Q309 EARNINGS CONFERENCE

KATHY GUINNESSEY (Treasurer and Investor Relations Officer)

Good morning, everyone, and thank you for joining us today.
In a moment, we will hear commentary on our 3rd Qtr performance as well as on our outlook going forward from:

- Steve Alesio, our Chairman and Chief Executive Officer
- Sara Mathew, our President and Chief Operating Officer, and
- Tasos Konidaris, our Chief Financial Officer

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 those 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.

A 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 Steve Alesio. Steve?

STEVE ALESIO (Chairman and CEO)

Thanks, Kathy and welcome to all of our team members, shareholders and analysts on the call today.

Our third quarter financial performance was very much in line with what we expected in the context of this difficult economic environment that has been with us all year:

- Our International business delivered another quarter of strong growth.
- And, our North American business performed as expected and continues to focus on enhancing our value proposition for the long term.

To summarize our results briefly:

- For the quarter, revenue grew 2%, operating income declined 3% and earnings per share were up 1%.
- On a year-to-date basis for these same metrics, our revenue is up 1%, our Operating Income up 2 %, and earnings per share is up 8 %.
- These results, both from a quarter and year-to-date perspective, still stand out on a relative basis when compared to our peers and to many parts of corporate America.

Let me touch on a few highlights of our third quarter performance.

- I will start with our International business, which continued to excel with revenue growth of 24% for the quarter and Operating Income growth of 13%.
    - So this business has now delivered two years of consistent double digit growth top-line growth and improving margins.

        - And, the team leading this business and its strong combination of organic and inorganic actions have created a real growth engine for our company----one that we expect to continue into next year.
- In our North American business, revenue was down 3% for the quarter with Operating Income down 7%, both of those measures were in line with our expectations.
    - Within North America, performance among the major product lines was also in line with expectations.
    - And, we said would continue to invest to build out our value proposition and focus on retaining customer relationships—both to help our future growth—and you will hear from Sara that we are doing just that.
- From a company earnings perspective, we said we would maintain our focus on profitability. With our year-to-date margin growth and continuing EPS growth, we are still on that course.

Let me switch my comments to the full year 2009, we expect our performance to play out as we anticipated when we spoke last quarter.

- In our International business we expect to grow our top-line in the low twenty percent range, with strong margin growth.

- In North America, we still expect the full year top-line to be down 3 to 5%, as we said last quarter. In North America, we expect the revenue decline in the fourth quarter to be somewhat worse than the year-to-date levels for the same two reasons we noted last quarter:

1. First of those is the full year impact of lower sales in Risk Management over the course of 2009 will create a slow down in net revenue since customer contracts are recognized over time.
2. And the second reason is potential variability in our Sales and Marketing Solutions in the fourth quarter since it's a seasonally high period for this product line. And, since customers' discretionary spending remains a bit of a "cloudy" picture, we have reflected this in our full year guidance.

- From a Company earnings perspective, we are continuing to flex our cost base but are also maintaining investments in the future growth of our business.

As a result of all of this, our guidance for the full year remains unchanged. We are expecting:

- Revenue growth down -1% to up +1%
- Operating Income growth of down -3% to up 1%
- EPS up growth of up 1% to 5%, and
- Free cash flow of $285 - $315 million

So with this as a backdrop, Sara will now discuss our revenue results in more detail for the quarter.

And, Tasos will then discuss the rest of our financial picture---specifically profitability and cash flow.

I will then come back and offer some closing comments before we open up things to your questions.

<u>SARA MATHEW (President and Chief Operating Officer)</u>

Thank you Steve and good morning everyone. As Steve said, revenue in the third quarter grew 2% over the prior year. All product lines and all markets delivered results that were in line with our expectations; so the second half is unfolding as expected.

<u>International</u>

I'll begin with a review of our international business, which grew 24% in the third quarter, slightly ahead of expectations. Organic revenue was once again up 11%, driven by strength in both Europe and Asia. Inorganic growth of 13 points came from acquisitions in India and China. Of note, the strong revenue growth came with higher margins - up 230 basis points over prior year, mostly driven by the divestiture of our low margin, low growth Italian business earlier this year. So, in sum, we are very pleased with this performance, and the way our International strategy is being executed across the region.

