FY23 full-year results presentation
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Transcript
Contents

Strategic and operational overview .................................................................3
  Introduction .................................................................................................3
  Delivering strong results in FY23 .................................................................3
  Substantial strategic progress .....................................................................3
  Extending further across the customer lifecycle in our markets ..................4
  Addressing large opportunities ..................................................................4
  Our strategic framework ...........................................................................4
  Artificial intelligence (AI) at Experian .......................................................5
  North America delivers +7% organically; B2B +5% ....................................5
  North America B2B: new products, verticals add to growth trajectory .........6
  North America Consumer Services +11% organically ...............................6
  Latin America +16% organically .................................................................6
  UK and Ireland +5% organically .................................................................7
  EMEA/Asia Pacific +3% organically ............................................................7

Financial Review ..........................................................................................7
  Strong financial performance ....................................................................7
  Consistent strong revenue growth ..............................................................7
  Quarterly organic revenue growth trends ..................................................8
    North America .........................................................................................8
    Latin America .........................................................................................8
    UK&I .......................................................................................................8
    EMEA/Asia-Pacific .................................................................................8
  Benchmark EBIT margin ..........................................................................9
  Benchmark earnings per share (EPS) ........................................................9
  Investing for growth with strong capital discipline ....................................9
  Financial management ............................................................................10
  Reconciliation of Benchmark to Statutory PBT .......................................10
  Broad based innovation led growth .........................................................10
  Key market highlights .............................................................................10
  Modelling considerations for FY24 ..........................................................11
  Closing summary ....................................................................................11

Questions and Answers ..............................................................................11
  Concluding remarks ..............................................................................19
Strategic and operational overview

Brian Cassin
Chief Executive Officer, Experian

Introduction

Hello, everybody, and welcome to our full-year results presentation. I am here as usual with Lloyd, who will run you through the financials after my overview. We also have Craig Boundy on the call, who will join us for the Q&A session.

Delivering strong results in FY23

The first thing to say is that FY23 was a really good year for Experian. We delivered 7% organic growth against a difficult backdrop, which is a standout performance and a testament to the strength and depth of our business. Q4 organic growth for ongoing activities was 7%, which took us to 7% for the year. Acquisitions took total revenue to 8% at constant currency, and EBIT growth was stronger. Underlying margins progressed, leading to a 9% uplift in Benchmark EPS. There was good revenue progress and good drop-through. Our cash conversion balance sheet position and liquidity profile are very strong.

Let me pick out a few highlights of our performance. All four regions contributed positively. B2C revenue was double-digit at 11%. B2B revenue was also strong at 6%. North America grew 7%, a very strong result despite mortgage headwinds and tightening credit conditions. Latin America grew 16%. We saw growth across the portfolio, driven by Brazil, with outstanding performances across B2B and Consumer Services. UK B2B had a very good year, with 7% growth overall and double-digit growth in our core Consumer Information bureau, driven by new business wins. EMEA/Asia Pacific improvement continues, and they had a very strong finish to the year in Q4.

I should highlight the Q4 organic revenue growth of 7%, an improvement on Q3, which is really impressive, despite tough conditions as the year progressed. You can see that our business substantially outperformed market conditions in FY23. This reflects many years of development to diversify and strengthen our portfolio and position our business to address higher-growth opportunities.

What are we seeing right now? As we said in our H1 and Q3 announcements, conditions were getting a bit tougher, and we expected this to continue through 2023. That is actually what we have seen. We have seen a general tightening in lending criteria and a more cautious approach. Underlying credit metrics have not actually materially worsened, and delinquencies remain under control. Metrics remain strong in a historical context, as does the key economic data point of employment. We expect the overall impact to be contained. We still see good momentum across our business, with good growth across many areas. While conditions might be a bit challenging, we continue to deliver outstanding performances and we expect to continue to grow through this period of uncertainty.

Substantial strategic progress

Let us spend a minute focusing on the factors that are driving our performance. Broadly, our growth is coming from a few things: new business wins, new products and expansion into higher-growth areas. Investments we have made in data, advanced analytics and other sophisticated software platforms all helped our performance in FY23. You can see the scale of this and the chart here across B2B and B2C with over US$1 billion in new product revenues added since FY18. Within that, we have had great success launching into new areas such as Marketplace, Consumer Services and positive data in Brazil, and more recently in Verifications and Employer Services in the US and the UK, to name just a few.

The growth has been built on a framework of an inclusive, high-performance culture, a relentless focus on client service and outstanding people engagement, allowing us to attract and retain the best talents. This slide
also gives you a few data points to demonstrate the excellent progress we are making across all areas of our business.

Alongside this is significant investment in technology. We recently signed an agreement with Amazon Web Services to be our preferred cloud supplier. Over the next few years, we expect to complete the migration of the remainder of our technology estate to the cloud. We are already well advanced on this. All new products and all refreshed versions of existing products are already built in the cloud. Our US bureaus, Ascend and PowerCurve, for example, are already in the cloud, as is the entirety of North American Consumer Services. Our approach has allowed us to continue focusing on new product build and revenue growth as we transition, and we are now deeply into legacy of state transition, which we will complete in the coming years.

**Extending further across the customer lifecycle in our markets**

When we talk about expanding into new areas of client spend, we thought we would include a graphic that we use internally to give you some idea of this. As consumer behaviours change, clients have to consider every stage of the customer lifecycle. They also need to capture customers, minimise leakage, prevent fraud or loss, manage regulatory compliance, and drive down costs. Improvements in these processes require a lot of re-engineering. It needs new data, more data, and, crucially, better technology solutions. We play across multiple parts of this value chain, not only for lending clients but for a wide set of customers.

We look at all the products that clients use and all the operational processes in and around our core activities, things like what tools clients use to amalgamate data, what platforms they use to build scorecards, how they test them and so on, and we build products that closely integrate with our existing capabilities to address more and more of these needs. The objective is to provide more cost-effective, better and faster processes, and position Experian further up the value chain.

**Addressing large opportunities**

We have also had great success extending these capabilities into new verticals, which are listed on the right-hand side of this slide. Auto and Health are examples that are familiar to you. Targeting is another. In the past, our Targeting business would have seen declines in the current economic climate, but over the past five years, we have expanded into higher-growth segments by extending Experian’s data and identity assets more deeply into the digital market and ecosystem. We are now at the forefront of innovation in this market.

