Dun & Bradstreet Corporation
Investor Day Transcript
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KATHY GUINNESSEY (Treasurer & Investor Relations Officer)

Good morning, good afternoon, everyone. And thanks for joining us today. My name is Kathy Guinnessey and I'm D&B's Corporate Treasurer and Investor Relations officer. Before we get started today, I'd like to make a few comments about our presentation.

First, a housekeeping issue. I'd like to ask that everyone please turn off their cell phones. We get a lot of interference in the room with it, so if you could shut down the phone completely we'd really appreciate it. Please take a moment to review the important notices on page two of our presentation which explains that this presentation contains many forward-looking statements. Our Form 10Q and 10K filings highlight a number of important risk factors that could cause our actual results to differ from these forward-looking statements. In addition, this presentation includes non-GAAP financial measures as that is how we manage our business. We've included an appendix to this presentation with a reconciliation between the non-GAAP financial metrics that we use and the most directly comparable GAAP measures.

As many of you may have seen, on April 29th we announced our first quarter results, and these results were in line with our expectations across the board. We also reaffirmed our 2010 guidance of revenue growth of 1 to 3 percent, operating income of down 2 to up 2 percent, EPS growth of 1 to 6 percent before non-core gains and charges and free cash flow of $240 to $270 million. Our presentation today will be focused on strategic direction and drivers of future growth. If you have any questions regarding the first quarter results, we'd appreciate it if you could hold those until the end of the Q&A session and we'll take them then. Thank you very much. And with that, I'd like to introduce Sara Mathew, our CEO and President.

SARA MATHEW (President & Chief Executive Officer)

Thank you, Kathy. Good afternoon, everyone. Welcome to D&B's 2010 Investor Day. I'm delighted to have the opportunity to talk to you about D&B and I'm very glad you are with us. Now, there are many of you I've known for many years, but there are some of you I know who are new to D&B's story. For you, you should know that D&B is a company steeped in tradition that dates back 169 years to its founding in 1841. Back then credit reports were handwritten master volumes developed by credit reporters who traveled hundreds of miles to gain information on the authenticity and viability of a business. Our reporters chronicled the emergence of commerce across the U.S. and had access to what was then the C suite of the burgeoning new U.S. economy. Reporters were encouraged to speak their mind and say their piece. In fact, an entry from 1863 on a merchant named one J. D. Rockefeller states, and I quote, he is not much of a businessman. He has had some capital, it is said, advanced by his father who is reputed to be well off. There is a subsequent entry acknowledging his considerable business acumen despite his privileged upbringing. Our insight has come a long way since then.

Today, D&B is a global leader in commercial information. The D&B brand is the benchmark for high-quality information in the B2B space. We are the only company that has information in businesses from over 230 countries around the world, and we strive for global consistency in this data from market to market which, today, is a critical customer need. We have the world's largest commercial database, 158 million business records to be exact. And as we have moved into an era of global commerce, customers increasingly come to us to ensure they have the visibility and understanding of their cross-border customers and suppliers. At the foundation is our unique patented DUNSRight process which I'm going to describe in more detail shortly. This process allows customers to use D&B data to make more than 100,000 decisions every day.

Since the launch of D&B as an independent company, we've had a very successful financial track record. As you can see from this chart on the left with the yellow bars, our revenue grew 6 percent between 2001 and 2008 but was up only slightly in 2009. Over this period, if you look at the chart on the right, the blue bars, EPS grew more than twice the rate of revenue at 16 percent and we continued to deliver EPS growth in 2009 despite the slowdown in top line.

Now, in 2009 our U.S. performance was impacted by the recession. Beyond the broader declines in GDPs, there are two specific secular trends that impact us. First, if you look at this chart, the U.S. commercial and industrial loan volume had an unprecedented double-digit increase between 2005 and 2008. This was followed by double-digit declines that lasted through the first quarter of 2010. Now, our risk management business correlates fairly closely with the commercial and industrial loans since customers use our information primarily for loan origination, that is, when a business comes to our customers to obtain a loan. A severe decline in loan volumes reduced customer needs for our products and solutions. On legacy transactional risk products were particularly hard hit by this trend. At the same time, if you look at the chart on the right, our sales and marketing business which tracks closely with B2B promotional expense also declined. As you can see from the chart, B2B promotional expenditures increased about 5 percent between 2005 and 2007 and then began to decline driven by two factors. First, a heightened shift in digital marketing versus the most traditional approaches like direct mail and, second, the weaker economy. Now more recently, the macro economic environment has stabilized, so we believe the worst is behind us. If you take a closer look at the U.S. commercial and industrial loan volume from the prior page, you will see a bottoming out of the trend in March and a slight uptick in early April. While these are only a few data points, we are encouraged by these trends. As such, our internal efforts to drive better execution should begin to pay off. Later in the presentation, you will hear from George Stoeckert who will discuss our plans to sharpen execution in North America to take advantage of this recent trend.

Now, separately, we initiated a strategic review of our business early in 2009. The review yielded four important findings, two related to the markets we compete in and two related to the basis for competitive advantage. Now, regarding markets, we are the undisputed leader. But there is room to enhance our position. More specifically, the explosion of online information creates a unique opportunity for us to innovate and bring new value to customers. Regarding our value proposition, we reconfirmed the data and the

DUNSRight process will remain our foundational assets. We also learned that the power of this asset in an increasingly online world could be significantly enhanced.

Let me provide added context beginning with our market position. This chart, I think, provides perspective on our market leadership and commercial insight. D&B today has 158 million records and $1.7 billion in commercial revenue. Our closest competitor, Experian, has less than a quarter of the commercial records and commercial revenue of D&B. Now, there are several other competitors in this chart like Coface and Graydon in Europe, Infogroup and Equifax in the U.S., but as you'll see, they are much smaller. In fact, if we were to name our largest competitor, it would be the internal credit department of our customers. And you've heard us say this before many times and it has been independently confirmed by a study by the Credit Research Foundation, a premier research group in the credit arena.

As we look ahead, we see opportunities to enhance our position. This information comes from Outsell, an independent research firm. The Outsell leader board shown in this chart evaluates credit and financial information providers along two sectors -- the ability to execute and how in-tune they are with the future. As you can see from the charts, D&B is viewed as being a company that is good on execution with some room to improve. However, when it comes to preparedness for the future, there is significant new opportunity ahead. This is where we will focus. It is the underpinning of our strategy and it is the reason why we made the decision to invest $110 to $130 million to rebuild our data supply chain and technology infrastructure to prepare for the future. Let me explain in a little more detail.

Over the past several years, the types and volume of data that is available online has increased dramatically. To be specific, we will see a tenfold growth in information in just a five-year period ending 2011. The prevailing wisdom is that this pace of growth and information will only accelerate driven by significantly lower technology costs and the ease with which an individual can engage to drive content and insight. Think about it. Today's Facebook, Twitter, Wikipedia are all part of online. As a content provider, we at D&B know there is valuable information in these and other sources. This explosion in available data creates new opportunities for us to innovate and bring value to customers. Today, individuals do not have the capacity to process the sheer volume of information available to them. As a result, a company like D&B that can organize the information into insight has the opportunity to create much more customer value and a far better customer experience. The value will be created in several ways by connecting disparate sources of online information to create insight, by integrating this information with customer workflows, and by enabling customers to use the information for more jobs, jobs they cannot easily perform today. Now, to organize business information, one needs an organizing mechanism and there is none better than the D-U-N-S Number. As a result, we have reaffirmed our biggest opportunities exist within the commercial insight space and we will leverage the assets we already have to take advantage of it. We are uniquely positioned to win in this space and we are looking forward to bringing our aspiration to life. Let me elaborate. Data and the DUNSRight patented process will remain a foundational asset.

For those who are new to D&B, I'm going to quickly walk you through the DUNSRight process. We begin with data collection. D&B collects data from approximately 55,000 sources -- from government registries, courts and legal filings as well as proprietary trade data from our customers. Next comes entity matching. Here we use proprietary algorithms to ensure that the right information is attached to the right business. For those entities that we cannot match, we authenticate and then DUNS Number the entity. The DUNS Number is a unique number much like a Social Security Number. It is retained for the life of a business from cradle to grave and acts as an industry standard for business identification. Then we use corporate linkage to connect commercial entities that have a parent-child relationship. Once again, we maintain those linkages over the years. Through linkage, you not only know about the entity itself, but all the other related entities for a complete view of the customer. Once this process is complete, we generate insight. We take the proprietary data we have and generate predictive indicators which help customers understand how a business is likely to perform in the future so they can decide with confidence.

Let me draw your attention to the bar at the bottom. The entire process end-to-end is executed through a technology infrastructure which is the backbone that enables us to create high-quality information to generate new insight. As we look ahead, we will focus on three components of DUNSRight to drive even greater competitive advantage. Global data collection, the D-U-N-S Number itself, and the technology infrastructure. These enhancements will create new insights for our customers by connecting to a richer set of information. Let me start with global data collection. We will significant increase the types and volumes of data we collect, both proprietary and public. Second, we will enhance the D-U-N-S Number so that it is no longer strictly company-centric. Finally, we will rebuild the technology infrastructure to support these changes. Walt Hauck, our CIO, will discuss all of the above in more detail. From a customer perspective, this will yield three important benefits -- better information quality, new insights and the ability to serve more needs.

Let me give you a quick demonstration of what's possible in the future. I'm going to set this up in advance of the demo so you get a little feel for what you're going to see. To give this context, we took a part of our database and put it into a sandbox environment so we could learn what was possible by enhancing the D-U-N-S Number. As I said earlier, the demo is based on a small part of our data and, therefore, it's not scalable. Our intention is to make insights like these broadly available by 2012. Now, what I am about to share with you is real data, but we have disguised it to protect the identity of the business as well as the people involved. Now, the first part of the demo will show you our current DNBi product, which you've already seen at the kiosk outside. I want you to focus on the second part which demonstrates future possibilities. What you will see is a user able to gain a whole new level of insight about a company they're researching, a company we've called Doe Custom Technologies. We use our linkage capabilities to connect with outside information and you suddenly see important insights about the owner, John Doe. Now, these insights were made possible by enhancing the D-U-N-S Number beyond its current company-centric view. So you should view the demo as a real work in progress as opposed to a polished, finished product. So please, treat it as such. And with that, I'm going to ask you to please roll the tape for the demo.

DEMO: DNBi, one of our flagship products, is geared toward specific job tasks. It gives credit analysts a company-centric view of the world, allowing them to quickly make informed business decisions about a company. Here you can see an overview of a company. We can navigate to the trade payments tab to see how good they are at paying their creditors and the public filings tab to see legal activity. But this is a view of a company in isolation. It doesn't allow big-picture discovery, understanding and research.

Now we want to go beyond this company-centric view, so we've been experimenting with an information architecture sandbox. We've been building prototypes to see what's possible with a combination of D-U-N-S Numbers linked to all the rest of the world data sources for accruing a rich web of business-related information.

There are people, companies, facilities and so on. These are all things whose existence is pretty much indisputable. We want to give all those things D-U-N-S Numbers, link them together, and link them to information from outside Dun & Bradstreet.

We created this Web demo to expand on what D&B is already doing to the point where D&B is a portal for all of the world's business information, just like Facebook is a portal for social networking and Amazon is a portal for retail. This demonstrates how expanding the identity space and enhancing DUNSRight allows us to bring in data from out D&B and connect facts that couldn't be connected before, providing new insights and meeting customer expectations. So normal look and feel and the specific user interface elements, but pay particular attention to how this information architecture can be used to do some really powerful things.

