

## **Teleconference – 14 December 2005**

**David Tyler, Group Finance Director, GUS plc**

### **1. Opening Remarks**

Good morning, everybody. I hope that you have had the opportunity by now to read our announcement this morning about the acquisition of PriceGrabber.com. The purpose of this call is to explain the business to you, how it fits within Experian Interactive, and how it will further complement our marketing services business in Experian.

**Don Robert, Chief Executive Officer, Experian**

### **2. Summary of Acquisition**

Good morning, everyone, and thank you for joining our call today. I am joined this morning by Ed Ojdana, President of Experian's Interactive division, and Kamran Pourzanjani, Chief Executive Officer of PriceGrabber.com.

#### **Financial Highlights**

We are pleased to announce that Experian has acquired PriceGrabber.com, a leading provider of online comparison shopping services. The company was acquired for \$485 million cash, plus fees and expenses, and the transaction closed on 12 December. For the calendar year ending 31 December 2005, PriceGrabber is expected to report turnover of \$60 million and EBIT (earnings before interest and tax) of \$25 million. The transaction will be nicely earnings-enhancing in our next fiscal year, and we anticipate that it will meet our post-tax ROI (return on investment) hurdles within three years.

#### **Synergies**

This is a highly synergistic transaction for Experian and one that complements both our Interactive and our Marketing Services businesses. As with other Experian Interactive properties, this is a high-growth business in a rapidly-growing market.

### **3. Experian – Helping Retailers**

The retail catalogue market has long been a mainstay of Experian's business. In North America, excluding Experian Interactive, sales to the retail sector account for 17% of total sales. We offer retailers an integrated suite of credit and marketing solutions, which help them to find and keep important customer relationships. The acquisition of PriceGrabber.com further extends the range of services we provide to our retail and catalogue clients; specifically, it will give retailers access to a highly-efficient, low-cost customer acquisition channel.

## **4. Experian Interactive**

### **Helping Consumers**

Experian has been building an Interactive business for about four years and has become a trusted and preferred source for consumers when making important choices about financial transactions, purchasing decisions and other important events in their lives. We help consumers to check their credit, find the best rates for mortgages, and find and enrol in online education programmes. With the addition of PriceGrabber.com, we have further expanded our services that enable consumers to research products and shop online.

### **Common Business Model**

The Experian Interactive businesses work from a common business model. We drive consumers to our websites organically, or through a variety of marketing channels, including portal partnerships, search listing and broadcast advertising. We then convert this traffic to either a product purchased from Experian, such as our credit monitoring services, or a lead that we sell to our clients. PriceGrabber.com fits perfectly within this common business model and connects consumers to merchants on the internet.

### **Competitive Advantage**

The unique value-add to this business model is the use of Experian's proprietary data and analytics to improve the quality and conversion rate of the leads. In addition, because of the breadth and feel of the Experian Interactive business, we are able to cross-sell consumers between Experian sites, creating higher traffic at lower costs and greater customer retention and brand loyalty throughout the Experian Interactive network. Pricegrabber.com represents yet another opportunity for Experian to bring the power of our data and analytics to an acquired internet business and, in so doing, to help that business differentiate itself from its competitors.

## **5. Why PriceGrabber.com?**

### **Company Highlights**

PriceGrabber.com is a leading comparison shopping service in the US, with recently-launched operations in the UK and Canada. PriceGrabber joins together over 9,000 merchants with the fast-growing ranks of online shoppers. As an example, over 17 million unique users visited PriceGrabber's network of sites last month alone. US retailers are expected to increase their spending with online comparison shopping sites by about 40% a year. This follows the broader trends in e-commerce growth, broadband adoption, and the rapid shift of advertising dollars away from traditional media to the internet. The company has won numerous awards for its leadership, technology and overall user friendliness.

## **Strong Underlying Industry Dynamics**

No matter how it is measured, e-commerce is a large and fast-growing market. The core drivers in the Interactive business are the growth in e-commerce and the penetration of broadband at the household level.

## **Sizeable and Growing Comparison Shopping Market**

In terms of the growth rate in the online comparison shopping services market and the adoption of online comparison shopping by consumers, Experian's retail clients increasingly depend on us to deliver new customers to them, and we can now deliver active purchasers to our retail clients through the fastest-growing contact channel in their marketplace. We are also pleased to be able to offer consumers the ability to turn to Experian for online information, which helps them to contrast and compare products and to obtain the best prices.

