20-Feb-2025

Dun & Bradstreet Holdings, Inc. (DNB)

Q4 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and thank you for standing by. Welcome to the Dun & Bradstreet Fourth Quarter 2024 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there'll be a question-and-answer session. [Operator Instructions] Please be advised that this conference is being recorded.

I would now like to hand the conference over to your speaker today, Sean Anthony, Vice President of FP&A 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 fourth quarter and full year ending December 31, 2024.

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 risk and uncertainties. These 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.

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, Sean. Good morning, everyone, and thank you for joining us for our fourth quarter and full year 2024 earnings call.

On today's call, I'll hit on four key topics. The first, a brief update on the ongoing process; the second, an update on our fourth quarter and full year results; the third, a review of the significant accomplishments in 2024; and the fourth, our focus areas for 2025. After that, I'll pass the call over to Bryan for an in-depth review of our results and to discuss our guidance expectations for 2025. We'll then open up the call for Q&A and finish up with a few closing comments.

Let's get started with an update on the inbound interest we received in 2024 and the resulting process that ensued. I'm going to keep my comments very brief as you can imagine. Activity ramped up in late November and has carried on through the beginning of 2025. And our team has done their best to balance managing their day-to-day responsibilities with being responsive to the inquiries from interested parties. The team's dedication and hard work to both causes have been commendable. And based on the latest activities, we currently expect to share the outcome of the process in the first quarter.

With that being said, let's move on to an overview of our full year and fourth quarter results. 2024 was another year of meaningful improvement. We achieved 3% organic revenue growth, expanded EBITDA margins by 30 basis points, and made substantial strides in our product, technology and data transformations. Additionally, we improved our capital structure by reducing net leverage to 3.6 times at year end.

As we headed into October, we had a year-to-date organic revenue growth rate of 4% and the path to deliver a similar growth rate in the fourth quarter, but we ultimately fell short due to three anomalies. The first and most significant factor was the delay of certain deals expected to close in the quarter, impacted by distractions from our ongoing process. These distractions intensified in November and December, shifting significant pipeline deals into early 2025 and impacting Q4 revenues by $9 million.

Secondly, we chose to exit two partnerships that were coming off multi-year agreements that were not mutually advantageous. Our expectation was that we would come to a favorable agreement, but ultimately that was not the case. This impacted revenues in the fourth quarter of 2024 by $6 million and full year 2025 by $14 million, with offsetting expenses that will net a positive EBITDA outcome for our business.

And finally, we experienced timing-related delays in expected usage and deliveries of $3 million and $4 million, respectively. Of which, the majority of these revenues are contractually obligated and are expected to flow into the first half of 2025. As I said before, this is a business that continues to grow through a significant amount of transformation, change and improvements.

Looking back at the last 16 quarters, we have taken the business from essentially no growth to 3% to 4% growth, and we do not believe a quarter of slight growth is indicative on the significant improvements we've made to-date and the upside potential, we believe, is to come.

And third, looking back at 2024, I'm proud to share the significant accomplishments we achieved and the amount of progress we made in strengthening the foundational elements of DNB.

Going through a public transformation has been difficult, and I'm proud of our team's efforts. The initial step for us was to stabilize our technology, then re-architect our technology, and then, build modern solutions in the cloud. Following these core foundational elements was the time-consuming and laborious efforts to migrate our clients to those new solutions, sunsetting legacy products and optimizing our client contracts.

In 2024, we completed our migrations and optimized client contracts in North America Finance and Risk, similarly to what we did with the International business earlier in the transformation.

We have seen the positive impact that these changes made on our International segment, and we anticipate seeing a similar acceleration in growth in North America. We pushed hard to complete the migration of our flagship platforms Finance Analytics and Direct Plus API, and the sunsetting of our legacy solutions, which was our most significant initiative.

I'm happy to report that as of Q4 2024, we have successfully migrated tens of thousands of clients in North America. The migration has taken a huge amount of client attention and sales effort. And as I've said many times, while the revenue benefit in the short term is minimal, we believe the long-term strategic value is substantial. These moves create even more stickiness, while providing our clients with greater flexibility and scalable solutions.

The second most significant migration was a shift of our clients to our Risk Analytics platform, which is now complete. The move to Risk Analytics has enabled us to deliver risk assessment capabilities across our nearly 600 million DUNS entities in a single platform. This solution is especially relevant, considering the evolving economic and regulatory landscape, ensuring our clients have access to the insights necessary to make informed decisions.

We also continue to introduce new localized offerings, meeting diverse regulatory requirements and market needs. For example, our Risk Analytics – Compliance Intelligence solution generated significant new sales with hundreds of customers and a strong pipeline for 2025.

And while we've been moving our clients to our latest and greatest solutions, we've also been refining and optimizing our client contracts. The new contract structure more closely aligns our pricing with the value provided to our clients, ensuring a fair and transparent relationship, and protecting our cost structure to the creation of more clearly defined contractual usage rights. These changes have benefited our clients with more comprehensive and richer data sets, more versatile user interfaces, and the addition of flexible, modular functionality to enhance their overall experience.

In summary, I'm optimistic for the future, given the progress of our transformation. From modernizing our tech environment to delivering high-performance cloud-based solutions, and then, to migrate our clients to these solutions through the optimization of our client contracts, we believe we are positioned for growth.