Let's take a look at this company, Doe Custom Technologies. We have the basic company information, but there's also a description that comes automatically from Wikipedia. The facility has its own link as well as key employees. I can also now look in an aggregate of a number of different risk scores. The PAYDEX from D&B is 45. Huh, that's pretty low. But the Better Business Bureau actually shows an A rating. I wonder what the discrepancy is? Well, instead of looking at it from a company-centric standpoint, let's look at it from a person-centric point of view. Ah, John Doe, he has his own personal D-U-N-S Number, biographical summary automatically pulled from Wikipedia as well as a picture, so now I'm looking at the right person. There are also professional affiliations associated with John Doe. Notice that he's has got a number of different companies where he's been a founder, a CEO or a manager. Let's click on visualize and look at patterns across the companies. Ah, here we see a precipitous drop in the PAYDEX history in his first company until the company disappears. And then he starts a different company which begins dropping as well. So this is a pattern of behavior that's just not visible in a company-centric view of the world. We can also view employee history, revenue history, and financial stress. Let's look at employee history. Hmm. As we look at the employee churn, we can see an emerging pattern here. John lays off almost all of his employees at one company and then hires a number of people again at a newly-created firm. We also see links to related news articles that coincide with the employee history events. We can click on Doe Custom Technologies Lays Off Staff and read an industry report about it. Look at this. He's done it twice in the last year. In this demo, we can see deep information from multiple sources tied to uniquely-identified D-U-N-S Numbers for employees, facilities, and other real-world phenomena. Even more importantly, we can reveal powerful new insights into our customers' most important business matters.

SARA MATHEW (President & Chief Executive Officer)

This is a view of what is possible for D&B. It is just one small example of what we intend to build in 2012. Now, there are three important take-aways from this demonstration. First, by enhancing DUNSRight, we can connect our data to the rest of the world data, creating insights far beyond what is available today. In the case of John Doe, a pattern of starting up a new company and then bankrupting it before starting up yet another company was made possible by aggregating people data, something that we cannot do easily today. Second, these enhancements will allow us to exploit adjacent markets while also enhancing what we do in credit and sales and marketing. For example, it would be possible to take a view of location data, to understand that there is a flight of corporate headquarters from a particular city or state. We could use that data to gain valuable insight into the commercial real estate market, an area where we do not do much business today. The possibilities are immense. Finally, there is no other company positioned that D&B to deliver on this future since our D-U-N-S Number, matching, and linkage capabilities in the commercial space are all world-class.

So in summary, our strategy will transform our customers' experience with D&B. From customer information overload to connected information that yields new insights, from a predefined view of data and insight to a world where customers define their view of their data and their perception of what constitutes insight. Finally, I hope you got a view into the ease with which technology can be leveraged to enable this type of innovation.

With our strategy established, we have reconfirmed our expectations for 2012. We shared these with you several ago and they are pretty much unchanged. North America should move from declining revenue to revenue growth in the mid to high single-digit range. International will continue in the low double-digit range, aided partly by tuck-in acquisitions and exposure to high growth markets in Asia. We expect 100 basis points or more of margin improvement over 2009 once we complete the investments and reap the benefits of a vastly simplified technology infrastructure and data supply chain. Finally, we know we will extend our competitive mode and further distance ourselves from competition.

Now, executing on this vision requires a high-performing team. On the left, we have the leaders of our operation; George Stoeckert, who leads North America; Manny Conti, who leads Europe and Latin America; and David Emery, who could not be with us today, but who leads Asia Pacific. In the middle, we have the team that drives innovation; Byron Vielehr leads our global risk product line; Jim Delaney leads sales and marketing; Walt Hauck is our CIO; and David Clarke is responsible for data and DUNSRight. On the far right we have our corporate functions; Tasos Konidaris, our CFO; Jeff Hurwitz, our General Counsel; Rich Veldran, our leader of Strategy and Business Development; and Maria Sharpe, our new HR officer. Most of this team is with us today. Some of them will be presenting and others will join me later to address your questions.

So with that, let me set up the agenda for the rest of the day. First, Walt Hauck, our CIO, will discuss foundational capabilities that are required to execute on the strategic vision I just shared with you. Walt is a seasoned CIO who joined us in 2008 after a long career with Pfizer. Walt has managed several large technology infrastructure transformations, so the re-platforming of our technology is in very good hands. Next, George Stoeckert and Manny Conti will outline plans to drive top-line growth in North America and International. As I said earlier, we believe the worst of the U.S. economy is now behind us, so we have a great opportunity to sharpen execution and gradually improve the performance of our core business. George joined D&B about nine months ago and, prior to that, he was a senior executive at ADP for many years. Manny has been with D&B for seven years in various positions. Then Tasos Konidaris, whom all of you know, will provide a strategic financial review so you understand how our scalable business model will deliver value for our shareholders. Finally, I will come back and summarize the day. We will close with a question and answer session and ensure we stay and address all your questions about our company, our strategic investments and our view of the future. And with that, I'm pleased to present Walt Hauck. Walt?

Walt Hauck (SVP,Technology & CIO)

Thank you, Sara. Good afternoon, all. My name is Walt Hauck, CIO of Dun & Bradstreet. I'd now like to walk you through the fundamental capabilities critical for our success.

The success of our strategy requires development of two critical capabilities -- enhancing DUNSRight and creating a flexible technology infrastructure. We already have the best commercial data in the market and it will get even better with the investment in these two capabilities. Let me share more on each starting with DUNSRight.

The dramatic increase in data available online has caused customers to change their expectations. This explosion in data has increased the customer's need for insight -- not necessarily more information. They need the right information to make their decision. Customers expect the information they need to be available all in one place. They want to increase data coverage and quality and they will want different types of data over time. Customers want information updated at the pace as it is created. We use the term near real-time, not in the sense of milliseconds, but within minutes of the events actually being recorded. This is the _____. To meet these demands head-on, we are enhancing DUNSRight with the focus on proprietary data customers cannot get elsewhere. Enhanced global data collection will increase coverage of small businesses and companies in emerging markets as well as in our trade files. In addition, the D-U-N-S Number will be applied to many more types of commercial entities. Today there are some entities we simply don't cover. Local doctors offices, for example. Tomorrow, we will. These improvements will enable increased linkage and more predictive scores across the board.

The increase in data is designed to deliver significant benefits to our customers. By 2012, we intend to increase the number of covered entities to 250 million. We plan to more than double the number of linked records from 15 to 40 million and we expect to double the number of trade scores from 14 to 26 million. Overall, the breadth, depth and quality of D&B data will be dramatically improved. In addition to expanding our proprietary sources of data, we are creating the capability to tap into the explosion of online data and enhance the D-U-N-S Number. This includes much more data from the Internet such as monitoring newsfeeds, Web scraping(?) and _____ analysis. We will also experiment with customer-contributed information, largely from crowdsourcing. We will broaden global data collection, significantly increase the amount and types of data we select. This includes more robustly collecting information from industry associations and other new sources. At the same time, we are enhancing the D-U-N-S Number, expanding from today's company-centric view to connect all commercial information. This will allow customers more flexibility to access everything we have in ways that make sense to them. We saw this in the video Sara just showed. Enhancing DUNSRight will deliver additional value to our customers. First, by increasing the data we collection and connecting it to the proprietary data customers can only get from us, we will organize more information around the D-U-N-S Number. By doing so, we hope to help customers tame their information overload. They'll have the right insight and be able to make decisions when they need to make them. In addition, our applications can become their single information source as we integrate proprietary data and online data behind a single user interface. Secondly, through our new data architecture, enhanced D-U-N-S Number, customers can create their own insight from our data and address new problems. In summary, through an enhanced data collection/enhanced D-U-N-S Number, we expect to create significant new value for customers

Now, let's talk a look at our second key capability, a more flexible technology infrastructure. Rapid advancements in technology have caused customers to change their expectations here as well. First, they want high-quality consumer-grade interfaces for their applications and supporting tools. And they want the flexibility to customize them. People now expect the applications they use at work to be as good or better than the ones they use at home. Second, they want two-way interactivity so they can share their data with us through the same tools and data we provide. And, finally, they expect their applications and data to be pervasive, available everywhere, always-on access, and on whatever device they prefer. Over the past few years, the world of technology has changed and our current infrastructure is not going to meet these customers' end.

In response, we initiated a strategic technology investment aimed at rebuilding three core elements of our infrastructure. First, we will create a simplified and redesigned data supply chain, the backbone of DUNSRight. The new supply chain will provide substantial increase in processing capability and going forward we will be able to update a company record within minutes. We are completing the design phase now and expect full production by late 2011. Second, we will build web services to access our data. Today, applications us a variety of custom interfaces to talk to the data supply chain. Tomorrow we use one industry-standard interface, greatly simplifying how we develop new applications. Web services will also be complete in 2011. Third, taking advantage of the new data supply chain of web services, we will build a number of innovative flagship products. We will then consolidate our current applications onto these new products. The first one will be an updated version of DNB.com, the website where our traditional transactional risk applications and data are delivered. This product will be available in the fourth quarter of 2010. The result of these efforts, drastically increased speed, better flexibility, and much higher value product. The investment will enable innovation and improve our customer value proposition. With the speed of the new data supply chain, we will improve our record update time from as long as 30 days to near real time. With the flexibility web services provide, we will move from a world where creating new applications is a time-consuming and expensive process, to one where we can rapidly imagine, test, and launch innovative new products. Finally, by focusing on a few flagship products, customers will gain a better user experience and a much richer feature set.

Core to our investment is the addition of the new application development center in Ireland. To create the technical capability required for this investment, we are adding an in-source application development team in Ireland. They will be focused on global risk application development. Our needs coincide with an opportunity to build in Ireland where there is a talented workforce and strong software skills. This team will augment our current technical centers in the New York area, London, Austin, San Mateo and with our off-shore providers in India. The new facility will be ready for occupancy in May. Recruiting is in full swing, and we expect the first application delivered from this facility in the fourth quarter of 2010. For customers, the investment will transform how they experience D&B data and product. There will be more product innovation and consumers will have a rich consumer-grade interface. Data quality will be dramatically improved, it will be a new data set and near real-time updates. In addition, customers will be able to fully embed D&B in their applications and workflows and they will be able to use this all everywhere and always on.

In addition to customer benefits, we see the investment creating value for shareholders. We expect increased earnings and cash flow from four factors. First, we will have a much lower cost platform to develop new products. Second, we expect annualized savings of approximately $35 to $50 million beginning in the latter half of 2012. Third we should have much lower cost to acquire new data sources and create new data product. And fourth, by expanding our in-house application development capability in Ireland, there are positive economic benefits that Tasos will describe later.

There are a number of milestones in which to measure our progress over the next few years. In data, you can expect to see global coverage expanding to approximately 250 million records by the end of 2012. Likewise, you'll see similar milestones expanding our linked records and trade scores. In technology, the first part of the work on the new data supply chain are moved to a new data center, will complete the third quarter of 2010. The first deliverable of web services, support to the new DNB.com will also be completed in the third quarter of '10 and the first upgraded flagship product, DNB.com, will be completed in the fourth quarter of this year. We are confident that we have the right skills and experience to execute this investment. The approach to this program was based on our success with similar products international and at Hoovers. We have an experienced team executing this initiative. In addition to the existing team, we recently hired a group of seasoned senior program managers and we are committed to building a strong in-house leadership team for the future. As you would expect, we have implemented a rigorous program management approach with this program. And, finally, this is not just a technology initiative. It is being led by the business and has the full support of the entire D&B leadership team.

So in summary, an enhanced DUNSRight and more flexible technology infrastructure will create value for our customers and shareholders. DUNSRight will be enhanced to deal with the exploding world of data and the new infrastructure will allow us to rapidly roll out new and innovative products. In combination, these capabilities will further distance us from the competition and allow us to maintain our market leadership precision for years to come. There are clear benefits for shareholders. We are confident that we have the right skills and experience to execute this program. Thank you. Now let me introduce my colleague, George Stoeckert, who will provide you an overview of the North American business. George?

George Stoeckert (President of North America)

Thank you, Walt. Good afternoon. My name is George Stoeckert, President of North America, and I've been in this role, as Sara mentioned, for about nine months, having joined D&B after a long career with ADP. And I might say I'm very pleased to be with D&B. Today I'm going to discuss our plans to return our North American business to its normal levels of growth. Then North America business represents about 75 percent of total company revenue. I will touch on our performance through 2009 and then spend most of my time sharing the near-term actions we are taking to reverse the impact the recession had on our business. I believe that these near-term steps coupled with the expanding capabilities that Walt talked about will return our North America business to its historic levels of growth. As many of you know, through 2008 we were successful in growing revenue with high margins in North America. There were a number of drivers of this success including a shift toward subscription pricing, the introduction of new value propositions such as our DNBi product line, a favorable macro economic environment, and financial flexibility which allowed us to optimize our cost base.