As a reminder, our International strategy is focused on better serving the needs of our cross border customers. That is, customers who are looking to make decisions outside their domestic market. We have a unique competitive advantage with this customer segment with our high quality, globally consistent data, products and services.

To drive cross border revenue, we have single-mindedly focused on data quality. We have been investing since 2008 to improve data quality, with an eye towards enhancing shareholder value as we invest.

In established markets like Europe, we invest in a variety of ways to drive data quality. A recent example is our partnership with CRIF in Italy that will more than double our data coverage, while also lowering the cost of our data collection process. Yet another example is the acquisition of ICC in the UK and Ireland, to gain access to new sources of data that would otherwise be unavailable to us.

With cross border data as our basis for differentiation, we have been leveraging our risk management solutions to drive revenue from our existing customers as well as new customers across our European markets.

Moving to Asia, which now represents almost 40% of International, our growth is fueled by 3 key markets – Japan, China and India. In each of these markets we are focused on achieving critical mass, through a combination of organic and inorganic investment, and we are making good progress against that goal. Let me say more.

In Japan our joint venture with TSR is driving double-digit growth. This JV leverages our cross border data, coupled with a highly consultative selling approach, which our local competition cannot match.

In China, our recent acquisitions of Roadway and HC International in the sales and marketing segment are also performing well, and we are now focused on consolidating these JV's to maximize efficiency and drive margin expansion.

Finally, we are especially pleased with our performance in India, where we had a simply outstanding third quarter. Our Indian business is unique, in that we have leveraged local expertise to enhance our brand, resulting in a very strong

S&MS and RMS presence. While all of India's growth is inorganic to D&B in 2009; the acquisition is performing very well and will help fuel organic growth in 2010.

North America

Let me now turn to North America where revenue declined 3% in the third quarter, also in line with expectations.

Our risk management business or RMS declined 1% in the third quarter, in-line with what we expected. Within RMS, our traditional business declined 3%, as the strong performance of DNBi was once again offset by weaker performance in our legacy products. As we told you last quarter, we have seen a decline in demand for our Traditional products and services, mostly due to the weak economy. Since our RMS business is driven by upfront customer commitment, we have visibility into trends for the second half of the year, and the year is playing out as expected.

Within RMS, DNBi remains a bright spot, and accounts for 56% of RMS revenue, up from 43% last year. In addition, we continue to realize double digit revenue lifts when customers convert to DNBi.

Our experience with existing DNBi customers is also good. Retention remains strong and we are continuing to see price lifts in the high single digits during renewal. This suggests that existing DNBi customers clearly see value even in the current economic environment.

On the Value Added Products side, or VAP's, we saw growth in the third quarter, driven by our flagship DNBi modules - Account Manager and Decision Maker, which help customers make insightful decisions across their entire credit portfolio.

Looking ahead, we will continue to bring new value to our existing DNBi customers, and just announced DNBi Premium which brings several enhancements to the value proposition of our base DNBi offering. Let me discuss a few.

The first enhancement - Detailed Trade Risk Insight, will provide risk customers with a granular view of our entire database of customer payment behavior. That is, 1.5 billion trade experiences – a level unmatched in the industry. This will enable timely identification of risks and much better insight and predictiveness on delinquency. Of note, we have used this data to retroactively calculate lifts in predictiveness. And, our testing suggests we should be able to double the predictiveness of our existing scores with this new product.

The second enhancement - DNBi Credit Network, further improves insight by tapping into the existing base of DNBi users leveraging the concept of "crowd sourcing". More specifically, any DNBi customer should be able to reach out to the entire DNBi network to get additional insight before making a final decision. Since the DNBi network is the largest footprint of credit professionals online, the quality of the response will be higher, allowing them to "decide with confidence". We first presented this concept at the National Association of Credit Managers or NACM meeting this summer, and customer feedback was overwhelmingly positive.

Finally, we are in the process of launching an enhanced version of the financial stress score or FSS, which predicts the likelihood of business failure. As context, D&B's FSS is one of the most widely used scores in the industry and we have rebuilt our scoring engine from scratch to generate a 26% lift in the predictiveness of this new score.

