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Ashish Sabadra:

I'm Ashish Sabadra and I cover information services companies at RBC. Thank you, Lloyd, for joining us. We are really excited to have Lloyd, CFO of Experian, join us today.

Lloyd Pitchford:

Pleasure, thanks. Good to be here.

Ashish Sabadra:

Thank you. I'll start off with the number one question that we are asking all the companies at the tech conference, which is GenAI, GenAI, GenAI. So how do you think about disintermediation risk investment? Those are the questions that we are getting. I was wondering if you could talk about your proprietary data, how deeply embedded you are within the workflows and how do you think about GenAI opportunity?

Lloyd Pitchford:

Yeah, sure. If you think about our value chain, you clearly have the raw material, which is our data sets, huge proprietary data sets. I'll talk a little bit about that. You've think of the value creation layer, so how you create value, usually through software and producing. Then you've got the distribution layer, how we embed ourselves very deeply in end-to-end workflows. I think, as we think about those three areas, it's clearly the middle piece where barriers to entry reduce a bit. It's easier to produce code and to produce a software product. Without any data to train that on or without any network to distribute it on is quite a lonely place to be for a product, and obviously we have very deeply embedded positions on distribution in a scaled way and also our data.

In terms of the data assets, we've got very, very large proprietary data sets. So take the North America Bureau financial services business, we've got something like 12,000 individual contributors. These are financial services companies. We've also got connected accounts with over 18 million consumers, where we see the real-time transaction and cash flow data, and we've had all of that data for decades. Bring it to life, it's about 1.1 billion new data points every month and we've got all of that experience of finding the signals in that data that turns it into value. That's really what we do. It's impossible to recreate that data asset.

If you think about places where we've seen competition for data, there are a number of examples in our industry across years where, for example, banks in certain geographies have come together and formed a joint venture and they've given that joint venture the data that they have. That happened in Brazil with the Quod Bureau. Nearly 10 years later, it has almost no revenue. It happened with the banks in the UK about 25 years ago, a company called Callcredit. Really small market share. It's smaller today than it was 12 years ago. So it's really difficult, even when you get given a data set by big financial services institutions, there's such an embedded position inside big clients, and I think our competitors see that as well.

If you go back to the position you had when Equifax unfortunately had this data breach, they really didn't lose any clients. They lost a bit of negotiating power, they lost a bit of mind space around innovation that help out their growth. Big clients don't really shift. So we grow really by innovating and automating more workflow, by innovating into a new white space. So we feel very confident about the defensibility of our data asset and our ability to find new signals in that data. I think that comes down to that's really an accelerant. AI accelerates the ability for us to find hidden value in data and it accelerates the pace with which we can turn that into value through product. That's all on the revenue side. On the cost side, clearly there's a big productivity opportunity for us. We have a lot of people doing a lot of things, something like 11,000 of our people, so just under half of our people are technologists. So that's a big group of people who have hands-on keyboards producing code, and that's getting a lot more productive with generative AI.

Ashish Sabadra:

That's great. So obviously, you talked about efficiency and you've been investing in AI for a long time, but as we think about going forward, do we think that there is any material investment or inflection and investment that would be required on GenAI going forward?

Lloyd Pitchford:

No, I think as a share of investment, I think you'll see it attract more share of the investment we have, but I don't think it's an increase in investment because if you look at our cost base, we have, as I say, 7,000 people developing and deploying code. You go back four years, it was individual keystrokes. You go back three years, it was using code repositories to reuse code that somebody else has used. One and a half to two years, it was using Copilot. It's now vibe coding. The productivity journey across 7,000 people developing and deploying code is just enormous, and obviously that's giving us the capacity to accelerate into some of these newer areas.

Ashish Sabadra:

Okay, that's very helpful. Another hot topic that I wanted to touch on before we go into the business itself is what's happening with VantageScore and the mortgage market. So maybe if you can just give us a lay of the land. How does FICO's Direct License Program, any thoughts on FICO Direct License Program, the ability for them to execute on it, and then your ability to push forward with VantageScore and the adoption of VantageScore in the mortgage market?

Lloyd Pitchford:

Yeah, so I mean in terms of the direct license, we're pretty agnostic, actually. Yeah, the main value that's provided in this ecosystem is from the data. There is no score without the data. So we'll price for the data and the processing that we have around that data either, and calculate the score or we'll let somebody else calculate the score. Clearly there's a lot of regulatory and other risk associated with calculating the score. So on the one hand, we'd be pretty happy to pass that on to somebody else and take all the consumer calls that would come with that, but we're pretty agnostic.

