

Why We Own Experian

Someone can pay rent and utilities on time for years and still look almost invisible when applying for a mortgage. The data exists. The harder question is whether lenders can use it to widen access without making credit decisions less fair, less private or harder to explain.

That tension sits at the heart of Experian. Most people know it as a credit bureau, but the company is better understood as information infrastructure. It collects and organises data, supplies identity and fraud tools, and embeds analytics into decisions made by lenders, insurers, retailers and other organisations. It also provides services that help consumers see, understand and improve their financial position.

For Delta Outcomes, this is primarily a Human Advancement story. Better information can help a responsible lender distinguish between someone with no conventional credit file and someone who cannot afford a loan. It can also make digital transactions safer. But the same system can exclude people, reproduce bias or damage trust if the data are wrong, insecure or used without meaningful consent. The investment case depends on Experian managing both sides of that responsibility.

Structural demand: more decisions, more fraud, higher expectations

Commerce and finance are becoming more digital while identity fraud becomes more sophisticated. Lenders want faster decisions and a fuller view of risk. Consumers expect those decisions to reflect how they actually manage money, not only whether they have used traditional credit products before. Regulators, meanwhile, expect decisions to be accurate, explainable and fair.

US housing finance illustrates the shift. In April 2026, the Federal Housing Finance Agency introduced an interim phase allowing approved lenders to deliver eligible mortgages using either Classic FICO or VantageScore 4.0. The newer model can incorporate rental-payment history. Fannie Mae made the model eligible for immediate use by approved lenders. This does not mean adoption is universal or that every additional borrower will receive a better outcome. It does show that alternative data are moving from theory into regulated lending infrastructure.

The need extends beyond mortgages. Every digital account opening, payment or insurance claim creates a decision about identity and risk. Experian's August survey found a gap between rising consumer use of artificial intelligence and confidence in using it for financial decisions. It is company-sponsored attitude research, not outcome evidence.

The advantage: data joined to decisions

Experian's advantage is not simply possessing a large database. Data become valuable when they are broad, current, permissioned and integrated into a customer's workflow. Experian combines credit files, identity data, fraud signals, analytics and decision software. It can help a lender verify an applicant, assess affordability, price risk, monitor an account and prevent fraud without stitching together a different provider for every step.

That breadth creates a reinforcing loop. More customers and consumer interactions can improve the data and models; better tools can attract more customers and make Experian harder to remove from important processes. Regulation and the cost of an error can strengthen established providers with trusted controls and long operating records. Consumer membership can add another distribution channel and source of engagement.

The moat is not invulnerable. Large customers can build their own tools, regulators can restrict data use, and artificial intelligence may make some analytics cheaper. Data scale is an advantage only while customers trust its quality and consumers trust its use. A security breach, persistent model bias or poor dispute handling would therefore damage more than reputation - it could weaken the economic engine itself.

How the advantage becomes earnings

Experian earns revenue when business customers use its data, software and analytics, and when consumer platforms generate subscription, marketplace and partner income. Much of the business is embedded in recurring client processes, while transaction volumes in credit, mortgage and employment markets create an additional cyclical layer. Growth should translate into attractive incremental margins when the company can reuse data and software across more decisions.

The current financial evidence is solid. In the year to March 2026, Experian generated revenue of \$8.4 billion, up 8% organically. Benchmark operating profit reached \$2.4 billion, with a 28.6% margin. Benchmark earnings per share rose 15%, operating cash conversion was 93%, and return on capital employed reached 17.2%. The company entered FY27 expecting 6-8% organic revenue growth and about 50 basis points of further margin expansion.

The first quarter of FY27 broadly supported that path. Revenue rose 7% organically. Business-to-business revenue increased 9%, including 11% growth in North America, helped by decisioning, fraud services and mortgage-related activity. Consumer revenue grew 2%; North American Consumer declined because two mass-data-breach contracts were winding down, but grew 3% excluding that effect. Full-year expectations were unchanged.

This is the causal chain Delta needs to monitor: more digital and regulated decisions create demand for trusted data and analytics; Experian's datasets and embedded tools help it win

and retain those decisions; recurring usage, transaction volumes, pricing and software mix produce revenue, margin and cash. If that chain weakens - because data become commoditised, customers insource, regulation constrains use or trust is lost - the valuation case must change.

