Experian

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Kelsey Zhu: Good afternoon, everyone. Thanks for joining us today. My name is Kelsey. I'm the Information Services Analyst at Autonomous. And with me on stage today we have Mr. Brian Cassin, who's the CEO of Experian. Thank you so much of joining us today.

Brian Cassin: Thanks for having me.

Kelsey Zhu: I think this is the first time Experian is coming to our New York conference. So thank you so much.

Brian Cassin: Yeah, we're sorry about that. We'll try harder next time.

Kelsey Zhu: Thanks for making the trip over. So, lots to talk about today. Many exciting things happening at Experian. You have super fast growth in consumer services across North America and Brazil. You have a new insurance marketplace product launch that we should talk about today as well. And you have Ascend and PowerCurve that's both growing by double digits against a pretty challenging macro backdrop. And you're expanding Australia and New Zealand and also Brazil.

So Brian, how do you prioritize all of these growth opportunities? And how should we think about their contribution to your long-term ambition of low-double digit revenue growth?

Brian Cassin: Great. Thanks. There's a lot in that question. So probably the best thing to do is just take a little bit of a step back and talk about the overall strategy of the business, because I think when you focus too much on the individual initiatives, you can kind of get lost for the overall picture.

We have two major businesses, B2B and B2C. The B2B businesses encompass a broad range of verticals. We're best known for large credit databases, which we have in many countries around the world. But we also have a suite of products which we build around that around analytics and software. And on the B2C side, we have pretty large consumer platforms, 180 million consumers across three, four major territories, but primarily U.S., Brazil and the UK. And that's also, if you like, kind of credit related because the genesis of that actually is in credit reports and scores, but it's expanded beyond that to a broader range of products and services. And increasingly what we see is links between those two, and I'll come back to that in a second.

But really, the prime focus really in terms of our strategic growth is you've really got two ways. We look at the use cases for our products and services. Usually we start with data and we build out from that. And we look to expand into new areas of spend which are new to us, but actually might be existing areas of spend for some of our clients. And if you like, we look to expand across the value chain.

If you take the credit example, what we do is we sort of look at where is credit used in the customer lifecycle. It's actually used at every touch point. Every decision that's made from inception, marketing, origination, onboarding, fraud, customer management, collections, these are all critically dependent upon the data that's used in that. And it's attached to another process, analytics and the software system. All of these are natural opportunities for Experian. In fact, not just today, but over historically a lot of growth from Experian has come by providing point solutions at each point of that lifecycle. But we still have a tremendous amount of whitespace, and so we're focused on how do we build out across our customer sets there. That's one angle of growth, a very successful one for us.

The second one is actually to look at additional verticals where either an existing process or data set's being used, and we can see opportunity to expand that and apply Experian products and services and to expand that market. We've done that very successfully in places like automotive, in health, in targeting, in places in Brazil like agri business and many others. And it's the same thought processes. Where is data being used? What kind of processes are being used around it? Can we actually provide the data into that process?

And typically we find these verticals by actually looking at where data is being used. Historical example of that would be in health. Probably 15, maybe a bit more years ago, we suddenly saw all these health software companies actually starting to buy credit data. And that -- the reason they did that was because the health market was changing. The risk profile at the hospitals was changing because insurance policies were changing. Consumers actually had to bear responsibility for some of the cost of treatment. And so all of a sudden, you had credit risk. And where you have credit risk, you need credit decisions. You need collections. You need all those products. So actually, as we investigated that further, we expanded into that market and built out quite a substantial business.

So the strategy is the same on the consumer side. We build large audiences, and we look at what verticals we can expand to. Genesis of the business was in credit reports and scores. Actually, that came about because we were a credit burau and people naturally came to the website to look for their credit reports and scores. Our traditional business was simply charging for that. We've actually scaled those audiences quite significantly and expanded the range of products and services that we provide on that platform. Cards, loans and most recently insurance.

And it's, again, that strategy applies across all of our regions. Sometimes the specific initiative that's relevant to each territory is different because of the market opportunity. So if we take, for example, today in consumer services North America, the focus is building out the insurance vertical because we believe there's a big opportunity there. In Brazil, it has historically been a product called Limpa Nome. Still great growth on that. But actually, it's probably going to be as credit returns in Brazil more marketplaces, cards and loans. And we see that, again, building out over the next few years. So all those initiatives kind of fit into that strategic framework.

You mentioned two products. You mentioned Ascend and PowerCurve. These are almost two ends of the spectrum in terms of that lifecycle I talked about. Ascend at the front end is a big data platform of people. We load all of our data into that. They use that to create models, do analysis. And then at the other end is PowerCurve, which actually helps them implement those decisions. One of the big things that we're doing right now is connecting all of those products and services so that we can actually provide a seamless, integrated platform to our customers across that customer lifecycle. So we're excited about that. It's a bit focus investment and big thrust forward. And all of these things really are what drives the growth across the business.