With this strong foundation, our focus in 2025 and the last step of any transformational journey is the go-to-market. As I mentioned previously, we are introducing a vertical approach to deepen client relationships and launch vertical-specific solutions. I will highlight some of those today and we look forward to sharing more this year.

Now, let's turn to some client wins in the quarter. First up, in North America, we are excited to add one of the nation's leading sales and marketing software companies to our client portfolio. They now leverage our latest sales and marketing solutions, including D&B Connect, Data Blocks API and our new GenAI solution, ChatD&B. These solutions allow them to leverage our data to power their territory structuring and go- to-market strategies for growth.

Another global fintech leader in payments and banking turned to our trusted Master Data Management capabilities, firmographic data and linkage data, to improve and enrich their company data. They are also leveraging our data to perform merchant onboarding and verification, as well as fraud detection capabilities. They will also use the firmographic data to create new derivative works. This is a win for our client and for us as we are becoming the repository for merchant data with a unique data asset in the industry.

Next, we expanded our relationship with a large insurance brokerage that has used our master data services for many years. This new multi-year renewal deal extended our master data services to all of its subsidiaries. This growth and long-term commitment highlight the value of our solutions and our ability to build and nurture client relationships.

A top three management consulting firm expanded their relationship with us by adding three new use cases: TAM analysis, prioritization of high-value opportunities, and to strengthen the identification of cross-sell, upsell opportunities, new logos and reduce churn. One of the big differentiators was our global footprint. And as they tested our data, we're highly impressed with our match rate and coverage.

And another example of where our global coverage was instrumental in winning a seven-figure two-year deal with a multinational company specializing in workplace solutions and digital printing technologies, they chose Dun & Bradstreet for our Risk Analytics – Compliance Intelligence solution, which allowed them to consolidate screening for the unique lines of business through multiple workspaces.

And shifting to International, our team successfully executed its strategy throughout the year. One notable achievement was a three-year renewal and upsell of Data Blocks Finance Solutions with DB Schenker, a global logistics and supply chain management provider. We supported their finance transformation by leveraging our modern API platform for automated credit decisioning and risk assessments.

Another key win was with one of the UK's largest banking and payment service providers. We executed a new multi-million dollar deal, expanding our Data Blocks to include supply chain and compliance package, aiding their market expansion and navigating supply chain complexities.

Finally, we signed a five-year renewal and upsell with a leading Scandinavian payments provider to organize and master their data. This demonstrated our ability to create efficiencies across multiple use cases through our Master Data Management capabilities.

And lastly, as we focus on 2025, we'll be delivering a more verticalized go-to-market approach, enabling our Generative AI solutions through API and native integrations, capitalizing on our modernized technology and platforms, leveraging our unique financial, payment, and trade data to access high growth areas such as capital market and private markets, and doubling-down in high market demand solutions, including supply chain risk and Master Data Management.

We are more prepared than ever to meet a business's accelerated need for trusted global data and analytics, and we look forward to attacking these new opportunities with focus and determination.

So overall, we are excited about what's to come in 2025, and certainly believe that 2024 was a year of significant improvement for our company. I'm proud of our team's efforts and the strong foundation we are building for sustainable growth and profitability.

With that, I'd now like to turn the call over to Bryan to discuss our financial results for 2024 and outlook for 2025.

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 2024 results and then our outlook for 2025.

Turning to slide 1. On a GAAP basis, fourth quarter revenues were $632 million, or less than 1% growth compared to the prior-year quarter, both after and before the effect of foreign exchange.

Net income for the fourth quarter was $8 million, or a diluted earnings per share of $0.02, compared to a net income of $2 million for the prior-year quarter. The $6 million increase in net income compared to the prior-year quarter was primarily driven by lower net personnel costs, partially offset by a higher tax rate provision in the current year quarter.

For full year 2024, revenues were $2,382 million, an increase of 3% both after and before the effect of foreign exchange. On a full year basis, net loss was $29 million, or diluted loss per share of $0.07, compared to a net loss of $47 million for the prior year.

Turning to slide 2, I'll now discuss our adjusted results for the fourth quarter. Fourth quarter adjusted revenues for the total company were $632 million, a less than 1% growth compared to the prior-year quarter, both after and before the effect of foreign exchange. The increases in revenues were attributable to growth in the underlying business, partially offset by the impact of a divestiture of business-to-consumer business in Finland in the fourth quarter of 2023. Revenues on an organic constant currency basis were up 0.3%.

Fourth quarter adjusted EBITDA for the total company was $260 million, a decrease of $600,000 or less than 1%, primarily due to the higher cloud infrastructure costs, partially offset by lower personnel costs. Fourth quarter adjusted EBITDA margin was 41%, a decrease of 10 basis points compared to the prior-year quarter.

Fourth quarter adjusted net income was $129 million, or adjusted earnings per share of $0.30 compared to $140 million or $0.32 in the prior year quarter. This was primarily due to higher tax expenses related to the impact of the introduction of Pillar Two and higher depreciation and amortization expenses, partially offset by lower interest expense and lower foreign exchange losses in the current year quarter.

Full year revenues for the total company were $2,382 million, an increase of 3% both after and before the effect of foreign exchange compared to prior year. This increase was attributable to growth in the underlying business, partially offset by the impact of a divestiture of a business-to-consumer business in Finland in the fourth quarter of 2023. Revenues on an organic constant currency basis were up 3%.