In 2009, however, the recession slowdown our top-line and margin growth. As Sara mentioned, the credit crunch reduced demand for risk product and declining business-to-business marketing reduced demand for our sales and marketing product. In addition, the recession highlighted areas where we could execute better. First, we realize we needed to significantly improve our sales execution as customers were under increasing pressure. It became clear that our sales structure was not aligned well with customers. In addition, we were not well positioned to add new customers as some of our smaller customers went out of business, were acquired or canceled contracts. Second, we learned our value propositions needed to be improved with satisfied customers in the prevailing economic environment. In particular, we needed better products for customers under budget pressure and to adapt more quickly to accelerating digital marketing evolution.

As a result, we saw a decline in our business which seems to have troughed in Q3 2009. Specifically, one clear measure of customer commitment is how much upfront sales we book. This triggers our balance of deferred revenue. As you can see on this slide, this balance was healthy in 2008, but started to decline as the year was ending and continues to do so through 2009. The good news is in the last two quarters we are expecting improving trends -- not strong trends -- but heading in the right direction. This bodes well for our revenue outlook in the second half of 2010. That said, it will take some time to fully recover from the recession. Recovery will be driven by both nearer- and longer-term action. In the near term, sharper sales execution and improved value proposition will help drive growth through 2011. In the longer term, as you have just heard from Walt, our new data and technology capabilities will come online. These capabilities will dramatically improve our value proposition for customers and will drive accelerating growth in North America.

I will now go into further detail on the near-term action. To sharpen our sales execution, we took aggressive action to improve our interactions with customers in a number of areas. First, we simplified and reorganized our sales channels to improve accounts coverage and new customer acquisition. Second, we created vertical segmentation for our largest clients to focus expertise. Third, we brought in a number of dynamic experienced sales leaders and sales team members to improve our talent level. Fourth, we rolled out a redesigned incentive compensation plan to more closely align the incentive of the sales force with performance. Finally, we are pilot testing several different approaches to do customer acquisition. When I first joined D&B, I learned that we were very well set up to renew customers and to cross-sell customers. However, this posed a challenge for growth during the recession because existing customers had extremely tight budgets. What we needed was to be much better acquiring brand-new customers. We are in the process of determining the optimal way to differently, acquire and close business with new customers of all sizes. Once our pilot test is complete, we’ll move to scale it across the business. I will now move on to discuss investments we are making to improve our customer value propositions in our two main product lines.

Risk management solutions, which represents approximately 65 percent of revenue or about $800 million in North America and sales and marketing solutions which represent approximately 35 percent of revenue including the Internet Hoovers business. In risk management, our focus is on improving DNBi and migrating non-DNBi customers to higher-value solutions. Customers who are using DNBi now represent about 60 percent of our risk management revenue. Going forward, DNBi will continue to be our growth driver. Through the recent recession, demand and customer satisfaction with DNBi held up quite well. We expect it to only improve.

The other 40 percent of our risk revenue, our non-DNBi product, has generally been declining for years. The recession aggravated this trend. As I will discuss in a moment, we have plans to mitigate some of this decline. I will first discuss our DNBi product line. There are new features in DNBi, our flagship product, which will continue to drive penetration rates. Our approach continues to be to roll out new high-value features each year. This allows us to maintaining our high renewal rate and consistently increase value for customers. As a result, we expect penetration rate to be 65 to 70 percent by the end of next year.

I would like to highlight two of the new features recently launched in DNBi. The first is a premium version launched at the end of 2009. This version has a number of improved scores, more live information, better data and additional features. The second is deeper predictive information, what we call detailed trade. Detailed trade is our most granular data on how companies have paid their bills in the past and provides credit manager additional insight into their risk portfolio. Detailed trade is in demand for customers who perform deep risk analysis and those who create their own custom models with our information.

By rolling out new features consistently going forward, we expect to maintain pricing power in DNBi. Since its launch in 2007, DNBi's experience is typical adoption curve for a new product. We had double-digit increases in customer commitment when it first launched and customers were upgrading from lower-value products. Then, early renewals provided high single-digit commitment increases. This has been followed by a more mature stage at its current stable level supported by the annual introduction of valuable new features. We expect mid to high single-digit pricing leverage going forward. At the same time, we are focused on stemming the decline of non-DNBi customers. We will do this by migrating them to higher-value products. First, we will rebuild product, deliver it to DNB.com by Q4 of this year, as Walt mentioned. The upgraded version of DNB.com will have new interfaces and some new functionality. This is aimed at the limited segment of our customers who truly do not need the extensive functionality of DNBi. Second, we launched a much-improved version of our supplier risk manager product. This product helps supply chain and procurement professionals analyze the companies they purchase from and sell to. We have had great initial feedback from customers so far and expect growth in this solution over time. Finally, we will consolidate multiple low-value products into a few improved solutions in 2012. This is part of the technology investment which Walt discussed. As a result of these efforts, we expect a slow decline in non-DNBi revenue.

Moving on to our sales and marketing segment, we are improving value-added products and Hoover's and migrating traditional products to Hoover's. Overall, we view the sales and marketing business as having three primary categories -- customers who are using value-added products or VAP, almost half of sales and marketing revenue. Hoover's customers, which represent about a quarter of revenue, and customers using traditional products which accounts for the balance. Going forward, VAPs and Hoover's will continue to be our growth drivers. As you've heard from us in past earnings calls, traditional sales and marketing products, especially the list and labels business were generally declining. We expect that trend to continue. We have made recent investments in both data and functionality to improve our flagship VAP product, Optimizer. We made an investment to respond to the trend in marketing which is moving from paper to digital, especially email. The recession accelerated this trend and left us with a gap we needed to close. Sales and marketing professionals increasingly need the right contact information for individual employees of companies in order to market to them. We've been investing and dramatically increased our coverage of people data to meet this need.

In addition, we have improved coverage in the number of countries available in the product. As you will hear from Manny in a moment, our global reach is a distinct reason we win with customers. This is true in both North America as it is in international. Finally, we increased the speed of updates, increasing turnaround time and providing better reporting and analysis. Also in our VAP product line, we will increasingly embed D&B's data and software as a service solutions. There's a trend in the market to move from premise-based software like CRM enterprise solutions to software as a service where the applications are accessed via the Internet. Interest in these types of software solutions rapidly accelerated during the recession because they are more cost effective.

We plan to increasingly embed our data directly with the application providers, so users of the software can automatically have the best data from D&B populated right into their own applications. For customers, this means more accurate and complete data and a more efficient data management process. We have also recently re-launched Hoover's with new features and functionality. This was a result of a thorough customer needs assessment followed by a complete technical re-platforming. Hoover's is now positioned as a leader in the sales and marketing space. There are numerous new features including better people and company data and a mobile application for the iPhone and iPad called Hoover's Near Here. Hoover's Near Here allows a field salesperson to find good prospects based on custom criteria near their current location. The program cross-references prospect criteria, our database and their location from GPS in real time. The product has been very well received. In fact, for a period of time, Apple featured Hoover's Near Here as new and noteworthy in the iTunes app store. I would now like to show you a promotional video highlighting Hoover's Near Here so you can get a view.

VIDEO

George Stoeckert (President of North America)

We're very excited about the new features in Hoover's, but there's a bigger message. The Hoover's re-platforming is a good example of where the strategic technology investment will allow us to take the rest of our product line. We will have a better data and an infrastructure which enables innovative applications like Hoover's Near Here. With SNMS traditional customers, we are focusing on stemming the decline by migrating them to higher-value products. Here are the main path is to migrate customers off of our old legacy marketing applications to the new Hoover's. We have already started the process. We are getting great results on every level, happier customers and growing revenue. Finally, we will continue to rapidly grow the database that Walt referred to earlier, because this increases value for both RMS and SNMS customers. By increasing both quality and coverage of the North America database which typically covers just smaller businesses, we increase the value of all of our products. Of course, with the completion of the strategic technology investment, coverage and quality will accelerate even further.

As a result of better execution and improving value proposition, we see a slowly-improving top-line trajectory in North America. Specifically, we expect the top line for full year of 2010 to be down slightly with the first two quarters being weak as we get through the overhang of the declining deferred revenue balance in 2009. We expect the sales and marketing segment to rebound quicker than our risk segment. This is a trend which began in Q4 of 2009. As we approach 2011, we believe trends will continue to improve slowly and then we will have a better full year in 2011 than in 2010. Then in 2012, we expect to see mid to high single-digit growth as the better data and the new product enabled by the strategic technology investment become available.

In summary, our goal is to return North America to a growth business. We feel confident we have taken the appropriate action to respond to the macroeconomic and execution challenges we faced last year. Fundamentally, our business is sound, our solutions are valued by customers, and we operate in good market. In the near term, better sales execution, improved value propositions and the continued growth of the database will provide steadily-improving performance. In a longer term, our investments in data technology will fundamentally improve our products and solutions creating much more value for our customers. Thank you. Now, let me introduce Manny Conti who will provide an update on our International business. Manny?

Manny Conti (President of Europe, Latin America & Partnerships)

Thank you, George, and good afternoon. My name is Manny Conti. I'm the President of Europe, Latin America and our partnership. As Sara mentioned, I've been with D&B for seven years in a number of roles including corporate strategy, general management, and sales leadership.

Today I'll share with you the good progress we've made in International and the positive outlook we have going forward. As context, prior to 2003, our international business struggled, both in terms of shareholder returns and customers. From a shareholder perspective, our revenues were shrinking. From a customer perspective, we did not have high-quality data in all the markets in which we operated, weakening the value proposition of our product. To rectify this, we knew we had to fundamentally change our business model.

Beginning in 2003, we transformed our International business to a new model. Specifically, we went from owning 237 countries to owning 76 and partnering the remaining 161. As a result, we created the largest commercial network which we call our worldwide network. This network enables us to have a leading competitive position around the world which no other player can match. As a result, we dramatically increased the size and quality of our database. In fact, we more than doubled the size of our database in 2003 and we now have over 108 million international records. Let me provide you with one example on how our worldwide network helps us grow the international database. In May 2008, we established a partnership with Interfax in Russia in the former Soviet Republic. Prior to this partnership, our coverage there was only 1 million records. Since our partnership, it has increased nine-fold. This is critical as the size and quality of our database powers all of our products and solutions.

Global data is the foundation for satisfying our customer needs for cross-border information, meaning information on businesses outside the customer's home country. This is important because positive trends in global trade are causing our customers' cross-border needs to increase. For example, in our European business, cross-border activity drives much of our growth.

We're able to uniquely satisfy cross-border needs through three key capabilities. First, we have the largest commercial database with coverage in over 230 countries. Second, our global products and platforms offer cross-border consistency. Third, by leveraging our worldwide network, we're able to serve our customers both globally and support them locally, which no other provider does.

As a result, our international business is now performing well with strong revenue growth and margin growth. Our growth has been driven by improved customer value proposition and investment in high-growth markets and segments. We feel our international business is scalable. Our European margins are strong and we have made conscious decisions to invest in the Asia Pacific region to take advantage of the significant growth prospect we see there.

Going forward, we feel good about our outlook for International business. We're confident, given the continuing positive trends of global trade, are driving the demand for cross-border information and insight. Also, our value propositions are distinctive and differentiated. We can offer customers insight our customers(?) cannot. Lastly, we continue to be enthusiastic about the growth market in Asia Pacific and will continue to shift our business mix towards the region.

We see opportunities for continued growth by focusing on the same three drivers which supported our recent success. First, continue to grow our international database, which is a foundation for all of our value propositions. Second, with the data as foundation, we will continue to improve our product solution. Third, we will continue to increase our exposure to high-growth markets and segments.

I'll now discuss each of these drivers in more detail. We plan to continue to grow our international database to increase the value of our product for our customers. In fact, we plan increases of about 14 percent per year to the end of 2011. One recent example, which helped us achieve this goal, is the partnership in Italy we announced last year with CRIF(?). Prior to this partnership, we covered only 33 percent of the companies in Italy. As a result of our partnership, we will now cover 100 percent of the companies in Italy by the third quarter of this year, adding 3.6 million records to our database. With data as the foundation, we'll continue to improve our customers' value proposition in Europe. We intend to leverage a similar model as we've used in the US. We start with pricing innovation and then migrate customers to a more valuable product.

