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Dun & Bradstreet Holdings, Inc. (DNB)

Q4 2021 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to the Dun & Bradstreet's Fourth Quarter 2021 Conference Call. As a reminder, today's call is being record. And your participation implies consent to such recording. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. [Operator Instructions]

With that, I would like to turn the call over to Deb McCann, Treasurer and Senior Vice President of Investor Relations. You may proceed.

Debra McCann
Treasurer and Senior Vice President of Investor Relations, Dun & Bradstreet Holdings, Inc.

Thank you. Good morning, everyone, and thank you for joining us for Dun & Bradstreet's financial results conference call for the fourth quarter and full year ending December 31, 2021. On the call today, we have Dun & Bradstreet's CEO, Anthony Jabbour; and CFO, Bryan Hipsher.

Before we begin, allow me to provide a disclaimer regarding forward-looking statements. This call, including the Q&A portion of the call, may include forward-looking statements related to the expected future results for our company and are, therefore, forward-looking statements. Our actual results may differ materially from our projections due to a number of risks and uncertainties. The risks and uncertainties that forward-looking statements are subject to are described in our earnings release and other SEC filings.

Today's remarks will also include references to non-GAAP financial measures. Additional information, including reconciliation between non-GAAP financial information to the GAAP financial information is provided in the press release and supplemental slide presentation. This conference call will be available for replay via webcast through Dun & Bradstreet's Investor Relations website at investor.dnb.com.

With that, I'll now turn the call over to Anthony.

Anthony M. Jabbour

Director & Chief Executive Officer, Dun & Bradstreet Holdings, Inc.

Thank you, Deb, and good morning, everyone. Thank you for joining us for our fourth quarter and full year 2021 earnings call. Before we get into our review of the quarter and full year, I wanted to take a moment to step back and reflect on our progress since the Take-Private three years ago.

In February of 2019, we began our journey to maximize the potential of an asset that had been under managed for over a decade. In that time, we've made significant financial and operational improvements to the business. From a financial perspective, we've grown adjusted revenues nearly 30% and adjusted EBITDA nearly 50% or approximately $280 million. We also expanded adjusted EBITDA margin by nearly 600 basis points and all while improving net leverage by more than four turns.

These financial outcomes are a direct reflection of the operational execution underway, and rather than talk about qualitative improvements in culture, organizational structure and the like, let me hit on a few quantitative metrics that really show the progress we have made.

Starting off, we've doubled our contribution from multi-year contracts, which now account for 50% of sales. We increased our New Product Vitality Index from less than 1% to nearly 8%. We doubled the size of our international business and we improved our data coverage globally by nearly 50%. Operational execution has been at the core of our transformation and it is most recently fueling our increased focus and investment in accelerating organic growth.

We finished 2021 on a high with our strongest quarter of the year and I'm excited to update you on our most recent financial and operational achievements. Let's jump into the quarterly update and then I'll hand the call over to Bryan for a more in-depth financial review of 2021 results and 2022 guidance. After that, we'll finish up by taking your questions.

Fourth quarter, total company revenues grew 25% and organic constant currency revenue growth came in at 4.8%. Organic revenue growth was fueled by high single-digit growth in international and mid-single-digit growth in North America. The international team capped off a strong year of growth as new solution introduction in Global 500 account expansion led to an 8% increase over the prior year quarter. North America continued its organic growth progression coming in at just over 4%, the finance and risk leading the way.

Our risk solutions remain a bright spot as enterprises continue to grapple with an ever evolving third-party risk landscape, and our solutions provide them the tools necessary to make rapid and informed decisions at an unparalleled level of company specificity. We continue to execute against our near-term financial objectives and even more importantly continue to execute against our strategic roadmap.

While the sales team had one of its best quarters in recent history, our technology and product organizations have been hard at work delivering new and innovative solutions to both our North American and international markets. The finance and risk teams have been focused on integrating and enhancing existing solutions, while simultaneously expanding our solution set to include areas such as fraud and ESG for our strategic and national accounts segments and introducing new lighter version solutions for our SMB clients.

On the sales and marketing side, we're enhancing our digital marketing solutions with the additions of Eyeota and NetWise and bringing greater integration through the wrap-up suite and more robust and connected data through our master data management solutions. The teams continued to deliver innovative solutions around the globe helping us drive increased wallet share, add net new logos and increased utilization and stickiness through deeper and deeper integration into our clients most critical operational workflows.

With that, I'll now go into more detail in each of these areas beginning with an update on some of our most recent innovations.

Beginning with finance and risk, we launched a new set of fraud capabilities that help companies prevent occurrences of business identity theft, synthetic fraud and other commercial fraud techniques. Our fraud analytics are utilized within the initial screening of a business that might be looking to access credit or become a new supplier. Through our proprietary analytic methods and access to hundreds of millions of records throughout the globe, we're in a unique position to help our clients stop a fraudulent transaction before it even gets started. With 10 companies currently in beta, we plan a full North American rollout by the end of the first quarter in a country-by-country international rollout shortly thereafter.

This morning, we announced a strategic agreement with Google Cloud for infrastructure modernization and to jointly innovate new industry specific solutions. We will combine the depth and breadth of Dun & Bradstreet's business data and insights with Google Cloud's technology and data and analytics. To push the boundaries of innovation and unlock opportunities to help our clients and stakeholders win in this fast-paced market.

Our first joint initiative is focused on the development of solutions that solve the increasing challenge of managing global supply chain risk. Both Dun & Bradstreet and Google Cloud bring deep domain expertise, brand leadership and a strong desire and ability to do something truly innovative for our clients. Work is already underway across our teams and we're looking forward to sharing more in the quarters to come.