The bottom line, we are pleased with DNBi's performance and the enhancements we continue to make in this area.

That said, we continue to face pressure on the non-DNBi side of RMS where our business is more transactional. Our results in the third quarter were in line with expectations, driven by attrition in our small customer segment, and lower usage of our traditional products with our large customers.

Both these trends are driven by lower new business activity due to the weak economy, and will be reflected in the Traditional RMS segment as the year unfolds.   As previously discussed, we expect RMS to worsen in the fourth quarter, and we have factored this weakening into guidance for the full year.

I'd like to move to S&MS where revenue was down 5% in the quarter. Both our traditional business as well as our VAP's were in-line with expectations; and our customers' remain cautious with their marketing spend.

On the positive side, retention rates are holding up well in our VAP's business, and our pipeline is large and growing. This bodes well for the future, <u>when</u> customer spending resumes.

Our product improvements in Optimizer and the introduction of D&B Professional Contacts, powered by Jigsaw, are gaining traction in the market and the pipeline remains strong.

Looking ahead, we are acutely aware of the seasonally large fourth quarter in S&MS due to the large amount of year-end project work that takes place with our customers. We recognize the inherent volatility associated with this seasonal occurrence, and we have factored this thinking into our guidance for the year.

Let me briefly touch on our smallest segment, the Internet, which like S&MS continues to be impacted by the slowdown in marketing activity. Internet revenue declined 8%, in line with our expectations; reflecting weakness from the first half subscription sales as well as lower advertising spend.

So, in summary, our third quarter was pretty much in line with expectations across the board, and we expect the rest of the year to be within the guidance ranges that Steve shared with you.

And, with that I will turn it over to Tasos for a financial review – Tasos?

TASOS KONIDARIS (SVP & Chief Financial Officer):

Thank you, Sara and good morning everyone.

I'll cover the following three areas today:

- First, our earnings and margin performance
- Second, our Financial Flexibility plans, and
- Third, our cash generation and uses of free cash flow

Let me start with our earnings and margins: In the third quarter we delivered $105 million dollars of operating income, down 3%. These results were in line with our expectations and reflect the top line pressure in North America, higher level of investments and 2 points of negative foreign-exchange impact.

In International, our operating income of $18 million dollars was up 13%, and our operating margin grew 230 basis points. We were very pleased with these results, which reflect strong organic revenue growth, the positive impact of divesting our low margin domestic Italian business, and significant re-engineering savings, thereby offsetting approximately $2 million of negative foreign exchange impact.

In North America, our operating income of $105 million dollars was down 7%, and our operating margin declined 130 basis points. Our results were in-line with our expectations and reflect our choice to increase the level of investment spending in product innovation and technology in the second half of the year, consistent with our discussion last quarter.

Let me know move on to Financial Flexibility…

As a reminder, in 2009, we created $90 to $105 million dollars of flexibility. This plan was very important in ensuring we could invest in our business while reducing our year-to-date operating costs by 4%, and expanding our year-to-date margins by 120 basis points.

In addition, in the third quarter we began taking additional financial flexibility actions, as we are proactively managing the business to drive bottom line performance next year. Our actions are focusing on our Technology operations as well as rationalizing operating costs related to various newly acquired companies. This is just the beginning and you can expect us to share with you more details of our 2010 reengineering plan early next year.

Moving on to earnings per share, we delivered 1% growth, in line with our expectations and we are on track to deliver our annual guidance of 1 to 5%. We continue to expect earnings per share growth in excess of operating income growth due to the accretive impact of our share repurchase program and an annual tax rate between 35 and 36%.

<u>Let me now move to cash</u>. We continue to be strong cash generators at D&B and in the first nine months of the year, we generated free cash flow of $244 million dollars and we are on track to deliver our annual guidance of $285-$315 million dollars.

This result was again in-line with our expectations and reflects lower collections in North America, due to the lower level of customer commitments we have experienced all year, and the higher level of investments. These are partially offset by re-engineering savings.

Let me now move on to our uses of cash. As you know, we have three priorities in deploying our cash:

First, we continue to invest to drive organic growth to improve our value proposition, and Sara discussed what some of those investments are.

Second, we continue to look for acquisitions to improve our long term competitive position and growth prospects.