This gives you an idea of the process of how we assess our addressable markets. We have a series of large addressable markets, and they continue to grow as we find new use cases. Consumer is a great example. This business used to be about access to reports and scores. Now, we provide not only insurance, cards and loans, but also a range of financial products, such as spend management and savings.

However, if you take our core credit markets, the chart here shows you that pure data alone – that is bureaux data – accounts for somewhere in the region of 20% of the opportunity. The rest is made up of activities that require huge amounts of data, but also a platform of some type. That could be for analytics, fraud, originations, identity resolutions and many others. These activities are not new, but the way they are done is constantly changing. Investment across all these areas is accelerating, and we also have a somewhat unique opportunity, which is linking more and more of these capabilities end to end to drive further growth opportunities.

**Our strategic framework**

All of this fits within a clearly defined strategic framework. It starts with massive data sets and investment to improve data. We are adding more records and enhancing quality and depth. Superior data is a real competitive advantage that drives new client wins. We have also invested heavily to enhance platform solutions. Last year, we established a global group to bring all these solutions under a single structure to drive better integration and global scale. These solutions address a wide range of client needs.

Ascend is an example of this. This platform itself is driving growth, but it is also driving new client data wins. We have many more platforms that are either already global or we have plans to make them so. These include Fraud Solutions, PowerCurve, Ascend Intelligent Services, and many others.
In short, we have an amazing breadth of capability. All of our platforms are cloud based and they all leverage advanced technologies, including incorporating AI. Linking these capabilities is going to drive further competitive advantage. This year, for example, we will complete the work to make Ascend and PowerCurve, which were developed as separate products, into one seamless, interchangeable modular platform. Clients will be able to go from model build, test and design to execution without the need to use different platforms. This has many benefits such as cost, speed and accuracy, and it is going to drive further benefits for us.

The level of innovation we have in the business today is much more significant, and it is the successful execution of our strategy that has delivered these record results and will help us sustain our long-term track record of delivering growth. While elements of our business will always be impacted by the cycle, our business has substantially evolved and will continue to evolve. We expect to benefit from this in FY24 and beyond.

**Artificial intelligence (AI) at Experian**

Let me share our perspectives on generative AI, which has recently become very topical. We have wide-ranging expertise in broader artificial intelligence fields, and we have been leveraging these in our products and services for a long time. The use of artificial intelligence is already included in products and markets such as Experian Boost, our Ascend Intelligence Services platform and Experian Lift. It is also included extensively in our fraud portfolio.

Generative AI is an exciting progression and a big opportunity for us. The key point is that the data these technologies rely upon to train models is not included in the open AI ecosystem. It is proprietary data. We have the tools and expertise to use these technologies, and we will use them in our products, services and internal processes.

We see significant product opportunities. One interesting product-specific example is work our DataLabs and Software Solutions businesses have done to incorporate a user interface into our Ascend platform, which we started developing in 2021. It brings the power of these complex systems to non-technical users and enables Ascend users to perform natural language queries.

We also see potential for many operational benefits by driving productivity and efficiency, some of which were already in place. One of the most popular applications to use is the Python code generator. This technology holds the promise of significantly improving the productivity of software engineers. Of course, we are also introducing additional quality control and compliance steps to scrutinise any auto-generated lines of code and to prohibit unauthorised usage of any data elements. We will continue to develop our capabilities in this space while fully respecting the established regulatory governance in place to protect consumers and to ensure fairness in decisions that affect their lives and wellbeing.

**North America delivers +7% organically; B2B +5%**

Let us now turn to the FY23 regional performance, starting with North America, where organic revenue growth was 7%. This was a very good result, particularly in view of the macro headwinds. Core CI and BI grew by 8% for the year when Mortgage was excluded, and we can attribute this resilience to a number of factors. First, our market position is strong and has strengthened in FY23. While like-for-like bureau volumes have been under pressure in some areas, there has been strong resilience across many segments such as Prime, Buy-Now-Pay-Later and Clarity, combined with new business wins and continued revenue growth.

The software platforms have driven a really strong performance. Ascend Marketing is a good example of this, securing substantial new business from clients. One client in particular was seeking to enhance and simplify their solutions, and they did this by re-engineering internal processes and reducing their reliance on other third-party suppliers and consolidating their spend with Experian.

We have also seen some really outstanding performance, such as in business credit, which really saw very little impact as a result of the strong new business wins, expanded data sets and new product capability. Adding to this is Income Employment Verifications, which delivered over US$160 million in revenue and was the fastest driver of growth in North America CI this year. We have established a robust data set with 47 million US records, which rises to 152 million records when historical records are included. Experian Verify can now
be accessed by mortgage lenders through Freddie Mac’s Loan Product Advisor and income modeller. As this chart shows, we continue to add to our client count, with 151 contracts signed, including 18 top mortgage lenders.

North America B2B: new products, verticals add to growth trajectory

Other areas of the portfolio grew strongly. Our Targeting business improved 14% organically and has more than doubled its Benchmark EBIT over the past two years. It is driven by growth in digital identity and advanced television and Ascend Marketing. The result is that digital products make up about 60% of the revenue, up from 26% a few years ago.

Our Auto business also saw strong growth. We benefited from increased marketing activity by dealers driving demand for affordability solutions and new risk models to react to changes in market conditions in underwriting.

Our Health business is the third-largest segment in our North American business, and performance was also positive. We are proud to have been recognised as Best in KLAS for claims and contract management. We are introducing more products such as PowerCurve collections, directly leveraging core Experian capabilities to drive further growth. This segment is not strongly correlated with broader economic movements, and we expect to continue to grow well here.

North America Consumer Services +11% organically

North American Consumer Services grew double digit in FY23, driven by strong performances in Marketplaces and membership products. We added to our free member count, which was up by 10 million to 62 million, and the frequency of member interactions continues to rise. Clearly, there is some pressure on card and loan originations. This increased as the year progressed. However, we outperformed, some of which is due to Experian Activate, which leverages Ascend capabilities to help clients enhance performance, increase conversion rates, and lower the overall cost of customer acquisition.

