

1 **Q3 2011 EARNINGS CONFERENCE CALL**

2 **October 28, 2011**

3

4 **Kathy Guinnesssey**

5

6 Good morning, everyone, and thank you for joining us today.

7 With me on the call this morning is:

- 8
- Sara Mathew, our Chairman and Chief Executive Officer, and
 - 9 • Rich Veldran, our Chief Financial Officer

10 In addition,

- 11
- Byron Vielehr, our President of North America, and
 - 12 • Manny Conti, our President of International and Chief
 - 13 Administrative Officer, will be available to handle any questions
 - 14 you have.

15

16 Here's what you can expect on the call this morning. Sara will open the call

17 with an overview of our third quarter results, followed by a brief update on

18 the progress of our Strategic Technology Investment.

19 Next, Rich will discuss our third quarter performance in more detail, after

20 which, Sara, Rich, Byron, Manny and I will be happy to take your questions.

1 To help our analysts and investors understand how we view the business,
2 our remarks this morning will include forward-looking statements.

3

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

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

10

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

13

14 For example, when we discuss “revenue growth” we'll be referring to the
15 non-GAAP measure “core revenue growth before the effect of foreign
16 exchange,” unless otherwise noted.

17

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

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

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

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

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10 With that, I'll now turn the call over to Sara Mathew. Sara?

11

1 **Sara Mathew**

2 Thank you, Kathy, and good morning everyone. Thank you for joining us
3 today. By now, I'm sure you've had a chance to review our earnings
4 release from last night. Across all metrics our results were either in-line or
5 better than expected. Specifically,

6

- 7 • Core Revenue was up 8%, up 3% organically;
- 8 • Operating Income was up 14%;
- 9 • EPS was up 17%; and
- 10 • Year-to-date free cash flow was approximately \$231 million.

11

12 North America's top line growth accelerated to 2% in the 3rd quarter, all of
13 which was organic. International was up 28%, up 5% organically, due to
14 stronger than expected growth in Europe and continued momentum in
15 China. This translated into strong bottom line results, a testament to our
16 scalable business model. As you would expect, we are pleased with this
17 performance.

18

19 PAUSE

1 Looking ahead to the fourth quarter, the largest in terms of revenue, we
2 expect to sustain top line growth in North America and exit 2011 on a
3 strong note. As such, we are reconfirming 2011 guidance of:

- 4 • Core revenue growth of 5% to 8%
- 5 • Operating income growth of 2% to 6%
- 6 • EPS growth of 6% to 10% and
- 7 • Free cash flow between \$240 to \$270 million

8
9 In addition, we've announced a \$500 million discretionary share repurchase
10 program, the largest in recent history. We believe that our stock represents
11 a great investment opportunity at this time. As we enter 2012, we will begin
12 to reap the benefits of our Strategic Technology Investment, which will
13 translate into more rapid product innovation and sustained top line growth
14 in North America. We don't believe this upside is reflected in our stock,
15 and we are creating the flexibility to take advantage of the current prices.

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17 PAUSE

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19 Moving to our strategic technology investment, we have branded this
20 initiative as MaxCV as we intend to "Maximize Customer Value", with every
21 dollar that we spend on this project. We're just beginning to benefit from
22 this investment and early customer feedback on our product roadmap is
23 encouraging. Let me provide a few examples, focusing on our new product

1 launches in the third quarter and planned releases for the fourth quarter of
2 2011.

3

4 In the third quarter, we had 5 new product launches, most of which were
5 focused on Sales and Marketing Solutions or S&MS, where our strategy is
6 rapidly evolving. More specifically, we intend to make D&B data available
7 to all customers whenever and wherever they need it. This “Data as a
8 Service,” D-A-A-S, or DaaS strategy, represents a large untapped
9 opportunity for us.

10

11 Customers will have easy access to D&B data real-time and embedded in
12 their workflow. As such, we expect to see better pricing for the data we sell
13 in this way, and customers will generate a quick ROI on the investments
14 they make with us. Our entry into the CRM space is our first area of focus,
15 and we continue to believe DaaS will become a \$100 million business over
16 the next 3 or so years. We took several important actions in the 3rd quarter
17 towards that goal.

18

19 First, we expanded our relationship with Salesforce.com to become the
20 exclusive provider of company information for their CRM product.

21 Salesforce will begin selling D&B data to their customers in the first half of
22 2012, and we will get a revenue share from this partnership. We believe
23 this will allow us to better penetrate the CRM market, due to the minimal
24 overlap of Salesforce and D&B customers.

1

2 We also reached agreements with the other 3 major CRM providers to
3 make D&B 360 available on their platforms. Microsoft Dynamics was
4 signed last quarter, and we have just announced agreements with Oracle
5 and SAP. These alliances will ensure our data is pervasive across the
6 largest CRM systems that cover over 60% of the U.S. market.