## **Home Page**

For those of you who may not be fully familiar with online comparison shopping, I will quickly outline the PriceGrabber.com process. The consumer accesses PriceGrabber.com and is presented with a wide range of product categories, from consumer electronics to home & garden and apparel.

## **Product Group Page**

The consumer clicks on an area of interest, such as cameras, and receives multiple branded choices within a product category. They can then use PriceGrabber's proprietary filters to narrow down the search.

## **Selected Product Page**

Finally, the consumer makes their product choice on a completely informed basis, based on their own preferences, the availability of merchants, and price. At this point, PriceGrabber then earns a referral fee from the merchant. PriceGrabber provides unique value to the comparison shopping experience by providing reviews of products and merchants, and unique features, such as bottom-line pricing and the best price available, all of which are aimed at creating a more informed consumer.

## **Competitive Advantage**

PriceGrabber.com's competitive advantage is that the site is built to anticipate and meet consumer needs. It is very easy to use, provides a comprehensive range of products and merchants, and is very accurate and up-to-date. This consumer-centric approach means higher repeat users, more satisfied consumers, and a higher conversion rate for retailers.

I will now hand over to Ed Ojdana, who will outline how PriceGrabber.com is expected to work with other Experian businesses.

## **Ed Ojdana, President, Experian Interactive**

### **6. Working with Other Experian Businesses**

#### **Areas of Synergy**

There are three key areas of synergy that we see arising from this transaction.

- First, it really complements Experian Interactive and allows us to leverage our buying power in online and broadcast advertising, to share our marketing expertise among the business units, and to drive additional traffic to PriceGrabber.com from our other Experian websites.
- Second, it clearly strengthens our offer to retail and catalogue clients.
- Third, through Experian's analytics and propensity modelling, we can better tailor and target offers to PriceGrabber's shoppers.

#### **New Vertical Entry- Autos**

One of the most exciting things about PriceGrabber is the ability to create new offerings around key events, such as buying a car. We believe PriceGrabber has a potentially market-leading formula for helping consumers to obtain the best price on a car, while delivering the highest quality and value leads to our retailers.

#### **Cross-Selling of Services to Consumers**

As an example of cross-selling services, a consumer who has enquired about a mortgage refinancing through our LowerMyBills site is matched against Experian's proprietary marketing data and models, and is identified as what we call 'in the market' for a new car. A PriceGrabber.com featured automobile merchant and new car search capabilities are embedded on the LowerMyBills website, which increases the opportunity to monetise consumer traffic, provides a broader range of offers to consumers, and is a much more satisfying experience.

#### **Summary**

In summary, while PriceGrabber.com is a growth business in a growing market, its particular value to Experian is its complementary fit with our other businesses. It adds greater scale and services to the Interactive businesses and enhances our offer to consumers and retail clients.

## Questions and Answers

### **Christian Koefoed-Nielsen, Panmure Gordon**

In terms of the cross-selling opportunity that you have with Experian Interactive and your existing customers through things like LowerMyBills.com, are there any regulatory issues that might inhibit your ability to use information on a customer that you have in one database and transfer it to another one, in the US or in Europe?

### **Don Robert**

There are many regulations around the permissible use of consumer data, and I would point out that Experian has a long history of complying with those rules and regulations. We believe that we can accomplish our cross-selling goals and harvest the synergies associated with this deal within the confines of those rules.

### **Christian Koefoed-Nielsen**

Do you anticipate any major changes to them in the next few years?

### **Don Robert**

No, we do not.

### **Jamie Isewater, Deutsche Bank**

What is the rough split of costs within this business, on a very broad basis?

### **Don Robert**

The two major areas of cost are marketing expense – the largest – and people; beyond that, we will not give any more precise guidance.

### **Jamie Isewater**

What sort of marketing synergies could you achieve from adding PriceGrabber to the portfolio in terms of economies of scale within the advertising industry?

### **Don Robert**

Across all the Experian Interactive businesses, we engage in a lot of broadcast advertising, we purchase keywords in paid search, and we do a lot of banner advertising, so there is additional leverage brought to bear on those three advertising categories. Again, I would be hesitant to guide you towards any kind of percentage savings.

**Richard Chamberlain, Goldman Sachs**

In the press release, you said that you expected this business's EBIT to increase by 50% this year; how much do you expect the sales growth to be this year? How much of that is driven by attracting new retailers to the site, rather than growth in income per retailer? Could you outline the current volume and price dynamics of that business?