We also continue to support and expand credit inclusivity for a small and medium sized businesses, our blended score is already showing great promise as we have been able to increase match rates by 30% to 35% with SMB client portfolios for some of our largest and most strategic clients. With the blended scores ability to take a core business score and supplement certain consumer credit attributes, we're finding a real differentiation in the combined solution. With rising interest rates, increasing inflation and government loan paybacks coming due, it's more critical than ever that we assist small businesses in their ability to not just survive but thrive in these ever evolving macroeconomic conditions.

Another rapidly evolving macroeconomic condition is a continued focus on ESG by both our international and North American clients. Our ESG Intelligence solution has potential growth vectors across supply chain management, investment decision-making, lending and credit evaluation, insurance and sales and marketing segmentation. Our initial focus is on the first two I just mentioned, corporate clients who leveraged D&B to underwrite the overall risk profile of a supplier or third-party during the onboarding process. And second investment managers who are seeking credible ESG data for comprehensive ESG integration across their investment portfolios.

For both the power of our public and private global data footprint can help to augment the existing credit and compliance risk at a time of increased supply chain scrutiny. We can also provide private equity and venture capital firms, private company ESG ratings based on actual data that can be leveraged for many uses, including due diligence, portfolio assessment and limited partner reporting.

We are early on in this journey, but it's clear to us that our most strategic clients will begin to mandate ESG solutions in multiple areas of their business. And we believe we are well-positioned to capture this expanding demand.

Moving on to sales and marketing, I wanted to touch on the progress we've made today with Eyeota and NetWise and their inclusion into audience solutions offering. To start, we've commenced with the integration of the Dun's number into the NetWise ID graph creating a full 360 degree view of our clients. We have identified and are approaching a high propensity cross-sell pipeline to bring EYEOTA and NetWise capabilities to our existing clients and we are expanding our audience targeting capabilities internationally.

Our audience solutions capabilities are designed to address the evolving international regulatory landscape, and we are excited to bring these solutions to our largest clients in the Scandinavian and DACH regions, along with the United Kingdom. We expect to deploy to Canada and the UK in the first quarter and to the rest of the world throughout the remainder of the year.

I'm very pleased with the results that we're seeing after the first few months from these two acquisitions, and I'm quite excited about our ability to assist our clients in navigating and optimizing their digital marketing efforts.

And finally, before we move on to the key sales update, I want to share another significant milestone in our solution modernization journey. We've often talked about the importance of API based solutions in driving stickier and deeper client relationships, which is why we were delighted to see that in the fourth quarter, we hit a milestone where the percentage of revenues from API based solutions have doubled in the past three years.

With API based solutions now accounting for 10% of our revenues, our recurring revenues have grown to over 90% and continue to provide us with a very defensible base to grow from.

Moving on to key sales wins in the fourth quarter, we won competitive new business with TransUnion, a global information and insights company who chose our risk and compliance solutions to improve their supplier risk assessment process. The multiyear deal includes our new ESG Intelligence solution which will allow them to gain better visibility into third-party ESG risks through topic specific rankings built from verified data points. A financial services and digital payments company signed a new multi-year third-party risk and compliance deal with us as well.

On the finance solutions side, we're excited about new multi-year business with a rapidly growing fintech company. Our solutions will enable them to grow their commercial card business by maximizing approval rates, by simultaneously avoiding high risk applicants. A leading provider of multi-cloud services signed a new multi-year master data management agreement that will improve their operational effectiveness and scalability, resulting in increased opportunities and revenue.

Odp expanded their sales and marketing business with us to include more modern API solutions, as well as the addition of Rev.Up. And finally, KeyBanc renewed its sales and marketing business with a multi-year deal to support their analytics, insights, marketing and lead generation. We continue to broaden and deepen our relationships with our strategic clients while at the same time making incremental progress in our SMB segment.

Improving our SMB segment has been a priority for us since day one. There were shortcomings with the solutions and sales practices that brought about not only challenges to grow, but also an open investigation by the FTC beginning in 2018, prior to privatization, almost immediately when we took over, we began making changes, including a completely new leadership team, significant changes to sales and contracting practices, and a rationalized and expanded solution set that is pointed at helping small businesses grow and thrive in an ever evolving business landscape.

We've updated you on all our progress in each of our quarterly calls, and while many of these changes addressed the issues brought up by the FTC; that was but a byproduct of our focus on evolving our SMB solutions in new and innovative ways.

We are pleased to settle this matter, and we'll continue to focus our time, energy and efforts on helping small and medium-sized businesses enhance credit inclusivity and leverage sophisticated solutions that help small businesses make sophisticated decisions without a team of data scientists. I'm very proud of the efforts made to-date and enthusiastic about our opportunities to serve this market through continued innovation and expand its strategic partnerships.

On the international front, performance remained strong as we continue to focus on developing innovative solutions, enhancing existing client relationships and winning new clients in targeted markets. We launched 10 additional solutions across our international and worldwide network markets, which brings our total to nearly 40 for all of 2021. Key launches in the quarter included our localized D&B Hoovers across Europe, D&B Onboard in the Nordics, Rev.UP in the UK and risk analytics across varying Asian worldwide network partner markets. These new offerings are enabling us to initiate and expand our relationships with large enterprise accounts facilitated by our improved go-to-market strategies that fosters more cross-border collaboration than ever before with our Global 500 clients.

We expanded and establish new relationships with organizations such as Deutsche Telekom that add to a growing list of mega clients looking to do business with us throughout the world and we are excited about the momentum we have built in a segment that has more than doubled in three short years. Part of the success we're having in the core international business is the benefits of our successful acquisition and integration of Bisnode into what is now known as D&B Europe. Through a tremendous amount of effort and teamwork, the business turned from a decline in 2020 of approximately 1.5% to growth of nearly 2% in 2021. And at the same time, we're able to achieve over $20 million in annualized run rate savings. With 12 new products launched in 2021 and the migration to more modern D&B products underway, I'm very pleased with the progress we have made and look forward to continuing in 2022 and beyond.

Overall, I'm extremely proud of our team's accomplishments this quarter, this year and the performance over the past three years. We've accomplished an incredible amount in a short period of time and are ready and energized to continue maximizing the assets and opportunity we have in front of us.

