FY25 half-yearly results presentation
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Transcript

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Strategic and operational overview

Brian Cassin
Chief Executive Officer, Experian

Introduction

Hello everyone and welcome to our first half results presentation. I'm joined today by Lloyd who will run through the financials after my initial overview, and then we will open up for Q&A.

H1 FY25 highlights

We delivered a strong first half performance, with organic revenue growth of 7%, in line with our expectations, with margin progress a little ahead of expectations. We've also made a lot of progress on our key strategic and business initiatives.

Financial highlights

Three of our regions delivered high-single digit organic revenue growth in H1.

- We delivered 7% organic revenue growth in each of Q1 and Q2. This represents good Q2 momentum for our underlying business, since we had a one-off data breach benefit in Q1 which did not repeat in Q2. When combined with a credit environment that is still subdued, this is a good result.
- We've made very solid progress in North America.
    - We saw strength in CI/BI excluding mortgage, despite unsecured credit volumes which remain below historical averages.
    - Positive vertical contributions and growing momentum in Consumer Services ex-databreach services also contributed favourably.
- In Latin America, Brazil improved to 9% organic growth in Q2 to give 7% for the half, driven mainly by excellent Consumer Services progress.
- While UK growth is still low single digit, it has been a consistent performer in a still weak UK lending environment. UK Consumer Services further strengthened in Q2, reflecting an improving competitive position.
- And EMEA and Asia Pacific is on a very solid trajectory following the various actions we've taken to enhance innovation and establish stronger market positions.

B2B growth accelerated in Q2 to give 6% for the half. Client expansion, new product contributions and mortgage were the main drivers of this performance, with key verticals like health, auto and targeting also contributing positively.

9% growth in Consumer Services reflects our ongoing actions to grow membership, extract cross-Experian synergies and expand our product ecosystem.

Revenue growth translated into 10% constant rate EBIT growth for ongoing activities, and 60 basis points EBIT margin progression, which was ahead of the top end of our expectations. Benchmark EPS and dividend per share rose by 8% and 7% respectively.

Strategic highlights

Organically we continue to invest across a range of initiatives, for example in B2B in Ascend platform adoption and in Consumer Services in expanding our product ecosystem, and now with over 190m free members, making us one of the world's largest consumer financial platforms.

We also converted some of the larger deals in our M&A pipeline. We deployed over $800m in acquisitions in key areas like fraud and health. The Illion acquisition adds scale to our business in Australia and we've agreed the acquisition of ClearSale to extend our fraud position in Brazil.

We've also introduced new Generative AI use cases across both B2B and B2C.

This all positions us well to deliver on our FY25 goals.

Our differentiated strategy puts us on track to deliver our medium-term framework

Our strategy has been very consistent and hopefully by now familiar to you. We continue to make a lot of progress and we're on track to achieve the objectives we set out in our Medium-Term Framework.

Our investment in integrated platforms, our innovation-led approach, and the value exchange we provide to consumers is unique. We are helping to reshape markets, US insurance being a good example, all of which is driving growth across the group. We are also on course to deliver on our technology transformation, introduce GenerativeAI tools and capitalise on other productivity measures, and we expect this to free up additional resources to invest deeper into our strategy as well as enhancing future profitability.

H1 strategic accomplishments – B2B

To give some specifics on our H1 strategic accomplishments:

Ascend Platform

The Ascend Platform makes it easier for us to get our products into the hands of our customers. There is significant opportunity to drive more automation in both fraud and credit analytics and between credit risk and credit marketing. The Ascend platform helps clients achieve this, whilst also reducing risk and cost, meeting regulatory requirements and lowering dependence on multiple point solutions to drive cost efficiency. Our primary focus this year is to execute migrations for existing clients, and we use a series of metrics to track our progress. Client solutions and client engagement are all trending in the right direction. As we go through this process, we are expanding into new areas of client spend to address.

Verticals

Some of our best growth opportunities are in our verticals. Health is our largest vertical serving 60% of US hospitals and over 5,500 medical practices. We are leveraging our broad product portfolio to drive increasing share of wallet at our clients. During the 1st half, we signed the largest health contract in our company history.

H1 strategic accomplishments – Consumer Services

We have become a trusted partner for consumers, helping them to manage their financial health. We're driving more personalisation, and more 'do-it-for-me' solutions.

Activate, our lender model deployment tool has been integrated into our US marketplace and more recently in the UK. Activate enables real-time decisioning at the point a member engages with a product. It greatly strengthens our panels, helps provide pre-approved and no-risk credit offers and creates a better, more seamless experience. Activate is a prime example of how we can leverage our B2B products into our consumer ecosystems to create differentiation in the market.

Our insurance marketplace has made tremendous progress. New features like insurance rate monitoring mean we can search on behalf of consumers for savings, and we continue to see more carrier engagement. Insurance policies sold have grown rapidly, demonstrating the value of our platform.

We've now launched EVA, our virtual agent, which will use GenAI natural language to deliver more personalised credit education.

In Brazil, we are offering more services to help consumers on their financial journey, and we have unique ways to drive engagement. To give two quick examples, we've started to explore new opportunities in the insurance market, following a small investment in this space, and our payments capability can instantly reflect a debt payment to help consumers boost their credit scores, which helps drive engagement.

H1 strategic accomplishments – acquisitions

As we've made clear in the past, we have a very disciplined approach to deploying capital, many of the deals we have announced have long been excellent strategic fits for Experian and have been in our pipeline for some time.

In Fraud and ID, we've acquired new assets to extend our market position. Our recent acquisition of NeuroID adds fraud behavioural analytics capabilities, which is transferrable across regions. We have already added the capability to the Ascend platform. Our acquisition of ClearSale marks our entry into the large and growing transaction fraud market in Brazil and when combined with our existing fraud assets and bureau data will open up new growth opportunities.