A financially strong business, not just a good story

A compelling data-and-decisions story only matters if the company behind it can keep funding the datasets, models and controls that make it trustworthy. A business that cannot protect its margins or convert growth into cash will struggle to keep investing in the infrastructure its impact case depends on, however good the underlying demand looks. So before we get carried away with the structural story, we ask a simpler question: is this a genuinely well-run, profitable company? On profitability and earnings, the answer is clearly yes. On shareholder returns, the recent record has been harder than the operating numbers alone would suggest, and we say so plainly before turning to why we think that gap is closing.

Profitability. Experian earns strong and improving profits on the capital invested in the business. Return on capital employed - the company's own preferred measure of how much profit it generates from the money tied up in the business - reached 17.2% in the year to March 2026 and has averaged 18.3% over the past three years, comfortably above the roughly 8-9% cost of capital we hold the business to. Independent estimates tell a similar story: return on shareholders' equity has run at 24-26% over the past three years and is expected to rise toward 29% as margins keep expanding, while return on invested capital, though it dipped from 13.2% to 12.4% before recovering to 13.4% in FY26, is projected to more than double to over 22% by the early 2030s as the newer, higher-margin parts of the business scale. Benchmark operating margin reached 28.6% in FY26, with roughly 50 basis points of further expansion guided for FY27.

Earnings growth. The profit Experian generates for shareholders has been growing faster than revenue, the pattern we look for as evidence of quality: benchmark earnings per share rose 15% in the year to March 2026, on organic revenue growth of 8%, with operating cash conversion of 93% confirming that reported profit is turning into real cash rather than accounting adjustments. The first quarter of FY27 kept that trajectory broadly on track - organic revenue grew 7%, in line with full-year guidance of 6-8% - though North America, two-thirds of group revenue, decelerated to 7% organic growth from 9% a year earlier, with softer credit-card activity a signal that US lenders may be turning more cautious. Analysts currently expect adjusted earnings-per-share growth to accelerate again through the rest of the decade, from around 10% in FY27 to the mid-teens by FY29, as margin expansion compounds with revenue growth rather than substituting for it.

Shareholder returns - the case ahead. This is the pillar where the recent record and the operating story diverge, and the house standard is to say so directly rather than dress it up.

Experian's own capital-allocation record over the three years to FY26 shows a total shareholder return of 10.0% a year, ahead of the FTSE 100's 7.5%, and the market capitalisation has more than doubled since 2014. But the more recent share-price record has been weak: total return was roughly flat in calendar 2025 and the shares have fallen by close to a fifth year-to-date in 2026, including a sharp intraday fall of around 7% on the day of the July trading update before recovering most of that loss by the close. The shares currently trade at a meaningful discount to independent fair-value estimates - roughly 14-15% below one widely used estimate, itself implying a valuation multiple below Experian's own three-year average - and sell-side opinion, while split on how quickly North America reaccelerates, remains constructively weighted toward Buy across the broader analyst base. If organic growth holds at or above the guided range through the second half and margin expansion delivers as planned, the combination of continuing double-digit earnings growth and a re-rating toward fair value would represent a considerably better outcome for shareholders than the past twelve to eighteen months have delivered - a credible, evidenced path to the returns this thesis needs, though one the market has not yet been willing to pay for.

Taken together, this gives us confidence that Experian's underlying profitability and cash generation can keep funding the datasets, controls and product investment its impact case depends on - even though shareholders have not yet been rewarded for that improvement, which is exactly the kind of gap between business quality and market price that our valuation discipline exists to test.

Leadership we can trust

A good business also needs to be well led, and here the numbers are more straightforwardly reassuring. The roles of Chief Executive and Chair are held by separate people, and that separation carries through an active succession this year: the outgoing Chair is being replaced by another external, unaffiliated appointee at the July 2026 AGM, while the Chief Executive continues in post throughout. Applying Delta's own stricter tenure test, no director exceeds the ten-year independence threshold this cycle, the Audit, Remuneration and Nomination Committees are each independently controlled, and seven of the Board's nine directors qualify as independent - comfortably above the two-thirds standard we look for. Every director stands for re-election annually, and the Board's own effectiveness is reviewed every year, with FY26 marking the externally facilitated review the UK Corporate Governance Code requires at least once every three years; the conclusions, and next year's focus areas, are published in the Annual Report rather than kept internal. There is a single class of listed share, so no shareholder carries outsized voting power over the rest.

