Q4 2017 EARNINGS CONFERENCE CALL

February 13, 2018

Kathy Guinnessey

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

I’d also like to remind you that we have adopted the new accounting standard ASC 606 effective January 1, 2018. Beginning with our first quarter results we will report under the new standard. For ease of comparison, during 2018 we will provide a supplemental schedule with results reported under the prior standard, ASC 605.

Later today, you’ll also find a transcript of our prepared remarks as well as a financial model with historical results, on our Investor Relations site.

Now, turning to our call this morning, I’m pleased to be joined on the call by:

Rich Veldran, our Chief Financial Officer,

Josh Peirez, our President and Chief Operating Officer, and

Tom Manning, our newly appointed Chairman of the Board, and interim CEO.

Tom has been on our Board of Directors since 2013, and has served as lead director since 2016. We are looking forward to working with Tom as we continue to execute our strategy.

I’d now like to hand the call over to Tom Manning. Tom?

Tom Manning

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

As you saw yesterday, we announced that Bob Carrigan, in mutual agreement with the Board of Directors, decided to step down as CEO and Chairman of the Board. As a result, the Board appointed me to serve as Chairman and interim CEO. I am excited to assume this role and I am looking forward to the work ahead and want to thank Bob for his great work setting the company's strategy in motion.

As for next steps, the Board is commencing a search for a permanent CEO right away. We expect to engage a leading executive search firm in the very near term to assist in this process. The Board strongly believes that now is the right time to bring in a new CEO, and I can assure you that we are acting with urgency on this matter. We are looking for a candidate with extensive skills and experience in accelerating top and bottom line growth.

Over the last four years we have made progress transforming this company. We've improved our data and analytics, developed solutions and capabilities to serve new customer use cases, and modernized our products and platforms. The Board is confident in the strategic direction of the Company, and fully believes that this business can deliver sustainable mid-single digit revenue growth and expanding margins. Our number one priority is accelerating value creation for shareholders.

We believe we should be growing revenue and profit faster. To help accelerate our progress, we engaged management consulting firm McKinsey & Company to undertake a strategic and operational review of our business to help us find ways to speed up the time to realize value. The first phase of their work validated our strategy and identified barriers to growth and cost opportunities. The next phase of their work will include a full portfolio and business assessment and we are open to considering all options for value creation that may be identified.

In the near term, I am going to be digging in, with management and McKinsey to build a plan to accelerate growth. We are not waiting to make the changes we believe are necessary to move the company toward higher growth and profitability. We've already come up with some important insights from our strategic and operational review. Our strategy is aimed at the right markets; our data is unique and vital to our customers; the newer markets we have chosen to play in are large and growing; and we are positioned to be competitive in those markets. Furthermore, our transition to data-as-a-service helps us meet the demands of today's customers.

However, as we've evolved the business to as-a-service, we've also increased the breadth of our offerings and distribution channels, which has increased the complexity of our Company. We expect to simplify and streamline the business.

We also believe there are opportunities to apply more specialization to our selling activities as we go deeper into the sales and marketing space. We are already the market leader in trade credit, and we have a growing compliance and supply business that is a natural extension of our risk offerings. As we expand our sales and marketing value proposition from being primarily a static data supplier to becoming a dynamic player in the digital sales, marketing and advertising space, we are working to make sure that our organization, go-to-market strategy and processes are aligned with that goal.

To further this initiative, I'm pleased to announce that we have hired David Godfrey, who previously ran Global Sales at Gartner, to advise us as we transform our go-to-market strategy and execution. Many of you may be familiar with David's impressive work at Gartner and I look forward to working with him.

Let me summarize:

- We believe in the strategy
- We also believe we should be growing faster
- We are putting the right resources in place to speed up our success
- The Board and management team are operating with urgency to enhance value for all shareholders

As I hope you can appreciate, in light of the CEO transition, as well as the ongoing strategic and operational review, we will not be providing 2018 guidance today, but I plan to update you on our first quarter earnings call.

With that, Rich will now discuss our operational and financial results in more detail, and then we will open the call for your questions.

Rich…?

Rich Veldran

Thanks Tom, and good morning everyone. Let me start by echoing your comments. I greatly appreciate the opportunity to have worked alongside Bob for the past four years. He has been a great partner to learn from and I wish him the very best. Looking ahead, I'm excited to work with Tom, the Board and the management team to make sure we achieve a smooth transition.

Now, let me turn to our results. In 2017 revenue increased 3 percent, with 1 percent organic revenue growth. We grew operating income 3 percent, and EPS was flat for the year. We generated $224 million of free cash flow.

