

Experian PLC

CORE HOLDING*

Recommended since 29.06.18

04.07.2022



Country GB	Market capitalization (bn) GBP	22,4
Sector Media	Free float	99,9%
Factset EXPN-GB	Closing price GBP	24,30
ISIN GB00B19NLV48	ESG Risk score*	11,6 Low risk

Perf. since reco. (%)	
Experian PLC	29,6
Sector	7,6



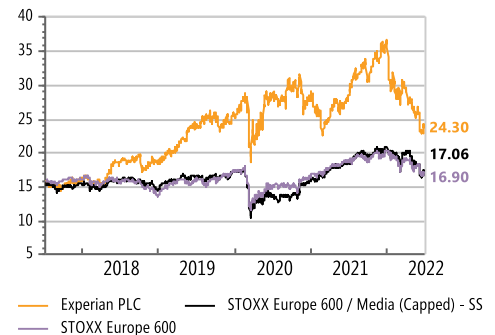
*From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

Profile

Active in the global distribution of information, Experian plc is first and foremost a credit bureau, providing credit-related information and analysis tools (profiles of credit applicants, repayment ability, risk, etc.). This sensitive information is used by credit institutions and many other public and private sector institutions, mainly in the UK and US.

Market - competition - positions - barriers to entry

Experian operates in an oligopolistic market in which it is market leader in the UK and Brazil and one of the top three players in the US (vs. Equifax and TransUnion). Many markets are still dominated by state-owned institutions or bank subsidiaries. Experian is positioned to buy up credit bureaux as soon as they become available, as it recently did in Germany. Barriers to entry are high and there is substantial regulation.



Source: Factset

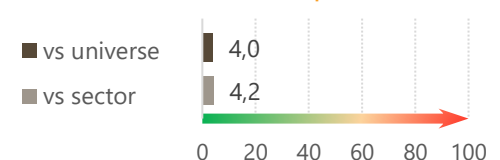
Investment case

- Experian organized its operations as follows: Credit Services, Decision Analytics and Marketing Services have been brought to-gether within a B2B (business-to-business) entity aimed at business users, accounting for 79% of the group's revenue. Con-sumer Services, accounting for 21% of revenue, completes the picture. Geographically, Experian mainly operates in the North America region (63% of revenue), followed by the United Kingdom and Ireland (15%), Latin America (14% – mainly Brazil) and EMEA/Asia Pacific (8%). Experian's business model is based on obtaining data (either free or cheaply), which comes from clients themselves (1.2bn consumers and 145m businesses). As such, it is a transactional model. Clients (financial services: 34% of reve-nue; D2C [direct-to-consumer]: 17%; Healthcare 14%; other institutions in the retail, automobile, insurance and telecoms sectors: between 4 and 8% of revenue each) then use this data to improve risk assessment and credit allocation, combat over-indebtedness and prevent fraud.
- The group's business is powered by a variety of drivers. Firstly, changes in consumers' digital behaviour (digital purchasing, smartphone use, cybersecurity, etc.) imply innovation and appropriate new services. Demographic change is also an important factor. Emerging countries (where growth is buoyant and populations still have little access to credit) and the ageing population (representing a large pool of consumers, but one that also needs tailored offerings) are two examples. The proliferation of data and its analysis will shape the group's innovation strategy, notably as cybercrime evolves. The abundance of data to be stored and processed also provides fertile ground for automation and artificial intelligence systems. Over time, Experian has become a recognised specialist in Big Data. Lastly, the regulatory environment is also critical in this sector, where data is highly sensitive. Experian is a very proactive participant in this debate, and is currently working with more than 120 jurisdictions.

ESG - risks and key points

- The impact of coronavirus appears to have been well managed. Organic growth over the whole of FY 03/2020 came in at 8% (at constant exchange rates), quickening to 10% in Q4. The effects of COVID-19 were more apparent in April (when revenue declined 5%). Experian is expecting a 17% rebound in FY2022. Thanks to its cost-cutting programme, the operating margin is expected to hold steady in Q1 (at c. 28%). An upturn in the credit business, supported by the group's overseas development, would go down well. The company is noted for its strong corporate governance performance, which lowers its overall risk (minimizes data and reputation risks).

