Q2 2015 EARNINGS CONFERENCE CALL

August 6, 2015

Kathy Guinnessey

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

With me on the call this morning are:

Bob Carrigan, our President and Chief Executive Officer

Rich Veldran, our Chief Financial Officer, and

Josh Peirez, our Chief Operating Officer

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

One housekeeping item to share. As you know, we sold our business in Australia on June 30th and converted to a partner model.

The Australia business is classified in our financials as Discontinued Operations, and as such the results of Australia have been removed from our company “as adjusted” results for both the current and all prior periods. This will be reflected in the updated financial model that will be posted on our website later today.

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 thank you everyone for joining us for today's call. It's good to talk to you today about Dun & Bradstreet's second quarter and how we've been executing against our strategy for growth. We've had quite a lot going on in the second quarter to advance our strategy. We completed the acquisition of Credibility Corp. and formed our new division, Dun & Bradstreet Emerging Businesses, to bring new capabilities to the important small and medium business space. We also converted our Australia business into a partner model, issued new bonds to finance our acquisitions, made great progress integrating both Credibility Corp. and NetProspex, and held an Investor Day in June. Like I said, it's been a busy quarter.

It was great to see and hear from so many of you directly at our Investor Day event. I had the opportunity to speak with a lot of you both before and after our presentation, during which we updated you on our strategy for growth, and my team spoke specifically about how we will grow each of our sales channels.

As I mentioned then, I feel good about where Dun & Bradstreet is today, but I feel great about where we're headed. We see an ever-growing market for our data and solutions. Our addressable market has grown 20 percent in just the last year to $24 billion.

Dun & Bradstreet is positioned to grow beyond trade credit and traditional sales and marketing to where the market is growing: in data services, digital marketing, and new commercial risk categories.

As I talked about during Investor Day, we have launched a strategy to take advantage of the enormous market available to Dun & Bradstreet. I won't go into detail on each component of our strategy today because I know many of you were at Investor Day. For those who weren't able to come, I urge you to go to the investor relations section of our website at dnb.com so you can watch the presentation or read the transcript. You'll be able to see for yourself the path we've laid out to achieve sustainable growth with expanding margins over the next few years.

Today we're here to talk about the second quarter, and last night we announced our second quarter earnings. Total company revenue for the quarter was up 6 percent, largely due to the acquisitions of NetProspex and Credibility, whose revenues were slightly above our expectations. Organic revenue was up about 1 percent in the quarter. Organic revenue growth has gotten off to a slower start than we would have liked in the first half of the year and we're about a point behind our expectations.

Let me give you some insight into our results. We've got 2 things going on that are impacting our numbers. First, underlying sales growth in the Americas accelerated in the second quarter, and we are moving in the right direction.

Sales are growing faster than revenue because we’re selling more products where revenue is recognized over time, like our newer products, D&B Direct and Optimizer-for-Contacts, which we created from the acquisition of NetProspex.

You can see the evidence of our progress in the growth in our Americas deferred revenue. Americas deferred revenue, excluding the impact of acquisitions, was up slightly year over year, which was the first time we’ve been in positive territory in the last eight quarters and a significant uplift over the first quarter where Americas deferred revenue was down a little more than a point. So while organic revenue is a little behind at this point in the year, improving deferred revenue means we will see more revenue in the future.

Our revenue growth continues to come from the areas we expect to drive our strategy: alliances and large strategic customers, both of which were up in the quarter. Furthermore, we have seen additional evidence that DNBi is stabilizing, with a revenue decline of 1 percent for the second consecutive quarter after being down 4 percent for all of 2014.

Second, we are experiencing some weakness in Europe, which we are addressing through tightening our sales execution, increasing the discipline around pipeline management and introducing new products in areas like Compliance. I’m pleased to say we’ve already closed some large deals in the third quarter in Europe.

