

# Credit Suisse 2008 Global Leveraged Finance Conference

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# Safe Harbor Statement

**This presentation includes certain non-GAAP financial measures as defined under SEC rules. As required by those rules, we have provided a reconciliation of those measures to the most directly comparable GAAP measure in materials on our website at <http://ir.idearc.com>.**

■ This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934. You should not place undue reliance on these statements. These forward-looking statements include statements that reflect the current views of our senior management with respect to our financial performance and future events with respect to our business and industry in general. Statements that include the words may, could, should, would, believe, anticipate, forecast, estimate, expect, intend, plan, project, outlook and similar statements of a future or forward-looking nature identify forward-looking statements. Forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements. We believe that these factors include, but are not limited to, the following:

- risks related to our substantial indebtedness;
- risks related to our declining revenue;
- limitations on our operating and strategic flexibility under the terms of our debt agreements;
- changes in our competitive position due to competition from other yellow pages directories publishers and other traditional and new media and our ability to anticipate or respond to changes in technology and user preferences;
- declining use of print yellow pages directories;
- access to capital markets and changes in credit ratings;
- changes in the availability and cost of paper and other raw materials used to print our directories and our reliance on third-party providers for printing and distribution services;
- increased credit risk associated with our reliance on small-and-medium-sized businesses;
- changes in our operating performance;
- increased demands on our management team as a result of operating as an independent company;
- our ability to attract and retain qualified executives;
- our ability to maintain good relations with our unionized employees;
- changes in U.S. labor, business, political and/or economic conditions;
- changes in governmental regulations and policies and actions of regulatory bodies;
- risks inherent in our spin-off from our former parent corporation, Verizon Communications Inc., which we refer to as Verizon, including increased costs and reduced profitability associated with operating as an independent company; and
- risks associated with our obligations under agreements entered into with Verizon in connection with our spin-off.

For a more detailed discussion of these and other factors, see the text under “Item 1A. Risk Factors” of Part I of our Annual Report on Form 10-K for the year ended Dec. 31, 2007. The forward-looking statements included in this presentation are made only as of the date of presentation, and we undertake no obligation to update the forward-looking statements to reflect subsequent events or circumstances.



# Overview

- Multi-product Portfolio
- Growth Opportunity
- Local Media Trends
- Advertising Sales Trends
- Financials

# Multi-product Portfolio



## Print directories

- Verizon brand builds confidence
- Reference leader in most markets
- Nation's top publisher of companion and Hispanic directories
- Complemented by Superpages.com®
- High number of loyal customers
- Local sales reps with local relationships



## Direct mail solutions

- Solutions At Hand™ and Solutions at Home™ magazines
- Solutions Direct™ advertising postcards
- Solutions on the Move™ new movers' packets
- reFresh, reCharge, reNew™ health and wellness magazine