With that, I'd now like to turn the call over to Bryan to discuss our financial results for 2021 and outlook for 2022.

Bryan Hipsher

Chief Financial Officer, Dun & Bradstreet Holdings, Inc.

Thank you, Anthony, and good morning, everyone. Today, I will discuss our fourth quarter and full year 2021 results and then our outlook for 2022.

Turning to slide 1, on a GAAP basis, fourth quarter revenues were $598 million, an increase of 25% compared to the prior year quarter, both after and before the effect of foreign exchange. Net loss for the fourth quarter was $12 million or diluted loss per share of $0.03, compared to net income of $2 million for the prior year quarter. This was primarily driven by costs associated with the early debt extinguishment and the collar gain recorded in the prior year, partially offset by higher operating income.

For full year 2021, revenues were $2,166 million, an increase of 25% or 24% before the effect of foreign exchange. On a full year basis, net loss was $72 million or a diluted loss per share of $0.17 compared to a net loss of $181 million for the prior year.

Turning to slide 2, I will now discuss our adjusted results for the fourth quarter. Fourth quarter adjusted revenues for the total company were $598 million an increase of 25% both after and before the effect of foreign exchange. Revenues on an organic constant currency basis were up 5% or 4.8% excluding the net impact of lower deferred revenue purchase accounting adjustments, which was driven by increased demand in both our North American and international segments.

Fourth quarter adjusted EBITDA for the total company was $243 million, an increase of $39 million or 19%. The increase in EBITDA was driven by the impact of the Bisnode acquisition and increased organic revenues, partially offset by higher investments in data and data processing.

Fourth quarter adjusted EBITDA margin was 40.6%. Fourth quarter adjusted net income was $142 million or adjusted diluted earnings per share of $0.33, an increase from $115 million or $0.27 in the fourth quarter of 2020. The growth was driven by increased adjusted EBITDA, partially offset by a higher tax provision. Full year adjusted revenues for the total company were $2,170 million, an increase of 25% both after and before the effect of foreign exchange compared to 2020.

Revenues on an organic constant currency basis were up 4.5% or 3.2%, excluding the net impact of lower deferred revenue purchase accounting adjustments driven by growth in both our North American and international segments.

Full year adjusted EBITDA for the total company was $847 million, an increase of 19%. The growth was driven by the Bisnode acquisition, organic revenue growth and lower net purchase accounting deferred revenue adjustment of $21 million. In addition, we also had lower costs related to facility management and travel related expenses resulted from ongoing cost management efforts, partially offset by higher data and data processing fees, along with increased public company cost.

Full year adjusted EBITDA margin was 39%, a decrease of 190 basis points, primarily due to the acquisitions we made in 2021. Full year 2021 adjusted net income was $471 million or adjusted diluted earnings per share of $1.10 compared to 2020 adjusted net income of $347 million. The growth was driven by increased adjusted EBITDA along with lower interest expense, partially offset by a higher tax provision.

Turning now to slide 3, I'll now discuss the results for our two segments, North America and International. In North America, revenues for the fourth quarter were $429 million, an increase of approximately 7% from prior year. Excluding the impact of foreign exchange and acquisitions, North America organic revenue increased $17 million, or 4%.

In finance and risk, revenues were $231 million, an increase of $13 million or 6%, primarily driven by strong double-digit growth in our risk solutions and solid single-digit growth in our finance solutions from new business and increased wallet share from existing customers. For sales and marketing, revenues were $198 million, a new increase of $15 million or 8%. Data sales and our marketing solutions had another solid quarter and with the acquisitions of EYEOTA and NetWise, the overall increase more than offset the last of the Data.com wind-down of approximately $1 million. North America fourth quarter adjusted EBITDA was $211 million, an increase of $14 million or 7%, primarily due to revenue growth, partially offset by higher net data and data processing fees. Adjusted EBITDA margin for North America was 49.3%.

Turning now to slide 4, I will now discuss the full year results for North America. In North America, revenues for 2021 were $1,499 million, an increase of $39 million or 3% excluding the positive impact of foreign exchange and the net impact of acquisitions North America organic revenues increased $31 million, or 2%. North America finance and risk full year revenues were $835 million, an increase of $24 million or 3% driven by strong demand for our third-party risk and compliance solutions. With strong double-digit growth, we continue to see a heightened demand from both new and existing customers as enterprises look to tackle an ever evolving supply chain risk management landscape.

North America's sales and marketing full year revenues increased $16 million, or 2% to $665 million. This was driven by continued strength in our marketing offerings, along with overall higher data sales as we continue to expand our data cloud with new intent, alternative and contact datasets, as well as the NetWise and EYEOTA acquisitions. This was partially offset by lower royalty revenues of approximately $12 million from the wind down of the Data.com partnership.

Full year adjusted EBITDA for North America increased $19 million or 3% to $715 million, primarily due to revenue growth lower costs resulting from ongoing cost management efforts, partially offset by higher net data and data processing fees from new investments. Full year adjusted EBITDA margin for North America was 47.7% flat compared to the prior year.

Turning to slide 5, in our International segment, fourth quarter revenues increased 114% to $170 million or 119% before the effect of foreign exchange, primarily driven by the net impact of the Bisnode acquisition. Excluding the net impact of Bisnode, International organic revenues increased $7 million or approximately 8%. Finance and Risk revenues were $110 million, an increase of 73% or 76% before the effect of foreign exchange, primarily due to the Bisnode acquisition. Organic revenue before the effect of foreign exchange grew to $6 million or 10% with growth across all markets, including higher revenues from our risk and compliance offerings in our United Kingdom markets.