Kelsey Zhu: Got it. And I want to come back to Ascend and PowerCurve in just a second. But yesterday, we hosted Equifax and TransUnion, and they spent a lot of time kind of talking about their cloud journey, cloud transformation and how they leverage AI to drive new product launches in hopes to gain more market share. So curious to hear your investment in this area, your perspective on how Experian can leverage generative AI or the whole cloud technology to enhance your product launches as well.

Brian Cassin: Yeah, sure. I think Ascend, which has been in market for a number of years now, was the first real example of large scale machine learning usage in a big data platform applied at scale across financial services. So from that perspective, we were significantly ahead of the game. We are, of course, experimenting with artificial intelligence, in particular large language models. And for example, we will be -- in fact, we are in right now launching a large language model overlay on Ascend, which enables you to talk to the platform. Obviously, that's the use case for a large language model.

Why is that important? I think that's actually -- lots of people are talking about how do you apply AI to your products, and it's a real example. If you look at Ascend, it's been hugely successful. It's a very complicated platform necessarily because of the incredible capabilities that it provides. But you actually have to be a relatively specialist professional inside a bank environment to use it. Maybe senior credit -- certainly credit analyst. Maybe even big data scientists. There's plenty of them using it because of the way that you have to use the platform, construct the queries and so on. And so as you go down to mid-market and lower tier institutions, they don't actually have the skill sets in their staff to actually use the platform. They can certainly use it, but they will sort of look at it and say, this investment is too large relative to the use cases that we can get out of it because we just don't have enough talent really to get its full usage out of it.

If you can talk to the platform, you actually democratize that technology in a much more effective way. So that's a real live example of how we're doing that. And of course, there are many other initiatives across the business to do that. We just launched -- on the consumer platform, we just launched the AI Copilot for consumers. I think you'll see that in a lot of consumer businesses. I think that's great for driving engagement. I don't think that's a big deal longer term. I think something like LLM on Ascend is much more powerful.

And then of course when you think about some of the internal use cases around productivity, very significant call centers. We have very big call centers. There's going to be -- there already is great productivity gains coming from that. And I think engineering productivity, we already have something like 40% of our engineers using Copilot. By the end of the year, that'll be up to 80%, 90%. We're going to see I think not just increased innovation from that. I think we're going to see a lot of additional efficiency. So broad-based sort of activity across the business, huge effort and exciting prospects, I think.

Now you mentioned cloud journey. Again, I think that's slightly different. I think they're not kind of interdependent. Obviously, AI works in the cloud. But we are already building all of our new products in the cloud and have been for years. We mentioned

Ascend. That was started as a cloud-based product. And PowerCurve is now fully in the cloud, and a unified platform is a cloud-based product. So our consumer services businesses are already in the cloud.

I think as we look forward, I know we still have quite a bit of work to do to transition from historical legacy technology environments fully into the cloud. But that's really sort of more on the efficiency on the back end as opposed to innovation at the front end. We're already doing that bit. And I think the benefit that comes from the elimination of dual running is really ahead of us.

Kelsey Zhu: Got it. Super helpful. And maybe just one more big picture question before we dive into each of these business verticals. Where do you think we are in the global consumer credit cycle? Obviously, we think that we've seen things kind of stabilize a little bit in Q1. Was Q1 absolutely the trough and things will start recovering from this point onwards? Or how are you thinking about this?

Brian Cassin: Well, I think we're at or near trough. I don't think that the environment changes very materially from here in the short term. I think what you've seen the last couple years is a pretty significant change in terms of interest rate movements, and you have seen significant tightening of credit conditions.

What we haven't seen is actually very significant change in the overall credit profile of the population or delinquencies. I'm sure you all follow banks. They've had a wonderful two years. They've made a lot of money. They're in pretty good shape. They're fully provided against any issues they see in their portfolio. So they feel pretty good about where they are.

I think a lot of people have been a little bit perplexed about why there hasn't been a bigger impact in some of the consumer economies. I think there's two explanations for it. The first one is there was a lot of built-up resources among consumers post-pandemic. They clearly had some savings which they dipped into.

The second is the strength of the employment situation, which has been unique in this kind of downturn. And we always sort of say, people ask question about does interest rates make a difference. Of course it does. But actually, the biggest difference is employment. If you see a big increase in the unemployment rate, you're going to have a bigger GDP impact. You're going to have a bigger contraction. You're going to see bigger delinquencies. The employment situation's been really strong actually in most economies, and that's actually what's held things up. And it's stopped that kind of credit crunch, if you like, from having a much bigger impact.

I think a lot depends on what the trajectory of interest rate movements is from here, not from the point of view of the immediate impact to the economy, but actually more on the confidence levels of the lenders and how progressive they want to be in terms of opening up their books. I think we have seen a bit more positive action lately. But I still think there's a little bit of time to play out in that. We're not really anticipating a major return to stronger credit conditions this year. But I do think we're at the point where that's coming, and it's just a question of time.

Kelsey Zhu: Got it. I think yesterday, Equifax and TransUnion echoed the same sentiment around employment being the number one indicator for global consumer credit cycles.