Let me explain each of these steps. Over the past several years we've converted many of our customers from transactional to domestic subscription pricing. In 2005, we introduced domestic subscription pricing offer similar to the one in the US. This delivered more value to customers by providing virtually unlimited access to D&B information at a fixed price. This was very well received by our customers because they could now focus on their business and not have to think about their budget for every credit decision. In exchange for providing more value, we were able to increase commitments for these customers.

As a next step, we recently launched global subscription pricing, giving customers greater access to cross-border data. Building on the success of our domestic-only subscription offer, global subscription pricing provides virtually unlimited access to both domestic and international information. Over time we see global subscription pricing replacing our domestic-only offer because most of our customers have international needs. The adoption rate has been strong and we see further growth potential going forward.

Later this year we'll introduce DNBi, further differentiating us from our competitors in the European marketplace. This is an exciting product for our customers because DNBi provides them to get considerably more features and functions in today's products.

Overall, our goal is to make DNBi a customer's primary tool throughout the working day. In sum, our strategy is to continue to move our customers along this continuum where they receive increasing value allowing us to generate higher revenue commitment. Moving forward we'll leverage the new data and technology capabilities that Walt discussed, to allow us to create new products for customer's emerging needs more quickly and at a lower cost.

The final driver of growth is to continue to increase our exposure to high growth markets and segments through acquisition. Over the past several years we've closed on a number of transactions to expand our footprint in the high growth markets and segments where we see sustainable, long-term growth opportunity. Consistent with our approach to prior acquisitions, we will remain disciplined on our use of cash and only consider transactions that meet our acquisition guidelines.

In addition, we will continue to improve our value propositions in our high-growth markets. Here are some examples. In greater China we launched an upgraded website called MyD&B. We also include our workflow solutions in greater China and India and we launched a new mobile application in Japan. Finally, we continue to allow our DUNS-Registered product in emerging markets. DUNS-Registered enabled small businesses to certify themselves as D&B verified, while providing us with additional data about them.

In summary, we expect to maintain our momentum in international for a number of reasons. First, our business model has been performing well for several years. Second, our global reach and consistency provide a unique competitive advantage. Going forward we expect low double-digit growth in international by improving our value proposition and increasing our exposure to high-growth markets and segments.

Let me now hand it over to Tasos who will provide you with a financial overview of the business.

TASOS KONIDARIS (Chief Financial Officer)

Thank you Manny, and good afternoon everyone. My name is Tasos Konidaris and as you may know, I've been with D&B for a little over five years and I've been the CFO for over three years. In the next few slides I'll share you our plans to increase profitability, cash generation, as well as how we think about our capital structure. At D&B we have a scalable business model that has delivered strong margins over time. Our margin growth has been driven by three key parcels. First, our data and technology investment in our DUNSRight process can be monetized at gross multiple solutions. Second, we already have a large global sales force in a high retention rate business. Third, our commitment to financial flexibility. As you may know, financial flexibilities are ongoing process of examining how every dollar is spent to ensure maximum shareholder benefits through revenue growth, higher profitability and in improved product quality. While financial flexibility has always been very important, it became critical in driving margin expansion the last few years as we battled the deep recession while continued to invest in new products and completed a number of tuck-in acquisitions.

Strong margins have allowed us to drive free cash flow. In addition, our cash generation is also driven by our capital efficiencies. From a capital efficiency standpoint, we have historically maintained a capex to revenue ratio of 5% or less, including the strategic technology investment and we expect this to continue.

Going forward, we intend to grow margins by leveraging a number of key drivers. First, we expect to continue to grow revenue over time. Second, once we complete our technology re-platforming, we will have a much more scalable infrastructure. Third, in 2012, a portion of the $35 to $50 million of annualized cost savings related to our technology initiative, will begin to materialize. Fourth, we will continue to generate savings through financial flexibility, which we expect to be in the range of $40 to $50 million annually. And finally, a portion of the above savings we'll be reinvesting to drive sustainable top-line growth and further enhance our competitive position. As a result of these drivers, we expect further margin expansion of 100 basis points or more in 2012 compared to 2009.

We also intend to grow free cash flow in 2012 and beyond by leveraging four drivers. First, the higher profitability levels that I just discussed will translate into higher operating income and free cash flow. Second, as I mentioned earlier, we will maintain our capital efficiency with capex as a percentage of revenue at 5% or less. Third, beginning in 2012 we expect free cash flow to exhibit a positive step change as the majority of our $110 to $130 million technology investment cost will be behind us. Finally, our free cash flow generations should benefit from a reduction in our tax rate. As Walt mentioned earlier, as part of our technology investments, we will add a new application development center in Ireland, with increased global operational prescience to enable us to achieve a core corporate tax rate of 34% or lower starting in 2012. This rate is lower than our historical levels of 35 to 37% and over time, to bring us more in line with the S&P 500 average tax rate in the low 30s. As a result of these core drivers, we intend to continue to grow free cash flow in excess of $325 million in 2012, with a continuing positive trajectory thereafter.

Finally, we expect to maintain a conservative balance sheet. Historically, our balance sheet has been conservative with a gross debt to EBITDA ratio of 1.8 times, which is lower than the S&P 500, on average, including financials of about 2.4 times. In addition, debt composes about 20% of our capital structure when utilizing the market value or our equity. In the near future, we expect our gross(?) debt level to remain in a $1 billion range and feel this amount leverage appropriate at this time.

Maintaining a conservative balance sheet will ensure we can officially refinance our debt as it matures over the next few years. While we believe our maturities are very manageable, thanks to our strong A- credit rating and strong free cash flow generation, we are mindful of future credit conditions. Specifically, we plan to be conservative given the significant amount of non-financial corporate bonds and bonds debt occurring between now and the end of 2012.

Moving on to our usage of cash, they remain unchanged. Specifically, we will maintain three key priorities. First, as discussed earlier in the presentation, we will continue to invest to drive organic revenue growth. Second, we'll maintain our disciplined approach to acquisitions. As you may know, over the past three years, we have averaged about $100 million annually for tuck-in acquisitions. Going forward, we'll continue to look for opportunities for strategic tuck-in that will drive future growth and increase the long-term value of the company. Third, we'll continue to repurchase shares to offset the effect of option dilution. And finally, we will return excess cash to our shareholders in the form of dividends and discretionary share repurchase.

Regarding dividends, we will expect them to grow in line with our operating income growth. Regarding our share repurchases, we are targeting about $100 million annually, considering our upcoming maturities. In addition, we'll continue to be flexible and opportunistic as we monitor the overall credit and market conditions.

In summary, we are confident in our continued financial strength. We're highly profitable and we expect to further increase our profitability. We generate a lot of cash and have a solid strategy to further increase that. Finally, we have a strong balance sheet and will maintain discipline around our usage of cash.

With that, I will turn back over to Sara to wrap things up.

Sara Mathew (President & Chief Executive Officer)

Thank you Tasos, Walt, George, Manny. We're now in the home stretch. Let me quickly summarize what you heard today. We have a strategy that will win with our customers and distance ourselves from competition. We reaffirmed our choice to focus on commercial insight. Data will remain our foundational asset and we have plans to enhance it significantly.

Specifically, you heard from Walt how rearchitecting DUNSRight and building a flexible technology infrastructure will enable rapid, cost-effective innovation and open new markets to us. George discussed his plan to improve execution in North America; Manny, his plans to maintain the momentum in international; and Tasos discussed our financial strength as a company. Finally, the muscle we have built over the years with financial flexibility and disciplined execution will ensure we deliver on this strategy and create value for our shareholders.

In closing, I feel it is a rare honor to be at the helm of a company like D&B. I feel both privileged and responsible. Privileged to lead a company that is 169 years old with a phenomenal brand, a storied past and a bright future. Responsible, so I ensure the D&B is just as successful for the next 169 years. As a leadership team, we are determined to successfully transition from an enabler of commerce to an insightful, innovative company that embraces and exploits and information explosion before us, and are excited about the prospects of providing new insights so our customers can decide with confidence.

So in summary, our intention as a group of about 5,000 committed D&B team members around the world is to lead your company as good custodians of the future. Even as we continue to transform D&B, we remain dedicated to creating shareholder value for you, the owners of our company, through practical revenue growth and disinclined deployment of capital. So on behalf of the D&B team, I'd like to thank you all and those on the phone for joining us today. We appreciate your belief in our company and we hope today's meeting gives you a better understanding of our strategic direction and the immense possibilities we see before us.

Now with that, that concludes the presentation and I'd like to invite the D&B presenters up to the team and we can begin our Q&A session. So if we can bring the chairs up, while they're setting up, I'd like to introduce a couple more people on the D&B team, Bryon Vielehr who leads Global Risk. Bryon will be joining us up here. And then two other members – it would be too crowded if we got everybody up here. Jim Delaney leads our Sales and Marketing and David Clarke is our Chief Data Quality Officer. So we're now ready to open up for questions. We thought we'd make ourselves comfortable, we're going to be here for a while. Okay, could we get a mic back there please?

Q&A

Q: Could you talk a little bit about how the realization that you needed to make these changes, these new investments came about? Was it part of what Walt was hired to do or did it evolve after he got there? Just talk about how you recognized it and the process of how it became a full implementation plan.

Sara Mathew: Sure. It was an evolving process. I would say the first time we realized we had to do more was when we realized that the Optimizer product is a sales and marketing product where we match, cleanse and append for our customers. We found we were somewhat limited, that it took three to four weeks to get a job done for our customers. So we moved that over to Acxiom and dramatically increased both processing capability, match rate and speed with which we could turn things around. That got us talking about what's possible with data and it's culminated in a decision to migrate our data center to Acxiom. Around that time – Acxiom, we were in conversation with them – gave us ideas and thoughts about how we could possibly rebuild the data supply chain, rearchitect it and maybe build it up by topic. This was around the time when Byron was our CIO and shortly thereafter, Walt arrived. At that point in time, the conversations got further because we were finding that the rate at which information was increasing and our ability to keep up with that throughput was somewhat limited. So in other words, we have tripled the throughput in the last three years. If we wanted a tenfold increase in the next one or two years, it would be extremely costly for our current systems to actually handle it. So I'm going to pass it on to Walt, Walt if you have anything else to add to that. And that is really where we started with the data supply chain and then once you start to work on the data supply chain, there's a wonderful opportunity to provide new applications off of it. So I would say Byron was a part of this, before Walt, and it was an evolution, as opposed to one day we woke up and said, ah-ha, we have to do this. Walt, anything you'd add?

Walt Hauck: I would just add that we had two very successful experiments(?) under Byron that I could pattern off of. One was working with Manny and his team to build up international data supply chain, who was much faster than the US version. Having seen that pattern, it was clear what the design could look like. The other piece of this around execution is could you actually do a big re-platforming. And I think the experience we had at Hoovers over this past year, we built a new Hoovers platform along with a web services layer and really showed us the path forward.

Sara Mathew: Does that answer your question? Yes.

Q: Hi, Carter Malloy with Stevens. First question is just around the – you guys put out some pretty aggressive goals on accelerating growth and coverage of your database. Was curious what the strategy is there and specifically in small businesses...

Sara Mathew Sure. So I'm going to take that and I'm going to pass it on to David Clarke who can actually embellish much further. In the small business space, we do have the largest database, but the way we collect data, Walt alluded to it, for example, doctors(?), for whatever reason, we didn't collect it because it wasn't considered a company. We're going to change all of that. The small business space which is especially the SOHO, which is small office/home office, is where we would say we have the biggest gaps. That gap will be closed by the end of 2010. So while US records will go from roughly 20 and change to over $30 million by the end of the year. David, if I got any of my facts wrong or if there's anything you want to add to that.

David Clarke:We have 50 million records in the database now in the U.S. in total, of which 24 million are what we call active. We maintain records for the life of -- from cradle to grave as Sara put it with D-U-N-S Number. And therefore, 26 million are companies that are no longer active. Over the next two years we'll grow between 10 or 15 million new small(?) businesses where we've traditionally not covered maybe as well. The sources are the web, our customers and new _____.

Q: Maybe as a follow-up to that, then there's a lot of questions around you guys had a competitor recently was announced is going to be acquired by private equity, Info Group, specifically a proven data asset with a proven collection methodology in small business, with specific strength in small business there and obviously and what appears to be to us as a financially accretive transaction and obviously keeps it out of the hands of some competitors you guys are doing(?) with aggressive _____ and irrational pricing. Just curious what was the strategic decision there to pass on that asset?