I think the second question, then, is what does score competition bring? Clearly you've seen a position where essentially FICO has been a monopoly inside the secured mortgage space. Clearly we're at a position where that monopoly is coming to an end, so it's pretty clear that market share will shift to Vantage. The question is how much and when? And these things often go slow and then quick. I think there'll be clearly an embedded financial incentive. We've clearly priced Vantage at a material discount

to FICO to help encourage that. We'll incentivize our sales teams. It is hard to call. I think probably, it goes a little slower than people think in the first period and then it goes a bit quicker.

Ashish Sabadra:

Okay. No, that's very helpful color. In terms of timelines or other regulatory things, anything that we need to be cognizant of? Particularly the question that we get is around LLPA grids or the pricing grids for VantageScore. Any thoughts on when that gets published by FHFA?

Lloyd Pitchford:

Yeah, the last information I have from our internal team is we expect that before the end of the calendar year. Interestingly, this is quite a small bit of our business, so some of the questions I've been asked today by investors are at a level of detail in what is quite a small business for us that I don't know, so others may have a more accurate answer to that, but last we heard was by the end of this calendar.

Ashish Sabadra:

Yeah. And then thanks for clarifying that. So mortgage is less than 3% of your overall company revenue?

Lloyd Pitchford:

It's between three and four.

Ashish Sabadra:

Between three and four. Okay, thanks. Switching gears, talking about your biggest business, North America, 68% plus of your revenues. Obviously continue to have really strong momentum there across all the segments, but let's drive first into B2B, particularly the ex-mortgage piece. Can you talk about the state of the lending environment? Obviously a lot of concerns around cracks in consumer credit. Are you seeing anything? Can you also talk about the strength in cards, auto and personal loans, broad-based strokes there?

Lloyd Pitchford:

Yeah, so think if you look at unsecured lending, which is really what you're talking about, what? A year and a bit since the first Fed reduction. So in a traditional cycle, this will be the point where you would see a very strong lending environment, somewhere between nine and 18 months. You've clearly had two other big factors that play into this cycle. One, the whole debate about tariffs, the other, the whole debate about generative AI and what that does to the jobless market. I think last year, we described the lending environment as stable after a period of it being weak. I think what we've seen this year, we're probably in our third quarter now of sequential improvement. It's gradual, but it's sequential and I think if you look at the financial services growth for us and our competitors [inaudible 00:09:41] and Equifax, you can see high single digit growth in that ex-mortgage financial services business.

So that's indicative of volume growth and we're seeing that across categories, actually. In terms of the outlook, I think it again, X other impacts on the economy, you would've expected that to have continued and for people to get, then, see interest rates reduced, people to see it be more focused on origination. The wild card is jobs, so how does the whole jobs market play into that? That's, by far, the biggest lead indicator of the supply of credit. If you think about the difference in secured versus unsecured, it's really supply that drives the unsecured credit market. Supply is really determined by the risk of default or the

prospective risk of default, which is really determined by unemployment and the expectations there. So that's the thing we watch really carefully.

Ashish Sabadra:

That's very helpful color. If we go on and particularly want to focus on Clarity. That's been a big growth driver for you. Can you talk about what's driving that success with your Clarity Service?

Lloyd Pitchford:

Yeah, so Clarity is short-term lending bureau. So we have lots of data across the US population around short-term lending. That started, really, as a standalone bureau. Of course what we're doing now is we're pulling all of the data and attributes out of that and feeding other files around the core bureau. It feeds into a lot of our cash flow attributes. So this isn't just another example of the hidden signals in data. When you have a data asset and you analyze it and you look at it, you can find new signals that are valuable in the market. So it's been a very, very valuable data asset that we've built up there and we're building it into all of the propositions we have across all lenders, not just the short-term lending community.

Ashish Sabadra:

That's great. Switching gears, talking about auto. Your auto business is pretty unique, compared to your competitors. Not only do you have the credit data, you also have the AutoCheck business. Can you talk about what's driving the strength there? What are you seeing in terms of new win momentum pipeline going forward?

Lloyd Pitchford:

Yeah, so just to explain our auto business, a little under half is credit provision there. We probably compete most with Equifax. The rest is a whole basket of products, including AutoCheck, that supports the dealer network, and there we compete really with S&P, their Mobility unit that they're just stripping out. If you combine the two and you look at the US car market, for about 15 years, the number of new cars in the US has been pretty stable. Our auto business has grown double-digit compound over 20 years and we've done that by finding new value in the data sets that we have, the combination of credit and all of the car assets. And it's currently growing about 15% this last quarter. We think it'll continue somewhere between 12 and 15% for the rest of this year, really driven by the innovation around the data. So it's been a great division for us.