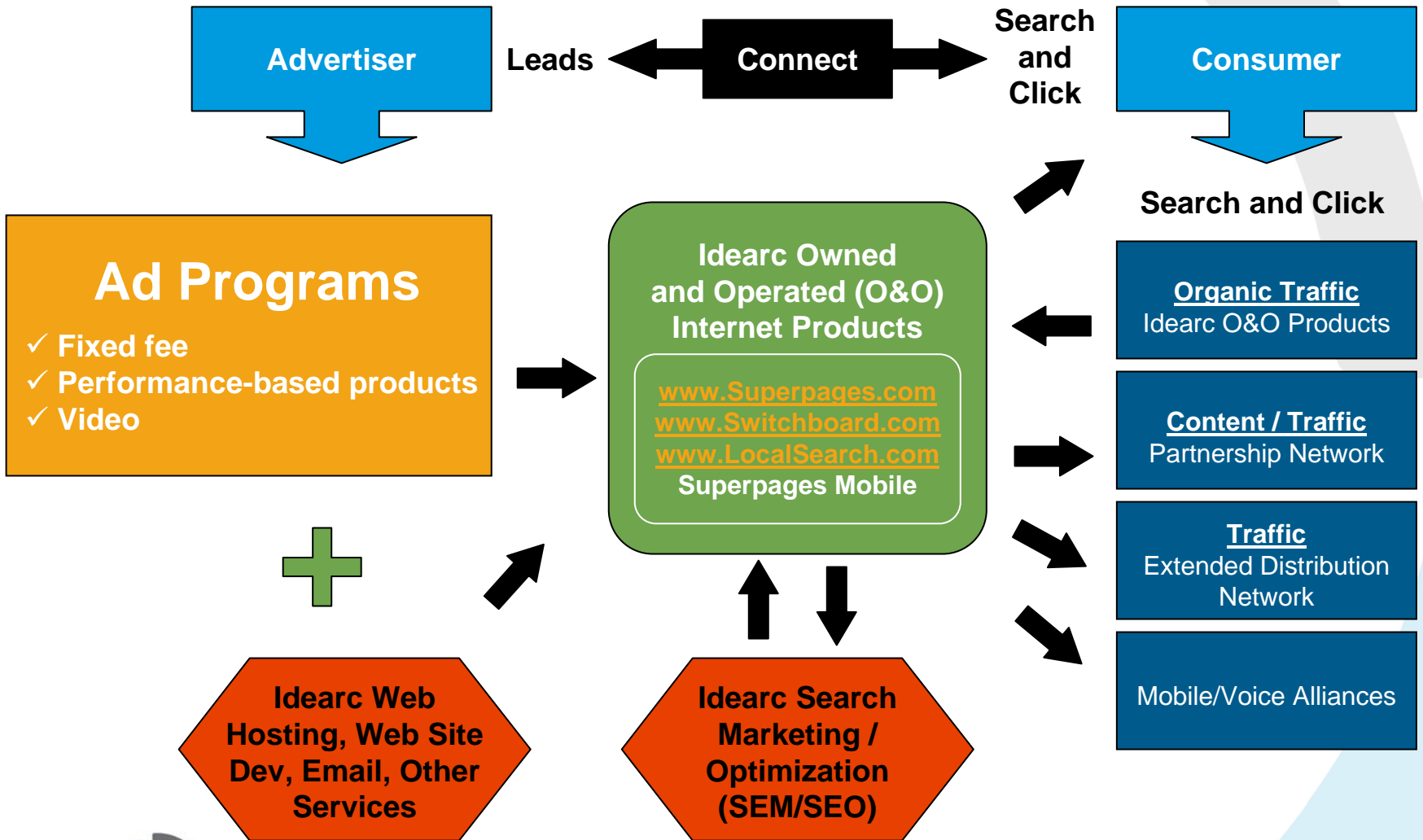


## Internet and mobile

- Superpages.com®
- Switchboard.com<sup>SM</sup>
- LocalSearch.com<sup>SM</sup>
- Video clips
- Search Engine Marketing
- Web development and hosting
- Mobile applications

Investing  
in multi-  
product  
innovation

# Internet Model



# Local Media Trends

## ■ Strong foundation

- ➔ Local media is a large and growing market
- ➔ Yellow pages is one of the most profitable local media segments
- ➔ Few companies can afford to replicate yellow pages direct sales force