Let's dive into Ascend and PowerCurve. What's Experian's key competitive advantage in that market where you have financial services peers like FICO that also understands financial services clients' needs, and you have traditional software providers like IBM and Pegasus. So sort of how is Experian positioned in that software landscape?

Brian Cassin: Well, first of all, they're fantastic products, and they perform at an incredibly powerful level. The testament to that is that we have 600 tier 1 clients globally using PowerCurve to run their consumer decisioning platforms. So I think the evidence is in the fact that we've actually succeeded in the way that we have.

It comes down to deep knowledge of the industry. Deep knowledge of our clients' requirements. Deep knowledge of our own data. Deep knowledge of the attributes that are important and how you build that into a platform. None of the big software vendors have been able to actually compete with either us or FICO. If you look at the market at the top tier, it's really us and FICO that compete in most of these RFPs against each other.

And the reason is because they don't have the specialist knowledge and the deep kind of credit understanding that we have. And we've embedded that IP really into the platforms, and that's why they're so successful. So that's the reason. I think you marry that to the data, and then you have a very powerful combination, which is quite difficult for anybody else to replicate, particularly when you're dealing with a client that's actually obviously needs the data. They can get the data. They can get the decisioning from us. Lots of people like to consume that in that way. So there's many reasons why that's happened. And I think at this stage, we're in a very strong position.

Kelsey Zhu: I think it's that value proposition of one stop shop. You have the data. You have the analytics. You have the decisioning platform.

Brian Cassin: Yeah. I think that's right. It's a very tired phrase, but I think if you look at the Experian portfolio, you have a really, really broad range of products. I can give you one example of a tier 1 client in the UK takes 80 different products from Experian. So we do everything from helping with their upfront marketing, their origination credit decision, their customer management through to collections.

I think historically, one of the issues has been every product has been a single integration. So yes, we can bundle these things commercially, and that gives you an advantage and you can play off that and we've played that very well. But these platforms were built at different times and on different technologies as well. So if you're a big client that sort of says, yeah, I need decisioning platform and I need data, I actually need to do an RFP for these two things separately because I've got to integrate separately to the data. I've got to integrate separately to the decisioning platform.

Now we still win a lot because of that bundle. But wouldn't it be a lot better if actually you had a seamless kind of ability for these products to talk to each other and eliminate a lot of technical debt, help them take out cost, one integration versus two. So the vision on that with a unified platform is all of the engineering makes all of our products actually talk to each other with the ability to deliver that in milliseconds. Sounds very logical and simple. Actually, quite technically complex to achieve when you have different platforms that have grown up over different time, but that's what we've done.

I think you're going to see that play out in the market over many years. In the UK, again, we have just signed a top six bank on a 10-year deal to take everything from our marketplace, which is on our consumer services side, to have integrated into the marketplace, and we give them some preferential treatment in terms of placement of product. We're doing the originations in terms of the data that goes into that, and it's PowerCurve that makes the decisions. They will be doing all of their scorecard modeling analysis on Ascend. They'll be using Ascend Ops to actually take those models from the Ascend platform into their production systems. And they'll be using PowerCurve to do collections as well. And that will be one platform that really is an operating platform for a large chunk of their business.

Now I don't expect that every bank in the world will do that. There is way too much complexity and scale in many of these clients. But a big swathe of people will be interested in that. And if they're not interested in everything, they will be interested in adding capabilities in a seamless way.

So the way we demonstrate this product -- in fact, we did last week to a conference that we had, we run annually with about 700 clients, and we were on stage demonstrating this platform. Loads of photographs being taken and all that. Is to say actually you have a modular platform which has got capabilities, and the capabilities that you have are highlighted and they're active. You have dashboards that tells you what the performance is. But you can actually turns others on, and we can actually get them up and running really quickly.

So the advantages are huge. Cost is one. Speed of implementation is another. Generally speaking, it's the clients that cause the delays, not us. We can get people up and running on these products really quickly. That's a big change from historically. Somebody putting in a decisioning system in a large bank still take a long time, but it could have been years. Medium size bank, we can get somebody onto PowerCurve now for decisioning literally in days, if they can cope with it themselves. So I think it's a really big step forward. And I think it's going to give us lots of optionality for how we deal with clients going forward, and it will drive growth across the portfolio.

Kelsey Zhu: Got it. Super helpful. And talking about bundling, I think in the software business, the top 10% of your customers actually contribute 60% of your overall software revenues. So when we think about kind of medium term run rate growth for the software business overall, and particularly for Ascend and PowerCurve, how do you expect pricing, cross selling with existing customers, expanding into new customers to contribute to this medium term growth target?

Brian Cassin: We see -- so I think there's historical reason why that stat is what that stat is. We have the biggest share amongst tier 1 banks globally. The reason for that is because you think to some of the explanation I've had, which is our products have been very focused on very complex institutions that require huge variables and decisioning and a lot of engineering. When you try to sort of put that product into a smaller, less sophisticated institution, it's generally over specced, and it's too expensive and it's too complex for them to use, which is why we actually end up with a lot of revenues from the tier 1 banks.