Australia

In Australia, we're very excited to have completed the acquisition of illion. It transforms our position in Australia and New Zealand and takes us another step towards our ambition to be the number 1 or 2 in our chosen EMEA/APAC markets. While it's still early days, the integration so far has progressed well. illion gives us scale in data, products and people. We've started to engage with clients and we're confident we will have expanded client opportunities. These will build on the strong foundations we already have for decisioning in this market, and we expect opportunities to emerge in new client segments as well.

North America delivers +7% organically

So those were some of the H1 strategic highlights and let's turn now to our H1 regional performance. Starting with North America. Organic revenue growth of 7% included high single digit organic growth from majority of our business lines, including CI/BI, Auto, Health and Consumer Services.

In CI/BI and Decisioning we are delivering next generation data, analytics and software to manage credit risk and fraud, and we made very solid underlying progress, even when mortgage is stripped out, and despite still constrained conditions for unsecured credit volumes.

Client win rates for Clarity were strong, with good momentum too for Ascend, including upgrades, renewals and new wins for key modules such as the sandbox and Ascend Marketing. We also have several trials underway for the Fraud Sandbox. We enjoyed good growth in Fraud generally and NeuroID, has had a good start.

In income and employment verifications, record count continues to expand, now totalling 61m records, and we continue to make very good progress adding new client logos.

Our other verticals also contributed positively.

- The Auto market still faces headwinds from affordability and uncertainty. We’ve been helped by the breadth of our product suite, especially around Marketing, and there is scope for conditions to improve as rate cuts feed through to consumer affordability.
- Strong new bookings helped Targeting to a good result in H1. We added new logos and secured new business from existing customers, all helped by our enhanced digital identity offers. There is also some sign of a recovery in underlying client spend.
- Health has had a great start to the year with record bookings. Wave HDC has been a very strong acquisition for us. This product, which we’ve integrated into our healthcare suite and now call Patient Access Curator, helps to reduce claims denials. That’s helped with new business performance through expanded client relationships and new logos.

North America Consumer Services +7% organically

North America Consumer Services grew 7% organically. Premium Services, Marketplace and Partner Solutions all contributed positively, so a nice broad-based performance.

Strong premium membership enrolments and upsells have been helped by new features to better manage financial health. We’ll take this a step further as we roll out EVA, our GenAI financial assistant, which will offer more personalised financial education.

Our credit marketplace has yet to recover with card supply still weak. Strategically we’ve made a lot of progress having onboarded new partners to Activate, positioning us favourably for when supply fully returns, and we’re scaling up offers like pre-approval and no risk apply which are very attractive to our membership.

Insurance is going really well. We’ve added new carriers to our panel. New features, like continuous rate monitoring are driving engagement rates, with take up rates also supported by our new marketing campaigns.

Latin America +7% organically

- Over the past few years in Brazil we’ve built out a comprehensive product portfolio and we saw continued great progress in the half across Fraud and ID, software, SME and particularly in Consumer Services, which led to H1 organic revenue growth of 7%.
- B2B organic growth of 2% in the half is lower than we would have liked, due to the earlier floods in the south of Brazil and an uncertain macro backdrop.
- All that said, we’ve made fantastic strategic progress in Brazil B2B, and we expect to reap real benefits from our platform integration strategy.

Latin America Consumer Services +27% organically

- 27% growth in Latin America Consumer Services is an outstanding result. We have steadily expanded this business, again centred around the concept of financial empowerment, and we continue to grow and diversify our ecosystem.

- We started with Limpa Nome, which helps consumers to negotiate and resolve outstanding debts, and which continues to perform strongly in a market where consumer indebtedness remains very high.
- We have linked Limpa Nome to a payments proposition which consolidates consumer overdue bills in one place.
- Contributions from our credit marketplace have grown on the back of an expanded lender panel, and we now have the ability to extend into insurance.
- These developments position us uniquely in Brazil. Through our fully integrated platform we can provide end-to-end payment solutions, more personalised consumer experiences and extract strategic synergies across B2B and B2C.

UK and Ireland +2% organically

The UK&I delivered 2% organic revenue growth.

While it's not yet fully reflected in the performance, our strategic position in UK B2B continues to strengthen, and while B2B growth was 1%, strategic progress across Ascend, fincrime, data quality and verifications all build on the superior quality of our bureau data assets, and set us up well for core volume recovery.

We've entered into a series of Ascend platform proof of values. Verifications data coverage has expanded and we've started to drive usage of the data. Our new business performance has also been strong.

In UK Consumer Services, the results of our investments have become increasingly more visible. We've made great progress across both premium and Marketplace. Our products are better and by introducing Experian Activate we've enlarged our lender panel to the extent that nearly all card and loan clients will soon be on the Activate platform. This is driving stronger loan conversion and has helped us become one of the most meaningful marketplaces in the UK cards and loans market.

EMEA and Asia Pacific +7% organically

EMEA and Asia Pacific organic revenue growth of 7% represents another half of solid progress, and reflects a growing mix of exclusive data additions, new score introductions and fraud which have driven new business wins.

We'll continue this focus on new product introductions, where we can leverage our large global solutions to strengthen our competitive position. Ascend is a great example. It gives us potential to lengthen contract terms and drive up contract-values by including more analytics and fraud capabilities. We've started this process with more to come. Already it's opened up new opportunities with existing clients and we see good prospects to extend to clients in adjacent sectors such as BNPL.

With that overview, I'll hand over to Lloyd for the financials.

Financial Review

Lloyd Pitchford
Chief Financial Officer, Experian

H1 FY25 highlights

- As you've seen we delivered strong financial results in the first half of FY25, with revenue in the middle of our guidance range and strong margin expansion.
- For the half, organic and total revenue was up 7% at constant currency whilst total revenue growth at actual rates was 6%, reflecting a 1% headwind from FX.

