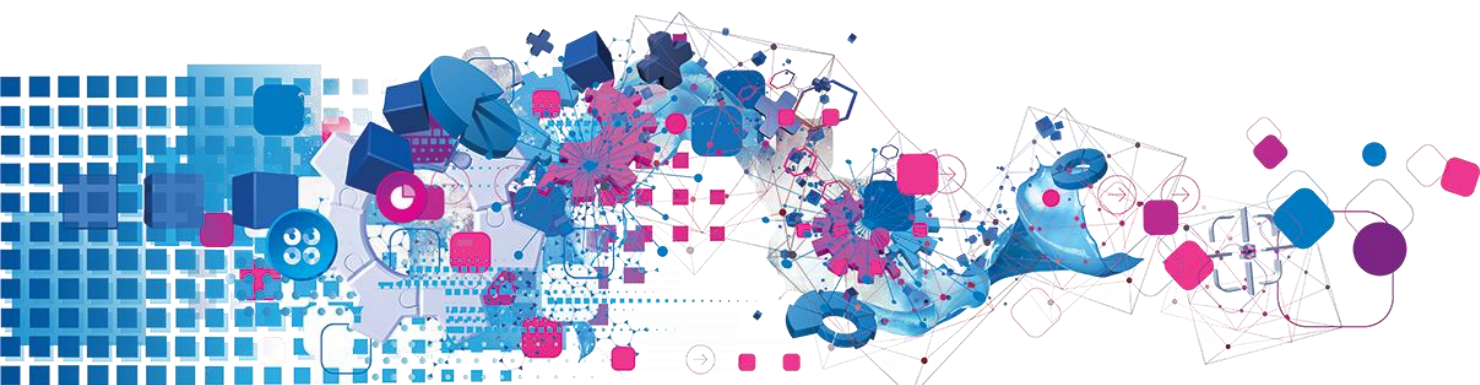




Trading update – Q3 FY21

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1. Opening remarks - Brian Cassin, Chief Executive Officer, Experian

1.1 Introduction

Good morning everybody and welcome to our Q3 trading update call. I hope that you and your families remain safe and well. I am joined today by Lloyd Pitchford and Lloyd will take you through the trading performance after my opening remarks.

1.2 Q3 Overview

Q3 was a good quarter. It turned out better than we had expected. Total group revenue was 10% up at constant currency and organic revenue was up 7% and that is a performance we would be satisfied with at any time, let alone during a pandemic. This was again driven by North America and Latin America, which considering the backdrop is a great achievement by our teams there, but all regions had a slightly better outturn than we had expected when we spoke to you last November. It is especially nice to see the UK on a much-improved trajectory, even if we do face some renewed COVID restrictions.

Consumer Services deserves special mention, having delivered growth of 22%, with all regions contributing positively. We have pressed ahead with innovation and investments and with our free membership base now exceeding 100 million we have a solid foundation from which to build.

Before I touch on some of the Q3 highlights, I want to pay special tribute to my Experian colleagues across the world. Their commitment to doing the right thing for our clients, consumers and the communities we serve has kept our business strong and prosperous. This has been an extraordinary year like none other we have known and we are going to emerge from it in very good shape. That would not be possible but for their incredible hard work and commitment.

1.3 North America

Turning back to Q3 and North America, which delivered another strong quarter, there were several drivers. Mortgage volumes stayed stronger for longer, but that is not the whole story. Ascend is going to have another great year. We saw some recovery in Clarity Services and I am pleased with the progress we have made across both Fraud Solutions and Health.

Lending clients are closely watching credit quality and particularly how and when government stimulus is likely to land. This will determine when they are likely to resume customer acquisitions for cards and loans. For the time being, core credit volumes are still trending below where they were this time last year. This will not last forever and when a more general economic recovery materialises we should be well-positioned.

It was also an important quarter for our Targeting business. In November we completed the acquisition of Tapad, a leader in resolution of digital online identities. The big trend coming out

of COVID is increased online activity and with it the desire to better match online identities. Digital identity is a key component of every Experian business and with this investment we have further strengthened our position in identity verification, identity graph and have added to our already strong capabilities in fraud management.

