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Dun & Bradstreet Holdings, Inc. (DNB)

Q1 2022 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon and welcome to the Dun & Bradstreet's First Quarter 2022 Conference Call. As a reminder, today's call is being record and your participation implies consent to such recording. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation.

With that, I would like to turn the call over to [ph] Ed Yuen (00:00:21), Investor Relations at Dun & Bradstreet. You may proceed.

Unverified Participant

Thank you. Good afternoon, everyone, and thank you for joining us for Dun & Bradstreet's financial results conference call for the first quarter 2022. On the call today, we have Dun & Bradstreet's CEO, Anthony Jabbour; and CFO, Bryan Hipsher.

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

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

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

Anthony M. Jabbour

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

Thanks, Ed. Good afternoon, everyone, and thank you for joining us for our call today. The first quarter of 2022 was another quarter of solid financial performance. Adjusted revenues for the total company grew 5.3% or 6.9% before the impact of foreign currency and revenues on an organic constant currency basis grew 4.5%. Balanced organic growth in both North America and International were driven by continued demand for our Finance and Risk solutions as broader business and macro conditions continue to create a strong demand environment.

For example, third-party and supply chain risk management continues to be a focus for companies throughout the world and our revenues in that sub-segment grew over 20% versus the prior year quarter. Customers are increasingly looking to drive finance and risk underwriting decisions on both public and private entities in a more scalable, repeatable and data-driven manner. Our end-to-end solution set including fraud, financial diligence, regulatory compliance, ESG scoring and cyber risk management continues to differentiate itself from our competitors through the breadth, depth and accuracy of our analytics.

On the Sales and Marketing side, we understand our clients' biggest challenges include privacy, personalization and proliferation. Through our master data management, digital marketing and sales acceleration suite of solutions, we provide an integrated intelligence backbone for modern revenue generating teams. At D&B, we continue to innovate with urgency across our use case continuum, and I'm very pleased with our performance this quarter and how things are setting up for the remainder of 2022 and beyond.

As we continue to execute against our strategy, our guiding principles remain the same; innovate solutions and localize them throughout the world, increase our wallet share with strategic clients through expanded datasets and complementary solutions, approach and monetize the SMB channel in new and innovative ways and continue to grow international in both our own and Worldwide Network markets.

I'm pleased to report on the progress of some of our previously announced initiatives, as well as new solutions we rolled out this quarter. Last quarter, we discussed our strategic partnership with Google to further enhance our cloud strategy and also to innovate new solutions through a blend of our data assets, analytic capabilities and customer bases. We discussed that our first initiative was to assist clients in better assessing and proactively managing their supply chains. Google Cloud Supply Chain Twin will combine our unique D&B data and analytics with critical alerts, collaborative event management and AI-driven optimization to have end-to-end visibility of global supply chains. While this joint effort was launched earlier this year, we already have our first client testing the solution.

Also with Google Cloud, we are exploring new ways to enable the small business community by providing the right products and services at the right stage of their journey. Businesses come to D&B and Google for many reasons during the setup stage of their operations. As we find different ways to connect with entities early on, we can leverage the power of the D-U-N-S Number and allow access to our growing suite of small business solutions, ranging from tools to enhance credit inclusivity to prospect creation and activation. Currently, we're adding around 25,000 new small businesses into our Data Cloud each working day. This significantly enhances our ability to grow and expand our Data Cloud and the number of SMB companies in our growing sales pipeline.

Apart from some of the joint innovation underway with Google, the new set of fraud solutions we introduced last quarter has quickly gone from proof of concept to full-scale rollout with significant client interest. In one example, we signed a new deal with a global B2B payments company, who's experiencing heavy fraud instances resulting in significant financial losses. Their prior fraud solution was causing 85% false positives, which ultimately required manual review, leading to increased costs and slower turnarounds.

The newly appointed chief revenue officer's first initiative was to decrease the fraud losses and false positives, and chose D&B's fraud risk insights API to achieve this. Fraud is a great example of how we are turning ideas into solutions and solutions into new sales. I look forward to continuing to update you on our progress around these initiatives and the many others we have in flight as we continue to innovate with urgency at D&B.