Full year adjusted EBITDA for the total company was $927 million, an increase of $34.4 million, or 4%. Higher adjusted EBITDA was primarily due to revenue growth, partially offset by higher costs driven by cloud infrastructure and net personnel costs.

Full year adjusted EBITDA margin was 39%, an increase of 30 basis points compared to the prior year. Full year adjusted net income was $429 million, or adjusted diluted earnings per share of $0.98, compared to 2023 adjusted net income of $432 million, or $1 per share.

Turning now to slide 3. I will now discuss the results for our two segments, North America and International. In North America, revenues for the fourth quarter were $449 million, a decrease of 1.8% from prior-year quarter both after and before the effect of foreign exchange. In Finance and Risk, revenues were $229 million, a decrease of 5% due to decreased revenue from timing throughout 2024 in our finance solutions and risk solutions, coupled with the deal in delivery timing Anthony mentioned earlier, partially offset by an increase in revenue from our Credibility Solutions.

For sales and marketing, revenues were $219 million, an increase of 2% both after and before the effect of foreign exchange. Sales and marketing growth was primarily due to higher revenue from our Master Data Management solutions, offsetting the impact of the exit of non-strategic partnerships that Anthony also mentioned earlier.

North America fourth quarter adjusted EBITDA was $208 million, a decrease of $16 million, or 7%, primarily due to lower revenues and higher cloud infrastructure costs, partially offset by lower selling and marketing expenses. Adjusted EBITDA margin for North America was 46%.

Turning now to slide 4, I will now discuss the full year results for North America. In North America, full year 2024 revenues were $1,672 million, or 2% higher from prior year, both after and before the effect of foreign exchange.

North America Finance and Risk full year revenues were $891 million, an increase of less than 1%, both after and before the effect of foreign exchange. This was primarily due to an increase in revenue from our third-party risk solutions, partially offset by a net decrease of approximately 1% in revenues from our finance, government and Credibility Solutions combined.

North America sales and marketing full year revenues were $781 million, an increase of 3% both after and before the effect of foreign exchange. This was primarily driven by growth from our Master Data Management solutions, partially offset by decreased revenue from our Digital Marketing Solutions and the exit of non-strategic partnerships.

Full year adjusted EBITDA for North America increased $3 million or less than 1% to $746 million. The increase was primarily due to revenue growth, partially offset by higher costs, driven by cloud infrastructure and net personnel expenses. Full year adjusted EBITDA margin for North America was 45%, a decrease of 60 basis points to prior year.

Turning to slide 5. In our International segment, fourth quarter revenues were $183 million, an increase of 6% or 5% before the effect of foreign exchange. Organic revenues on a constant currency basis increased 5.8%.

Finance and Risk revenues were $126 million, an increase of 9%, or an increase of 8% before the effect of foreign exchange. This was attributable to growth across all submarkets.

Higher revenue from Europe was primarily attributable to growth in third-party risk and compliance solutions and modern API solutions. Increased revenue from Worldwide Network alliances was primarily attributable to higher product royalties and growth from our Asia markets, driven by growth in API solutions and local market solutions.

Sales and marketing revenues were $57 million, or flat both after and before the effect of foreign exchange. Organic revenues increased approximately 1% due to higher revenue from Worldwide Network alliances driven by higher product royalties.

Fourth quarter International adjusted EBITDA of $58 million increased $3 million, or 5%. The increase was primarily due to revenue growth from the underlying business, partially offset by higher costs driven by net personnel expenses. Adjusted EBITDA margin was 32%.

Now turning to slide 6. In our International segment, full year 2024 revenues increased 6% to $709 million, both after and before the effect of foreign exchange. Organic revenues on a constant currency basis came in at 6%.

International Finance and Risk full year revenues of $484 million increased 8%, both after and before the effect of foreign exchange. All markets contributed to growth with strong demand for API solutions and Finance Analytics across all regions, robust growth from third-party risk and compliance in Europe and increased revenue from worldwide network alliances, primarily through higher cross-border activity and product royalties.

International sales and marketing full year revenues of $225 million increased 2%, both after and before the effect of foreign exchange. On an organic basis, revenues grew 2.7%, primarily due to higher revenues from the UK, driven by growth in API solutions and higher revenue from Worldwide Network alliances driven by higher product royalties.

Full year 2024 International adjusted EBITDA was $235 million, an increase of $20 million, or 9%. The increase in adjusted EBITDA was primarily due to revenue growth from the underlying business, partially offset by higher net personnel costs and higher costs related to data fees and cloud infrastructure.

Adjusted EBITDA margin was 33%, an increase of 100 basis points. Adjusted EBITDA for the corporate segment in the fourth quarter was a loss of $5.9 million, an improvement of $12.4 million. The improvement in adjusted EBITDA was primarily attributable to lower net personnel costs.

Turning to slide 7. Slide 7 contains the details of our capital structure as of quarter end. At the end of December 31, 2024, we had cash and cash equivalents of $206 million and total principal amount of debt of $3,550 million with a weighted average interest rate of 5.8%.

Currently, 90% of our debt is either fixed or hedged; and as of December 31, 2024, we had $840 million available on our $850 million revolving credit facility. Our leverage ratio was down to 3.6 times on a net basis, and the credit facility senior secured net leverage ratio was 3.1 times.