## ■ Emerging trends

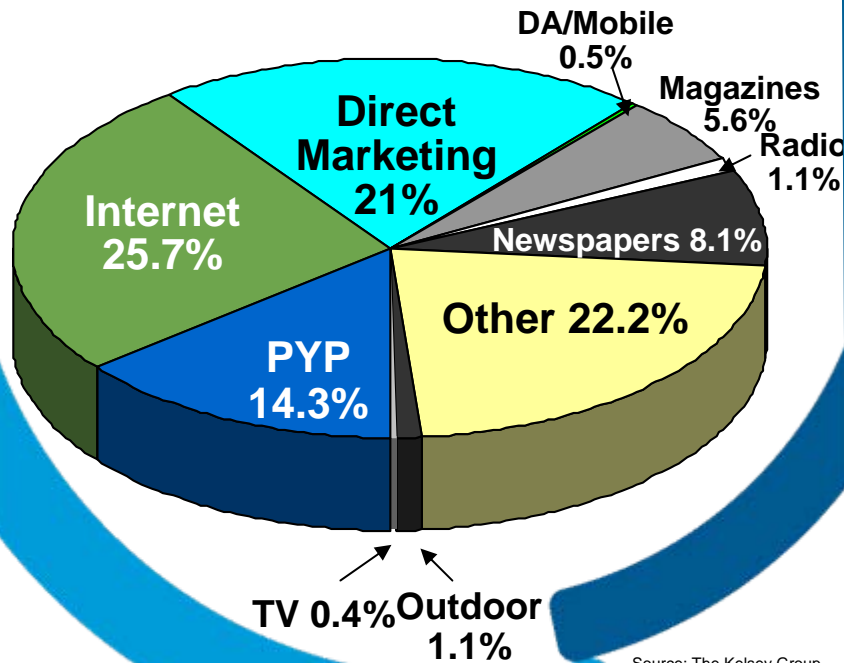
- ➔ Consumers are adding online media to search for local products and services
- ➔ Small/medium businesses (SMB – typical yellow pages advertisers) lag large businesses in adopting the Internet

## ■ Opportunity

- ➔ SMBs express preference for multi-product ad providers
- ➔ Local search leadership position is still available

