Q3 2015 EARNINGS CONFERENCE CALL

November 3, 2015

Kathy Guinnessey

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

With me on the call this morning are:

Bob Carrigan, our Chief Executive Officer

Rich Veldran, our Chief Financial Officer, and

Josh Peirez, our President and Chief Operating Officer

Here's what you can expect on the call today. Following my brief remarks, Bob will provide an overview of our third quarter results, and an update on our strategy. Then Rich will come on to take you through the highlights of the third quarter. After that we will open the call for your questions.

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 website, 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 which we call “as adjusted” results, as that’s how we manage the business.

For example, when we discuss “revenue growth” we’ll be referring to the non-GAAP measure “revenue growth, as adjusted” which is revenue adjusted to eliminate the effect on revenue due to purchase accounting fair value adjustments to deferred revenue, and before the effect of foreign exchange. When we discuss “operating income,” “operating margin” and “EPS,” these will all be on a non-GAAP basis, which we call “as adjusted”. Additionally, our “as adjusted” results exclude the results of Discontinued Operations. When we discuss “free cash flow” this will be on a non-GAAP basis, excluding the impact of legacy tax matters, potential regulatory fines associated with the ongoing China investigation and potential payments for legal and other matters.

You can find the reconciliation between these and other non-GAAP financial measures, and the most directly comparable GAAP measures, 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 website.

We do not provide guidance on a GAAP basis because we are unable to predict, with reasonable certainty, the future movement of foreign exchange rates or the future impact of: (i) non-core gains and charges, (ii) acquisition and divestiture-related fees; and (iii) purchase accounting fair value adjustments to deferred revenue. These items are uncertain and will depend on several factors, including industry conditions, and could be material to Dun & Bradstreet's results computed in accordance with GAAP.

Later today, you'll also find a transcript of our prepared remarks on our Investor Relations site. With that, I'll now turn the call over to Bob Carrigan.

Bob Carrigan

Thank you, Kathy, and good morning everyone. On the call this morning, I'm going to focus my comments on three areas: (1) our third quarter results, (2) the progress we're making against our strategy, and (3) the organizational changes we announced last night.

Let's get right into our third quarter results. Last night we announced that total company revenue was up 8 percent for the quarter, and organic revenue was flat. Operating income was up 1 percent, which is consistent with the expectations we shared at the beginning of the year. As we said then, we expected operating income to decline in the first half of the year and to grow in the second half, primarily in the fourth quarter. Earnings per share were up 3 percent, and year-to-date we have generated about $240 million of free cash flow. With one quarter to go, we are on track to deliver all of our guidance metrics for the year.

Our organic revenue growth is behind our expectations, but this doesn't tell the full story. Our third quarter deferred revenue balance, before acquisitions, had solid growth, which means that underlying sales are growing faster than revenue. In the Americas, deferred revenue was up more than 4 percent. That represents the biggest quarterly increase in deferred revenue in almost five years. A growing deferred revenue balance is good for Dun & Bradstreet in the long term, but it also contributed to slower revenue growth in the third quarter.

I touched on this on our last earnings call, but let me explain in a little more detail: The growing deferred revenue balance represents an accelerating mix change in the solutions we're selling. Customers are buying more of our products where revenue is recognized over time instead of at the time of sale. These products include our data-as-a-service solutions, like D&B Direct, and our cloud-based solutions, like Optimizer-for-Contacts, which is a new product we created after our acquisition of NetProspex.

As I discussed in some detail during our Investor Day presentation in June, we've seen two important trends in the market that we are working to exploit: increasing demand for as-a-service solutions, and migration to the cloud. Our growing deferred revenue balance provides some evidence that we are focused on the right things.

The trend toward as-a-service solutions is most evident in the software-as-a-service, or SaaS, area, where customers are seeking powerful, on-demand applications and services, available on a subscription basis, accessible anywhere, anytime, and on any device. Customers have an increasing expectation that *data* will also be integrated into their applications, which has given rise to the growth of data-as-a-service, or DaaS.

Delivering data in this way can be done through SaaS applications or by API's into a customer's in-house applications. What's important is that the data is available in whatever applications our customers want to use. We're meeting the demands of our customers through API as-a-service solutions like D&B Direct, and through alliance partners that deliver our data – as a service - in their applications.

Along with the growing demand for as-a-service solutions, companies are also looking to migrate their data and leverage cloud technology. We've acquired new modern delivery platforms through our recent acquisitions that we are leveraging to accelerate the release of our own cloud based applications. Both NetProspex and Credibility Corp. delivered their solutions through the cloud. Now that they're a part of Dun & Bradstreet, these acquired companies are allowing us to move some of our traditional products – like Hoovers, and Optimizer – to cloud-based platforms faster. Importantly, we are leveraging the newly acquired platforms to get a cloud-based DNBi to our Americas customers faster. We're making great progress and are on track for a late Q4, early Q1 launch.