Sales and marketing revenues were $59 million, an increase of 277% or 289% before the effect of foreign exchange, primarily attributable to the Bisnode acquisition. Organic revenues grew 2%. Fourth quarter International adjusted EBITDA of $46 million, increased $27 million or 143% versus fourth quarter 2020, primarily due to the net impact of the Bisnode acquisition, as well as organic revenue growth and lower data cost, partially offset by higher net personnel expenses. Adjusted EBITDA margin was 27.1%.

Turning to slide 6 in our International segment, full year 2021 revenues were $671 million, an increase of 124% or 122% before the effect of foreign exchange. International organic revenues increased $26 million or 9%. International Finance and Risk full year revenue of $430 million increased 76% or 74% before the effect of foreign exchange. Organic revenue increased $18 million or 7%, a result of positive growth across all markets, including higher revenues of approximately $5 million from worldwide network alliances due to higher cross-border data fees and product royalties and higher revenues from our United Kingdom and Greater China markets or approximately $6 million attributable to growth from our risk and compliance and finance offerings.

International sales and marketing full year revenue of $241 million, increased 331% or 330% before the effective of foreign exchange. Organic revenue increased $9 million or 15% as a result of positive growth across all markets, including approximately $5 million of growth across our United Kingdom and Greater China markets driven by newer API offerings, as well as increased revenue from worldwide network product royalties of approximately $3 million.

Full year 2021 international adjusted EBITDA of $194 million, increased $103 million or 113% versus 2020, primarily due to the net impact of the Bisnode acquisition. Organic revenue growth and lower data cost, partially offset by higher net personnel expenses. Adjusted EBITDA margin was 28.9%, adjusted EBITDA for the corporate segment was a loss of $62 million, an improvement of $14 million, primarily due to the net impact of lower purchase accounting deferred revenue adjustments of $21 million, partially offset by higher public company costs.

Turning to slide 7, I'll now walk through our capital structure, at the end of December 31, 2021, we had cash and cash equivalents of $177 million, which when combined with $690 million of capacity on our $850 million revolving line of credit through 2025, represents total liquidity of nearly $900 million. As of December 31, 2021, total debt principal was $3,823 million and our leverage ratio was 4.3 times on a net basis and the credit facility senior secured net leverage ratio was 3.7 times.

We are pleased with our efforts throughout 2021 and in early 2022 to significantly reduce the cost of our debt. The combination of the term loan re-pricing we did in January of 2021, the December 2021 refinancing of our $450 million 10.25% unsecured bond with a $460 million 5% unsecured bond and the action we took in January 2022 to raise incremental term loan of $460 million to pay down our 6.875% secured bond have generated significant interest savings as we head into an increasing rate environment.

Turning now to slide 8, I'll now walk through our outlook for 2022. Adjusted revenues after the effect of foreign currency are expected to be in the range of $2,270 million to $2,315 million or an increase of approximately 4.5% to 6.5%. This includes a 0.5% headwind to revenue growth after the effect of foreign currency due primarily to the strengthening of the US dollar versus the euro and Swedish krona.

Revenues on an organic constant currency basis are expected to be in the range of 3% to 5% for the full year. It is important to note that the total and organic growth ranges take into account the conclusion of the existing GSA contract at the end of April 2022. As previously noted, the most recent contract extension runs on at this time, and while we continue to look for constructive ways to support the GSA, we have not executed a further extension at this time.

Adjusted EBITDA is expected to be in the range of $865 million to $905 million. The adjusted EBITDA range also takes into account the conclusion of the GSA contract, along with elevated travel, sales and marketing, medical benefits and wage inflation, accounting for approximately $10 million in unique increases to 2022. Adjusted EPS is expected to be in the range of a $1.13 to $1.20. Additional modeling details underlying our outlook are as follows, we expect interest expense to be approximately $180 million. Depreciation and amortization expense approximately $80 million, excluding incremental depreciation and amortization expense resulting from purchase accounting.

Adjusted effective tax rate of approximately 24.5%, weighted average diluted shares outstanding of approximately 430 million and for CapEx, we expect approximately $150 million to $180 million. While we don't give quarterly guidance, I did want to provide some color on how we expect the year to progress. In terms of organic revenue growth we expect to be at the low end of our full year range in Q1 and then increase each quarter until it reaches the high-end of the range by Q4.

EBITDA is expected to be relatively flat in Q1 and Q2 due to increased levels of investment in data assets along with the elevated levels of expense I mentioned earlier in my prepared remarks. Q3 and Q4 are then expected to grow at high single-digit rates. As a quick recap, we finished the second half of 2021 strong with fourth quarter organic revenue growth of 4.8%. We are well-positioned to capture significant growth opportunities and continuing to accelerate in 2022 with a step-up in organic growth based on the midpoint of our guidance range, including the impact of the GSA. We have made thoughtful and strategic decisions to invest in the acceleration of future organic growth by investing more in data, as well as our go-to-market strategies with sharp focus on rapid growth areas such as third-party risk management and digital marketing. At the same time, we continue to optimize our capital structure and execute a disciplined M&A strategy.

With that, we're now happy to open the call for questions. Operator, will you please open your line for Q&A?

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the Q&A session. [Operator Instructions] Thank you. Our first question for today comes from Kevin McVeigh from Credit Suisse. Kevin, your line is now open.

Kevin McVeigh
Analyst, Credit Suisse Securities (USA) LLC

Q

Great, thanks so much, and congratulations on the results. Hey, I don't know if this would be Anthony or Bryan, but hey, how are you? On that organic growth the 3% to 5%, can you just remind us Bryan what the headwind is from the GSA contract and maybe what the sequencing on that is if possible?

Bryan Hipsher
Chief Financial Officer, Dun & Bradstreet Holdings, Inc.

A

Yeah, sure, Kevin. And so we've talked about it, and what is listed publicly is it's a little over $20 million, about $24 million on a full year basis. We expect that the current extension runs down in April of 2022. And so when we look at the remainder of that year, so really starting in the second quarter and then fully impacting starting the fourth, that's the expectation that we built into the organic growth range.

