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Dun & Bradstreet Holdings, Inc. (DNB)

Q3 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the Dun & Bradstreet Third Quarter 2024 Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions] . Please note this event is being recorded.

I would now like to turn the conference over to Sean Anthony, Vice President of FP&A and Investor Relations. Please go ahead.

Sean Anthony
Vice President-Corporate FP&A & 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 third quarter of 2024. On the call today, we have Dun & Bradstreet's CEO, Anthony Jabbour; and CFO, Bryan Hipsher. Anthony, will begin with an overview of our third quarter results and then pass it over to Bryan for an in-depth financial review. We will then finish up with Q&A and a few closing remarks.

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 risk and uncertainties. The risk 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 a reconciliation between non-GAAP financial information to the GAAP financial information, is provided in the press release and supplemental slide presentation. The 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, Sean. Good morning, everyone, and thank you for joining us for our third quarter earnings call. Overall, we delivered another solid quarter on both the top and bottom lines.

As we guided at the beginning of the year, there was some timing in North America between on-delivery and ratably recognized revenues in the third quarter and I'm pleased to report that we delivered organic revenue growth of 3.4% overall, which is slightly above expectations. While international continued its consistent delivery of mid- to high-single digit organic revenue growth of 5% this quarter, North America came in at 3%, largely due to the timing I mentioned upfront. On the profit side, we expanded margins 60 basis points and improved free cash flow conversion to nearly 50%.

We also enacted our planned reduction in capitalized software development spend at the end of September and, through the actions taken and as a result, expect to see lower capitalized software expenditures of around $15 million on an annualized basis. We are coming off an elevated investment period and expect to move towards our medium-term target spend of 6% to 7% of revenues on an annual basis.

And finally, before moving on to some exciting things happening with new innovation, strategic partnerships, and client successes, I want to take a moment to update everyone on the inbound interest we received late this summer. We've been working with our advisor to evaluate inquiries from both strategic and financial acquirers. While I will not comment on the status of any particular engagement, the team is spending a significant amount of time conducting in-person meetings, holding additional functional due diligence sessions, providing detailed responses to the interested parties, and we'll continue to be responsive and thoughtful in all of our interactions on behalf of our shareholders.

Our DNB team continues to impress me, and I would like to thank them for their focus on delivering the quarter, executing the capital reduction, and being responsive to the interest we're currently receiving.

And if all of that wasn't enough, we also continue to innovate for our clients. I'll start off with the release of Chat D&B, our patent-pending generative AI assistant. Chat D&B surfaces knowledge across the company's data blocks, delivering actionable insights to its users, ranging from prospecting to company due diligence. Users can ask questions in conversational language and enhance the intelligence to access and analyze the underlying data to deliver the most relevant and accurate output. Chat D&B is fueled by our Dun & Bradstreet Data Cloud, which is renowned for the breadth, depth, and quality of private company data it possesses. And it will also be able to incorporate additional client first-party data, creating the ability to accurately answer questions posed on both private and public companies within seconds.

Our autonomous Gen AI agents show their work to data sources and lineage in Chat D&B, allowing users to have confidence in the quality and accuracy of the information presented. We launched Chat D&B internally with over 1,000 colleagues for testing and quality checks before releasing it to dozens of clients and partners in our early adopter program. These clients shared feedback and insights into how they are using Chat D&B and the benefits of this new assistant in their daily jobs. Results were encouraging and centered around the speed at which data can be accessed, the broad amount of information that is available to query, and the summarization of vast amounts of information in a format that is easy to use, track, and trust. Chat D&B is an exciting evolution for our company, and we look forward to discussing its progress and expansion in the quarters to come.

We announced two exciting partnerships this quarter, the first with London Stock Exchange Group or LSEG, and the second with Intercontinental Exchange or ICE. With LSEG, we are forming a strategic collaboration to broaden access to private market information. The combination of LSEG's capital markets data, including deals, private equity, news, and research with our trusted private market data, providing visibility on officers and directors, ownership insights, and financial information from millions of companies globally will enable investment in capital market firms to drive better data-driven financial assessments and decisions.

Our D-U-N-S Number will now be available to LSEG Workspace's large customer community and, therefore, increase its reach into the capital markets as a new and expanding vertical. Using the D-U-N-S Number as the key to unlock data about a business, LSEG Workspace users will be able to easily search for private company data and download the data to improve mapping, discoverability, and interoperability of content on the global public and private companies.