Moving into 2025, we expect to continue to migrate towards a target of around 3.25 times by the end of 2025. As previously communicated, we executed various interest rate swap transactions during the third quarter to manage our floating rate exposure. In the fourth quarter, we reduced the interest rate on our term loan by 50 basis points with a successful repricing.

These transactions provide valuable savings and continued protection amidst the ongoing economic uncertainties.

In regard to our share repurchase program, we did not execute any share repurchases in the fourth quarter due to ongoing interest. 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 of $9.71 per share. We currently have over 9 million shares remaining under our existing buyback authorization.

And now turning to slide 8. Our outlook for 2025 is as follows. Total revenues after the effect of foreign currency are expected to be in the range of $2,440 million to $2,500 million or an increase of approximately 2.5% to 5%. This includes an assumption of a modest headwind in the first half of the year 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 are expected to be in the range of 3% to 5% for the full year. Adjusted EBITDA is expected to be in the range of $955 million to $985 million, and adjusted EPS is expected to be in the range of $1.01 to $1.07.

Additional modeling details underlying our outlook are as follows. We expect adjusted interest expense to be around $200 million. Depreciation and amortization expense is expected to be in the range of $160 million to $170 million, and adjusted effective tax rate of approximately 22% to 23%. Weighted average diluted shares outstanding of approximately 438 million shares. And for CapEx, we expect approximately $145 million to $155 million of internally developed software, and around $45 million of property, plant and equipment and purchased software.

While we don't give quarterly guidance, I did want to provide some color on how we expect the year to progress. As Anthony mentioned earlier, we anticipate the ongoing process to conclude in the first quarter. And while that is ongoing, expect the first quarter to be closer to the low end of our range, second and third quarter to be around the midpoint, and fourth to be around the higher end of the range.

We are also anticipating the deal and delivery timing shifts for Q4 2024 are offset by the 2025 revenue impact of the non-renewals of some of the non-strategic partnerships we discussed prior in the call.

We expect free cash flow conversion as a percentage of adjusted net income, excluding the impact of the AR securitization to improve versus 2024 and have planned for capital expenditures and the cash impact of transition costs come down in 2025, allowing us to make progress towards our target of 80% conversion over the medium term.

Overall, in 2025, we expect to deliver accelerated growth of organic revenues, EBITDA, net earnings, free cash flow and a net leverage metric of around 3.25 times by year end. The team is focused on delivering against our operational and financial objectives, and we look forward to updating you on all the progress in our upcoming calls.

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. [Operator Instructions] Our first question comes from Kyle Peterson with Needham. Your line is open.

Kyle Peterson
Analyst, Needham & Co. LLC

Q

Great. Good morning, guys. Appreciate you taking the questions and providing all the color. I wanted to start off on, I know you guys mentioned some of the distractions and your certain kind of revenue push-outs due to the ongoing strategic review. How should we think about – obviously, it seems like some of that's going to come in early 2025, but I guess, insofar have some of these distractions continued? And I guess, like what have you guys built into the guide based on some of – with the pipeline uncertainties and such given the ongoing process?

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

A

Sure. Thanks, Kyle. I'll start and I'll let Bryan add on to it. In terms of the distractions, certainly, some of the deals that pushed out, we've signed some. So some took longer. We have others wanting to see who could potentially acquire us, could it be a competitor, for example. And so they're still hanging and waiting to see.

I think on some of the delivery items, which are more contractual, those are not as much tied at all to the process as they were, I think, to individual client budgets, and they could take a delivery in Q4 or take it in Q1 [ph] then affect (00:39:34) the 2025 budget versus the 2024 budget. So I think those – the majority of those will hit us earlier in the quarter, and so – and the offsetting obviously are the partnerships that we walked away from where there's revenue impact, but obviously EBITDA benefit.

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

A

Yeah. Kyle, I think that's right. And what I mentioned in my prepared remarks was as we expect to come to conclusion with some of these concepts around the offsets in the first quarter, we wanted to be mindful of that as we built up the year and built the guide ranges that we did from that perspective.

Kyle Peterson
Analyst, Needham & Co. LLC

Q

Okay. Okay. That's super helpful. And then, I guess, just a follow-up on demand for some of your current products. I know, you only had supply chain issues and Russia sanctions and stuff. You guys definitely had some good demand for supply chain.

Wanted to pique your brain and see, have you guys seen any uptick of – as people are trying to piece together things with – whether it's in tariffs and that type of stuff would kind of think that you guys could be kind of the "antidote" for some tariff moving pieces and such. But how should we think about demand and any solutions that you guys have come up with in response to some of these geopolitical shifts?

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

A

Yes. Great question, Kyle. And I think the demand environment is strong for those. Certainly, the assets that we have are very much in line to address a lot of those issues. [ph] And if there's tariffs with the supply (00:41:26) are going to alternative suppliers, we're very confident with the capabilities that we have in that regard, and feel good about it.

When you look at the actual numbers in the fourth quarter and you see, either the Finance and Risk revenues down, it's not due to demand. There's other factors that drive it. So we have shifts from our clients – as we've done a lot of this migration, clients have migrated to our modern products and many times to our APIs, which is outstanding for us, right?

More wired and secure, it's exactly what you want. But also the revenues become more ratable. So it will push out from fourth quarter into following years.

