

# Operational review – Experian

For **Experian** as a whole, sales for the year increased by 7% and operating profit by 6%, despite difficult market conditions particularly in North America.

At constant exchange rates and excluding acquisitions and disposals, sales grew by 3% and operating profit by 4%.

Globally, Credit Information and Credit Solutions achieved strong growth (up 10%). Marketing Information and Marketing Solutions sales grew by 4%, despite a significant slowdown in direct mailing activity during the year. Major contracts were won during the year in both Experian North America and International, with total contract value over their lifetime being in excess of £140m.

12 months to 31 March	Sales		Operating profit	
	2002 £m	2001 £m	2002 £m	2001 £m
Experian North America	688	661	159.5*	155.4
Experian International	404	357	69.6	61.2
<b>Total</b>	<b>1,092</b>	1,018	<b>229.1</b>	216.6
Operating margin			<b>21.0%</b>	21.3%

\*after charging £7.7m restructuring costs (2001: nil)

As announced at our interim results in November 2001, we now provide additional information on Experian to improve understanding of its businesses. Sales are split five ways:

<b>Information</b>	– <i>credit</i>	providing data for credit purposes
<b>Information</b>	– <i>marketing</i>	providing data for marketing purposes
<b>Solutions</b>	– <i>credit</i>	helping clients with decision making for credit purposes
<b>Solutions</b>	– <i>marketing</i>	helping clients with decision making for marketing purposes
<b>Outsourcing</b>		supporting clients in process tasks

Segmental information for this year and comparatives for last year are shown on pages 4 and 5. Additional information on Experian and the markets it serves is available on the GUS plc website, [www.gusplc.com](http://www.gusplc.com).



**Craig Smith**  
Chief Executive  
Experian North America

### Experian North America

Experian North America demonstrated its resilience in the year to March 2002 in the face of the economic slowdown in the US and the adverse impact of the events of September 11. Sales at constant exchange rates were marginally ahead of last year and operating profit in dollars was broadly unchanged, despite incurring \$11m of restructuring costs. On an underlying basis and excluding these restructuring costs, profits increased by 6%.

Total sales for the year were \$985m (2001: \$981m). Credit Information and Credit Solutions together increased sales by 4% with lower interest rates stimulating the mortgage and automotive finance markets. Performance also benefited from the growing momentum of new products such as fraud and authentication services and sales of credit reports and scores direct-to-consumer.

Marketing Information and Marketing Solutions sales in dollars fell by 4%, excluding acquisitions. In common with other direct marketing services companies, Experian North America was affected by the decline in marketing expenditure by US corporates. This was most marked for clients in the catalogue, retail and publishing sectors. Outsourcing sales, which in the US are mainly print and mail activities, declined by 11% reflecting the difficult economic conditions, further aggravated by the anthrax scares in the third quarter.

Management has focused aggressively on reducing costs in the core business, while continuing to invest in new product areas for future growth. Over 700 employees were made redundant during the year at a cost of \$11m. This should save about \$40m on an annualised basis, with half the benefit having been realised in the year to 31 March 2002. Savings in the current year will be offset by cost inflation

### Experian North America

12 months to 31 March	2002 £m	2001 £m	Change	Underlying change*
Sales	<b>688</b>	661	4%	0%
Operating profit	<b>159.5</b>	155.4	3%	1%
Of which:				
– Direct business	<b>136.5</b>	145.2	(6%)	(7%)
– Restructuring costs	<b>(7.7)</b>	–	–	–
– Associates (mainly FARES)	<b>30.7</b>	10.2	–	–
Operating margin	<b>23.2%</b>	23.5%		

\*at constant exchange rates, excluding acquisitions and disposals

which is expected in such areas as insurance premiums and employee costs.

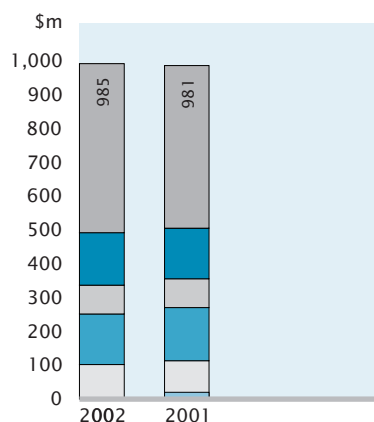
FARES, our real estate information joint venture, had an exceptional year, generating profit of over £30m. It benefited in particular from the strong mortgage refinancing market. As Experian owns only 20% of the FARES joint venture, it does not include any sales in its reported numbers. Had Experian's 20% share of FARES' sales been included for the full year, sales growth on an underlying basis would have been 3%.

Despite a weak economic background, Experian North America remains focused on growth:

- *it is building on its core businesses.* Management was further strengthened throughout the organisation, with the appointment of Don Robert as Chief Operating Officer and six other new senior recruits. As a result of more co-ordinated and focused sales efforts across North America, Experian has won share with many strategic accounts in the financial services, insurance and retail markets.

