Q1 2017 EARNINGS CONFERENCE CALL

May 2, 2017

Kathy Guinnessey

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

With me on the call this morning are:

Bob Carrigan, our Chairman and 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 a brief overview of our first quarter results and an update on our strategy. Rich will then take you through the highlights of the 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. We undertake no obligation to update any forward-looking statements.

From time to time we may refer to “sales” which we define as the annual value of committed customer contracts. In addition, we speak from time to time about deferred revenue. When we refer to the change in deferred revenue, we mean before foreign exchange, dispositions, acquisitions and the impact of the write-down of deferred revenue due to purchase accounting unless otherwise noted.

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. Unless otherwise noted, all metrics on the call will be presented on an “as adjusted” and non-GAAP basis, as further described in our earnings release.

You can find the reconciliation between 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.

Where appropriate, we have reclassified certain prior year amounts to conform to the current year presentation.

Later today, you'll also find a transcript of our prepared remarks as well as a financial model with historical results in the new format with Sales & Marketing revenue allocated between Sales Acceleration and Advanced Marketing, on our Investor Relations site. With that, I'll now turn the call over to Bob Carrigan.

Bob Carrigan

Good morning everyone, and thank you, Kathy. Let's get right into the results for the quarter.

2017 is off to a good start for us, with first quarter results a little ahead of our expectations. As we said on our last call, we expected organic revenue to be down slightly in the first quarter due to a timing shift from a large government contract. Even with that shift, I am pleased that we actually grew organic revenue in the first quarter by a point, driven in part by strong growth in Non-Americas partnerships in both Europe and Asia Pacific. Total first quarter revenue for the company was up two points. As revenue was better than expected, operating income also came in above expectations for the quarter.

Rich will provide additional details on our first quarter results in a few minutes, but I can say that we feel good about how we started the year, and we are on track to achieve our guidance metrics for 2017.

But more importantly, we feel great about our strategy and where it's taking us. I'll spend the bulk of my time this morning going into some detail on a couple of specific areas that we addressed on our last quarter call – our so-called "legacy" products. I've been waiting a long time – since I got to Dun & Bradstreet – to be able to report that we've gotten DNBi and Hoovers positioned for growth.

As we have said in the past, declines in our legacy products have slowed our top line progress as a company, but we've taken proactive steps to improve their performance.

Last year we launched our new, cloud-based credit decisioning tool, D&B Credit, to replace our legacy DNBi product. We are reporting D&B Credit and DNBi together under the D&B Credit Suite, so I'll refer to the broader category as D&B Credit.

We said on our last call that our goal was to get the D&B Credit category to flat in 2017 after five years of declines in DNBi. Over that time, DNBi enjoyed very high retention, in the low 90 percent range, and low-single-digit price lifts. Revenue in the product declined because we did not bring in enough new customers. When we launched D&B Credit, our expectation was that we could improve retention and pricing, or the "capture rate." We also said we wanted to reach new customers. I'm pleased that we have been able to do both. The launch of D&B Credit helped us to improve the capture rate in the category by several points over last year. Importantly, we also saw strong growth of new customers in the product, which as I said earlier has traditionally been a weak spot for us. It's encouraging that our Emerging Businesses group drove new customer acquisition in the product, as their expertise with bringing in new customers was one of the reasons we acquired Credibility Corp. back in 2015.

We have ambition to turn D&B Credit into a growth driver for Dun & Bradstreet. Our investments thus far are paying off, and I am pleased that D&B Credit was flat in the Americas in the first quarter of 2017. Given that we sell nearly 50 percent of these products between December and March, we feel pretty confident that we are turning the trajectory of this product. Getting the D&B Credit suite to move in the right direction has been a challenge after five years of declines, but we've made the right investments and are focused on turning the category, and it's working.

We also envision turning Sales Acceleration into a growth business for Dun & Bradstreet, and we're off to a good start. As we said on our last call, we expect to move from our Traditional Prospecting businesses, into the higher growth Sales Acceleration space driven by the launch of our new D&B Hoovers product, enabled by our acquisition of Avention in January. With D&B Hoovers, we are now able to sell a new Sales Acceleration product equipped with best-in-class business data from Dun & Bradstreet, including our professional contact data, on the platform that was originally built by Avention.

We see the new D&B Hoovers turning the Sales Acceleration category for us in two ways:

1) It gives us a platform to further penetrate the customer base of our alliance partner, Salesforce, and
2) It provides a higher-growth replacement for Hoovers and the products we acquired with Avention

Let me say a little more about each. On our last call, we told you that our relationship with Salesforce was evolving. We now have more clarity on what the relationship will look like going forward.