This governance foundation is matched by a genuinely long-term approach to pay and a strong record of capital discipline. At target, only around a fifth of the Chief Executive's total remuneration is fixed pay, falling to roughly 11% in the maximum scenario; the rest is delivered through an annual bonus and long-term share awards tied to multi-year earnings growth and

return on capital, with mandatory deferral and holding periods that stretch the horizon from award to full realisation to five years. The Chief Executive's own shareholding, at more than 21 times salary, sits well ahead of the Board's own guideline. Capital allocated against that pay structure has earned its keep: return on capital employed has averaged 18.3% over the past three years against a roughly 8-9% cost of capital, and total shareholder return has outpaced the FTSE 100 over the same period.

Our clearest engagement priority is narrower: age diversity on the Board is thin - seven of nine directors sit in the 60-69 bracket and none is under 50 - and dedicated risk and regulatory expertise is held by only one of nine directors, a genuine gap for a company whose core business is a globally regulated, data-intensive credit bureau. The Chair succession is an opportunity to begin addressing both, and we will watch for progress as a specific, trackable ask rather than treat the Board's otherwise strong structural record as the end of the conversation.

Taken together, this gives us confidence that Experian is overseen by leadership genuinely incentivised to compound shareholder value over the long term, alongside one specific and trackable ask on Board age and skills diversity that we will continue to press through the current succession.

From company strength to the Delta decision

Experian fits Delta's Human Advancement theme because financial identity can determine access to housing, credit and economic participation. Climate Action and Nature Innovation remain relevant secondary lenses: a global data company must manage the energy, water and equipment footprint of its digital infrastructure. Those operational questions matter, but they are not why we own the business.

A strong company is not automatically a good investment at any price. Experian's valuation must be supported by durable mid- to high-single-digit organic growth, resilient B2B economics, disciplined acquisitions and conversion of accounting profit into cash. We must distinguish structural growth in fraud, analytics and consumer engagement from a cyclical recovery in mortgage or credit volumes. We must also decide how much margin expansion is repeatable rather than extrapolate one good year.

Our conclusion is deliberately bounded. The company has the data assets, workflow position, financial characteristics and governance structure of a high-quality information business, and the valuation and reduce-or-exit framework set out below is how we test whether that quality is available at the right price.

Outcomes: reach is evidence, not the final answer

Experian reported more than 215 million free consumer members at FY26 year-end. In Brazil, its Limpa Nome platform recorded \$19.4 billion of accepted debt renegotiations during the year, including \$3.3 billion of payments and \$16.1 billion written off. The company also reported \$161 million of social-innovation product revenue and said those products reached 10 million people and small businesses.

These figures show reach and activity; they do not by themselves prove lasting financial health. A renegotiated debt can relieve immediate pressure without establishing whether a household remains resilient. A larger credit file can improve visibility without guaranteeing fair pricing or approval. The evidence we ultimately want is borrower-level: who gained access, on what terms, with what error and dispute rates, and whether outcomes persisted across income and demographic groups.

Regulators make the same distinction. US agencies have said alternative data may improve access and terms, provided it is used consistently with consumer-protection law. Independent research from the Urban Institute suggests rent reporting could help people who are disproportionately credit invisible, while also highlighting low coverage, data-quality and implementation challenges. The opportunity is real; so is the burden of proof.

Value, decision, and tension

We own Experian because three things now line up: a durable, structural source of demand in trusted data and decisioning that shapes access to housing, credit and everyday financial life; a genuinely profitable and improving business behind that opportunity, with rising returns on capital, benchmark earnings growing faster than revenue, and cash conversion that confirms the profit is real, even though shareholders have not yet been rewarded with the total returns that operating quality would normally imply; and a board and remuneration structure we substantially trust, with clean structural protections and a specific, trackable ask on age and skills diversity that we continue to press.

We do not own it on the assumption that every additional data point widens access fairly, that North America's recent deceleration is purely temporary, or that a discount to fair value will close on any particular timetable. The central tension is that Experian's shares are cheap on independent estimates in large part because the market is worried about exactly the things we are also watching - US lender caution on consumer credit, and whether growth can hold at the top rather than the bottom of the guided range through the second half. A genuinely well-run company can still be priced correctly, not cheaply, if that caution proves justified. Valuation discipline - not the size of the discount on any single analyst's model - is what should govern position sizing here.