Our Auto vertical is also performing well. We are expanding the number of carriers in our insurance Marketplace, improving the experience, and we expect to see a lift in policies sold as we move through FY24.

We continue to add new features. Boosted Rent reached over 100,000 unique users. Premium Performance saw higher enrolments and increased revenues. BillFixer is helping premium members to save money, and it is part of an expanding cash flow and personal finances management suite. The Personal Privacy Scan is performing well, and we are very proud that Experian is now a top 15 US finance application, with a 4.8 star rating.

Latin America +16% organically

Latin America had a great year, up 16% organically with substantial margin uplift. FY24 looks set for another year of strong growth. Brazil is outperforming the market substantially, and B2B and Consumer Services grew materially. On the B2B side growth is coming from all areas. SME had one of its best years ever. Our range of products in Brazil continues to expand, with Ascend and PowerCurve growing strongly, and positive data attributes and scores adding maturity to growth.

We are also growing in new verticals and market opportunities such as Open Receivables, Income Verification and Agribusiness. Agribusiness, for example, was up 66% percent this year, and we expect Open Finance to drive significant future growth. Spanish Latin America also delivered strongly as we leverage our global capabilities in this region.

Consumer Services now addresses around half the Brazilian adult population. It grew over 30% percent this year and has moved into profitability. Free membership enrolments were up by 10 million to 81 million. Our credit Marketplace and premium services are in the early phases of scaling, and Limpa Nome had a phenomenal year. Our brand is now the second most recognised financial app in Brazil, so we are making great progress.
We are most excited to share that we have made good progress in establishing a Consumer Services presence in Spanish Latin America, which has been in an investment phase. We now have 13 million free members, which we will add to our free members total going forward.

**UK and Ireland +5% organically**

The UK probably faced the most economic turbulence last year and yet delivered 5% organic revenue growth overall. B2B organic revenue growth was particularly strong, driven by new business wins in our core bureau. For example, we added around 2 million Buy-Now-Pay-Later records. We now have access to 77% PAYE employment records. We had over 473 new logo wins, which was a record, including material gains in several areas such as utilities, telcos, public sector and financial services.

We also launched a lot of new products in FY23, which we believe will drive our growth in FY24. Lenders, while cautious about the economic outlook, are well capitalised and they have continued to invest. Products like affordability suite, cost of living and expenditure models will really work very well in this environment. UK Consumer Services has been impacted by the pull-back in credit supply, but we expect this to rebound quickly when the market comes back. We are making progress with product enhancements and new feature instructions like Credit Lock, all of which had been well received.

**EMEA/Asia Pacific +3% organically**

It was a year of transition for EMEA/Asia-Pacific. The result for the year was a stable picture, improving towards the back end, with margins on an improving trajectory. The next phase will see a push on leveraging our innovation portfolio more widely. We already see the benefits in some countries. For example, Italy has been a great example of how we make innovation really effective. In India, we have seen good bureaux success. In South Africa, new products have offset a challenging macro.

There is more work to do, but we are firmly on a path towards a more profitable and higher growth trajectory. With that, I will hand over to Lloyd for the financials.

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**Financial Review**

Lloyd Pitchford  
Chief Financial Officer, Experian

**Strong financial performance**

Thanks, Brian, and good morning, everyone. As you have seen, we delivered strong financial results in FY23, meeting our growth guidance despite the macroeconomic uncertainty. For the full year, organic revenue was up 7%, with acquisitions adding a further 1%. FX was a 2% headwind to revenue growth. We grew Benchmark EBIT by 9% at both actual and constant rates to US$1.8 billion. EBIT margins were up 30 basis points at constant FX rates at the top end of our guidance. FX added a further 50 basis points, making a total EBIT margin progression of 80 basis points to 27.4%. We converted that EBIT growth to EPS growth, up 9% at both constant and actual rates. Operating cash flow remained very strong, with 98% conversion. Return on capital employed was 16.5% up from 15.7% last year. We’ve announced a full-year dividend of USc 54.75, which was up 6% on the prior year. Finally, as Brian mentioned, we ended the year very strongly financed, with our net debt or EBITDA leverage at 1.8 times.

**Consistent strong revenue growth**

Looking at this year’s growth in a historical context, if you exclude the effects of the pandemic, you can see on the chart that we have delivered five years of consistently strong organic and total revenue growth. Even
during the pandemic, we delivered differentiated resilience and recovered strongly. As a reminder, we have grown in every one of the 17 years we have been a public company, including through the GFC and the pandemic. This reflects the diversified nature of our business, the strong, structural growth drivers and the innovation engine we have created.

Quarterly organic revenue growth trends

North America

Turning now to the FY23 revenue growth, North America delivered 7% of organic revenue growth for the quarter and the full year. For Q4, we saw 6% growth in our core bureau, excluding mortgage. As expected, we have continued to see US lending criteria trend tighter during the fourth quarter. We saw continuous strength across Ascend and very strong double-digit growth from Verifications and Employer Services, while we continue to win share with customers hungry for alternative providers.

Mortgage revenue was down 21% in Q4 and 33% for the year. Q4 included a benefit from score price increases, which helped us offset some downside from volumes, which were down 45% in Q4 and 44% for the full year. For the year ahead, we expect mortgage volumes to continue to be down around 25%, with revenue down single digits given the price increases. Given it now only represents 2% of the group, the headwind for the year ahead is expected to be minimal.

Q4 saw continued strong growth in automotive as supply continues to return to the market. Our Auto Ascend proposition also performed well during the quarter. In Targeting, our exposure to digital solutions is continuing to drive strong growth for us, particularly within digital activation and identity management. Health delivered double-digit growth in Q4 as the one-off Covid-related revenue in the prior year fell away. Excluding the prior year one-off, health would have grown 10% for the year as a whole. North America Consumer Services delivered double-digit growth in Q4 and for the full year, up 10% and 11% respectively. Credit Marketplace grew well in Q4. Increased personalisation and customer journeys, the launch of new propositions and the adoption of Experian Activate all supported double-digit growth in an environment where credit suppliers continue to trend tighter as the year progressed.

