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Q1 2015 EARNINGS CONFERENCE CALL

May 5, 2015

Kathy Guinnesssey

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

With me on the call this morning are:

- Bob Carrigan, our President and Chief Executive Officer
- Rich Veldran, our Chief Financial Officer, and
- Josh Peirez, our Chief Operating Officer

Following my brief remarks, Bob will talk about our first quarter results, and the acquisition we announced last week. Rich will then take you through the financial performance in the quarter and our outlook for the rest of the year. After that we will open the call for your questions.

As you can see from our press release schedules, we've made a few changes to our reporting. We've modified our segments, and enhanced our revenue categories to more closely tie to our strategy and how we've been talking about the business for the past 15 months or so. Let me take you through the changes.

1 First: We are now reporting our segments as Americas, which is the US,
2 Canada and Latin America, and Non-Americas, which is the rest of the
3 world. This is not a big change from prior reporting, we have just moved
4 Latin America from the prior Europe and Other segment into Americas, and
5 combined Europe and Asia Pacific into one segment. The new Americas
6 segment was approximately 75% of 2014 revenue, and Non-Americas was
7 the remaining 25%.

8

9 Second: Below the segment level, we continue to report on revenue by the
10 primary use cases of our data and analytics: Risk Management Solutions
11 and Sales & Marketing Solutions, but we've changed the categories below
12 these use cases.

13

14 Under Risk Management, we are now reporting revenue for Trade Credit
15 solutions, which includes DNBi and all other products that help customers
16 assess payment risk, and has been the biggest part of our Risk business
17 historically. We are also reporting revenue for Other Enterprise Risk
18 Management, which includes other use cases including Compliance and
19 Supply. We believe there is a big, untapped market opportunity for other
20 Enterprise Risk Management, and you will now be able to track our
21 progress in the space. We will also continue to provide a supplemental
22 schedule with DNBi results.

23

24

1 Under Sales & Marketing, we are now reporting revenue for Traditional
2 Prospecting Solutions, which is Hoovers and our educational marketing
3 business MDR, and Advanced Marketing Solutions which includes our
4 more sophisticated marketing offerings like Optimizer, NetProspex and our
5 alliances including CRM.

6

7 Finally, we are also providing a supplemental schedule showing you
8 revenue from our direct sales channels and revenue from alliances and
9 other partners, as alliances are becoming a growing part of our results and
10 are key to our strategy. To help with your modeling, the investor relations
11 section of our website has our results in the new format by quarter, for
12 2012 through 2014, which you can download.

13

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

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

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

22

23 During our call today, we will be discussing a number of non-GAAP
24 financial measures which we call “as adjusted” results, as that’s how we
25 manage the business.

1 For example, when we discuss “revenue growth” we’ll be referring to the
2 non-GAAP measure “revenue growth, as adjusted” which is revenue
3 adjusted to eliminate the effect on revenue due to purchase accounting fair
4 value adjustments to deferred revenue, and before the effect of foreign
5 exchange. When we discuss “operating income,” “operating margin” and
6 “EPS,” these will all be on a non-GAAP basis, which we call “as adjusted”.
7 When we discuss “free cash flow” this will be on a non-GAAP basis,
8 excluding the impact of legacy tax matters, potential regulatory fines
9 associated with the ongoing China investigation and potential payments for
10 legal and other matters.

11
12 You can find reconciliation between these and other non-GAAP financial
13 measures, and the most directly comparable GAAP measures, in the
14 schedules to our earnings release. They can also be found in a
15 supplemental reconciliation schedule that we post on the Investor Relations
16 section of our website.

17
18 We do not provide guidance on a GAAP basis because we are unable to
19 predict, with reasonable certainty, the future movement of foreign exchange
20 rates or the future impact of: (i) non-core gains and charges, (ii) acquisition
21 and divestiture-related fees; and (iii) purchase accounting fair value
22 adjustments to deferred revenue. These items are uncertain and will
23 depend on several factors, including industry conditions, and could be
24 material to Dun & Bradstreet's results computed in accordance with GAAP.

1 Later today, you'll also find a transcript of our prepared remarks on our
2 Investor Relations site. With that, I'll now turn the call over to Bob
3 Carrigan.

4

1 **Bob Carrigan**

2

3 Thank you, Kathy, and good morning. I'm glad you are able to join us this
4 morning, as we have lot's going on in the business that I'm going to talk
5 about. I'm also pleased to announce that we are going to hold an Investor
6 Day event on June 15th in New York City, where we can share more details
7 about where we are headed as we execute on our strategy, so save the
8 date, and more details will be coming shortly.