Ashish Sabadra:

That's great. Maybe if I can ask one more follow-up on that. One of the concerns you always hear is about pull forward. Pull forward either because of tariff, because of the EV credit expiring, have you seen any indication of any kind of pull forward in the auto market? You obviously talked about that 12 to 15% growing, growth sustaining.

Lloyd Pitchford:

Yeah, not really. And we've had some good wins in some competitive takeaways that we announced in that market, which I think will help bolster growth, but it's been fairly stable in that 14, 15% growth this year and we expect it in there for the rest of the year.

Ashish Sabadra:

And maybe another follow up on the new wins that you talked about. I believe you won KBB, in particular. What's driving that win? Is it the complete, obviously you talked about innovation, but I was just wondering if you could talk about what's driving these new wins.

Lloyd Pitchford:

Quality of the data, the service, the package of products and analytics that you put around the data. That's ultimately where we win. Big customers don't change that frequently in any market, including this market. So that was a really nice, competitive takeaway for us. In terms of the combination of that and the overall size of the market, it doesn't change our growth rate materially, but it's a nice bolster for us.

Ashish Sabadra:

That's great. Just switching gear, talking about the healthcare, again, healthcare continues to have really strong momentum as well. Can you talk about what's driving because the forces are very different than rest of the market and how should we think about that outlook there?

Lloyd Pitchford:

Yeah, so our healthcare business deals with revenue cycle management. So think of it as the journey of a patient through the healthcare system. And a lot of the things you have to do with data in shepherding a patient through the healthcare system are actually very similar to a consumer going through the financial system. You have to identify them, you have to assess their eligibility all the way through to collections. So we entered the healthcare business, what? About almost 15 years ago with a number of acquisitions and we built that business really well over that period.

It's grown consistently, either low double-digit or high single digit. its margin's very strong, about 40% EBIT margin, so very strong, high 40s EBITDA margin and as I say, very consistent grower. It's pretty non-cyclical. I think the opportunity is really material. Anybody who goes from dealing with the financial system and then becomes a patient, it's like stepping back 150 years. So that's our opportunity, is to smooth and make more efficient the healthcare system through the use of data. And clearly there's a long runway of growth that we can do there. It's about a \$650 million business today.

Ashish Sabadra:

That's great color. We haven't spoken about Ascend Platform. That's another competitive differentiation. Compared to a lot of your competitors, you've seen some really good traction. Can you talk about what's driven the success, first of all with Ascend Platform? What kind of traction are you seeing for new modules within Ascend? And then how does it help your ecosystem? How much of it is the monetization of Ascend versus the moat that you're building with Ascend?

Lloyd Pitchford:

So the journey of a consumer through a bank, historically, has been a journey inside the bank of lots of discrete tasks, often done in a disconnected way by disconnected departments in the bank. What Ascend is, the platform, is on a journey to productize and connect all of those jobs to be done inside the bank. That's a long journey. That's what the platform is. When we talk about individual products, like our Ascend sandbox, that's a single job to be done, create credit model, Ascend ops, deploy and monitor credit model, Ascend governance, interact with your regulator around your credit model and then the same for fraud.

So we're on a journey really, if you think about what that is, it's like a CRM inside the bank, connecting all of these things. And we now have the single platform view that people can see all the different functionality and when they come into the platform, we've won great market share. So this is displacing internal models rather than displacing incumbents. We are the ground breaker in this. So over 20 of the top 25 financial institutions in the US use an Ascend module or touch it. We've got about two-thirds of lending in the UK now touches an Ascend a module, either in production or in trial. And you see we're gaining that market share.

So the job now is to spread that out. Where a client has bought one module, we want them to buy another. And then over time, what happens is the value accrues, not to the standalone product, but to the end-to-end connectivity and workflow. And then you know you're really embedding something in the ecosystem and it's really, really unique in the market. Our competitors, it's really difficult for them to compete because if you're FICO, say, you may have a decisioning module but you compete with us but you don't have the data. If you're Equifax, you may have the data but you don't have the fraud module or you don't have the sandbox or you don't have the level, the generational sandbox that we have. So we're going to keep pressing behind the market positioning of Ascend.

Ashish Sabadra:

That's great. And as we think about the monetization for Ascend, how should we think about that monetization in the sense, obviously, you charge for the software, but how do we think about that, creating that flywheel for data also?