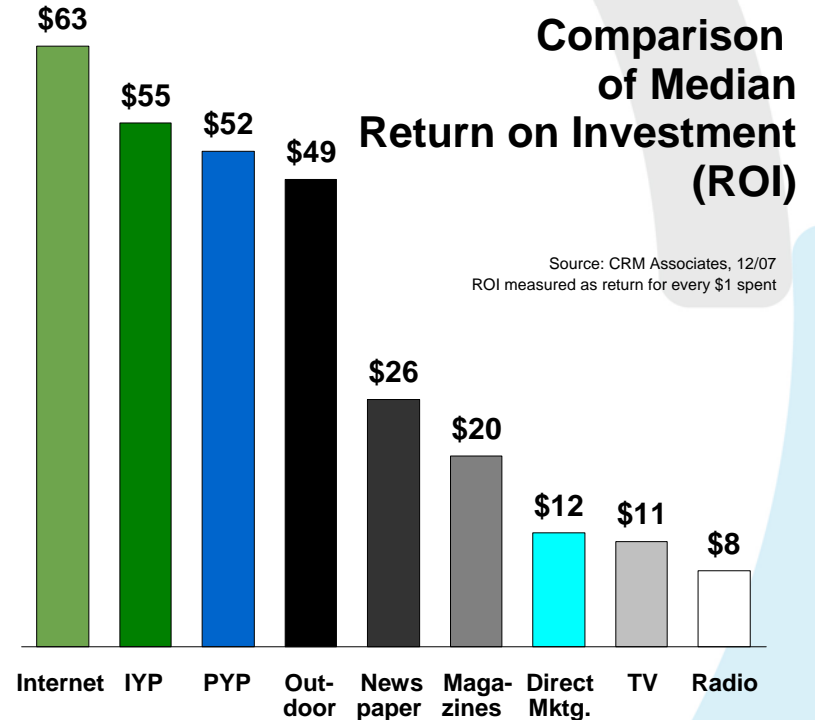
# Idearc portfolio: a great combination

60+% of small/medium business ad dollars are in Idearc areas



Source: The Kelsey Group  
Local Commerce Monitor  
Wave 11, 12/07

Our multi-platform portfolio delivers in high ROI categories



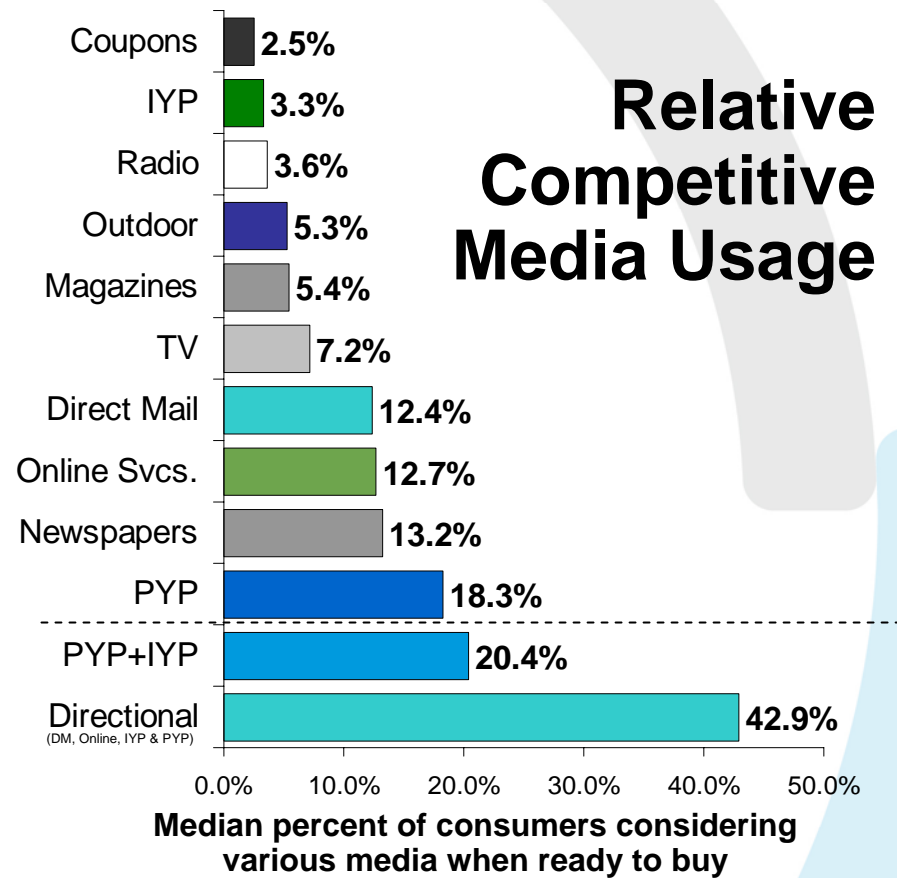
Idearc multi-product offering includes print yellow pages, local search, Internet yellow pages *and* direct mail

# Most consumers search multiple media

## Consumers Use Multiple Sources to Find What They Need

Options let them choose the vehicle that is **right for the moment**:

- Yellow pages for a plumber for a clogged kitchen sink
- Internet to locate a vacation cabin in another state
- Companion directory in the car to find a nearby restaurant
- Cell phone to find another branch when your store doesn't have your size
- Ad in a direct mail magazine to get a quote on a featured product
- Coupon from a direct mail package