We are exactly where we thought we would be on profit and earnings at this point in the year. Operating income was down 10 percent in the second quarter, while EPS was down 11 percent, both as expected. As we discussed in our first quarter earnings call, we anticipated that operating income would be down 10 to 12 percent in the first half of the year due to the timing of investments, and also due to timing of revenue growth, which is more back end weighted. So, we are on track to deliver all of our guidance metrics for the year – both organic and inorganic.

Before I turn the call over to Rich to discuss the quarter in more detail, I want to give you a view of how our recent acquisitions are doing.

Sales in our new Emerging Businesses division, which is the combination of Credibility Corp. and our small business sales channel, exceeded our expectations in the quarter. Though early days, we are pleased with the results so far, particularly given all of the activity around merging these teams.

As I discussed on the last earnings call, to turn around our small and medium business sales, we faced a decision: build or buy. We made the strategic decision to buy, but we didn't stop there. Under the leadership of the Credibility management team, which has a proven track record of generating growth in the SMB space, we've merged the Dun & Bradstreet inside sales team with the Credibility team to form the Emerging Businesses division.

We now have a much more robust suite of solutions for the small and medium customer segments. It's great to have the Credibility team onboard, and they're excited to have joined forces under one Dun & Bradstreet brand.

We're already working together to bring new value to our customers. We are identifying opportunities to leverage the Emerging Businesses platform in different geographies and to develop new products to further drive growth. This will allow SMB sales to move from a drag on revenue growth, as it has been the last few years, to a driver of revenue growth into the future.

We've also made great progress in integrating NetProspex into Dun & Bradstreet. This acquisition was about making a big play in the business contacts space. When it comes to information about businesses, Dun & Bradstreet has long been the world heavyweight champ. And, with the acquisition of NetProspex, we're now the heavyweight champ in the professional contact data space too. This helps our customers reach not just the businesses they're targeting, but the decision-makers and influencers at those businesses.

With NetProspex, we are able to provide our customers an actionable view of companies and the people who run them, putting quality relationship insight at the center of marketing data strategy, which is increasingly important in a world where companies are trying to engage with customers in new ways, leveraging data and technology.

The acquisition is an example of our focus and commitment to modernizing delivery of data and analytics to our customers. The NetProspex Optimizer-for-Contacts tool is a cloud-based solution that provides an easy and cost-effective way for B2B marketers to dramatically improve their contact data health, ensure they are targeting the best-fit prospects, and optimize their demand generation efforts. I hope some of you had an opportunity to check out the Optimizer-for-Contacts demo at Investor Day.

Even since Investor Day, we have been making improvements to the NetProspex products. We've mapped all of the professional contacts at NetProspex to the companies in our database through the D-U-N-S Number, to ensure that our products are comprehensive and complementary. We're moving fast, because we see a big need in the market as companies strive for more and cleaner contact data.

Our sales teams are focused on penetrating the existing Dun & Bradstreet customer base with Optimizer-for-Contacts, and we had a few big wins in the second quarter with large accounts.

By leveraging existing Dun & Bradstreet relationships the average order size of the product is increasing significantly – by more than 20 percent. We also have seen improvement in our pipeline, driven by identified upsell and cross-sell opportunities, and sales through our Emerging Businesses division.

We have found some real business synergies in the integration of NetProspex. One of the things that attracted us to NetProspex was their process for curating and validating data to ensure it's not just the most accurate data in the market, but actionable. They did for contact data what Dun & Bradstreet has historically done for company data, and now it's all under one roof. All of the contact data we source as a company, including sources that NetProspex was not previously collecting, goes through NetProspex's data refinery, so all the data that we provide is of the highest quality.

Furthermore, we are realizing the cost synergies we expected when undertaking the acquisition. We are eliminating a couple of million dollars of spend with other third party providers of contact data, and I believe there is opportunity to find additional savings down the road.

NetProspex is a great example of forward-thinking at Dun & Bradstreet. As I discussed during Investor Day, the world of data is changing, and it's changing fast.

As business becomes digitized, as marketing becomes automated, and as customers continue to demand data where they need it, when they need it, Dun & Bradstreet is filling a gap to help make sure that our customers know that there's no better place to go for the data they need most.