Salesforce plans to renew our existing joint customers on the data.com platform for the next few years. The historic renewal rate for data.com has been consistent, and given that most of these customers are on multi-year contracts, the impact of this transition on revenue will be gradual. By the end of the first quarter, over $45 million of our revenue from the alliance was already committed for 2017, due to the subscription nature of the product.

The Dun & Bradstreet team is already selling the D&B Hoovers product to Salesforce CRM users that were not customers of data.com. We expect to ramp up sales of the new D&B Hoovers product to Salesforce customers over the course of the year, so total revenue related to Salesforce should be about flat in 2017, which is factored into our full-year guidance. We are working closely with Salesforce to determine how to handle the eventual migration of customers that buy data.com today over to D&B Hoovers in a few years in a way that best serves customers.

Now, we feel good about our ability to further penetrate the Salesforce customer base given the market reaction we've already seen to the new D&B Hoovers product.

As I just said, in addition to selling to Salesforce customers, we expect D&B Hoovers to replace the *legacy* Hoovers product over time and stabilize that business. Hoovers had been declining for the past few years, and that decline accelerated towards the end of last year. I'm pleased to say that we're already seeing signs of D&B Hoovers stemming that decline. In fact, sales of legacy Hoovers and D&B Hoovers combined were actually up a little in the first quarter. After only a few weeks in market, we sold over $1 million of D&B Hoovers to new customers. D&B Hoovers is a subscription product, so it will take some time for this sales performance to show up in revenue, but we are pleased that customers are reacting to the new product so quickly.

Sales Acceleration represented a little more than half of our Sales and Marketing revenue in the first quarter. To better reflect our strategy in Sales & Marketing, we have made some changes to the way we report the category, dividing it into Sales Acceleration and Advanced Marketing. The Sales Acceleration category includes revenue from our legacy Hoovers product, our new D&B Hoovers product, the inorganic revenue from Avention's existing products, and our revenue from data.com, all of which we refer to as the D&B Hoovers suite of products. It also includes MDR, our educational marketing business, and a variety of other sales acceleration products including those we sell in different markets around the world. The D&B Hoovers suite is the biggest component of Sales Acceleration and represented 62 percent of the subcategory in the first quarter.

The other half of our Sales & Marketing revenue came from Advanced Marketing Solutions, which comprises master data solutions like Optimizer, D&B Direct, and other products designed to help our customers organize and gain insight from their data. It also includes other 3rd party alliances and Audience Solutions.

Master data made up about 80 percent of Advanced Marketing and is a very big part of our growth expectations in this category. Master data is where we help companies deal with the huge volume and velocity of data they are collecting. Companies are challenged because they collect data from multiple systems, creating disparate data sources with differing definitions. They need to structure that data into a standardized format for it to be of any use to them in providing insight on their customers.

That's where Dun & Bradstreet comes in. We help them obtain a single, comprehensive, accurate view of their customers and suppliers from different sources by matching it to a Duns Number and then organizing it into corporate hierarchies. To be good at this you need the most global data coverage and the best data quality – both overwhelming strengths of Dun & Bradstreet. We are just scratching the surface of what we can do for customers, and we are having great conversations with some of the biggest players across all of our strategic verticals. Master data is a great place for us to be, as it puts Dun & Bradstreet at the center of our customers' enterprise data strategies and provides an opportunity for us to expand into other areas of our customers' business.

The remaining 20 percent of Advanced Marketing primarily came from other 3rd party alliances and also Audience Solutions, where our deterministic data enables B2B marketers to better target their digital media campaigns with intelligent, relevant messages to the right audiences and also adds a level of personalization when visitors go to their websites.

Now, before I hand it over to Rich, I'll provide a quick update on our integration of Avention, which is off to a great start. We combined the Avention team with our existing team, and they are already working well together. They developed the new D&B Hoovers product together and got it to market just two months after the acquisition, as I discussed earlier. We've also successfully upgraded our Avention Onesource customers to D&B Hoovers.

We're very excited to have the former Avention team now part of Dun & Bradstreet. Like our recent acquisitions of NetProspex and Credibility Corp, they bring valuable new input to our corporate culture. Today Dun & Bradstreet is acting in a much more innovative and entrepreneurial way, and these teams are a big part of that new spirit.

In closing, let me just say that I’m pleased that we’re starting 2017 on the right foot, especially since the first quarter is traditionally a slower-growth quarter for Dun & Bradstreet. Our performance puts us in good position to hit all of our 2017 guidance targets for the year. Rich?

Rich Veldran

Thanks Bob, and good morning everyone.

As Bob said, we're pleased with how we are starting out the year. First quarter results were slightly better than expected, and importantly, we are making good progress on our recent launches of D&B Credit and D&B Hoovers. In my comments this morning, I'll give you more detail on our first quarter results.