Kevin McVeigh
Analyst, Credit Suisse Securities (USA) LLC

Q

It's super helpful. And then Anthony, I noticed with Black Knight, it seems like there's a new CEO that's coming in. Does that change your role I mean, congratulations there. Just how do you think about that within the context of Dun & Bradstreet?

Anthony M. Jabbour
Director & Chief Executive Officer, Dun & Bradstreet Holdings, Inc.

A

Yeah sure, so I was a dual CEO, and as we looked at Black Knight and how the company continues to perform exceptionally well with great pace of innovation and the future is very bright there. The board and I thought it was the right time for me to – for the three of us myself, the President at the time, and our CFO had always kind of been running the key leadership of the company. And we've transitioned how the three of us work together and this is really just the next step in the transition where I've moved to Executive Chair or President since 2017, moved to the CEO role and our CFO moved to President and CFO. So and from a Dun & Bradstreet perspective I've been like I've said all along, very engaged and probably the biggest beneficiary here is my family, who could see me a little bit more. But we're excited with how those transitions have taken place at Black Knight, we're excited that a couple of our key shareholders here with Cannae and THL have gone deeper into Dun & Bradstreet though the transaction from Black Knight and they've got a lot of confidence in the future here as do I.

Kevin McVeigh
Analyst, Credit Suisse Securities (USA) LLC

Q

It seems to be based on how they structure the transaction, so congratulations again.

Anthony M. Jabbour
Director & Chief Executive Officer, Dun & Bradstreet Holdings, Inc.

A

Thank you so much.

Bryan Hipsher
Chief Financial Officer, Dun & Bradstreet Holdings, Inc.

A

Great. Thanks, Kevin.

Anthony M. Jabbour
Director & Chief Executive Officer, Dun & Bradstreet Holdings, Inc.

A

Hey Kevin, if I could just maybe one more to that on the ESG your question or the GSA sorry your question to Bryan. I just want to be clear, we're working very hard with the GSA to look for opportunities for us to broaden what we do. But at this stage just weren't comfortable putting anything into our guidance for the year, just with the uncertainty that we have. But we're working hard, as you'd expect us to.

Kevin McVeigh
Analyst, Credit Suisse Securities (USA) LLC

Q

No, it just makes that organic growth look that much stronger.

Anthony M. Jabbour
Director & Chief Executive Officer, Dun & Bradstreet Holdings, Inc.

A

That's right.

Operator: Thank you, Kevin. Our next question comes from Hamzah Mazari of Jefferies. Hamzah, your line is now open.

Hamzah Mazari
Analyst, Jefferies LLC

Q

Good morning, thank you. My first question is just I think you mentioned new fraud capabilities in Finance and Risk. Could you talk about how your fraud capability differs from what some of the credit bureaus are doing? They've done a lot of deals in fraud. I know it's more consumer based, but how are you different? What kind of data do you have and how big could that be for you guys?

Anthony M. Jabbour
Director & Chief Executive Officer, Dun & Bradstreet Holdings, Inc.

A

Sure, Hamzah. The real difference, I'd say, between what the credit bureau is doing and what we do is we're B2B focused. And we see it pretty much a greenfield on the commercial fraud landscape. And so if we think in terms of fraud at the time of onboarding or transactional fraud or monitoring, just ongoing monitoring of the business as key areas. So if you think of – and some of this is behaviors that we've seen on the consumer side bring to the business side. So what's the risk of a first payment default, right? Our analytics, our insights give us the ability to have a predictor on that which we see is valuable, looking at business identity theft that maybe be a second one I'd call out.

And the third would be on business misrepresentation. So if you say you're of a certain size and have 50 employees, but we know you have much fewer than that, for example, identifying the misrepresentation. So those are areas that we're really excited about, we've got the data, we have the use cases, we have the customers who understand the need and what we're seeing a lot of like everything that we're doing and we mentioned to you beginning with our clients, we have a world-class roster of clients working with them, listening to them, launching quickly, piloting with them, doing proof-of-concepts, getting their reactions and pivoting. And with fraud, we're seeing a lot of quick uptake there, so excited about that launch.

Bryan Hipsher
Chief Financial Officer, Dun & Bradstreet Holdings, Inc.

A

Yeah, and Hamzah if I might add to what's interesting as you go on to the business side, I think on the consumer side, it's primarily around lending, right? And of course there are certainly lending use cases on the business side. But when you think about supply chain, you think about trade credit extension and you think about the global nature of how businesses interact from that perspective, we're in a really unique position where for instance, there are large scale orders that are placed out, and if those end up going out and capital is extended out from that perspective, you end up with a firm that's worked through synthetic fraud techniques and they're gone. And so it really is an interesting use case from our side, and we're seeing it kind of proliferate more and more through the global supply chain. So that's another I would say path for us to head down, that's a little different than just a pure B2C concept applying in the B2B scenario.

Hamzah Mazari
Analyst, Jefferies LLC

Q

Got it. And then I think you had mentioned this at the beginning. Could you maybe just talk about the Optimal Blue transaction and what the implications are to D&B a little more? I know you spoke about your role now as Exec Chairman at Black Knight and sole CEO here. But maybe just talk about we've obviously seen some selling pressure on the stock from private equity and some of the owners that took it private over the course of the last year or so. But maybe just talk about this transaction a little more for those who don't follow Black Knight and just follow Dun & Bradstreet? Thank you.

Anthony M. Jabbour
Director & Chief Executive Officer, Dun & Bradstreet Holdings, Inc.

A

Okay. Sure, Hamzah. So Black Knight purchased 60% of Optimal Blue and 40% was purchased by Cannae and THL, who were also the key investors in Dun & Bradstreet, and they are trusted partners on the Black Knight side and the Optimal Blue transaction is working out exceptionally well for Black Knight and we approach them to – we had a call option in three years and we approach them to accelerate it because of our confidence in the business. And we're fortunate that they agreed to it. And like I said, they've been good partners.

