Q410 EARNINGS CONFERENCE CALL

February 3, 2011

KATHY GUINNESSEY

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

In a moment, we will hear commentary on our 2010 performance as well as our outlook for 2011 and an update on our Strategic Technology Investment from:

- Sara Mathew, our Chairman and Chief Executive Officer
- Manny Conti, our Chief Administrative 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 our 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.

A 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 Sara Mathew. Sara?

Sara Mathew

Thank you Kathy and Good morning everyone. Thanks for joining us today.

Here's what we plan to cover on the call this morning:

- I'll begin with a review of 2010 results and progress against our strategic technology initiative
- Next, Manny and Tasos will discuss our 2010 performance in more detail
  - what's working and where we must do better
- I will close with our thinking on guidance for 2011,
- And then, Manny, Tasos, Kathy and I will take any questions you have.

Now before I start, I thought I'd share reflections after my first year as CEO.

As we entered 2010, I was convinced that we had numerous opportunities before us. Opportunities to strengthen execution, and opportunities to take advantage of emerging technology trends, that could transform D&B's customer value proposition and significantly enhance long-term shareholder value.

Let me elaborate. The technology landscape continues to evolve very rapidly. Consider the facts. Facebook now leads Google in terms of time spent on their website. Today, over 4 billion people around the world use mobile phones. And, for a growing segment of that population, the web has become a fully mobile experience. New concepts such as virtualization and cloud computing are rapidly gaining momentum. This is upending existing business models and creating totally new ones, thereby opening up new markets that were previously too costly to serve.

For D&B, there are 3 critical tech enabled trends that create a unique window of opportunity to strengthen our competitive advantage and provide a foundation for sustainable value creation. Let me discuss each of them in a bit more detail.

First, the sheer explosion in available data, allows us to create valuable insights in new and different ways.

Second, the concept of co-creation to generate insight has moved mainstream, and is now a viable business model. What started with Wikipedia several years ago is now an integral part of mainstream America, as companies leverage communities to extend their reach, solve business problems and lower the cost of serving customers.

Third, technological advances are allowing companies to efficiently dissaggregate products into "bite size" service components, leveraging the cloud infrastructure to access new markets, and provide solutions for real world problems.

In this world of ever changing technology, we can create advantage with what we uniquely provide at D&B. By leveraging the DUNs number as the organizing mechanism, we can efficiently structure unstructured data, to generate insights and create value for customers.

This was the rationale behind the launch of our strategic technology investment. I am pleased to report that we made significant progress in *2010.*

We hit all of our data milestones for the year. We relocated our data center to Arkansas. We opened a brand new application development center in Ireland and introduced 2 brand new products into the market. A third was launched in late January.

In parallel, we strengthened execution. We improved the trajectory of our North American business, divested the underperforming Self Awareness Solutions and continued to scale International. All of this was done in the last 6 months.

And so, I am very proud of my team and what we collectively accomplished in 2010. It was a year where we concurrently improved the execution of our base business, while also making the strategic investments to drive sustainable growth in the years to come.

Now with that, let me provide my perspectives on our 2010 performance and its implications for 2011.

Overall, our 2010 performance was in line with expectations and we met all of our guidance metrics with and without the acquisition of Australia. Specifically:

- Revenue grew 3%; with North America down 1% and International up 16%; of which 4% was organic
- Operating income was down 2%,
- EPS grew 4%; and we generated almost $250M of Free Cash Flow.

As expected, the second half of the year was stronger than the first half, with the North American business returning to growth and International continuing its trajectory of double-digit growth.

There were 3 primary reasons for the improved performance in North America in the second half of the year:

1) Improved leadership and execution in the sales organization
2) The reduced impact of the overhang from lower sales in 2009, and
3) Divestiture of our self awareness business

Beyond this, we saw revenue from our risk products benefit from an increased project related spend by customers, as we closed 2010.

We also observed the beginning of a potential recovery in Sales and Marketing, with customers demonstrating a high propensity to resume marketing efforts late in December.

These improved trends in customer spend resulted in NA performing better than we expected in the fourth quarter, and we are pleased with this performance.
Turning to International, 4th quarter results were slightly behind expectations, due to macro-economic challenges in Japan. We now expect this weakness to persist throughout 2011, and we have factored this thinking into our guidance for the year.

