Q209 EARNINGS CONFERENCE CALL

KATHY GUINNESSEY (TREASURER)

Good morning, everyone, and thank you for joining us today.
In a moment, we will hear commentary on our 2^{nd} Qtr performance as well as on our outlook going forward from:

- Steve Alesio, our Chairman and Chief Executive Officer
- Sara Mathew, our President and Chief Operating Officer, and
- Tasos Konidaris, our Chief Financial Officer

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

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

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

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

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

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

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

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

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

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

STEVE ALESIO (CHAIRMAN AND CHIEF EXECUTIVE OFFICER)

Thanks, Kathy, and hello to all our team members, shareholders and analysts on the call.

First of all, as you saw from our earnings release, we delivered solid financial results in the 2nd quarter, in spite of continued difficult economic conditions. In our collective discussion today, we will share with you a picture of what we see as a company heading into the back half of 2009 and how we are leading as we head into next year. While we will take more than a few "words" to do so, what you should take away are three things:

1. Our topline in the North American segment of our business is pressured more than we anticipated by the economy ---but we expect and are working on that recovering with the economy
2. Our focus on profitability is part of who we are—and we expect our margins will hold up well even in this enviroment and will continue to do so going foward
3. We are a company whose strong competitive position and financial strength is very sound as we start preparing for next year

I thought I would put my opening remarks in the 2009 framework that I spoke of in our last two calls---and that is----when we entered this year, we anticipated three things:

1. The weak economic environment would put pressure on our top line
2. We said we would continue to focus on profitability
3. We said we would invest for long term growth with a lens on heading into 2010 a stronger company than we are today.

Using that framework let me touch first on the top line for Q2.

The real highlight for us is our International business which continues to perform very well with revenue up 20% and in line with our expectations. This business has shown terrific consistency with 6 consecutive quarters of strong double digit growth. In the 2nd quarter, we experienced strong organic growth in established markets like Europe and Japan as well as inorganic growth from acquisitions in India and China. Further, we took additional actions in the quarter to drive future growth which Sara will comment on later.

In our North American business, revenue was down 3% for the quarter, lower than we expected. Within that, Risk Management was down 1%, about what we expected. Sales &Marketing solutions were down 7% which was lower than we expected.

In North America, we are seeing three customer behaviors impacting our overall North American results this year—

1. First, customers' overall level of business activity is lower, whether that is less new credit evaluations or direct marketing campaigns
2. Second, our customers' budgets are tight and we are choosing to be flexible with pricing when needed in order to retain customers for the longer term
3. And finally, the small business segment of the economy is acutely pressured and that's an important part of our business as well

We expect these items to continue to pressure our topline in NA the remainder of this year and Sara will touch on the specifics in a few moments.

The second part of our framework for 2009 is that in spite of top line pressure, we said we would continue to focus on profitability

Earlier this year we undertook an aggressive reengineering program which played a critical role in delivering operating income growth and EPS growth of 5% in the 2^{nd} qtr -----and 200 basis points of margin expansion. All of these earning measures for the 2^{nd} quarter were in line with our own expectations. Equally important, year to date we generated $192 million of free cash flow.

In the third part of our framework for 2009 we said we would invest for long term growth with a lens on heading into 2010 a stronger company and we are doing that despite continued top line pressure.

We are focused on three areas to create growth for the future.

- First, we are continuing to invest in our international business. We will increase our presence in key geographic areas that leverage the value of our cross border data. In the most recent quarter we made two acquisitions that you will here about in a moment and we divested one operation since we did not see top line or margin growth possible.
- Second focus for growth is we are increasing our investment in product innovation. The economy is forcing us to revisit the pace and sharpness of our value propositions. Later this year, we will introduce new solutions in Risk Mgmt and Sales & Marketing Solutions that Sara will talk about in a minute. But we intend to continue to strengthen our product innovation capabilities to fuel growth.
- Finally, we will continue to leverage our reengineering model as we head into 2010 to prudently increase our efficiency, to have sufficient funds for investment, and to ensure margin growth.

With this framework for 2009 as background, when we look at our financial picture for the remainder of the year, we expect

- Our International business to continue to grow its topline in the range of high-teens to low twenties based on its current momentum
- In North America, we expect the customer trends we see to persist and therefore now expect that top-line in North America to be down approximately 3-5 % for the full year vs our original expectation of "flat to down slightly" for the full year
- From an earnings perspective, we are continuing to flex our cost base further but we are also maintaining the needed investments I mentioned to grow our International business and fuel product innovation in North America. The resultant earnings impact will have our margins be slightly up on a full year basis as well as EPS.