Membership continued to demonstrate its counter-cyclical nature and new sign-ups grew well across the second half as new features also helped to improve acquisition volumes. Our data breach business delivered strong growth in FY23, following a number of one-off contract wins.

Latin America

Latin America grew 13% for the quarter and 16% for the year. Positive data remains a key growth driver for the region. Global platform initiatives like Ascend, which grew 72% for the year in Latin America, and Experian One continue to support revenue growth. Our plans in agribusiness are progressing well, as Brian mentioned, and we now have 135 clients. Consumer Services in Latin America continue to scale rapidly in Q4, with a strong performance from our Limpa Nome debt renegotiation platform and a growing contribution from premium subscription services.

UK&I

The UK and Ireland region grew modestly in Q4, up 2% organically, taking full-year organic growth to 5%. Whilst lending criteria have continued to tighten in the UK, our affordability and eligibility products have performed well. On the Decisioning side, Fraud and ID continued to perform well, delivering double-digit organic revenue growth, while Software stepped down from Q3 due to the large contract wins in that quarter. Consumer Services declined 7% in Q4 and were down 4% for the full year. The tightening of the lending criteria and reduction in product in Marketplace impacted Marketplace, which declined high-single digits in the quarter. Premiums subscription services declined as we saw some attrition from the strong subscriber acquisitions that we made during Covid.

EMEA/Asia-Pacific

Our EMEA/Asia-Pacific business performed well during the quarter, delivering organic growth of 5%, taking the full year to 3% against a weakening economic backdrop. We have made good progress through the year on refocusing the business on key strategic markets and we expect to continue this momentum through FY24.
Benchmark EBIT margin

Last year’s reported Benchmark EBIT margin was 26.2%. As we did at the half-year, we have re-presented last year’s margin for the businesses we have exited during the last 12 months, principally in EMEA/Asia Pacific. This added 40 basis points to our prior year margin, bringing it to 26.6% on a like-for-like basis. North America organic margin was flat to the prior year, reflecting the mix of growth.

The Latin American margin increased 280 basis points during the year, reflecting the strong revenue performance across the region, with increased profitability across B2B and profit and margin progressing nicely in our scaling B2C business. UK and Ireland margin was down 90 basis points. As referenced at the half-year, this was principally due to the investment in our income verification launch, and the active choice was made to front load investment behind that opportunity. Excluding that investment, organic margin was up 20 basis points, reflecting mixed and operating leverage across the B2B business. EMEA/Asia Pacific margin improved modestly by 40 basis points on last year on a like-for-like basis. Now we are largely through our portfolio review, our focus is on optimising and scaling the strategic markets and improving the profitability of the region. Central Activities and positive regional mix added 20 basis points to the margin.

Overall, this resulted in a margin of 27.1%, an increase of 50 basis points on the prior year organic activities. Acquisitions were a 20 basis point headwind and reflected the investments we are making behind the acquisitions. Including acquisitions, the constant rated EBIT margin was 26.9%, up 30 basis points at the top end of our guidance.

FX was a 50 basis points benefit, reflecting a weaker pound serving and a stronger Brazilian Real. As a reminder, around 65% of our central costs are in Pounds Sterling.

Overall, our EBIT margin was 27.4%, an increase of 80 basis points against our restated position and 120 basis points up against our FY22 reported margin.

Benchmark earnings per share (EPS)

In EPS, we are delivering growth of 9% on an actual and constant FX basis. We converted 9% Benchmark EBIT growth from continuing operations into 9% EPS growth. Our interest expense increased modestly to US$124 million, despite the large increase in market rates, thanks to our forward rate fixing programme, meaning that the average interest rate on our net debt was broadly stable at around 3%. The tax rate is 26% and is broadly in line with the prior year.

Investing for growth with strong capital discipline

Moving onto our capital investment and shareholder returns, on the left-hand side of the chart, you can see our organic capital investment and acquisition spend. Net capital expenditure represented 9% of our revenue for FY23 and a growing share of our organic capital investment is towards innovation and product development, which has grown strongly over the past five years. We made almost three billion of acquisitions across a range of markets and verticals. More recently, we have made a number of acquisitions in and Verification and Employer Services, and these businesses are now delivering strong organic revenue and profit growth.

We have also moved into new verticals in Brazil through the purchase of our agribusiness and we have acquired specific technological features like BillFixer in North America consumer space. Over the five-year period, we have remained disciplined in our management of capital and continue to generate strong returns on our growing capital base, this year at 16.5%.

On the righthand chart you can see our shareholder returns. We have returned almost three billion to shareholders over the five-year period through dividends and share buy-backs. Today we announced a four-year dividend of 54.75 cents for FY23, up 6% on the prior year.
Financial management

Given that capital discipline, we end the year in a strong financial position, robustly financed, with long dated funding and low near-term exposure to increases in interest rates on our existing debt. Over the past five years, our Net debt has been stable, and we ended the year with Net debt to EBITDA of 1.8 times, compared to our 2.0 to 2.5 times Net debt to EBITDA target leverage range. In the chart on the right, you can see we took advantage of the low interest environment to fix for the majority of our debt. Around 90% of our total debt is fixed for the next two years and around 60% is fixed for at least six years. In addition, we have no bond refinancing required until September 2024.

Given this position, our interest guidance for the year ahead is US$125 million to US$130 million, broadly in line with FY23. All this means we have a very strong liquidity and funding position and our programme for fixed forward interest rates has mitigated for some time the full impact on our current debt of rising interest rates.

Reconciliation of Benchmark to Statutory PBT

Taking a look at our usual reconciliation to statutory results, our Benchmark profit before tax grew 9% at constant rates and 9% at actual rates, driven by the strong revenue performance and margin expenditure. Acquisition-related expenses were broadly flat. The increase in fair value of continuing consideration payable on prior acquisitions was US$45 million, and this was driven by TCC in North America, reflecting its strong performance and its acquisition. Restructuring related and other costs is largely made up of the restructuring charges related to EMEA and Asia Pacific, which we announced at the half-year. Statutory PBT before non-cash items was therefore up 2%. Amortisation of acquisition intangibles was US$192 million, driven by the acquisitions in the current and prior year.