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Looking ahead from a total company perspective, we expect 2011 results to be better than 2010. More specifically, we expect NA top line to improve from a -1% decline in 2010 to low single digit growth in 2011. International will once again deliver double digit growth.

We also expect that our operating income will also return to growth in 2011, after 2 consecutive years of decline. More specifically, total operating income is expected to improve from -2% in 2010, to a positive 2-6% growth in 2011. Manny and Tasos will provide additional details in a few minutes.

Let me move to the second agenda item - an update on our strategic technology investment and related deliverables.

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As a reminder, this initiative has 3 key components:

1. Enhancing DUNSRight by simplifying and re-architecting the data supply chain
2. Creating a flexible technology infrastructure, and
3. Consolidating our legacy products to provide fewer more impactful applications for our customers

In 2010 we made progress on all 3 components. Regarding data, we relocated our data center from New Jersey, to Acxiom's facility in Conway, Arkansas. This allows us to take advantage of ACXM's grid technology and lower cost platforms. This was a significant undertaking, since it includes legacy platforms that are intricately connected to our customers systems, so we needed to make the move without service disruption for our customers. I am happy to report, that this mammoth task is now behind us. And, as of the end of the year, we are completely out of the New Jersey facility.

We also exceeded all of our stated milestones on data quality. At Investor Day in May we said that we would increase the number of records in our database to 175 million by the end of 2010. We closed the year with188 million records on hand. That is unmatched in the commercial space.

We now have 25 million trade scores and 17 million linked records, both of which were, ahead of expectations for the year. And finally, we increased financial statement coverage from 75,000 to 500,000, a critical need for customers of DNBi, and vastly superior to competition.

Of note, the improvements in data quality have been noticed by our customers, as results from our annual customer satisfaction index from just last week, yielded the highest ever year-on-year improvement in data quality since we initiated this survey over 5 years ago. In addition, we saw strong improvements in value and overall satisfaction with D&B. We are pleased with these results and determined to improve further in 2011

With the data center move completed, we will begin the heavy lifting on building the new data supply chain in 2011. As a reminder, the rebuild of our data supply chain is foundational to achieving our aspiration to be the "<u>most trusted</u> source of commercial insight". We now expect the project to be completed in the second half of 2012, at a total cost of around $130M, which is at the high end of the $110 -130M range provided last year.

The primary driver behind this change is our decision to in source the re-build in-house. After an extensive RFP process, we found our capabilities in this space were much stronger than any outsourced provider, and, we now have a plan that has lower execution risk than we originally envisioned. We also concluded that the strategic benefits of retaining this expertise in-house, far outweigh the marginally higher cost on the overall effort.

Since our 2012 expectations were developed with conservative assumption we do not expect any changes to the expectations that were communicated at Investor Day. This is largely driven by the fact that we made the decision to accelerate product delivery into 2010, leveraging our new applications development center in Ireland. This center opened in the summer of 2010, and our first new product from that center, MyDNB.com was introduced in the fourth quarter.

Since we launched the new MyDNB.com product in November, we have successfully migrated over 50% of existing DNB.com customers to this new platform. Clearly we're ahead of schedule here. Early customer reaction has been positive and the transition has been smooth. Customers are clearly benefitting from the improved functionality and ease of use of the new product.

Beyond this, two additional products were developed – D&B 360, our entry into the CRM space, and DNBi Pro, designed to close a gap we have in the "low-end" risk segment.

In hindsight, accelerating product delivery is now proving to be an excellent decision, as our new leaders in Ireland are rapidly coming up the learning curve, allowing us to bring real value to customers much faster than we originally expected.

We will benefit from these new product launches in 2011, and expect momentum to build over the course of the year and into 2012, as we accelerate the pace of innovation at D&B.

As just one example, we rolled out our D&B360 early adopter pilot in the fourth quarter last year. The pilot was designed to validate the strength of our value proposition and to test price, position and packaging for this “new to world” offering.   We include a broad representation of customers from multiple verticals, differing sizes and differing level of spend with D&B.   These customers installed, tested and used our solution as part of their daily operations with great success.   Two customers immediately purchased the product and we signed our first significant deal over $1 million with a large strategic customer late in January.   Early customer feedback is positive, with the product scoring high marks for ease of use and significantly better data quality through real-time data stewardship. Most important, customers see a demonstrable improvement in their overall productivity, with this offering.