As a result of all of this, we are adjusting our guidance for the rest of this year. Specifically, for the 2009 on a full year basis, we expect:

- Revenue of approximately flat--- we had said (1%) to +1%
- Operating Income of up 1% to (3%)
- EPS up +1% to +5%, and
- FCF of $285 - $315 million

Two last items of context that I would share:

- We are a financially healthy company with a long history of being committed to driving Total Shareholder Return. That is still very much the case. In this moment in time,we are positioning ourselves for growth as the economy recovers
    - We are retaining our customer relationships during the course of this difficult environment
    - We are in a unique position to keep making investments as a strong company
    - We have a valuable set of assets that can fuel growth in the future, and
    - We have a leadership position and a globally recognized Brand in a large growing market.

- My last contextual statement is while we want our business performance to be better than it is at the moment, we must remember the environment is quite extraordinary. That does not mean we "lower the bar" for ourselves, but I do believe D&B is outperforming its industry peers and in many cases, many parts of corporate America. So we need to keep our performance in a relative context while we prepare for growth.

With all this as backdrop, Sara will now discuss our revenue results and provide a sense of what we expect in the second half and the basis for improvement over time.

Tasos will then discuss the rest of our financial picture—describing how we are focused on our profitability and how our financial strength will be maintained.

I will then come back and offer some closing comments before we open things up to your questions.

<u>SARA MATHEW (CHIEF OPERATING OFFICER)</u>

Thank you, Steve and good morning everyone.

I'll begin with a review of our International business, which was up 20% in the 2nd quarter. As a reminder, just 2 years ago, we were struggling to maintain consistent top-line growth in this market. Today, we are in a very different place - Our International business is a strong contributor to D&B's top-line growth. More importantly, this acceleration, which is driven through a combination of organic and inorganic investment comes with <u>***higher margins***</u> and is creating value for shareholders and customers. Let me explain.

There are 3 key factors that drove this shift in International performance:

1. Our decision to service the needs of cross-border customers
2. Our choiceful selection of markets, and the way we compete within each of them
3. Our bench strength and the talent in each market.

A foundational element of our International strategy is to target <u>cross border</u> customers, with data quality as the basis for differentiation versus competition. These choices have created focus for our investments and are a key driver of International growth.

As background, the International market is unique in this respect, since most customers do not just rely on the domestic market to drive growth, they look outside. Trade liberalization has eliminated many tariffs across Europe and Asia; and D&B is uniquely positioned to facilitate cross-border commerce.

Our global Duns numbering system, linkage, matching and scoring solutions help customers make insightful cross-border decisions, a critical need in these uncertain times.

To drive better cross border decisions, we've had a single-minded focus to improve data quality across International. We invest organically, via acquisitions, and through partners, to drive data quality improvements in each market. In addition, we continue to shape our alliance strategy to close gaps in our core DunsRight value proposition.

As an example, we just announced the divestiture of our **domestic** Italian business to CRIF, the leading player in the consumer space in Italy. This has allowed us to close a critical data gap in Italy, and we expect to achieve 100% data coverage in this market in about 12 months. Importantly, we retained the high margin cross-border business, thereby creating a faster growing, higher margin International business in the process.

A second example is our decision to purchase ICC, a business credit and marketing company in the UK and Ireland. When closed next month, this acquisition will significantly improve data quality in Ireland, while also increasing access to an important customer segment - financial institutions, an area where we have been historically weak. This is yet another example of our investment approach in International that adds value for both customers and shareholders at D&B.

The second driver of the International turnaround is favorable exposure to higher growth markets. About 2 years ago, we made a decision to focus our investments in high growth markets such as Asia. Once again, we executed this strategy through a combination of organic investment, joint ventures and partnerships. This ensures efficiency of investment dollars, lower execution risk and access to local talent and expertise. Our strategy is clearly paying off. As an example, in Japan, our joint venture with TSR gives us greater access to the Japanese customer base, with a cross border value proposition that is superior to the local competition.

We also continue to expand our presence in China. In Q2, we took a majority interest in Road Way, a direct marketing business that increases our footprint in the S&MS space. As context, the need for reliable B2B data in China is a critical need for most global customers. The acquisition of Roadway creates scale in the market research business in China, an important entry point for customers who wish to do business there.

Finally we continue to benefit from strong leadership in our International markets. Our JV partners bring local expertise, and our D&B leaders ensure the right strategic focus so we sustain this growth trajectory into the future. As a proof point, 2009 was a year of heavy investment and strong top line growth in International. Yet, margins will expand, largely a reflection of the way we've executed our International strategy.