There were impairment charges of US$197 million that were principally related to the EMEA business, which increased slightly from the half-year on changes in market interest rates. Changes to non-cash finance remeasurements was driven principally by gains on interest rate hedging and the FX charges on intercompany financing, leading to the statutory profit before tax of US$1,174 million.

Broad based innovation led growth

The chart on the lefthand side shows our B2B performance over the last five years, where you see that we have added almost one billion to revenue, with compound EBIT growth of 7% and margins up 120 basis points, all at actual exchange rates. This growth has been broad-based and delivered from an acceleration of innovation and despite the FX headwinds during the period.

On the right, you can see our B2C performance, where revenue and EBIT have grown very strongly and almost doubled since FY19. Like B2B, margins have also grown and are up 120 basis points, despite significant and broad investment in innovation. As a reminder, our consumer business pays an internal charge for its data use to our B2B business. Our B2C business today, including that intercompany charge, is accretive to group margin.

Key market highlights

Looking below our segments, as you have heard from Brian, our strategic investments have diversified and broadened the Group and given us exposure to an increasing number of rapidly growing markets. To bring this to life, on this slide you can see a number of our strong, structurally growing markets across B2B and B2C, which are powering our growth, with a chart showing reported revenue at actual exchange rates.

Our North America bureau has grown 9% CAGR to over US$1.5 billion. Inside this number, you can see how our strategic innovations of Ascend, and Verifications and Employer Services are powering growth, with many years of structural growth runway ahead. Globally, Ascend is now live with 491 clients in 10 countries and has a TCB of US$471 million and around US$150 million of annual revenue, which grew strongly this year. We exceeded our expectations for this year on Verifications and Employer Services, where revenue was over US$160 million, as Brian mentioned. Looking at our large and scaling verticals in North America of Health,
Auto and Targeting, you can see that we have together US$1.1 billion of revenue in structural growth markets, which have together delivered double-digit compound growth across five years. In Consumer Services in North America, we have innovated and diversified the business, creating millions of new consumer relationships, with revenue scaling strongly at 15% compound, including double-digit growth and subscriptions.

We are continuing to make great progress in Latin America Consumer Services, where we have gone from having a small, offline Limpa Nome proposition in FY19 to having Credit Marketplace and premium subscription products, as well as a payments portal that allows online debt repayments to be reflected almost immediately in the consumer’s credit score. Across our countries, we have scaled a material global Marketplace business to over US$400 million of revenues since FY19.

Overall, this growing exposure to structurally growing and diversified markets has ensured our resilient growth performance and underpins our forward outlook.

**Modelling considerations for FY24**

Turning to FY24 modelling considerations, which relate to our ongoing activities, as we have said through this last year, we see a tightening credit market with a generally tougher set of macroeconomic conditions in the US and UK in FY24. Our guidance therefore assumes a tightening of lending markets consistent with this low US and UK GDP growth for the year as a whole. We expect 4% to 6% organic revenue growth for the full year. We expect to deliver modest margin progression at constant currency. Based on current FX rates, we expect FX to add between zero and 1% to both revenue and EBIT growth. We expect net interest for the year to be between US$125 million and US$130 million. The Benchmark tax rate is expected to be between 26% and 27%, given the increase in the UK corporate tax rates. The weighted average number of shares is expected to be in the region of 914 million for the year. CapEx is again expected to be around 9% of revenue. We expect cash flow conversion to be over 90%. We have announced a share buyback program of up to US$150 million to be completed by June 2024.

With that, I will now hand you back to Brian.

**Closing summary**

Great. Thanks, Lloyd. To summarise, we have performed really well in FY23. We continue to see great opportunities for our business going forward. We have a really strong financial position, and we have confidence that we are going to deliver good growth through FY24.

With that, I am now going to hand you back to the operator for your questions, for which we will be joined by Craig Boundy.

**Questions and Answers**

**Kelsey Zhu, Autonomous**

Good morning. Thanks for taking my question. I have two questions. The first one is on the tri-merge implementation. The regulators are estimating that process to be implemented in Q1 2024. I was just wondering if you can share with us what you are hearing in terms of whether this will be strictly implemented versus if it is going to be a lender's choice, and how you are thinking about pricing for Vantage Score. Then I have the second question on Verification.

**Brian Cassin**

Thank you. Maybe I will ask Craig to comment on that. There are a lot of changes going on in the mortgage market there, but they are going to take some time to play out.
Craig Boundy, Chief Operating Officer, Experian

Good morning. As Brian says, there is still a lot of uncertainty in how some of those changes are going to be played out. The most important thing is that we are able to make sure that everybody is able to be accurately scored to allow them to get a mortgage. We think that our data places us very well with the breadth of coverage and the strength of the analytical capabilities we have been able to build. It will take a bit of time for that implementation to work through, arguably with some lender choice going on there, but we think we are very well positioned with the data coverage and analytics we have been building. We understand how to price into that market with experience overtime.

Kelsey Zhu

Got it, thanks. My second question is about North America Verification Services. Based on our challenge facts you have made very impressive inroads into the background screening space as well. I was wondering if you could talk about some of the way this progressed across mortgage, background screening and government for your Verification Services and what your expectations are for FY24.

Brian Cassin

Craig, why do you not take that one as well, and give a bit of colour on that?

Craig Boundy

For a couple of years now, we have been strengthening the quality of data assets, but doing so continuous with the strategy we deploy everywhere in the country, and also the excellent analytics that we bring and the ability for people to access our services, in this case around Verifications, in a way that really helps them with their decision-making framework. That can come into choices they want to make in both secured – so think mortgage – or other forms of unsecured lending. We think the very strong growth we have had in the data assets we have and the client relationships continues to set us up well for strong growth across, as you say, a diverse range of client sectors.

Brian Cassin

You had a question about the outlook for 2024. Lloyd, do you want to comment on it?

Lloyd Pitchford

This last year, we grew organically over 30% in the Employer and Verifications segment. We previously said we would be at about US$150m3. We are over US$160m and we expect strong double-digit growth in the year ahead. As I said, there are quite a number of years of runway ahead of us given the market position we find ourselves in.

Kelsey Zhu

Thank you.

Suhasini Varanasi, Goldman Sachs

Good morning. Thank you for taking my questions. The first one is on your guidance, which is for 4-6% organic growth for 2024. Could you please talk about the phasing of the growth through the first half and second half?