- We grew EBIT margins by 60 basis points, with Benchmark EBIT from ongoing activities up 10% at constant rates and 8% at actual rates.
- EBIT growth converted well into EPS growth of 9% at constant rates and 8% at actual rates.
- Operating cash flow was $707 million at a conversion of 71%, in our seasonally weaker half for cash generation.
- We continue to deliver our growth with high Returns on Capital employed at 16.6% for the half.
- We've announced an interim dividend per share of 19.25c, up 7% on the prior year
- And finally we remain strongly financed with our net debt to EBITDA leverage of 2.0x, at the bottom of our 2.0x to 2.5x target range.

Good revenue growth; consistent through the half

- As you've heard from Brian, we delivered consistent growth through the half, with the strength of our diverse portfolio and strategic delivery offsetting a still-subdued lending environment.
- Organic growth in Q2 was 7%, supported by a strengthening in North America core bureau growth, stronger growth in Latin America, offset by a lower level of one-off Data Breach deals.

Global B2B and B2C organic revenue growth

- Now looking at organic revenue growth across our B2B and Consumer segments
- On the left hand chart you can see our quarterly trends in B2B where we saw underlying trends in B2B firm in Q2, with growth increasing from 5% in Q1 to 7% in Q2. Growth in the core bureau in North America excluding mortgage improved from 2% in Q1 to 6% in Q2 and we saw stronger mortgage revenue growth. Latin America B2B growth also improved in Q2.
- On the right-hand side you can see our Consumer segment trends, in total and excluding our data breach business. As we mentioned through last year, we secured several large one-off Data Breach contracts following elevated levels of Breach activity in the market, with the contribution peaking in Q3 last year. As you can see, excluding data breach, underlying growth was stable last year but has firmed through the first half with improvements across all regions. In particular in North America where we saw subscription and marketplace growth improve as the half progressed.

Quarterly organic revenue growth trends

- Turning now to the FY25 Q2 regional growth trends
- North America grew 7% organically in Q2, with B2B growing 9%.
- Within B2B, the CI/BI Bureau delivered double digit growth and excluding Mortgage profile revenue, grew by 6% in the quarter, up from 2% in Q1. Our Ascend modules continued to scale, delivering double digit growth following new business wins, growth in volume through the platform and annualisation of wins in FY24. Clarity Services returned to double-digit growth following a weaker performance in Q1. We continue to see a subdued general lending environment and no broad-based improvement in lending. Mortgage Profiles revenue grew 56% on volume growth of 4%.
- Automotive grew 5% where new business wins helped deliver growth.
- Targeting growth strengthened in Q2 growing 7% as our digital platforms continued to perform well in market and we continued to innovate our propositions.
- Health continued to grow well at 8% where we had a strong quarter for product deliveries and made good progress following the integration of our Wave acquisition into our platform.

- Consumer Services grew 3% in Q2, as you saw on an earlier slide, Data Breach was a headwind to growth as we lapped contracts in the prior year, excluding this growth was 9%. Subscription grew well at mid-single digit, slightly stronger than Q1 as new features continue to improve retention rates. Marketplace grew double digits, as Auto Insurance grew very strongly and the loans vertical in credit marketplace showed good growth despite credit cards remaining weak.
- As expected, Organic growth in Latin America improved to 9% in Q2.
- B2B improved to 3% growth in Q2 with improved growth in our Consumer Bureau as the effects of the flooding abated and improved profiles and scores revenue more than offset weaker collections. Our Agri business was lower in Q2 reflecting phasing of contract wins.
- We saw strong growth in software and analytics following our progress in advancing the Ascend modules in Brazil.
- Consumer Services grew 30%, with improved Limpa Nome payment conversion, Marketplace expansion of new partners and integration of our platform propositions.

Quarterly organic revenue growth trends

- The UK&I was consistent through the half with 2% organic revenue growth.
- Bureau growth of 3% is broadly in line with our performance in Q1, against what remains a soft underlying credit market in the UK. We are making good progress in expanding our Ascend functionality and expanding the number of client trials.
- Targeting and Automotive was down 14% in the quarter due to specific client actions in sourcing some of their activity.
- Decisioning was down 1% as the environment for new software solutions reflects the lending environment.
- Consumer Services improved to 8% as growth in Marketplace further strengthened in Q2 following the rapid rollout of our Activate proposition, as Brian has discussed. Subscription continued to grow modestly.
- In EMEA and Asia Pacific growth for the quarter was 8%, consistent with the performance in Q1 following strong Decisioning growth in South Africa and Southern Europe as well as good growth across the bureaux.

Benchmark EBIT margin

- Turning now to EBIT margin, where we delivered 60 basis points of margin expansion.
- Consumer Services Margin progress was strong, continuing the trends of recent years as we continue to benefit from the growing scale and diversity of the business, and engage our free consumer base across a growing set of propositions.
- B2B margin was slightly lower in the half due to revenue mix and our investments in new growth verticals such as verifications.
- At a regional level, margins in North America contributed to Group margin, whilst the phasing of investment and revenue mix kept the margins in the other regions broadly stable.

Benchmark earnings per share (EPS)

- Turning now to EPS where we delivered growth of 9% at constant FX and 8% at actual rates, taking the total growth over the last 2 years to 16%.
- EBIT from continuing operations grew 9% at constant currency following good revenue growth and 60 basis points of margin expansion.
- This translated to 9% EPS growth at constant currency, and 8% at actual rates.

Reconciliation of Benchmark to Statutory PBT

Taking a look at our usual reconciliation to statutory results:

- Our Benchmark profit before tax grew 8% at actual FX rates, driven by revenue performance and good margin progression.
- Acquisition related expenses decreased slightly to $8m.
- There was a little change in the fair value of contingent consideration on prior acquisitions.
- We incurred $24m of costs in relation to our technology enabled restructuring programme and recovered $11m of costs relating to prior legal matters.
- Statutory PBT before non-cash items was therefore up 10%
- Amortisation of acquisition intangibles remained flat at $95m.
- Non-cash financing remeasurements were $93m adverse, of which substantially movements in our interest rate fixing programme, leaving statutory profit before tax down 6% at $718m.