Let me turn now to North America where revenue declined 3% in the quarter. While these results were below expectations, it is now clear to us that our North American business is more economically sensitive than we originally thought. As a result, we expect revenue to weaken slightly in the 2nd half, and this is reflected in our revised guidance expectations for 2009.

At a high level, Q2 has been a quarter of learning for us. The weak economy is driving inconsistent customer behavior, and as Steve mentioned, we expect these conditions to stay with us for awhile. Let me begin with a review of our second quarter performance, and then cover the actions we are taking to improve customer demand in the second half and beyond.

Our Risk Management solutions declined 1%, about what we expected. Since the RMS business is mostly based on upfront customer commitments, we are seeing a slowdown in demand for our products and services, which is largely a function of the weak economy. This will ultimately be reflected in our revenue in the 2nd half of 2009, and our guidance for the year reflects this trend.

There are bright spots within the Risk Management business. In Q2, DNBi penetration grew to 54% up from 38% a year ago. Retention rates among existing DNBi customers remain strong, and price increases for renewals of DNBI remain in the high single-digit level, all in line with expectations.

Our primary issue is with the transactional portion of RMS business, which remains very weak. As context the use of these legacy products closely correlates to our customers' level of **new** business activity. With new credit applications down double-digits in 2009, transactional usage of our legacy products is also down double-digits. The issues are most acute in the small business area, where bankruptcies have doubled. And with financial institutions where there has been a contraction in **new** commercial credit.

Additionally, the weak economy has increased our customers' focus on monitoring the risk within their existing customer base, and we now have an opportunity to take advantage of this trend. As such, we have taken four key actions.

First, we have just launched the Enterprise version of DNBi account manager, and completed our first installation with a large transportation company. This tool, designed for our large customers can track over 1.5 million active accounts in a portfolio, a key unmet need. This module will be available to all customers in the 2nd half of the year.

Second, we are proactively revising our scoring models and scoring engine to keep up with the fast changing environment, so we improve the predictiveness of our scores by year-end.

Third, since mid-sized customers have expressed a need for a more efficient collections system, we've added a collections module to DNBi in the 2nd quarter.

And finally, we are ramping up our Supplier Portal, which is gaining traction in the market place. We expect this product to continue to gain momentum in the months ahead as we introduce a more scalable platform in the fall, and ramp up the distribution arm that will sell this solution to our customers.

We believe these actions will help stabilize our RMS business; however, we realize we should have been quicker to market with these initiatives. So, we now expect to see the RMS business decline in the mid-single digit range in the 2nd half as we will have less benefit from deferred revenue I mentioned earlier.

Turning to our Sales and Marketing businesses – both the S&MS and Internet businesses continue to be impacted by the weak economy.

S&MS was down 7% in the second quarter, lower than we expected.

Our traditional products declined 14% in line with expectations. The traditional business, which is focused on prospecting, is very closely tied to the level of direct marketing activity at our customers. In this environment, customers continue to defer or cancel marketing spend and this is lowering demand for our products. We expect this trend to stay with us over the rest of the year.

Our Value-Added products or VAPs were down 2% in the quarter, which was slightly below expectations. When we spoke at the end of Q1, we had 3 initiatives to drive growth in the second half of the year: First, feature upgrades on our Optimizer product for our large customers; second, bundled offerings to bring more immediate value to the table, and third, improved sales execution – i.e. pipeline build and close. All three initiatives have been implemented in the market, and our pipeline continues to grow, signaling customer demand for our products and services.

That said, we've observed fairly erratic customer behavior in the 2nd quarter. With severe budget constraints, our customers are cutting back on the extent of their marketing activities, so we did not get the growth we expected. To be clear, customers want our products and services, and our retention rates are holding up very well. However, the breadth and scope of activity is limited, and new customer acquisition has been challenging due to longer sales cycles.

Stepping back, we expect that this business will improve when the economy strengthens. As such, we have made a strategic decision to retain our customers and ride out the economy with them. This will ensure we are in a good position to drive growth when they resume their marketing activity.

In light of these circumstances we are focused on new product innovation to drive higher levels of customer satisfaction:

- We have released Optimizer 2.0 which adds value for customers by offering global standardization and visual reports that offer better insight into marketing campaigns

- This summer, we launched D&B Professional Contacts powered by Jigsaw, enhancing our offerings in the digital marketing space. With this solution, our customers will have access to 9 million contacts and email addresses, a key need across both large and mid-sized customers.