Moving on to key sales wins in the first quarter. As I mentioned earlier in my prepared remarks, third-party and supply chain risk management continues to be a focus of companies throughout the world. In North America, we signed new business with an existing client, one of the largest online retailers in the world, to modernize their address verification processes. Previously, they spent millions of dollars annually to manually validate business addresses through less efficient legacy processes. By leveraging our Data Cloud, our client was able to automate the verifications and free up time and capital to continue to innovate and expand the rapidly-growing enterprise.

In our D&B Europe market, we won new business with Volkswagen, who chose our risk and compliance API solution to better assess and monitor their vast supplier network. This multiyear deal will enable Volkswagen to standardize and automate their supplier risk assessments, helping to avoid supply chain disruption. We look forward to working with Volkswagen to help them better manage the risk in these uncertain times.

Another win in Europe is a reflection of our ability to rapidly bring a new solution to market to help businesses navigate the rapidly-changing environment due to the conflict in Ukraine. We signed a deal with a large European-based bank to provide them sanction list screening and ultimate beneficial ownership of their supplier portfolio to ensure compliance with regulators and safeguard their brand and reputation on a global level.

Turning to Asia, as a trusted partner to Alibaba, we've continuously grown our relationship with them. In addition to leveraging our data to verify worldwide buyers on their leading global e-commerce platform, they have extended their application to include sellers' know-your-customer processing on international buyers. Through D&B Data Block's API solution, trusted data can be obtained in real time, facilitating improved efficiency and effectiveness of transactions between sellers and buyers.

With the recent rollout of our finance analytics platform in the Nordics, we are pleased to support a Swedish buy-now, pay-later company and their goal to enhance their underwriting processes. The underwriting relies on local-based financial scoring models, and where in the past, format, content and data quality were inconsistent between operative countries, D&B's finance solution will harmonize data from merchant onboarding and underwriting across multiple markets, creating a significant gains in efficiency and data consistency.

On the sales and marketing side, we won competitive new business with Daimler Truck North America, who chose our master data management solutions to improve their customer and supplier master data structures, which will enhance their direct and aftermarket integration process.

And finally, a longstanding visitor intelligence customer, DXC Technology, needed a one-stop-shop for data aggregation, audience segmentation and omnichannel activation enabled through Rev.Up ABX's always-on capability. We took business from a competitor due to our ability to deliver site-level insights within their largest commercial accounts rather than domain-level insights provided by competition.

While winning with large customers continues to fuel our accelerated organic growth, I'm also very pleased with the continued progress we are seeing in the SMB strategies we have put in place. This quarter, we recorded strong net new subscriptions to our SMB platforms with our average daily signups reaching 2,000, up 36% from first quarter 2021. E-commerce sales increased almost 20% year-over-year, and sales of our credit monitoring solution, which have been redesigned for the micro small business market, increased 24% year-over-year. With our latest foundational enhancements to our digital strategy, we are increasingly excited about the opportunity to capture a share of a massive and growing TAM.

Overall, we are very pleased with the strong start to 2022 and I look forward to updating you on our progress in the coming quarters. With that, I'd now like to turn the call over to Bryan to discuss our financial results for Q1 and the outlook for the remainder of 2022.

Bryan Hipsher

Chief Financial Officer, Dun & Bradstreet Holdings, Inc.

Thank you, Anthony, and good afternoon, everyone. Today, I will discuss our first quarter 2022 results.

Turning to slide 1. On a GAAP basis, first quarter revenues were $536 million, an increase of $32 million or 6% compared to the prior year quarter and 8% before the effect of foreign exchange. Net loss for the first quarter was $31 million or a diluted loss per share of $0.07, compared to a net loss of $25 million for the prior year quarter or a diluted loss per share of $0.06. The increase in net loss of $6 million for this quarter was primarily due to the debt early redemption premium for senior secured notes in January of 2022, partially offset by the improvement in operating income in the current year period.

Turning to slide 2, I'll now discuss our adjusted results for the first quarter. First quarter adjusted revenues for the total company were $536 million, an increase of 5.3% or 6.9% before the effect of foreign exchange versus the prior year quarter. Revenues on an organic constant currency basis were up 4.5%. First quarter adjusted EBITDA for the total company was $190 million, an increase of $4.5 million or 2%. The increase in EBITDA was primarily due to revenue growth from the underlying business and lower net personnel expenses, partially offset by investments leading to higher data and data processing costs.