Beyond these launches, our innovation lab, or “I-Lab,” is developing “test and learn” protocols to enable rapid prototyping and customer validation to identify new markets and new services. Each of the ideas put forth, will leverage our core data assets and what is already a highly flexible web services capability to bring new product ideas to market for 2012 and beyond.

So to summarize, there was a lot we accomplished in 2010. It’s hard to believe a year is behind us, and at this juncture we believe we are well positioned to deliver stronger performance in 2011 while continuing to execute on our strategic replatform.

And, as I said earlier, we remain committed to our 2012 goal of accelerating top-line growth in North America to the mid-to-high single digit range, while also delivering total company margins that are 100bps above 2009.

With that, let me turn the call over to Manny Conti for a more detailed review of 2010. Manny?

Manny Conti

Thank you, Sara, and good morning, everyone.

Today I will discuss our Q4 performance as well as provide insight into how we see our performance in 2011 playing out.

I'll start with revenue, which was up 7% in the fourth quarter and in line with our expectations. We are pleased with the performance of North America as revenue increased 2%, which was better than anticipated. While International was up 24%, this was slightly below our expectations, primarily due to continued weakness in Japan.

First, let me provide more detail regarding North America, which represents about 75% of our revenue. As expected, our North America business improved over the course of 2010 and returned to growth in the second half after six consecutive quarters of decline.

I'll explain each of our solution sets in more detail.

First, I will start with our largest solutions set, Risk Management Solutions, or RMS, which represents approximately 54% of North America revenue and was up 1% in the fourth quarter, which was ahead of our expectations.

RMS performed better than expected for 2 reasons:

First, we continued to see good performance of DNBi, which accounted for 57% of our RMS revenue. Retention remained strong and as expected, we experienced mid to high single digit price lifts when existing customers renewed their DNBi contracts.

In addition, we had better than expected project related revenue at the end of the year. This type of revenue is somewhat seasonal as our customers projects tend to be done in preparation for the upcoming year.

Let me now move to Sales and Marketing, or S&MS, which represents 38% of North America revenue. S&MS was up 5% in the fourth quarter, which was ahead of our expectations.

Last quarter we said customers were beginning to show a willingness to spend in anticipation of future marketing, and this trend is continuing as evidenced by strong results in S&MS Value Added Products. Also, our customers are beginning to spend on prospecting for new business again.

For example, we are seeing improvement in our flagship Optimizer product, as well as prospecting tools like Market Insight which is proving to be highly relevant for our customers.

While our Value Added Products drove higher fourth quarter revenue, we continue to see declines in the Traditional side of our S&MS business; a trend which has been with us for a while. To address this issue, we are migrating customers to our new Hoover's platform where we have seen much higher satisfaction. To further enhance its appeal to our Traditional S&MS customers, we have added more comprehensive prospecting functionality to the Hoover's platform.

Going forward, as we migrate customers from Traditional S&MS to the Hoovers platform, our future results will reflect a positive impact on Hoovers growth rate and a corresponding decline in S&MS Traditional Products.

Finally, Internet Solutions, which includes Hoovers, is our smallest solution set at about 8% of North America revenue. It was up 1% in the fourth quarter, which was slightly below expectations due to lower then expected online advertising growth, which can be volatile quarter to quarter.

As we look ahead, we expect North America to perform better than 2010 and return to growth in 2011. Specifically, we expect revenue growth for 2011 to be in the low single digits. We expect growth in the second half of the year to be better than the first half as we gain traction on the launch of new products such as DNB.com, DNBi Pro and D&B 360, all of which have revenue that is recognized over a 12 month period.

Let me now turn to the Q4 performance of our International business.

International, which represented approximately 25% of our revenue last year, was up 24% in the fourth quarter with 20 points coming from our acquisition of Australia and the remaining 4 points from organic growth. However, operating income for International was down 16% in the fourth quarter primarily due to underperformance in Japan.

Overall, we feel good about the performance of our International business as over 80% of it is performing well and consistent with our expectations both in terms of revenue growth and profits. The one challenge we do have in International is in Japan which I will further discuss shortly. Let me describe our International fourth quarter performance in more detail by region.