7

8 By selling our data on these CRM platforms, we raise awareness of D&B's
9 brand and create new opportunities for our sales force to cross sell
10 additional D&B products to a new customer base. We believe this will help
11 us build a pipeline for new customer acquisition, and drive growth in the
12 years ahead.

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14 PAUSE

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16 Also in the third quarter, we launched a 5th new product, D&B Direct. D&B
17 Direct extends our reach beyond CRM to other areas. Specifically it will
18 allow companies to embed our data into more of their in house
19 applications, such as Master Data Management and Enterprise Resource
20 Planning, or "ERP" systems, markets where we do not provide value today.
21 We've signed our first deal on D&B direct, with a very large customer in the
22 US, and optimistic about our potential for future growth in this area.

23

1 So in a nutshell, our DaaS strategy, is beginning to transform Sales &
2 Marketing into a more sustainable and predictable growth engine for the
3 company. Revenue from our DaaS products will be recognized ratably
4 over time. And similar to our Risk solutions, we are becoming more
5 embedded in our customers' workflows, creating more recurring revenue
6 streams with greater stickiness than our legacy Sales and Marketing
7 products.

8

9 PAUSE

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11 Looking ahead to the fourth quarter of 2011, our new products launches will
12 focus on Risk Management Solutions or RMS. As context, we've had
13 disappointing results in RMS as we paused innovation on our flagship DNBi
14 product over the past 18 months to move it to our new development facility
15 in Ireland. This was a difficult but necessary choice. With this move behind
16 us, you will begin to see the first new DNBi products brought to market in
17 the fourth quarter of 2011 and the first quarter of 2012.

18

19 More specifically, we will introduce a new product called "Portfolio Risk
20 Manager," in North America. Since the current economic environment is
21 making credit managers reluctant to extend credit, portfolio insight is
22 becoming an important differentiator in the marketplace. Our new DNBi line
23 extension will automate several key credit work processes while also

1 combining D&B data with internal customer data, to more effectively
2 manage risk at the portfolio level.

3 We will have our first release in the fourth quarter followed by a second
4 release in the first quarter of next year.

5

6 We will also continue to expand our footprint in the small customer
7 segment with DNBi Pro. Since we launched the product in the spring we
8 have about 1,000 users, double the number we reported last quarter. Of
9 note, 97% of these customers are new to D&B. We also introduced an
10 online self- provisioning product for DNBi Pro, to allow customers to
11 transact online and without the need to talk to a D&B sales rep.

12 Approximately 1/3rd of DNBi Pro customers purchased their product online
13 in the third quarter.

14

15 Stepping back, we expect these innovations on DNBi to help RMS go from
16 flat revenue in 2011 to low single digit growth in 2012, consistent with prior
17 communications.

18

19 So in summary, 2011 is unfolding as we expected. We are pleased with
20 our performance in the third quarter, and remain optimistic about the
21 prospects ahead. With that, let me turn the call over the Rich Veldran for a
22 more detailed review of the quarter. Rich?

23

1 **Rich Veldran**

2 Thank you, Sara, and good morning everyone.

3 Let me take you through the drivers of our third quarter results beginning
4 with revenue. Core revenue for the quarter was \$439 million, up 8% from
5 last year. There were 4 key drivers of the improved results:

- 6 • Accelerated growth in North America fuelled by Optimizer in S&MS;
- 7 • Continued strength in Hoovers, which we re-platformed in 2010; and
- 8 • Continued strength in China, and
- 9 • Stronger than expected performance in Europe

10

11 Let me give you more detail on the results, starting with North America
12 which represents 70% of our revenue. North America's third quarter core
13 revenue was up 2%, after a flat first half, in line with our expectations.

14

15 Risk Management Solutions, representing 59% of North America revenue,
16 was down 1% - - consistent with last quarter and in-line with expectations.
17 Our flagship Risk product - DNBi - was up 1% in the quarter. We continue
18 to see price lifts in mid-single digits for DNBi and annualized retention
19 remains solid in the low 90% range.

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1 Growth in DNBi was offset by lower project revenue. We continue to see
2 softness in project revenue as customers remain cautious with spending in
3 the current economic environment. These results were in line with our
4 expectations and we continue to expect RMS to be about flat for full-year
5 2011.

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7 PAUSE

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9 Let me turn now to Sales & Marketing, which represents 31% of North
10 America revenue. S&MS grew 4% -- up from 1% growth last quarter. The
11 strong performance was driven by growth in our value added solutions,
12 primarily Optimizer, and offset by continued declines from our traditional
13 products.

14

15 Traditional S&MS, as expected, was down 23% in the quarter, reflecting
16 the sunset of our legacy list and labels products.

