

EQUIFAX INC
Form 10-K
February 23, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-06605

EQUIFAX INC.

(Exact name of registrant as specified in its charter)

Georgia (State or other jurisdiction of incorporation or organization)	58-0401110 (I.R.S. Employer Identification No.)
1550 Peachtree Street, N.W. Atlanta, Georgia (Address of principal executive offices)	30309 (Zip Code)

Registrant's telephone number, including area code: 404-885-8000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$1.25 par value per share	New York Stock Exchange
Common Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

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Indicate by check mark if Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Exchange Act ("Act"). YES NO

Indicate by check mark if Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES NO

Indicate by check mark whether Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). YES NO

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). YES NO

As of June 30, 2010, the aggregate market value of Registrant's common stock held by non-affiliates of Registrant was approximately \$3,507,932,713 based on the closing sale price as reported on the New York Stock Exchange. At January 31, 2011, there were 122,739,885 shares of Registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Registrant's definitive proxy statement for its 2011 annual meeting of shareholders are incorporated by reference in Part III of this 10-K.

PART I

ITEM 1. BUSINESS

OVERVIEW

Equifax Inc. is a leading global provider of information solutions for businesses and consumers. We have a large and diversified group of clients and customers, including financial institutions, corporations, governments and individuals. Our products and services are based on comprehensive databases of consumer and business information derived from numerous types of credit, financial, employment and income, public record, demographic and marketing data. We use proprietary analytical tools to analyze this data to create customized insights, decision-making solutions and processing services for businesses. We help consumers understand, manage and protect their personal information and make more informed financial decisions. Additionally, we are a leading provider of payroll-related and human resources business process outsourcing services in the United States of America, or U.S.

We currently operate in three global regions: North America (U.S. and Canada), Europe (the United Kingdom, or U.K., Spain and Portugal) and Latin America (Argentina, Brazil, Chile, Ecuador, El Salvador, Honduras, Paraguay, Peru and Uruguay). We also maintain support operations in Costa Rica and the Republic of Ireland. We own an equity interest in a consumer credit information company in Russia. During 2009, we formed a joint venture to provide a broad range of credit data and information solutions in India. Of the countries in which we operate, 73% of our revenue was generated in the U.S. during 2010.

Equifax was originally incorporated under the laws of the State of Georgia in 1913, and its predecessor company dates back to 1899. As used herein, the terms Equifax, the Company, we, our and us refer to Equifax Inc., a Georgia corporation, and its consolidated subsidiaries as a combined entity, except where it is clear that the terms mean only Equifax Inc.

We are organized and report our business results in five operating segments, as follows:

- U.S. Consumer Information Solutions (USCIS) — provides consumer information solutions to businesses in the U.S. including online credit data and credit decision technology solutions (OCIS), mortgage reporting and settlement solutions, and consumer financial marketing services (CFMS).

International — includes our Canada Consumer, Europe and Latin America business units. Products and services offered are similar to those available in the USCIS, North America Commercial Solutions and North America Personal Solutions operating segments but vary by geographic region.

TALX — provides services enabling clients to outsource and automate the performance of certain payroll-related and human resources business processes, including employment, income and social security number verification, employment-related tax management and talent management services.

North America Personal Solutions — provides products to consumers enabling them to monitor, manage and protect their credit, credit score and identity information and make more informed financial decisions.

North America Commercial Solutions — provides credit, financial, marketing and other information regarding businesses in the U.S. and Canada.

Our revenue base and business mix are diversified among our five segments as depicted in the chart below.