First quarter adjusted EBITDA margin was 35%, compared to 36% for the prior year period, a decrease of 100 basis points. Excluding the impact of acquisitions, adjusted EBITDA margin was 36%, or flat to prior year. First quarter adjusted net income was $103 million or adjusted diluted earnings per share of $0.24, an increase from $98 million or $0.23 per share in the prior year quarter.

Turning now to slide 3, I'll now discuss the results for our two segments, North America and International. In North America, revenues for the first quarter were $367 million, an increase of 8%. Excluding the impact of foreign exchange and acquisitions, North America organic revenue increased 4.4%. In Finance and Risk, revenues were $202 million, an increase of 6%, driven by increased new business and higher upsell particularly in our third-party and supply chain risk management solutions.

In Sales and Marketing, revenues were $165 million, an increase of 11%. Our marketing solutions had strong double-digit growth, both organically and including the acquisitions of Eyeota and NetWise. We also saw a solid growth in master data management. And our sales solutions improved to being flat versus prior year. North America first quarter adjusted EBITDA was $153 million, an increase of 2%, primarily due to revenue growth, partially offset by higher data and data processing fees. Adjusted EBITDA margin for North America was 42% or 43% excluding the acquisitions.

Turning to slide 4. In our International segment, first quarter revenues were $169 million, a decrease of $1 million or 1% and an increase of 4% on a constant currency basis. Organic revenues on a constant currency basis increased 4.6%. Finance and Risk revenues for the first quarter of 2022 were $109 million, an increase of $2 million or just over 1% and 6% on a constant currency basis. Growth was driven across all markets, including higher revenues from Worldwide Network alliances due to higher cross-border data fees and increased product royalties, along with increased revenues from our European market driven by higher API solution sales.

Sales and Marketing revenues for the first quarter of 2022 were $60 million, a decrease of $3 million or 5% and an increase of 2% on a constant currency basis. The increase was primarily driven by higher product royalties from our Worldwide Network alliances. First quarter International adjusted EBITDA was $55 million for the three months ended March 31, 2022, an increase of $4 million or 7% compared to the same period last year. The improvement in adjusted EBITDA was driven by the revenue growth on a constant currency basis, along with ongoing cost synergy actions. Adjusted EBITDA margin was 33%, a 230 basis points improvement versus the prior year period.

Turning to slide 5, I'll now walk through our capital structure. As of March 31, 2022, we had cash and cash equivalents of $216 million and total principal amount of debt of $3,796 million. We had $750 million available on our $850 million revolving credit facility as of the end of the quarter. Our leverage ratio was 4.2 times on a net basis and the credit facility senior secured net leverage ratio was 3.7 times.

As discussed last quarter, with efforts throughout 2021 and in early 2022, we have been able to significantly reduce the cost of our debt, which has provided us flexibility in a rising rate environment. We've continued to look at ways to manage these increasing rates. During the first quarter, we executed $250 million of SOFR-based interest rate swaps, and in April, we further implemented $375 million of cross-currency swaps, both of which will help us partially offset the impact of this significantly rising rate environment.

Turning now to slide 8, I'll now walk through our outlook for 2022. We continue to expect adjusted revenues after the effect of foreign currency to be in the range of $2,270 million to $2,315 million, or an increase of approximately 4.5% to 6.5%. This includes half a percent of headwind to revenue growth after the effect of foreign currency due primarily to the strengthening of the US dollar versus the euro and Swedish krona. Revenues on an organic constant currency basis are still expected to be in the range of 3% to 5% for the full year. Adjusted EBITDA is still expected to be a range of $865 million to $905 million. And while we now expect interest expense to be in the range of $180 million to $190 million, we continue to expect adjusted EPS to be in the range of $1.13 to a $1.20.

Additional modeling details underlying our outlook are as follows. Depreciation and amortization expense of approximately $85 million, excluding incremental depreciation and amortization expense resulting from purchase accounting. Adjusted effective tax rate of approximately 24.5%. Weighted average diluted shares outstanding of approximately 430 million. And for CapEx, we still expect approximately $150 million to $180 million.

While the first quarter was stronger than anticipated, we continue to expect the remaining quarters to grow as previously communicated as the GSA contract has concluded and that will begin impacting our results in May going forward. We expect Q2 to be as previously guided, and then growth will accelerate with strong current and prior year sales, the impact of our pricing initiatives flowing through and continued progress in our retention efforts.