But back to the previous point, which is actually when you put this product into the cloud, which it is now, you can make it as simple or as sophisticated as you want by adding different modules. So now it's actually easy for a mom and pop shop to actually say, okay, I'm going to connect to the Experian cloud. I'm going to use PowerCurve decisioning, what we call PowerCurve essentials, a very simple sort of credit decision, bundled with some data. And now I don't actually have to make a credit decision because the credit decision's made for me. I can input some parameters. I don't have to do scorecards. Experian will do all of that for you.

We were not able to do that previously because we didn't have the cloud, we didn't have the simplicity, modular nature of the platform. And it was very difficult to kind of sell that proposition to a broader base. So I think you're going to see us do more and more with -- outside the tier 1, as well as do much more with the tier 1 as well. And I think it gives us tremendous optionality to drive growth.

I think that we don't -- we obviously focus on trying to price our products as best we can. And we're more focused on actually moving people onto different value equations. So for example, we moved somebody -- recently a credit union in the U.S., we moved -- they were making -- believe it or not, this still happens -- were making credit decisions essentially manually with their own teams. And they were consuming data from Experian. That was a contract, call it, sort of few hundred thousand dollars a year. We sat down with them. We got them to use PowerCurve Originations. That turned that contract in from several hundred thousand dollars into several million dollars a year.

So you can see the opportunity is much bigger when you can actually move people into the value chain of products as opposed to just trying to extract a bit extra from a pricing on a particular credit report. And that's what we try and do.

Kelsey Zhu: So if you had to rank order them, it would be new clients first based on --

Brian Cassin: I think the new capabilities. So I'd certainly think that -- like if you take, for example, if we look at expansion outside tier 1, we'll be able to actually expand our share of wallet with those companies quite significantly. But if we are able to actually sell Ascend Marketing, which is a module of Ascend, to a tier 1 bank, pick a name, that's an annual contract, $20 million, maybe $30 million, maybe more. So if I can sell five of those, it's going to take me a lot of small businesses to actually make up that revenue. But we pursue both, and I think there's opportunity at both ends of the spectrum.

Kelsey Zhu: Got it. Super helpful. Let's switch gears to talk about Brazil for a second. We're hearing some of the resilient big banks talk about potentially reaccelerating origination activities. At the same time, we're still seeing rising default risks for fintech lenders. So what does Experian's customer portfolio look like in Brazil? And how are you kind of viewing the macro outlook for customer credit in Brazil in the next 12 months?

Brian Cassin: Yeah. So our portfolio in Brazil, everybody -- pretty much everybody is a client of Experian in Brazil, Serasa. So we have the biggest market share with tier 1 banks, tier 2 banks, fintechs, everybody. We have a huge presence and a huge market share. So our portfolio reflects what's happening in the market.

And actually, even though they're very different markets, I would make the same comment about what stage we're at. I'd almost say Brazil might actually be in a slightly different position because interest rates have started to move down. I think that's why you're hearing that comment coming back. Yes, delinquencies continue to rise, but I think that just reflects the natural order of things. When you think about it, you go into a down cycle. The banks make provisions when there are no delinquencies. And when they're actually comfortable with their provisions, delinquencies are probably still rising because we are at the tail end of the period that they're anticipating one or two years ago. That doesn't mean that things are getting worse. All it's telling you is what's happened over the last two years is showing up now.

So I think that they will sort of say to you, actually, that doesn't really concern them, as long as they look at the sort of fundamentals, as long as it's not outside the parameters that they've modeled. And they're now anticipating that what we'll now start to see is actually an opening up and a better credit environment and getting ready for that.

Kelsey Zhu: Got it. Experian has been the number one player in Brazil for decades. What's the secret of keeping that 70% market share, number one positioning? And are you seeing any changes in the competitive landscape in recent years? Because Equifax has acquired Boa Vista. We've seen the formation of the Quad. So any changes there that's worth highlighting? And what's the key driver of staying number one for decades?

Brian Cassin: It's a very dynamic market, and I think it's changed very dramatically over the last 10 years. Why are we number one? We're number one because we've got the best data. We have the best products. We've got really strong relationships. We're integrated into environments. We also have the best talent because we have the biggest business around analytics, our fraud capability. So it's really across the piece. Very high NPS scores, all of the things you'd expect from a very well competitively advantaged business.

But I think when you look at the market, you can see the structural change that's happened. First of all was positive data. For those of you -- I'm sorry that maybe some people in the crowd that are not aware of what that means. But negative data market, which Brazil was, means that we only see information on people who are defaulting. And that's, sadly, a lot of people in Brazil. And so you have a database. And so your only real requirement is actually to check the database to see if somebody is defaulted or not. Positive data obviously includes all of the positive information, so all of their cards and loans and how they're performing on that. And immediately, that changes the level of data that's available in the market. It's a massive scaling up of both the data. It's a massive scaling up of the number of consumers that can actually be lent to.