Also, we had some enterprise clients that pulled forward some revenue from that segment into sales and marketing, so some of our very large clients that had enterprise licenses shifted it. So that's what you're seeing in there. It's not a lack of demand certainly in the Risk Analytics business for us.

The teams are excited. We've got our point of arrival products in place with Finance Analytics and Risk Analytics. Migration's done all the work with the clients on contracts, and the effort to get them onto these platforms is behind us. And so teams are very excited with our sales team about really pushing forward and meeting the demand.

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

A

And Kyle, I think some of the dynamics you talked about, right, the global situation there is a lot of uncertainty out there. And that's where we're driving our data and analytics from that perspective. Our investments, as we think about private markets, as we think about capital markets, as we think about where we want to spend that CapEx, which is coming down on a year-over-year basis. But a lot of that is some of the transformation effort that Anthony talked about being completed. So we're very bullish, I would say, in the third-party risk compliance and a lot of Master Data Management both domestically and internationally. And so definitely, an area that we're focused on.

Kyle Peterson
Analyst, Needham & Co. LLC

Q

All right. Appreciate the color. Thank you, guys.

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

A

Thanks, Kyle.

Operator: One moment for our next question. Our next question comes from George Tong with Goldman Sachs. Your line is open.

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

Q

Hi. Thanks. Good morning.

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

A

Good morning, George.

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

A

Good morning, George.

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

Q

Hi. To back further into the timing of revenue growth, you mentioned the growth in the first quarter should be closer to low end of the range. Fourth quarter should be closer to the high end. Can you elaborate on some of the additional assumptions that went into that in terms of given the shift of revenues from one year to the next, and how customers may be watching DNB for any potential change of control, or any other dynamics that are underpinning these assumptions?

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

A

Yeah, George. Absolutely. When we thought about it, and we spoke a little bit about it with Kyle there. The process is ongoing and we're thinking about the timing of that right now concluding in the first quarter. We want to be mindful of that sale impact, right, and the timing of those closed deals. Because as you know, we continue to push more and more to ratable, more and more to that durable, consistent growth from that side.

And so when we think about the flow-through of sales to revenue, that's how we thought about the build-up. Certainly, as we head into the fourth quarter, you're going to have a comp because of some of that shift. And so that was really how we were balancing out the year right from a quarterly cadence perspective.

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

Q

Got it. That's helpful. And you mentioned the exit of certain non-strategic partnerships. At this point, are the exits pretty much done and behind you? Or are there additional exits you contemplate making? And can you remind me what the financial impact of these exits are, and what the phasing or timing would look like over the next couple of quarters?

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

A

Yeah. George, for the most part, I mean, I'd say, we're done with these partnerships. It's not to say in the future, if someone wanted something unreasonable, we wouldn't have a similar conversation.

Our focus here, like I say over and over, it's about making the right decisions, not the easy decisions. And certainly not renewing these partnerships, but we try to get them to a spot that made financial sense. But again, one of the factors with the process hanging over us – others know that as well, and they thought by pressing and holding the line that it would change. But like I said, we're committed to doing the right things for this business for the long term and consistent growth of it.

So I'd say, to answer your question specifically, we don't see other partnerships we're looking to exit. And the revenue impact was $6 million in the fourth quarter and $14 million in 2025 with again a positive EBITDA in 2025.

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

Q

Got it. That's helpful. Thank you.

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

A

Thank you, George.

Operator: One moment for our next question. Our next question comes from Faiza Alwy with Deutsche Bank. Your line is open.

Faiza Alwy
Analyst, Deutsche Bank Securities, Inc.

Q

Yes. Hi. Thank you so much. I wanted to follow up on the partnership exits. Can you give us a bit more color around what type of partnerships these were, sort of specific to what type of products were being used? And maybe like was there a competitive dynamic here? Just what led to the exit?

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

A

Yeah. Faiza, that's right. As we went into the partnership, we looked at the overall royalties, right, and the opportunity from that perspective. Obviously, the potential for what we could be doing from that side to really as we thought about the original intent, we were building out almost like a client zero, right, to go after more and more going forward. And so, again, it didn't play out from the relationship perspective, but certainly, I think that there's an opportunity continued to pursue from our perspective, on a go-forward basis.

But with the bespoke costs and just the overall costs of servicing, that's where we evaluated from that perspective, and ultimately, came to the conclusion that it wasn't going to work without a jump in renewal time. And while we believe that we could get that renewal done and adjust it, again, to Anthony's point, it did not come to that conclusion. And so we walked away from the deal.

Faiza Alwy
Analyst, Deutsche Bank Securities, Inc.

Q

Okay. Okay. And then, you mentioned the vertical approach to deepening client relationships and you talked about launching sort of vertical-specific solutions. Maybe talk a bit more about that, and just bring to light for us sort of how things are changing.

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

A

Sure. Like I said, the last step in any transformation is the go-to-market, right? So – and I talked – coming in had to stabilize the business, re-architect it, build modern solutions, migrate clients and optimize the contracts. A lot of hard work to get to the spot, right?

Now, we've got a number of clients who we're on like – if I think of Finance Analytics, that replaces one, two, three, four other products that we had, built in 1999, 2007, 2016, 2004 as well, right? So classically, let's say, [ph] DNB did (00:49:36) have a product, it launched another product but not completely be able to sunset the previous one and then launch another, not being able to sunset the previous two.