The D-U-N-S Number provides linkage across business relationships, employees, and subsidiaries, enabling users of LSEG Workspace to gain a better view of an enterprise's corporate structure, ownership, and financial health. The collaboration with LSEG marks a new era in providing technology-powered transparency to private company analysis. With the exponential growth of private markets, Dun & Bradstreet plays a critical role providing clarity and insights to help investors manage risks and discover new investment opportunities.

We also partnered with ICE to launch a new climate risk data offering covering private and public companies globally. The new service will be designed to provide transition risk data, including greenhouse gas Scope 1, 2, and 3 and physical risk data on tens of millions of companies. This will be one of the broadest climate data offerings available on the market. By combining our business intelligence, supply chain, and asset location data with ICE's geospatial and climate capabilities and then leveraging ICE's distribution channels, this new service will offer the broader investment community a single source of climate data. This new data solution will become part of ICE Climate, which provides data and analytics to help quantify investment impacts posed by transition and physical climate risks, such as extreme weather events.

These are two great examples of how we are picking our spots and partnering with world-class organizations to bring incremental value to these markets. While each of our partnerships are limited in terms of the magnitude of data, scope, and specificity of use case, we continue to balance our time to market and longer-term opportunities to drive maximum value creation.

Before turning the call over to Bryan, I wanted to touch on a few updates on the commercial side. North America continued to deliver consistent revenue retention of 97% while driving a 32% Vitality Index. Clients' and prospects' buying behaviors were generally consistent with the first two quarters of the year as businesses balanced mixed macroeconomic signals and an impending presidential election. And while business spending remains disciplined more broadly and sales cycles have lengthened, there were some examples of exciting wins in the quarter.

The first is with one of the largest banks in the world that expanded their relationship with us by double digits. The client leverages our data and analytics within their commercial card and business banking portfolio, two areas that are growing at a rapid clip for them. By leveraging our matching and SBFE attributes, the client is making more effective and efficient credit line decisioning, and we look forward to supporting them with their current efforts and their future strategies focused on the leveraging of generative AI solutions.

We also had a strong multiyear win with one of the world's largest life insurance companies. The continued improvements in our data and solutions earned us the right to extend a four-year agreement and implement a mid-single digit pricing increase. They use a bundled set of solutions that are heavily integrated into the customers' platforms and workflow, which allow the new set of incoming stakeholders to realize the value we are providing across their organization.

And before moving on to the international side, I wanted to mention our expanded relationship with Tamr. Our relationship with Tamr expanded through the leveraging of our newly launched consumer marketing data to analytically improved match outcomes for customer-focused data management solutions. Ultimately, we are working together to improve data stewardship and act as a front end for cleaner consumer data sets that drive better business outcomes in sales and marketing use cases related to consumer-to-consumer and consumer-to-business matched records.

Turning to international, the team continued on with their strategy of winning with the largest and most strategic players in the regions. With a retention rate of 93% and Vitality Index of 35%, the team is focused on completing our legacy solution migration efforts while balancing upsell and the addition of new client logos. Beginning with IKEA, they expanded our existing relationship with our Data Blocks supplier risk solution by adding more markets to master their data supply chain. IKEA is a great example of our ability to land and expand with the customer through the expansion of data elements, geographies, and number of businesses covered.

In the United Kingdom, we had our largest ever sale of Hoovers in our international segment. The cross-sell was a five-year multimillion-dollar expansion, adding to numerous other finance and risk products being utilized by the client.

And finally, in Germany, we secured a contract with an international distribution and service company, Jebsen & Jessen, to provide data and analytics to support their financial risk, master data management, and compliance activities. These renewals, expansions and new wins across our segments are just a handful of examples of how we continue to deliver increased value across our clients' most critical use cases.

As I said earlier, I'm very proud of the team's execution this quarter and throughout 2024. We look forward to closing out the year and heading into 2025 with another year of significant progress under our belts.

I'd now like to turn the call over to Bryan to discuss our financials in more detail and give a quick update on our outlook for the remainder of the year.

Bryan Hipsher

Chief Financial Officer, Dun & Bradstreet Holdings, Inc.

Thank you, Anthony, and good morning, everyone. Turning to slide 1. On a GAAP basis, third quarter revenues were $609 million, an increase of 3.5% compared to the prior-year quarter and an increase of 3.2% before the impact of foreign exchange. Net income for the third quarter was $3 million or diluted earnings per share of $0.01, compared to net income of $4 million for the prior-year quarter. The $1 million decrease in net earnings for the three months ended September 30, 2024 compared to the prior year quarter was primarily due to a lower tax benefit and higher amortization loss related to the interest rate swap amendment completed in the third quarter of 2023. This was partially offset by higher operating income and lower miscellaneous non-operating expenses, primarily driven by lower fees related to our senior credit facility.