Second, last year, you mentioned in one of the calls that, in a GFC-type scenario, given the current business portfolio you could expect growth to be in the range of 4-5%, and given you no longer have as much drag from mortgage, that could even move to the 5-6% range. Are you effectively incorporating that kind of a scenario in your 4-6% outlook, and why? Thank you.
Brian Cassin

Thank you. Lloyd, why do you not give a bit of detail on that?

Lloyd Pitchford

I am happy to. If you think about the portfolio, we have talked about the number of verticals we have which are not really exposed to short-term changes in US lending sentiment. If you look inside the core bureau and the consumer Marketplace business together, there is something like US$1.1 billion of revenue that is most focused on shorter-term volumetrics. A downside scenario with that revenue across the year is incorporated in our 4-6% guidance.

Upside might look like a stronger recovery in sentiment, particularly across the second half. We think the range captures the uncertainty that we see in some lending markets, particularly around some of the news flow in recent weeks. We are pretty confident in that given, as you have seen, the strength of growth we have across quite a number of other verticals.

In terms of the phasing, given some of the trends we have talked about, we are probably more in the 4-5% in the first part of the year and strengthening as the year goes on. We will obviously update as we go. You have seen over this last year the resiliency of the portfolio to changes in macroeconomic performance, so we expect that to continue.

Suhasini Varanasi

Thank you.

Andy Grobler, Exane BNP Paribas

Good morning. There are two questions from me as well, if I may. The first one is on Verification again. You are up to 47 million records in the US. Can you talk through how many of those are unique in nature? Related to that, for Verification, you have grown a lot in terms of your data assets in the UK. Can you talk through what your expectations are for that market over the next few years?

Secondly, going back to your guidance comments, are you seeing tangible weakness in those end-markets in the US already, or is the expectation that that will come over the next few months? When you talk about tangible weakness, what we are talking about? Is it down 5, down 10 or down more than that in that 4% bottom of the range guidance? Thanks.

Brian Cassin

Thanks, Andy. I think that was actually more than two questions, but we will give it a go. Let us deal with the Verifications in the UK first. Obviously, that market has not really evolved yet, but you can see the rapid progress we have made, particularly with coverage. We think we are in a really great position. As I mentioned, one of the things we are excited about in the UK in FY24 is that we have a lot of new products, and this is one of them. We expect to make really great progress in that, but we will obviously update you as we go through the year.

The first question was probably the split between unique records and total records, and I am not sure we have outlined that.

Lloyd Pitchford

Not in that way. Within the 47 million, you will see we added about 5 million during the year. Inside the 47 million, we have 10 payroll providers. We added six during the year. About a third of that 10 is exclusive and two-thirds non-exclusive, then the rest comes from the growing Employer Services business that we have.
Brian Cassin

It sounded like your question on the guidance was really around what we are seeing today in the US credit market, Andy. The answer is we are not seeing anything really different. We called out in H1 and Q3 that we expected things to get a bit tighter; that has happened. As I said, nothing fundamentally bad has happened from a credit metric perspective. We have outperformed in FY23. Our volumes increased overall because we saw really good pockets of strength, and you see it quite mixed depending on which segments. For example, obviously, sub-prime was a bit more challenging. Prime actually had a pretty good year in FY23, and we also saw some strong growth in places like BNPL. It remains the same, and we are expecting that to continue through FY24.

Lloyd, do you want to add anything to that?

Lloyd Pitchford

As you think about the confidence in the lending system, as Brian referenced in his remarks, employment remains strong. The credit metrics around risk are not elevated and are low by historical standards. The question often comes down to short-term changes in sentiment. We saw in the UK around the mini budget some effects of that, and we saw across March and April some elements of short-term sentiment weakness around some of the news flow. That is all encompassed in our guidance.

Overall, for the year ahead, 4-6% encompasses a reasonable downside and upside case. We are optimistic, but as the year progresses, perhaps we get beyond the rate tightening cycle, and we can start to see some upside out of this year into the following year.

Andy Grobler

Thank you.

Justin Forsythe, Credit Suisse

Brian and Lloyd, thank you for having me on. I appreciate it, and thanks for the colour. A couple from me as well if you do not mind.

First, I wanted to hit a little bit on the countercyclicality, specifically in the subscriptions business. I fully understand that conceptually, and I know it is something you talk about, for instance, during the GFC, but maybe you could push through that a little bit. What is it about this that makes it so countercyclical? I would think that these types of solutions had maybe evolved a bit since the GFC and there might be a little bit more choice out there for consumers. What makes people still want to pay, perhaps, if there are free applications out there that do something similar? Maybe you could walk through a little bit about that. Do people take into account, for instance, the savings they get as a result of some of your solutions when they make a decision to pay? Do you know any of that data?

Secondarily, I wanted to parse a little bit into the Ascend growth. It seems like that platform is continuing to grow at quite a nice rate: TCV on a mid-teens growth rate year-over-year. I know you did a little bit geographically, but could you parse what is driving the winds there as you expand that platform for others?

Also, on top of that, with the PowerCurve integration, it sounded like you thought that could help accelerate revenues in TCV going forward. What is going to improve as a result of that? I understand it is integration, but maybe you have some tangible examples of how that can play out. Thank you.

Brian Cassin

Thanks, Justin. I will start off and ask Craig and Lloyd to chip in.

First of all, countercyclicality is an absolute trend we see every time when there is a bit of a downturn. We have seen it now in the GFC, we have seen it in Covid, and almost like clockwork as conditions tightened, we
have started to see those membership products being taken up by more consumers. The answer is that there is still a tremendous amount of demand for credit out there.

What is different is the supply has tightened. As that happens, a little bit more concern comes into the financial outlook. Consumers spend more time actually looking at what their credit score is, how they can improve it and what they can do to position themselves better, and we benefit from that. As you rightly pointed out, the product is not really comparable to what it was in the GFC, or even in Covid, because we have made so many substantial improvements to it. Alongside that, there is a tremendous amount more value in that membership product. All of those factors really play in, and we are absolutely seeing that, both in the UK and in the US.