Now, why did they do that? There's a great quote from one of the members of the central bank in Brazil from a few years ago, and he said that they're introducing positive data because Brazil is a country which has five banks and 220 million victims. What he meant by that was those five banks had a massive data superiority, and they could cherry pick because they had so much more information than anybody else.

I think Nubank was here yesterday or -- well, maybe I've got that wrong. But whichever Brazilian bank was here, you've seen some really big entrants come into the marketplace. It wouldn't have been possible without positive data. Because you can't actually have a -- you can't see any information on good credits that you would want to lend to. So that's really opened up the market. And it changes every requirement. You have to change all of your scorecards. You have to change your scores. You have to change your analytics. You have to change the products you use. You have to merge data sets. It's a massive change.

Now at the same time, clearly, that sort of market change attracts different competition because there's an element of data commoditization in the positive data side. Not in the negative data side, but in the positive data side. So you mentioned Quad. That was a competitor launched by the banks many years ago. And the only way I can sort of say this, if you look at our growth rates post-positive data to pre-positive data, our growth rates have accelerated. Because actually, this environment was made for Experian because all of the products and services, Ascend, PowerCurve, stuff we've talked about, we can now really leverage those in that marketplace in a way that we haven't been able to before because we just really had the negative data sets. So this has been the best thing that's ever happened to our business in Brazil, and it's actually strengthened our business.

So the answer to your question, have we seen a change in competitive environment, yes. We have actually gotten stronger, despite the fact that there have been new entrants. And I don't expect that to change anytime soon because our business continues to accelerate.

Kelsey Zhu: Got it. And I think you've highlighted the positive data, increased penetration rate of those products and services in Brazil as a key growth driver over the last few years. Kind of looking forward in the next five years, how would you summarize the key growth driver for both the B2B and also the B2C business in Brazil?

Brian Cassin: So I think increased penetration of additional products. We still have a lot of whitespace in fraud. Back to the comment or conversation we were having earlier around products like Ascend and PowerCurve and unified platform, all big opportunities in Brazil and all places where we still have a lot to do.

I think also, interesting positive data came at a time when actually we sort of went into more, a bit of a credit downturn. So you haven't really seen -- you've seen the product impact of that. You haven't really seen the democratization of credit impact of that. You have a bit. But there's still millions of people in Brazil that could be lent to that are not being lent to. That are not being lent to right now because credit conditions are tough and people have pulled back. But I think as we get out of that, you're going to see I think quite a big expansion in the overall market. So I think that's going to continue to be a driver for quite some time.

Alongside that, what drives the other products is you just need to get more sophisticated. If you're a player in that marketplace, you've got a lot of new entrants. The customer experience in the other entrants is brilliant. You've got some people like Itau and others that have invested and they've got great customer experiences. But then you've got others that really don't have competitive consumer-facing apps, and they don't have back end processes that really deliver cutting edge propositions as speed. And all of that is real opportunity to come.

In addition, the central bank in Brazil, as you mentioned a couple times because it's really a great example of somebody driving positive change in the market. They've also actually introduced something called open finance, which is trying to democratize trade credit and enable people to actually securitize receivables. And we have the biggest SME business in Brazil as well, and we've also added decisioning platforms on that. So we see a huge growth driver there. So it's almost like across every piece, because of the market changes, there's opportunities.

And on the consumer side, I think we mentioned it really in looking at the comparisons between, say, U.S. and Brazil. We still have yet to see a really competitive credit market develop. We've got some new entrants. They're doing really well. Nubank's only been around for 10 years. They already have more clients than Bradesco, mostly focused in subprime and so on. But those prime customers will become into play in time. They are going to look for online platforms to acquire customers, and we have the biggest platform in Brazil by a country mile. So we're well positioned there.

Kelsey Zhu: Got it. I think that's a nice segue to talk about consumer services in general. In Brazil, you've seen 20% to 40% growth over the last few years in consumer services. A, what's driving that impressive growth that we've seen? And B, how should we think about a longer term sustainable run rate growth for this business?

Brian Cassin: So I think the strategy, again, in consumer services is back to what I said at the outset. We want to build a strong B2C proposition. We want to develop relationship with consumers at scale. We believe that that is a very attractive growth opportunity in its own right.

We also believe that longer term, when you start to look at some of these big trends that we think about, open data is a really important part of that. Having a direct relationship with consumer where consumers contribute data to you is a competitive advantage. And we are leveraging that today, and we will leverage that even more in the future. And so our ambition was to build an audience scale and then to actually add relevant verticals where we could offer additional products and services to those.

In Brazil, we started in the obvious place, which is delinquencies. So our product that really drove our growth in the early years was called Limpa Nome. In Portuguese, that means clean your name. A lot of people had negativation marks on their file, and if they settle debts, they can actually get that negativation removed from their file, and it means that it might be available for credit again.

