

Interim Management Statement, First Quarter 10 June 2008

Welcome

Don Robert
CEO, Experian

1. Preamble

Good morning ladies and gentlemen and thank you for joining us on today's call to discuss our first quarter Interim Management Statement. I will start the call off today with some introductory comments, and then I will hand it over to Paul Brooks who will take you through the trading details. Of course, after my concluding remarks we will open the call up for your questions.

2. Continued Growth

Overall, we are very pleased with the resilience of the business in the first quarter of this financial year. Experian as a whole has continued to grow, which is a considerable achievement given that the market conditions in parts of the US and the UK continue to be very challenging. Of course, we have delivered this growth against very tough comparables in this quarter. On a global basis, revenues were up 21%, while organic revenue growth was 1%.

3. Global Diversity

This performance again underscores the balance of our business mix and the benefits of our global reach. The story is no longer about only one geography, but it is about a large, global business with different challenges and different opportunities in many parts of the world. It is about a series of strategic moves we have made to diversify the business, and it is about strong execution by our management teams around the world. We have adjusted our business and we have adapted to the change in our trading environment.

4. Market Condition Effects

Parts of the business are growing strongly. For example, Consumer Direct, Latin America and Decision Analytics in EMEA and Asia are all performing very well. At the same time, market conditions in Financial Services remain challenging and are having an adverse impact, in particular in the US and UK Consumer Credit Services and the UK Marketing Services. We are focused on supporting our clients and helping them mitigate risks in their portfolios, and as a result we are making a lot of progress with risk management solutions and counter-cyclical products, including portfolio management and collection products. The results are evident in this quarter with a good performance in the UK Decision Analytics.

5. Ongoing Strategic Reviews

We continue to be proactive in the way we are running the business. We obviously cannot control the market environment, and we are not planning on any improvement in the UK and US Financial Services. However, we continue to take intelligent and aggressive actions on costs. We will provide some status about the cost restructuring programme at our interim earnings presentation in November, but I am pleased to say that the programme is progressing well, with excellent execution by our teams. The strategic reviews of our French Transaction Processing business and PriceGrabber are ongoing, and we are not providing any further updates on those today. We still plan to update you further during the course of the current quarter. With that, let me turn the call over to Paul, who will take you through the trading details. Paul.

Financial Review

Paul Brooks
CFO, Experian

6. Trading Performance

Total revenue growth in the quarter was 21% at actual exchange rates, and 16% at constant exchange rates, with organic revenue growth of 1%. Looking at growth by principal activity, group organic revenue growth of 1% reflected strong growth at Interactive of 8%, and at Decision Analytics of 5%. Marketing Services' organic sales were in line with last year, and Credit Services was down by 4% due to the impact of the credit crunch on our US and UK Consumer Credit activities.

7. Performance By Region

North America

Now let us look at performance by region, starting with North America. Total revenue for North America increased by 1% in total, and organic revenue was flat. Our Credit Services organic revenue declined by 5% against a tough comparative. There are two specific areas that have been hit hard by the credit crunch. First, it is probably no surprise that mortgage activity remains challenged, and in addition most Financial Services clients are not currently marketing for new credit customers.

On the positive side, we continue to see strength in demand for Portfolio Management and Collection products, which continue to grow strongly. At Decision Analytics, organic revenue was down by 6%. Growth was impacted by the major Bank of America deal, which creates a tough comparative. We continue to take market share in Decision Analytics, and have a good pipeline of new potential deals, but are seeing a longer sales cycle. Marketing Services performed well, up 2%, with new media activities growing strongly. Interactive was up 5%, with another excellent performance for Consumer Direct.

Latin America

Revenues in Latin America were \$128 million for the first quarter, up from \$3 million the year before. Serasa annualised at the end of June, and will now be part of our organic growth numbers. It is performing very strongly and to the buy plan. We have established a strategic sales force in Brazil to focus on cross-selling the breadth of Experian products, and we are beginning to see the benefits. An example of the success we are having is in our Marketing Services business, which delivered excellent growth in the quarter as a result of new contracts with major Serasa clients.

UK and Ireland

Revenue from continuing activities in the UK and Ireland was up 5% at constant exchange rates, with organic revenue up by 1%. Credit Services was 2% lower organically. The market for loan origination products remains tough, but we continue to see strength in Business Information. We are very pleased with Decision Analytics, up 4%, where we are delivering good growth in scoring and analytics, customer management and collections software. Conditions continue to be challenging in Marketing Services, down 7% due to the weakness in the financial services sector. Interactive continues to power ahead, up 50%, driven by CreditExpert membership growth.