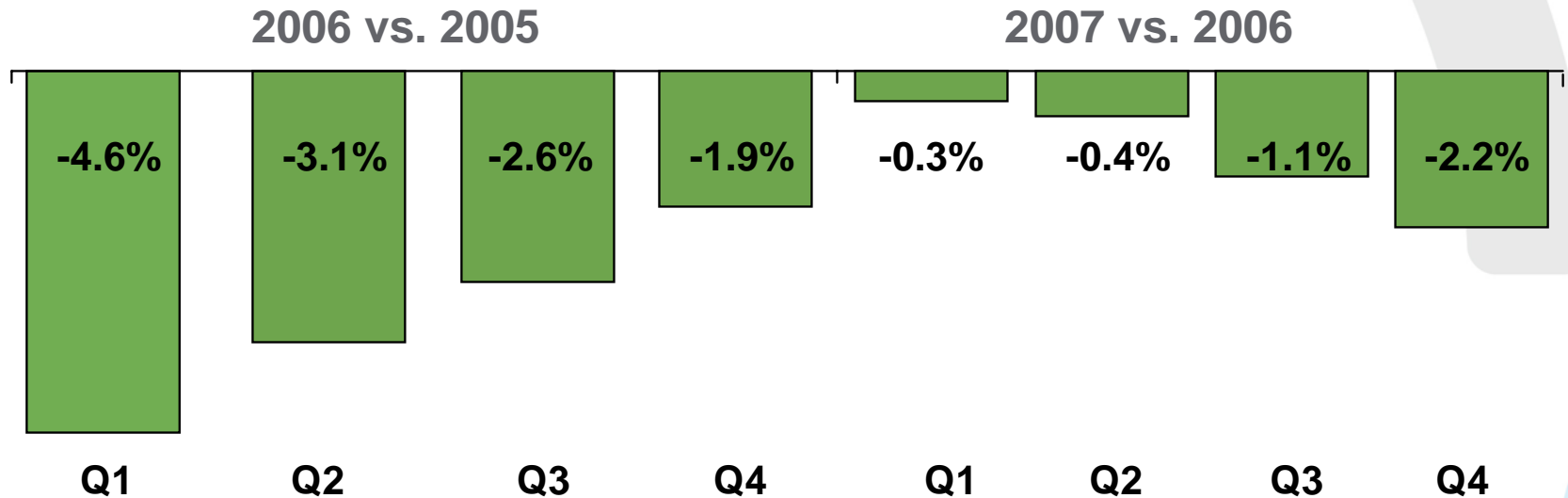


Source: 2007 TNS Media Impact Study

**Print yellow pages, Internet yellow pages and direct mail work together to deliver results**

# Advertising Sales Trends

Year-to-date Basis



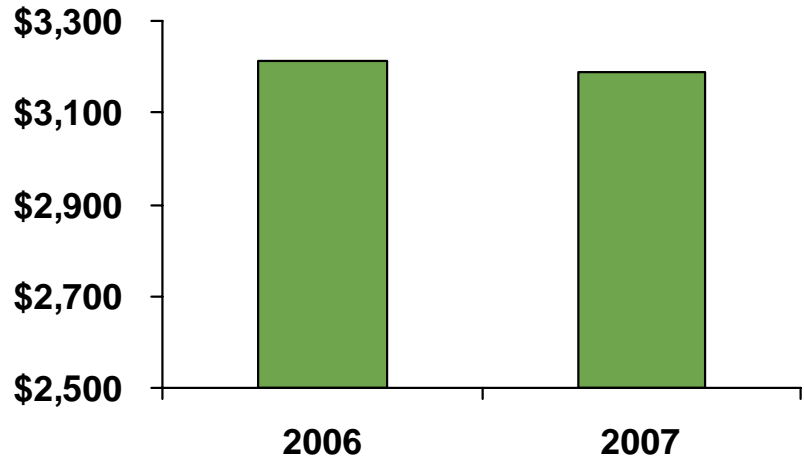
Note:

Reflects combination of print published results and Internet revenues on a year-to-date basis. Management uses the results of print directories as they publish (i.e. published view) as a leading indicator of revenues.