9

10 Now, in my comments I'm first going to talk about our results for the
11 quarter, and then spend most of my remarks discussing the acquisition we
12 announced last week. Rich will go into more details of the quarter, as well
13 as the financial impact of the acquisition in his remarks.

14

15 Last night we reported that operating income was down 11%, and EPS was
16 down 14%, both as expected. If you remember, when we laid out our
17 expectations for 2015, we said that results in the first half of the year would
18 be lower than the second half, due to the timing of investments, and also
19 due to timing of revenue growth, which is more back end weighted.

20

21 Our revenue grew 1% in the quarter, which was about 1% lower than we
22 expected. We've talked in the past about how the timing of large contracts
23 can skew our quarterly results. This year, we had a multi-million dollar
24 government contract sign during the first quarter for a 6 month term,
25 compared with a 12 month term last year.

1 Most of this revenue is recognized at the beginning of the contract term, so
2 the shift hurt our first quarter revenue by about a point. We expect to sign
3 the other half of that contract in the 3rd quarter.

4

5 Other than this timing issue, I'm pleased with where we are against our
6 plans and am feeling really good about how things are progressing.
7 Everything I'm seeing makes me feel confident that we are on track to
8 deliver our guidance for the year.

9

10 And, I'm happy to say we're continuing to make good progress on our key
11 strategic initiatives. During the first quarter we introduced the new
12 modernized expression of our brand, including a new logo, which you can
13 see on our website, and our new brand purpose which is: **Dun &**
14 **Bradstreet grows the most valuable relationships in business by**
15 **uncovering truth and meaning from data.** This new brand purpose gets
16 to the idea that Dun & Bradstreet's proprietary data enables customers to
17 grow in new ways, in a world where data is being used in their critical
18 decision making every day. Our data helps our customers build their most
19 valuable relationships whether it's with their customers, prospects,
20 suppliers or partners. The feedback from our customers to the modernized
21 brand has been fantastic – they really love it.

22

23

24

1 We're also building out our global accounts team, having now staffed up
2 about ¾ of the team. We've been able to attract some great talent and we
3 are already establishing new C-level relationships with some of the largest
4 multinational companies in the world. And, we're having constructive
5 discussions about growing our relationships with them, which is critical to
6 our global strategy.

7

8 Regarding sales, absent the timing issues we had in the quarter with the
9 large government contract, we are seeing growth from the customer
10 channels we expected. Large strategic customers and verticals are
11 growing, and we are building pipeline in our global accounts team. And
12 alliances also continue to grow. However, we still see a drag in our small
13 business channel.

14

15 As we said last quarter, small business was the only major channel that did
16 not grow last year, and its decline accelerated a bit in the first quarter of
17 this year. Perhaps now is a good time to talk about the acquisition we
18 announced last week and how we expect it to accelerate a turnaround in
19 our small to mid-sized customer channel.

20

21 Last week, we announced an agreement to acquire Dun & Bradstreet
22 Credibility Corporation for \$320 million. We are extremely pleased with this
23 transaction, which we believe will really help us accelerate our strategy.

24

1 Sales in our small business channel, which represent approximately 20% of
2 sales in the Americas segment, declined 4% in 2014 and over 5% in the
3 first quarter of this year. The small business channel has historically been
4 tough for us. It has seen the most new competitors enter the market in
5 recent years. We've been more successful in our large enterprise and
6 alliances channels with products and an approach tailored to larger
7 customers.

8

9 Dun & Bradstreet Credibility Corp., or to shorten it "Credibility" has been
10 very successful in the small to mid, or "SMB" space because they go to
11 market with products that specifically address the needs of SMB customers
12 – needs that are *significantly* different than those of our larger customers.
13 For example, large customers are managing a portfolio of risk, with
14 thousands of customers. Many small businesses live in a world where one
15 payment default could put them out of business.

16

17 With Credibility, we can see what it takes to succeed in this space. Their
18 approach is the same 'outside in' approach that we took with our larger
19 strategic accounts and verticals, tailoring products and their sales approach
20 to meet the SMB customer's needs. Now, we could have done this
21 ourselves, but we believe that would be a multi-year process, and it would
22 require significant investment. And, importantly, we believe there is a
23 significant opportunity to help small-to-mid sized businesses *now*. There
24 are almost 28 million small and mid-sized businesses in the US that are
25 finally beginning to recover from the so called "great recession".