Similarly, we continue to expect adjusted EBITDA to be flat to prior year in the second quarter, and then ramp up in the third and fourth quarters as we annualize prior year investments in new and alternative datasets and see the strong contribution margins flow through from accelerated revenue growth.

As a quick recap, we started off the year strong with first quarter organic revenue growth of 4.5% and are well-positioned to capture significant growth opportunities and continue to execute in 2022. We've made thoughtful and strategic decisions to invest in the sustained acceleration of organic growth by investing more in data as well as our go-to-market strategies with a sharp focus on areas such as third-party risk management and digital marketing, while at the same time continuing to optimize our capital structure and execute a disciplined M&A strategy.

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

QUESTION AND ANSWER SECTION

Operator: Absolutely. [Operator Instructions] Our first question goes to Kyle Peterson with Needham. Kyle, your line is open. Please proceed.

Kyle Peterson
Analyst, Needham & Co. LLC

Q

Great. Good afternoon. Thanks for taking the questions, guys. Just wanted to touch a little bit about how client conversations are going for you guys just given the – seems to be that we're in a higher inflation environment, is that impacting your pricing at all in terms of being able to pass on some additional price increases to clients just given the cost pressure that kind of seems like everyone is going through?

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

A

Yeah. Hi, Kyle, thanks for the question. Yeah. We've been executing well on our pricing strategy what we committed. Number one, we've made significant improvements on every aspect of the business and earned the right for price increase. We've got multiyear contracts in place that have just a natural annual price escalator in them as well. And, certainly, with the inflationary period, clients understand the increase in costs. So, we're tracking well from that perspective.

Kyle Peterson
Analyst, Needham & Co. LLC

Q

Helpful. And then, I guess, just a quick follow-up on my end. Any changes in your priorities on capital allocation, I guess, since you guys kind of reported last, I mean, obviously, the macro environment's gotten a lot choppier and interest rates are quite a bit higher? It seems like you guys are partially offsetting that with some swaps, which was great to see, but just wanted to get any updates on kind of your rank order and thoughts on capital allocation over the rest of the year?

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

A

Well, certainly, that's an ongoing conversation we have, Kyle, and where our focus has always been on growth and investing for growth. There certainly are changes in the market and we're constantly looking at that in terms of deleveraging sooner share buyback. So, it's very much all on the table and being discussed at the board level. So, it's a timely question and obviously there's a lot of uncertainty in the market. And we're fortunate to have a very defensive company, and we've proven that in very tough times. So, we're just really looking at it to see best where the best moves for us to make right now, and we'll tweak accordingly.

Kyle Peterson
Analyst, Needham & Co. LLC

Q

All right. Makes sense. Thanks, guys.

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

A

Thank you.

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

A

Thanks, Kyle.

Operator: Thank you, Kyle. Our next question goes to Kevin McVeigh with Credit Suisse. Kevin, your line is open. Please proceed.

Kevin McVeigh
Analyst, Credit Suisse Securities (USA) LLC

Q

Great. Thanks so much. Bryan, I think you mentioned the GSA real quickly. I was cutting in and out. Can you just remind us how you're thinking about that, the impact of it, what it was in the first quarter, and then just as we think about that over the course of the year from a contribution perspective?

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

A

Yeah. Sure, Kevin. What I mentioned was that the GSA contract concluded at the end of April. And so, as we talked about, it was about an $18 million or $19 million impact to the year. And so, what you'll see is, May and June – and it's ratable from that perspective. So, you'll start to see it impact May and June a little less than a point and then a little more than a point in Q3 and Q4. But that's built into our core guidance as we had planned on that moving into the year.

Kevin McVeigh
Analyst, Credit Suisse Securities (USA) LLC

Q

Great. And then, obviously, there's been a lot of peers that have had to reduce their guidance. You folks were able to reaffirm it. And I know you don't have mortgage or – but just can you remind us some of the puts and takes that gave you the confidence to reaffirm this really, really nice outcome obviously given kind of the current environment we're in?