Benchmark operating cash flow

- Now taking a look at cash flow
- The slide shows our long-term operating cashflow and conversion metrics, with the first half on the left and full year on the right.
- As you can see from the slide the first half is our weaker half for conversion due to the timing of compensation payments and other seasonal factors. You can also see the effect in FY21-23 of certain covid recovery effects and one-off contracts. Outside of these effects, we have a strong and consistent track record of full year cash conversion in the 90 plus percentage range.
- This half we delivered $707m of operating cashflow, at a conversion of 71%. Average days sales outstanding reduced during the half whilst payables days expanded, mostly due to the timing of deferred income, including the effects of the timing of data breach revenues and cashflow.
- We are on track to deliver cash conversion in line with our guidance for the full year of greater than 90% conversion.

M&A – growing contribution from capital deployment

- Turning now to acquisitions
- As you've heard from Brian, we made a number of acquisitions during the half, spending over $800m, in support of our key strategic focus areas.
- When we spoke back in May, we expected the acquisitions we had made during FY24 to add less than 1% to revenue growth during FY25. With these additional acquisitions we are increasing that guidance to around a 1.5% contribution, with run rate revenue of $150m into FY26 or an additional 1% inorganic growth in FY26.
- And as recently announced, we signed an agreement to acquire "Clear Sale", in Brazil. Subject to regulatory and shareholder approval, we expect this to close in the first half of calendar 2025 and would add a further $85m, or just over 1% to Group inorganic revenue in FY26.

Leverage and return on capital

- Turning now to leverage

- At the end of the first half and taking into account the investment in Australia at the end of the half, our net debt to EBITDA ratio was 2.0x; at the bottom of our 2.0x to 2.5x target leverage range
- With our interest rate fixing programme we have kept average interest rates on our net debt constrained, despite the rise in market interest rates, at 3.2% in the half.
- And we continue to generate very strong post tax returns on capital with ROCE at close to 17% in the half.

Modelling considerations for FY25

- So, turning now to updated FY25 modelling considerations, which relate to our ongoing activities and does not include any acquisitions that have not yet completed and where timing is uncertain.
- We continue to expect 6 to 8% organic revenue growth for the full year.
- We have increased the contribution from acquisitions on revenue to around 1.5% which reflects the expected performance of business acquired during the half.
- We have firmed margin guidance to the upper end of our 30-50 basis points guidance range thanks to the strong start to the year.
- Based on current FX rates, we now expect FX to be a 2% headwind to both revenue and EBIT growth, which principally reflects the weakening in the Brazilian Real against the US Dollar.
- We now expect net interest for the year to be around $155 million, which reflects incremental debt associated with the new acquisition investment made in the half.
- The Benchmark tax rate is now expected to be 26%, at the lower end of the previous guidance range of between 26% and 27%.
- We continue to expect the weighted average number of shares to be in the region of 914 million for the year.
- No change to capex guidance which is expected to be around 9% of revenue.
- No change to cash flow conversion which will be over 90% for FY25.
- And no changes to our share buyback programme of up to $150m to be completed by June 2025.

We are executing on our medium-term framework

- And finally, as you will recall we announced our new medium-term framework in May.
- As you can see from our first half results and updated full year outlook we are delivering on that framework.
  - Organic revenue growth is strong, with underlying trends positive.
  - We delivered strong margin progression in the first half and expect to be in the upper end of our guidance for this year.
  - Capex was stable as we progress well on our technology migration which unlocks a medium-term trend towards capex at 7% of revenue
  - And we have increased our capital deployment, investing in high quality strategic assets to fuel future growth and returns.
- And now I'll hand you back to Brian for closing comments.

Summary

- In closing, we've made a good start to the year. We delivered well financially, and we've made a lot of strategic progress, both organically and through M&A pipeline conversion.
- We are on track to deliver on our previous organic revenue growth guidance in FY25, with margin expansion now expected to be at the upper end of our guidance range.
- We have also progressed well towards the medium term outlook we shared in May. Our confidence in this is high and will be further enhanced when we get the full benefit of unsecured credit volume recovery and our technology transformation programme.
- So we are driving growth and we continue to invest successfully behind a range of initiatives to support future performance.
- With that, I am now going to hand back to the operator for your questions.
- Operator, over to you.

Questions and Answers

Ryan Flight, Jefferies

Good morning. I have three questions, if I may. The first one is on LatAm B2B, where there was not quite the rebound I had expected in Q2. Any comment on outlook and condition would be really useful.

Number two and three are slightly more mid-term focused here. With the margin upgrade this morning to the upper end of 30 to 50 basis points, is there any reason we should not expect the same in years two and three in the context of your mid-term guidance?

Then the third and final question is on effectively the prospect of double-digits organic revenue growth. When we think of our volume tailwinds that may return, is there any reason we cannot get the double digits, with particular reference to maybe any counter-cyclical elements in the business?

Brian Cassin

Let me just first start by saying there are quite a few detailed questions in there, but overall what we have seen in Q2 is actually a pickup in performance of the business on an underlying basis. You are always going to get moving parts across the group, but I think when you strip out some of the more variable elements, particularly, as Lloyd as highlighted, data breach, you can actually see that momentum from Q1 into Q2. We are very pleased about that. Of course, in Brazil we have also seen a pickup in growth between Q1 and Q2 driven, as we said, primarily by the consumer services business but also by a pickup from the lows in the B2B. Certainly we see some very good performances across B2B, particularly in decisioning and fraud. Where we are still seeing some softness is in the core underlying credit conditions, but I think that we are pretty confident about the outlook for Brazil as we go into the second half. We still expect to actually have very good momentum going into H2.