# Highly profitable revenue base

## Amortized Multi-product Revenues

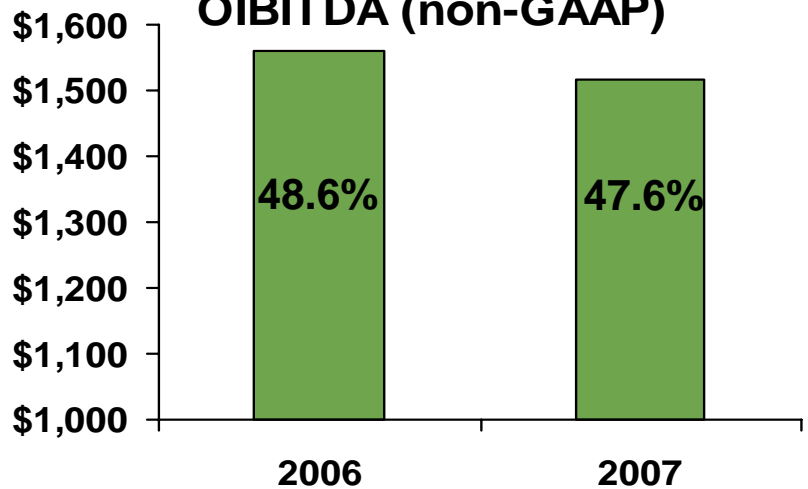
\$ Millions



- 2008 Guidance
- ➔ Slightly lower amortized multi-product revenues

## Adjusted Pro Forma OIBITDA (non-GAAP)

\$ Millions



- 2008 Guidance
- ➔ Some operating margin contraction

# Investor Value Proposition

- Strong cash flows provide balanced proposition
- Favorable cash flow conversion
- Recurring revenue
- 3,000-strong sales force
- Relationships with more than 830,000 SMBs
- Product innovation
- Leading Internet position

**Unique value proposition to investors**

# Appendix



# Advertising Sales

(\$ in millions)												
<b>Quarterly</b>	3/31/05	6/30/05	9/30/05	12/31/05	3/31/06	6/30/06	9/30/06	12/31/06	3/31/07	6/30/07	9/30/07	12/31/07
<b>Net Print Products Revenue<sup>(1)</sup></b>	\$ 770	\$ 794	\$ 600	\$ 868	\$ 729	\$ 774	\$ 580	\$ 856	\$ 711	\$ 751	\$ 554	\$ 799
<i>% Change year-over-year</i>					(5.3%)	(2.5%)	(3.3%)	(1.4%)	(2.5%)	(3.0%)	(4.5%)	(6.7%)
<b>Net Internet Revenue<sup>(2)</sup></b>	49	49	49	50	52	55	60	63	68	73	69	75
<i>% Change year-over-year</i>					6.1%	12.2%	22.4%	26.0%	30.8%	32.7%	15.0%	19.0%
<b>Net Multi-Product Advertising Sales<sup>(3)</sup></b>	819	843	649	\$ 918	781	829	640	919	779	824	623	874
<i>% Change year-over-year</i>					(4.6%)	(1.7%)	(1.4%)	0.1%	(0.3%)	(0.6%)	(2.7%)	(4.9%)
<b>Year-to-Date</b>	3/31/05	6/30/05	9/30/05	12/31/05	3/31/06	6/30/06	9/30/06	12/31/06	3/31/07	6/30/07	9/30/07	12/31/07
<b>Net Print Products Revenue<sup>(1)</sup></b>	\$ 770	\$ 1,564	\$ 2,164	\$ 3,032	\$ 729	\$ 1,503	\$ 2,083	\$ 2,939	\$ 711	\$ 1,462	\$ 2,016	\$ 2,815
<i>% Change year-over-year</i>					(5.3%)	(3.9%)	(3.7%)	(3.1%)	(2.5%)	(2.7%)	(3.2%)	(4.2%)
<b>Net Internet Revenue<sup>(2)</sup></b>	49	98	147	197	52	107	167	230	68	141	210	285
<i>% Change year-over-year</i>					6.1%	9.2%	13.6%	16.8%	30.8%	31.8%	25.7%	23.9%
<b>Net Multi-Product Advertising Sales<sup>(3)</sup></b>	819	1,662	2,311	\$ 3,229	781	1,610	2,250	3,169	779	1,603	2,226	3,100
<i>% Change year-over-year</i>					(4.6%)	(3.1%)	(2.6%)	(1.9%)	(0.3%)	(0.4%)	(1.1%)	(2.2%)
<b>Annual</b>	12/31/05	12/31/06	12/31/07									
<b>Net Print Products Revenue<sup>(1)</sup></b>	\$ 3,032	\$ 2,939	\$ 2,815									
<i>% Change year-over-year</i>		(3.1%)	(4.2%)									
<b>Net Internet Revenue<sup>(2)</sup></b>	197	230	285									
<i>% Change year-over-year</i>		16.8%	23.9%									
<b>Net Multi-Product Advertising Sales<sup>(3)</sup></b>	\$ 3,229	\$ 3,169	\$ 3,100									