**Don Robert**

In the press release, we quoted sales and EBIT figures, saying that the business grew by 50% during this calendar year. The market is growing by about 40%, and we would expect to perform at least in line with the market going forward. I would not be too aggressive on any EBIT assumptions, since we will be investing quite heavily in this business as it expands and as we do a lot of R&D (research & development) around the site itself.

**Kamran Pourzanjani, Chief Executive Officer, PriceGrabber.com**

The major driver for growth in terms of revenues is new consumers using our site, or existing consumers making greater use of our site. They really drive the volume of sales more than anything else. The addition of retailers adds more offerings and, therefore, more opportunity for that frequency to happen, as well as just enhancing the overall user experience of the comparison shopping process.

**Nathan Cockrell, Credit Suisse First Boston**

Could you tell us something about the key performance indicators (KPIs) for the business in terms of numbers of leads generated, revenue per lead, and how we should understand the operating performance of this business in the next few years?

**David Tyler**

We are always sensitive about giving you too much competitive information, but the drivers of the business will be what we just mentioned. We anticipate the major driver being the number of leads generated growing. As Kamran said, consumers are using the site more often, which is one of the great skills that Kamran mentioned in terms of why this site is so successful that consumers keep on returning, because they like the service. When people come back to the site, they tend to be converted more often into a lead, which PriceGrabber then benefits from, because the retailer will spend money.

The second thing is revenue per lead; again, we are shy about giving you a number, but you can assume that one of the reasons why this business makes outsized margins compared to others in the industry is because it achieves high revenues per lead and drives a lot of organic traffic, rather than paid search traffic. In other words, we do not pay as much in PriceGrabber.com to generate the customers coming to the site as its competitors. It receives good revenues from the merchants, because they are highly-qualified leads that are likely to buy the product. You are quite right: those are two very key drivers going forward and, to the extent that we can give more

information in the future without affecting our competitive position, we will certainly think about doing so.

**Nathan Cockrell**

In terms of the background to how you found each other, has this been a long courtship, or is it a new revelation that there would be synergy opportunities that you could quickly exploit?

**Don Robert**

It has been a courtship over a number of years. Ed Ojdana identified PriceGrabber as a company that really fitted his vision of empowering consumers to save money in their daily lives. It was an opportunity that he pursued; we courted them, and I know that they had many other opportunities, but they ultimately chose Experian.

**Nathan Cockrell**

In terms of the logic of the deal and of creating synergies, is the ultimate destination of this strategy buying a search engine or a big portal where you can acquire customers much more cheaply than you can currently?

**Don Robert**

Not at all; we want transaction and content-rich businesses that help us put powerful information and money-saving tools in the hands of consumers, so that, whenever they have a major event in their lives, they think of Experian or one of our properties.

**Nathan Cockrell**

In terms of understanding how much more internet space there is for you to buy, are you still looking at the tip of the iceberg, or is this a major completion of a block?

**Don Robert**

The strategy is ever-evolving. We lay out our strategy well in advance and we are quite firm about pursuing deals that fit it and that pay back economically, both here and abroad. I think there is still a lot of room to run, and the Interactive business is a really important part of Experian's overall growth engine.

**Nick Bubb, Evolution Securities**

How far have you got with the UK business of PriceGrabber? How good do you think the potential is in the UK market? How strong are the competitors? Who will the retail partners be – can we assume that ARG (Argos Retail Group) will cooperate?

**Don Robert**

In terms of ARG, John Peace is bringing Terry Dudd to Santa Monica within the next few weeks, so we will hopefully see ARG as a retail partner.

**Kamran Pourzanjani**

We started our operations in the UK a little over a year ago, hiring locally and rolling out our service. We have entered the market and seen it grow, and have been very methodical in terms of how we have developed it. We continue to be very committed to it and believe there is tremendous opportunity here. We are using our UK operation as a platform to expand to other areas of Europe. We think that, as a result of this transaction, this will significantly accelerate our development in the UK.

**Mal Patel, Merrill Lynch**

On a broader level, it seems to me that acquisitions in the online arena seem to have become 'expensive', for want of a better expression, over the last few years. Do you think that that trend is set to continue as the market consolidates? If so, what does that do to your anticipated hurdle rates?