The second question was on margins, and could they be at the top end of the range in FY26? I think we will look at margin guidance for FY26 when we get there, but obviously the first half performance is very pleasing. Lloyd will talk a little bit more about what some of the constituent parts of that are. Note that we are giving guidance today, I think, that we will be at the top end of that margin guidance, which is 30 to 50 basis points. Obviously, H1 was 60, so it is a little bit different from the full year to the half, but very pleasing progress.

Then on the third question it was: could you reach double digit organic revenue growth? What I would say is I still think that we are not seeing any underlying recovery in the core credit volumes yet. We have seen a stabilisation. We have said that for a few quarters now. You can see that the performance of business is actually really on an underlying basis in high single digits, so that is really pleasing. You would have thought that, if we get a bit of a recovery, and we will hope for that, then obviously that will add to our performance. I think in terms of where we will be for FY26, again, we have a couple of quarters to go left in FY25, so we are not quite finished with that yet. I will give you an outlook on where we go from there at that point.

Lloyd, do you want to add a bit more?

Lloyd Pitchford

Yes, just a couple of things actually. If you think about the growth of the group ex the data breach, numbers we talked about, growing at 8% without a broad based recovery and lending volumes, we feel good about that. That shows the resilience and the strength of the group that we have and particularly some of the underlying trends in the consumer business, which I pulled out. On the margin guidance, it is great to get off to a good start, the first period in that long-term guidance. You will remember that the first two years were the tightest two years of that margin guidance. We see a lot of the benefit of our technology programme kick in from years three to five, so to be at the top end of that range bodes well. We will always balance investment in the long-run growth of the business within that, but certainly, it is great to get off to a good start.

Andrew Ripper, Liberum

Well done on the results. There are two questions for me, although there are a few sub questions in there. I just want to come back to LatAm B2B, and then go on to cashflow. Just on the B2B, when you were discussing the outlook at Q1, you had referenced the impact of the floods and phasing of contracts. I am just wondering, in terms of the Q2 performance, were the floods still a disruptive issue for you? Looking ahead to second half guidance, what do you think is achievable for LatAm B2B growth? Do you still have the benefit to come of contract wins?

Lloyd Pitchford

Thanks, Andrew. We obviously saw a pick back up in Q2 in LatAm overall. Within that, consumer was a bit stronger than we thought, and B2B was a little bit weaker. You will have seen the commentary during the last quarter around uncertainty in the Brazilian economy, particularly around rising inflation, the interest rates being higher. That creates just a bit more uncertainty than we saw 12 weeks ago.

Looking to the second half of the year, Brazil overall stays at about these levels, so very high single digit growth is our core expectation. Obviously, as we get into next year, we lap that very easy comp. The floods did not affect the second quarter. They were isolated to the first quarter, and that was one of the reasons why Q2 overall picked up a little bit, particularly with some strength in analytics and software.

Andrew Ripper

Thanks, that is clear. Then Lloyd, just coming on to cashflow, I appreciate your commentary about seasonality. You skipped over fairly quickly in your remarks the working capital movements. I just wondering if you could go back to those and just maybe go a bit slower, so I can understand it, just in terms of the working capital movement in the first half.

Then also on cash, I appreciate the capex guidance as a percentage of revenue. Absolute capex in H1 was down a little bit. What is your sense in terms of absolute capex for the year? Then looking medium term, when do you think the capex relative to revenue will start to fade?

Then the final bit on cashflow is just on tax. There seemed to be a benefit, I think, in relation to deferred tax or illion. I am just wondering what you can say about cash tax, please, for the full year as well.

Lloyd Pitchford

I will start at the end and work back. Cash tax rate I think for the full year is probably aligned with the benchmark effective tax rate, so about 26%. As you will recall, there were some movements over the last few years on various incentives in certain geographies. Those have elevated our cash tax rate. It has now come back down more to the ETR.

On capex, capex as a percentage of sales peaked the year before last. We came down to about 9% last year. I think we will be about 9% this year. We start to see that more materially reduced as a percentage of sales when we get through the migration programme, which really kicks in FY27. That is when I think you will see probably more of a step down from 9% to 8% on that trend towards 7%.

In the cash flow statement, you have a few things. DSO actually reduced a little during the half on a better collection position. What you have is a movement in relation to incentive payments. We make all of our incentive payments in the first half of the year. There is also a reduction in deferred income. This is where we have recognised cash, principally on data breach sales. You have seen the effect there in revenue. We recognise cash often upfront there. We receive that upfront and recognise revenue on a curve, so a drawdown in deferred income, combined with movements on management and staff and sales commission and incentives. That really was the explanation of the first half cash conversion. You can see in the long run trends first half is, because of those factors, often a little bit more volatile. We are very confident in our 90% plus long-term conversion plan for the second half.

Andrew Ripper

Thanks, that is very clear, Lloyd. Just to make sure, on the DI down, you are saying that is related to the lower breach income in the quarter versus prior year.

Lloyd Pitchford

It is also related to some of the one-off long-term contracts that we secured in FY21 and FY22 that you can see on the chart, where we received the cash all upfront. You are seeing that balance continues to draw down.

Andrew Ripper

Yes, understood. Thanks a lot, very clear.

Suhasini Varanasi, Goldman Sachs

Thank you for taking my questions. I have a few, please. B2B data in the US did see some nice improvement in Q2. How do you see trends for the rest of the year?

The second one is on the exits of 12 million. How much of these exits were from LatAm?

Given the tougher comparatives for B2C on data breaches in Q2 of this year, can you maybe discuss how you see US B2C growth evolving?

