DUN & BRADSTREET
Q3 2008 INVESTOR CONFERENCE CALL
10-31-08

KATHY GUINNESSEY (TREASURER)

Good morning, everyone, and thank you for joining us today. Here's what we'll cover on today's call…

- Steve Alesio, our Chairman and Chief Executive Officer, will begin with some opening remarks.
- Sara Mathew, our President and Chief Operating Officer, will then provide some insight on our US and International top-line results and expectations.
- Tasos Konidaris, our Chief Financial Officer, will then review our earnings results and expectations as well as additional financial highlights.

Following some closing remarks from Steve, we'll then take your questions.

To help our analysts and investors understand where this business is headed, our remarks this morning will include forward-looking statements.

Our Form 10-K and 10-Q filings – as well as the earnings release we issued yesterday – highlight a number of important risk factors that could cause our actual results to differ from these forward-looking statements.

These documents are available on the Investor Relations section of our Web site, and we encourage you to review this material. We undertake no obligation to update any forward-looking statements.

During our call today, we will be discussing a number of non-GAAP financial measures, as that's how we manage the business.

For example, when we discuss "revenue growth" we'll be referring to the non-GAAP measure "revenue growth before the effect of foreign exchange," unless otherwise noted.

When we discuss "operating income," "operating margin" and "EPS," these will all be on a non-GAAP basis, before non-core gains and charges.

Reconciliation between these and other non-GAAP financial measures and the most directly comparable GAAP measure can be found in the schedules to our earnings release.

They can also be found in a supplemental reconciliation schedule that we post on the Investor Relations section of our Web site.

Later today, you'll also find a transcript of this call on our Investor Relations site.

With that, I'll now turn the call over to Steve Alesio. Steve?

STEVE ALESIO (CHAIRMAN AND CHIEF EXECUTIVE OFFICER)

Thanks, Kathy, and hello to all our team members, shareholders and analysts on the call today. Before we begin, I'd like to welcome Kathy Guinnessey to her first earnings call since returning to D&B as our Treasurer and Investor Relations Officer. Kathy filled a similar leadership role for us in 2003-2006, and we're glad to have her back.

It's been three months since we hosted our Investor Day event, and the economic world has certainly changed since then. While the environment has gotten tougher for all companies, including ours, D&B is managing well through these times by focusing on things that are under our control.

By this I mean:

- We're promoting our value proposition to be more helpful to customers during these times
- We're driving sales execution to be as strong as possible, and
- We're exercising our flexible cost structure

I'm very proud of how our team has responded so far, and how we continue to perform as a company. This is supported by our solid third quarter results, and our guidance for the full year.

We continue to generate solid top-line growth and strong earnings across the board, and we feel good about this performance.

- Third quarter revenue was up 8%
- Operating income improved by 12%
- EPS grew 14%, marking our 32nd consecutive quarter of double-digit earnings growth
- And we generated strong free cash flow of $273 million year to date, up 9%

On a geographic basis, our US business delivered solid third quarter results. Our International business continues to perform very well, driven by the strength of our Asian business.

Our expectations are that the economic environment will continue to be challenging. This is reflected in our revenue guidance for 2008, as we expect to deliver approximately 8% top-line growth for the year.

We are satisfied with this outlook, which reflects full year US revenue growth in the 6-7% range, and continued strength from our International business, which is on track to close the year with double-digit growth.

From a profitability perspective, our top line growth and financial discipline are allowing us to meet all of our full-year earnings targets -- for operating income, EPS and free cash flow.

As we look ahead, into 2009, we're focused on exiting that year in an even stronger competitive position than we enter it, and we remain committed to the growth objectives we laid out for the 2008 to 2010 timeframe.

We have a number of factors are working in our favor as we head into 2009.

First, from a customer lens, we have a value proposition that is highly relevant in these times. Our solutions help customers of all sizes improve their cash flow and profitability, and that is particularly important these days.

Second, we have a business model that is heavily driven on a high-renewal base of customers across a diverse set of industries.

Third, we are continuing to invest to drive profitable revenue growth. Our plans to drive both organic and inorganic growth as described at our Investor Day event this summer are still underway.

Fourth, we are in a strong position financially, with a solid balance sheet and ample liquidity.

Fifth, we continue to be proactive in managing our cost structure, and we are taking the necessary steps in the fourth quarter of this year to deliver strong profitability for 2009.

And finally, we have a team that is passionately committed to winning, and has a track record of prevailing, despite challenges.