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

A

Yeah. Sure, Kevin. Thank you. And Anthony mentioned earlier the mission-critical nature of our solutions and certainly the long-term contracts with the price escalators that we've put in. So, getting off to a start with 4.5% in organic constant currency was a strong start to the year. And we have high visibility, right, a lot of contracted revenues, we see the sales that we executed on last year and how they're flowing into this year, and then, our pipeline building. I think we're pretty excited about some of the things we're doing around fraud and ESG and blended score and what we're doing on the Sales and Marketing side with the combination of audience solutions and Eyeota, it's that combination. I think Anthony uses the term getting the flywheel spinning. And so, we see that each of these components is contributing in the way they contribute. And that gives us high conviction, high visibility into the remainder of the year.

Kevin McVeigh
Analyst, Credit Suisse Securities (USA) LLC

Q

Awesome. Thanks so much.

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

A

Thanks, Kevin.

Operator: Thank you, Kevin. Our next question goes to Hamzah Mazari with Jefferies. Hamzah, your line is open. Please proceed.

Hans Hoffman
Analyst, Jefferies LLC

Q

Hi, this is Hans Hoffman, filling in for Hamzah. So, just a quick question on the competitive dynamic. Have you seen any potential new entrants in Sales and Marketing? And then, maybe do you see any product gaps or holes that customers want or need in the product portfolio in Sales and Marketing?

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

A

No, I wouldn't say that we see any new competitors coming into the space. There have been really a number of discrete players in the space, the proliferation of small players here all playing a small role to a large degree in the space. And our approach really is one of integration, right? And it's something that I've done company to company, but the more that we can integrate into a suite of solutions, solve bigger problems for our clients, it's a winning formula. And so, in that landscape, you see us with what we did with the Rev.Up suite, for example, getting a bunch of point solutions, building them into an integrated marketing platform, how we've integrated Netflix and Eyeota and are going to market. I think it's powerful combination in terms of meeting the needs of our clients.

And there'll always be small gaps here or there, holes that we'll fill either through build, partner, buy. But for the most part, we feel like we're in a pretty good position right now product wise. I'd also say from a data perspective, we're increasingly confident with our capabilities in that space and matching up with anyone. So, overall, we feel we're in a pretty good spot on the Sales and Marketing, and the future looks good for us in terms of how we can grow into that space.

Hans Hoffman
Analyst, Jefferies LLC

Q

Got it. Thank you. And then, could you just walk us through your M&A pipeline, how big is it today versus a year ago, which areas are you most focused on and how valuation is looking in the market right now?

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

A

Well, certainly, there is a lot that's going on in the market right now and we're seeing public valuations taking few steps back. Private markets always a bit slower to adjust. But that being said, we think there are opportunities for assets to come to us throughout 2022 that can either help us accelerate growth or increase our distribution or add a new capability to our suite of solutions. So, we're being thoughtful about that.

Again, the ideal thing for us is, really, as we bring on this capability, we're always thinking how can one plus one equals three, how can we make the company we acquired better, how does it make us better? And we're pretty thoughtful, I'd say, we've looked at a lot. We're being very disciplined, as you know us to be. And like I said, we're still out there looking and there's a lot of opportunity.

And I imagine with the uncertainty that the environment is creating that there will be some good opportunities. And again, with our defensive growth posture, it's easier for us to bet on the future, I'd say, than many of these other companies that are out there for sale.

Hans Hoffman
Analyst, Jefferies LLC

Q

Okay. Thank you.

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

A

Yes.

Operator: Thank you, Hamzah – excuse me, that wasn't Hamzah. Our next question goes to Ashish Sabadra with RBC Capital Markets. Ashish, your line is open. Please proceed.

Ashish Sabadra
Analyst, RBC Capital Markets LLC

Q

Good momentum there on the selling side. Could you maybe just walk us through the environment given the higher global uncertainty? Is it driving demand, or just what are you seeing especially with the outsized exposure to Europe? Thanks.

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

A

I think there was a little bit of pause in there. But just to repeat the question. With the global macro environment, how is sales demand and demand for our product set going, is that what was asked?

Ashish Sabadra
Analyst, RBC Capital Markets LLC

Q

Correct.

[indiscernible] (00:29:43)

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

A

Yeah. Yeah. I'd say to a large degree, it's helpful, right? You can't get into a taxi now or an Uber where someone's not talking about supply chain risk and everyone's seeing and feeling how it's impacting them in their lives. And so, from our perspective, what we offer and what we can – and the problems we can help solve, it's really fitting in nicely with the capabilities that we've been building out. And it fits on supply chain or fears of heading to a recession. And therefore, businesses tending to get a little more conservative on their credit policies that benefits us. If it is around ESG and the movement in the space and how we're positioned really with private company data and how that rolls up, it's really an environment where we're well suited to be selling into. So, like I said, for the most part, I think our capabilities very much line up with the needs of our clients in the market.

