Q1 2012 EARNINGS CONFERENCE CALL

May 8, 2012

Kathy Guinnessey

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

With me on the call this morning is:

- Sara Mathew, our Chairman and Chief Executive Officer, and
- Rich Veldran, our Chief Financial Officer

In addition,

- Byron Vielehr, our President of North America, and
- Manny Conti, our President of International and Chief Administrative Officer, will be available to handle any questions you have.

To help our analysts and investors understand how we view the business, our remarks this morning will include forward-looking statements.

Our Form 10-K and 10-Q filings – as well as the earnings release we issued yesterday – highlight a number of important risk factors that could cause our actual results to differ from these forward-looking statements.

These documents are available on the Investor Relations section of our Web site, and we encourage you to review this material. We undertake no obligation to update any forward-looking statements.

During our call today, we will be discussing a number of non-GAAP financial measures, as that's how we manage the business. For example, when we discuss "revenue growth" we'll be referring to the non-GAAP measure "core revenue growth before the effect of foreign exchange," unless otherwise noted. When we discuss "operating income," "operating margin" and "EPS," these will all be on a non-GAAP basis, before non-core gains and charges.

Reconciliation between these and other non-GAAP financial measures and the most directly comparable GAAP measure can be found in the schedules to our earnings release.

They can also be found in a supplemental reconciliation schedule that we post on the Investor Relations section of our Web site.

Later today, you'll also find a transcript of this call on our Investor Relations site.

With that, I'll now turn the call over to Sara Mathew. Sara?

Sara Mathew

Thank you, Kathy, and good morning everyone.

Here is what you can expect on today's call. First, I'll begin with a brief review of our first quarter results. Next, I will discuss our performance in North America and expectations for the rest of the year. I will close with the recent developments in China. This will provide you with a high level rationale for the revised guidance expectations in 2012.

Once I am done, Rich will follow with a detailed discussion on 2012, with an emphasis on the North American business. Finally, Byron, Manny, Rich and I will be available to take your questions.

Last night we announced our first quarter results.

- Core Revenue was up 1%;
- Operating Income up 3%;
- EPS up 5%; and
- Year-to-date free cash flow was $152 million.

Simply put, I am disappointed with our top line performance, especially in North America, which was down 1% to prior year, after 2 quarters of growth in the 2nd half of 2011.

Let me take a moment to talk about our results in North America. The shortfall was concentrated in risk management solutions, or RMS, where reported revenue was down 5% in the quarter, and partially offset by growth in Sales & Marketing.

Let me begin with the specifics on the RMS miss. As context, we expected RMS to be down 2% in Q1, including a one point drag from the accounting changes we discussed with you in the fourth quarter call

Our 5% decline in RMS is 3 points worse than expected, due primarily to sharp declines in project revenue and credit contracts outside of DNBi. The miss occurred late in the 1st quarter, giving us little time to respond. I'll begin with DNBi - Our core DNBi performance was in line with expectations; retention was in the low 90's and lift returned to the mid-single digit range, after a dip in the fourth quarter.

Moving to the non-DNBi business, these customers access D&B data through subscription plans, usage based credit contracts, and projects designed to address specific issues. We are seeing 2 trends with these customers. First, an increase in customers moving to smaller usage based plans, in an attempt to save money in the near term. Of note, if they exceed the allotted usage, we will see incremental revenue later in the year. Second, we saw a decline in project based revenue, as project spend is often viewed as discretionary.

Stepping back, the declines in these two areas reflect a certain cautiousness in customer spend that we did not see coming, and we believe this could persist throughout 2012.

Based on what we've seen to-date, we now expect full year RMS revenue trends to be negative - down in the low single digit range, versus our prior expectation of flat performance. Rich will provide the details in a moment.

Moving to S&MS, we continue to see solid results driven by value added solutions and growth in our Data as a Service, or "DaaS" offerings. This includes D&B360, our product for the CRM space and D&B Direct, which allows us to embed our data into existing customer applications, opening up new markets and new opportunities for D&B. Regarding D&B360, our partnership with SFDC is developing well, and this product is now available on all major CRM platforms.

Regarding D&B Direct, we originally envisioned D&B Direct as a marketing solution. However, as we interact with customers on this new product line, we are opening up new opportunities in risk management. Specifically, customers are using D&B Direct to solve risk management issues for a variety of new use cases, such as business authentication, and we are bullish about the prospects ahead.

A recent example is a new D&B Direct contract that we signed in the first quarter with a large technology company. This customer now uses our

D-U-N-S number to identify, validate and segment new development partners – a completely new use case for our data. While we have recorded minimal revenue against this initiative to date, it is a good example of how Data-as a Service provides unique new ways to revitalize the RMS business, and to do so at higher profitability. Several other opportunities continue to be identified with our large customers, and the D&B Direct pipeline continues to grow in 2012.