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PRODUCTS AND SERVICES

The following chart summarizes the key products and services offered by each of the business units within our segments:

	USCIS			North America	North America	International			TALX	
	OCIS	CFMS	Mortgage Services	Personal Solutions	Commercial Solutions	Canada Consumer	Europe	Latin America	The Work Number [®]	Tax & Talent Management Services
Online consumer credit reports	X		X	X		X	X	X		
Consumer alerts, scores and analytical services	X	X	X	X		X	X	X	X	
Enabling technology services (i.e., credit decisioning platforms)	X		X		X	X	X	X		
Identity authentication/fraud	X				X	X	X	X	X	
Consumer financial marketing services		X	X			X	X	X		
Business credit reports, scores and analytical services					X		X	X		
Business marketing services and database management					X		X	X		
Business demographic information					X		X			
Direct to consumer credit monitoring				X			X			
Identity protection				X						
Debt Reduction Solutions				X						
Employment, income and identity verification services									X	
Business Process Outsourcing (BPO)			X						X	X

Each of our operating segments is described more fully below.

USCIS

USCIS provides consumer information solutions to businesses in the U.S. through three product lines, as follows:

Online Consumer Information Solutions (OCIS). OCIS products are derived from large databases of credit information that we maintain about individual consumers, including credit history, current credit status and consumer address information. Our customers utilize the credit report information we provide to make decisions for a wide range of credit and business purposes, such as whether, and on what terms, to approve auto loans or credit card applications, whether to allow a consumer to open a new utility or telephone account and similar business uses. We offer other data, analytical and predictive services based on the information in the consumer credit information databases to help further mitigate the risk of granting credit by verifying the identity of a consumer seeking credit, predicting the risk of consumer bankruptcy, or indicating the credit applicant's risk potential for account delinquency, for example. These risk management services, as well as fraud detection and prevention services, enable our customers to monitor default rates and proactively manage their existing credit card or other consumer loan accounts, and ensure a consumer's identity.

OCIS customers access products through a full range of electronic distribution mechanisms, including direct real-time access, which facilitates instant decisions, such as the immediate granting of credit at the point of sale. We also develop and host customized applications that enhance the decision-making process for our customers. These decisioning technology applications assist with pre-approved offers of credit, cross-selling of various banking products, determining deposit amounts for telephone and utility companies, and verifying the identity of consumer customers.

Mortgage Solutions. Our Mortgage Solutions products, offered in the U.S., consist of specialized credit reports that combine the reports of the three major consumer credit reporting agencies (Equifax, Experian Group and TransUnion LLC) into a single credit report provided in an online format, commonly referred to as a tri-merge report. Mortgage lenders use these tri-merge reports in making their mortgage underwriting decisions. We also offer certain mortgage settlement services, such as appraisal, title and closing services, with our traditional mortgage service offerings, with certain of these services provided through agreements with third parties.

Consumer Financial Marketing Services (CFMS). Our CFMS products apply consumer financial information to enable our customers to manage their marketing efforts, including targeting and segmentation, for efficiency and effectiveness; identify and acquire new customers for their financial products and services; and realize additional revenue from existing customers. These products utilize information derived from actual consumer data, including credit, income, asset, liquidity, net worth and spending activity, which also support many of our OCIS products. These data assets broaden the understanding of customer financial potential and opportunity which can further drive breakthrough decisioning and targeting solutions for our customers. We also provide account review services which assist our customers in managing their existing customers and prescreen services that help our clients identify potential new customers. Customers for these products primarily include institutions in the banking, brokerage, insurance, and mortgage industries as well as companies primarily focused on digital and interactive marketing.

International

The International operating segment includes our Canada Consumer, Europe and Latin America business units. These business units offer products that are similar to those available in the USCIS operating segment, although data sources tend to rely more heavily on government agencies than in the U.S. These products generate revenue in Argentina, Brazil, Canada, Chile, Ecuador, El Salvador, Honduras, Paraguay, Peru, Portugal, Spain, the U.K. and Uruguay. We also maintain support operations in the Republic of Ireland and Costa Rica. We offer consumer credit services in Russia and India through joint ventures.

Canada Consumer. Similar to our OCIS, Mortgage Solutions and CFMS business units, Canada Consumer offers products derived from the credit information that we maintain about individual consumers. We offer many products in Canada, including credit reporting and scoring, consumer marketing, risk management, fraud detection and modeling services, together with certain of our decisioning products that facilitate pre-approved offers of credit and automate a variety of credit decisions.