In Asia Pacific, which represented 43% of International, revenue grew over 50% in the fourth quarter with organic revenue growth in the low single digits. There are 3 primary drivers of performance in Asia Pacific.

First, D&B Australia which was acquired at the end of the third quarter provided the bulk of the growth in the quarter. More importantly, since the acquisition in the third quarter, the business is performing well and the integration effort is going smoothly.

Second, we are experiencing continued strong growth in China, specifically in our sales and marketing products. We continue to see significant growth opportunities in this market in the years ahead. As a result, we continue to invest in this market to further develop and scale the business.

Partially offsetting growth is continued weakness in Japan, largely due to the macro-economic environment.

Let me provide some context around Japan, which had about $70 million of annual revenue in 2010, and currently represents about 17% of our International revenue.

Back in 2007, we formed a joint venture with TSR where we hold a 60% equity stake. The strategic intent of the venture is to better penetrate large global customers in Japan. Through the JV, we significantly improved data quality in Japan and gained access to a broader segment of cross border customers in the market.

Due to the early success we experienced, we further expanded our JV arrangement in 2009 to cover more regions in Japan. However, in early 2010, a weakening macro economic situation has resulted in a contraction in customer spend across the market. This resulted in a reduction of upfront commitments which will adversely impact revenue through 2011. As a result, we expect further weakening in Japan in 2011, and this is factored into our guidance for the year.

Turning to Europe and Other, which represented 57% of International, revenue grew in the mid single digits in the fourth quarter as we continued to benefit from strong cross border demand as well as an uptick in Sales and Marketing.

We are also seeing strong early acceptance of DNBi in Europe since our launch at the end of the third quarter. Our early sales are above expectations and customer reception has been very positive. Thus far we are realizing pricing and conversion lifts similar to those we experienced when we first launched DNBi in North America.

Looking forward we expect our total International business to continue to grow at a double-digit pace in 2011, driven by strong cross border demand, the roll out of DNBi in Europe, as well as the impact of our acquisition of D&B Australia.

Now let me turn to operating income. As a company, we had improved profitability in the fourth quarter, with operating income up 7%. This improved performance was driven by North America, which grew 6% off a lower base in the prior year and benefitted from the positive impact of the Self Awareness divestiture. In International, operating income declined 16% due to lower revenue in Japan. We are taking steps to improve the operating efficiency of our business in Japan, so we can maintain profitability as we face the expected revenue declines.

In sum, we feel good about the performance of our business in the fourth quarter. Specifically, North America and most International markets performed at or above our expectations. Looking forward, we expect 2011 performance to be ahead of 2010, especially in the second half as we gain traction from the launch of new products.

Let me now turn the call over to Tasos to discuss our financial performance in more detail. Tasos?

Tasos Konidaris

Thank you, Manny, and good morning everyone.

Let me start with a discussion of our full year profitability.

We generated operating income of $481 million in 2010, which was at the low end of our guidance range, but in line with our expectations.

That said, our operating income growth in the 2nd half of the year improved substantially. More specifically, operating income grew 4% in the 2nd half, compared to a 9% decline in the 1st half.

Our improved performance was led by North America, where operating income increased 4% in the 2nd half of the year compared to a 10% decline in the 1st half. This improvement was driven by higher revenue growth, the divestiture of our Self Awareness business and easier prior year comparisons.

International operating income was down 17% in the 2nd half of the year compared to a 4% decline in the 1st half. This performance reflects solid growth in Europe, offset by the deal costs related to our Australian acquisition and weakness in Japan.

Looking ahead, we expect operating income growth in both North America and International in 2011. As in 2010, our operating income growth will be more heavily weighted to the second half of the year reflecting the timing of our top line growth expectations, and first half investments we are making behind our new products in North America and Europe.

In regards to operating income, it is worthwhile to note that effective January 1, 2011 we prospectively adopted the new revenue recognition accounting standard that impacts the timing of revenue recognition on certain contracts. In addition, we expect to have slightly lower pension income in 2011. We estimate that the net impact of the revenue recognition adoption and the lower pension income is a benefit to operating income growth of about a point.