1 As they are gaining access to capital and beginning to grow again, we want
2 to grow with them.

3

4 So we were faced with the classic “build or buy” decision, and we chose to
5 buy. We’re making a strategic investment to turn small business around –
6 quickly – which helps accelerate our overall strategy for Dun & Bradstreet.
7 And not only does Credibility have the capabilities needed to win with SMB
8 customers, they also share our brand and use our world class data.

9

10 When I said we chose to buy, in fact, we are buying back a business we
11 once owned because Credibility is what became of our Self Awareness
12 Solutions, or “Credit on Self” business that we sold in 2010. Credit on Self
13 solutions were designed to help customers understand what their own
14 credit profile looks like, compared with Credit on Others, which is the core
15 business proposition of Dun & Bradstreet’s trade credit solutions. We sold
16 the “Credit on Self” business to a private equity firm and became the data
17 supplier to the new company. We were paid a percentage of revenue for
18 the data, as well as a royalty for use of the Dun & Bradstreet name. To
19 date, we have received over \$130 million in connection with that
20 arrangement.

21

22 But the business we are buying in 2015 is very different than the business
23 we sold in 2010. The new owners brought in a new management team
24 with an impressive track record in the small business space, and Credibility
25 flourished.

1 The business was declining at a double digit rate in 2010, and the new
2 team turned the business around in the very first year and have sustained
3 strong growth ever since. Credibility's management team, led by CEO Jeff
4 Stibel, has done an outstanding job in transforming what was Dun &
5 Bradstreet's legacy Credit on Self business into a double-digit growth
6 business in the SMB arena.

7

8 They've also invested heavily in the business since buying it. These
9 investments were in new platforms and tele-center technology, as well as in
10 sales training and product development, all acutely focused on the needs of
11 the SMB market. We're very excited that Jeff and his team are now eager
12 to bring that expertise to a bigger stage.

13

14 So, what's so different about Credibility, and why do we want them as part
15 of Dun & Bradstreet? In addition to a very strong and culturally compatible
16 team, they understand that the SMB customer needs 3 things: 1) products
17 designed to suit their unique needs, 2) an educational, "nurturing" sales
18 approach that builds a lasting relationship with the customer that grows as
19 they grow, and 3) marketing directed specifically to SMB customers.

20

21 They've built technology infrastructure and product development
22 capabilities in the cloud to scale and develop new products to meet the
23 needs of small businesses. In fact, we think we can leverage their platform
24 to accelerate our cloud strategy for small and mid-sized businesses.

1 In addition, they've built an integrated sales and service platform that
2 allows the sales team to help small businesses solve multiple needs, and
3 upsell them to new solutions over time as their business grows.

4

5 They have also developed new products aimed at the unique needs of
6 SMB customers. For example, they've introduced an online directory with
7 web pages that have details of the US businesses in the Dun & Bradstreet
8 database. Customers can confirm the information on the web page and
9 pay to have it appear in Credibility's directory. This allows potential new
10 customers to find those companies as they do web searches on services
11 like Yelp, Yahoo and Google, thanks to Credibility's directory.

12

13 We're excited about leveraging Credibility's platform and products because
14 we will now have more to offer our existing SMB customers. And the
15 opportunity goes both ways. As part of Dun & Bradstreet, they will now be
16 able to offer credit on others solutions like DNBi, as well as sales and
17 marketing tools like Hoover's, that will help small businesses find new
18 prospects, which is a key need of growing businesses.

19

20 One of the strong points that Credibility has demonstrated over the last 5
21 years is its ability to attract new customers, directly and through
22 partnerships, and they have doubled the size of their business since they
23 took it over from us.

24

1 Dun & Bradstreet has world class retention and very loyal customers, but
2 we've struggled to bring in enough new SMB customers, so we're naturally
3 excited to see Credibility's successful formula applied to our existing small
4 business sales channel.

5

6 With this acquisition, we expect to solve the two key challenges in our
7 current SMB business: having a sales and product offering that's 100%
8 focused on the needs of small and mid-sized customers, and bringing new
9 customers into Dun & Bradstreet.

10

11 So, what will all of this look like? We plan to merge our current small
12 business channel into Credibility's business and create a new division
13 called, "Dun & Bradstreet Emerging Businesses". To give you some
14 perspective, the new division will represent about 25% of revenue in the
15 Americas segment. The new division will be run by Jeff and his
16 management team from Credibility who have a proven, outstanding track
17 record of growing relationships with SMB customers. This is the same
18 team that put Web.com on the map and turned it into an incredibly valuable
19 company.