Ashish Sabadra
Analyst, RBC Capital Markets LLC

Q

Great. Thank you for the color. And maybe just a quick one, the defensive nature of the business and any potential levers you can pull in a downturn?

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

A

In terms of the defensive nature, like I said, I think I said with the visibility that we have, it's pretty clear, I think the services that we offer are very much in need at times like this. We always have levers to focus on, on the expense side, should there be unforeseen, unanticipated events. But like I said, we feel pretty good about how things are moving along throughout the year and more so about all the effort that we've been putting in over the last few years, putting us in this position with new and improved capability that we can bring to market, new and improved data and analytics to help solve the exact problems that everyone's struggling with right now. So, we have levers to play with, but like I said, I am more excited and I'd say there's more focus on the problems out there that we can help solve for our clients.

Ashish Sabadra
Analyst, RBC Capital Markets LLC

Q

Very helpful. Thanks for the color.

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

A

Thank you.

Operator: Thank you, Ashish. Our next question goes to Andrew Jeffrey with Truist. Andrew, your line is open. Please proceed.

Andrew W. Jeffrey
Analyst, Truist Securities, Inc.

Q

Hi. Good afternoon. Appreciate you taking questions. Anthony, I'm pretty intrigued to hear about some of the risk management supply chain solutions. Sometimes it's right place, right time in life. Can you comment on that? I know you've been gearing up to roll out some of these enhanced solutions, but do you think that some of this demand has maybe been pulled forward by what we're seeing, whether it's war in Europe or shutdowns in China ? And I guess, if you could comment on sustainability of those solutions and, in fact, whether we could see them ramp as the year progresses here from a good first quarter.

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

A

Yeah. Sure, thanks, Andrew. Yeah. The investments that we've made in these areas is really exciting. We've launched – so, again, you saw that we acquired new datasets in the space to be integrated with the other data capabilities that we had to help solve, bigger and more different problems that existed. And to answer your question, I don't see much pull forward from the crisis that's going on right now. But I do expect, as the year goes on, that the demand will continue to grow and we'll be able to fill in the void there for our clients. But like I said, we really what we have as a as a company with all the private data, all the interconnectivity of these companies is so valuable as you're really trying to understand your supply chain risks.

And even so, like I said, on the ESG side, as you get into Scope 3 emissions and trying to understand all of those that you're connected to and those that impact you, it's exactly the type of data that we have the insights that we can bring for our clients. And even though that part is early days, to my point, in terms of expecting interest and need to arise for the rest of this year and next year, we're excited about it. And we've seen a lot of growth so far in this space. And we really believe that we can help our clients in some very unique ways, and we're excited about that.

Andrew W. Jeffrey
Analyst, Truist Securities, Inc.

Q

Okay. Helpful. And then, regarding SMB, it sounds like you have some pretty good momentum. And that's I feel like long awaited. Is there enough structural demand that we shouldn't worry about a potential recession hurting small businesses as they tend to be disproportionately hit in economic downturns?

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

A

Yeah. Andrew, it's Bryan. One of the exciting pieces here, right, is because we've laid a lot of the foundation in infrastructure from a digital strategy perspective, from the consolidation of the websites to really starting to create that environment for customers to come in. When you look at our SMB base, we're talking about right now 120,000, 140,000 customers. There's 31 million small businesses in the United States. And if we run kind of doppelgänger analysis, there's 8 million to 9 million that look like the businesses that we have today. And so, the point being is that, even if there's a step back in like business formation or some of the business go out, our share is relatively small right now and we really have the ability there to grow, I would say, substantially as we deliver more and more new solutions into that build-out in infrastructure.

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

A

And Andrew, I'll add to that. We're excited about the opportunity, especially on the digital channel, and the growth that we can drive from that. So, making some investments in there and pressing harder to really grow that, we get lots of traffic coming through and really turning the traffic into revenue is something that we increasingly are excited about. And I'd point to that in the future as an area that we'll double down on.

Andrew W. Jeffrey
Analyst, Truist Securities, Inc.

