloyd Pitchford

When we go into the year, clearly we take a view of what the people is and we make sure that we have enough capacity to take advantage of opportunities as they come through. You saw us expand the buyback at the half-year last year, when we made some of the disposals, so we form those views during the year. The pipeline is good for M&A. You have seen us make a number of earlier-stage investments this last year, in addition to the CSID acquisition, so it is a balanced approach to capital allocation.

Hector Forsythe

Do you still stand by the view that you could drift towards the upper end of that range over time?

Lloyd Pitchford

It is a range, so we will operate within it. I am not going to narrow the range to the upper end of it. If we see good opportunities for acquisitions, we will take them, and we will operate in that range.

Matija GergoletGoldman Sachs

I have two questions: one on margin and one on Brazil. On margin, over the last one or two years, you mentioned that you had some additional regulatory/legal costs in the US. Are those costs still in the base? Can we expect a reduction in the coming years? Was that part of the nice margin improvement that you had in the US? Maybe you could elaborate, please.

Second, on Brazil, could you give some colour on regulatory developments around the opt ins and the opt outs and on your early success in the consumer segment?

Brian Cassin

I will ask Lloyd to touch on the margin point. One thing I would say is that there is a lot of talk about the regulatory framework changing. Nothing has changed yet. We are hopeful but we have to wait and see.

Lloyd Pitchford

Looking at legal and regulatory costs as a whole, they were a further drag during this year – less so in North America and more so in the UK. We went through the process of becoming authorised under the Financial Conduct Authority (FCA) regime. You have to look at global legal and regulatory costs. I would say that, with the CFPB regime and the FCA regime underway, we would probably expect them to stabilise from here and not be a drag, but we are certainly not expecting them to go down.

Kerry Williams

In Brazil, in terms of regulatory trends or issues, we have certainly seen an improvement in the direction of regulatory items in the states of Brazil as well as at the federal level. That has really been driven by the change of leadership in the government last year. At this point in time, it looks like, sometime this year, they will move forward with positive data. The exact format of that is still not clear yet. It is moving around and there are different parties with different interests, who are working with the government. We are working heavily with the government on moving the positive-data legislation to a framework that will help consumers and the economy in Brazil. They seem very committed to moving forward with that and getting that in place. We think that there is a pretty good chance that it will happen this year.

Kean Marden, Jefferies

Would you mind sharing with us, as you split CSID out on the revenue-bridge slide, the revenue number that you have plugged in for that chart and maybe give us an indication of how that business has traded since its acquisition?

Lloyd Pitchford

We acquired that business at the end of August last year, so it did not complete a full year. From memory, I think it was a little under $80 million for the full-year. I think it is in the back of the release. It is progressing really well, particularly in terms of the cost synergies. As we look ahead this year, we will be well ahead of our buy plan in FY18, really driven by the cost synergies. As you have seen, that acquisition has underpinned the launch that we have made in our consumer business. That proposition was not at this scale as fully in our buy plan, so we are expecting to be well ahead this year.

Kean Marden

You mention this in the notes but not in the slides today: you touched on IFRS 15. Could you run through the 15% of revenue that is likely to be impacted by that and to what extent would be helpful as well?

Lloyd Pitchford

It is mostly where we make software sales, and the deliveries and commitments around them. We do not expect it to be material for the Group as a whole over a year, but it might make it a little lumpier in the software business. We will apply that from FY19 onwards and restate FY18. We will probably take the opportunity, given that we have now disposed of the CCM business, to look at some other areas of our reporting and see if it is right. We will do that in one go rather than consider it in two steps.

Rajesh Kumar, HSBC

You were talking about ExPin and new product launches in the US. You can dynamically check for compliance and things like that. It would be very interesting if you could elaborate on ExPin.

On the US regulatory issue, how have you overcome the hurdles? Are you taking more risk in the contracts from your side or does the risk ultimately reside with the lender, with you providing software solutions to them? How have you circumvented that problem?

Following up on the Brazil point that people asked about, what do you think your competitors, in terms of the banks that are trying to form something against you, are likely to do in the new regime, especially with the opt-out model giving you an advantage in the data-collection process?

Brian Cassin

ExPin is a new technology that we use in our bureau in the UK. Given that that is the largest bureau, with the most comprehensive set of consumer information, what we are able to do with ExPin is link it to other assets' and customers' technology environment. In other words, they can take customer information from everywhere in their enterprise and link it to ExPin, so they have a single customer view. It is in the early stages but it is quite a exciting development. It is the Holy Grail. Most organisations have data all over the place, and getting it unified in a single view really depends on good pinning technology. That is what ExPin does and we are very hopeful for it.

On the regulatory side in the US, was your question around the quality of data or the exposure to regulation?

Rajesh Kumar

Selling live credit approvals that people are applying for online. A lot compliance checks need to be done.