Put it all together, and we believe we will emerge as an even stronger competitor when next year ends than today.

With that, I'd now like to ask Sara to comment on our US and International businesses, with a particular focus on our top-line performance. After that, Tasos will comment on our profitability, cash flow and financial strength. I will then come back and offer some closing comments before we open things up to your questions.

SARA MATHEW (CHIEF OPERATING OFFICER)

Thank you, Steve, and good morning everyone. My remarks today will focus on our top-line performance in Q3, our expectations for the full year, and the trajectory entering 2009.

I'll begin with a review of our US business. US revenue grew 7% in the third quarter, and 7% year-to-date.

As we mentioned in our earnings release, we benefited from the timing of contract renewals in the quarter, as we made a proactive effort to lock deals in early, so we could reduce execution risk in the current environment. We don't expect this to continue in Q4. And, as a result, we expect US revenue growth in 2008 will be 6-7%, and we see this trajectory sustaining into 2009, as we benefit from our investment to increase our US sales force, most of whom are already in place.

Within our US business, Risk Management, our largest segment with 62% of revenue, grew 4% in the third quarter and 5% year to date. The primary driver of RMS continues to be our subscription programs, offset in part by declines in our legacy products. Subscription revenue now represents 51% of US RMS revenue, up from 42% a year ago. In addition, customers are increasingly migrating to DNBi, our Web-based risk management platform, which continues to grow at a double-digit rate. Our DNBi penetration is now 43%, compared with just 23% a year ago. And we remain on track to deliver DNBi penetration of 60% or greater by 2010.

Our ability to maintain double-digit increases in DNBi revenue commitments is driven by continued penetration of our core product to new customers. And, the addition of modules such as Account Manager and Decision Maker for existing customers.

These two modules perform particularly well in the current environment, as they provide customers with the tools they need to handle the following risk related activities. First, the ability to monitor their current portfolios. Second, the ability to proactively manage their overall risk profile. And third, the ability to lower their cost through automation of risk management activities, a value proposition that plays extremely well in this environment.

Looking ahead, we see opportunities to add to this RMS toolkit by targeting other unmet needs, once again leveraging our core DNBi platform.

Beyond DNBi, we are also making headway in other areas such as supplier risk. As just one example, we recently signed a supply management contract with Wal-Mart -- the world's largest retailer -- to help reduce its global supply chain risk. This contact is similar to the large General Services Administration (or GSA) contract we signed last year with the government.

That solution allowed the government to leverage two core D&B assets – linkage and validation to provide supplier registration and risk assessment services to certain government agencies.

While we are still early in the Wal-Mart relationship, and we won't see much benefit until 2009, we think it's an important step in expanding the addressable market for our supplier risk solutions. We see additional runway ahead with other large customers, as global supply chain risk is particularly important in the current environment.

So to sum up, our risk business is performing in line with expectations and we are working to sharpen our value proposition to add more value and functionality to our customers as we look ahead to 2009.

Let me now turn to Sales & Marketing Solutions, or S&MS, which accounts for 29% of US revenue and grew 10% in the third quarter. Within S&MS, our Traditional business accounts for 45% of revenue, and grew 11%, benefitting from two licensing deals. We do not expect this benefit to repeat in the fourth quarter. As a reminder, traditional S&MS is not a strategic area of focus for us. We expect a slow-down in this segment in the current economic environment, as traditional marketing continues to migrate to more efficient mediums – primarily the Web.

Our Value-Added Products, or VAPS, accounted for roughly 55% of S&MS revenue in the quarter, and grew 10%, benefiting from the timing of contract renewals mentioned previously. As context, our VAPs deals are generally large projects that customers want fulfilled in conjunction with their marketing campaigns and available spend. In addition, we proactively work with them to maximize value from each sale. This results in some timing shifts from quarter to quarter.

We have seen a lengthening in the sales cycle, and are proactively leading through this change. As a result, our customers continue to buy from us, and we expect to close 2008 and enter 2009 on a strong note. Let me tell you why.

Our S&MS business will be driven by our customer data integration or CDI products: Optimizer and Purisma.

Through Optimizer, we leverage our database to help customers match, cleanse and enrich their customer records. Despite the current economic environment, we've seen steady year-over-year retention rates for Optimizer, while also driving higher levels of new business. Both these metrics are important indicators of the strength of our value proposition in these tough times.