Turning to slide 2, I'll now discuss our adjusted results for the third quarter. Third quarter revenues for the total company were $609 million, an increase of 3.5% compared to the prior-year quarter and an increase of 3.2%

before the effect of foreign exchange. The increase was attributable to growth in the underlying business and the positive impact of foreign exchange, partially offset by the impact of the divestiture of a business-to-consumer business in Finland in the fourth quarter of 2023. Excluding the impact of the divestiture and the positive impact of foreign exchange, total organic revenue increased 3.4%, reflecting growth across both of our segments.

Third quarter adjusted EBITDA for the total company was $247 million, an increase of $12 million or 5%. This was primarily due to revenue growth, partially offset by associated personnel and data acquisition costs. Third quarter adjusted EBITDA margin was 41%, an increase of 60 basis points compared to the prior-year quarter.

Third quarter adjusted net income was $116 million or adjusted earnings per share of $0.27, compared to $116.2 million or $0.27 per share in the third quarter of 2023. The slight decrease in adjusted net income was primarily attributable to higher tax expense and higher depreciation and amortization, partially offset by higher adjusted EBITDA and lower interest expense in the current year quarter.

Turning now to slide 3. I'll now discuss the results of our two segments, North America and International. In North America, revenues for the third quarter were $433 million, an increase of 2.6% from prior-year quarter and 2.7% on an organic constant currency basis. In Finance and Risk, revenues were $238 million, an increase of $3 million, or 1% due to a net increase in revenue across our third-party risk and supply chain management, partially offset by decreased revenues from our Finance solutions due in part to the timing of revenues shifting from on-delivery to ratable.

For Sales and Marketing, revenues were $195 million, an increase of $8 million or 5% before the effect of foreign exchange. Sales and Marketing growth was due to higher revenue from our Master Data Management Solutions, partially offset by decreased revenues from our Digital Marketing Solutions. And while our Digital Marketing Solutions declined in the quarter, they improved sequentially and as expected versus the first half of 2024.

North America third quarter adjusted EBITDA was $208 million, an increase of $12 million or 6%, and North American EBITDA margin was 48%, an increase of 160 basis points from the prior-year quarter. This was primarily due to revenue growth and lower net personnel costs, partially offset by higher cloud infrastructure costs and data acquisition costs.

Turning to slide 4. In our International segment, third quarter revenues increased 5.7% to $177 million or an increase of 4.7% before the effect of foreign exchange and an increase of 5.1% on an organic constant currency basis. Finance and Risk revenues were $122 million, an increase of 7%, or an increase of 6% before the effect of foreign exchange. All markets contributed to the growth, including strong contributions from newer API solutions across our own markets and third-party risk and compliance solutions in Europe. Our worldwide network alliances also had increased revenues due to higher product royalties.

Sales and Marketing revenues were $55 million, an increase of 3% or an increase of 1% before the effect of foreign exchange. On an organic basis, revenues grew 2.4%, primarily due to higher product royalty revenues from our worldwide network alliances and continued demand for our Master Data Management Solution.

International third quarter adjusted EBITDA was $59 million, an increase of $4 million or 7%, and International adjusted EBITDA margin was 34%, an increase of 30 basis points from the prior-year quarter. The increase in adjusted EBITDA was primarily due to revenue growth from the underlying business, partially offset by higher personnel and data acquisition costs and foreign exchange loss.

Turning to slide 5. Slide 5 contains the details of our capital structure as of quarter-end. At the end of September 30, 2024, we had cash and cash equivalents of $289 million and total principal amount of debt of $3,681 million with a weighted average interest rate of 6.0%. Currently, 87% of our debt is either fixed or hedged and, as of September 30, 2024, we had $717 million available on our $850 million revolving credit facility.

Our leverage ratio was 3.7 times on a net basis, and the credit facility senior secured net leverage ratio was 3.2 times. We continue to expect to be around 3.5 times on a net basis by the end of this year as we continue to migrate down towards our medium-term range of 3 to 3.25 times in 2025. To manage our floating rate exposure ahead of the $1,250 million of swaps that could mature during the first quarter of 2025, we executed $600 million of forward-starting interest rate swaps, $350 million at 3.229% and $250 million at 3.24%. These become effective at the end of March of 2025 and mature in March of 2028. Additionally, we terminated $1 billion in swaps that will mature in February of 2026 and entered into a new $1 billion swap with a March 2028 maturity at a rate of 3.2463%.