And this goes on in Brazil. There are 40 million people in the negative database. It's a very big issue. The way this did previously, they'd negotiate with their bank, or they'd come actually to the Serasa Fair, which you might have seen, actually. It's incredible. We have hundreds of thousands of people coming. And also they would go to many offline places, a very clunky process. We've digitized that process. You come to Limpa Nome. You have a panel. You have all the -- it's integrated with all the lenders. You have debts outstanding. You can negotiate online. You don't have to speak to the bank and you settle the debt.

And then here's the really key bit, which is you then actually immediately get that negativation taken off your Serasa file. And that's really powerful, because ordinarily, that might take a long time for that to happen. And of course, everybody in Brazil, the brand recognition of Serasa is off the charts. So there's only one place they're going to go to clean their name. That's Serasa. So we've been able to leverage that brand strength and the power that we have in Brazil to build a really huge audience.

Now the next thing to do is actually how do we expand that. And I've mentioned the cards and loans marketplace, but we also think there's quite a big insurance opportunity in Brazil and we're building that out now. I think we can continue to actually leverage new products onto that customer base at scale rapidly. So the growth there should continue to be very strong for many years to come.

Kelsey Zhu: Got it. And you've mentioned the insurance opportunity in Brazil. In the U.S., you've launched insurance marketplace recently, and you've talked about the TAM of that product is in the billions?

Brian Cassin: Yeah. Yeah. It is, yeah.

Kelsey Zhu: Could we talk a little bit more about what the competitive landscape looks like? What are the challenges to expand in that market because it's quite new? And what's your long-term ambition for that business?

Brian Cassin: So I think we launched that -- we actually launched that about three years ago, and we're really in build mode for about a year and a half. I think this business has been properly going for about a year and a half now. I think into next year, we will be closing in on $100 million of revenue in a very short space of time. So I think that tells you the potential we have with that.

Why is this such a big opportunity? I assume all of you are U.S. car insurance consumers. It's not a very great consumer process. Many of you are still doing that in a very offline way. Huge portion of the industry is still offline. Very little of it is online. Where it is online, where some of the insured tech companies have sort of developed propositions, they're actually pretty clunky consumer experiences. It still takes quite a long time. Not a very good experience. So we looked at that and felt that actually this was something that we could apply our core skills to.

Why car insurance? Well, we also have the largest database of automotives in the U.S. Every single car that's in existence and historically, we know who it is. We know who owns it. We know how much finance is outstanding on it. We know whether it's been in a crash. We know whether it's been repaired. We know a lot of information about that. And so we tested and sort of saw -- checked to see whether we could actually entice consumers to have intent around insurance, and that was very positive. So we felt that actually if we could digitize the back end process and give a simple digital experience for people to get insurance, it would start to build.

Now traditionally, there's always been resistance to this because the insurance carriers over time have actually preferred to go direct. Still do. They've also looked at markets like the UK where there's been a tremendous amount of commoditization because digital platforms have developed in the UK and they haven't really enjoyed that. So some of the bigger players have always said we're not going onto those online platforms. Not going to make it easy.

I think COVID changed that a little bit because the consumer started to really push for a better experience. You started to see some people pop up and kind of put propositions. Then we launched. And then for the significant, really significant development this last year, we got two of the very biggest carriers in the U.S. to integrate onto the platform. Now by integrating onto the platform, I mean actually back end integration so that we can offer a seamless insurance product. And we're one of them -- we're the only place where that's happened. Why did they do that? Because they saw our capabilities. They saw the audience. They could see what we could do with the automotive data.

So when somebody comes with insurance, turn to Experian, you don't have to enter any information. We already know. Once you identify yourself, we already know what car you have. If you're a consumer -- Boost customer, we already know actually what your insurance premium is because we can pull it out of your checking account. And we present all that information to you. It's a great experience. Already, that major carrier, it is their most profitable customer acquisition channel. So we know -- we have gone through a test period on this. We know this is going to be a big business for us.

Kelsey Zhu: Got it. Super helpful. And the beauty of having this direct-to-consumer relationship is that you have a lot of free consumer contributed data. So what's Experian's strategy to unlock the full potential of those consumer contributed data? Is this something that you can use to enhance your income employment database as well?

Brian Cassin: Yes, it is. Some simple examples and some more sophisticated examples. In Brazil, consumer -- real problems with data quality in Brazil. And that's simple stuff like people's addresses, names misspelled, phone numbers wrong. The consumers that come onto the platform give us all the correct information. We correct our file. Something as simple of that improves the accuracy of your data by percentage points. Sounds silly, sounds simple, but it's important. That's point number one.

Point number two is if you look at some of the products we've launched in the U.S. like Boost or Go, these are products which are specifically aimed at consumers to give us much more information than we actually have on the file. So we now have 14 million people who have connected their bank accounts to Experian.

Now when we started this and we were talking about people -- people said, people are never going to connect their bank accounts to Experian. Well, guess what? They're wrong. They will and they do. And we actually have access to all that information. We can rescore them in seconds using that information, and they can use that information to get better credit offers. So you'll see people actually moving up credit bands. It's been around for a while. So that's a really good product. And it's a really good example of where we can actually get access to additional information.