The positive for Dun Bradstreet, how and why I made the connection is that Cannae Holdings is now an even larger investor in Dun & Bradstreet at is TH. Lee. And like I said, they've got a high degree of confidence of the future here at Dun & Bradstreet, and they took the majority of the purchase, the remaining Optimal Blue shares in the form of D&B shares that Black Knight owned, so removing selling pressure in the open market, which was positive for Dun & Bradstreet positive for Black Knight and positive for Cannae and THL who were excited to be bigger shareholders of Dun & Bradstreet.

Hamzah Mazari
Analyst, Jefferies LLC

Q

Great, thank you so much.

Anthony M. Jabbour
Director & Chief Executive Officer, Dun & Bradstreet Holdings, Inc.

A

Thanks, Hamzah.

Bryan Hipsher
Chief Financial Officer, Dun & Bradstreet Holdings, Inc.

A

Great. Thanks, Hamzah.

Operator: Thank you, Hamzah. Our next question comes from Ashish Sabadra of RBC Capital Markets. Ashish, your line is now open.

Ashish Sabadra
Analyst, RBC Capital Markets LLC

Q

Thanks for taking my question. My first question was on the Bisnode. I believe $50 million of Bisnode product revenue was going to be sunset and replaced with D&B products. I was wondering if you could comment on what percentage of those were replaced in 2021? And how should we think about going into 2022? And maybe just a follow-up on that one would be just as you go through those replacement cycle, do you expect any challenges during the transition? Thanks.

Bryan Hipsher
Chief Financial Officer, Dun & Bradstreet Holdings, Inc.

A

Yeah, Ashish, thanks for the question. As Anthony said, we are really pleased with the progress we made with Bisnode. We ended up transitioning, call it around $10 million to $15 million in 2021. And then the remainder, we believe will transition through in 2022, maybe a little dribbles into 2023, but that's built into our growth expectations around the international market and again it's more of a conversion of wind down of legacy products in shifting over on to our new products, we've rolled out, Anthony I think it was almost 40 products...

Anthony M. Jabbour
Director & Chief Executive Officer, Dun & Bradstreet Holdings, Inc.

A

That's right.

Bryan Hipsher
Chief Financial Officer, Dun & Bradstreet Holdings, Inc.

A

...right, in 2021 and so we've gotten the product teams and the technology teams really localized the solution and get them ready for that transfer. So look, there's always a little bit of risk while you're making those moves, but we're really confident about having our latest and greatest technologies available for our European customers and ready to continue to accelerate that business.

Ashish Sabadra
Analyst, RBC Capital Markets LLC

Q

That's very helpful color. And maybe just a quick follow up would be on the organic growth cadence for 2022, the comps are actually easier in the first half compared to second half, so I was just wondering what's weighing on the revenue growth in the first half, is that the lapping of the Bisnode acquisition and what drives the improvement or acceleration throughout the year? Thank you.

Bryan Hipsher
Chief Financial Officer, Dun & Bradstreet Holdings, Inc.

A

Sure. And we had a bit of a similar contempt this year, right, where it went from 1.3% to roughly 3% to 3.7% to 4.8%. And so going more from the lower end of the range right into the higher end of the range, part of it is the lapping of the Bisnode in some of the seasonality that we see in terms of usage volumes in deliveries earlier in the year versus later in the year. And then the other piece is Ashish as you know, we signed subscription based businesses. And so as that continues to stack on you continue to see that raised up. The other piece, I would say that plays into and then I talked a little bit about it specifically in the second quarter is that's when we expect the GSA to come off. And so as that comes off in April, you see a little bit of that impact in Q2. But then as the new solutions, the price increases, et cetera stack on that's what's overcoming that through the back half of the year.

Ashish Sabadra
Analyst, RBC Capital Markets LLC

Q

That's very helpful color. Thanks and congrats on a solid quarter. Thank you.

Anthony M. Jabbour
Director & Chief Executive Officer, Dun & Bradstreet Holdings, Inc.

A

Thank you, Ashish.

Bryan Hipsher
Chief Financial Officer, Dun & Bradstreet Holdings, Inc.

A

Thank you.

Operator: Thank you, Ashish. Our next question comes from Andrew Jeffrey of Truist Securities. Andrew, your line is now open.

Andrew W. Jeffrey
Analyst, Truist Securities, Inc.

Q

Thanks. Good morning, Anthony and Bryan, hope you're doing well. Hey, Bryan, just a clarification question, the $10.5 million roughly of acquired revenue from the EYEOTA and NetWise in 1Q, was that about two months of revenue in the quarter or was closer to one?

Bryan Hipsher
Chief Financial Officer, Dun & Bradstreet Holdings, Inc.

A

That was about two months, Andrew, and the...

Andrew W. Jeffrey
Analyst, Truist Securities, Inc.

Q

Okay.

Bryan Hipsher
Chief Financial Officer, Dun & Bradstreet Holdings, Inc.

A

...again that's right. So we acquired them and so we had them fully for November and December.

Andrew W. Jeffrey
Analyst, Truist Securities, Inc.

Q

Okay. I wasn't sure when the deal is closed, that's helpful, it is meaningful as we think about organic. And then just Anthony maybe a question about those businesses specifically, can you elaborate is there a larger sort of B2B marketing opportunity, I mean, I assume there is given those acquisitions, but can you talk a little bit about how we might think about that driving growth and exactly what that looks like? I know that for example TransUnion with its Neustar acquisition is focusing again more in sort of consumer online marketing and integrated fraud and ID and so forth. Can you talk about how that might work for B2B solutions?

Anthony M. Jabbour
Director & Chief Executive Officer, Dun & Bradstreet Holdings, Inc.