Let me now move on to Financial Flexibility. Financial flexibility remains a key component of our strategy. In 2010 we generated about $80 million of financial flexibility. In 2011, we expect to generate $75 to $80 million dollars of additional flexibility. We expect to incur non-core charges of approximately $10 to $15 million dollars, and transition costs in the range of $5 to $7 million dollars.

Turning to earnings per share, our EPS grew 4% in 2010, well ahead of our operating income decline of 2%. The 6 point favorable spread reflects 5 points of accretion from share repurchases, and 1 point of benefit from a lower tax rate.

Looking ahead, we expect to continue to grow our 2011 EPS faster than operating income. This mostly reflects lower interest expense and a tax rate between 33% and 34%, compared to 34% in 2010.

Let me now move on to free cash flow. In 2010, we generated $249 million, which includes $36 million related to our Strategic Technology Investment, all in line with our expectations.

We remain very capital efficient, and total capital expenditures were 4% of revenue in 2010 and we expect them to be approximately 5% of revenue in 2011.

Our free cash flow generation allowed us to return approximately $151 million of cash to shareholders in 2010, through dividends and share buybacks. For the full year, we paid dividends totaling $70 million and repurchased $81 million of stock under our discretionary share repurchase program.

In 2011, we will continue to return excess cash to shareholders. We have increased our dividend from $0.35 per share to $0.36 per share and we expect share repurchases under our discretionary program to be in the $60 to $80 million range.

We ended the year with $79 million of cash, which was down from $223 million last year. The reduction is primarily due to our acquisition of D&B Australia for about $200 million.

Our total debt at the end of 2010 was $974 million, which is consistent with our expectations. During the fourth quarter we refinanced $300 million of bonds scheduled to mature in March 2011 to take advantage of the favorable rate environment. The new bond issuance was very successful and we were able to issue the bonds with a coupon of 2 and seven eighths percent. Concurrent with the new offering, we retired the March 2011 bonds that had a coupon of 5 and a half percent. As a result, we paid a make-whole premium on the retiring bonds of $3.7 million, which is reflected in our fourth quarter 2010 non-operating expense.

As we look ahead, we are comfortable with our current level of debt, and we expect to end 2011 with approximately the same level of debt as we have today.

Finally, in 2011 we will be making a change to our external reporting beginning with the first quarter, in order to further enhance transparency into our results.

As Asia Pacific is becoming a more meaningful part of our revenue base, we will begin reporting International in 2 separate segments. The first is Asia Pacific and the 2nd is Europe and Other International markets.

I would now like to turn the call back to Sara.

Sara Mathew

Thank you, Manny and Tasos.

So to summarize, our 2010 results were in line with expectations, and we met all major milestones for the year. It was a year of significant accomplishment, and we are better positioned for the one that lies ahead.

Let me now walk you through our outlook for 2011, and the basis for our guidance for the year.

Regarding revenue, we expect to see North America return to growth with revenue in the low single digits, after 2 years of decline.

In International we expect revenue growth in the mid to high teens as we benefit from both organic growth and the acquisition of Australia.

As a result, our total company revenue guidance should be in the 5% to 8% range, with a strengthening trend as the year progresses.

Moving to the bottom line, we expect operating income growth to be in the range of 2% to 6%, and EPS between 6% and 10%, both before the impact of non-core gains and charges.

Regarding cash, we expect to generate free cash flow between $240 and $270 million. As in the past, our free cash flow guidance includes **all** cash payments including the anticipated spend behind our strategic replatform and excluding luxury tax payments.

In conclusion, we feel good about our 2010 results as a whole, and are ready for 2011. We expect to evolve and expand our long-term competitive advantage as a company, as we move into the second year of our transformation.

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I'd like to close with a message to my D&B team, many of whom are on the call today.

It would be difficult to do describe the immense pride and deep responsibility I feel, as we lead through the next phase of our transformation. We collectively triumphed as one team in 2010 - delivering all of the major goals we set for ourselves at the start of the year. Most importantly, we addressed near-term execution while also positioning ourselves to win in the years to come. That will ensure we retain our 170 year-old legacy as "the most trusted source of commercial insight, so our customers can decide with confidence".

Thank you for your dedication, hard work and support in 2010. It is sincerely appreciated

With that, let me now open the call for questions. Operator?
Thank you, Operator. To all the participants in today's call, thank you again for joining us this morning. Good bye for now.

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