What do we do with that information? Well, we've developed cash flow attributes of that information, and we're selling that back into the B2B business. We have all of the correct email addresses, device identification. We have phone numbers. That goes into our fraud business. So there's lots of different areas that we can start to leverage. And we're really only getting going with that, actually, because the first objective was to build scale, build out verticals. Now we're really starting to look at how we leverage all of our data assets across all of our businesses.

Kelsey Zhu: That makes me think about the strategy to gain more data in income employment verification in general. Because one of the big debate is most of the payroll providers in the U.S. have an exclusive relationship with Equifax. So how does Experian go about gaining records? But right now, you mentioned that there's millions of consumers who have logged onto Experian Boost. You have access to their checking account data. So is that kind of the strategy that you are expanding into, which is consumer contributed data and you don't actually need all the payroll providers in this?

Brian Cassin: Well, it will be across all of those fronts. I think today, so the first thing I think you have to do is actually have the authorization from the consumer to use data for specific use cases. So when we planned in things like Boost and that, we thought ahead to that, and we've actually got broad consent. So we can use the information. Of course, we tested that as well. Funny enough, we actually started looking at verifications a long time ago from the consumer angle. But I think you also have to sort of judge when that's right and when you can make the experience slick enough and quick enough for it to actually be a viable alternative. It wasn't then. It will be at some point. And I think within a decade for sure, probably even sooner, given the advances in technology, you are going to see consumer contributed data play a big role here. We're in a fantastic position with the customer base we have to do that. We have all of the relationships.

But to get that business going, we recognize that you needed payroll providers. But ADP was in an exclusive relationship with Equifax, and now they're not. So these markets are opened up. And we wouldn't have entered into it if we didn't have ADP opening up and providing data to other players. We also recognized that we needed unique records, and that's why we pushed into employer services, because on that side of the business, you get unique records.

So we didn't have a verifications or employer services business four or five years ago. We're now actually, even though a long way behind, we're number two. So I think that's okay. We've done well so far. It's always a challenge, of course, because you have a very huge incumbent that's defending its turf very aggressively. That's not going to change. But I think we've demonstrated that we can do well. We'll continue to do well in this, and we'll continue to explore every angle about how we build the business going forward.

Kelsey Zhu: You've mentioned that you've had good traction in verification services. And obviously, this is a market with a huge TAM. How should we think about the revenue and margin opportunity for Experian in the next three to five years?

Brian Cassin: We haven't really sort of sized -- I think in early conversations, we think, one, I think there's growth opportunity. Obviously at the moment, I think you're seeing some, particularly around mortgage and so on, some softness in that market. But we're already at close to a couple hundred million dollars. There's no reason why over a reasonable timeframe it can't be $0.5 billion business for us. I don't think that's going to go like that. I think there will be spikes and troughs. I think that some years we'll grow. Some years we won't. It might develop. Depend on how records become available and so on. It's not going to be linear, but I think we can get there. We continue to have to work hard on it. Big focus for us. But I think if you look at it from a strategic initiative that we started many years ago, are we happy with the progress that we've made? Yes, we are. Do we still have a lot of work to do? Sure. Is success guaranteed? No, it never is. But I'd fancy our chances at this stage.

Kelsey Zhu: Got it. Very helpful. Sticking with North America. So in auto and targeting, you've also seen pretty notable outperformance against the underlying markets. What is the key driver of this outperformance?

Brian Cassin: So again, I think it comes down to when you look at our -- all of our business actually has been outperforming the underlying market conditions. And I think it goes back to the strategic framework that I talked about, which is that we look for areas where there is room for us to grow into different areas of the value chain. And even though that particular market might be softening, we can grow because we're taking share or whatever from other players in there.

Targeting in particular, part of our business that we don't talk about a whole lot, we never get a lot of questions about it, but we actually have about the largest database of consumers in the U.S. Well over 150 million, 130 million households, well over 200 million consumers. And we also have lots of demographic and lifestyle attributes of those consumers.

Traditionally, that data set has been the starting point for every marketing campaign. The market says, okay, BMW as an example. I need to find an audience of people that look like this in these areas. How do I do that? You start at Experian and you create an audience out of consumer data. But that's actually an offline process. So you would -- we would maybe even go direct to BMW, or it was traditionally the retailers, and they'd create their audiences and they'd activate them through traditional channels. Great business, but low growth because all of the growth is actually on the digital side.

So we recognized that needed to be able to match up those audiences to online behavior. So a few years ago, we bought a business called Tapad, which the primary product is an identity graph, which actually enables us to match up our audiences to online behavior and identify people in an online environment. So devices, phones, emails. We can sort of say, we can match that up to say this looks like this audience. It's a high probability that this is the audience that you're targeting. And that's really what's driven the additional growth in this kind of environment, matching those two things up. It gives us many more opportunities to actually sell our data. So we've integrated that onto most of the big platforms, particularly Trade Desk and others, and you're seeing people buying audiences and matching those audiences across those platforms. And that's been the main driver of that.