Consumer Services delivered very strong results again this quarter across all fronts. Our free customer base now stands at 38 million in the US, we have good momentum, we have extended our market position, our advertising is performing well and our credit marketplace is now the scale that it has to be taken into contention by anybody in the lending market. The diversity of our model across credit, identity and insurance has more than protected us from the worst effects of the downturn, meaning we have grown when others have not. We have invested in our brand and our relationships with the lenders. We have a compelling product roadmap and when the credit market recovers we will be very strongly positioned to take advantage.

1.4 Latin America

We had a good quarter in Latin America. In Brazil, we were moving to a new generation of credit and risk analytics on the back of positive data and we are shaping and leading this process. Even though the economy is weak, fast-moving new digital banks are adding customers and expanding the addressable market for Experian.

In addition, we had significant success extending relationships with some of our largest financial service clients during the quarter and we started to see the early adoption of positive data in scoring models. In this quarter our own B2B initiatives were a significant contributory factor to our performance, which helped to offset ongoing weakness in credit volumes. Consumer Services continues its very strong growth trajectory. The free membership base, which now stands at 56 million, is crystallising opportunities from new, innovative propositions, like Score Turbo. As we add to the growth, we are also broadening and diversifying the revenue base, strengthening the appeal of our brand and building consumer engagement.

1.5 UK and Ireland

The UK was down overall for the quarter, but we are making good progress with the business transformation and the rate of decline was moderated. Parts of the business have returned to growth and we have put a lot of effort this year into reorganisation, improving service levels and ensuring our operating structures are appropriately scaled. As a result, client satisfaction scores are improving, our win rate in the market is good and we are confident we are on the right track as we turn our attention to the programme to modernise our technology estate.

We are also seeing encouraging signs in the new business pipeline, which has held up pretty well. The lending market is more buoyant than it was and lenders are launching new products, but it is hard to predict precisely how this trend will play out while more stringent lockdown measures persist. Consumer Services returned to modest growth in the quarter and take up of Experian Boost has been encouraging. We are off to a good start and it is helping to stimulate activity for credit comparison services and drive lead generation. We have secured 230,000 Boost members in the UK and our free membership base has now grown to 8.9 million.

1.6 EMEA/Asia Pacific

EMEA-Asia Pacific has stayed weak. There has been some very gradual recovery in bureau volumes, particularly in EMEA, where some countries are back at pre-COVID levels despite the lockdowns and that does provide us with encouragement going forward. We still see extended sales cycles for software, but the good news is that we are closing some good deals, which will help lay a solid foundation as we move into FY22.

We also took the opportunity to extend our position in Spain in December with the small acquisition of a business credit bureau. This will add to our existing position in consumer information and decision analytics in Spain and it is consistent with our plan to get scale in certain select markets. I should also note that the acquisition in Germany continues to perform really well.

1.7 Conclusion

With that overview, I will now hand it over to Lloyd for the financials.

2. Financial review - Lloyd Pitchford, Chief Financial Officer, Experian

2.1 Trading performance

Thanks, Brian, and good morning everyone. As you have seen, Q3 came in better than anticipated, with organic revenue growth of 7% and including the contribution from acquisitions total revenue growth at constant exchange rates was 10%. Exchange rates were 3% revenue headwind in the quarter, mainly due to weakness in the Brazilian real, so total revenue at actual exchange rates grew by 7%. We had strong organic growth in North America and Brazil, with sequential quarter-on-quarter improvements in our other regions.

Segmentally, Consumer Services had a great quarter, up 22%, and B2B grew 2%. In B2C we ended the quarter with 130 million free members, up 7 million in the quarter and up over 20 million year to date. In B2B while many markets' unsecured credit volumes remain down, we continue to see a recovering trend and generally markets are less impacted by this wave of lockdowns than we saw in the first one back in March and April last year.