Our acquisition strategy is unchanged. We are focusing on investing in high growth markets like International, as well as investments in new capabilities where we may have product gaps in our current product offering. In addition, over the last year we have increased our required rates of return and reduced our tolerance for dilution.

Third, we remain committed to returning excess cash to shareholders through a combination of cash dividends and share repurchases.

In the third quarter we returned a total of $82 million to shareholders through combination of dividends and share buy-backs. In regard to dividends, we paid out $18 million in the quarter. In regard to share buybacks, we bought back shares valued at $64 million dollars, $60 million of which was under our discretionary program and the balance was used to mitigate dilution from equity awards.

On a year to date basis, we have executed $103 million dollars in discretionary share repurchases. We will continue to be opportunistic and we expect to end the year at the high end of our guidance range of $100 to $150 million dollars.

Finally, we ended the quarter with a deferred revenue balance of $476 million which reflects a 4 point decline in constant dollars. This again was in-line with our expectations and has already been factored in our annual revenue guidance.

In closing, our overall financial results were in line with our expectations, we are still focused on financial flexibility and we are still generating a lot of cash. These factors allow us to invest in the long-term growth of our business, while protecting our profitability and returning value to shareholders, even in this very challenging year.

I will now turn the call over to Steve for some closing remarks….

Steve?

STEVE ALESIO (Chairman and CEO)

Thank you, Tasos.

So what you should have taken away from our comments so far is the following:

- First our third quarter performance was as expected.
- Second, for the full year, our expectations have not changed and we have prudently allowed for items that could impact the last quarter of the year, and
- As Tasos just covered, we are a strong company financially.

Obviously a big question on many minds at the moment is when does the economy recover, especially the U.S. economy, and what does that start to look like in 2010. That's of course a harder question for us to opine on. It does appear the US economy has found its bottom from what we are all reading. So that's the good side of an outlook.

But what we cannot see or estimate yet is the slope of a recovery. Again, from what we all read, it's not clear whether growth in 2010 will be anemic or better than that. We don't have insight into that yet. We believe we will need to see a couple of consistent quarters where actual customer spending behavior changes.

So, without knowing the shape or slope of next year's economy, there are things we can control areas and reasons that we are confident about our future. Let me cite 5 of those things that we are in control of:

1. First of all, our products are quite relevant for customers even in these difficult times
    a. You heard from Sara about the continuing strength of our DNBi product, further investment and enhancement to that product line, and some positive signs in our US S&MS VAPs business.
    b. Those are good "signs"—for when the economy recovers, these product lines will benefit.

2. The second item that we are in control of is continuing to invest to build on our leadership position in commercial information.

    As one example, in this past quarter we hit another significant milestone with our commercial database now holding over 150 million global business records. This database has grown from 100 million records only 4 years ago. And, we are continuing to invest not only domestically but in the fastest growing markets overseas - in fact, we now have nearly 20 million company records from the BRIC countries. We are very proud of our leadership position and our ability to pursue the pace of business evolution around the globe.

3. Another reason, an item that we are in control of, is our strategy in International, which is working quite well—it's become a real growth engine for our company. We believe we are investing in the right geographies and we have the right joint ventures to grow along the way. You should expect that we will continue to invest to fuel this portion of our business.

4. Another item that we are in control of is that we are a company that is strong financially

a. As Tasos said, we generate a lot of free cash flow.
b. Our balance sheet is solid and allows us capacity for additional investment when needed
c. And, we continue to maintain our discipline around expense management. As Tasos mentioned, we are already taking the actions that will drive financial flexibility next year.

5. And finally, we have a valuable <u>team of leaders</u> that has gained a lot of experience from this difficult environment in 2009, and while they are a little older for it, they are stronger for it as they prepare for next year. In addition, Sara and I continue to add to and organize the team to capture additional growth.

So no matter what shape, pace or slope the economy takes going forward, we have a lot to feel confident about and ways to stay in control.

I hope all this that gives you some insight into our current view of the business and our prospects for the future. I'll now open the phone lines so that we can take any questions. Operator, would you please provide the instructions for asking a question?

If there are no more questions, I thank all of you for joining us. Good bye for now.