Lloyd Pitchford

US B2B trends were good. We saw some improvement in Clarity Services in the second quarter. They had a slightly weaker first quarter. On the Ascend rollout, you heard from Brian there was great progress, really making strong progress with clients on some of the migrations and the rollouts. We saw general bureau volumes moved from a very slight decline to a very slight growth, nothing broad-based, but a little improvement. I think as you look at it, we feel positive about the second half of the year. We are not forecasting that broad-based recovery. I think it is clear the interest rate cycle has turned though. The question is when does that feed through? We think it is sometime next year. It is hard to call the quarter. We are not thinking it will be this year, but I think the direction of travel will be clear.

On exits, at the end of Q4 last year we exited a certification business in Brazil, and then another modest exit, a closedown of a small bureau in EMEA in the first half of the year. From memory, I think the 12 million is about half and half. As you know, we put that into exited at the point that we are leaving it. We restate our prior year margin, so you can see the effect. We saw 20 basis points benefit on restating the prior year margin for those exit activities, and then 60 basis points is a clean progression on top of that.

Brian Cassin

The last question was on the US B2C in terms of what we are seeing. There are just a couple of points from me. The first thing is, as Lloyd did, if you show the number, excluding the data breach which is the volatile, hard to predict number, you can see there is actually quite a lot of momentum in the business. It is very broad based. We have seen premium membership grow, and that is obviously very strong, very positive for us. We have seen fantastic growth in our insurance marketplace, which is a product we launched just a few years ago. We have also seen some really great progress in our core partner solutions excluding data breach. Once you adjust for that volatile number, you can see the underlying momentum is very strong.

The final point would be to add that we have not actually seen any recovery in the cards and loans marketplace business yet. That is yet to come. Assuming that we get some recovery there, the outlook for that business is very strong. In terms of some of the breach revenues, Lloyd, last year the strongest quarters were what?

Lloyd Pitchford

Q3. It contributed a bit over 1% in the third quarter. We are not forecasting that to really contribute to growth this year. It will be a drag through the rest of the year as we lap those comps. A 7% revenue guide is really 8% underlying, which again bodes well into lending recovery next year.

Scott Wurtzel, Wolfe Research

Good morning, guys, and thank you for taking my questions. I wanted to touch on a couple areas of the business, being the verifications business first, then the health business. On the verifications side, it seems like you are making pretty good traction from a client logos add perspective, with 61 million records now. I want to just hear your view on where you stand in that journey. How do you think you stack up to some of the competitors in the space? Where do you think growth can go from here? I will ask my follow-up on health after.

Brian Cassin

Thanks for the question. We have made some good progress. We have always said that we are a challenger in this marketplace. We know that Equifax is the biggest player and the most substantial business, but we have made great progress over a number of years. We continue to add to the record count. We continue to make really good progress in the employer services side of that. Over this year and over a number of years, we expect to continue to make progress as we go forward.

Lloyd Pitchford

We are really pleased with the record count growth. In the long run, it is that that helps us really unlock the market. We were very pleased with 61 million records. Scott, I think you had a question on health.

Scott Wurtzel

Yes, a follow-up on the health side. I noticed in the presentation that you signed your largest health contract. I would love to just hear about the nature of that deal and just a broader sentiment check on the health segment overall.

Brian Cassin

We signed that contract earlier in the year. It has not kicked in yet, so that will benefit really the years from 2026 on. What you are seeing now is just really good underlying performance, strong organic revenue growth, good uptake in the core products, and a really good reception to the Wave acquisition. We continue to see a long runway of growth for our health business, so we are very pleased with progress. The contract itself is very sizable, but it will feed into 2026, 2027 and 2028 numbers.

Lloyd Pitchford

The health business is a great business. It is going to be well over $600 million of revenue and 40-plus percent EBIT margins. It has grown super consistently, and we see lots of runway for future growth. It is a big business for us now, and is very profitable and very consistent.

Kelsey Zhu, Autonomous

Good morning. Thanks for taking my question. I have two questions. The first one, just big picture, we have been in this mini consumer credit recession in a number of your key end markets the last few years, including in the US and the UK. It seems that the US, the UK, Brazil and India are all poised to go through their own easing cycles the next few years. I am just curious to hear your thoughts around whether you have sized the medium-term upside from all of these potential consumer credit volume recoveries in these key end markets.

Brian Cassin

That is a great question. To the specific question of whether we have sized the upside, not precisely, because it is difficult to size it precisely, and it will probably be different in every market, and the timing will probably be different in every market. However, there is no doubt that it is to come at some stage and, given the fact that we have performed consistently now at the 7-8% level for quite a number of years without that and, in many cases where it has been a headwind to us, that is a pretty optimistic prospect for the business going forward.

We would probably wait until we get into the rest of FY25. It seems a little tiring to say that the US has not changed, which is what we have said for the last few quarters. Unfortunately, that is the reality, but there are some reasons to be fairly optimistic that that will start to improve as we get into calendar year 2025. In the UK, it might be a little bit longer, given some of the market changes that we have seen recently.

We still feel very optimistic about Brazil, although, in the short term, we have seen interest rates tick up there, so that might impact us over a six-month period. However, your basic thesis is correct that that recovery will come. We are closer to it now than we have been previously, and it is going to be a big benefit to us.

Lloyd Pitchford

I would just add, Kelsey, that you are also seeing the growing power of our consumer business. You are seeing that continue to scale the broadening of the proposition and the benefit that that is bringing in terms of margin trends in that business, which was very clear over the last few years, but particularly in this half. We are very excited about the future of that business as we can continue to broaden the propositions and really build on a very significant consumer audience that we have now invested to create.

Kelsey Zhu

Got it. This is super helpful. My second question is specifically on income employment verification. I was wondering if you can give us a little bit more colour around the 300 new logos that you added in the first half. Which sector or sectors were they in? Previously, you have talked about this exciting opportunity to utilise income employment data that you have gathered in customer services to help drive growth and verification as well, so I was just wondering if there were any latest thoughts or progress on that topic.