In regards to our share repurchase program, we did not execute any share repurchases in the third quarter due to the ongoing process related to the inbound interest we received earlier this year. Year-to-date, we repurchased 961,360 shares of Dun & Bradstreet common stock for $9.3 million, net of accrued excise tax, at an average price of $9.71 per share. We currently have over 9 million shares remaining under our existing buyback authorization.

Now turning to slide 6, our outlook for 2024 is as follows. Total revenues after the effect of foreign currency continue to be expected at the low end of our previously communicated range of $2,400 million to $2,440 million, or an increase of approximately 3.7% to 5.4%. This includes an assumption of a modest tailwind in the fourth quarter due to the effect of foreign currency related to the expected variances between the US dollar, euro, British pound, and Swedish krona.

Revenues on an organic constant currency basis continue to be expected at the low end of our previously communicated range of 4.1% to 5.1% for the full year. Adjusted EBITDA continues to be expected in the range of $930 million to $950 million, and adjusted EPS is expected to continue to be in the range of $1 to $1.04.

Additional modeling details underlying our outlook are as follows. We now expect interest expense to be approximately $215 million. Depreciation and amortization expense is now expected to be in the range of $130 million to $140 million, excluding incremental depreciation and amortization expense resulting from purchase accounting. Adjusted effective tax rate of approximately 22% to 23%. Weighted average diluted shares outstanding of approximately $436 million. And for CapEx, we continue to expect approximately $150 million to $160 million of internally developed software and $45 million of property, plant and equipment and purchased software as capitalized spend begins to moderate throughout the second half of the year.

And finally, with the heightened level of investment beginning to abate, we continue to anticipate operating free cash flow conversion as a percentage of adjusted net income, excluding the impact of the AR securitization to improve versus the prior year as previously discussed. The team is pushing hard to finish out the year as strong as possible and preparing for another year of improvement in 2025.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] . The first question comes from Kyle Peterson with Needham. Please go ahead.

Kyle Peterson
Analyst, Needham & Co. LLC

Q

Great. Thanks, guys. Good morning. Appreciate you taking the question. Just wanted to start off on the Digital Marketing business. It does sound like there is some sequential improvement there, which is good to hear. I know there's some – typically some seasonal benefit as kind of the year goes. But I just want to see how that performed, both relative to expectations and any expectations for that business that you can share for the fourth quarter will be really helpful.

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

A

Sure. Thanks, Kyle for the question. It's Anthony. Yeah, we saw the digital marketing was still a headwind in the quarter but a much smaller headwind from the first two quarters of the year kind of as we expected. I would say throughout the quarter, we saw it strengthening throughout the quarter. So we feel good in terms of the progress that we're making and as it lines up to our expectations. And what I mentioned on the previous call, we're very focused obviously on digital marketing and Credibility [indiscernible] (25:49) segments of the business.

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

A

Yeah, Kyle. If you look at it, this is a quarter that – it had gone from kind of double-digit declines really starting late last year throughout the early part of this year. As [indiscernible] (26:03) we really saw it this quarter [indiscernible] (26:10) low-single digit [indiscernible] (26:11) from a decline perspective and, again, expect that to continue to improve into the fourth quarter.

Kyle Peterson
Analyst, Needham & Co. LLC

Q

Got it. That's very helpful. And I guess just kind a switching gears a little bit on the balance sheet. I know kind of third quarter in a row, net leverage has been about flat, and I know that's probably coming down but in decimals and rounding and stuff. But I just want to see – I think you guys had mentioned earlier this year kind of expectations to get to 3.5 turns on a net basis by year-end. Is that still within sight based on the current guide or how are you guys kind of thinking about deleveraging the balance sheet from here?

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

A

Yeah. Kyle, you're exactly right. It's borderline, right, from a rounding perspective. But if you look for the whole year where we expect to be, we expect to be right around the 3.5 times. And then as we head into next year, obviously, we'll give formal guidance and plans and all that kind of shaped up for our February call. But the intention is to drive down [indiscernible] (27:18) 3 times, 3.25 times throughout 2025. And that's going to be a mix of, again, increasing EBITDA but also beginning to bring down not just the [indiscernible] (27:29).