Sara Mathew: Sure. So you just don't buy just the data assets. We actually would have some synergies, if anything, in the data asset, but it's really a whole lot more. Which is more legacy application pointed in a small business space that is going increasingly digital. So our interest in looking at our strategy and what we wanted to get accomplished, we felt we could get accomplished without the level of capital it would take to acquire a company like Info Group exactly what we needed by going back to the basics of data, digital and ensuring we actually look, if anything, for more digital assets. So we feel comfortable with that decision and we are happy to be exactly where we are, and I know that it's now in the hands of CCMP(?).

Q: Thank you

Q: Thank you for taking my question. Just wanted to ask if you could discuss a little bit in the new initiatives, how much of the initiative is expanding your business into new customers that you haven't tapped beforehand. And then talk a little more detail about the pilot testing for new customer acquisition approaches. What's happening over there, more detail and how much does this broaden your potential market?

Sara Mathew: Sure, so I'll kick that off and I'm going to give it George to talk the specific of new customer pilot. So when we look at growth, especially from North America, from declining to getting to mid to high single-digit growth, we think it will come from three sources. A big part of it will be from pricing, this is DNBi. As you heard, we expect that to continue to hold up well, mid to high single digits and we're maintaining that. We'll do that by bringing more value to the table. Beyond that, we have a huge opportunity to cross-sell our sales and marketing solutions into the risk management space where, as you know, that's our predominant business. The final piece is new customer acquisition. And what we're doing right now is actually piloting so we can better understand how we're more fully getting and understand that space, test and learn before we go with a full-scale launch. And I'll ask George to talk a little bit more about the pilot.

George Stoeckert: We actually have started out, we have a pilot going in our small business arena. We also are in the upper large marketplace. They have a pilot going on there too. Historically, we have a very fine sales force at D&B and the sales force is very, very capable of cross-selling into existing clients, so there's a lot of heritage and ability in that sales force. What we're doing is we're changing the motivation system and directing them to new leads on new contacts which we haven't done very aggressively in the last couple of years. So I think the difference here is that we're hiring a different profile right now. We're hiring really pure hunters, not people who are equipped to sell into their existing clients or renew their existing clients. And we're also testing out some new approaches _____ to make sure we get the model correct. Once we get the model down, which will be during 2010, then we'll work on how we expand that into the rest of the sales organization.

Sara Mathew: Next question _____.

Q: [inaudible]

Sara Mathew: Right. Between now and 2012, the vast majority will be pricing and cross-sell. There will be a very small component from what we would call completely new customer acquisitions, because there's so much opportunity just in the cross-sell. And new customers really beyond 2012. I think it will take a good year or two before we get it final, that we really test and learn. For example, people will own a lot more money when you go in and bring completely new business to D&B. All these shifts we've got to fully understand and we want to make sure that we take it thoughtfully because we had taken a shot at it in 2008 and it didn't work as well as we would have liked. So in light of where we are from an economic standpoint and in light of all the opportunities before us, we've just prioritized it as a third leg of getting North America to grow. Michael.

Q: Two questions. Sara, you gave us the 2012 target. Were those the sustainable growth targets going forward as you view high single-digit revenues and margins up 100 BPs as the target thereafter? And then a follow-up.

Sara Mathew: Well, I gave you 2012. That's pretty far out. I don't know how many other companies have gone that far out. And before I start to give you guidance that goes even beyond that, let me try and answer your question because I do think I know where you're coming from. Our intent is to sustain that mid to high single-digit top-line growth rate. The 100 basis points is a one-time for sure over 2009. Beyond that, you should know that we've got a very scalable model. So the additional revenue from 2012 and beyond, and we're targeting that same rate, should come with higher margin expenses. Exactly what that will be, once we get closer to 2012, I'm sure we could give you much more granularity. But there will be margin expansion.

Q: And then a follow-up for Sara and Walt. Can you talk a little bit more about the strategic investment? I think that the data center migration was already occurring, so can -- _____ happening through phases. Can you just talk a little bit more about the term simplified and reassigned data supply chain? What does it mean? What are you actually spending money on and to what process _____...

Sara Mathew: Sure. So I'm going to ask Walt to talk about the data supply chain in a little more detail. I can understand why it isn't that straightforward. But the first step was the migration because we are moving our boxes over to Acxiom, which allows us to put our data on their grids, which is significantly more efficient, and from a capital standpoint, didn't have to invest a lot of capital to do that because they already had an available grid. In terms of the sequence, let me have Walt talk about what will be done by when.

Walt Hauck: So I think the heart of this new data supply chain has got to be reduced our unit cost per data element item. It's got to be by a factor of 4, it's got to be a factor of 10. It's got to have significantly higher peak capacity over the long term. So we're going to move from a mainframe hub-and-spoke model to a much more grid topology. That's going to allow us to go a lot faster. I also think we get to clean up a bunch of things that had been in historic data supply chain, had a long history of doing things a certain way. We're going to consolidate those all down to a very small subset of packages. That's going to give us scalability as we add new data and new data types.

Sara Mathew:: Does that answer your question, Michael?

Q: And then last question for George, at this meeting two years ago, I know it's a different world, there was a lot of discussion about sales force expansion and I know you've joined subsequent to that, but how do you view the change in sales strategy now versus maybe what the prior strategy was for the company?

Sara Mathew:: Why don't I take ownership for 2008 sales force addition and then I'll pass it back to George and he can talk about it. So what we did in 2008 is we expanded our sales force by approximately 10% and quite frankly, we couldn't have picked worse timing. So we did that right into probably what was one of the worst recessions that had had and the approach we took in adding our people was really around reducing bag(?) size and spreading the existing accounts around. I would say in hindsight, clearly not the best decision that we had made. So what we've done differently since then is now what I will talk about, what Walt will – what George will describe as our go-to-market strategy.

George Stoeckert: What we have – what was done is we reorganized the sales force and set it up so that we basically are creating NCA opportunities to feed the rest of the organization. We're bringing in, as I mentioned before, a different profile to be in that hunter mode, if you will. Secondly, I think that a difference between 2008 and what I've seen is that we have created this great unit that we've can focus on and track in terms of their progress momentum to make sure that we can fine-tune the incentives in the system. Third, we have -- the changes we've made in incentives are fairly substantial and they really don't – for the NCA group, they don't lend themselves at all to a renewal model. That's going to create a different motivation there. Interestingly enough, we do have a lot of talented sales people in D&B and interesting enough, just the fact that we've created the first pilot in the sales organization has actually ended up in creating a fairly nice pipeline of additional business sold into the base, or being sold into the base, because we warned people that if you had a small level of spend with a client, that that client would potentially be moved over to NCA if we thought there was dramatic opportunity to increase that spend with a client. So that's not really a cross-sell. What I'm talking about here is a client that is a $10 billion company where we've got a very modest amount of spend, could be $25,000. To me, that's a big opportunity for us. So that alone has created a lot more activity out of, if you will, defensiveness by the rest of the sales force as they protect their opportunity. But I think we have a very, very good opportunity here, we just need to make sure that we execute on it properly.

Sara Mathew:Yes, at the back and out here.

Q: Hi, just two quick ones. One is, _____ obviously changing Europe very fast with just _____. Has any of this affected -- the credit situation over there affected your business in Europe as you look forward? And then the second thing is, just in terms of commercial market share on the risk management side here in North America, there's been some talk of some share gains by a competitor of yours, I just wanted any comment you have at this point.

Sara Mathew: Sure. So one, the first question, I want to make sure I got your question right was about Europe and given the situation in Europe. So I should remind you that our international business, and Europe specifically, we have a very small footprint. So when we implemented the partnership strategy that Manny discussed, we -- actually, _____ the markets in Europe are the UK, Belgium and Netherlands. Pretty much that's it. Italy we actually partnered last year. And so it's a small footprint. We are watching it very, very closely, as you could imagine, and the business there primarily is cross border. So those markets are markets where there are global headquarters of companies looking for information on companies outside their borders. We have a value proposition there that is unique and plays really, really well. That said, we do believe that Europe is going to be something there to watch very closely. We still think it will be in the double-digit range as we shared with you earlier. So by and large I would say we're slightly more insulated than maybe someone who has a much broader footprint.

Now your second question was about claims by a competitor that they're gaining share. And I think the best way to talk about these is to really think about it in an overall how big is this market, and where could we possibly be losing share? So let me break it up into two, in three parts and talk about it. In the largest customer space, this would be like banks, FIs, etcetera, we and all of our competitors are in there. This is the bank business, they want all our data, they don't swap in and out, they actually think very piece of data is really valuable. In what I would call the large to mid, all the way to the high end of small, we do very well with our DNBi platform. And that space also we do very well. The place where we've struggled the most, quite frankly, has been the small business space. There are two things that we are going to close. One is the data, which David has already talked about. We should close the small business gap there. The second piece is more online offerings, because there are online offerings that significantly lower price than D&B. To counter that, we're going to be having an entry level DNBi product that would be brought to market, and also you heard Walt talk, and as well as George talk, about DNB.com, our transactional risk product that we will rewrite, which should essentially strengthen our position down there. In terms of companies that make claims that they're gaining share, the only piece of share data that I know, it comes from Outsell(?). They actually have a much broader definition of the market and that market in 2009, I believe declined about 9%. I know Cathy is around, if that's different, please let me know. But it was – and our business grew up one. So anything in that environment which is not what I would say a clear cut example, we would say we essentially grew share. Competitors making claims about share gains [inaudible] the small end is underpenetrated and very, very large, so I'm sure they are also making gains in that underserved segment of the market. Does that answer your question? Give you a little bit of a feel on the competition? Other questions. Yes.

Q: Just a follow-up on Michael's question. I understand the technical side of moving from the mainframe to the grid environment. There's a lot of cost savings there. Help us understand the people side and some of the manual processes that go along with data collection and cleansing and so forth. Help us understand how you're managing the costs there.

Sara Mathew: The change man – that's a great question. Walt, do you want to take that and then David as well?

Walt Hauck: Right. Well, I think – the change management is not just hardware. There's a lot of built up process that's going to get simplified. You had processes for a long time and again, we patterned after Manny's experience of really simplifying the data collection process and getting to a much smaller set of tools. So it's going to be hardware and people that will generate those cost savings. Let me turn it over to David to talk about the processes and people.

David Clarke:…question about manual data collection. That was the business we were in about five to eight years ago. We're not in the manual data collection business really anymore. We collect from 55,000 sources globally, 12,000 sources for our company's freight(?) and we use those files of that data to create some build and verify, which creates a web, we have every source you could possibly imagine. The manual data collection that Sara spoke about was when I started in this business a long, long time ago. We're not really doing that anymore. Did that answer the question?

Q: Yeah, that's helpful. Just a follow-up question, two follow-up questions from me. First, there was a couple of slides where you talked about transitioning legacy products. Is this getting customers on a new product or just kind of getting rid of some products? Can you help us _____ understand that? And then secondly for Manny, help us understand the pricing jumps when you go to the domestic and the global description in the DNBi. Just help us understand how much that adds on the price effect.

Sara Mathew: So yeah, we will be moving customers to the new better platforms and actually we've got a pretty good track record doing it. A great example of when we last did this was DNBi. So DNBi is now 60% of our risk management business. And we successfully moved customers and they moved because we got a significantly better value proposition and they liked the product and the value it provided. So what we will be doing is much the same. We repeated once more with Hoovers. Hopefully you got a chance to see that. That's completely re-platformed. We moved customers over. And then we'll do the same with DNB.com. Byron, anything you would add to that?

Byron Vielehr: No, the only thing I would add is that we are going to consolidate parts of the product lines, so as Walt has spoken about, we're improving the data supply chain on the back, the products are going to get migrated onto that. As part of that we want to make sure that we create as much customer value as possible in accessing new data and so we're going to consolidate some of the redundant products.

Sara Mathew: And the only thing I would – just to close it out – say is, this is a pretty significant change management process for people, for our sales people, for our customers. So what we do is we drive an ongoing communication so that people know what's coming, when it's coming, so that it's expected and it's anticipated. As a company we have -- if you just look at what we shared with you today, dealt with an immense amount of change in the last nine years. So this is something our people are pretty good at and they're fairly resilient in terms of moving from A to B to C to D. So we feel pretty good about where we are and our ability to lead through the change.