Brian Cassin

The growth across the logo is really across every sector, so it is pretty broad based. There are a lot of employers out there, and we provide services to every segment, so I do not think that there is any one in particular that is dominant.

In terms of the opportunity to use consumer contributed data for income employment verification, that is something we talked about a while back, which is definitely something on our radar. It will take some time before that becomes a reality. However, given the authenticated consumer base that we have in the US, you can see the potential for that. We have already started to use some of the consumer contributed data to develop cashflow attributes, and we are seeing very good traction in markets. We know that that path is there. There is a long way to go on it, but we have a number of ways to move forward here.

Annelies Vermeulen, Morgan Stanley

Good morning. I have two questions, please. Firstly, on acquisitions, you have stepped up a little bit in the second quarter and also into the beginning of the third quarter. Do you expect that pace to continue through the second half, based on the pipeline that you are seeing? As an aside to that, you have spoken previously about valuations normalising, but, with improved funding availability more broadly in the market, are you seeing competition for these assets start to step up again that you are looking at?

As a follow-up on Brazil as well, could you perhaps delve into a little bit more into what is baked into your expectations of high single-digit growth for the second half in terms of macro and interest rates? You have touched on all of these things, but is that growth based on the status quo or are there more conservative volume assumptions in that number already? Thank you.

Brian Cassin

Thank you for the questions. Just on the acquisitions, a lot of these acquisitions have been ones that we have been working on for a very long time. Certainly, in the case of illion, we have been really closely monitoring that asset for many years. It just so happened that the circumstances were right to reach agreement, and we talked about that in one of the last calls. That completed in this half. We were very pleased that it completed as quickly as it did. We went through the first phase of competition and it got clearance. It is a pretty unusual thing these days, but that was a great outcome.

The acquisition of ClearSale in Brazil is also a business that we have been tracking for a long time. It went public several years ago. We have had several discussions and a long business association with them. We have been really looking at that one in depth probably for the last 18 or so months. The difference is that it just really depends on whether the circumstances are right to get a deal done at a price that both parties agree at any given particular point in time. As always, those of you based in Britain recognise that sometimes buses all come at the same time. That happened a little bit here.

Some of the other acquisitions are relatively smaller, but good strategic bolt-ons, which are very sensible additions and take us into some quite interesting new areas, particularly when you look at verifications and insurance in Brazil and so on. We do have, again, a very full pipeline. We have some opportunities ahead of us, so I would not read too much into the step-up, as you phrased it, because the step-up just reflects phasing, in that, certainly, two of the larger ones were announced and one completed in that period.

The environment is different. Most of the assets that we want to buy are really good businesses, you will all be pleased to hear. There is always competition for them, and it is never the case that we have a free run of these companies. We would not expect that. It is competitive. I would say that the pricing is more realistic, although I still would not characterise some of them as particularly cheap. I would not expect them to be, given the quality of the assets that we have. We are more favourable and certainly more conducive to getting things across the line. We have reasonably good prospects from here on in as well.

Lloyd Pitchford

On Brazil, there is, sadly, no algorithmic approach to looking at interest rate and inflation assumptions into what clients decide to do on average across the market in their origination efforts. There is always a range of outcomes. You have seen interest rates go up in Brazil in the last few weeks in response to global inflation expectations and currency movements. We have factored that into our softening of the guide for the full year to high single-digit in Brazil overall, and we think that that is realistic. As I mentioned, we hit some very easy comps in Q1 as we come into the new year, so we will see what that brings. It is great to see the consumer business continue to power in Brazil, which shows the potential benefit from engaging in the Brazilian population as some of these credit markets liberalise.

Rory Mckenzie, UBS

Good morning all. I have two questions on consumer, please. Firstly, on the margin increase, can you break that down at all into mix, operating leverage and anything else? Within the H1, the drop-through looks nearly 60%. Is that the kind of incremental margin to think about as you keep scaling that business, or are you planning to increase investment more from here as you expand products, for example?

Secondly, on the premium subscriptions, it sounds like there may be a slight change in tone here. Rather than just seeing it as a countercyclical factor of consumer behaviour, it sounds like you are investing more in the product. Can I just check if that subscription number is still around the 2.2 million mark? Have you changed how you think about that evolving over time? Thank you.

Brian Cassin

I will go on the second question, Rory, and Lloyd can give you a breakdown of margin movements. We have been investing in that premium subscription product. We have added a lot of new features to it. There is a tremendous amount more value into that. We are introducing things like the GenAI assistant to that. You are seeing more than just a countercyclical impact there. Our confidence that we can continue to grow that business is increased in any environment, and that reflects the successful execution of adding significant value to that premium product over a number of years.

Lloyd Pitchford

On the subscription, it is maybe a slight misnomer to think of it as purely countercyclical. If you look back, it has had its periods of strongest growth, perhaps when the environment is a bit weaker, but it has grown throughout. If you look back over five years, we have seen compound growth rates – we had this in our full year announcement – of about 8%. We are going to continue to see that grow well as we add functionality, and it is a really important part of the mix of products that we have for consumers.

That comes back to your first question, which is we think of a relationship with a consumer that moves around over time. They want different things at different times in their life. Having a subscription product they will enter for a period and then maybe withdraw from for a period means that actually we value the relationship. We do not look at margins from individual sub-businesses. If you look at it on a regional level, the margin of all of the regions in consumer progressed in the half, and the strongest progress was actually in Latin America, where we have really been scaling that business. As you remember, Rory, we were investing pretty heavily to acquire that very significant consumer base. We are now in a really positive stage of scaled deployment of product that is actually very positive for margin. We saw a benefit of that in this half and we expect that to continue.

Rory McKenzie

Thanks. Just to check, even if you do not disclose precisely, in the US, for example, are we talking about an average of 2 million subscriptions out of your user base?