Kelsey Zhu: So talking about this digital identity and also digital advertising. I think what you're describing sounds like something that TransUnion's Neustar also offers. So how does Experian's products and services compare to that of Neustar or TransUnion's? And kind of one step further, what does the competitive landscape look like for this area?

Brian Cassin: So I think the digital advertising space is just hugely complicated ecosystem of different products and services. You'll find between any given company, you would sort of say, okay, that looks a bit like this, that looks a bit like that. We focus on specific use cases where we can win. Our data is needed across the industry. And so our purpose is actually to activate our data in more places in an online world as opposed to just in an analog world. So yes, there is -- if you were to just look at it from an identity resolution perspective, you could say that. But actually, when you look at it the way we're approaching it, there's a bit of overlap, but it's not the primary -- we're not primary competitors against them.

So our focus is actually really driving our business that way. And identity resolution is a capability that we add to that. It's not actually the focus. In many ways, actually, identity resolution is a core component of credit bureaus. It's one of the key things that we do. So it'll be a lot of expertise around that. But I think it's a function that enables you to sell products and services as opposed to be an actual big product by itself.

Kelsey Zhu: I find it very interesting that across all three bureaus, you guys have all talked about this combination of credit, identity and marketing as a combined next phase of focus for the bureaus.

I know we're coming up on time. Maybe just one last question from me today. So in the last quarter's conference call, you've talked about the current capital allocation priorities being investing in the business. And if you had extra cash, you would consider buybacks. So throughout all of these strategic initiatives we talked about today, how do you usually decide between build versus buy? And what are some of the key areas you're looking at for bolt-on M&As?

Brian Cassin: So build versus buy is a very detailed assessment that we do. We can build anything, actually, because in the core capabilities that we have, there's no product that we can't build at Experian. But if you take something like let's take -- we bought a business recently in Brazil, which was really a device authentication business. When you look at the product itself, of course we could build that, but what we can't build is the repository of device identification that has been built up over a number of years. So it's not just the algorithm. It's also the data that it works off. So in that situation, yeah, we could build it. It probably wouldn't take us -- cost us very much to build it. But it wouldn't be a competitive product because you don't have the data set that goes with it. That's how we make that assessment.

Now of course, we could actually replicate that data set. And that would mean integrating it and signing on customers, and that would take us several years. So we make a simple assessment which is, okay, are we better off -- are we going to be more successful by buying this capability and leveraging or actually competing with this capability and taking several years to get to parity? In those situations, a fairly simple analysis.

Broadly, going back to your question on capital allocation, we are at the moment below our target debt to EBITDA ratio. Our range is sort of 2x to 2.5x. We're at 1.7x. That's deliberate because we didn't like pricing for assets in the last five years so much. We didn't buy very much. We're obviously a very cash generative business, and we let that ratio drop. Also, interest rates are going up. We fixed the rate on our outstanding debt.

So we wanted to put ourselves into a position where asset pricing got more realistic. We would be in a very strong position to take advantage of that. We are. And I think the only outstanding question is are asset prices getting more realistic. The answer is yes. I'll give you an example. We didn't buy this business, but it traded last week. BioCatch, which is a very successful business in biometric identity resolution, Israeli-based business. Sold I think last week for 7x, 8x revenue, something like that. Three years ago, they wanted 20x revenue for that. You can't -- there's a point at which you just simply can't make a return. Even though the capability is great and we'd love to have it, it's just impossible to make a return with some of the prices that are being asked.

And even though these assets are still very expensive, because of that example I gave you with device, for example, it's very hard -- sometimes hard to replicate things. So it's worth paying up for them. But because we can put them into our channels, if you like, we can drive more synergies from that.

So pricing's much more realistic, and I think there are more opportunities, and I think we're in a very strong position to do that. But we're very disciplined about how we buy and where we buy. The focus areas are very straightforward. If we can buy other credit bureaus, they're fantastic businesses. They'll be around forever. We will buy them. And of course, we just announced an acquisition of -- potential acquisition of a credit bureau in Australia, which will consolidate our position in that marketplace. There aren't too many of those around. There are a few.

We want to bolster our position in fraud. I think the market environment is more conducive to that now than it has been historically. We want to build out our presence in additional verticals like automotive and health. We've been very successful with that. Be looking at more opportunities there.

And then on the consumer side, we continue to see opportunities where we have product infills that we can put onto that platform. And I think we can look at businesses that have great products but can't scale because they can't get an audience. You suddenly put that product onto our platform. We can transform those businesses very quickly. So those are the areas. It's quite a broad spread, but again, back to the strategic framework. It all fits into where we see the big growth opportunities coming from.

Kelsey Zhu: This is all really helpful. Thank you so much for sharing with us today, Brian.

Brian Cassin: Great. Thanks for having me. Thank you.

Kelsey Zhu: Thanks, everyone, for coming.