2.2 North America

Turning to the performance by region and beginning with North America, where organic revenue was up 9%, with B2B up 6% and Consumer services up 18%. Data was up 7%, with the core bureau delivering double digit growth. Within here mortgage refinancing volumes remain strong and grew in line with Q2 at over 60% in the quarter. Ascend continues to deliver good revenue growth during the quarter, with additional modules now starting to contribute well.

We also saw a stronger performance in Clarity Services, driven by improved volumes as the market for shorter-term loans continues to recover.

In our core bureau we continue to see weakness in credit reference volumes for unsecured debt in cards and loans as credit supply remains below the pre-COVID-19 levels. Targeting remained down on the prior year, but the performance improved sequentially as we benefitted from the stronger advertising during the holiday season and we also saw the first contribution from Tapad, acquired during the quarter.

Decisioning grew 2%, with Health delivering organic revenue growth of 5%, as growth in collections and identity offset continued lower patient volumes. We completed a high number of customer installations during the quarter. Decision Analytics was down modestly for the quarter, with strong growth in identity and fraud offset by softness in decisioning software. We have continued to see a transition from on-premise decisioning software solutions to more hosted decisioning software, which has lower upfront revenue, but will mean a smoother revenue progression in the future.

Double-digit growth in Consumer Services reflected strength in all our core products. Our paid-for memberships continue to benefit from higher acquisition volumes into credit education services. Regeneration also performed well, with growing contribution from the new automotive insurance vertical, which more than offset the constrained supply in the consumer lending market. We continue to grow our audience, with the number of free consumer members growing to 38 million and the number of Boost connections reaching 5.7 million.

2.3 Latin America

Moving on to Latin America, where organic revenue was up 13%, reflecting double digit growth in both Brazil and Spanish Latin America. After the impact of FX headwinds, total revenue declined by 11%. B2B was up 2% organically, while Consumer Services delivered 178% growth. Data grew 1% with growing contributions from positive data, Ascend and our automotive vertical. This more than offset lower consumer bureau volumes from financial services and retail verticals, which are still recovering from the lows of April and May. Decisioning grew 5%, with higher revenue in analytics and decisioning software. Consumer Services delivered organic revenue growth of 178% as our debt resolution service, Limpa Nome, and our credit matching service, eCred, continue to perform well. We now have a free membership base of 56 million consumers in Brazil.

2.4 UK and Ireland

Turning to the UK, we saw a 2% decline in organic revenue, up 1% at actual rates. Consumer Services was back to growth and B2B declined modestly by 2%, both representing a great sequential improvement from the lows of the first half of the year. Data declined 1%, with growth in the core bureau from new business and a sequential improvement in volume trends as credit supply started to open up. This was offset by softness in targeting. Decisioning declined 5%, with challenges in decisioning software offsetting growth in identity and fraud. Consumer Services returned to growth of 1%, reflecting a higher number of new consumers

taking a credit education subscription. Whilst lead generation declined modestly, the performance was much stronger versus previous quarters, powered by the launch of Experian Boost in the UK.

2.5 EMEA/Asia Pacific

Moving on to EMEA and Asia-Pacific, where organic revenue declined by 11%, with Data and Decisioning down 8% and 15% respectively. We have seen improvements in EMEA bureau volumes. However, these still remain lower than the prior year, driven by COVID-related restrictions, particularly in Spain and Italy. Asia-Pacific bureau revenue continues to be heavily impacted by the crisis, most notably within our India business. Decisioning across the two regions remains weak as clients continue to delay decision-making for software acquisitions.

2.6 Near-term expectations

Turning now to our near-term expectations, as with previous guidance, we continue to experience a high level of uncertainty as we look ahead to Q4, as restrictions continue to be extensive across the regions that we operate in. Our current view is that organic revenue growth for Q4 will be in the range of 3% to 5%. Heading into Q4 we face tough prior year comparators, as we lack the start of a significant mortgage boom and strength across a number of our other businesses. As a reminder, last year there was a 3% step up in the growth rate from Q3 to Q4. The midpoint of our Q4 guidance range this year reflects the sequential step up in growth last year.