Now let me switch to how we bring our solutions to market. We have a multi-channel sales strategy, where we go to market through three primary channels: First - Alliances, Second - our new Emerging Businesses division, serving small to medium sized customers, and third - our global direct salesforce. As you know, we've been executing our new strategy for about a year and a half. When embarking on such an operational and cultural transformation, not everything proceeds at the same pace.

I'm excited that some elements of our go-to-market strategy are moving quickly, but some things are just taking longer than expected. Let me take you through each of our channels and tell you where we are.

Our Alliances growth is robust. Revenue from alliances is up 20 percent for the company, in part driven by 30 percent growth in the Americas. We have really accelerated new alliance partnerships in the last year to take advantage of the trends I mentioned toward cloud-based and as-a-service solutions. This is an area of enormous opportunity for Dun & Bradstreet and speaks directly to our efforts to modernize delivery, as it enables us to populate applications that our customers are accustomed to using, like CRM, with Dun & Bradstreet data.

Emerging businesses is also performing well. As a reminder, we combined our small business channel, which was declining, with the fast-growing Credibility Corp team to form the new Emerging Businesses division. The new division hit its third quarter plan, and the Credibility team has integrated very well into Dun & Bradstreet. We are taking a channel that has historically been a drag on growth and beginning to turn it around.

The area where we've had inconsistent performance is within global direct sales. As you may know, I have been taking a deeper dive with our global sales team since mid-August. While our large accounts are growing nicely, what's not working as well are areas in Europe, which I discussed last quarter, and our middle market and government channels in the Americas.

We're already working to address our performance in this area and to get the right talent in the right places. During the third quarter, I made some changes to our sales leadership, and we are aggressively addressing any impediments we have to faster growth.

The fourth quarter is historically our biggest quarter, and just as in the past couple of years, we expect sales growth to accelerate. We are all-hands-on-deck, focusing on executing this quarter to set us up for next year.

Before I turn the call over to Rich to discuss the quarter results in more detail, I will address the organizational changes we announced last night.

First, we announced that Curtis Brown has been elevated to Chief Content and Technology Officer, reporting directly to me. Curtis has served as our chief information officer for the past year, and we're really happy with the work he's been doing. His responsibilities will now expand to focus on how we are delivering our data and analytics to even more platforms.

A key priority for Curtis will be to strengthen the *integration* of data and technology. This will allow us to accelerate both new releases, and the migration of old products to new products.

Formally aligning technology and data is a very natural part of our evolution. We've made great progress improving the quality and analytic capability of our data to serve the more sophisticated needs of our customers. Technology is the enabling agent that helps us get it there. This alignment of data and technology under Curtis will allow us to serve customers in a more agile, fast and secure way.

Second, we announced that Josh Peirez has been elevated to President and Chief Operating Officer. As you know, Josh has served as our chief operating officer since the launch of the strategy, running product, data, emerging businesses, and alliances. Under our new organization, data will move to Curtis, as I just said, and we are combining all of our customer-facing operations under Josh. This will ensure that we are meeting customer needs consistently across our multi-channel sales platform which is a key competitive advantage that allows us to deliver to customers anytime and anywhere.

This new organization will help to realign our talent to make sure we've got the right teams pursuing the right opportunities. It ensures that all of our go-to-market team members are working toward the same goals. And when we all have the same goals, we can achieve growth faster.

For example, our emerging business team should be cross-selling our alliance partnerships. And our global direct team should take on the customers who grow too big for the emerging businesses sales channel.

These organizational changes are designed to accelerate what has been working well and to get the other areas on track faster.

So, a year and a half into our strategy, we have accomplished a lot. We've got momentum launching new alliances, success in leveraging modern technology platforms, and acquisitions to turn around our SMB channel and modernize our company. We need to up our game in parts of our sales organization, and we're acting quickly to get them on the right course. Though we want to be moving faster, as I said at Investor Day, I feel good about where we are, but I feel great about where we're going. With that, I'll turn the call over to Rich.   Rich?

Rich Veldran

Thanks Bob and good morning everyone.