Lloyd Pitchford

It is a bit above that. It is between 2 and 3 million, and the acquisition growth during this first half has been pretty good, actually. You saw it takes a little while for that to feed through, so we saw subscription revenue growth tick up from low- to mid-single-digit to just over mid-single-digit in the second quarter. That probably firms a little as we go into the third quarter on the trends of origination we have had in the first half. That is really on some of that new product deployment that Brian mentioned. Also you see the nature of some of the breaches that are in the environment sometimes brings people towards a subscription product as well.

Rory McKenzie

That makes sense. Thank you.

Arthur Truslove, Citi

Thank you very much, everyone. Well done on the result today. The first question for me, just on Brazil, is you said earlier that you expect Brazil to deliver high-single-digit organic growth on a full-year basis. I was having a look back and the comp looks quite tough in Q3, so I wondered whether you are expecting that to happen in both Q3 and Q4, or one rather than the other.

My second question is on the bureau excluding mortgage. Clearly the 6% organic growth that you delivered was significantly better than what you have delivered before. I wondered how this developed through the quarter. Has it been accelerating through the quarter or indeed has it continued into calendar Q4?

The final question is in terms of the comps in the second half. You mentioned that the data breaches are just over a hundred basis points of organic growth at group level in Q3. I seem to remember you mentioned that there were some tough comps in the bureau ex mortgage in the fourth quarter as well as data breach. I was wondering if you could just run through in full the challenges in the comps in Q3 and Q4. Thank you.

Lloyd Pitchford

Let us start with Brazil. We expect a high-single-digit-growth rate from Brazil overall for the second half. We do not really see any difference between Q3 and Q4. It will be in that range. With bureau ex mortgage, I mentioned in my comments that we saw Clarity improve in the second quarter on the first quarter. We also saw good progress on Ascend. Bureau volumes moved from a very modest decline to a very modest increase. These are small movements but slightly better.

We do not comment on months. Months tend to be individual to the calendar month rather than trends within a quarter, so we do not comment on them. We get different effects at different holiday periods and various other things.

We have been super clear with the data breach comp. Outwith that, we are very confident in the overall guide. It will continue in the middle of the range, but we have a range for the rest of the year and that is around 8% excluding data breach. We have probably covered that.

Arthur Truslove

Alright, thank you.

Sylvia Barker, JP Morgan

Good morning, everyone. I have two follow-ups on US B2B ex mortgage, please. First, on Clarity, you have picked that out as a contributor to the acceleration. That can be a bit lumpy, but could you maybe help out with how much that might have contributed and what the nature of these contracts is?

Secondly, on Ascend in North America, it seems like that has done very well. Is that growth with existing clients or is that growth with new clients? Is it helped by the combined platform? Some colour there would be helpful.

Then finally, on the margin in B2C, could you maybe just mention what has happened to marketing and customer acquisition costs in the half and whether there is any movement there? Thank you.

Brian Cassin

Thanks, Sylvia. On Ascend, the straight answer is it is a bit of all of those things. We have seen some increase in usage from existing clients. We have seen some new clients. It is not really driven a lot by Ascend technology platform yet, because that is pretty new in market. It is deeper penetration of different modules such as Ascend Ops, Ascend Marketing, Sandbox, and good pipeline building for Ascend Fraud.

On Clarity, probably the way to think of it is Clarity has actually been a really good contributor for quite a couple of years now. We have seen pretty good underlying conditions in that marketplace. There are some new logos which have driven growth, as well as some additional volume gains in that segment. The business just continues to perform pretty well. In terms of sizing, Lloyd, I do not think we have given that.

Lloyd Pitchford

No. The way to think about it, Sylvia, if you look across the long term is as we acquire customers and consumers into the direct-to-consumer platform, we are then able to activate them on new propositions. The marginal cost of marketing and acquisition actually reduces as the platform scales and as you put more propositions on it. If you look back actually over a four- to five-year history, you can see we have been progressing the consumer margin as the platforms have scaled. That is true across the UK, the US and Brazil.

There are no real effects there. Phasing and marketing in an individual year can move around based on product launches. Last year in the second quarter, we had the big launches around smart money. This year, we have been very focused on insurance in the US and the build out of payments in Brazil. Different campaigns can move it around, but the general thesis of the scaling and marketing efficiency as the consumer platform holds, you can see in the trend of margin.

Suhasini Varanasi

I have a couple of last questions, please. Just to follow up on Latin America, I want to clarify that the slowdown that you have seen over there in the CIBI bureau is entirely market-driven and there is nothing company specific there. If I remember correctly in the Q1 call, you had talked about caps and collars around volume growth that may have constrained the growth. Was that a factor as well in the second quarter?

The second question, in terms of cloud migration, can you maybe discuss where you are today and if you are on track to achieve what you had planned for by the end of the year? Thank you.

Brian Cassin

On the CIBI, actually it has improved in Q2. There is no competitive impact on that. That is really a reflection of where the market is. Your point is correct, which is that volume growth happens in the market and our revenue tends to lag that largely as some of the bigger clients move up to the volume limitation. We have seen that in Brazil. That is also a relatively positive trend. It takes a bit of time to feed through.

One of the things that is really worth focusing on is actually GDP growth in Brazil has been relatively strong for this year, but there are a few counter-cyclical indications as well. Inflation has ticked up. Interest rates have moved up. We think the market is relatively well positioned but cautious. Even though you see a bit of softness in some of the underlying performance, some of the underlying market dynamics are actually giving more positive signals. We will wait and see how that plays out in the second half.

On the cloud migration, we are progressing to plan. We are pleased with where we are and nothing really further to report on that. Lloyd said it in his opening remarks: we are still on track with all of the guidance and outlines and timings that we outlined at the year-end.

Suhasini Varanasi

Thank you.

Closing Remarks

Brian Cassin

That concludes today's session. Thanks, everybody, for joining us. I wish you all a good day and we look forward to speaking to you again in January for our Q3 trading update.

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