Manny Conti: Question regarding the pricing increases? Yeah, so I'm going to give you the averages where the customer is coming from. But on average, customers moving to our global subscription pricing, we're going to be getting double-digit growth and then we expect to get double-digit on top of that moving to DNBi.

Sara Mathew:So pretty much the same adoption cycle we saw in the US. Other questions?

Q: Going from 2007 to 2012, I think DNBi price is going to go up about 30%. I didn't get as much of a sense today about why customers – we know that you've gotten the price increases, but why going forward you're so confident you can keep getting those? Maybe if you could go over the modules discussion a little bit if that's a key part. You did say DNBi continues to be the North American growth driver. Try to drive home what gives you such confidence you have the pricing power there.

Sara Mathew: Sure, and I'll kick it off and then I'll have Byron add his commentary. So you have to look at how the customer interacts with D&B on a transactional basis to really appreciate what tremendous value DNBi brings to them. So early in the adoption cycle, double digits was actually not an issue at all. In some cases we were getting over 20%. It depends on what you were doing before and this product is real-time. It allows you to actually phase things and it integrates into your workflow. So the base business actually continue to move forward as a result of that. You got a big bump when you did the conversion and then it's more like mid to high single-digit range. The way we keep that up is new value and I think George talked about several things, DNBi premium, DNBi enterprise, DNBi detail trade. And let me have Byron just give you a little bit of a flavor how each of those adds something new, which is why we believe we can continue to maintain those pricing levels. That's a critical part of the equation. Byron?

Byron Vielehr: The DNBi customers are really focused on _____ solution and the way we've been able to maintain pricing power is continuing to deliver more value to them. So improvements in scores, allowing them to more effectively run their credit shop so the credit managers continue to be under, a lot of staff function is budgetary pressures. We allow them to offset manual resources as an automated decisioning platform. The modules certainly play into that, whether that's a collections module or a decision maker allowing them to set up a rules engine, set up decisions, leverage scores. That all drives efficiencies to the DNBi customers. And so we're going to continue to invest in it, continue to expand the realm of value that we can bring to them and make them more efficient and more effective. Really through the tool itself and then improving the quality of the data that's going into it. As David spoke about, we're going to put more and more data into DNBi, it allows them to get higher match rates and pull down information on more customers.

Q: So maybe taken from the match rate concept, the number of linked records that you have now and that you mentioned that as a target for the future, why can you not have all of the records linked, so one, and then two, how do you monetize that? Can you charge a customer for knowing that they're getting records that are more linked? How do you actually sell that as a product?

Sara Mathew: Yeah, and what I'll do is I'll give you the overview and then I might ask David to embellish. You should think about all of this working together. So DUNSRight is a process which is collecting the data, matching it, numbering it, ensuring that it's linked, is all part of ensuring you get a complete view of a customer. So you know parent, child, sister, affiliates, you saw the little demo that I gave you. That's what linkage does. We don't sell a linkage product per se, but let's say you were a customer and you're trying to find out how many unique customer relationships you have. It's important because you want to make sure your sales force is targeted appropriately in different parts of the US. You would send us a raw file of all your data, what we would do is we would match it, we would get rid of the duplicates, we would say really, this is the same company. Many times customers don't even know this. And that's really the way it plays out. And I'll try and give you a simple example of how linkage would work. I don't know how many of you remember Tandy Corporation, it was a company that has long gone, it was I think acquired by Compaq, Compaq was acquired by HP. But in customers' payable systems, it's quite possible that there is a Tandy Corp legal entity, maybe maintained for tax reasons or some other purpose and the bill that comes to the customer will say Tandy Corporation. What we do with our linkage is be able to connect that right all the way up to HP. So you truly understand the complete view of the customer, a 360-degree view.

And that's really the way we use linkage. Does that help in terms of giving you a sense for what linkage does?

Q: [inaudible]

Sara Mathew: So when you think of 25 million, the vast majority would be small businesses, they don't have any parent-child entity so to speak. So if you were a small business, I don't know, the – David Clarke Bakery Shop or something like that – unlikely – you may have branches, but you may not. So linkage does not apply to the entire database. Many of the records are not even linked, especially on the small end. Am I making sense? Yeah, go ahead.

Q: [inaudible]

Sara Mathew: Because linkage is so important to get a complete view. So you remember John Doe, Doe Custom Technologies, that was linkage using people, so you could see how many different businesses an individual was engaged in. So that was an example of linkage at work. So linkage really does matter and very few people do it as well as we do.

Q: I guess the question I'm getting at is while you're doing this, the world around you, of course, is increasingly linked. And I'm just wondering how – whether you're going to be doing enough to tie all these entities together versus what might be evolving around you?

Sara Mathew: What we have today is so far ahead of our closest competitor. The world is not getting linked. The world is throwing out a lot of data, the data is not linked, it's disparate and that's why it's hard for people to understand. So if you're thinking the world is getting linked, I wouldn't say that that is happening. Our linkage today, and David, maybe you can speak a little bit more to it, will give you a sense for how far ahead we are.

David Clarke:… question. So end of last year we closed with 50 million linked records globally. We will be at somewhere north of 17(?) million this year and _____ is 40 million linked records. If you look at all of the legal companies around the world, on average, 15% of them are truly linked. That means they have some affiliation with some other company. The reason we don't link all records, not all companies are linked. Why is it important to our customers? There are forms of linkage that we haven't necessarily done well. We've been very good at the legal linkage, so parents and we haven't necessarily done franchises or dealerships, things like that. So we are expanding dramatically to give our customers the complete view of risk or the complete opportunity. From a sales and marketing perspective it's a complete view of opportunity, on the credit versus a complete view of the risk. That's why it's important.

Q: [inaudible]

Sara Mathew: Today it's about 10, right? 10%.

David Clarke:… linked records against the total of…

Sara Mathew: 15…

David Clarke:…about 50(?) million, so it's about 10%. In terms of the competition, the largest competitor anywhere in the world has about 3 million linked records.

Sara Mathew: So we have a huge advantage. What we're talking about is making that advantage even greater. Does that – I know, you're new to the business. I wanted to make sure you got it. Yes.

Q: Building on that, can you just talk about all the things that you're doing now. How do you – can you give us examples of some of your conversations with larger customers? If you – what do you hear from AMEX or JPMorgan or whoever else? Do they say if you did this we'd spend more with you? I mean what…

Sara Mathew: Absolutely.

Q: …this isn't just you updating your database just for the heck of it. What are you – talk a little bit about the backdrop.

Sara Mathew: The reason why we are doing this is it comes through loud and clear from customers. Here's what our large customers want. They want better data quality, they want more data, they want it real-time, they want it embedded and they want it globally and globally consistent. So when we talk about data and data and DUNSRight being foundational assets, that is the reason why we are doing this. In terms of building linkage, that comes from our customers. In terms of increasing coverage in India and China, that comes from our customers. Why? Because that is where they're struggling the most to get understanding into exactly what's going on with an entity. So the investments in data quality are India – India and China will go from – David, do you have numbers for us?

David Clarke : From 7.5 million…

Sara Mathew: To 15.

David Clarke:…this year and then on to 20 million records by 2012.

Sara Mathew: Right. So the foundational data investment is all based on responding to customer's needs. They would like to just go to one source, have it all and not have to go multiple places. The next piece which is embeddedness comes from the flexible technology infrastructure which will allow us to plug and play more easily with our systems, so they're able to consume it fairly well. Yes, Shlomo.

Q: Sara, can you talk a little bit more about what you're doing to arrest some of the secular decline in sales and marketing side of the business? You talked a little bit about merging a little bit with Hoovers and it wasn't that clear as to what – what's the end goal over there? Is that going to continue to decline just at a slower pace or are you going to eventually try to do something to grow that and then I have a couple follow-ups _____.

Sara Mathew: Sure. So when you look at the sales and marketing business, there's two parts to it. There is what I would call a value-added product, Optimizer is our flagship brand there. And then there are the traditional products. So let me very quickly cover the Optimizer. Optimizer is where linkage really plays and some of the D-U-N-S Number really plays. This is where we help our customers match, cleanse their files. We append additional information and we give it to them. Today what we're doing is, we've added dashboards to enhance analytics and the ability to look at the information and actually make sense of it as opposed to just as a data file. And beyond that we're doing a whole lot more. We've added email names and things to essentially meet their needs in an increasingly digital environment. All of this is responsible for the strength in the Optimizer business. So that part of the business is doing pretty well. The traditional side, and what we would call the traditional lists and labels business is struggling because of a secular trend. Direct mail – I mean think about even yourselves, how much direct mail do you get? Look at the way the post offices are struggling. You don't need to send somebody a direct piece of collateral or marketing in order to be successful. So what we're doing is we're trying to convert those to more digital assets and since we've re-platformed Hoovers, there's no better place to migrate it than actually the Hoovers platform. Some very small pieces of evidence that is work, suggests that we can actually do it with an uplift. Why? Because it's a significantly better platform. If you didn't get a chance, I hope you got a chance to go outside and look at the kiosks and see how it completely integrates with your workflow. You can save your own numbers in there, you have a rolodex of information. And that's the reason why we think that's going to be the best thing for that traditional business. Jim, anything you would add to that? Do you think I covered it all?

Jim Delaney: Sara, I think you covered it _____.

Sara Mathew: Thanks Jim.

Q: Just to make sure I understood is that you definitely want to arrest the decline, but you're hoping that you'll be able to grow that as well _____.

Sara Mathew: Absolutely and that would be right.

Q: And just an international longer term double-digit growth, is that an organic expectation or is that an overall expectation?

Sara Mathew: No. Manny?

Manny Conti: No, we would – we were talking about low double-digit growth overall, we would say about half of that would be organic and half would be inorganic.

Q: Last one on this turned around. As you move further down market where you said it's kind of underpenetrated amongst – between you guys and the two other competitors, are you going to need more consumer data to get further down? In other words, those smaller businesses, a lot of the importance is the principle behind the business and how does that put you vis-à-vis the other competitors that really do – that's their main business?

Sara Mathew: Sure. We don't need consumer data per se, that is certainly a path. We actually can get access to small business data by getting trade from customers who tend to do business in the small business end. And David Clarke is actually actively working that program. I don't think I can give you anything more than trust us, we will have the gap closed by the end of the year. We would not to tip our hand in terms of exactly how we get that gap closed, but there are two or three different ways and it gives us a lot of confidence that we will close the gap in 2010. And that again to Michael your question earlier, came to us clearly as feedback, especially from our larger customers. Because when we don't match every single record they give to us, that is something that we should be – we should never return an unmatched record. We should be able to identify and that's what David is actually driving for us.

Q: To get into the linkage a little bit more. When you're pulling in data from publicly but from very disparate sources on the internet, does that raise issues of quality and security and are you moving that data to your own servers to store forever or are you just constantly accessing things like Wikipedia and if something goes wrong with that web – with those websites that you're accessing, how do you deal with the reliability issues to prevent that?

Sara Mathew: Sure. So our authentication is really a three-part kind of golden rules that we follow, so we just don't pick it up from the web and say, guess what, we saw it on the web, so here it is. What I'm going to do is – if you could David, at a very high level, just tell us how do we ensure it is a real valid business?

David Clarke: I think the question was this data we're taking from the web and what we do with it, how do we – what happens to that website? So once we take the data, we go to our traditional _____. We validate, we authenticate and then we append it, it goes through the DUNSRight process. So we're going to – it's another form of global data collection. We'll do the matching, we'll append it to a D-U-N-S Number or a brand-new D-U-N-S Number, to the new case. We will add the other data elements and it is stored in our database. And then we will search again and constantly update. Did I answer the question _____? Am I answering the question?

Q: And then also we've talked a lot about products today, but Dun & Bradstreet has always been a very aggressive _____ anyway, but sales has been a big part of your effort and I wanted to talk a little bit how has the percentage of the sales force changed in the last three years as a percent of the whole company? Where is that going to go, is it going to hold steady? As far as your product development percent of employees, how has that changed, where is that going? Talk about a little bit the difference between the two pools of employees a little bit.