17

18 Our Value Added business was up a robust 22% in the third quarter due to
19 continued momentum of our flagship Optimizer product. Optimizer has
20 been a real success for us, and has grown at a double digit rate over the
21 last two years and is now a \$200 million product.

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1 PAUSE

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3 Let me talk a little bit about why Optimizer offers a compelling value
4 proposition to our largest customers. Managing data across multiple,
5 disparate databases is a pain point for our customers. Data quickly
6 degrades due to multiple systems with inconsistent data.

7

8 Optimizer helps our very large customers update, correct and maintain their
9 data to ensure that they have the most complete, accurate and actionable
10 view of their customers and prospects. We expect to maintain the growth
11 of Optimizer as we add more data, such as on small businesses, and make
12 data near real time through MaxCV.

13

14 Looking ahead, through MaxCV and DaaS we can now bring the full value
15 of our database to new use cases, making our data pervasive across
16 multiple systems. CRM, which Sara discussed earlier, is just one example,
17 and there are many others. Of note, there is very little revenue from the
18 new DaaS products in our results so far in 2011, since most have just been
19 introduced. You should expect to see our revenue momentum to build as
20 these products start gaining traction in the market over the next several
21 months.

22

23 PAUSE

1 With the continued strength in Optimizer and our new DaaS strategy, we
2 expect S&MS to become a key driver of growth in North America in 2012
3 and beyond.

4

5 Our last North America product segment, Internet solutions, representing
6 10% of North America revenue, grew 8% in the third quarter, up from 6%
7 growth in the second quarter. As a reminder, we re-platformed Hoovers
8 early last year and ramped up innovation during the year. We are now
9 seeing the payoff. Revenue has increased every quarter since mid-2010
10 as customers recognize our improved value proposition.

11

12 To summarize, North America remains on track to grow modestly during
13 2011, in line with the expectations we shared with you at the beginning of
14 the year.

15

16 PAUSE

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18 Turning now to International, revenue for the third quarter increased 28%,
19 up from 24% in the second quarter. Organic revenue growth improved to
20 5% after two consecutive quarters of flat top line performance.

21

1 Europe & Other, representing 49% of total international revenue, grew a
2 better than expected 5% due to the early completion of several customer
3 projects in the UK that were previously planned for the fourth quarter. As
4 such, we expect revenue in Europe to be flat to slightly down in the fourth
5 quarter.

6

7 Asia Pacific, representing 51% of total International revenue, grew 65%
8 during the quarter, driven by the acquisition of D&B Australia. Organically,
9 Asia Pacific was up 6%, which was primarily due to double digit growth in
10 China, partially offset by continued weakness in Japan.

11

12 As a reminder, we will anniversary our Australia acquisition in the fourth
13 quarter, and we expect Asia Pacific organic growth to be roughly in line
14 with the organic growth we saw in the third quarter.

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16 PAUSE

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18 Turning to profitability, total company operating income increased 14%,
19 which was ahead of expectations. North America was up 5% due to the
20 benefit of our financial flexibility actions and the improving revenue
21 performance. International increased by 41%, benefitting primarily from the
22 stronger top line growth, as well as the timing of investment activity and the
23 acquisition costs for D&B Australia in the third quarter last year.

1 To ensure a strong start to 2012, we are increasing our level of investment
2 in both product and marketing in the fourth quarter. As a result, we expect
3 operating income growth in the fourth quarter to be about flat, and of
4 course we remain on track with our full year guidance.

5

6 Diluted EPS for the quarter increased 17%. This was due to the strong
7 growth in operating income and lower interest expense, as a result of the
8 bond refinancing we completed in the fourth quarter of 2010. These factors
9 were partially offset by a higher tax rate in the quarter. We continue to
10 expect our full-year tax rate to fall between 33% and 34%.

11

12 Year-to-date, we generated \$231 million of free cash flow compared to
13 \$226 million last year, an increase of 2%. This growth was despite higher
14 cash spending on MaxCV in 2011. We have spent \$32million so far this
15 year, compared to \$15 million last year. As a reminder, we said that we
16 expect to spend \$55 to \$65 million on the project in 2011.

17

18 That concludes our prepared remarks. We would now like to open the call
19 for your questions. Operator?

20

1 **Sara Mathew**

2

3 Thank you Operator.

4

5 In closing I'd like to thank our team members for their numerous
6 contributions in the third quarter. It was a quarter where much was a lot
7 accomplished to pave the way for our growth in the future. Your hard work
8 and focus allowed us to launch 5 new products in the quarter, the most
9 productive quarter in terms of innovation since we become an independent
10 company in 2000. Thank you for your hard work and commitment to D&B.

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12 And with that, we are signing off. Thanks to all who participated on the call,
13 I look forward to reconnecting once again in 90 days

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