- And, we are piloting a new solution, D&B MarketEdge, leveraging ACXM's capabilities to provide an end-to-end hosted marketing solution for our mid-sized customers.

Looking ahead, we expect the S&MS trends in the 2nd half to be slightly stronger than the first half with a strong value proposition, and a healthy pipeline. So we are well positioned for growth when the economy improves.

Let me now turn to our smallest segment – the Internet, which like S&MS continues to be impacted by the slowdown in marketing activity. Q2 results were better than we expected, due primarily to a one-time deal that will not repeat. As we said in Q1, underlying subscription rates at Hoovers are down versus the prior year, and these trends will be reflected in the segment in the second half of the year.

So to sum up on North America – the economy is having a greater impact than we originally expected. It's also clear we need to close a few gaps in the RMS value proposition. As a result, we expect full year North America performance in the range of -3 to -5%, and this is reflected in our overall guidance for the year.

Let me close with a few personal observations on our business. Our customers have severe budget constraints, and this is putting pressure on our top-line. Clearly, we did not anticipate the full extent of the economic downturn and its impact on our North American business….. This we own.

That said, I remain optimistic about the future of D&B, and the opportunities for growth, as the economy slowly recovers.

- Our pipeline in North America is strong, suggesting that there is demand for our products and services.
- We know what we must do to strengthen our value proposition, and we are taking the actions to deliver our commitments in the 2nd half

- More specifically, we are working to fine tune our NA go-to-market structure to focus beyond customer renewals to more aggressive new customer acquisition, and we expect implemention to be complete by the end of the year. Last month, we brought in a seasoned leader – George Stoeckert from ADP, who has extensive experience in tranforming businesses into aggressive growth models at scale. We are fortunate to have George at D&B, and we are already benefiting from his thinking and expertise in this area.

- For the medium term, we are planning to increase the pace and customer-centric nature of our product innovation. We have engaged experts in the field to help us, so we more fully leverage our core capabilities to drive future growth.
- On the International front, we have many things going in our direction

Finally, we are a resilient group of leaders who are committed to weather this storm, and emerge leaner and stronger in 2010.

With that, let me now turn the call over to Tasos for a financial review. Tasos?

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

Thank you, Sara and good morning everyone.

I plan to cover three areas today:

- First, our earnings and margin performance
- Second, our cash generation and uses of free cash flow, and
- third, our Financial strength as we head into the back half of this year

Let me start with our earnings and margins: In the second quarter we delivered solid operating income and EPS growth of 5% as our aggressive 2009 re-engineering program drove very strong margin expansion of 200 basis points.

In North America, operating income was flat and our margin improved by 120 basis points. These results reflect the power of our financial flexibility model, as our re-engineering efforts were able to offset the revenue decline as well as fund investments in DNBi, Optimizer, data quality and analytics.

In International, our operating income was up 7% and margins were up 160 basis points. This reflects strong revenue growth and re-engineering actions offsetting $3 million of negative foreign exchange impact as well as investments in Asia and Europe to fuel the strong top line growth.

Looking ahead, our revised operating income guidance reflects 3 items:

- our lower revenue projection in North America
- much higher level of investments in the second half of the year than the first half. As Sara mentioned earlier, we are making numerous incremental organic and inorganic investments which we believe are very important to our long-term growth.
- And, finally, these, are partially offset by the continued benefit from our financial flexibility program

As we have demonstrated in the past, our financial flexibility program is a competitive advantage for us and allows us to consistently drive margin growth. In January, we shared with you our intent to undertake one of our largest re-engineering plans we have ever done, and create $90 to $105 million of flexibility. While our plan is on track, it was insufficient to cover both our investment needs as well as the economic pressure on our top line. We will continue to flex our expense base to balance prudent expense management with investment for future growth.

However, due to the actions we have taken, we still plan to deliver about 50 basis points of margin expansion this year and we have reduced our annual operating expenses by approximately 5%. This margin performance is consistent with what we have delivered on average over the past several years. In addition, our operating expense reduction is noteworthy and will serve us well when our top line trajectory improves given the very low marginal cost of higher revenue.

Looking ahead, we have already begun developing our 2010 re-engineering plans and you can expect us to begin taking actions later this year.

In regard to earnings per share, we delivered 5% growth, in line with our expectations, and we are proud of our ability to generate bottom line growth in this environment. Our earnings per share growth was driven by our operating income growth and the accretive impact of our share repurchase program offset by higher net interest expense and taxes.

As we look forward, we expect to continue to grow EPS faster than operating income. This mostly reflects our on-going share repurchase program and an annual tax rate between 35% and 36%.