Sara Mathew: Sure. So I'll ask George get to that in a minute, but I would say that one of our real competitive advantages is a very large sales force. We have a large footprint, we are all over the US and then with our partners, we're just about in every country around the world. In terms of what we changed recently, I'm going to pass it on to George to talk about how we restructured, reoriented the sales force in 2010.

George Stoeckert: The way our sales force is set up, we have a very high-end group which is the verticals I mentioned before, which handles our very largest clients. We have what I'd call a large client group which is our largest sales organization in terms of dollars of sales and then we have a small client group. We have some other sales organizations that handle things like government. And inside that, the way we have structured is to drive growth as we get the NCA model built up, through the NCA channels inside those groups. So what we'll do is, as we sell new clients, those new clients will stay with the NCA sales person for a period of time and then move over to a more traditional D&B sales person who has great expertise in client retention, renewal and cross-sell and up-sell of products into those clients. So the idea is to expand in the NCA channel going forward and you'll see the balance , we'll balance how we move around the growth of each of those channels, depending on our success rate. We'll obviously put the pedal in the right – to the metal in the right – in the channels that make most sense for us going forward.

Q: [inaudible]

Sara Mathew: Well, the technology side, insource versus outsource.

Answer: Well, I think we had moved to a largely outsourced tech organization. And as we look at building a new set of flagship products, it feels like the pendulum needs to come back a little bit. So today was probably 10:1 outsource. We'll probably move that closer to 5:1 with the addition of Ireland and Austin being the primary tech hubs. And then implementing projects on a capacity basis in the other centers.

Sara Mathew:Yes.

Q: I was curious about crowdsourcing. You had mentioned that as a way of acquiring more data. I'm curious about what you're actually going to do about that. Also I'm curious about the acquisition of Jigsaw _____ sales force and how that relates to crowdsourcing concept. And finally, just very big picture. To what extent do you feel at all if there is an element that D&B is somewhat the Encyclopedia Britannica of commercial information and new sources of gathering information – do you like the Wikipedia and how do you see that as a threat or opportunity?

Sara Mathew: Right. So we'll – I'll start by saying crowdsourcing is a way of getting data and it's most valuable when it's seen in the context of other information. So if you bring crowdsource data, D&B data and think of possibly a pure network of people you really trust, and you have three types of data you as a decision-maker are significantly enhanced in terms of figuring out what you want to make out of all that information. So we see crowdsourcing as one element. We do not see it as a replacement. We believe proprietary elements, I think, can be enhanced through crowdsourcing. So the stuff that can be crowdsourced are the stuff that aren't critical to make a decision, so if you want to get information like the picture of the gentleman that we showed up there, that came right off of Google Images. You don't have to store that, it's easily available. So I want to just put crowdsourcing in its appropriate context, and by itself, we don't believe it is sufficient.

In terms of the Jigsaw relationship and the Jigsaw acquisition by SMDC(?), we see that as a real opportunity. It is the first recognition by Software as a Service providers, which, as you know, was a concept that didn't even exist ten years ago, that data is very important to their model. When we look at the implication for us, we have really good relationships with Jigsaw and with Salesforce.com, but we see what we're trying to do as being much broader and bigger than just Jigsaw alone. Ultimately we want to get all the information we need, which means we may need more than just Jigsaw. So we have arrangements that are currently being worked with them, but that is not by itself sufficient relative to the vision that we are trying to achieve.

Now, I know you had a third question in there that I may not have answered, so I'm going to come back to you and ask you, did – I thought there was a…

Q: Just a theoretical question. How would you say there's any comparison with the Britannica versus Wikipedia?

Sara Mathew: Oh, thank you. We are not the Encyclopedia Britannica. I can say that with not just conviction but a whole lot more. If you look at decisions that customers make, we are by and far way ahead of anybody else. The only thing that even comes close is your own internal credit department, and we slowly have been displacing the internal credit department. But oftentimes the internal credit department center rely on us and use us. So no, I would say we're not even close, but appreciate your bringing that up. Other questions? Yes?

Q: A couple questions, one simple at the beginning. This quarter you didn't hold a conference call when you released your earnings. Is there any reason for that? You're the only company we own that did that.

Sara Mathew: We thought it was a ho-hum quarter. There was nothing unique. It was pretty much all in line. We were going to meet with all of you, so if you have any questions on the quarter, we're happy to take them right now. So it was just nothing more than an efficiency measure more than anything else. We will have a second quarter call, you can count on it.

Q: And the second question is, getting to your earnings, you went about expanding this investment program this year, and yet the company kept the earning estimate in line with what they were expecting, revenues and operating income and EPS. And I think some of the criticism some analysts have are that they don't think you're going to make the numbers. They take your revenue, they take the investment spending and they get 50 cents or $1 lower. Can you give some insight into the delta of those two?

Sara Mathew: Right. I have to leave the models to the analysts and how they calculate them. What we try to do is make sure we are running this company appropriately, and we put guidance out based on everything we see at any point in time. So we confirmed guidance when we released the first quarter earnings, we reconfirmed it today, and you'll have to get a little more specific with me in terms of, where do you see a gap? And we could maybe, between Tasos, myself and the team here, help answer that for you.

Q: The simple gap is you kept your revenue estimates and then you're spending all this money. I think it's positive you're spending money. But you're spending all this money, therefore you take revenues and you minus this incremental spending and you should get a lower number. That's….

Sara Mathew: I see. I think I understand better. What you're saying is we reported this as a separate number as opposed to putting it in our base numbers. We actually did that for complete transparency, because let's say we don't spend all that money, we spend less. If it was actually in the base, you would never know that. We were actually trying to be completely transparent. We did feel this was the right investment to make. I would stand by that decision. We're reporting it with and without, so you should be actually able to put that in and report another number. All we were trying to do was really be completely transparent. Did I not quite get your answer?

Q: Let me rephrase a bit. Why wouldn't the earnings come down if you're spending this incremental money? What are you doing to keep the earnings up?

Sara Mathew:What are we doing? I'm not following the question exactly. Which year are we talking about? Is it 2010?

Q: Yes, 2010.

Sara Mathew: Okay, Tasos, why don't you try that?

Tasos Konidaris: Let me try. We could have done it a couple different ways. I think that's where you're going. We had said the technology investment, which we said this year will be $45 to $55 million, 60 percent of which is running through our operating income, so let's call it $30 million. People have said operating income guidance is not minus 2 to plus 2, it is…

Sara Mathew: $40 million.

Tasos Konidaris: …minus _____ to minus something else. What about that? _____. And to your point, I think that would be one way to communicate guidance with this technology investment in it. Or – and then I guarantee you, 50 percent of you will have asked me, why would the numbers be excluding this one-time tech investment, I guarantee you. So what we decided to do is give you our guided underlying business, because we see this as an approximate two-year program. We know what's going to happen and what we expect and where to model going forward, and then explicitly to share with you what our expectations were about this technology investment. So we give you all the pieces that you can run your operating income, you can not run _____, you can run your free cash flow with complete transparency. So you can critique me for excluding it, and I guarantee, if we had done it the other way, we can say, yup, got it, you're giving us all the transparency that we need to model this and track this. And that way, _____ to Sara's point, if you underspend here, not being able to kind of go between the two of the underlying business and the one tech investment. So other than that, I don't know what else to tell you.

Q: And then the last question, I guess…

Sara Mathew: I want to make sure we did answer your – did we – do you want…?

Sara Mathew: Okay, all right.

Q: Just to get to the quarterly revenues are basically in line and your earnings, I think, are 7 to 12 cents higher. What was the reason for the higher than expected earnings?

Tasos Konidaris: It was primarily our tax rate when you look at it in the quarter, with one discrete item. _____ I don't expect to – it was really the timing of our tax planning. So I still expect our overall tax rate for the year to be at 35 percent, so we'll expect the tax rate in the latter quarters to be higher than Q1. As you know, _____ typically our Q4 tax rate, because North America as a disproportionate amount of our operating income is even higher.

Sara Mathew: So we don't provide quarterly guidance, as you know. Yes?

Q: Thank you. George, are you planning an increase in the sales force this year, or did you go over that?

George Stoeckert: I'm sorry, planning what?

Sara Mathew: An increase in the sales force this year.

George Stoeckert: Oh. We are not presently planning an increase in the sales force this year. What we're planning on doing is running our testing through the end of the year. Now, let me recapture that. We will start executing on our plans to add to the sales force before we get to year-end, so I'll correct myself, because we'll want to have people trained and ready to go at the outset of the first quarter for 2011.

Q: Okay, and is there…?

Sara Mathew: But they won't be actively selling in the sales force organization this year.

Q: And when you look at your growth plans for the next couple of years, is building the sales force part of the driver that gets you there?

George Stoeckert: In terms of size?

Q: Yes.

George Stoeckert: Yeah, we are going to determine that based on where we are with our overall plans and what we see as the effectives in approaches we're using for next year, so we'll do that in line with what our expectations can be made out of what we see in 2011.

Q: And then just one question on international. What other opportunities exist like that one you gave on Italy as far as new partnerships? Thanks.

George Stoeckert: Sure. I'll give you a recent one. We just recently signed, two weeks ago, a deal in Turkey, so now we will expand our coverage and investment in that area. In fact, a partner that we used in the Middle East will actually expand the partnership into Turkey. No capital on our side, it's the same partnership model we have, but it will dramatically increase the coverage from around 60 percent to nearly 100 percent over the next couple years. After that, we're constantly looking at various markets around the world, trying to understand where could we improve our data quality, because that's foundational to everything that we do. And if we find the right sources, right partners, we'll execute those deals _____.

Q: …ask the question a little differently. How many countries are there where you have that immense opportunity as far as the percentages still being so low?

George Stoeckert: I think in terms of size – and I'll certainly let David expand on this – but we still have significant opportunities in the markets that we own and are investing in in Asia. By no means are we finished there. So I think there are some new markets that are out there, but I think the investment that we're making in Asia – and even in the U.S., we still see significant opportunities.

Sara Mathew: So there are emerging markets – Lithuania, there are several of the Asian republics which are all covered by, as we would describe, distributors. There are markets in Latin America where we could possibly do similar arrangements like Turkey. What we try to do is to make sure we find a partner who's interested in investing behind the brand and actually getting up to 100 percent coverage, as opposed to somebody who just wants the brand in a market and is there just to have the D&B brand. We look for somebody very specific. As in the case of Turkey, our Middle East partner, had a strong interest, and there's actually a reason why they can get to full coverage. We had two or three partners express interest in Turkey. It is just beginning to really rise up and get attention from others. And we picked our Middle East partner very, very thoughtfully – Manny actually led that – and it just got done. So there is still upside there. And remember, when you get that partnership going, the entire world actually benefits. Yes?

Q: There's been a lot of changes in Europe and international over the last few years with Italy and with Great Britain and Asia growing. There are a lot of universal product changes which I guess are also affecting international. MBI(?) becomes more global. I guess what I'm trying to understand is how this will, over the longer term, affect the margins, the margins in the international have always sort of being half or less of the DNBi in North America. And I'm wondering if, as we go down this road, is there anything structural to prevent those from getting closer to the North American margins, or what should we expect?

Sara Mathew: Sure. I'm going to have Manny talk about developed markets and then the developing markets in international so you'll understand the structure of our margins.

Manny Conti: Yeah, sure, so a couple things. First of all, it's good to break out international into two basic regions – Europe, which is our developed market, and then Asia, which is our high-growth market. Europe has higher margins than Asia. We're investing in Asia, given the fact that we see such large opportunities to scale and grow that business, so we expect our margins in international to continue to expand. I think as we look through 2012, do I see closing the gap to North America happening? No, I don't see that. But I certainly see opportunity to continue to scale and expand margins.

Sara Mathew: So we as a company – we have a principle that, as we get higher revenue, it's a scalable model. Margins should expand. And the only thing holding Asia back, by the way, Asia is also expanding margin, is really continued investment back in the base, because it's just a small part that we have covered. There's so much opportunity. And if we get our base firmly established, then I think we actually get really significant leverage as – when you look in the out years, which I would say 2015, '20 and beyond. Yes?

Q: A couple of quick balance sheet questions for _____.

Sara Mathew: Sure.

Q: The growth set number has increased over the past five years, and you've mentioned now you want to keep stable around 1 billion. Just the rationale behind it? And is the 1.8 leverage target is your long-term leverage target that you want to stick to, or is it the short-term goal and I had a second question?