What I'm really, really proud of our team is that we finish things and – with these other products are being sunset, and our clients are now on these modern go-forward platforms.

I know that was an essence of your question, but it's so important for us like from an account management perspective, a client perspective, to get them into these spots, whether now on or point of arrival systems, more hardwired into our APIs, which is really great for the future. The verticalization is really around our ability to talk with our clients in their own language, for us to bring in experts by industry so that where we had been selling before, I'd say, was more around just the quality of our data.

So if I exaggerated the point, I'd say, let me show up and just test my data against anyone else's data, and it's the best data, you use it however you want to use it versus us walking into a bank saying, hey, I know I can lower your risk. If I lower your risk, you can lower your capital reserves, and there's real savings for you.

And talking at that level of expertise and then repeating it over and over again to other financial institution banks, insurance companies, manufacturers, TMT, et cetera. So why we're really excited about it.

In the fourth quarter, in terms of specific solutions, we worked at a national healthcare company in terms of getting more data for us to have a healthcare vertical for us to go after in the sales and marketing space as well. So those are the types of things where as we continue to shift our sales force, it's really around doing that to be more expert and to face off better with our clients around all the ways that we can help them.

Faiza Alwy Q
Analyst, Deutsche Bank Securities, Inc.

All right. Thank you so much.

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

Thank you, Faiza.

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

Thanks, Faiza.

Operator: One moment for our next question. Our next question comes from Ashish Sabadra with RBC. Your line is open.

Ashish Sabadra Q
Analyst, RBC Capital Markets LLC

Thanks for taking my question. I was just wondering if you could provide any color on the strategic review process. With what options are on the table, would you also consider divesting individual businesses, or is it mostly around taking it private? And also, if possible, to comment on the recent Bloomberg article? Thanks.

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

Thank you, Ashish. Obviously, I need to keep my comments limited here. What I will share with you is that there is – we're not pigeonholed into one structure or idea in this process. There are a number – we've met with a number of different organizations, I'd say, consistently impressed with the dramatic improvements that we've made in the business, the quality of the assets here; I'd say, the consistency of the delivery, the strength of the team and of the decision making.

So I feel – those would be some of the more general comments I can think of off the top of my head from the companies that we've met with.

But it's not – and obviously, I can't comment on the Bloomberg article. But what I'd say is there are – our board is open to creating the most shareholder value. And whatever that looks like is certainly on the table.

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

And Ashish...

[indiscernible] (00:53:24)

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

...while some of the businesses that we spoke about for – sorry to interrupt you there – Credibility actually had a good quarter. We're continuing to monitor that asset and the same with digital marketing, see it turn around and turn slightly positive in the quarter two.

That being said, we're looking at the portfolio, and obviously, have a bigger process, as Anthony mentioned, ongoing. But we have been engaged in dialogue, looking at and continuing to have the strategic discussion around which assets fit in and which ones would be good divestiture candidate from that perspective. That's just always how we think about the business and continue to operate from that side, Ashish.

Ashish Sabadra
Analyst, RBC Capital Markets LLC
Q

That's very, very helpful color. Maybe just on the business itself, I was just wondering if you could discuss the pipeline and the demand environment. How is the sales pipeline compared to last year and any comment on the sales cycle? Have you seen any changes in the sales cycle process? Thanks.

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

Sure. I'd say, from a pipeline perspective and demand perspective, I'd say, it's been consistent. But like I said, really, what we saw in Q4, and we still see some of it in Q1 is some impact from the process, right, and just some client hesitation.

And look, candidly, I'd say, employee concern as well, right? Let's not imagine that all the employees in our company are just 100% at work every day. What I would say is, they are probably more than average of other companies in this place. It's a remarkable, talented group of colleagues I have here. But there is an impact and there is some hesitation. There is, I'd say, some distraction from it.

But make no mistake about it. The assets that we have, the capabilities that we have resonate in the market. And like I said, we hope to get – to announce in Q1 the output from the process and get on to running the business. But I'd also say, on the AI side, even more specifically, that's something – like I think of two tailwinds, being over the hump of this tremendous transformation [ph] off at the (00:56:02) client impacting side, which is very difficult for anyone that's been through this before, and we've been through a number of them. It's a tailwind to have that behind us and just have to go forward.

The other big tailwind, I think, is AI. We sold around 25 of our ChatD&B already. The team's just launched it. There's excitement from our clients on it. The demand is very strong. Clients want to, like I said, deliver their first-party data to us to combine it with ours and for our ChatD&B to leverage the combination of it.

But again, for anyone that really, really understands the space, the quality and the accuracy of the data matters a significant amount for the types of outcomes that you're looking for from these AI models. And that's where we have extreme confidence in terms of what we've built here and how we're positioned for that world.

Ashish Sabadra
Analyst, RBC Capital Markets LLC

Q

That's a great color. Thanks, Anthony. Thanks, Bryan.

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

A

Okay. Thank you, Ashish.

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

A

Thanks, Ashish.

Operator: One moment for our next question. Our next question comes from Patrick O'Shaughnessy with Raymond James. Your line is open.

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

Q

Hey. Good morning. What percentage of your revenue comes from contract structures tied to deliveries and usage? And can you quantify how you're progressing and moving away from that model?

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

A

Yeah. Patrick, it's a good question. So if you think about just the daily ratable revenues, they've traditionally been about 75% of the business. About 15% of the business is on delivery. And then, really, that last 10% is more, I would say, usage-based.