# Adjusted Pro Forma (Non-GAAP)

## Year Ended 12/31/07 compared to Year Ended 12/31/06

Unaudited	(dollars in millions, except per share amounts)		
	Year Ended 12/31/07	Year Ended 12/31/06	% Change
<b>Operating Revenue</b>			
Print products	\$ 2,900	\$ 2,978	(2.6)
Internet	285	230	23.9
Other	4	6	(33.3)
<b>Total Operating Revenue</b>	<b>3,189</b>	<b>3,214</b>	<b>(0.8)</b>
<b>Operating Expense</b>			
Selling	733	682	7.5
Cost of sales (exclusive of depreciation and amortization)	617	593	4.0
General and administrative	321	378	(15.1)
Depreciation and amortization	88	89	(1.1)
<b>Total Operating Expense</b>	<b>1,759</b>	<b>1,742</b>	<b>1.0</b>
<b>Operating Income</b>	<b>1,430</b>	<b>1,472</b>	<b>(2.9)</b>
Interest expense, net	676	702	(3.7)
<b>Income Before Provision for Income Taxes</b>	<b>754</b>	<b>770</b>	<b>(2.1)</b>
Provision for income taxes	270	290	(6.9)
<b>Net Income</b>	<b>\$ 484</b>	<b>\$ 480</b>	<b>0.8</b>
<b>Basic and Diluted Earnings per Common Share <sup>(2)</sup></b>	<b>\$ 3.32</b>	<b>\$ 3.29</b>	<b>0.9</b>
Basic and diluted weighted-average common shares outstanding (in millions)	146	146	

### Notes:

- (1) These consolidated statements of income provide a comparison of the year ended December 31, 2007 adjusted pro forma results to the year ended December 31, 2006 adjusted pro forma results. The following schedules provide reconciliations from our reported GAAP results to adjusted pro forma non-GAAP results for the periods shown above.
- (2) The number of shares issued in the spin-off on November 17, 2006 was approximately 146 million. For basic and diluted earnings per share calculations for 2006, it was assumed that approximately 146 million shares were outstanding for the entire period. Restricted stock awards granted in 2007 had no material impact on the calculation of diluted earnings per common share.

# Reconciliation from Reported (GAAP) to Adjusted Pro Forma (Non-GAAP) Year Ended 12/31/07

(dollars in millions, except per share amounts)

Unaudited	Year Ended 12/31/07	Transition Costs		Year Ended 12/31/07 <b>Adjusted Pro Forma (Non-GAAP)</b>
		Reported (GAAP)	Stock-Based Compensation <sup>(2)</sup>	
<b>Operating Revenue</b>				
Print products	\$ 2,900	\$ -	\$ -	\$ 2,900
Internet	285	-	-	285
Other	4	-	-	4
<b>Total Operating Revenue</b>	<b>3,189</b>	<b>-</b>	<b>-</b>	<b>3,189</b>
<b>Operating Expense</b>				
Selling	733	-	-	733
Cost of sales (exclusive of depreciation and amortization)	617	-	-	617
General and administrative	408	(19)	(68)	321
Depreciation and amortization	88	-	-	88
<b>Total Operating Expense</b>	<b>1,846</b>	<b>(19)</b>	<b>(68)</b>	<b>1,759</b>
<b>Operating Income</b>	<b>1,343</b>	<b>19</b>	<b>68</b>	<b>1,430</b>
Interest expense, net	676	-	-	676
<b>Income Before Provision for Income Taxes</b>	<b>667</b>	<b>19</b>	<b>68</b>	<b>754</b>
Provision for income taxes	238	7	25	270
<b>Net Income</b>	<b>\$ 429</b>	<b>\$ 12</b>	<b>\$ 43</b>	<b>\$ 484</b>
<b>Basic and Diluted Earnings per Common Share</b>	<b>\$ 2.94</b>	<b>\$ .08</b>	<b>\$ .29</b>	<b>\$ 3.32</b>
Operating income	\$ 1,343	\$ 19	\$ 68	\$ 1,430
Depreciation and amortization	88	-	-	88
<b>OIBITDA (non-GAAP) <sup>(1)</sup></b>	<b>\$ 1,431</b>	<b>\$ 19</b>	<b>\$ 68</b>	<b>\$ 1,518</b>
<b>OIBITDA margin (non-GAAP) <sup>(1)</sup></b>	<b>44.9%</b>			<b>47.6%</b>