Kyle Peterson
Analyst, Needham & Co. LLC
Q

Got it. Thanks for the color and for taking my questions. Nice results.

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

Thank you, Kyle.

Operator: The next question comes from Faiza Alwy with Deutsche Bank. Please go ahead.

Faiza Alwy
Analyst, Deutsche Bank Securities, Inc.
Q

Yes. Hi. Thank you. I wanted to ask about the strategic discussions that you've been having. Appreciated your commentary there. I'm curious if you're exploring – if you can give us any more color around the Credibility business and sort of what are some of the factors around that? And if you're considering sort of splitting that business separately or any other color there would be helpful.

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

So, Faiza, there's a question on the larger process and specifically on Credibility in terms of looking at how we would handle or divest it, I believe, is the question. From a – I'll answer the second part first. From a creditability perspective, obviously, we're focused on the larger conversations around the full company, and those conversations and meetings are taking place more so than a smaller divestiture. Like I said, it is something that we will do. But all of our energy is really going to the main transaction at the movement.

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

Now, [indiscernible] (29:00) to the point that we made on the last call, certainly, I think we're getting further away from some of that direct impact from a [indiscernible] (29:09) this quarter and actually, creditability showed some slight growth. So it's not out of the woods, it's not incremental to where we want to be from an organic perspective.

Again, if you look at that trailing 12 months for the 90%, the revenue stream is still right around that 6%. And that includes, obviously, the third quarter where it was certainly lower because of some of the timing that [indiscernible] (29:32). So I think we're in the same [indiscernible] (29:36) continuing to monitor, continuing to look to improve the business. But again, [ph] committed (29:42) to evaluate and making some decisions later this year.

Faiza Alwy
Analyst, Deutsche Bank Securities, Inc.
Q

Okay. That's really helpful. And then just you mentioned the collaborations with LSEG and ICE around the capital markets business. Curious if there's any numbers that you'd be willing to put around that, when might you start to see some benefits accrue there, and maybe some color on how the partnership works. Sort of, is it usage based? Is it fixed fee-based? Again, more color there would be helpful.

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

A

Yeah. So, I'll let Anthony talk a little bit about the partnership and how we think about capital markets, private company in general. But if you think about [indiscernible] (30:32) and Anthony mentioned it, we're very, I would say, mindful of selecting partners like an LSEG, like an ICE, doing a very specific use case and really starting to monetize off of both of our capabilities. We have long-standing commercial relationships actually open up. But in this case, if you think about the true power of this, I think it would be [indiscernible] (30:58) So that's really the concept when we formed into like an alliance, in this case, would be to really generate the incremental upside from the selling of the combined solution on [indiscernible] (31:16).

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

A

Yeah. And maybe what I'd add is at SERENDIPITOUS, the amount of time, the money, effort that we spent enhancing the private company data assets for the traditional use cases here has really put us in an advantageous position [indiscernible] (31:34) from private market activity, same with Generative AI. And as we look into capital markets or private markets, we really don't have any amazing private market solutions today or a large sales force focused on that space, but we'll build them over time.

But in the short term, we're picking select partners so we can really begin seeding the market with our D-U-N-S Number and our unique data, and we're excited about these partnerships. They're great organizations, and we're looking forward to a great [indiscernible] (32:12) with them in these spaces.

Faiza Alwy
Analyst, Deutsche Bank Securities, Inc.

Q

Great. Thank you so much.

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

A

Thank you, Faiza.

Operator: The next question comes from Andrew Steinerman with JP Morgan. Please go ahead.

Alexander E.M. Hess
Analyst, JPMorgan Securities LLC

Q

Hi. This is Alex Hess on for Andrew. Hope everybody is well today. I want to start with the Finance Solutions callout and if you could give us some color on maybe how that business is trending from an underlying basis, that would be helpful, ex-fee contract transitions.

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

A

Yeah. Alex, thanks for the question. The core finance solutions, I would say, is a little bit split between North American and international. And the international side really continues to hold well as we go through the transitions and migrations from some of those legacy application onto our modern [indiscernible] (33:11) mechanisms around our Data Blocks solutions. You see really nice kind of mid-single digit growth within the international region on the finance side of equation.