As we are now in the final quarter of the year, I will provide an outlook on profit. For the full year we expect total benchmark EBIT delivery of between USD 1,360 million and USD 1,380 million at actual exchange rates. With that, let me hand you back to Brian.

3. Summary – Brian Cassin

Thanks, Lloyd. To summarise, Q3 was a very good quarter. We delivered high single-digit organic revenue growth and double-digit growth overall. We are going to have a year of solid growth in FY21, which when you consider the backdrop really illustrates the strength and resilience of the Experian business. You cannot be certain exactly how new virus strains and new lockdown measures will affect the very short term, but we do know we will be incredibly well-positioned for the post-vaccine world and we have been very focused on making the right investments and backing our innovations to take full advantage of the recovery when it comes. With that, we are going to open the line for your questions.

4. Questions and Answers

Sylvia Barker, JP Morgan

Good morning, everyone. There are two questions from me. The first is on margins. Clearly, the revenue is better. There is very good organic in Q3, so just trying to bridge the gap on the

SG&A. Obviously, mortgages continue to be good margins. Can you maybe just help us understand how much of the consumer impact is mixed versus investments? You are gaining share at the moment; some of your peers are struggling. Have you accelerated the investments a little bit off the back of that and how should we think about FY22? The second question is just on the core unsecured credit business. You mentioned that that is still down. Can you give us a bit more detail around the trends within that business? In your experience, how does that recovery in the core business normally work as we come out on the other side of a downturn? Thank you.

Brian Cassin

Sure. Lloyd, do you want to deal with the margin question and then we can both have a go at number two I think?

Lloyd Pitchford

Yes, sure. If you look at the mix of our growth, Sylvia, as you say, it has been weighted to the consumer business, which has a slightly lower margin than our B2B business. If you just look at these growth rates, on a full year that would be something between a 20 and 30 basis points drag on margin overall for the group. The rest of the guidance in EBIT really takes into account additional investment we are making into customer acquisition. You can see the momentum we have in the direct to consumer business, adding over 20 million free members this year, and the power that that is giving us as a distribution engine for new products. We have expanded the investment behind customer acquisition across the markets, given really the reinvestment of the revenue outperformance in Q3.

On unsecured credit, I think as I mentioned at the half year, as we look across our businesses, clearly some businesses, like mortgage, consumer and some of our new products like Ascend, are going well, but unsecured credit for cars and loans is still down probably low double digits in most markets. As we look out, clearly we have never recovered from a pandemic before, but as we look out into next year, those markets will have very easy comps in the first half of the year. Clearly, the depths of the downturn were Q1 and Q2. As we look out to the second half of next, clearly, we will need to see an improvement in the economy, the operating environment and consumer confidence coming out of the pandemic to see that continue to power the recovery beyond the first half. Those are probably the main comments.

Brian Cassin

Then maybe just to add on the unsecured lending, I do not think it is a surprise. All through the last year we have seen banks in all of the countries take a very cautious approach not just to provisioning, but also to extending further credit and I think that just reflects the uncertainty in the economies in which we operate.

What I would say is I think as we have moved through the crisis credit quality has not actually deteriorated as they anticipated. Around about March of this year you started to see some of the results of the banks come out with some write back of provisions already. We do believe that once we get a bit of visibility on how we come out of this, you are going to see some very strong rebounds in some of these sectors.

Sylvia Barker

Thank you very much.

Paul Sullivan, Barclays

Good morning, everyone. I hope you are all well. Just following on from that, in light of the additional investment that you are talking about on the consumer side, what are your thoughts on monetisation, and the ramp up in lead gen that we should expect and the growth in lead gen from here? Then as B2B recovers, do you think we will see that in margin too or is the mantra of continual reinvestment is going to be a feature as we go into fiscal year 22? Then just more broadly as we start thinking about the next fiscal year, what are your priorities and how should we start to think about the shape of growth into the next fiscal year? Thanks.