Lloyd Pitchford:

Yeah, so I mean in the end, what we want is to increase penetration of these products. So we price uniquely to each client to try and encourage penetration. There's clearly a data element and often, there'll be a free element of that, but with some caps and collars around the data usage. There'll be a per seat use. Clearly as it moves more agentic, it'll be less per seat use and more per membership. So it'll be, if an agent is using it, that would still incur a fee. Overall, though, what you're seeing is a gradual shift from price times volume to a basket of licenses, as much more of it is in the software.

Ashish Sabadra:

That's great. Switching gears, talking about Consumer Services, again, another differentiated value prop that you have. 205 million consumers on the Consumer Services platform globally. Can you talk about the credit marketplace and then we'll go into the insurance and other marketplaces, but credit marketplace, the strength that you've seen there, how do we think about that momentum going forward?

Lloyd Pitchford:

Yeah, I think, just to explain why are we're in the direct to consumer business. We have a unique position amongst our competitors. If you think about us and the other bureaus, we've always competed pretty strongly around unique data sets. So we try and build the credit file with other data assets. So we build out. We always form the view that the deepest, richest source of data ultimately would be the consumer. They have access to all of their transaction data, all of their asset, all of their income data, all of their expense data, et cetera. And that technology would enable us, if we had a trusted relationship, for them to share that data, and that's what we've been building. And obviously, it takes some time to build an audience of that scale, but we now have a lot of scaled relationships with consumers. And when people value that, they share their data.

So we have 18 million connected bank accounts in North America, others overseas, and we are finding unique value in that data, such as the introduction of the insurance marketplace, where we're able to see inside the consumer's bank account, be able to see who their insurance provider is, how much they pay and when their renewal date is. That means we can put a relevant offer for them just at the time that they're shopping for car insurance and we've quickly built about \$100 million business in the insurance marketplace.

The credit marketplace is clearly a big business where Credit Karma is probably our biggest competitor and you've seen, back to my earlier comments, the more risk on in origination, you're seeing quite a lot of growth there just now. So that's growing very strongly, but about half of the consumer businesses is subscription. That tends to be a bit countercyclical. People come there when there are less credit offers available, which makes it a nice hedge for the marketplace business. And what you've seen in our consumer business globally is, as we've built up that audience, the first phase was quite dilutive to margin because we had to build the audience. You're now seeing a really nice improvement in margin in the consumer business. We've gone, over the last six years, from about 20% EBIT margins to about 30%. So it's a similar margin to our B2B business now.

Ashish Sabadra:

That's great. And maybe just one more quick follow up question there would be just on the Activate product. I was wondering if you could talk about that as well and how that adds on to your competitive differentiation.

Lloyd Pitchford:

Yes, I think of Activate, Activate is Ascend, but it's Ascend built inside our consumer proposition that uses all of the data we have around different consumer cohorts to allow our B2B clients to curate product that targets very specific cohorts and increases their competitiveness and their conversion. So rather than wasting money across cohorts with products that aren't really suitable, it allows them to really hone that product and it's a pretty unique proposition. We have it across the UK. Pretty much all of the lenders in the UK on our platform use that now. And it was interesting when we first entered the insurance market, that was one of the big selling points. When we demonstrated that to the insurance carriers, they'd not seen something like that in order to be able to curate. They obviously rely a lot on top of funnel marketing. Our big pitch to them is to use our data to be able to improve their conversion.

Ashish Sabadra:

That's great. Sticking on the Consumer Services side, just moving on from [inaudible 00:23:40], again, continue to see pretty strong momentum there despite the macro challenges. Can you talk about what's driving that and then Limpa Nome, sorry, how's that coming along as well?

Lloyd Pitchford:

Limpa Nome is called Clear My Name, and that's really in a market that used to be a negative only market, they've been failed to pay a debt and there are a lot of delinquencies in Brazil. You were clearly locked out of the credit market, including point of sale credit for your weekly grocers. So there's a big demand to be able to resolve historic debts. So that's where that business started. In Brazil, we resolve about 14, \$15 billion of debt for consumers each year. Often it's historic debt that the banks have written off, so we're able to negotiate very big discounts to historic debt that allow people to clear their name and re-enter the credit market. It's a really material asset for us.

If you went to one of our credit fairs, you might see people queuing for maybe half a mile to attend these. So it's really quite humbling, actually, to see. What's been new is, as we bought some of the other product capabilities to Brazil, you're now able to resolve your old debt on the platform, make a payment on the platform. So we process payments. We're actually the payment processor on our digital wallet of about \$1.5 billion a year of payments. That automatically updates the credit file and then you can go into a credit marketplace to take new credit. And of course, you then get a single workflow and four monetization points. So that's an example of how we build out the platform to different use cases as you've built your audience. This year, the direct to consumer business over in Brazil will be about a \$300 million business and it'll grow about 20%.