Some of that usage-based, Patrick, as Anthony mentioned, is still guaranteed within a 12-month period. Some of it is more variable as we discussed right around the digital marketing side. And so as we progress right through these migrations, as we're getting more on to FA, on to RA, what you're also seeing is more uptake on the Direct+ and the API side of that equation. So we had a customer, for instance, in the fourth quarter that shifted, right, from what was a – I think, either a semi-annual or annual delivery to an API that literally pushed their entire agreement into the 2025, right.

And so from that side, I think what we're seeing is more that delivery side, the usage side where it's roughly 25%. Again, while it's guaranteed, it causes a lot of choppiness quarter-to-quarter, because every contract doesn't start January 1 and end December 31.

So as we're migrating more through, I think you'll start to see that shift more from, call it, 25/75 initially maybe in the more 80/20. And over time, we'll look to push that even further up to – obviously a target would be more in the 85% to 90% range.

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

Q

Got it. That's helpful. Thank you. And then, your North America adjusted EBITDA margin 44.6% in 2024, down 60 basis points year-over-year and down about 300 basis points from the peak in 2021. How are you thinking about margins in North America going forward?

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

A

Yeah, Patrick. This is always an interesting one, because I think we've discussed it, too. When we invest in data, when we're investing in the data supply chain and some of the cloud efforts we're making from that perspective, when we're innovating new solutions, a lot of that comes down on North America and is burned into that North America P&L.

So from our overall management, right, of the expense base, we first look at holistic Dun & Bradstreet and then, of course, look at the direct costs into each of North America and International and then try to allocate from that side.

So as we think about North America, the migrations are largely complete. As Anthony discussed, we're through a lot of the cloud migration efforts. And so now it's really scaling up and continuing to drive sales off the back of that. So I think overall, for the company, you see this year 30 basis points to 50 basis points of margin expansion from that side, potentially a little bit north of there. And we've made, I think, the right level of investment into North America into the business overall, where we can start to see the scale and the flow through of those revenues on a go-forward basis.

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

Q

Thank you.

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

A

Thanks, Patrick.

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

A

Thanks, Patrick.

Operator: One moment for our next question. Our next question comes from Andrew Steinerman with JPMorgan. Your line is open.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Q

Hi. Going back to a prior area, the software alliances were important channels for DNB sales and marketing data. After these two partnership exits, which software partnerships remain kind of priority channels for DNB software, I mean, for sales and marketing solutions because it does seem to me – maybe you'll let me know – if DNB is really just taking a much more go-to-direct client approach and not as reliant on software partners?

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

A

Yeah. Thank you, Andrew. We are, in fact, doing that. And if you think about – stepping back from it all, we had this worldwide network concept as well and relying on them, while we acquired the largest – one of the largest with Bisnode and doing more ourselves, and obviously, in every aspect of what we do, we're seeing the ability for us to do more ourselves.

We're – and alliance works and is complementary and helpful. We wanted to get help from everybody, right? And where it makes financial sense, obviously, it's in our best interest to do that. But certainly, our own capability go-to-market is strong. We've seen Master Data Management continue to perform well as we've engaged with clients directly; I've seen the quarter, our sales acceleration was up with highest it's been in many quarters, just over 3%. So yes, I'd say, we're very open to alliances with the ones that are very complementary and make financial sense. But also, we're seeing more and more of a capability for us to go direct and to leverage our direct relationships that we have.

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

A

Yeah, Andrew. I think that's been important, right, as the investments that we've made, right, and making sure that we're taking advantage of our full capabilities and opportunities, and then garnering those economics more to DNB than otherwise.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Q

Okay. Thank you.

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

A

Thanks, Andrew.

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

A

Thank you, Andrew.

Operator: One moment for our next question. Our next question comes from Manav Patnaik with Barclays. Your line is open.

Q

Hey. This is [ph] Brendan (01:03:28) on for Manav. I just want to ask, just to clarify, the distraction point you were talking about. Is that – how much of it was just clients who they won't sign or start new contracts till the process is done versus how much is the internal dynamic you were talking about?

And then, just any thoughts on any incremental potential risk there in Q1?

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

A

Hey, [ph] Brendan. (01:03:48) The $9 million that we called out was really big – clients or net new prospects we're looking to sign on that are holding off waiting to either get more information and wait and see. Like I said, we've signed some in the first quarter already. Some, they just needed a lot more hand-holding and confirmation, and others that really do want to see who could a – potential competitor of theirs own us, and obviously, they want to wait and see that. I don't have the breakdown of how to describe that.

But also, in the first quarter, to your question, that's kind of what we factored into the guidance that we provided. There is some risk still. For those that have been through something like this, there's a lot that's going on. It's not – the reason for my prepared remarks, obviously, since we – our [ph] four (01:04:56) years of being public, our quarters have all been 3% to 4%. Even with the inherited headwinds that we took on, it was always like 3% or 4%, and it had been the first three quarters of this year. This fourth quarter was disruptive. And as you'd understand, the disruption that causes client base causes with us obviously and our colleagues here, but we factored what we thought the accurate distraction factor would be in the Q1.

Q

All right. Thank you.

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

A

Thank you, [ph] Brendan.(01:05:32)

Operator: One moment for our next question. Our next question comes from Craig Huber with Huber Research Partners. Your line is open.