Q

Appreciate it. Thank you.

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

A

Thank you.

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

A

Thanks, Andrew.

Operator: Thank you, Andrew. Our next question goes to George Tong with Goldman Sachs. George, your line is open. Please proceed.

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

Q

Hi. Thanks. Good afternoon. You previously expected 1Q organic revenue growth to come in at around 3%, but you came above that, 4.5% organic growth in the quarter. What drove the upside versus your initial expectations and should these upside drivers persist over the remainder of the year?

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

A

Hey, George. Thanks for the question. Yeah. As we're coming in for the year, obviously, we talked about being at that lower end of the range of the 3% to 5%, certainly 4.5% was nice start out of the gate. Really, Andrew mentioned in what we've seen on the Finance and Risk side that drove some nice organic growth, I would say, outsized performance in North America in particular and certainly that supply chain business growing 20% versus prior year was a nice benefit.

Overall, if we think about the remainder of the year, again, we gave a range, we certainly maintain that range, but certainly feel good about the continued acceleration ex the GSA throughout the remainder of the year.

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

Q

Okay. Got it. That's helpful. And then, going back to the topic of inflation and pricing, could you perhaps ballpark or quantify what kind of inflationary impact you're seeing in the business, either with wages or input data costs, and then also, what level of pricing increases you're currently on track to realize this year?

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

A

Sure. And so, when we think about the inflation side of the equation on the cost side, it's less, I would say, on the data and data acquisition that was more of investments and expansion of different alternative datasets that we were bringing in. We talked about some different UBO data, which by the way has become very, very relevant when you're searching to understand what kind of linkage in sanctions you have with Russian oligarchs, for instance. Those investments clearly have started to pay off.

When we think about the wage inflation, we've had a nice balance this year and been able, I think, to perform a little bit better than others with our location strategy. And so, we had opened up in a lower cost area in the Southeast in Jacksonville. And so, as we've had some attrition in some of the natural churn that's occurred on the market, we've been able to relocate some of those positions that made sense into our new headquarters down South. So, been able to combat it with some geographical strategies from that side.

In terms of on the pricing side, if you remember last year, we had talked about continuing to accelerate and getting closer to 2 points of growth coming from price throughout this year. And so, we were a little under that in the first quarter. As the multiyear contracts flow through in the second, third and fourth quarters, you'll continue to see that ramp-up. So, we'll actually exit a little bit above that, but solidly on track to meet what we expect this year, which is to be right around like 2%.

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

Q

Got it. Very helpful. Thank you.

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

A

Thanks, George.

Operator: Thank you, George. Our next question goes to Andrew Steinerman with JPMorgan. Andrew, your line is open. Please proceed.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Q

Hi. On the F&R side, what percentage of your F&R revenue is now related to supply chain solutions and which kind of providers do you feel like you compete with in that area?

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

A

Andrew, so, on the third-party, for instance, in North America, it's about $25 million in that Risk side. And so, when we think about competition, Anthony laid it out, we're in a pretty unique position when you think about the supply chain and supply chain risk. And so, there are institutions out there that are doing kind of more on the KYC side. We do some KYC in terms of the UBO, but it's really the [ph] KY little x (00:41:15), I guess, know your vendor, know your supplier.

And so, from that side, I think we're one of the key, if not, the key provider in that space. But, when you think about the different niches here and there, I mean, RDC comes to mind and there are a handful of other players out there, but certainly a fast-growing market, Andrew, and one that we feel like we have a real right to win.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Q

Okay. Thank you very much.

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

A

Thank you.

Operator: Thank you, Andrew. [Operator Instructions] Our next question goes to Heather Balsky with Bank of America. Heather, your line is open. Please proceed.

Heather Balsky
Analyst, BofA Securities, Inc.

Q

Hi. Thank you for taking my question. I'd love to get an update on how the Bisnode integration is going now that you're in sort of a year where you're lapping the integration and how things are right now? And then, given that acquisition, how you think about – you talked about M&A earlier in the Q&A, I guess, how you think of potentially acquiring some of your Worldwide Network partners versus buying a data asset or something else? I'd love to get some perspective. Thanks.