Brian Cassin

These are the big challenges when you introduce products like Mobile Instant Credit and digital marketing. The issue is being able to directly authenticate people, identify them and make a compliant offer of credit. That is why, perhaps surprisingly, you have not seen as much advancement in that part of the world as you have done in non-credit products. That is what is really great about the products that we have introduced, because we have solved those issues and we are able to identify people to a sufficient level of accuracy to satisfy the compliance organisations – not just ours but also the institutions that we are dealing with – which is a pretty tough test, I have to tell you. It is also why, when we talk about these products, sometimes they take a little long to be implemented, not because the product itself does not generate a lot of excitement – and it does; it is because the compliance departments take their time to make sure that they are not going to make any mistakes with it.

I was at our client conference a few weeks ago in North America. It is called Vision and is the industry-leading conference. We had over 500 clients attend from every majority institute in North America and globally. We had about 100 people in the demonstration area for the mobile instant credit. We were able to do a demo to everyone in the room and make a dummy offer of credit to them on their mobile phones. At the end of it, we asked people to put their hands up to see who had been identified by name and whether we had their correct credit score, if they knew it. I would say that 90% of the room put their hands up, so the level of excitement in the room was huge. Compliance people are generally less excitable than business people, not to denigrate them, but that is just a fact, so it does take us longer. That is the key issue: solving those problems. That is where you need the assets that we have: the bureau assets, the fraud assets and all of those capabilities coming together to give you a solution to the problem.

Kerry Williams

I would add that these capabilities that we have built in the LendingWorks solution or the mobile credit offerings that we have created follow the same standards as what we have already operated on for decades in issuing credit through the mailbox on behalf of lenders. There has not been a deviation in terms of our risk appetite or compliance standards just to bring out the digital capabilities. It is to the same level of accuracy and the same standards that the industry has operated under for decades, so we do not expect any issues there.

On the Brazil issue, I cannot and have no desire to comment on competitors. What I will tell you is that, because we now have over five million consumers' positive data in our file, we are able to start doing our statistical modelling and seeing what is going on. What we know from positive data is that positive data is only a piece of the decision and analytics data flow that is necessary to provide the best decision in the marketplace. We have been able to see that all of the other data assets that we have in Serasa Experian in Brazil, combined with positive data, are going to give us a unique advantage. The more quickly the positive data gets here, the happier we are.

Brian Cassin

We referenced in our discussion on the Brazil region that we have signed three of the five major banks on new, long-term contracts, and our share of spend with those banks increased materially during FY17. That will tell you enough about our competitive position right there.

Lloyd Pitchford

Coming back on the CSID question, $59 million was the post-acquisition revenue.

Nicholas de la Grense, Merrill Lynch

I have two questions: the first is on the IdentityWorks product in the US. There have been a few issues with competitor products that have been accused of not providing a sufficient degree of protection for consumers. How is your product differentiated and what degree of risk are you taking in terms of recourse for consumers?

The second question is on margin progression. You talked about scaling the business geographically and by vertical. Currently, the focus has been on innovation, which is somewhat at odds with driving operating leverage out of the business. What should the dynamics of that be going forward? Have we had a big investment push that now might drive a bit more margin expansion or is the innovation spend just business as usual going forward?

Brian Cassin

We generally have great product capabilities and generally do not hype our products. Some people in the marketplace hype products ahead of capabilities, and there have been some issues in the identity market in the past, largely because I think people have been making product claims that do not exist; for example, charging people multi-subscriptions for products that they have said they were providing to them but, in fact, were not. Our products are very clear as to what they are doing and all of the capabilities are there. Frankly, they are more comprehensive than anything else out there, so we are not worried about that as we go forward.

Kerry Williams

The way to think about it is that these capabilities that we are rolling out are just particular items in our overall relationship that we are developing with consumers. The overall relationship which is going to provide many opportunities for many years to come has to be built on trust and on our ability to deliver, at a minimum, what we say we are going to deliver. Creating that trust and that relationship with a billion consumers across the globe, trust is a fundamental element of what we are trying to do, and so each of our products that we bring out to them is absolutely set out to deliver on the capabilities and not to get ahead with any marketing messages that might not match up with the capabilities.

Lloyd Pitchford

On margin, I would say that we have a lot of opportunities to invest. Innovation and investing in innovation is just part of business as usual for us. Some of the investments that we have been making in our technology platform are targeted at reducing our operating costs in that area. That just creates additional capacity for us to fund growth investment, so this is why we give margin guidance for one year ahead. It then really depends on that mix of investment versus return in the portfolio.

Nicholas de la Grense

One quick follow-up on the ID-protection point: if I were a consumer who had your product live in the US and my ID was stolen, what level of recourse would I have? I know there is the insurance element to it but what are the risks to the Experian brand of offering that product?

Brian Cassin

There are always risks to brand when you are dealing in the consumer marketplace but, as Kerry said, as long as we communicate effectively what the product is designed to do and consumers understand that, that is the protection that we have. The insurance product is geared towards helping them resolve issues in their lives that have arisen as a result of identity theft. It is not anything that the product has done, because the product is not there to protect you from having your identity stolen. It is there as a way to resolve issues and help you monitor what has happened to you. Your identity is stolen through the actions of bad actors that have access to it in lots of different places. You have to put it into the context of what we are providing and fair communication to consumers. It has proven that consumers have a real appetite for these products, and we think it is growing.

We are going to bring this to a conclusion. Thank you all very much for attending today and we look forward to seeing you later in the year.