EMEA/AsiaPacific

Total revenue growth was 9% at constant exchange rates, while organic growth was 1%. Credit Services declined by 3%, reflecting weakness in the French cheque processing market and phasing of BPO contracts, but we saw good growth in our EMEA credit bureaus. There was an excellent performance at Decision Analytics, up 14%, reflecting strong new business wins across the region. There was again a strong performance in Marketing Services, which grew by 8%.

Don Robert
CEO, Experian

1. Summary

Thank you, Paul. As I said at the beginning of the call, we are very pleased with the resilience of the business. Our team has risen to the occasion and taken proactive action on costs; we are making strong progress against our restructuring goals. However, this is not just a cost story. We continue to sell and innovate aggressively and rely on a value-added client proposition that helps our clients manage risk, capital and efficiency. While we are not planning on any short-term recovery in the US and UK Financial Services, the message that I would like you to take away today is that of resilience. We have a number of factors that work in our favour as we progress this year, and our cost-cutting programme is progressing well. We are continuing to invest for the future, and we fully expect to emerge from this cycle even stronger and better positioned competitively.

Now we will turn the call over for your questions. Today's Q&A will be a little bit different, simply because the team and I are not in the same location. I am travelling

in the US this week while Paul, Nadia and Peg Smith are in our London office, so please bear with us as we try to handle your questions as they come through.

Questions and Answers

Paul Seegers, Merrill Lynch

On US credit growth trends, could you give me a sense of how the minus 5% moved through the first quarter, please?

Don Robert

Thanks. Paul – I am sure there is quite a bit of interest in that US Credit Services figure. Could you give us a little bit more colour on that?

Paul Brooks

I guess your question was really whether the trend changed in the course of the quarter, is that right?

Paul Seegers

That is absolutely right Paul, and whether you think the trend has reached an inflection point or whether you think is going to get worse in quarter two.

Paul Brooks

We saw no significant change in the trend during the course of the quarter. I have to say that the performance is slightly better than our internal expectations, because we knew we were facing a very tough comparative on the origination side. If we are looking at changes between the fourth quarter of last year and the first quarter of this year, the only change would be on the Mortgage side. The rate of decline in Mortgage improved slightly in the fourth quarter. That was attributable to a blip in mortgage refinance activity, I think it was in January, and so we reverted back to a rate of decline in Mortgage that was more similar to quarter three during the first quarter. That was in line with our expectations. I think the main answer to your question is that we did not see a deterioration during the course of the quarter in conditions.

Paul Seegers

Thank you for that. My last question, if I may, is on US Decision Analytics, in terms of order book delays. I think we saw something similar in the UK last year, but as you rightly point out that has improved. Are you encouraged by the order book that you have got in US Decision Analytics that things should improve from the second quarter, or do you think it may take longer in terms of the decision-making cycle?

Don Robert

We are actually very pleased right now with the quality of the order book, in what we call the sales funnel in US Decision Analytics. I think the main thing to keep in mind is that there are tough comps there this quarter against that large Bank of America win from a year ago. However, it looks pretty good.

Andy Chu, Deutsche Bank

Firstly, in terms of US Interactive, could you give us some further help in terms of what has happened in terms of growth rates? You talked about Consumer Direct, but what about LowerMyBills and PriceGrabber?

Paul Brooks

Consumer Direct continues to grow very well, in excess of 20%. We are very pleased with the performance; that is another one that is probably a bit ahead of where we expected it to be in this quarter. PriceGrabber continues to grow well, and LowerMyBills is still down by over 40% year-on-year. Obviously the numbers are getting smaller in absolute terms. I think the important point to make about the Interactive Media business, which LowerMyBills is a major part of, is the fact that we have actually pulled marketing spend down by a higher percentage than the sales have gone down, so the gross margin in that business has actually been improving. It is a long way of saying we are not seeing any significant profit degradation in the Interactive Media business, despite this quite big reduction in sales.

Andy Chu

Just coming back to US Credit Services, what is actually happening in the account management and collections businesses? Is that accelerating in terms of growth, have you seen your customers actually in this environment increasingly worried on their own books? What is happening there?

Paul Brooks

It is remaining fairly consistent with the trends that we have seen over the last couple of quarters, so it is still going strongly. We would expect, and one of the important points this quarter, is towards the end of the current quarter we are obviously going to annualise the credit crunch hitting, which was sort of late August of last year. We might expect to see some reduction in account management growth but not collections growth come that anniversary, but equally of course we will be facing softer comparatives on the mortgage and pre-screen side as well.