Let me now move to cash. We continue to generate a lot of cash at D&B due to our business model and capital efficiency. As a result, in the first half of the year, we generated free cash flow of $192 million.

This performance reflects lower collections and higher interest payments related to the timing of our $400 million bond offering last year, partially offset by lower operating expense disbursements.

Our revised free cash flow guidance for the year reflects lower collections due to our revised top line and a higher level of investments in the second half of the year partially offset by re-engineering savings.

Let me now move on to our uses of cash. As you know, we have three priorities in deploying our cash:

First, we continue to invest to drive organic growth. So far this year, we have made investments in data quality and new product innovation like DNBi Enterprise version, Optimizer 2.0, and Market Edge, as Sara mentioned. We believe these investments will drive organic growth when the economy recovers.

Second, we continue to look for acquisitions or divestments to improve our long term competitive position and growth prospects.

In the second quarter, we invested $28 million dollars in China for the acquisition of Roadway and signed an agreement to acquire ICC in the UK for $16 million.

From a revenue perspective, these transactions will have a small favorable impact this year and add about 7 points of growth to International next year.

From an EPS perspective, these transactions will have approximately 5 cents of dilution this year but will be accretive next year.

In addition, as you saw from our 8-K in May, we sold our Italian domestic operations to CRIF. From a top line perspective, our 2009 annual International revenue will be reduced by approximately $48M. However, we kept the cross-border business, which was the most profitable, and we will ensure operating income neutrality this year and securing future bottom line growth.

We are very pleased with these transactions as they position our International business for continued top line and bottom line growth and higher profitability.

Third, we remain committed to returning excess cash to shareholders through a combination of cash dividends and share repurchases.

In the second quarter we returned a total of $55 million to shareholders. We paid $18 million in dividends. We also bought back shares valued at $37 million dollars, $28 million of which was under our discretionary program and the balance was used to mitigate dilution from equity awards.

Looking ahead we continue to target a total of $100-$150 million in discretionary share repurchases in 2009 and as such, expect a higher level of share repurchases in the second half of the year.

Finally, we are proud of our financial strength in this very difficult economic environment.

- We finished the quarter with a cash balance of $226M, up from $180M in Q1 and we have $483M of available capacity under our revolving credit facility
- We continue to have a conservative balance sheet with a gross debt to EBITDA ratio of 1.5 times, in-line with our expectations
- Unlike many companies we have no required contributions to our US defined benefit plan in 2009 and no immediate debt maturities
- And, finally, we ended the quarter with a substantial deferred revenue balance of $518 million.

Our balance sheet and financial discipline have enabled us to deliver solid operating results in a very tough economy and are very valuable assets for us. As we look to the future, where we will need to significantly step up our pace of innovation, I am confident in our ability to do so and maintain our high standards of profitability thanks to our track record of financial flexibility which is the key to our ability to invest in our business.

I will now turn the call over to Steve for some closing remarks….

Steve?

STEVE ALESIO (CHAIRMAN AND CHIEF EXECUTIVE OFFICER)

Thank you, Tasos.

So what you should be taking away from us today are the following:

- We had a solid financial performance in the first half of the year across most major elements of our business
- From a topline perspective
  - Our International business continues to perform very well
  - However, our North American business is being impacted more than we anticipated when the year began
  - We do believe we are addressing the necessary drivers of topline growth to generate improvement as time passes and the economy recovers
- We are continuing to do well at managing for operating margins even in this environment,
- We are focused on getting stronger and investing for our future

- We continue to be a very healthy company in terms of our core financial strengths.

While admittedly we would like our results this year to be better, we do believe our business is performing very well on a relative basis when we read the results of our peers and general corporate America.

Importantly, when we look longer term given our success, we still very much like our competitive position. We are gaining share in our International sector. In North America, we are maintaining share as our competitors have multiple issues to focus on and we are continuing to hold onto our customers. Our position as the world's leading commercial information player is still very much intact as we head into 2010 and beyond.

Before I wrap up our commentary, I do want to say a few things to and about our team members

- The first is about our senior team of the top 100 people who Sara and I met with two weeks ago. This team is doing a strong job of leading in this environment and they continue to inspire us by their spirit and willingness to persevere and find ways to be winning.
- And finally, I want to recognize the over 5000 team members we have across the world. We appreciate that even in these times that create a heightened sense of personal anxiety, we see this team bringing its passion and energy to the workplace each and everyday.

So, with that, I'll now open the phone lines so that we can take any questions.

Operator, would you please provide the instructions for asking a question?

If there are no more questions, I thank all of you for joining us. Good by for now.