Answer: My fellow _____ will expect the leverage question. Very timely, so _____. So number one, there is nothing to kill(?) for. Over the last few years, we increased leverage and we brought our gross _____ about $1 billion. There is nothing really kind of magical about that. It is us sitting here today kind of looking at our usage of cash, looking _____ we to continue to invest in the business, continue to fuel inorganic growth, and also looking at our loan maturities that are coming up. So our $300 million bonds are coming due next year, our $650 million revolver is due in 2011, our $400 million bond in 2012. So we're going to look at all of those things and we'll say, okay, now is not the right time, we don't feel it's the right time to further push that any higher until we see how the credit uncertainty plays out in the next couple of years. In terms of – that is kind of what's going into our thinking right now to say, _____ $1 billion, we feel comfortable at this level for the next couple of years. In terms of the growth _____ to EBITDA ratio, right now we're at 1.8. We expect our free cash flow to grow over time, so the 1.8 at the end of 2012 should come down slightly. So at that point in time, once we're down with all the refinancing of making sure that gets refinanced sufficiently, we'll continue to look at that. Does that answer your question?

Q: I guess I was trying to also figure out, is there a long-term leverage target that you have in mind?

Answer: Yeah, we tend to look at it every single time. But one of the things every year, every couple of years, we look at it and we make adjustments. But the one thing, though, for us is going to cut through all that is, we will continue to always be conservative, so I don't know if that helps you. We're not looking to lever up. We resisted attempts to lever up the company about three years ago. It turned out being the right so given what happened with the credit market, so overall we continue to believe in a conservative balance sheet position.

Q: And given the volatility in the credit markets, do you foresee refinancing or pre-funding some of the – like the revolver or the 2011 bonds earlier?

Answer: Yeah, so a couple things. We have these ongoing conversations with _____, our treasurer. Right now we feel very confident about when those things are due and being able to refinance them at that point in time. Also, we're mindful with financing, for example, earlier some of our next year bonds _____ higher interest expense and so forth.

So we're looking to balance for our shareholders the entire interest expense to kind of the right time for good interest rates.

Q: I have a question.

Sara Mathew: Yes, go ahead please.

Q: I just wanted to ask about the financial selectability(?) program, I know you guys have been engaged in that for several years now and my understanding was that a lot of the gains there came from your outsourcing some of the technicalogical development and now that it sounds like with the implementation of Ireland, you're going the other way to some degree, can you talk about how much opportunity there is for corporate efficiency and I know every company always says there's always room for more efficiency, but can you talk about some of the sources of where that will come from and how that may be different from where it's come from in the past.

Sara Mathew: Sure. So financial selectability just as a concept and I'll pass it on to Tasos, is the process whereby we look at every dollar that we spend and then we decide whether or not we should continue to invest in that area or not. And so as we look at the timeframe between now and 2012, Tasos has spent a lot of time thinking about this and I'll ask Tasos to go ahead and share that thinking with you.

Tasos Konidaris: Yeah. When you look at how financial flexibility has evolved over time, the very early days, 2001, '2 and '3, that's where the majority of the outsourcing took place. Since then the _____ have evolved. Now the question is what are the opportunities that you have? So as I mentioned, we're targeting about $40 to 50 million annually which is down from where typically would is about 70/20. The reason for that is the technology investment is really tackling a part of the infrastructure called data technology cost. So what's left is something less than that. That's why we brought(?) down the expected number. Area of opportunities – G&A continues to be an area of opportunity. So we spend, even over time our G&A costs come down over time. That's an area of opportunity. That's number one. Number two is over time we've acquired various businesses, primarily _____, so that gives us another expense base to the engineer that can help drive margin growth. And again, our North America business, as we look at layers, spend and control of our monitors and how we can empower them to more efficiently drive decision making. So we're very busy right now kind of focusing on what the financial flexibility actions will be for next year.

Sara Mathew: Okay. Yes.

Q: Over the last several years there's been a lot of discussion about Moody's and S&P and the quality of their _____ ratings and what they really mean or don't mean. What kind of studies have you done about how predictive your scoring really is in the sense of when you say decide with confidence that you've really then gone back retrospectively to see that your score was correct.

Sara Mathew: We do a lot of what we would describe as retroscoring. In a minute I'll ask Byron to talk about how we use retroscoring to constantly improve our scores. What Moody's and S&P

does is slightly different in that they actually rate bonds so they have a complete insider view of a company and then they make decisions. We see our businesses as complementary more than anything else. And we certainly have plenty of opportunity right where we are with the business we have and the assets we have between now and 2012. But to answer your question on how confident we are about our scores, we just completely redid all our scores in 2009. So Byron, you want to talk about that?

Byron Vielehr: As Sara was saying, we retroscore. The scores will take customer portfolios, run the scores through them, take a snapshot of the customer's portfolio from six months ago to see how predictive the scores were. As we see changes going on in the marketplace, then we update the scores. In the fourth quarter, we came out with our, a new _____ 7.1 financial stress score that's more predictive than the previous one. And a lot of the insight into that was based on going back and doing a retroscoring analysis. We also look at the data that's going into scores, so we constantly evaluate new sources of data that are out there and try to drive up the predictiveness of the score. It's a fairly regular activity for us in the U.S. as well as the rest of the owned market, so we look at Canadian scores and European scores and try to update them and make sure we're getting input from customers on empirically what's working, what's not working.

Q: I guess what I was going to ask, certainly when you have internal credit -- groups of companies if the internal credit department can't do as good a job as you, then that's obviously, it's a good chance for your sales force to go in there. I expect though there are cases where you've had business go the other way, where you've got a company that's using you and also they've got their own team and somehow they come up with a view that your scoring hasn't been as accurate as you profess it to be.

Sara Mathew: It doesn't go the other way. Most companies are actually going towards using D&B scores. If you look at companies like Dell, they actually run entirely on a D&B system, so there's certainly the trend going a certain way, but we partner with the credit department, we don't try always to just put them out of business. we help them say, if you use D&B data, and you use our processes, you're actually able to do more with less. So in other words, you'd be able to meet your budget constraints as a credit department and actually move some of this over to our automatic decision engines or some of our scores. Byron, you want to add something to that?

Byron Vielehr: The other thing that happens is that people use our scores as inputs into their [model] model and then for the biggest, the large FSI, FI, we do a fair amount of custom scoring as well. They have a lot of data internally, so they'll bring us in to work with them on custom scoring and they'll leverage our data as well as other internals. They may have demand deposit data or accounts receivable data. They'll leverage that as part of their internal scoring engine.

Sara Mathew: In fact, earlier in the first quarter, we had a very large, this is a good example somebody had asked about a competitive win that just came to me. We just won an over 2 million, 3-year deal with a very large utility company. 2009, a year ago, they chose to go with one of our competitors, it doesn't matter which competitor, but one of our competitors who offered them something at $200,000. 2009 was a rough year, and so they took the deal. We held on price. Our sales team visited that customer the day after they lost the deal about understanding what we could've done better, we were clearly told it was our price. Three months later, the customer was still talking with the D&B sales team. Six months later we knew we were getting the deal back. Nine months later we were starting to lay out a side by side comparison. We signed the deal in the first quarter. And that's just one example. But the times when we focus on losses and focus on winbacks, we actually do very well because that's the quality of the data and what we provide and sometimes customers to go to a competitor and then our job is obviously to prove the value and yes, we signed a deal at over 2 million over three years with a significant premium. Yes, _____.

Q: I just want to get back a little bit more on the competitive front. _____ your competitors talking about taking some market share. Did you guys move to moving your clients onto some of your newer product lines, how concerned are you that some of your competitors are going to try and get in there and say, hey, if you're moving to another product, try and look at our product that we have right now, that's usually when a company becomes kind of vulnerable and how are you guys thinking of it that way?

Sara Mathew: Sure, we're going to be very thoughtful about the transition and I'm going to talk about how we're going to handle our web services or web based platforms generally tend to be easier and we've got a great model there with DNBi. Remember, we actually transitioned a whole bunch of people over with DNBi at an upsell and really no risk. In fact, I'm so glad we got it, Don(?), because it helped us whether the economy really, really well. But Byron's leading the charge here and he'll talk about the way we're approaching this to ensure that we don't have any issues in the migration with our customers.

Byron Vielehr: Our learning from the CMBI migration with 60 percent of our overall risk business as well as some of the learnings we had around when we migrated optimizers, if you add enough additional value to the migration, they tend to go very slowly. So we _____ with DNBi, as we migrated customers across _____ they were using to what the new platform has, we had a great experience with the customers and actually created revenue lift as we went through that. We had the exact same experience with Optimizer. Sara mentioned we have two different types of products. So the online product, we had a lot of experience migrating those. We know that we can show customers better solutions where they'll get more value out of it. They're more _____ to the jobs they're doing. And then we have some of our largest customers that are using some of our high volume gateway products. For those, we're really going to make sure that the migration is seamless. It will be a zero effort migration for them that will just be able to give them access to much higher value capabilities on our backend. Once again, we're very focused on how to create more customer value through the migration. That's what's going to fuel the migration for the customer.

Sara Mathew: So, we all function on something called web services. Walt, do you want to just spend a minute, that term may have been lost on some of you, so do you just want to talk a little bit about how web services will transform that customer experience?

Walt Hauck: Well sure, Sara. Let me actually try to tie it back to Byron. The big FI uses product _____ called the data information(?) toolkit. It's a proprietary kind of late '80 technology that a lot of banks _____ data in huge volumes. That's very likely not going to change. I think if you fast forward the technology 20 years, there's this whole service oriented architecture web services layer that's out there. People are building applications, you look at salesforce.com, you look at iTunes, and that kind of service layer makes you build applications quick and clean. So we're going to have to provide both siloed interfaces, one for the legacy customers, and one with web services. In fact, Byron's strategy was to take the old services and put them on top of the new and customers can choose _____ over time. _____ make it easier for them to migrate.

Sara Mathew: And next week Manny and I will be meeting with all our worldwide partners because these web services now provide new capabilities for our worldwide partners in their domestic markets and we've just had a very, very preliminary review of what we're planning to do with them and they're really quite excited because it gives them a platform on which they can innovate. And that gets the D&B brand to be more pervasive(?) around the world. Yes.

Q: I'm just curious as you talk about how you migrated the SaaS and web services and a lot of it's been stuff around for five years or so, you all moving to it now and you're calling it a one-time technology kind of upgrade. I mean as you think about spending that money, three years from now you're going to have this whole other evolution and so what gives you confidence that this is the big one and you just need to maintain from there?

Sara Mathew: I think the best way to look at that is to look at the life of this project. What did we see as the life and we see a life north of five, call it seven, maybe ten. It's a one-timer because we're rebuilding, rearchitecting our data supply chain. That should have probably the longest life. The applications is a flexibly platform, so quite frankly the cost to innovate it is going to be significantly lower. So to bring something out to market today with our current infrastructure, Walt, what would you say that costs relative to what we would be able to do post 2012?

Walt Hauck: Well, we're hoping for 5X.

Sara Mathew: There you go. So in terms of much lower cost, and actually, much faster to market because of how flexibly we're building the infrastructure. So this is truly what we would say as one time, not something that we see every two to three years we're going have another, it wouldn't be one time anymore.

Q: I guess to follow up with that , it's 5X from what it costs you today? What does it cost Google or Amazon or somebody like that? I mean, they're in a different business, [completely] but you know what the cost for engineering unit is of maybe something closer like that of a PayPal, have you benchmarked against that and where you are on what it costs to do that?

Sara Mathew: Sure.

Walt Hauck: Yeah, no we have not, but I'll give you a great example. _____ near here application, that was an application built in eight weeks, built with a very small bit of manpower and I think that application compared well to what we see is published cost of application development on the appstore. Se we were talking less than $50,000 application, so I think we're moving into that environment where once you've got the infrastructure in place and the web services on top of them, you can build it at a much lower, right? We're building parts of DNBi in the multimillion dollar range, and yet we're rolling out a killer app like that for under $50,000, that's the kind of economics we're talking about here.

Sara Mathew: Other questions? Well, seeing no more questions, I just want to say thank you very much. Thank you for coming. I hope this gives you just a small view into what we're doing and hopefully we'll see you back in another year. With that, we're going to call the meeting adjourned.