We are also beginning to benefit from Purisma, which delivers cost effective CDI software solutions to our customers. We are generating competitive wins in this space, as the pairing of Purisma software with D&B data offers a more complete and up-to-date view of customer relationships. In addition, the platform allows customers to integrate information across the entire organization more cost-effectively than the competition.

Our Purisma pipeline has expanded significantly in recent months, and we've demonstrated the ability to price up in this market. This, coupled with the recent additions to our sales force, should result in higher levels of growth from this solution in 2009.

In sum, we expect full-year S&MS growth in the high single-digits in 2008 and we believe we are well positioned for continued growth in 2009.

Let me now turn to the US Internet business, which represents 9% of US revenue, and grew 15% in Q3. Results here were below expectations, as weaker than expected online advertising results tempered our growth.

We expect this weakness to continue in the current environment, and this is factored into our thinking for the fourth quarter and the full year. That said, we have a secular trend in our favor, as traditional media moves to the digital world, so we expect continued double-digit growth from the Internet business in 2008, and the ability to sustain that level in 2009.

Let me now turn to our International business, which delivered a very strong 13% revenue growth in the quarter.

As we outlined at Investor Day, our international strategy is focused on investments to drive growth in Asia, and stability in our established markets. We are very pleased with the joint ventures we've established in China and Japan, and this is fueling much of our international growth in 2008.

Outsourcing and manufacturing is becoming increasingly important in this part of the world, and our Asian JVs are allowing us to meet global customer demand for higher levels of commercial insight in these emerging markets.

We are also seeing improved execution and stability from our established European businesses, such as the UK and Benelux, despite the challenging environment. This is primarily a function of our stronger leadership in those markets, and an acute focus on our core DUNSRight value proposition.

So looking ahead, we expect continued strength from our International business in the fourth quarter, and that will carry through into 2009. We will continue to invest in Asia, focusing on China, India and Japan, where global customer demand for insight continues to grow.

As such, we expect our International business to maintain its double-digit growth trajectory in 2009.

I'd like to wrap up with my thoughts on our business as we close 2008 and enter the new year. At a high level, the macro environment has changed. Our customers are dealing with their own budget constraints, especially our small business customers. That said, our customers want to do business with us, and they are buying. They expect clear demonstration of ROI, and want more value from us. So we are getting sharper on demonstrating value on existing products, and adding new value where needed to secure the business. As a result, we are generally able to increase our revenue commitment per customer, and continue our trajectory of solid top-line growth.

We know where we have challenges and we know what sells in this market – our automated risk solutions, DNBi and CDI solutions are clearly playing well. In addition, we have the ability to add value for our customers at low marginal cost, since we leverage the same asset over and over again – our DUNSRight database. Finally, we are investing today for 2009 and beyond. In the US, we are expanding our sales force, and in International, we will continue to invest in Asia.

So as we look ahead into 2009, we clearly see the challenges, but we also see opportunity, and we are committed to lead through this uncertainty so we'll emerge a stronger company at the end of 2009.

That concludes my remarks on the business. I will now turn the call over to Tasos to provide additional financial highlights.

<u>TASOS KONIDARIS (CHIEF FINANCIAL OFFICER)</u>

Thank you, Sara, and good morning everyone. Let me first echo Steve's comments by saying how happy we are to have Kathy back with us, and we look forward to her renewed contributions as a member of our finance leadership team.

I'd like now to focus my remarks, first, on our strong third quarter profit results and, second, on our underlying financial strength for the future.

In regard to profitability, we generated strong operating income growth of 12% and a total company operating margin of 26.5%, up 70 basis points. As we said at Investor Day, we remain committed to driving ongoing margin expansion of about 50 basis points of average annual margin growth for the 2008 to 2010 period. For 2008, we are on track to meet or exceed that goal.

In the US, operating income was up 7% driven by higher revenue, partially offset by investments to drive top-line growth – such as DNBi and Purisma. In International, operating income was up 36%. This increase was due to higher revenue, and benefited from 8 points of foreign exchange.

In regard to earnings per share, we delivered $1.13, up 14% over the prior year period. Our EPS growth was driven by strong operating income growth, and the accretive impact of our share repurchase program, partially offset by higher interest expense.

With respect to share repurchase, we bought back 916,000 shares for $86 million, which includes $58 million in discretionary share buybacks. This brings our year to date repurchases to 3.8 million shares for $330 million, which includes $248 million in discretionary buybacks. In addition, we paid out $50 million in dividends year to date, and we are on track to return about $370 million of cash to shareholders this year.