Brian Cassin

I will make a start, Lloyd, and you can come in maybe on some of the margin points. You can see the lead generation business before we went into COVID was growing at a very fast rate. Obviously, there has been quite a dislocation in the lead gen market this year, particularly pronounced as we went into the pandemic at the outset. Notwithstanding that, our actual business has continued to grow, particularly in North America, so I think that gives you an idea of the strength of position that we have built up there.

You need to match this up really to the increase in the scale of membership base that we have, because I think we have moved our strategic position in lead generation on really significantly this year. That is a function of continued investment in not just the product proposition, but in marketing and closing the gap to the clear market leader in the US. Compared to 12 months ago, we have a much better strategic picture and we are a much bigger force in lead generation, so I think when that market comes back it will come back fairly strongly and we are going to benefit I think very significantly from that. That would be point number one. Lloyd, do you want to add to that?

Lloyd Pitchford

Paul, the way to think about the investment that we are making is the direct to consumer business is one that we can judge pretty finely and over pretty short periods as to whether we are adding value. There is a difference between investing in something that is loss making and investing in something that is adding value but maybe lower than the group's average margin.

The lead gen business, for example, in North America grew 30% in this quarter, so it is growing well and that is one that we can judge pretty well. The Brazilian business we think will move into profit on the direct-to-consumer side next year, so that is starting to scale. We expect to see that contribute positively towards profit. As you know, overall, the direct-to-consumer business generates really good margins at over 20%.

I think in this period when we are seeing a number of our direct to consumer competitors pull back from customer acquisition, we see it as a great opportunity to gain share. We have a very active product pipeline and we can use these relationships as a very effective distribution engine for those products as we roll out.

Brian Cassin

Paul, I will just come back on the B2B. I think as we look into the next year, obviously, when we see the recovery we are very confident we are going to see a recovery in our B2B portfolio and probably across the piece, but not much has changed in terms of how we approach managing the business. We will still be managing to grow our business as fast as we can and that will be our focus. We can talk to you more about what the actual outlook is in May when we get there.

There is one other point that we should probably highlight, which is at the same time that we have been making the investments that we have in the consumer business, we are also in the middle of some fairly extensive technology investments across all of our portfolios and all that investment is also going through our P&L. We have used the opportunity over the last year to really double down on that. We have made a lot of progress and we are well on our way to essentially modernising the entirety of the estate. That is something that people have to bear in mind as we look forward for the next couple of years.

Paul Sullivan

Okay. Thank you very much.

Brett Huff, Stephens Inc

Good morning, Brian and Lloyd. I hope you all are staying safe. Thanks for the time today. When I am looking at the delta in the growth rate, so the plus five to plus seven sequentially from 2Q to 3Q, we kind of broke it down. Tell me if I am roughly right. It looks like in the UK and Ireland, EMEA-APAC, although smaller pieces of the business, the dramatic improvement or much less bad growth really drove a majority of that uptick. Is that the right way to think about that delta quarter over quarter, Lloyd?

Lloyd Pitchford

Yes, obviously, Latin America increased from 10% to 13% and you saw a step up in consumer in North America, so those plus the things you mention. We originally set the range at three to five for Q3 and we said to come in at the top end of that range we would have to see mortgage stay strong, which it did, and we would have to see consumer stay strong and actually consumer improved. We saw the step up against some quite tough comps in Latin America and we saw the UK particularly perform better than we had expected. The road to recovery in the UK has been faster and the contribution of the consumer business in the UK was better than we expected, underpinned by the performance of the Boost launch.

Brett Huff

That is helpful. Then just a second question from me, focusing on the UK again. I know you guys are in the middle of a restructuring there. I think you have found a team that you like and put them in place six or eight months ago. It sounds like there is still a lot of heavy lifting there, maybe both from the organisational but also from the technology point of view. Can you give a little more detail there on is the weakness we are seeing driven maybe by those two things, by Brexit or by the pandemic? I know there are a lot of threads to pull here, but when do we see the light at the end of that tunnel and maybe see growth get better again?