Lloyd Pitchford

Just to add on the numbers, Justin, during the second half of the year, we saw some of the tighter macro conditions. We saw double-digit growth in sign-ups and new customers in North America, and we exited the year with Q4 subscription revenue growth at 6%. You are definitely seeing that flow through from the elevated sign-ups now into revenue growth, which of course is encompassed in the resilience of the consumer guidance for the year ahead.

Brian Cassin

Moving onto your Ascend question, there were a few parts to that. The first thing I would say is that the US still accounts for the majority of the TCV, but we are seeing very strong growth, particularly in Brazil, and also in the UK. That is really good progress. The growth is coming because there is more usage in the platform, and there are actually extensions to what the platform does. You have heard us talk about modules like Ascend Marketing, which actually showed strong growth in North America last year. You have heard us talk about things like Ascend Ops, and all of these things are really extensions of the capability of the platform to do more things. If you think back to the slide that I had in my presentation that showed you the lifecycle of the customer, we really believe this gives us the opportunity to really capture more areas of client spend by making the processes more efficient, making things like the use and amalgamation of data across multiple platforms into one single platform. All of these things drive efficiency and costs at our clients and give us opportunity, so are really good.

We are really excited about the Ascend. In fact, we are really excited full stop about all of the integration that we can do across our products, but when you think about the lifecycle of a credit model, it gets tested. People pull together. They need a platform to actually develop that. They test it. It goes through compliance, then they want to put it into production. We have products that do all of those things, and we believe there is an opportunity that, if we have combined platforms that can actually take that process from concept, design, test, through to execution, that is another step forward in the sophistication and efficiency of the solutions that we can provide. We are pretty excited about that.

I would maybe ask Craig to see if he has anything to add to that.

Craig Boundy

You have covered it very well, Brian, with explaining how it fits in the credit lifecycle. At the most basic, the Ascend products are big data analytics products, and in the current environment, the demand for analytics continues to go up as people are using more and more analytics. They then want to seamlessly deploy those analytics into production, and that is where the integration with our PowerCurve suite of products comes. As that integration grows, as Brian said, the use cases go up, and the growth potential goes up as well. That is why we are so excited for what bringing together analytics and deployment into production can allow us to help our clients to do effectively in their businesses.

Justin Forsythe

Great. Thank you. That is awesome colour, both of you. Thank you so much.
Andrew Ripper, Liberum

Good morning, everyone. Well done on the numbers. There are a couple of questions from me as well, starting off with one for Lloyd. Lloyd, I was just wondering if you could revisit the medium-term margin outlook for the UK and EMEA/Asia Pacific businesses. Are your expectations the same as they were one to two years ago? The UK has dropped down a little bit. You are at a quite important stage of addressing the legacy technology estate. Maybe you can touch on that and how that might impact the P&L going forward.

Lloyd Pitchford

There is no change to our long-term position. We aim to get the UK scale of market to around 30% margin, and the EMEA/Asia Pacific to mid to high teens.

The thing that gets us there is slightly different. For EMEA/Asia Pacific, it is scaling of the strategic markets we are focusing in on, and you will continue to see us talk about that and see that flow through into margin progression. For the UK, it is principally in the next phase around the technology transformation. You saw that margin this year was really a story about the investment we are making in the Income Verification segment and the access to records we have secured a market-leading position on. From here on, we have a few years to work through the technology transformation in the UK, so to some extent, you see the benefit of operating leverage offset a little bit with some dual running costs on the technology side, but then that starts to pay off in the back end of that period. There is no change to the guidelines. We have lots of detailed plans underway to get us to that 30%.

Andrew Ripper

Is the timeline in terms of getting to 30% for the UK a three to five-year ambition?

Lloyd Pitchford

I do not want to be tied down on an individual year, Andrew, but it is medium term. It is around that range you have talked about, but in terms of the exact year that we land it in, a lot will happen between now and then. It depends on our mix of growth and the investments we are making, but it will be around that level.

Andrew Ripper

Thinking about growth, obviously, it is quite an unusual year this year in terms of the rate cycle potentially pivoting from tightening to loosening. Market expectation is for rate cuts over the second half. When you have thought about your guidance for the year – and, Lloyd, you were talking about the potential phasing of growth over the year – have you factored in any benefits from change in macro towards the back end of the financial year? Are you assuming things broadly stay as they are?

Lloyd Pitchford

Stay as they are. If you push up at the upside sensitivity for a second, the key thing is not really what happens in the macro. It is how macro feeds through into sentiment, so we see that sentiment is really important on both sides of the scenario. That is really what could push us towards the top end of the range, but there is no change in the macro assumptions for the year as a whole.

Andrew Ripper

Finally, thinking longer term, there is a long list of strategic highlights in the statement today. You have touched on quite a few of them over the course of the call. When you get beyond the low in the credit cycle, and maybe you can revisit it, what do you think medium-to-long-term organic growth potential of the business is?
Brian Cassin

Andrew, obviously, we think that the growth potential of the business is substantial, and I do not think that is just our reflection. I think you saw that really, actually, this year and in previous years, so, of course, when conditions get a bit tougher, for some of the volume businesses, growth comes off a little bit, but counter-cyclicality really came into play this year. The secular trends that we outlined in the presentation and on many occasions previously all play into long-term growth opportunities, so we expect that, once we get into a better macro environment, our growth will accelerate.

Oscar Val Mas, J.P. Morgan

Good morning, Brian and Lloyd. I have three questions. The first one is going back on the guidance but thinking about it by region. You have talked a lot about the US. Could you talk about Brazil and also the UK in 2024? It sounds and looks like organic growth has improved in Q4 and you have won some contracts. Could you talk about Brazil and the UK? That is the first question. The second question is going back on Income Verification, and, in the UK, it sounds like you have a market-leading position. Could you explain whether the business in the UK is similar to the US? Are you seeing competition come up in the UK or do you expect that to be aggressive? The final question is a bit more strategic on M&A. How is the pipeline looking? Have we seen multiples come down still? What areas should we be focused on in terms of M&A?

Brian Cassin

Thank you for that. Lloyd, you respond on the guidance point, and then I will come back on the Verifications and the M&A.