Craig Huber
Analyst, Huber Research Partners LLC

Q

Thank you very much. I got a series of very short questions, if I could ask. Maybe we should go through them one by one, so I don't want to miss any answer here, if I could please.

You've said in the past, you think you can get this business to 5% to 7% organic growth. I think more recently, earlier last year, [ph] the process (01:05:58) started, you thought eventually you'd get it to 7% – over 7% and stuff. Do you still think that's the case? And how long do you think it might take?

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

A

I do believe that we can do that. And I say, our team believes that we can grow in the 5% to 7% range ourselves. So – and what I'd say is, let us live in that range for a while before we talk about going above that range. But certainly, if you can imagine the amount of transformative work that was done here and work with our clients, getting to a spot where – we had four products, now we have one.

So imagine as you get a new dataset and the work to put that into four different products versus putting it into one, right? The effort's been significant. And so now with that effort that we can put towards just moving things forward, do we think we can get to 5% to 7%?

Yeah. We absolutely do. And from issues that we've seen in the business, right, we talked about Credibility, talked about digital marketing, the market has come back with digital marketing, which is great. The team has done a great job on the Credibility side, had a great quarter. The work that they are doing with the money-back guarantee offer that we mentioned before is really resonating. The team's got a lot of momentum selling hard. So we're on a nice journey, like I said. The process, it's like a stick in our wheels and impacted us a bit here, right?

And so long term, yeah, we obviously do believe that. And it's obviously, not going to be this year where we guided, right, unless we get to the high end of the range, which would be the low end of this range you're asking about. But certainly, that's what our expectation is.

Craig Huber
Analyst, Huber Research Partners LLC

Q

I mean, on that front, though, how – I know there has been a long, long turnaround for many years, and you guys have done a very admirable job here, what you've done here since 2019. But don't think it's going to happen this upcoming year here. You do think eventually we get to 5% to 7% and then we potentially talk about higher than 7% down the road there. But how long would you think it has – it's going to take here? I mean, how much more effort do you need to change as you get to make it the company the go-to-market strategy, et cetera?

And how many more years you honestly think it's going to take, are you talking three-plus years from now? I mean...

[indiscernible] (01:08:40)

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

A

Yeah. Obviously, look – 2026 guidance here, but it's certainly – we certainly don't believe it will take three years, Craig. And from a – the amount of effort and transformation. Look, what we saw in our international markets was we started there first with the migrations and had the team all focused on those clients – getting the products ready, migrating the clients to it, and we picked international first with Bisnode where we had migrations to do regardless, where we focused on that first, got it working from there, moved the FA migrations to North America. And what we saw was, as we move them – as they're all on our next-gen products, the growth rate accelerated internationally. And that's what we expect to happen in North America with Finance Analytics.

While we're migrating internationally with Finance Analytics, we're doing North America with Risk Analytics. We saw we move them off of supplier risk manager to Risk Analytics. We saw an acceleration of growth in the risk business. So naturally, we do believe that we will get to the 5% to 7% range. And it won't take three years.

Craig Huber
Analyst, Huber Research Partners LLC

Q

Obviously, your stock – stocks in the sector and other sectors as well, I mean, organic growth in the data just drives the stock – stocks and so forth. If you really do truly believe you're going to get to 5% to 7% in less than three years from now, why are you entertaining selling the company now? Why is it taking so long rather than just conclude this months ago and just go forward here to get where you think you're going to get 5% to 7%, because the stock will take care of itself. In theory, if you can get to 5%. [indiscernible] (01:10:40) higher than that, particularly for multiple years and so forth, why are you entertaining this process now?

Why didn't you just – if the price wasn't agreeable from your perspective, your board of directors thought right up front in the first month or two, and I realize this press release came out August 5, wondering how long you guys were dealing with this before that and so forth?

But why is this going on for so long? Why did you let it go on for so long, you and your board, rather than just, if you really think you can get to 5% to 7%, there's a disconnect here. I know you have major shareholders perhaps that wanted to just move on with their lives and stuff, maybe you guys do as well.

But I'm just trying to figure out here, I know we're in a public domain here, but I'd be remiss if I didn't ask you these questions right now. So thank you.

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

A

Yeah, no, of course, Craig. And I'll share with you what I can. We never put a for-sale sign on. Other companies approached us, and again, our board felt it's fiduciary responsibility to listen to those conversations. And as we did, others have come forward. And there's some interesting ones and interesting combinations. And that's why, like I said, we've been entertaining them. And so obviously, I can't speak much more on the subject, but what I would say is this began as us responding to inquiries. And we've had obviously a number of very interesting conversations with a lot of different organizations and types of organizations.

Craig Huber
Analyst, Huber Research Partners LLC

Q

Okay. Why don't we leave it there? Thank you both very much. Appreciate it. Thank you.

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

A

Thanks, Craig.

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

A

Thank you, Craig.

Operator: And I'm not showing any further questions at this time. I'll turn the call back over to Anthony Jabbour for closing comments.

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

All right. Thank you. As always, I'd like to thank my Dun & Bradstreet colleagues for their exceptional efforts and to our great clients for their partnership and guidance. Thank you for your interest in Dun & Bradstreet. Hope you have a great day.

Operator: Ladies and gentlemen, this does conclude today's presentation. You may now disconnect, and have a wonderful day.