So in summary, North America is a “tale of 2 businesses”- Risk management that is weaker than expected, partially offset by strength in Sales and Marketing

Moving to International, Q1 revenue growth exceeded expectations on all fronts, with strength across Asia, Europe and Australia. Unfortunately, International growth in 2012 will be impacted by our operations in China, due to the recent developments in that market. Let me take a moment and frame the issues in China for you.

We are dealing with 2 separate but related issues:

First, potential violations of the Foreign Corrupt Practices Act, or FCPA, which we self-reported to the SEC and Department of Justice in March,

Second, allegations by the Chinese government that certain data collection practices at our Roadway operation may violate local consumer data privacy laws.

We are proactively working on both these matters, and made a decision to permanently shutter our Roadway business.

Let me provide context about our businesses in China so you understand the implications of these 2 matters. In 2011, our China business generated approximately $54 million of revenue and had operating income of $3 million. Our revenue comes from 3 operating subsidiaries in China:

1. First, Huaxia D&B, focused on business-to-business (or B2B) credit
2. Next, Roadway is predominantly a business to consumer (B2C) marketing company, and third
3. Micromarketing - our recent acquisition, which provides both traditional and on-line interactive marketing solutions, focused on the B2B space

The shutdown relates only to Roadway, a business that we acquired in June 2009 for $28 million. While Roadway was predominantly a domestic B2C marketing company, we viewed the acquisition as a way to improve our data quality and broaden our reach with cross border customers.

Since the acquisition, Roadway has been growing rapidly, and at the end of 2011 generated $22 million of revenue and about $2 million of operating income

Following allegations by the Chinese government that we violated local consumer data privacy laws, we suspended operations in March. Given the time, cost and management bandwidth to resolve issues and restart this business; as well as a very fluid situation in China in the B2C arena, we do not believe it is prudent to continue to operate Roadway. While we will lose topline growth with this decision, we believe it is in the best interests of our shareholders to put this behind us and move forward. In a moment, Rich will provide the financial implications of the shutdown.

The second issue we are working through involves our self- reporting of potential FCPA violations to the SEC and DOJ. These sensitive investigations are currently underway, and as such, I will not be discussing them on the call. I will update you about this matter when it is appropriate. You should know that we take very seriously, our obligation to conduct business with the highest standard of integrity **and** in compliance with applicable US and local laws. This is evidenced by our voluntarily bringing these matters to the US government's attention.

Notwithstanding the current situation, we remain committed to retain data coverage in China on the B2B side, and we will continue to operate Huaxia D&B as well as Micromarketing. These businesses provide solutions that create value for our customers, and will remain the foundation for future growth in our Chinese operations.

It is due to the shutdown of Roadway and its impact on our other China operations, as well as the slow start to North America discussed earlier, that requires us to revise our 2012 top line guidance.

We now expect 2012 revenue growth to be in the 0-3% range, compared with our original guidance of 3- 5%. We expect North America to be about flat, and International is expected to be in the low to mid-single digit range reflecting our recent decisions in China.

Despite the lower revenue outlook, we expect to minimize the impact on the bottom line. Our flexible business model will allow us to re-size our expense base to match the lower revenue growth and deliver our profit commitments in 2012. As such, our operating income and EPS guidance remains unchanged. In summary, here is what we now expect:

- Revenue growth of 0-3%
- Operating income growth of 4% to 7%, and
- EPS growth of 8% to11%

Our free cash flow will be impacted by “one-time” charges from China. Rich in a moment will take you through the rationale for our revised outlook.

Let me conclude my remarks with a quick update on our technology transformation, or MaxCV. As discussed with you last quarter, we revised our project plan to deliver a fully functioning Data Supply Chain for one key market by year-end 2012. We are pleased with the progress-to-date and remain on target with a year-end completion in this market. The teams are working well together, and we continue to expect a step-function improvement in our data quality once we complete this effort

And with that, let me now turn the call over to Rich Veldran for a detailed review of our first quarter results. Rich?

Rich Veldran

Thank you Sara and good morning everyone.

Let me kick off with a review of our revenue performance for the first quarter. Core revenue was $390 million, up 1% from last year.

North America, which represents 73% of our total company core revenue, was down 1%. As we discussed on the fourth quarter call, our adoption of the new accounting standard ASU 2009-13 last year resulted in a one point drag on first quarter results. We expect a 1 point headwind for the full year .