So, as Bob described, a year and a half into executing on our strategy, some things are happening faster than expected, like the growth of DaaS, and some are taking longer than we would like – particularly our sales execution in certain parts of the business. Both trends impacted our third quarter results

During the quarter, total revenue was $414.2 million, up 8%. All of our growth came from acquisitions, and organic revenue was flat. As Bob said, organic revenue is not growing as fast as we want it to, and there are 2 primary reasons:

First - sales execution issues, primarily in our government and midsized customer channels, as well as in Europe and

Second - more of our revenue is being deferred out as we shift more of our sales to newer, embedded products where revenue is recognized over time.

Much of the revenue from these newer solutions is either subscription-based, where we recognize the revenue evenly over the course of the contract year, or what we call "usage-based", like D&B Direct, where we recognize revenue when the customer actually uses the data they buy.

For these products, we typically sell annual contracts to our customers that include a set amount of data that they can use. We don’t know the rate at which they will use the data, so it is difficult to predict revenue from quarter to quarter, but we <u>do</u> know that they have to use it by the end of the contract term and we <u>will</u> recognize the revenue.

It is often the case that usage is more back loaded, because it generally takes some time for customers to begin using the data they purchased. Since we don’t recognize revenue at the time of the sale, this results in an increasing deferred revenue balance.

So, let me give you some additional color on our third quarter results. The Americas segment represented 81% of our revenue at $336.4 million in the quarter, and was up 10%, and organic revenue was down slightly. Non-Americas represented 19% of total revenue at $77.8 million, up 3%. Let me go through each segment in more detail, beginning with the Americas.

Risk Management, which makes up 60% of Americas revenue, was up 12%. Within Risk Management, Trade Credit was about 2/3 of RMS and was up 1%. DNBi was 73% of Trade Credit and was down 2% during the quarter. Price increases continued to be in the low single digits, and retention was in the low 90’s. The rest of Trade Credit was up 8% due to inorganic revenue from the Emerging Businesses division.

Other Enterprise Risk Management, which is the other third of RMS, was up 45% in the third quarter. The growth was due to the addition of the Credibility "Credit-on-Self" revenue to this category. In terms of our newer products, the growth of our DaaS solution D&B Direct remained strong in the quarter; however, Compliance was down, as one of our large government customers had lower data requirements this year.

Sales & Marketing, represented 40% of Americas revenue, and increased 6% in the quarter. Traditional Prospecting, at 29% of S&MS revenue, was up 10%. The primary driver of this growth was inorganic revenue from Emerging Businesses, which offset declines in Hoovers.

Advanced Marketing Solutions, which was 71% of S&MS, was up 5%. The growth was due to the continued strength of our DaaS solutions as well as the impact of the NetProspex acquisition. At the beginning of the year when we announced the acquisition, we said that our customers were looking for more accurate and actionable contact information, and I'm happy to say we are really building momentum with NetProspex customers as well as existing D&B customers.

As Bob discussed, deferred revenue in the Americas was up over 4% for the quarter, before the effect of foreign exchange and acquisitions. This does not reflect committed sales through alliances that would have added another 2 points to the total balance.

This growth in deferred means that our underlying sales are actually growing at a faster rate than revenue, which will pay benefits in the future.

Non-Americas revenue was up 3% in the third quarter, with all of the growth coming from alliances. Our direct channels were flat for the quarter. As I said, we continue to have execution issues in Europe, particularly Benelux. On a positive note, we've recently signed a few very large deals in the compliance space, where revenue will be recognized in the future. We continue to expect full year revenue growth for Non-Americas to be in the low single digits.

Profit improved in the quarter, with operating income up 1%, which is consistent with the expectations we shared at the beginning of the year. As we said then, we expected operating income to decline in the first half of the year and grow in the second half, primarily in the fourth quarter when we see our revenue growth accelerate.

EPS was up 3% in the third quarter, outpacing growth in operating income. Higher interest expense as a result of increased debt for the acquisitions is more than offset by a lower tax rate due to the release of audit reserves related to our 2011 tax year, which was in our plan and contemplated when we gave guidance at the beginning of the year.

Later this month, we will be refinancing our maturing senior notes by drawing on the term loan facility we put in place earlier in the year.

As a result of using the term loan, rather than issuing new bonds, our interest expense for the year will be lower than we anticipated when we set expectations at the beginning of the year.

So, all in all we expect to deliver within our guidance ranges for the year. Specifically,

- Revenue growth of 6% to 9% which includes about 5 points of contribution from acquisitions.*
- Operating income of flat, to up 4%
- EPS of the (3%) to 1%, and
- Free cash flow of $255 to $285 million

With that, we'll now open the call for your questions. Operator?

*The As Adjusted revenue growth above inadvertently referenced 4 points of contribution from acquisitions. As reported in our Current Report on Form 8-K filed with the SEC on November 3, 2015, the correct reference should have been to 5 points of contribution from acquisitions.