In North America, you know that is a big chunk of the revenue stream, very valuable within the organization, really sets the foundation for a lot of the relationships on the F&R side. And so, we see that as a springboard for really expanded upsell into those third-party risk clients, which is [indiscernible] (33:44) growing double digits. And so while the core finance solutions [indiscernible] (33:48) low-single digit consistent growth on that side, it really acts as a platform to really land and then expand off of it from that perspective [indiscernible] (33:59) strategy in North America.

Alexander E.M. Hess
Analyst, JPMorgan Securities LLC

Q

Yeah. That's super helpful. And then, just a couple maintenance question from us. When you say at – when you indicate full-year revenues at the low end of the guide, there's a large variation for what that might imply for 4Q. Do you still expect 4Q performance to be above the range? So, I'm asking the exit year question – the exit rate question. And then, can you tell us what the receivables draw on the facility was in 4Q as well?

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

A

Sure. So I'll start with the kind of rates we have in place. So what saw, Alex, was the third quarter obviously came in a little bit better than expected. The same way where sometimes we have a little bit of timing go against – the timing actually was a little bit positive from that side. And so, we were mindful into the fourth quarter, kind of balancing that in our expectations, right, for the year.

So I would say where originally we have laid out the case for that [indiscernible] (35:12) be a little bit above, if you're kind of doing the math towards the lower end, you're not necessarily above the high end of the range anymore.

If we're looking at AR securitization, we actually paid back. It was $9.6 million in the quarter.

Alexander E.M. Hess
Analyst, JPMorgan Securities LLC

Q

Thank you.

Operator: The next question comes from Manav Patnaik with Barclays. Please go ahead.

Q

Good morning. This is [ph] Brendan (35:46) on for Manav. I just want to follow up and touch on the North America finance solutions, and I just want to better understand the delivery timing impact. I mean, you called it out previously, but growth did seem to come in a little better than you expected. So given the fiscal year still at the low end, was it just that some of that revenue did end up shifting into Q3 versus what you previously expected compared to Q4?

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

A

Yeah. So [ph] Brendan (36:14), thanks for the question. Again, we're really kind of [audio gap] (36:18) a little bit jump from that perspective. But what I would say is, if you think about that finance solutions, when we expanded through a new customer, a new solution, there were times where they delivered portion [indiscernible] (36:33) a little bit more upfront, especially when you're laying the baseline for an underwriting model and your laying the baseline up for a new analytic from that perspective, especially when you're doing risk underwriting from that side. And that has evolved again, as we said, to the annual revenues [indiscernible] (36:50) shift that much, but it's just how it gets recognized throughout the year. And that was really the shift that we were discussing from that perspective.

Again, when we look at – specifically to that F&R group, a little bit better from that side again. We continue to see very strong growth in our third-party [indiscernible] (37:11) clients. So things like supply chain risk management, [indiscernible] (37:16) third parties, those are very germane topics out there, both in North America and also show a lot of nice growth on the international side. And so, those are the types of things that have been up, maybe being a little bit better than what we anticipated.

Q

Okay. And then just a quick update on Credibility, just how that did during the quarter and relative to your expectation.

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

A

Yeah. So, we said that Credibility kind of improved from the back half of the year. We thought it would get close to breakeven. It actually grew very slightly this quarter. So again, a positive, I would say, trajectory from that perspective. So in line with, I think, where we thought it would be and then maybe, Anthony, if you want to touch on some of the things that we're doing that will continue to evolve that business and how we [indiscernible] (38:14).

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

A

Yeah. Sure. So we talked before launching what we just called Money Back Guarantee where, as we work with clients, so if you give us one of four pieces of information, that's the bank account, credit card statement, taxes, commission [indiscernible] (38:30) consumer bureau, lend debt score with our business bureau score, each of them have a significant increase in credit ratings based on the model that we've done in our labs. And so with that, we had launched that in mid-July. I think we talked about it on the previous call. And we're seeing significant growth in that space because, from a client perspective, it's a money back guarantee. If we don't improve your credit, you don't pay – or you get your money back.

And also, in a worst case scenario where they didn't deserve to have their credit rating improved, we now have a lot more information and data about that private company. Again, that's just an example as we think about how to grow the business or how to take exhaust data and make it relevant to get more and more information on these private companies which, as we see, is really [indiscernible] (39:23) building out the richness of this private company they had is really, I think, beneficial [indiscernible] (39:34).

Q

Thank you.

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

A

Thank you, [ph] Brendan (39:40).

Operator: The next question comes from Craig Huber with Huber Research Partners. Please go ahead.