20

21 Dun & Bradstreet Emerging Businesses is a new name, but most
22 important, it is new integrated approach to the SMB market. We're forming
23 a new division to specifically address the needs of small and mid-size
24 businesses with sales, marketing and products *all focused on that*
25 *customer segment.*

1 As I said, the new division will go beyond credit on self products and offer a
2 full suite of products from credit on self, to credit on others, to marketing
3 solutions to help them prosper and grow the most valuable relationships.
4 We are also going to move the Hoover's product under Jeff and his team.
5 Hoovers is predominately used by small business, and we believe they can
6 take what is already a good product with strong brand recognition and tailor
7 it to better suit the needs of smaller, growing businesses. All in all, we
8 believe that having Credibility's proven sales engine able to offer our credit
9 and sales and marketing solutions will be a winning combination.

10

11 In terms of operations and locations, Jeff and his team will continue to be
12 based in Malibu, California, with operations in Arizona, North Carolina and
13 Pennsylvania, so we don't expect relocation or real estate-related
14 expenses. We are putting product development, marketing and sales in
15 one, integrated division to ensure that we are 100% focused on meeting
16 the needs of SMB's. So, with the new Dun & Bradstreet we have clear
17 strategies against alliances, large strategic enterprises and now small and
18 mid-sized companies, all under the same brand and powered by our world-
19 class data and analytics.

20

21 The new Emerging Businesses division will report to our Chief Operating
22 Officer, Josh Peirez, to ensure that everything we do is aligned with our
23 broader strategies for data, product development and technology.

24

1 In closing, I would like to leave you with three key take-aways on this
2 acquisition.

3 One, it's a great asset. It has the best technology, sales force and
4 management all with the experience and focus required to be successful in
5 the SMB space. We're buying a finely tuned SMB engine.

6 Two, its growth rate is exceptionally strong – they have shown how to
7 grow rapidly and profitably in the competitive small business channel by
8 understanding and meeting the unique needs of small to mid-sized
9 businesses.

10 Three, this acquisition will help accelerate our strategy for Dun &
11 Bradstreet overall in delivering sustainable growth under one brand
12 umbrella. We believe this acquisition accelerates our growth strategy for
13 about a quarter of our Americas' segment revenue, and given its profitable
14 growth profile, we expect to begin to reap the benefits of the acquisition
15 right away.

16

17 I hope you share our enthusiasm for the acquisition – and I welcome the
18 650 people of Credibility to Dun & Bradstreet Emerging Businesses. I look
19 forward to telling you more about this and our broader strategy at the Dun
20 & Bradstreet Investor Day on June 15th.

21

22 I will now turn the call over to Rich who will discuss our first quarter results
23 in further detail. Rich...

24

1 **Rich Veldran**

2

3 Thank you Bob and good morning everyone. I'm going to take you through
4 3 things today:

5 First I'll discuss our results for the quarter

6 Second, I'll talk about the new acquisition and what it adds to our
7 financial results, and

8 Third, I'll update you on our guidance for the rest of the year

9

10 Total company revenue for the quarter was \$376.8 million, up 1%. The
11 Americas segment represented about 75% of our revenue at \$281.5 million
12 in the quarter, and was roughly flat to last year. The timing shift of the large
13 government deal Bob discussed hurt the Americas by about 1 point in the
14 quarter and shows up in both risk product categories. This timing shift was
15 responsible for half of the 3% decline in Risk overall, and the rest was
16 primarily due to DNBi.

17

18 DNBi was down 1% during the quarter, a 2 1/2 % improvement over the 4%
19 rate of decline we saw in 2014. Pricing continued to be in the low single
20 digits, but overall sales and retention picked up a bit. We also had one
21 large customer convert from another RMS product to DNBi in order to take
22 advantage of the advanced functionality that DNBi offers, adding almost a
23 point to DNBi's growth in the quarter.

1 We are encouraged with the improvement in DNBi and expect its
2 performance to be better than last year, although still down for the year.

3

4 Other Enterprise Risk Management was down 1%. As we've noted in the
5 past, the revenue in other Enterprise Risk includes usage based products
6 and some project spending, and can be lumpy from quarter to quarter.

7 Compliance and Supply showed good growth in the quarter that was offset
8 by timing, including the government contract that I discussed a moment
9 ago.