**Don Robert**

We have seen cycles in pricing on these kinds of businesses, and I think that prices on the more desirable properties have probably gone up slightly, which are the ones that we are after. If we run into the situation where we cannot meet our required ROI hurdles, we will back off.

**Mal Patel**

Are you beginning to think about achieving your ROI hurdles over a slightly longer time frame than, perhaps, you might have been two years ago?

**Don Robert**

Absolutely not.

**Geoff Ruddell, Morgan Stanley**

You talk of one of the key synergies being to drive traffic from one of your Experian Interactive websites to the others; could you give us any feel of how that is going already with the existing businesses, e.g. from ConsumerInfo.com to ClassesUSA or LowerMyBills.com? What sort of proportion of the traffic is being driven from one group website to another?

**Don Robert**

That is a key initiative that Ed Ojdana has been leading, as the President of that group, and he is relentless with his team about it.

**Ed Ojdana**

As Don said, it is a key initiative. It is something that we track every month; without being able to share specific numbers, I can tell you that it is significant and it is growing, as a result of many of the initiatives that we have put into place in order to drive traffic between the business units.

**Geoff Ruddell**

Can you give us any feeling for what 'significant' means? Is it 10-20%?

**Ed Ojdana**

It is probably somewhat less than that, but it is growing significantly.

**Andrew Hughes, UBS**

What could that business do to compete more aggressively in the same space as Google? Is there anything out there that we have not seen but which they could do? Second, do you have any further details on the revenue split at the company, particularly in terms of what you receive from featured merchants, how that maps out with the customer transaction values, and whether you receive anything from advertising?

**Kamran Pourzanjani**

Google rolled out its Froogle product two or three years ago. In that environment, we have continued to develop quite significantly in terms of the number of unique visitors and top- and bottom-line revenues. A lot of players have been involved in the space, which indicates how valuable and important comparison shopping is for consumers. However, we have been able to provide what we believe to be a significantly better service, with more content, and to meet consumers' demands in respect of comparison shopping. We think that there is room for more than one, and we have done quite well in this space.

In terms of the second part of your question, we have featured merchants, but they do not necessarily contribute a significantly disproportionate amount to the revenues in terms of the total number of merchants that we have. As you know, we show all the merchants on one page – including the featured ones – so they all benefit and all contribute significantly to the bottom-line revenue.

**Andrew Hughes**

In the context of competitors entering and exiting the market, have you seen any significant casualties in the last few years as a result of not offering the right service and content?

### **Kamran Pourzanjani**

There have been a number of players in the space for several years, which continue to do well and thrive. That is one of the barriers to entry, in that you have to have critical mass, which PriceGrabber has clearly built with consumers and merchants.

### **Christian Koefoed-Nielsen**

You are looking at a very high-margin business in a very competitive area, and you have mentioned that you are going to be investing quite aggressively in the business. Would that also imply that you will need to give more to consumers in terms of loyalty benefits to those who keep returning to your site?

### **Don Robert**

No; I think that we can remain with the model that we have. We are quite good at attracting and keeping consumers, so I would see no changes to the model.

### **Andrew Hughes**

In terms of data protection, are there any restrictions on your ability to use data from other parts of Experian on the PriceGrabber site?

### **Don Robert**

We covered that a little earlier in the call, when I said that there are many restrictions around the permissible uses of data, which Experian are experts at dealing with. We think that we can still accomplish the synergy goals that we have for this acquisition, without violating any rules or regulations.

### **Closing Comments**

#### **Don Robert**

We are very excited about this acquisition, which we think advances our overall consumer Interactive strategy, which is a very important growth engine of Experian in general. We appreciate your attention and your questions. Thank you very much.

### **Additional Questions and Answers from the 3pm Call**

#### **Bobby Kim, Bear Stearns**

I know you provided revenue and EBIT numbers, but do you have any EBITDA numbers that you could offer?

**Don Robert**

The EBITDA is almost identical to EBIT.

**Bobby Kim**

Do you have any colour on market share relative to the other players such as Shopping.com?

**Don Robert**

We have sized the market at about \$400 million and you have the revenue component for the Company. We think there are a couple of competitors that are larger in terms of revenues, not dramatically so, but we would put ourselves in the top three with Shopzilla and Shopping.com perhaps being larger than PriceGrabber. You can probably triangulate from that information what you need.

Thank you for joining us. We are very excited about the PriceGrabber acquisition and how it advances our overall consumer Interactive strategy. We appreciate your attention and if you have any follow-up questions we are here. Thank you.