Craig Huber
Analyst, Huber Research Partners LLC

Q

Thank you. Anthony, I wanted to ask you, what's your opinion right now of the macro environment in North America? How are you feeling about that right now versus how you were feeling, say, a year ago? Thank you.

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

A

Yeah. Thank you, Craig. I'd say – look, many of our peers have reported and I think the landscape is fairly similar across many of the peers. And we see that as well in terms of – and compared to a year ago, I think it's pretty consistent with what we saw last year. So, quarter-to-quarter, we see a slight lengthening in the sales cycle right now. And candidly, as we look internally, is that because of just the market, it's because we're in the middle of a process. That certainly doesn't help your sales cycle when you're in the middle of a process, as you can imagine. And again, I'm really proud of the team to push through that. But I think it's fairly – I'd say it's fairly consistent with what it's been. And I've always believed here, we've got more ability to grow based on what we do and what we own versus what happens in the macro environment. So I think we've been able to weather it fairly well over this past year, and I feel the same going forward.

Craig Huber
Analyst, Huber Research Partners LLC

Q

Thank you for that. Bryan, if I could just ask you, maybe I missed this, but what did you say how the revenues did with Credibility? I think you said prior quarters was down roughly 10%, but I missed what you said there on the current quarter. And also curious, how is your patience, the executives yourselves, with that business and the marketing business right now given the problems you guys have been having for the last year-plus here? I mean, what's your patience level right now? It's a question that was asked earlier, too. But I mean, just your patience here to keep that business as part of Dun & Bradstreet as opposed to selling it or shutting down that and/or the marketing effort that you have.

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

A

I'll answer it, Craig. Frankly, there was low-single digit growth in Credibility in this quarter which was obviously a positive. Second part of your question in terms of what's our patience, on the second quarter call, I talked about our patience where we've made a lot of changes in both businesses. We're going to monitor them through the year to see how they perform, like we've seen significant uptake in the Credibility just as I talked about the Money Back Guarantee and our concierge service, the significant improvement there. On the digital marketing side, we're seeing that – that one is something that's more macro-focused, and we've seen a return of spend there in the market. And again, we're continuing to monitor it.

Our focus right now really is on the sale of the full company, right? Those are all the conversations that we're in. And they're extremely time-consuming. And they're very – like I said in my prepared remarks, we went through an FTE reduction related to our capitalized software, right? And that's always difficult, no matter what organization you're in, to do that. And then the inquiries that are coming in from a number of companies, at the lower level, you've got the risk of watercooler-type conversation, which we don't see. And at the senior level, they're all actually in the process, right, helping answer all the questions and all the diligence. And so, again, I'm very proud of the team in terms of how they're staying focused on the task at hand and not giving in to the distraction.

So, from our perspective, look, we have urgency. In everything that we do here, we have urgency around remediating both of those businesses. But the overwhelming, I'd say, priority right now is the full process that we're in.

Craig Huber
Analyst, Huber Research Partners LLC

Q

Great. Thank you.

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

A

Thank you, Craig.

Operator: The next question comes from Ashish Sabadra with RBC. Please go ahead.

Q

Hey. Good morning, everyone. This is [indiscernible] (44:14) on for Ashish Sabadra. Appreciate you taking our question. Really great to hear kind of that early feedback on Chat D&B. Maybe a bit of a two-parter on that. How has the kind of early benefits been internally from kind of an operational efficiency standpoint that you guys are seeing? Then also externally, maybe if you could give some color just the general pace of rollout that you're expecting for these types of initiatives. Is it relatively fast to market or more of a gradual kind of teaching [indiscernible] (44:41) simulation-type cadence? Thank you.

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

A

Yeah. That was a great question. I appreciate it. On Chat D&B, we're very excited about it. I talked about it for a lot of reasons. The feedback that we've been receiving was just really overwhelming. Both – one of my e-mails here from one of our clients, it's a fantastic tool, saves a lot of time, I use Chat D&B on my day-to-day tasks, the time it takes to summarize for small business goes from 10 to 15 minutes to seconds. The other one that – they just go on and on with something normally taking hours that's done in minutes. So it's a really big time-saver. It's very positive. We're seeing the benefits of it internally as well as we do work.

But the part that – so I'd say the response has been better than we expect from, I'd say, our pilot. And then, there's other aspects of it which we really didn't see coming. And so, many of the clients – like I said, we've been over a couple of dozen clients in the pilot. Many of them are asking if they can give us their first-party client data. And so, the power of that is we have obviously our data, we have our other first-party data that we add to it, and now with us hosting that data, we think three things happen. One, we have a much stickier relationship with that client; two, we drive revenue obviously – we drive more revenue from that relationship by hosting their data and working with them; and three, we drive more collaboration with that client, right, which we can create and innovate more and more new ideas. So it's really off to a great start and like I said, we couldn't be more excited about it.