In the coming year, Experian North America is looking to drive growth by buying in, wherever possible, its affiliated credit bureaux. It currently has 38 bureaux in the US which have the right, under historical agreements, to sell Experian's consumer credit reports in certain geographic regions. Experian receives wholesale revenue from these affiliates for consumer credit reports. The affiliates then resell these reports to their clients. In addition, Experian pays the affiliates to purchase credit information on consumers living in their territory. Buying back these affiliates will enable Experian North America to gain control of the distribution of its products and give it a greater share of the value chain in consumer credit by growing sales, profit and cash flow;

# Operational review – Experian



## Sales for Experian North America

12 months to 31 March

- Information – credit
- Information – marketing
- Solutions – credit
- Solutions – marketing
- Outsourcing
- Discontinued activities/eliminations



**John Saunders**  
Chief Executive  
Experian International

- *it is successfully selling new products.* For example, significant progress has been made in Customer Relationship Management and Customer Data Integration services (Truvue). An additional 13 Truvue clients were added in the year, including GE Capital, AT&T, Key Bank and Progressive Insurance. New e-series clients include VISA, Dell Financial Services and First American Payment Processing. Toyota Financial Services, Dell Financial Services, American Express, Bank One/First USA, Discover Financial Services and Sprint PCS have all joined the National Fraud Database during the year; and
- *it is growing by targeted acquisitions.* Direct-to-consumer is a key growth area for Experian North America, which saw significant investment and growth in its own credit report, score and monitoring services during the year. To complement this, in April 2002, ConsumerInfo.com was acquired for \$130m. It is the leading supplier of online credit reports, scores and related information to consumers in the United States. The acquisition, which is proving to be immediately earnings enhancing, gives Experian the market-leading position in this fast growth industry.

In October 2001, Experian North America decided to retain certain elements of data on the consumer credit database for at least an additional two years and reload certain data that had previously been archived. As a result, with effect from 1 April 2002, Experian North America will extend the period over which it amortises the cost of acquiring, loading and storing consumer credit data from five years to seven years. This will benefit the operating profit by approximately \$8m in the year to March 2003. The amortisation periods for all other databases remain unchanged.

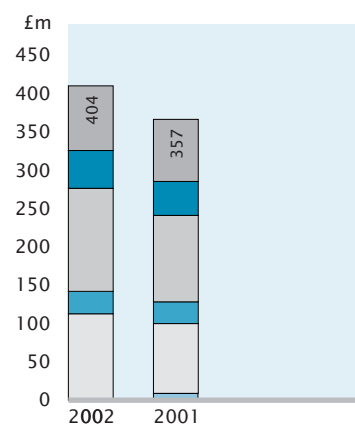
## Experian International

Experian International had another strong year, with a sales increase of 13% and operating profit growth of 14% (10% and 11% at constant exchange rates and excluding acquisitions and disposals).

The strongest performance within Experian International came from Credit Solutions, now 33% of sales, which grew by 15% on an underlying basis. This reflected the strength of account processing and fraud prevention in the UK and of application processing, scoring and analytical services in all regions. Underlying growth of 12% in Outsourcing, which is mainly in Continental Europe, reflected a combination of increased volumes from existing clients and additional volumes from major contracts won in the previous year. Marketing Information and Marketing Solutions sales growth slowed in the second half, reflecting weakness in demand for marketing services in the UK from the financial services sector.

Experian International				
12 months to 31 March	2002 £m	2001 £m	Change	Underlying change*
Sales				
UK	241	216	12%	9%
Rest of World	163	141	16%	11%
Total	404	357	13%	10%
Operating profit	69.6	61.2	14%	11%
Operating margin	17.2%	17.1%		

\*at constant exchange rates, excluding acquisitions and disposals



Sales for  
Experian International  
12 months to 31 March

- Information – credit
- Information – marketing
- Solutions – credit
- Solutions – marketing
- Outsourcing
- Discontinued activities

Experian International continues to focus on sustaining sales and profit growth:

– *it is building on its core businesses.* Selected client wins include:

- HBOS: business information and solutions to support commercial lending (Credit Information and Credit Solutions);
- Spanish banks: preferred supplier of a consumer credit database to a consortium of Spanish banks (Credit Information);
- Edeka: provision of loyalty card processing services (Credit Solutions);
- BNP Paribas: five year contract for cheque processing (Outsourcing);
- Lexus: provision of a web-based car sales reporting system (Marketing Solutions); and
- Banque de France: cheque processing contract (Outsourcing).

Together, these contracts will generate £18m of annual new business in a full year, with the total value of the contracts over their lifetime being approximately £80m.

– *it is successfully selling new products,* such as e-series and the new Motor Insurance database (used by police and the insurance industry to check whether vehicles are insured). e-series wins during the year include:

- Camelot: identifying individuals and authenticating their age for Camelot's online lottery; and

- ABTA: confirming the identity of individuals who purchase tickets or holidays remotely by credit card, either by phone or on the Internet.

– *it is growing by targeted acquisitions.* Acquisitions made during the year, adding new skills, products or end markets include:

- Cards Direkt (German loyalty card processing);
- CNTP (French cheque processing);
- Intact (UK web-based list joint venture);
- Interface (Irish business information); and
- Unclaimed Asset Register (data on UK unclaimed financial assets).

After the period end, the remaining majority stake of a fraud management business was also acquired. The cost of all these acquisitions was £23m.

As previously announced, from 1 April 2002, Experian International has taken responsibility from Reality for third party call centre and related activities, serving predominantly financial services clients. This enables the company to offer full business process outsourcing capabilities.