A

Yeah, thank you for that Andrew. We're really excited with the acquisitions, and I'd say from an M&A perspective we've been extremely disciplined as we look at what companies we want to acquire, bring into the family and walk away from a number that turned out to be great moves that we made, and certainly the ones that we've done, we're excited because they're working out as we hope Bisnode is big one obviously, the EYEOTA and NetWise are also off to a great start. And really as we look on a broader basis of what we're doing with our entire marketing solution with our Rev.UP offering, it's clearly a winning strategy that we have in the space, we're seeing others follow us and replicate that in the marketing space.

And we just think with the breadth of data that we have, the relationships with our clients and with agencies that it's putting us in a great position to help accelerate the growth of EYEOTA and NetWise. And fundamentally, when we think of an acquisition, the question I would ask the team is how will we make them better or how that acquisition make us better? And unless we have some real obvious – and the idea that we've got a big sales engine, we can sell the product and make them better that's never good enough for me. There's got to be some inherent advantage that we bring. And so for us, we bring a lot of additional data and relationships, trusted relationships, clients already using our products and to be able to add on to it. So we think it's a growing space just overall and we think with the attributes that we can add to it will help it grow even faster for us.

Andrew W. Jeffrey
Analyst, Truist Securities, Inc.

Q

All right. Look forward to that product roadmap developing there. Thank you.

Anthony M. Jabbour
Director & Chief Executive Officer, Dun & Bradstreet Holdings, Inc.

A

Thank you, Andrew.

Operator: Thank you, Andrew. Our next question comes from Kyle Peterson of Needham. Kyle your line is now open.

Kyle Peterson
Analyst, Needham & Co. LLC

Q

Great. Good morning, guys. Thanks for taking the questions. I just wanted to touch on capital allocation priorities for the coming year. Obviously you guys have done quite a bit of kind of work on refinancing some of the debt and done a little M&A. How should we think about kind of the balance and use of cash between organic growth, paying down debt and potentially doing more tuck-in M&A?

Anthony M. Jabbour
Director & Chief Executive Officer, Dun & Bradstreet Holdings, Inc.

A

Well, I think the first area where I was going to look to invest in is organic growth through innovation that's always we think the best return we can get on our capital and it's our first go to every time, we're focused on paying down debt. And we really believe that if we see on the M&A side, something that is a good fit for us will always stretch for that. And like I said, if we watch our philosophy in terms of M&A just a moment ago and if we have conviction in a company, we'll make the move and be bold on that and that's worked out well for us.

Kyle Peterson
Analyst, Needham & Co. LLC

Q

Great. That's helpful, and then maybe just a follow-up. Great to get the update on the contribution from multi-year products now being 50% of sales, is there some more wood to chop there like what percentage do you think longer term you could get as a percentage of sales for multi-year products?

Bryan Hipsher
Chief Financial Officer, Dun & Bradstreet Holdings, Inc.

A

Yeah, so obviously really pleased with the 50%, Kyle, and the continued new progression there, we'll have opportunity to continue to extend those types of agreements even further into our European markets. The UK is already I would say on a similar percentage as North America, but the Bisnode regions that we had just acquired again had more of I would say annual contracts versus multi-year contracts. So there's some room to operate there. The other side that we continue to look at is expanding into some of our newer solutions, primarily on the sales and marketing side. And so we never want to hit like a point estimate that says we want to be X percent by this day. But we'll continue to press above the 50% and certainly look to something, let's say, like 55%-60% over the next maybe a year or two.

Kyle Peterson
Analyst, Needham & Co. LLC

Q

All right. That's very helpful. Thanks, guys. Nice quarter.

Anthony M. Jabbour
Director & Chief Executive Officer, Dun & Bradstreet Holdings, Inc.

A

Thank you, Kyle.

Bryan Hipsher
Chief Financial Officer, Dun & Bradstreet Holdings, Inc.

A

Thank you.

Operator: Thank you, Kyle. Our next question comes from Andrew Steinerman of – my apologies. It comes from Patrick O'Shaughnessy of Raymond James. Patrick, your line is now open.

Patrick Joseph O'Shaughnessy
Analyst, Raymond James & Associates, Inc.
Q

Hey, good morning. A question about the FTC settlement, did the stipulated changes to your business practices mandated by that settlement pose any ongoing risk to your revenue or your customer relationships?

Anthony M. Jabbour
Director & Chief Executive Officer, Dun & Bradstreet Holdings, Inc.
A

No, I don't think any significant risk from a go forward perspective. Like I said that this is something we saw during due diligence in 2018 when this investigation had begun with the FTC. So we're well aware of it. And we saw it and agreed and we made some significant changes immediately as I laid out in my prepared remarks. And as I think about the SMB space, it's an area that we have excitement around. And I think I've talked about it probably on every earnings call, because we really believe that as we continue to create capabilities in a purely digital e-commerce manner we think we can really grow with this space, and we think we could really help SMBs in terms of credit inclusivity, so if you think of some of the capabilities we launched, like blended score, it's really catered to the SMB space.

How can we take our data matching with consumer bureau data and other data assets that we have we can acquire to really create a blended score and help in that space. We think there's a lot of product capability that we can enable through our digital channels, and it's the law of large numbers, as we increase our traffic throughput and have products where our SMBs can try them for free. And if they like them, they work, they make the purchase, it's very, I'll say SMB friendly, and from our perspective, we have a high degree of confidence of what we put out there is going to have a good hit rate. And so we see more upside than downside in this space.

Patrick Joseph O'Shaughnessy
Analyst, Raymond James & Associates, Inc.
Q

Okay, I appreciate that commentary. And then a couple of days ago, a private company that provides supply chain risk management analytics recently completed $200 million capital raise. Just curious if you can provide an update on the competitive environment, particularly in the Finance and Risk space?

Anthony M. Jabbour
Director & Chief Executive Officer, Dun & Bradstreet Holdings, Inc.
A

Yeah, no, it's interesting, there is a Gartner survey that said last year 73% of businesses were looking for supply chain visibility technology. So there's a huge interest in that right now. And I think supply chain tech startups raised about $24 billion in the first three quarters of last year, which was, almost 60% more than it did in 2020. So the beauty for us in the space is it's – we feel we're very differentiated when it comes to the data, and when it comes to all the insights that we can provide in this space, so as new providers come to market, we think it'd be more complementary versus competitive for us.