Brian Cassin

If you look at the point that you have just raised, which is the sequential improvement in the UK business from quarter to quarter, we are actually quite pleased with that, because market

conditions are very tough. The UK does not have a big mortgage refinance market to give it lower countercyclical revenues, so we have managed through that with some pretty big declines in acquisition-orientated revenue.

In terms of the heavy lifting in the UK, you are right, the new management team has been in there for almost a year. We had started to make changes actually before we brought the new management team in. We have put through a fairly significant reorganisation of the business internally to better align it to market opportunities. That was very extensive activity that took place. A lot of the investments and actions we have done in the last year have really been to stabilise some of the technology issues that were causing us service problems. We have now seen a really dramatic improvement in that. That is also reflected in our NPS scores, which have moved ahead extremely well.

I think as we look on, we have made a massive amount of progress in the last 12 months and, as I referenced in my script, we are seeing a really good amount of new business being generated, so there are a lot of positive signals there and I think we are probably tracking a little bit ahead of where we expected in the UK. I have no doubt that if we had not gone into COVID the UK business would already be back in growth, so I think that bodes well for going into next year. The other thing we have done is we have realigned the cost base there, so we should start to see some positive movements as we get a bit of growth back from the market.

I think we achieved a lot and we do still have some heavy replatforming to do. I think we have talked about that before, but the plans are in place. We are on our way in scheduling that. We are already in flight with that in the US and Brazil, so our confidence in both the executability of that and the timescales in which we can do it are improving all the time.

Lloyd Pitchford

The way I think about it is from here the majority of the revenue recovery comes from the recovery in the market from the pandemic. The big focus from the transformation activities will be about cost. We have said that the cost of maintaining the old legacy estate is too high. That is one of the reasons we have embarked on the transformation and over the next two to three years you will see a strong improvement in margin in the UK back to something like the 30% margin that we had previously as we transition through that transformation change. Revenue will be driven really by the economy and the post-pandemic recovery. Cost and margin will be driven by the transformation actions we have underway.

Brett Huff

Great. Thanks guys. I really appreciate it. Stay safe.

Simone Sarli, Bank of America

Good morning, everybody. I have a couple of follow-up questions, first of all on the UK. Is it reasonable to assume that UK for B2B should be back to positive growth in the next quarter and could you please comment also on the evolution of credit supply and demand in this region in the past few months? How does it compare to the first lockdown? In terms of recovery in the UK, I appreciate that it might be difficult to quantify, but roughly how much of the improvement in this region was driven by the reorganisation versus better lending volumes? Then in terms of subscription services, how sustainable do you think in the next few quarters is the growth in this

business, considering potentially the higher churn versus other product lines in B2B? Lastly, if you can please remind us on the opportunity on payroll data in the US, as well as potentially in other countries, and if there is any further update on that. Thank you.

Brian Cassin

There are a lot of questions in there, so we will attack them as best we can. Just an overview comment on the UK is obviously we have gone back into lockdown in the UK in a pretty severe way. If you had asked me before we had gone back into lockdown whether we were going to get back into really good growth in Q4 in the UK, I would have said absolutely yes. Lloyd will give you a bit of a better picture. We still think that we will be in growth in Q4, notwithstanding that, in the UK B2B business, so I think that is good.

Credit supply and demand has improved from the first lockdown for sure, because it essentially stopped really back in March or April, but, as Lloyd said, we are still tracking significantly below volume levels that we saw in the previous year. A lot of the improvement in the B2B business actually came from new business wins. As I said, the pipeline has actually improved, so we are winning more business. That is helping us. We are having some great success in some of the business lines. A couple of them are in growth as well, which is good. Then on the consumer side, Lloyd, do you want to add to that?

Lloyd Pitchford

If you look at the UK consumer and what has happened to consumer debt, a good place to look is the Bank of England survey. You will see that because incomes have been protected by government support schemes, the total level of consumer debt has reduced since we went into the pandemic. Obviously, the Christmas and holiday experience from consumers has been very different, so what would normally be a period of new consumer lending in the first quarter of the calendar year is a little bit different this year, given how the average consumer comes into the period. Notwithstanding that, we saw a good sequential improvement in lead gen business. In Q1 and Q2 that was down 40% or 50% in the UK. It was down modestly 2% or 3% in Q3, so we expect that to continue with the Boost launch to help the consumer business continue to grow.