ESG risk vs. universe & sector (percentile)*



Source: Sustainalytics

Valuation** in GBP

Current price	Value Bordier Scenario
24	30

We are adjusting the 2022 revenue growth to +17%, with an EBIT margin of 30% in 2025 (with improvements over the years). Our scenario includes a risk-free rate in the UK of 3%.

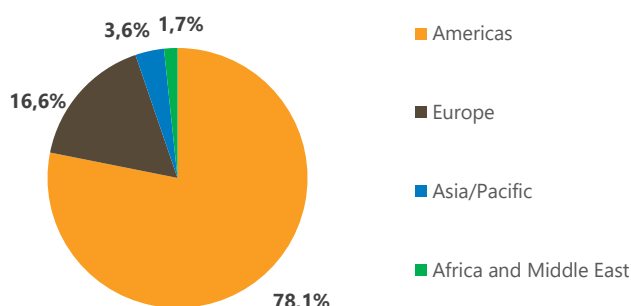
** The theoretical value reflects the company's business model, our baseline growth and profit scenario and market data, exogenous to the company (risk-free rate and equity risk premium). It does not in itself constitute a target price.

"Bordier Core Holding" indicators

In millions of USD	2020	2021	2022e	2023e	2024e
Sales revenue	5 179	5 372	6 285	6 945	7 605
Sales growth %	7,0%	4,0%	17,0%	10,5%	9,5%
<i>o/w organic</i>	<i>8,0%</i>	<i>4,0%</i>	<i>13,0%</i>	<i>9,0%</i>	<i>9,0%</i>
EBIT adjusted	1 255	1 241	1 653	1 870	2 081
% of sales	24,2%	23,1%	26,3%	26,9%	27,4%
Net income	677	802	1 141	1 319	1 477
Adjusted EPS	0,90	0,93	1,00	1,23	1,40
Adjusted EPS growth	7,5%	3,9%	7,4%	23,1%	14,0%
Capex/Sales	9,3%	7,8%	8,5%	8,1%	7,8%
Free cash-flow	774	1 067	1 114	1 269	1 469
FCF/Sales	14,9%	19,9%	17,7%	18,3%	19,3%
Dividend per share	0,47	0,47	0,62	0,68	0,71
Dividend yield	1,8%	1,8%	2,4%	2,6%	2,8%
ROCE - WACC	6,2%	4,5%	8,7%	11,1%	13,3%
ROE (%)	35,8%	27,7%	24,2%	24,9%	23,9%
Net debt/Ebitda	240,2%	234,3%	159,3%	114,1%	71,4%

Source: Factset, Bordier estimates

Sales breakdown - 03/2022



Ratios

	Experian PLC	Stoxx Europe 600	
		Sector	Market
PE (x)***		Media	STOXX 600
2021	31,7	21,6	15,4
2022e	25,7	17,3	12,2
2023e	20,9	15,3	11,5
P/B (x)***			
2021	8,8	4,7	2,0
2022e	6,2	2,9	1,7
2023e	5,2	2,7	1,6
Beta (2Y, daily) vs market:			0,97

***) The valuation ratios set out are provided for information only. They do not constitute the criteria based upon which Core Holdings are selected, and may present significant premiums representing the quality of the company's business model.

Governance and ownership structure

Since 2012, Brian Cassin (CEO).

Key shareholders (if any):

WCM Investment Management 4,97% / BlackRock Investment Management (UK) Ltd 2.94% / Fidelity Management & Research Co. LLC 2.84%.

Agenda

14.07.2022: Trading Update Q1-2023 - 16.11.2022: Earnings Q2-2023

17.04.2023: Earnings Q4-2023

Any special characteristics of ownership (multiple voting rights, controlling holding company, shareholders' agreements, etc.):

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Glossary

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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