10

11 Sales & Marketing revenue increased 5% in the quarter. Traditional
12 Prospecting represented about a quarter of S&MS revenue and was down
13 5%, due to declines in Hoovers. Advanced Marketing Solutions, the
14 remaining three quarters of S&MS was up a strong 9%. A little more than
15 half of this growth was from NetProspex, which we acquired in early
16 January. The rest of the increase was due to continued strong growth in
17 our DaaS CRM alliances.

18

19 We also saw nice growth in our other marketing products that are aimed at
20 helping our customers identify the best new prospects to help their
21 businesses grow. However, that growth was offset by a decline in other
22 third party alliances. If you recall, in addition to our newer CRM alliances
23 we have relationships with other third party providers and one of our
24 alliance partners lost a customer, which in turn, lowered our revenue from
25 that partner by about \$2 million in the quarter.

1 We knew about this going into the year and it is factored into our 2015
2 guidance, but it did cause a drag in Advanced Marketing Solutions in the
3 quarter.

4

5 Deferred revenue in the Americas was down about 1% for the quarter,
6 before the effect of foreign exchange. This does not reflect committed sales
7 through alliances that would have added about 2 points to the total
8 balance.

9

10 Overall, we are pleased with how we are progressing against our plans for
11 the year in the Americas segment. We expect to recover the lost revenue
12 from the government timing shift later in the year, and we are getting
13 growth from the key strategic products that we expect to drive growth as we
14 progress on our strategy, including Compliance, Supply, our DaaS
15 solutions including our CRM alliances, and our new professional contacts
16 solutions that came with the NetProspex acquisition. These strategic
17 products in total contributed over 3 points of growth to the Americas in the
18 quarter.

19

20 In our Non-Americas segment, we had revenue of \$95.3 million, which
21 represented 25% of revenue in the quarter. Non-Americas revenue
22 increased 3%, which was consistent with our expectations, and also with
23 our recent performance.

24

1 Turning to profitability, operating income was down 11% in the quarter,
2 which was in line with our expectations. As expected, foreign exchange
3 hurt operating income by about 2 points in the quarter.

4

5 EPS was down 14%, again in line with expectations. EPS declined more
6 than operating income because our tax rate was very low last year. We had
7 a large tax benefit a year ago due to the release of reserves related to
8 closed audit periods.

9

10 Now let me talk about the financial aspects of the Credibility acquisition,
11 and how we expect it to impact our results in 2015. As Bob said, Credibility
12 has doubled their revenue since 2010, reaching \$135 million last year.
13 Their 2014 sales growth was in the mid to high single digits and we are
14 excited to bring their expertise to Dun & Bradstreet to help accelerate our
15 strategy. They have also been profitable, with an EBITDA margin
16 approaching 20%.

17

18 In 2015, we expect the addition of Credibility to add about 4 points to our
19 revenue guidance, assuming the transaction closes in mid-May. The 4
20 point contribution represents 7 ½ months of revenue, and is net of the \$20
21 million annualized royalty revenue we would have received when Credibility
22 was independent. We expect the acquisition to add 3 points of growth to
23 our operating income in 2015, but we expect about a point of integration
24 expense this year. So net/net, the acquisition is expected to contribute 2
25 points to operating income.

1 Finally, we expect EPS and free cash flow to be neutral, since the
2 increased operating income is offset by higher interest expense to fund the
3 acquisition.

4

5 Our plan is to use cash on hand and our revolving credit facility to fund the
6 acquisition when we close, and then to access the capital markets to issue
7 longer term debt shortly thereafter. We have been clear that we are
8 committed to maintaining an investment grade credit rating, and that is still
9 the case. We have very strong free cash flow generation which we will use
10 to reduce debt in the near term. We are targeting total debt to EBITDA at a
11 level that will ensure, at a minimum that we maintain our current debt
12 ratings.

13

14 In closing I want to reiterate that we are on track to deliver our original
15 guidance on our underlying business. If the Credibility acquisition closes
16 as expected in mid-May, we will adjust our full year guidance for 2015 as
17 follows:

- 18 • Revenue growth guidance will go from 2% to 5%, to our new
19 expectation of 6% to 9%, including the 4 points of contribution from
20 Credibility
- 21 • Operating income guidance grows from (2%) to 2%, to 0 to 4%
- 22 • And as I said, EPS guidance remains at (3%) to 1%
- 23 • Free cash flow is also unchanged at \$255 to \$285 million

24

25 With that, we'll now open the call for your questions. Operator?