As to capital expenditures, we incurred $16 million in the quarter, or 3.8% of revenue, which is consistent with our highly capital efficient model and goal of maintaining a capex to revenue ratio of 5% or less.

Finally, as to Free Cash Flow, we generated $273 million year-to-date, up 9% from the same period last year.

This concludes my summary of the third quarter. Let me now share with you our three main reasons for our confidence in delivering continued earnings and free cash flow growth in Q4 and the year ahead.

First, as Sara has highlighted, we expect to continue delivering solid top line growth.

Second, we have a financially flexible business model and the discipline to re-examine every dollar we spend. This is a proven strength for us and we have a track record of unlocking $70-$85 million in annual financial flexibility savings over the last eight years.

Throughout 2008, we have been proactive in managing our cost structure. And as we head into 2009, this will allow us to continue to fund investments in driving profitable revenue growth in the future.

The third reason for our confidence is our strong balance sheet and liquidity position. We continue to see solid growth of deferred revenue, which was up 9% in the quarter to $516 million. And while many companies are struggling with access to capital, we have adequate capacity today to execute our growth plan for 2008-2010.

Given how important liquidity is these days, let me be more specific.

First, our cash flow remains strong and we continue to actively monitor our working capital and DSOs. In Q3 our DSOs improved.

Second, we ended the third quarter with more than $230 million of cash and cash equivalents on hand.

Third, we have a committed revolver facility of $650 million and at the end of Q3 we had $485 million of capacity. In addition, our revolver is not up for renewal until 2012 and it is backed by 12 banks that have been the stronger performers in the current environment.

Fourth, we have no near-term debt maturities. That is, our $300 million, 5.5% interest bonds mature in 2011, while our $400 million, 6% interest bonds mature in 2013.

Let me now touch on the topic of foreign exchange. In addition to the challenging economic conditions, all global companies must also navigate in a highly unpredictable currency environment. Most recently, we've seen significant strength in the U.S dollar. While we at D&B clearly do not control currency fluctuations, it is important to recognize 3 items.

First, our revenue guidance has always excluded the impact of Foreign Exchange.

Second, our International operating income accounts for less than 20% of our Total Company operating income.

Third, we routinely hedge a portion of our net income exposure to reduce our bottom line volatility.

So, to sum up, we feel very good about our financial position today, and we are managing our business to ensure that we maintain our strength and flexibility in the future.

That concludes my remarks. I will now turn the call back to Steve to wrap things up and lead us into Q&A.

STEVE ALESIO (CHAIRMAN AND CHIEF EXECUTIVE OFFICER)

Thank you, Tasos. To sum up our comments this morning, we are clearly operating in a tough environment, but believe we are leading well through the challenge.

We remain focused on the things we can control, such as bringing real value to our customers, strong sales execution, managing our expenses and exercising our leadership muscles. We feel very good about delivering another solid quarter.

We also feel good about how we expect to end the full year. Our updated 2008 guidance reflects this outlook. Specifically, we expect to deliver revenue growth of approximately 8%, which we have adjusted to the low end of the guidance range of 8-10% growth we set for the year.

All of our other metrics for guidance remain unchanged from our original guidance. Specifically, we expect:

- Operating income growth of 11% to 13%
- Diluted EPS growth of 14% to 16%
- Free Cash Flow of $337 million to $352 million
- And a tax rate of 37 percent to 37.5 percent

As we think about next year, we are focused on exiting 2009 in a stronger competitive position than we entered it. The reasons we expect to do so are several.

- We see continued opportunity from each of our three strategic stakes of Risk Management, Commercial Data Integration and the Internet, and we will continue to invest to drive profitable revenue growth, both organically and through acquisition where appropriate.
- We expect continued strength from our International business, and are specifically focused on our Asian markets.
- We are financially healthy, produce strong earnings and cash flow, and continue to benefit from our solid balance sheet and liquidity position.
- Finally, we have an important and valuable asset in our corporate culture. We have a group of strong leaders at D&B who are passionately committed to winning.

We have delivered a track record of extraordinarily consistent and improving results for over seven years running. I am confident that our team, our culture and our business model will have us exit 2009 as a stronger company. For those team members listening to our call this morning, I'd like to conclude my remarks by acknowledging your contributions. Your commitment to meet our customers' needs is making us a stronger company every day.

You are the source of our strength and consistency, and Sara and I would like to offer our sincere thanks for your continued focus and ownership during these times.

With that, I'll now open the phone lines so that Sara, Tasos, Kathy and I can take any questions. Operator, would you please provide the instructions for asking a question?

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