Ashish Sabadra:

That's great. One area of weakness in LATAM has been the B2B side. Obviously a lot of macro challenges there. Can you talk about what are the headwinds from a macro perspective and then how should we think about, at what point can we start to see the inflection in growth?

Lloyd Pitchford:

Yeah, so Brazil often, its cycle is a bit different to the US and that's been a great hedge for us over the years. When Brazil was in deep recession, US was booming and vice versa. Brazil is still in the rate tightening bit of the cycle. Whereas in US, we're in a rate loosening, they're still tightening. So you have a lot of delinquencies. Interest rates are about, I think last view, about 14% and tightening. So you're seeing that's driving through in terms of the uncertainty in the B2B market.

The way the rules work in Brazil, you can't make any fiscal changes in an election year. So all of the fiscal changes are being made now. I think we'll get to a bit of stability on fiscal change next year. You've got the elections. I think next year probably is a little bit better in the B2B business, but it is probably not back to really strong growth. We probably need to get the other side of the election, get over the peak of interest rates and then start to see the environment improve a bit. But it's really nice to see, as a company, we're growing eight, 9% organically despite the Brazil B2B business being a little weak.

Ashish Sabadra:

Absolutely, and maybe another area of weakness would be UKI, very small piece of the business for you, but can you just talk about the weakness there and how do we think about the inflection and how much of it is, again, macro?

Lloyd Pitchford:

Yeah, it's really macro weakness. The UK is in a difficult economic and political, fiscal environment just now. We're, I think, in our fifth month of speculation around the budget. Budget's next week, so we'll see whether that brings some closure to that. But that's obviously creating an uncertain business environment, which is playing its way through to consumer credit and demand. So let's see what that brings. The direct to consumer business is growing quite well. That's growing double-digit. We've just relaunched a completely new score in the UK consumer market that's driving a lot of demand. So that's helping. But the BTB market, as you say, reflects the economic environment.

Ashish Sabadra:

Makes sense. On the margin side, the question that we get from a lot from investors was you raised the revenue guidance to the higher end of the range, organic growth, 8%, reported growth, 11, but

maintained your margin guidance of 30 to 50 basis point. So the question is why aren't we seeing better operating leverage from revenues?

Lloyd Pitchford:

So I think we've delivered good operating leverage. I would say, if you look organically, last year we delivered 90 basis points margin progression. In the first half of this year organically, we delivered 100 basis points margin progression, which is industry leading, if you look across, and we've been delivering that now for a number of years, in terms of margin progression. I think the question is, when you think out in the second half of a year, you want some flexibility to invest. You clearly also want the ability to make some acquisitions. They're often dilutive to margin, so you want a little bit more flexibility. We may very well be towards the top end of our guidance. We'll see. There's not actually that much difference, if you think about the EBIT difference overall. The revenue growth is much more material. So I think we've got a lot of flexibility in our margin outlook.

If you look over the next three years, the guidance is, next four years, 30 to 50 basis points. Just the end of the dual run costs with our cloud program adds about 20 basis points a year. So you can see at the bottom end of the range is underpinned, but we want to make sure that we have flexibility to invest. Technology's moving quickly. We were sat here this time last year, nobody would've heard of an MCP layer. Now everybody's heard of an MCP layer, Anthropic invented it and it's how we're talking about it. What will be the equivalent of that in the next year? We don't know. So we need to make sure that we've got flexibility to invest and pursue our ambition. Over the long-term it's to elevate the growth potential of the group into double-digit range, so investing to increase the top line is clearly a priority for us.

Ashish Sabadra:

That's great. I know we are up on time, but I do want to ask about capital allocation, particularly with the stock pullback and the robust free cash flow that you generate. How do you think about capital allocation priorities?

Lloyd Pitchford:

Yeah, so our priority is to invest for growth. So we'd rather do M&A, if we can see it. If we can't see value-adding M&A, and we're very disciplined with capital, we have industry-leading returns on capital employed, then we do a buyback. We typically consider that once a year and announce that with our results in May.

Ashish Sabadra:

Okay. Sounds great. Thank you very much. Thanks everyone.

Lloyd Pitchford:

Thank you.

Ashish Sabadra:

Thank you. Thanks for [inaudible 00:30:50].

Lloyd Pitchford:

Thanks.