Lloyd Pitchford

Sure. Starting in Brazil, the backdrop in Brazil to our business, the secular growth that we are seeing, is really strong. You can see across B2B business how that has been driven by the introduction of positive data, which is a multi-year tailwind to growth in the B2B business. In the B2C business you saw on my chart, we have grown from a standing start to over US$160 million of revenue, growing very strongly in any quarter with 25-35% organic growth. We expect that to continue, so strong double-digit growth in Brazil for the year ahead driven by those strategic growth-drivers.

In the UK, there has been a bit of a mix. Clearly, in the first half, we have weaker lending conditions. We start to lap that position earlier in the UK because of the effect we saw about the middle of the year from the mini budget, so we are softer maybe in the first half and improving in the second half.

Brian Cassin

On the Verifications, the UK market looks very different to the US. I suppose the most significant point is that, in the US and the mortgage market, verification of income is needed as part of the process, whereas that is not mandated in the UK. You have had for a number of years affordability assessments and income modelling in the UK, which have been proxies for that, so lenders are actually quite sophisticated in how they do this, and so this is really a new push into moving towards verification over and above those solutions, so the market is still really involving. In terms of competition, what I would say is that I think we have the leading position. We have the biggest record coverage. We obviously have the most extensive relationships into the industry, and I think we are really well-positioned, but we would expect that there will be competition. I think there is a fair bit of investment going into this area from a number of different players, as you also see in the US, but I am very optimistic about how much progress we can make on this and very confident in the position we have developed.

On M&A, generally speaking, I think we feel reasonably optimistic about the opportunities that are ahead this year. There has been some moderation in multiple expectations. We obviously talked about this last year, and I think last year was quite difficult because I do not think expectations really changed very much, but now that that has extended a bit longer, we do seem to be in a slightly different environment. We are going to continue to look for opportunities. We do have a health pipeline. We always do. Whether we can meet buyer and seller
expectations is always where these things land, and none of these will be a surprise to you. They will be in areas where we strengthen our core business and in the core capabilities that we have such as our core credit business, data assets, fraud and identity. Those sorts of areas are the areas that we are all focused on.

**James Rose, Barclays**

Good morning. I have two questions, please. The first is on product capabilities. You have given revenues from new products adding over US$1 billion since FY18. I am wondering what your expectations are of what they could contribute to FY24 from new product development. Also, in the Marketplace businesses in the UK and the US, could you touch on what you are seeing in the fourth quarter and also into the first quarter and perhaps your assumptions for those businesses throughout FY24? Thank you.

**Lloyd Pitchford**

I will start with Marketplace. Through the fourth quarter in the US, we saw strong double-digit growth in Marketplace. When you look within the quarter, some of the sentiment that we saw that started around mid-March around regional banks, we did see some pullback, which is in line with the guidance that we talked about. We have seen that continue into early April, so we start the year, I think, with more modest growth in that Marketplace business, but it is at the area that it recovers very quickly and very strongly as sentiment moves around. In the UK business, our Marketplace businesses have been weak since the mini budget around the half year, so we have seen that weak and stable. We expect that, probably, to continue through the first bit of the year, but we start to lap that around the half year because of the timing that we had in there.

On the new product, I will not give guidance on new product revenue, but I think you can see the shape of the chart and you can see the accelerating investment and really the breadth of market positions we are taking. You can see on that chart I outlined. Our exposure to quite a number of fast-growing verticals across our markets is increasing, and, as they begin to scale, they provide, obviously, a good profit trajectory as well.

**Karl Green, Royal Bank of Canada**

You have partially answered this question, but I will maybe ask it in a slightly different way. You have talked about sentiment there and how it is impacting various parts of the business. Just specifically in terms of your range of organic growth outcomes for the full year, have you specifically factored in any changes in employment conditions over the next 12 months? Yes, we could talk about interest rates cycles potentially pivoting, but employment is going to be a key dynamic in things like the SLOOS survey, etc. Can you provide anything more granular on that? Maybe you are just taking it from more of a high-level view. Thank you.

**Lloyd Pitchford**

Yes. We start with GDP growth and, as we look out, it is a modest growth environment in the UK and the US. Forecasts move around from slight recession to slight growth, but, if you say modest growth across the year as a whole, that is how we have bedded our forecasts. Clearly, there can be some scenarios around that, and employment and how employment varies is all part of that, but that is all encompassed in the 4-6% range.

**Anvesh Agrawal, Morgan Stanley**

Good morning. Most of my questions have been answered. I have just a couple. First, on Spanish LatAm and the membership growth you have seen there, I am wondering what is driving that investment. Does that market have any similarities to your Brazilian business, and can it develop in a similar way longer term? I am curious to know what the growth runway was there. Secondly, you have outlined the benefits from generative AI and how you can use it going forward. Could there be some challenges or could the way you deliver the service be changed or improved upon because of generative AI? I am just thinking on the other side.
Thank you. Let us deal with the Spanish LatAm question first. This is one of these things that we take some time to build before we talk about it, and, actually, they have done a great job. It is the same kind of approach that we have used in Brazil. It is primarily in Colombia, and it is actually quite a substantial membership base now when you consider the population of that country, and it will be the full range of products, primarily focused on free, Marketplaces which will evolve. Of course, in economies like that, you do have the opportunity for products similar to the Limpa Nome proposition that we have in Brazil, so it is exciting. The scale and context of that market are very interesting and good developments.

Coming back to the AI question, your question was specifically on challenges. I suppose there is one angle to think through in all of this, which is really the regulatory challenge around that. Of course, the provision of credit is heavily regulated in most of these areas, and there will be a lot of scrutiny on this as we go forward, but, actually, this really is part of the strength of our propositions because we have incorporated all of that into the products where we already use AI, so I think there are going to be some limitations actually on what can be done with this, particularly in a political context. We do not really see any challenges to our core business because the key point is that, for these models to be effective, they need to work on the datasets, and our datasets are proprietary and, actually, give us a tremendous competitive advantage, so, as we think about that, we think very much this is a great opportunity as opposed to some sort of lurking threat there.

Concluding remarks
Brian Cassin

Thank you very much for all your questions. That concludes today’s session. Thank you for joining us. I hope you have a good day, and we look forward to speaking to you again in July for our Q1 trading update.

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