Just back on the B2B business, I think the way I would think about it is most of the movement in revenue just now is associated with the environmental factors rather than big swings in relation to the restructuring we have done. Most of the restructuring really is targeted at that longer-term cost recovery that I mentioned.

Brian Cassin

Simona, Verification Services I think is what you are referring to when you said payroll data. I think we have said previously it is a market we are looking at. We expect to be launching some products this financial year. We are still on track to do that. It is a little early to talk about that in any great detail. I think what we will do is give you a bit of a fuller update when we talk to you in May.

Simona Sarli

Is there an opportunity also to launch this kind of service in other countries, like the UK, Canada or India?

Brian Cassin

Yes, I think there is. Obviously, the biggest opportunity right now is in the US, but I think over time other markets will evolve in the same way. Similar trends seem to play out. The US is the most developed market because of the availability of data there and the ability to aggregate it. That is not true in many of the other markets, so it is a big of a longer burn to actually get sufficient data to build comprehensive products. We have started that as well, particularly in the UK and Brazil. I think it will be something that will be a very interesting segment for us over the next few years. As I said, when we get to May we will give you more of an update on the progress that we have made so far.

Simona Sarli

Thank you very much.

Rajesh Kumar, HSBC

Good morning. I have two, if I may. The first one is just can you please confirm if there are any one-off restructuring charges below the line of that EBIT number or are all those expenses included above the line? The second one is on the US situation. Clearly, there is a new leadership at CFPB. During the campaign Biden indicated his ambition for an alternate bureau. Nobody, obviously, understands how that might work, but how is your strategic thinking evolving in that space? Does Boost, Clarity, etc give you the ability to actually deliver on what Biden's bureau itself might have tried to achieve or is it a completely different line of thought?

Lloyd Pitchford

I will just start on the EBIT question and maybe hand over to Brian on the US. Obviously, it is just a trading update, so just revenue, Rajesh, but there is no change to the restructuring that we announced at the half year. First half we recorded about 22 million and guided to 50 million for the full year and there is no change to that.

Rajesh Kumar

Okay. That is below the line, right?

Lloyd Pitchford

Yes, restructuring charge.

Rajesh Kumar

Okay. Thank you.

Brian Cassin

On the Biden question, I think we have been asked this question before. We do expect CFPB oversight to continue. It is not new for us. We have had CFPB oversight under a Democratic regime at the outset and also under a very active leader of the CFPB at that time, Richard Cordray. Even throughout that period, while we saw a lot of action, it was mostly directed at improving the accuracy of credit reporting and improving fairness outcomes, so we expect more of the same. We expect that to be a big focus.

On the legislation around a public bureau, there is a long way to go before that becomes a reality. First of all, legislation has to be introduced. Secondly, it actually has to get widespread support, so I think there are some big hurdles for that. As we said before, it is actually quite difficult to think what a public credit bureau could do better than the private industry is doing. We have three very large and very confident credit bureaux and it is a competitive marketplace with a lot of innovation. I think or confidence under any scenario is strong and we will just wait and see how that evolves.

Rajesh Kumar

Understood. Thank you.

Anvesh Agrawal, Morgan Stanley

Good morning. I have three questions. The first two are related to the North American consumer business. Lloyd, you mentioned that you have gained some members there and the competition has stopped investing. I just wanted to check, what is the stickiness of the consumer base? Is it the case that when competition again starts to reinvest from FY22 onwards there is a bit more competition out there? Then on the North American credit education business, that is going nicely. Is that purely a decision phenomenon or have you seen an underlying improvement in that business as well? Finally, your peer has made a decent acquisition in the fraud and ID space recently. Do you have any comments on that, how that business matches what you have and how you see the competitive landscape changing from that? Thank you.