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

A

Yeah. Sure, Heather. Thanks. The integration is going exceptionally well. Very pleased with my colleagues, who are leading it every day and doing the right things. Like I said, that was an acquisition that post synergies was just over 7 times the EBITDA. So, one very accretive to us we're excited about. But we've annualized $40 million of savings by the end of 2022. So, we're excited about that. We're consolidating functions across the global team, execute against a broad real estate strategy. We've combined products. We've got a lot of great work going on right now in terms of upgrading to our point of arrival products at Dun & Bradstreet.

So, bringing that into those markets and even beyond just that. What we're excited about with Bisnode was the regions of Europe that we'd be in would be very strategic for us we thought. The clients, [ph] Jessie (00:43:45) can tell you, we talked about Volkswagen, many of the global enterprise clients who are important to us and wanting to have more touch points with them to do more for them on a global basis. We see the value from that.

So, as we look at other Worldwide Network partners to potentially acquire, it is – again, they're on the list, the M&A list, as you'd imagine. And at the right opportunity, again, like I said, we're going to be very disciplined about our M&A. We're very open to that, but we're certainly pleased with Bisnode where it's at and really what the future looks like now that Bisnode is D&B Europe and part of the D&B family.

Heather Balsky
Analyst, BofA Securities, Inc.

Q

Thank you.

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

A

Thanks, Heather.

Operator: Thank you, Heather. Our final question goes to Faiza Alwy with Deutsche Bank. Faiza, your line is open. Please proceed.

Faiza Alwy
Analyst, Deutsche Bank Securities, Inc.

Q

Great. Thank you. Hi, everyone. So, I was hoping to get a little bit more color around margins by segment. I thought North America was a little bit weaker than, I think, I was thinking about it and International was a little bit better. So, could you just give us some color as to how we should think about those as we go into the rest of the year?

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

A

Sure, Faiza. One of the things in North America just to take into consideration is that's where the majority, if not, it's actually all of the acquisitions were. And so, NetWise and Eyeota, while are growing rapidly, started at clearly subscale margins. And we're investing in them to really accelerate that growth and the integration with our audience solutions. So, that's one of the primary, I would say, drivers that's pushing North America down on a year-over-year basis.

When you look at the International side, it's relatively clean from that side. And then, it's gaining the benefit also of, clearly, the accelerated organic revenue growth, but also the synergies, as Anthony mentioned. We've executed now through this quarter about $30 million of annualized run rate synergies. And so, you're seeing that flow through, which is boosting up the overall margin profile on the International side.

Faiza Alwy
Analyst, Deutsche Bank Securities, Inc.

Q

Okay. And then, just to follow up, I know there were a lot of questions around supply chain, but I'm definitely intrigued by the growth that you're seeing there. And sort of curious how you think about just the long-term prospects of that business, is there a number that you're thinking where sales might be in that business, I don't know, a couple of years down the road, or how do you think about the growth trajectory of that business?

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

A

Look, this is a business that is a – it was a natural expansion of what we're doing on the Finance side. And so, when you think about the underwriting of supply chains, it's not going away anytime soon. If anything, that demand over the last two or three years has just increased.

So, first, we had COVID, right? And then, it was what's my supply chain and who are my providers that are coming out of different regions that were impacted in a different way from COVID. Now you're seeing clearly a disruption between the conflict in Ukraine and Russia and the impacts that it has. You're seeing legislation come out in Europe. You're seeing legislation come out and potential guidance out of the SEC in terms of Scope 1, Scope 2 and now, even most importantly, Scope 3 emissions on an ESG side.

So, when you're bringing a third-party into your organization, that underwriting process is doing nothing but becoming more stringent and growing from that perspective. So, this is something that we think about not as a over the next few quarters, but this is certainly something that's going to be over the next few years, a very relevant and growing piece of the business for us.

Faiza Alwy
Analyst, Deutsche Bank Securities, Inc.

Q

Got it. Thank you.

Operator: Thank you. There are no further questions registered at this time. So, I'll turn the conference back over to Anthony for closing remarks.

Anthony M. Jabbour

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

Thank you. As always I'd like to thank my Dun & Bradstreet colleagues for their exceptional efforts to sustainably grow our business for the years to come and to our great clients for their partnership and guidance. Thank you for your interest in Dun & Bradstreet and joining us for the call. Hope you have a wonderful evening.

Operator: That concludes today's Dun & Bradstreet First Quarter 2022 Earnings Call. Thank you for your participation. You can now disconnect your lines.