With strong cost discipline, we achieved operating income and EPS growth that were each better than we expected at the beginning of the year, and we expanded margin by 10 basis points while continuing to invest in the business. In 2017, we invested about $40 million on key initiatives with a strong focus on transforming our technology platforms in order to meet our customers' modern-day needs. Modernizing delivery of our solutions is a critical component of our strategy. In 2017, we generated nearly 30 percent of our revenue in the Americas from modern, as-a-service solutions, which makes our data stickier and more useful for our customers and drives higher-value revenue.

We also continued to upgrade D&B Credit and launched the new D&B Optimizer solutions for both Microsoft and Salesforce, and we invested in security and back-end software system upgrades.

Now let me take you through the revenue results by segment in more detail. Total revenue for the company was $1.75 billion. Americas revenue was $1.46 billion and represented 83% of total company revenue.

In the Americas segment, Risk Management full year revenue was flat, as our Trade Credit business declined low single digits, while Other Enterprise Risk increased mid-single digits.

Within Trade Credit, we’ve had a key focus on improving performance for the D&B Credit suite, which accounts for about 75% of the category. Our goal going into 2017 was to get revenue from the D&B Credit suite to flat for the year. While we did succeed in getting sales to flat for the year, we were about a point behind where we wanted to be on full year revenue. I am pleased that we showed meaningful progress in the product suite, particularly in the fourth quarter, where we had strong sales growth. For the year, we improved D&B Credit suite revenue from down 3 percent in 2016 to down 1 percent in 2017. Given the trajectory shift and solid fourth quarter sales performance, we expect to get the product suite to flat, at a minimum, in 2018.

Other Enterprise Risk had organic growth in the mid-single digits again this year. Compliance and Supply revenue growth was strong again in 2017, and we also saw nice growth in Analytics. Credibility solutions also grew, but at a slower pace than prior years, and actually declined in the fourth quarter. We had some staffing issues earlier in the year which we have now rectified.

Sales and Marketing in the Americas was up 6% for the full year, but was slightly down on an organic basis. The inorganic contribution from Avention within Sales Acceleration drove the 12% growth in that category. Sales Acceleration organic growth was down mid-single digits as 2016 sales declines in our legacy Hoover's subscription product impacted our 2017 revenue.

Combined sales of our new D&B Hoovers offering, which leverages the acquired Avention platform and our world-class data, were positive in 2017, which will have a positive impact on 2018 revenue. However, as we discussed last year, Salesforce stopped selling data.com to new customers in August, and we expect data.com revenue to decline in 2018 due to normal attrition. As a result, we expect overall Sales Acceleration to decline somewhat in 2018 due to the data.com decline.

Lastly, Advanced Marketing finished the year up 2%. If you recall, we had a weak first half of the year. However, revenue was up mid-single digits in the second half of the year, which is more in line with our normal run rate.

While the second half was stronger, we did not make up for the earlier shortfall in our full year results.

Shifting to Non-Americas, 2017 revenue was $294.3 million, which represented 17% of total company revenue. Total revenue was up 3%, and organic revenue grew 7%. The organic revenue growth was due to strong performance in our Worldwide Network Partnerships and direct sales efforts in Asia.

Deferred revenue was up 3% for the company, before M&A activity and the impact of foreign exchange. Americas and Non-Americas deferred revenue were each up 3%. The growth reflects improved performance in D&B Credit and D&B Hoovers in the fourth quarter, as well as continued growth in our API solution, D&B Direct.

Total company sales during the year were up 3%, with organic sales up 1%. Sales were uneven throughout the year but finished on a strong note in the fourth quarter.

Now let me turn to profitability. Operating income was up 3% for the year, finishing at $462.5 million, with operating margins expanding 10 basis points.

EPS was $7.36 for 2017, up slightly from 2016. EPS came in ahead of our expectations primarily driven by the growth in operating income and lower than planned interest expense. With the prospect of tax reform that would allow us to repatriate foreign cash, we decided not to refinance our senior note that matured in December, avoiding overlap fees and a higher coupon, which were in our original plan. For the full year, our tax rate was 31.4%, compared with 31.3% in the prior year. As a result of the new tax law, we expect our tax rate to be in the mid 20 percent range going forward.

Turning to the balance sheet, we ended the year with just under $1.7 billion of debt, including about $600 million of fixed rate senior notes and $1.1 billion of floating rate debt. Our cash balance at year end was $442 million, for net debt of $1.2 billion. We expect to repatriate about $265 million of our cash balance this year - based on current FX rates - which will help lower our total debt level.

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