Lloyd Pitchford

Anvesh, I will pick up the consumer piece. There are two different pieces, obviously, to our business. You have the free membership base. Once you have acquired them into a free membership relationship, the key is really to keep them engaged, so it is not that they churn. It is that you have to maintain engagement and that is where we have a real advantage on our competitors. We have a breadth and diversity of products and offerings, so rather than just being a score or a lead gen product, we can offer identity protection, education and now an auto insurance offering. You will continue to see us broaden those relationships. Increasingly, you think about ambition for our consumer business. That free membership base is our distribution engine for all these new products we are bringing along.

On the credit education side, you are right, in that we saw a big inflow of subscription members as we came into this year really on the back of a mix of the pandemic and the mortgage boom. If you look at that membership base, it is clearly a little uncertain as to how their tenure will extend. If you look at the membership base, we will continue to see good growth year on year in that membership base as we go through the first half of next year, underpinned by the acquisitions we have had this year. Our goal is to enrich the membership product, so that we can continue to see the subscription membership base continue to grow from there. Brian, do you want to take the fraud and ID?

Brian Cassin

Yes. On the fraud and ID space, it is something that we have been investing in for quite some time. I think a lot of the capabilities that Kount as a business has we already have, some of it going back even to the 41st Parameter acquisition back in 2013. There was a lot of overlap

between what they did and what we do. We have a very strong fraud business and we are excited about the prospects. We have a very comprehensive portfolio of products, so I think we feel good about our position. They are an existing player in the market. Them teaming up with Equifax changes something a little bit, but not massively. It is an exciting space and we are well-positioned.

Anvesh Agrawal

That is very clear. Thank you so much.

George Gregory, Exane BNP Paribas

Good morning, Brian and Lloyd. I had three questions, please. First, following up, Brian, on your comments regarding technology transformation, in broad terms should we think of the phasing of cost as being neutral or incrementally a headwind as we move into the next few years of your transformation, which I think you described as getting to the entirety of the estate? Secondly, following up on the earlier question around the political setup in the US, should we expect any discernible cost burden from regulation as we move into the next few years or should that be relatively immaterial on a group basis? Finally, Lloyd, capex spend was a bit lower in the first half. To what extent has that caught up in the second half, please? Thanks.

Brian Cassin

Do you want to deal with the technology cost?

Lloyd Pitchford

Yes. We have called out I think previously, George, that in contrast to our competitors, the natural P&L cost of a transition to the new technology is coming through our base P&L. If you look at Equifax, in this year ahead I think they guided to \$145 million of cost outside of their P&L and TransUnion, from memory, is something like \$175 million over three years. That is costed. Our equivalent of that is in the P&L and we are managing over the last couple of years and probably the next three of four years. Overall, we have felt that is manageable within our overall financial framework, but it is important to call it out that we are investing in that and dealing with it. The reinvestment of some of the operating leverage that we have in our core business is going into both our innovation investment, but also that technology transformation.

On capex, I think we will finish this year somewhere around 9% overall capex or a little bit lower than we may have seen and expected previously. It will probably round up to 9% rather than down to 9%. Certainly we are back investing again at our normal capex rate, I would say, in the second half.

Brian Cassin

Just on the point of US regulation, I think the main point to make is we expect the main focus to be in areas that are actually very aligned to the strategic direction we are taking the business in, which is looking for alternative data sources, putting more control into consumers' hands, improving outcomes and improving response times. These are all areas that we have been and will be investing in our business going forward. Overall, we expect that to be the thrust. It is very difficult to be precise at this stage. Obviously, the new administration has not yet taken over and we have not yet really seen how the CFPB will look under its new leadership, but I

think, as I said, the strategic direction of where we have been taking the business is very much in tune with what we hear from the regulatory thrust that is likely to be pursued.

George Gregory

That is very clear. Thank you.

5. Concluding remarks - Brian Cassin

Thank you everybody for joining today and thanks for all your questions. I hope you all stay safe and we look forward to speaking to you again in May for our full-year results. Thank you.