I am pleased to say that our strategy is working – NetProspex contributed a point to total company revenue growth in the second quarter, and we plan to keep growing that business into the future.

So, with the integration of Credibility and NetProspex, and with our strategy that we discussed with you during Investor Day, you can see that we have a lot going on. We are keenly focused on executing and taking advantage of the tremendous opportunities in front of us.

With that, I now will turn the call over to Rich Veldran, who will discuss our second quarter results in further detail.

Rich?

Rich Veldran

Thanks Bob and good morning everyone.

For the second quarter, total company revenue was $381.6 million, up 6%, with about 1% organic growth. The Americas segment represented 81% of our revenue at $309.1 million in the quarter, and was up 8%, approximately 1% organic. Non-Americas represented 19% of total revenue, down from 25% of our reported revenue last quarter due to the sale of our Australia business. Non-Americas revenue was $72.5 million, about flat to last year, and all organic. Let me go through each segment in more detail, beginning with the Americas.

Risk Management, which makes up 58% of Americas revenue, was up 8%. Within Risk Management, Trade credit was down 2%. DNBi is 75% of Trade Credit and was down 1% during the quarter, similar to Q1. Price increases continued to be in the low single digits and retention was in the low 90's. As Bob mentioned, DNBi continues to stabilize and we expect its 2015 performance to be better than last year, although still down for the year.

Other Enterprise Risk Management was up 53% in the second quarter, off a relatively small base. The majority of the growth is inorganic, as the Credibility Corp "Credit-on-Self" revenue is in the category.

Sales & Marketing, representing 42% of Americas revenue, also increased 8% in the quarter. Traditional Prospecting, representing about a quarter of S&MS revenue, was up 3%. This category was helped by some inorganic revenue from Credibility Corp, which offset declines in Hoovers.

Advanced Marketing Solutions, the remaining three quarters of S&MS, was up 9%. Consistent with our results in the first quarter, about half of this growth was from NetProspex, which we acquired in early January. The rest of the increase was due to continued strong growth in our DaaS CRM alliances.

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

In Non-Americas revenue was flat for the quarter. Revenue growth is expected to pick up in the second half of the year, as we have a growing pipeline of large deals. Compliance products, such as FATCA and other “Know-Your- Customer” solutions, are resonating particularly well with European companies that want to get ahead of compliance with US regulations. We expect full year revenue growth for Non-Americas to be in the low single digits.

Turning to the bottom line, operating income was down 10% in the quarter, which is where we expected to be due to the timing of both our revenue ramp and investment spending. Our 2015 investment spending is on track and will step up slightly in the second half. We've also gotten past the big negative comparison from the annualization of our 2014 investments that contributed to the -10% first half. Going forward, we expect operating income to flatten in the 3rd quarter, and grow in the fourth quarter when, as in prior years, we see most of our revenue growth.

EPS was down 11% in the second quarter, slightly more than operating income, due to increased interest expense, slightly offset by a lower tax rate. Earlier in the year, I said we expected our full year 2015 tax rate to be up to 50 basis points below our 2014 rate. That 50 BP improvement still applies, but with Australia out of our results, our tax rate for 2014 was 32.5%, so the improvement will be off a higher base rate.

Turning to the balance sheet, during the second quarter we issued new 5 year senior notes to support our recent acquisitions. The new debt issue was very well received, with demand 3 times higher than the $300 million we were raising. The coupon on the notes is 4%. We also entered into a "forward-starting" 5-year term loan with a syndicate of banks. This commitment allows us to draw down up to $400 million at any time between now and November 2015. We plan to use this term loan to refinance $300 million of 5-year notes that mature in November of this year.

As we have said, we are committed to maintaining our investment grade credit rating, and in the near term, we plan to use free cash flow to reduce debt. We are adding this term loan to our capital structure because it allows us to repay all or part of the loan at any time prior to maturity with no prepayment penalty.

So, all in all we are on track to deliver our guidance for the year.

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

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