Jaime Brandwood, UBS

A couple of questions have been answered already but I just wondered, in terms of the disposals, without talking about when you are going to say something, can you say whether there has been any impact on those businesses just because of the fact that they both know they are on the block. That is, in terms of the French business

declining and maybe PriceGrabber not growing quite as fast as last year – any impact at all from that?

Don Robert

Thanks for that question, Jaime. I would say no. Obviously it is a tricky time when businesses are under strategic review like this. Management teams can become distracted. In this case, the French business is trading very much to plan, and PriceGrabber business continues to hold up very well in a fairly challenging retail and online retail environment. There is nothing specific that I would point out there in terms of the performances of the businesses.

Jaime Brandwood

On UK Credit Services, obviously it is not a huge amount of slowdown, but they have had a little bit of a slowdown. Is any of the slowdown in UK Credit Services mortgage-related?

Don Robert

I think the main thing to remember is that the mortgage business accounts for less than 5% of the UK Credit Services. Of course, the business has been highly impacted in the UK, but it has not had a substantial impact on our overall numbers there. In fact, generally speaking, consumer trends in that business are still fairly tough. Visibility remains low but Business Information is holding up very well. We are continuing to do a lot of things around life-cycle management, and there has been a big uplift in the demand for our portfolio management services in the UK. Of course, the public sector part of that UK Credit business remains very strong as well. In the US, we kind of feel like the Consumer Credit business is bumping along the bottom, if you will.

Jaime Brandwood

It comes with slight deceleration in UK Credit Services. Is it more because the Business Information was growing particularly well in the previous quarter and has just maybe eased a little bit, or is it that Consumer has deteriorated more?

Paul Brooks

In fact, Consumer was very much in line with the second half of last year. BI had a strong quarter in the comparatives, that was slightly weaker, but there is no trend there. For Consumer Credit, no change in the underlying trend.

Jaime Brandwood

Finally, on Consumer Direct, which looks like a fantastic performance in the US, can you give us a little bit more sense as to what has driven that? Is it more volume, more pricing initiatives? Or is it more just the fact that you have been advertising pretty aggressively?

Don Robert

I think it is all of that, Jaime. This is a very, very good success story and the momentum of our advertising programme continues. Our presence on YouTube, our success in converting and monetising online traffic; I think it is just doing a whole lot of things right, including the momentum in the UK which is not to be overlooked as well. A continuation of a lot of fantastic trends in that business.

Jaime Brandwood

You gave us a little bit of indication on the margin trends in LowerMyBills in terms of gross margin improvement there. In the second half of last year it looked like Interactive saw a pretty strong margin increase, and I think that was driven by Consumer Direct. Are the margins in Consumer Direct still heading upwards?

Paul Brooks

This figure trading is up there, I do not particularly want to get drawn into margin performance. Actually, no, in Interactive our guidance is just pretty much 'maintain margins'. We did have a very strong performance on the latter part of last year. A lot of the margin you will see at the half year will depend on our marketing strategy for the second quarter as well, the extent to which we have upped the marketing. I really would not want to give a view on margin at this stage.

Andy Chu, Deutsche Bank

Don, just a quick question in terms of Equifax and Fair Isaac are obviously developing products in terms of Decision Analytic-type products and solutions products. How does that affect the development of your VantageScore product, if at all?

Don Robert

What Equifax have agreed to do is to provide Fair Isaac with access to some of their information on which they can build the new product. This was an offer that was made to Experian, and one that we passed on, and presumably one that was also made to TransUnion. Concurrent with all of this happening, Andy, Equifax reached out to us proactively and reaffirmed their commitment to the VantageScore and to the Vantage LLP, the business that we actually operate, so we feel that they are still 100% in the game. We feel that the more interesting part of this development is that it truly invalidates the anti-trust lawsuit from FICO against the pre-credit bureaus because of the business. Equifax think they will be able to buy their way out of that lawsuit by agreeing to this commercial arrangement with their ISICs, so we feel even more vindicated than ever in terms of that risk going away.

Andy Chu

In terms of the developing VantageScore, can you say anything on how that is progressing?

Don Robert

Continuing to move along very much according to plan, if not a little bit ahead of plan. We've done a lot of testing. We have always said it would be a long game and indeed it will be, but the trend is decidedly up; more interest from large institutions all the time, and hopefully one of these days one of those large institutions will actually give us permission to use their name. So far we are really pleased with the progress.

Closing Remarks

Don Robert
CEO, Experian

Thank you for joining us today everyone. We look forward to talking to you again at our next trading update which will be in October. Thanks a lot and goodbye.