So we announced our Google partnership this morning where they also have some capability in terms of creating a visualization of the physical supply chain in a digital manner. And when you look at what we can provide to that, we have the maps of the supply chain and other risks. We have the legal linkages and ultimate beneficial owners, meaning minority shareholders or undisclosed owners which are at risk. We have the secondary, tertiary suppliers, we have third-party risk and supplier health monitoring. We have compliance tied into it. So is the supplier on a watch list or restrictions or adverse media against them, et cetera. And as we've talked about recently, we're continuing to strengthen our capability in that space through ESG and cyber and fraud that we just talked about. So when we look at this space growing, we're much more excited versus nervous about it, because we think we have a really unique capability here that can help companies in the marketplace.

Patrick Joseph O'Shaughnessy
Analyst, Raymond James & Associates, Inc.

Q

Great, thank you.

Anthony M. Jabbour
Director & Chief Executive Officer, Dun & Bradstreet Holdings, Inc.

A

Thank you, Patrick.

Operator: Thank you, Patrick. Our next question comes from Andrew Steinerman of JPMorgan. Andrew, your line is now open.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Q

Hi, it's Andrew. I was intrigued by the Google Cloud partnership announced today. If you could go over what percentage of D&B is computing today is currently done in the public cloud and what is the goal in the future. I definitely heard you talking about that the Google Cloud partnership is about leveraging their analytics. I'm just wondering if this will also shifts Google in terms of what their role for infrastructure – cloud infrastructure is for D&B?

Anthony M. Jabbour
Director & Chief Executive Officer, Dun & Bradstreet Holdings, Inc.

A

Sure. What we have been building in terms of new capabilities or migrating of our current tools was to a more cloud ready environment and in some of it we've moved to the public cloud where we want to take advantage of it in other cases in our own data centers, but having the functionality and the flexibility of cloud and Google wasn't a previous cloud provider. So that's a new relationship that we're entering into with them. We've got a multi-cloud strategy, they're a preferred provider in the space, and we've got a lot of work underway from an innovation perspective. So we identified this first one around supply chain, but we're working with them on the SMB, for example, and other areas of trying to find more unique ways for us to innovate together and create more capability that we could run on the Google Cloud platform.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Q

Okay. Thank you.

Anthony M. Jabbour
Director & Chief Executive Officer, Dun & Bradstreet Holdings, Inc.

A

Thank you, Andrew.

Operator: Thank you, Andrew. Our next question is from Manav Patnaik of Barclays. Manav, your line is now open.

Manav Patnaik
Analyst, Barclays Capital, Inc.

Q

Thank you. Maybe I can just follow up on that. The partnership with Google, obviously makes sense, they have the analytic capabilities, et cetera. Maybe just some more perspective on why it took to this period today, I guess to sign that partnership as opposed to kind of start ground up with them perhaps? Or maybe I'm just not really appreciating the scope of the partnership?

Anthony M. Jabbour
Director & Chief Executive Officer, Dun & Bradstreet Holdings, Inc.

A

Well, I think, we've been working with Google, probably, let's say a year or a good part of 2021. And on any of these partnerships, it's a long-term partnership that we signed with them. And so I think in the long-term partnerships, the way we do like an acquisition in terms of – this is a long-term relationship, we want to make sure it's got the right fit, we got to make sure we've got the right values and the right approach to business and specifically how can we help innovate for our clients. That's our mantra here. It's how we will grow the business and it's what we're focused on every single day here.

And so from a tech perspective, there's a lot of work for us to do in terms of just cleaning up our environment in the last few years, improving our applications, et cetera. So if we signed a deal say a year or two ago with Google, I don't know if we'd be in a position to run at the pace we're able to run with them right now because we've strengthened some of the capabilities that we've had through the journey so far.

Manav Patnaik
Analyst, Barclays Capital, Inc.

Q

Okay. Understood. And Bryan just on the sequential guidance you gave us, just wanted to clarify two things, one the margin guidance you gave, was that flat and then high single-digit growth, that's the dollar number on a year-over-year basis? Are we talking about the percentage points? And then just on the revenue, I just was hoping if there's any distinction we should make between North America and internationally?

Bryan Hipsher
Chief Financial Officer, Dun & Bradstreet Holdings, Inc.

A

Yeah, Manav it's flat on the dollar side, so think it from a growth perspective for Q1 and Q2 and then Q3 and Q4 accelerating. Part of that is as we brought on some of these acquisitions, they certainly had a lower margin profile, especially with EYEOTA and NetWise. And we're making some initial investments in them as we look to accelerate the integration with audience solutions and really capturing more and more of that growing marketing segment.

And so part of that was built in there. And then what the GSA side of the equation that was a large existing customer that had strong contributions, margins from there too. And so we've built and took into account each of those components. On the international side, you'll see their margins a little bit stronger. I would say the North America, in that North America generally takes the brunt of the investment. And international has also seen the flow through of the synergies and cost savings efforts that continue on through the integration of Bisnode with the rest of the European and overall international markets.

Manav Patnaik
Analyst, Barclays Capital, Inc.

Q

All right. Thank you.

Operator: Thank you, Manav. This concludes the Q&A session for today. I'll hand back to Anthony Jabbour for any closing remarks.

Anthony M. Jabbour

Director & Chief Executive Officer, Dun & Bradstreet Holdings, Inc.

Thank you. As always, I'd like to thank my Dun & Bradstreet colleagues for their exceptional efforts to sustainably grow our business for the years to come and to our great clients for their partnership and guidance. Thank you for your interest in Dun & Bradstreet and for joining us on the call this morning. Have a wonderful rest of your day.

Operator: Thank you for joining today's call. You may now disconnect.