Total revenue for the Company was $383.8 million and grew 2% for the quarter, with organic growth of 1%. Organic revenue adjusts for the impact of divesting our Benelux and Latin America markets during the fourth quarter of 2016, as well as the acquisition of Avention early this year. You can see a reconciliation of organic revenue to total revenue, including both the acquired and divested revenue amounts, on schedule 2 of our press release.

Now, let me give you more detail on our segment performance. The Americas had first quarter revenue of $316.3 million, which represented 82% of our revenue in the quarter. Total revenue was up 2%, and organic was down about a point, due to the timing shift of a large government contract we talked about on our last call.

Within the Americas, Risk Management, representing 58% of Americas revenue, was up 1% in the quarter. Strong growth in Other Enterprise Risk offset declines in Trade Credit. Other Enterprise Risk grew 13% in the quarter. The strong growth was spread across the product mix, with particular strength in credit-on-self solutions. Other Enterprise Risk also benefited from some shift of customer spend from Other Trade Credit to D&B Direct.

Trade credit was down 4% in the quarter. As Bob mentioned, the D&B Credit suite, which includes DNBi and represented three quarters of trade credit revenue, was flat, which we are pleased about. DNBi is a $400 million product line globally. Despite very strong retention, we weren't bringing on new customers, and DNBi revenue had declined since 2012. We launched D&B Credit in the first half of 2016 to stem this decline and to get the combined DNBi/D&B Credit category back to growth. It's a big task to impact such a large, subscription based revenue stream as quickly as we have, and we are on track to be flat for the year.

Other Trade Credit is about a quarter of Trade credit revenue and was down 14% in the quarter. The shift in the large government contract was in this category. There are also several smaller deals that shifted out of Other Trade Credit to other areas of D&B, and without the impact of those shifts, Other Trade Credit would have been down in the low single digits.

We continue to expect the Other Trade Credit line to be noisy. Some of our older solutions are in this category, like multi packs of individual credit reports. Over time, we expect to migrate these customers over to our D&B Credit solution for small businesses. Also in this category are legacy file delivery products, which we expect to move over to D&B Direct over time.

Now let me shift over to Sales and Marketing, where revenue in the Americas was up 3% in the quarter. Sales and Marketing was 42% of total revenue in the Americas in the first quarter. Sales Acceleration, which is 53% of Sales & Marketing revenue, was up 13% due to the acquisition of Avention. Organic revenue was down in the mid-single digits. The decline in organic revenue was due to weak sales of the old Hoovers product in 2016. Hoovers is a subscription based product, and while we are pleased with the improvement in underlying sales for the D&B Hoovers suite in the first quarter, it will take a little while for the new sales to flow through revenue and turn the reported results around.

Advanced Marketing, which was 47% of Sales & Marketing revenue, was down 6% in the quarter. Overall, revenue in Advanced Marketing has been strong, but it can be lumpy quarter to quarter, due to the large size of contracts and the fact that most of this revenue is not subscription based, so timing of revenue can move. These timing shifts were somewhat offset in the past by the steadily growing subscription revenue from data.com, which is now part of Sales Acceleration. Overall, there were no real surprises in this category in the quarter, and we expect Advanced Marketing revenue to grow in the mid-single digits for the full year.

Shifting to Non-Americas, revenue was $67.5 million in the first quarter, which represented 18% of revenue for the company. Total revenue was up 4%, and organic revenue grew almost 10%. The organic revenue growth was due to strong performance in our Worldwide Network partnerships, both in Europe and Asia Pacific. This growth was partially offset by declines in the UK market. On our last call, we said that we had weak performance in the UK last year, which will be playing out in our revenue results this year due to the subscription nature of most of the products.

Deferred revenue was up a little over 1% for the company, before M&A activity and the impact of foreign exchange. Americas deferred revenue was up 1%, and Non-Americas was up 5%.

Now let me turn to profitability. Operating income in the quarter was down 9%, which was better than expected due to better performance on the top line. The decline in first quarter operating income was consistent with our typical pattern of lower earnings in the first half of the year and growth in the second half. We expect a similar *rate of* decline in operating income in the second quarter, before improving in the second half of the year, particularly the fourth quarter.

EPS declined 19% in the first quarter, to $0.95 per share, due to the lower operating income in the quarter and higher interest expense, as well as slightly higher shares outstanding.

Turning to the balance sheet, we ended the quarter with $1.7 billion of debt, including about $1 billion of fixed rate senior notes, and $700 million floating rate debt. Our cash balance was $375 million, for net debt of $1.3 billion.

Before I close, I will echo Bob in saying that we are on track to meet all of our guidance metrics for the year, including:

- Organic revenue growth of 1-3 percent;
- Total revenue growth of 3-5 percent;
- Operating income about flat (between -2 and 2 percent);
- EPS down between 4 and 9 percent;
- And free cash flow of $215 million to $245 million.

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