Europe. Our European operation provides information solutions, marketing and personal solutions products. Information solutions and personal solutions products are generated from credit records that we maintain and include credit reporting and scoring, risk management, fraud detection and modeling services. Both of these products are sold in the U.K. and our information solutions products are sold in Portugal and Spain. Our commercial products, such as business credit reporting and commercial risk management services, are only available in the U.K. Marketing products, which are similar to those offered in our CFMS business unit, are primarily available in the U.K. and, to a lesser extent, in Spain.

Latin America. Our Latin American operation provides consumer and commercial information solutions products and marketing products. We offer a full range of consumer products, generated from credit records that we maintain, including credit reporting and scoring, risk management, identity verification and fraud detection services. Our consumer products are the primary source of revenue in each of the countries in which we operate, with the exception of Brazil where the majority of our revenue comes from commercial products. We offer our commercial products, which include credit reporting, decisioning tools and risk management services, in varying degrees to the countries we serve. We also provide a variety of consumer and commercial marketing products generated from our credit information databases, including business profile analysis, business prospect lists and database management, in varying degrees in the countries we serve. The other countries in which we operate include Argentina, Chile, Ecuador, El Salvador, Honduras, Paraguay, Peru and Uruguay.

TALX

TALX operates in the U.S. through two business units, as follows:

The Work Number® (TWN Services). TWN Services include employment, income and social security number verification services and complementary services which include W-2 management services (which include initial distribution, reissue and correction of W-2 forms); paperless pay services that enable employees to electronically receive pay statement information as well as review and change direct deposit account or W-4 information; integrated electronic time capture and reporting services; paperless new-hire services to bring new workers on board using electronic forms; and I-9 management services designed to help clients electronically comply with the immigration laws that require employers to complete an I-9 form for each new hire.

TWN Services enable employers to direct third-party verifiers to our website or to a toll-free telephone number to verify the employee's employment status and income data. We also offer an offline research verification service which expands employment verification to locate data outside our existing TWN database. In 2009, we increased our services to provide IRS income verifications using the IncomeChek® product as well as identity verification through a secure, web-based portal using the DirectChek® product.

We rely on payroll data received from over 2,400 organizations, including over half of Fortune 500 companies, to regularly update the TWN database. This data is updated as employers transmit data electronically directly to us each payroll period. Employers contract to provide this data to us for specified periods under the terms of contracts which range from one to five years. We use this data to provide employment and income verifications to third-party verifiers; the fees we charge for these services are generally per transaction. After the expiration of the applicable contract, absent renewal by mutual agreement of the parties, we generally do not have any further right to use the employment data we obtained pursuant to the contract. We have not experienced significant turnover in the employer contributors to the TWN database because we generally do not charge them to add their employment data to the database and the verification service we offer relieves them of the administrative burden and expense of responding to third party employment verification requests. The database contained approximately 220 million current and historic employment records at December 31, 2010.

Tax and Talent Management Services. These services are aimed at reducing the cost to the human resources function of businesses by assisting with employment tax matters and planning and improving the cost-effectiveness of talent recruitment and management. We offer a broad suite of services designed to reduce the cost of unemployment claims through effective claims representation and management and efficient processing and to better manage the tax rate that employers are assessed for unemployment taxes. We also offer our customers comprehensive services designed to research the availability of employment-related tax credits (e.g., the federal work opportunity and welfare to work tax credits and state tax credits), process the necessary filings and assist the customer in obtaining the tax credit. In talent management, we also offer secure, electronic-based psychometric testing and assessments, as well as onboarding services using online forms to complete the new hire process for employees of corporate and government agencies.

North America Personal Solutions

Our Personal Solutions products give consumers information to make financial decisions and monitor and protect credit, credit score and identity information through our Equifax Complete, ID Patrol, Credit Watch and Score Watch monitoring products. Consumers can obtain a copy of credit file information about them and their credit score. We offer monitoring products for consumers who are concerned about identity theft and data breaches, including the Credit Report Control service that allows consumers subscribing to our credit monitoring products to restrict access to their credit report to mitigate unauthorized use of Equifax credit file information by third parties. Our Debt Wise product utilizes credit report information to assist consumers in creating a debt repayment plan. Our products are

available to consumers directly and through relationships with business partners who distribute our products or provide these services to their employees or customers.