Risk Management Solutions, or RMS, declined 5% in the first quarter. As Sara said, DNBi revenue was about flat, with continued strong retention in the low nineties. Beyond DNBi, we saw a slowdown in revenue from projects and usage-based subscription products late in the quarter, as customers continue to trim spending in the face of budget constraints. Deferred revenue for North America was down about a point, as a result of the weakness in RMS.

Stepping back, our RMS business has not turned as we it expected it to at this stage -- and 2012 will be a difficult year. As a result, we are rethinking our approach and have identified 2 additional areas of focus.

First, leveraging our web service layer - through D&B Direct we will develop new use cases to embed our risk data directly within customer applications, and

Second, we are investing in new data sets to put new value on the table with certain verticals. These initiatives are currently in test and development, and will not hit the market until 2013.

Let me turn now to Sales and Marketing where revenue was up 5%, driven by a 10% increase in value added solutions. Traditional S&MS was down 6% in the quarter, an improvement from the double digit declines in 2011, as we cycle through the migration of customers from our list & labels business over to Hoovers.

The 10% growth in value added solutions was driven by the continued strength of value added solutions, as well as increasing traction in our new "DaaS" products, primarily D&B 360. We expect S&MS to be the primary driver of North American growth throughout 2012, as improvements in our global database fuel continued strength in Optimizer and D&B360. Sales of our value added products are tied to both the volume of data processed and match rates, and therefore, improvements in the database lead to a direct increase in sales for these products.

Internet solutions grew 5% in the quarter, which was slower than our low double-digit performance in 2011 as we have completed the bulk of the migration from our S&MS Traditional products to Hoovers.

Let me now turn to International, which represents 27% of our core revenue. As a reminder, first quarter results in International represent the three month period ending February 29th. Therefore, the suspension of our Roadway business that occurred during March had no impact on Asia Pacific's first quarter 2012 results.

Total International core revenue grew 8% in the first quarter. Europe & Other, representing 45% of International revenue, grew a better than expected 3%, led by strong DNBi sales across Europe, and stronger sales execution in the UK.

While the macro environment in Europe remains challenging, we continue to expect modest growth for the full year by focusing on continued sales of DNBi. Although DNBi is still relatively new in Europe, we continue to see double digit price lifts as customers shift from legacy risk products. This tracks with the performance we saw when we launched DNBi in North America a few years ago.

Asia Pacific, which represented 55% of International revenue, grew 15% during the quarter.

This strong growth was largely due to better than expected growth in D&B Australia, driven by an uptick in their collections business. We also benefited from the positive impact of the acquisition of MicroMarketing in China.

Turning to first quarter profitability, total company operating income increased 3%, which was ahead of expectations. North America declined 4% largely due to higher investment spend, which was anticipated, as well as the lower than expected revenue in the quarter. Total International operating income increased by 74%, which was ahead of expectations, benefitting from strong top line growth, the timing of investment activity and the benefit of reengineering, primarily in our Europe & Other region.

Looking at the full year, we expect to be able to drive improved profitability -- in spite of top line challenges in China and North America -- through the strength of our financially flexible business model. As such, we are now accelerating our reengineering plans for 2013 in order to realize incremental benefits in 2012 to offset the impact of our lowered revenue expectations.

As Sara said earlier, we will have additional one-time charges from China.

Our best estimate at this time is that we will have approximately $25 million of charges over the remainder of the year to cover costs related to the shutdown of Roadway, and legal, audit and other professional services relative to the investigations we are conducting today.

The China situation is dynamic and at this time, we cannot estimate potential penalties stemming from the investigations.

As always, the cash impact of all charges is included in our free cash flow guidance. For 2012, the $25 million of additional charges, as well as $10 million of lost working capital due to the lower revenue outlook in North America, will reduce our free cash flow outlook by $35 million. We now expect full year free cash flow in the range of $275 to $305 million.

Finally, we returned $18 million to shareholders during the quarter through dividends. We did not repurchase shares during the quarter, but expect to buy aggressively going forward and remain fully committed to completing our plan to buy between $150 million and $175 million of our shares during 2012.

With that, let me turn the call back to Sara.

Sara Mathew

Thank you Rich.

So in summary, we've had a weak start to 2012. Our revenue performance in North America is below expectations, and we have revised top-line guidance down, to reflect this change. The business environment in North America is tough, and we have not executed well to win in this environment. We are taking the steps to improve our trajectory and strengthen performance in the 2nd half, so we exit 2012 on a better note. Regarding China, we have been decisive and acted quickly to protect shareholder value.

In the near term, our focus in North America is to strengthen our data value proposition, while driving growth through our DaaS solutions. Over the long term, we are focused on completing our technology transformation, to create a step change in the speed and scale of new product innovation. It is this step up in innovation that we believe will ultimately allow us to drive sustainable growth at D&B

And with that, I'd like to open up the call for your questions. Operator ?