So we'll see how things pan out. What we've started with is really enabling our clients to use it without a charge. And so really, what it'll do is they'll drive up their usage of our data where we get paid because what we want to do is really widen the [indiscernible] (46:53) and get everyone in it and really understand all the possible things it can do. And then we'll figure out how specifically we want to charge, what's the most efficient way to do it, or do we want to improve it and have a more aggressive pricing thesis with the [indiscernible] (47:07). It's been a winner for us so far out of the gates, and I'm really proud of the team and really the focus on this [indiscernible] (47:15).

Q

Great. Thank you very much.

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

A

Thank you.

Operator: [Operator Instructions] . The next question comes from George Tong with Goldman Sachs. Please go ahead.

George K. Tong
Analyst, Goldman Sachs & Co. LLC

Q

Hi. Thanks. Good morning. You mentioned that client spending remains disciplined, and sales cycles have lengthened in the quarter. Can you discuss what internal initiatives or external market conditions you would need to see for these trends to begin to improve?

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

A

[audio gap] (47:54) George.

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

A

I'd say a couple of things. So – and there could be different buckets. So one bucket, I think, is the process that we're in and some of the additional questions from clients, some wait and see as to what happens in this process. I'd say, internally, what we can do is really continue to drive our – so if we think about Chat D&B as an example, there's real efficiency gain there. So at times of having a tighter budget, this is exactly the thing that you need. And exactly, I'd say we've priced it without an incremental charge initially where our clients can adopt it and do more and engage more with us.

The other is, as we look at clients that have many data providers, we're approaching them about consolidating all their vendors into one, one being us and saving money and having the best data that's available. So there's a number of things that we're focused on doing here to help with the macro environment. And like I said, what I'm proud of the team is that they don't look at the macro as an excuse. They're always looking at ways to push through it. And so, those will be the things I think that I focus on. Bryan, do you have anything?

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

A

Yeah. And, George, I think, certainly, we talked about [indiscernible] (49:21) took the first step right in the [indiscernible] (49:28), right? So that was definitely, on the outside, a positive move, right, from that perspective. So – but we're going to get through a presidential election, right? We're going to continue to see economic data come out, and that's going to continue to move towards, I think, a longer-term terminal. That [indiscernible] (49:47) So all those things, as you get a little bit more clarity and [indiscernible] (49:53) better buying decisions catch up those sales cycle and [indiscernible] (50:02).

George K. Tong
Analyst, Goldman Sachs & Co. LLC

Q

Got it. That's helpful. And then, you're expecting organic revenue growth in 4Q to accelerate toward the high end of the full-year guidance range, maybe not above the range but towards the higher end. Can you talk about whether that 4Q growth rate is a reasonable starting point for organic growth in 2025 or whether there are other factors that could perhaps alter growth rate next year that might cause it to deviate from what you're expect in for Q4?

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

A

Yeah. So, George, if you look at it, clearly, we'll get through the end of the year, Q4 is always a time for us to close out, right, a lot of sales, a lot of renewals, etcetera, from that perspective. And so we'll clearly issue formal guidance in February as we [indiscernible] (50:53) that perspective. We've said it before, like the quarter is not always perfect. No quarter in the year is a perfect kind of jumping off point. But if you think about how we've talked about our progression, right, into our medium-term guidance ranges, we've talked about getting things resolved around some of the 10% of the business that hasn't been necessarily performing relative to the other 90%. I mean, those are all the things that, as we think about transitioning from 2024 into 2025 and continuing to improve the business, right, that's how we think about it versus any given quarter, kind of the jumping off point from that perspective.

George K. Tong
Analyst, Goldman Sachs & Co. LLC

Q

Got it. Very helpful. Thank you.

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

A

Thanks, George.

Operator: This concludes the question-and-answer session. I would like to turn the conference back over to Anthony Jabbour for any closing remarks. Please go ahead.

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 all their efforts in growing this great business, our great clients who help us with their partnership and guidance, and for all of you, for your interest in Dun & Bradstreet. Hope you have a wonderful rest of your day.

Operator: This concludes today's conference call. Thank you for attending today's presentation. You may now disconnect.