North America Commercial Solutions

Our Commercial Solutions products are derived from databases of credit, financial and marketing information regarding businesses in the U.S. and Canada. The business records included in the U.S. credit database have been developed in part from the Small Business Financial Exchange, Inc., or SBFE. SBFE members, including a number of commercial lending financial institutions, contribute their data to the member-owned SBFE database which we exclusively manage. Our contract with the SBFE to manage this database is scheduled to expire in 2012, unless renewed by mutual agreement of the parties. The information comprising the database is generally not owned by us, and the participating organizations could discontinue contributing information to the database or our management contract may not be renewed; however, we believe that such an event is unlikely because contributors to the database use the aggregated information in the database to conduct their business and we have a good working relationship with the SBFE members as one of the original founders of this database.

Other databases we have compiled include loan; credit card; public records and leasing history data; trade accounts receivable performance; and Secretary of State and Securities and Exchange Commission registration information. We also offer scoring and analytical services that provide additional information to help mitigate the credit risk assumed by our customers. We also have a marketing database which hosts approximately 47 million commercial demographic data records from around the world helping companies to identify corporate family structures for enterprise visibility of customers and suppliers.

OUR BUSINESS STRATEGY

Our strategic objective is to be the trusted provider of information driven solutions that empower our customers with the ability to make critical decisions with greater confidence. Data is at the core of our value proposition. Leveraging our extensive resources, we deliver differentiated decisions through advanced data, analytics and technology. Our comprehensive set of data assets can provide a complete, 360 degree view of the consumer's financial potential and opportunity including their propensity, ability and capacity to pay. Our long-term corporate growth strategy is driven by the following initiatives:

• **Increase penetration of our customers' information solutions needs.** We seek to increase our share of customers' spending on information-related services through the development and introduction of new products such as ID management, pricing our services in accordance with the value they create, increasing the range of current services utilized by our customers, and improving the quality of sales and customer support interactions with consumers. We are also helping customers address increasing compliance requirements through the development of new products.

• **Deploy decisioning technologies and analytics globally.** We continue to invest in and develop new technology to enhance the functionality, cost-effectiveness and security of the services we offer and further differentiate our products from those offered by our competitors. In addition to custom products for large customers, we develop off-the-shelf, decisioning technology platforms that are more cost-effective for medium- and smaller-sized customers. We also develop predictive scores and analytics to help customers acquire new customers and manage their existing customer relationships. We develop a broad array of industry, risk management, cross-sell and account acquisition models to enhance the precision of our customers' decisioning activities.

• **Invest in unique data sources.** We continue to invest in and acquire unique sources of credit and non-credit information to enhance the variety and quality of our services while increasing customers' confidence in information-based business decisions. Areas of focus for investment in new sources of data include, among others, positive payment data, real estate data and new commercial business data. As an example, we acquired IXI Corporation in 2009, which added valuable and unique U.S. consumer data related to employment and financial assets which broadens and enriches the types of services we can offer our customers.

Pursue new vertical markets and expand into emerging markets. We see numerous opportunities to expand into emerging markets both in the U.S. and internationally. In the U.S., our Capital Markets area offers unique products which enable investors and underwriters to have a more current and relevant understanding of the inherent risk in a portfolio of loans. Our Mortgage Services business continues to expand its presence in the mortgage value chain with a broader offering of mortgage underwriting services. During 2010, we acquired Anakam, Inc. which is a provider of large-scale, software-based, multi-factor authentication solutions. Internationally, we are investing in and building Russian and Indian ventures, as well as our existing served markets.

COMPETITION

The market for our products and services is highly competitive and is subject to constant change. Our competitors vary widely in size and the nature of the products and services they offer. Sources of compe