What could prove us wrong

Trust is the central risk. Experian holds sensitive information at enormous scale. A material breach, misuse of data or failure to correct errors could bring remediation costs, regulatory restrictions and customer loss. Models may unintentionally discriminate or become too opaque for consumers and lenders to challenge. Alternative data could widen access in theory but merely add surveillance in practice.

The competitive risk is that banks, technology platforms or new data networks build better decision tools, while artificial intelligence lowers the cost of analytics. Cyclical weakness in lending can reduce transaction volumes. Consumer growth can be flattered by temporary breach contracts. Acquisitions may consume capital without deepening the moat. Regulation can increase costs or limit which data may be combined.

We should therefore look for disconfirmation, not just reassuring headlines. Warning signs would include sustained B2B organic-growth deterioration, weaker renewal or contract values, cash conversion below a disciplined threshold, loss of share in key decisioning products, a material security or regulatory event, evidence of unfair borrower outcomes, or outcome reporting that emphasises people reached while avoiding evidence of what changed.

Experian is compelling because it helps turn fragmented information into decisions that shape everyday economic life. Its advantage can produce attractive recurring revenue, margins and cash, while better data can widen access and reduce fraud. The same data can also exclude or harm. Owning Experian responsibly means treating fairness, privacy and explainability as part of the moat - not as an appendix to it - and refusing to confuse scale with impact or a good business with a good price.

What could break the chain

A number of things could weaken this thesis, spanning demand, financial durability, valuation and governance. We watch for all of them:

- Demand and macro risk: North America organic growth has decelerated for two consecutive periods, from 9% to 7%, and softer US credit-card activity could reflect lenders pulling back on marketing rather than simply a data-breach comparison effect; a deeper pullback in consumer credit availability would slow Experian's largest region.
- Financial-quality durability risk: Experian discloses full profit, margin and per-share data only at half-year and full-year results, so the guided 30-50 basis points of margin expansion cannot be independently verified mid-year; return on invested capital has already dipped once, from 13.2% to 12.4%, before recovering, and a renewed dip through a weaker credit cycle would delay rather than disprove the thesis.

- Valuation and expectations risk: analyst opinion is genuinely split - one broker has cut its price target twice since May while another has trimmed only marginally and a third has held its estimate unchanged - and if the more cautious view proves correct, today's apparent discount to fair value may simply be the market pricing in growth that does not materialise.
- Integration risk: the idwall and KYC360 acquisitions add scale in Brazilian digital identity and UK compliance, but bolt-on deals can consume capital and management attention without deepening the moat; we will judge them on renewal rates and cross-sell, not on deal announcements.
- Governance risk: Board age diversity remains thin and dedicated risk and regulatory expertise sits with only one of nine directors; slow progress through the Chair succession would leave a genuine gap unaddressed in a heavily regulated, data-intensive business.
- Impact-case risk, as set out above: a material security breach, persistent model bias or evidence of unfair borrower outcomes would damage the economic engine and the impact case simultaneously, since both depend on the same underlying trust.

The thesis would weaken materially if North America's deceleration proved structural rather than cyclical, if margin expansion failed to show up when full results are next disclosed, if Board refreshment on age and skills stalled through the Chair succession, or if a verified data-misuse or security event undermined the trust the whole business depends on. It would also weaken if today's discount to fair value turned out to be the market correctly pricing in risks our own analysis has not yet fully captured.

Experian is compelling because it turns fragmented information into decisions that shape access to housing, credit and everyday economic life - and because the company doing that turning is, by the numbers, a genuinely well-run and improving business, overseen by a board and pay structure we substantially trust. The investment case rests on the full causal chain we test everywhere: more digital and regulated decisions create durable demand for trusted data; Experian's integrated datasets and embedded tools convert that demand into recurring revenue, rising margins and real cash; disciplined governance and capital allocation turn that cash into compounding value for shareholders, even where the market has not yet paid for it; and valuation discipline - not the comfort of a good theme or a good governance score alone - determines whether today's price fairly reflects all three.

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