## Notes:

<sup>(1)</sup> OIBITDA is a non-GAAP measure that represents operating income before interest, taxes, depreciation, and amortization. OIBITDA margin is a non-GAAP measure calculated by dividing OIBITDA by total operating revenue.

<sup>(2)</sup> The stock-based compensation reflects a one-time incentive compensation award granted to most of the Company's employees in January 2007.

<sup>(3)</sup> Separation costs are costs associated with becoming a stand-alone entity as a result of the spin-off from Verizon.

# Reconciliation from Reported (GAAP) to Adjusted Pro Forma (Non-GAAP) Year Ended 12/31/06

(dollars in millions, except per share amounts)

Unaudited	Year Ended 12/31/06	Transition Costs			Year Ended 12/31/06	Pro Forma Items			Year Ended 12/31/06
		Reported (GAAP)	Stock-Based Compensation Charge <sup>(3)</sup>	Separation Costs <sup>(4)</sup>		Adjusted (Non-GAAP)	Pension OPEB Reduction <sup>(5)</sup>	Printing Contract <sup>(6)</sup>	
<b>Operating Revenue</b>									
Print products	\$ 2,978	\$ -	\$ -	\$ 2,978	\$ -	\$ -	\$ -	\$ 2,978	
Internet	230	-	-	230	-	-	-	230	
Other	13	-	-	13	-	(7)	-	6	
<b>Total Operating Revenue</b>	<b>3,221</b>	<b>-</b>	<b>-</b>	<b>3,221</b>	<b>-</b>	<b>(7)</b>	<b>-</b>	<b>3,214</b>	
<b>Operating Expense</b>									
Selling	708	-	-	708	(26)	-	-	682	
Cost of sales (exclusive of depreciation and amortization)	629	-	-	629	(8)	(28)	-	593	
General and administrative	448	(39)	(30)	379	(1)	-	-	378	
Depreciation and amortization	89	-	-	89	-	-	-	89	
<b>Total Operating Expense</b>	<b>1,874</b>	<b>(39)</b>	<b>(30)</b>	<b>1,805</b>	<b>(35)</b>	<b>(28)</b>	<b>-</b>	<b>1,742</b>	
<b>Operating Income</b>	<b>1,347</b>	<b>39</b>	<b>30</b>	<b>1,416</b>	<b>35</b>	<b>21</b>	<b>-</b>	<b>1,472</b>	
Interest expense, net	60	-	-	60	-	-	642	702	
<b>Income Before Provision for Income Taxes</b>	<b>1,287</b>	<b>39</b>	<b>30</b>	<b>1,356</b>	<b>35</b>	<b>21</b>	<b>(642)</b>	<b>770</b>	
Provision for income taxes	500	15	4	519	13	8	(250)	290	
<b>Net Income</b>	<b>\$ 787</b>	<b>\$ 24</b>	<b>\$ 26</b>	<b>\$ 837</b>	<b>\$ 22</b>	<b>\$ 13</b>	<b>\$ (392)</b>	<b>\$ 480</b>	
<b>Basic and Diluted Earnings per Common Share <sup>(1)</sup></b>	<b>\$ 5.40</b>	<b>\$ .17</b>	<b>\$ .18</b>	<b>\$ 5.74</b>	<b>\$ .15</b>	<b>\$ .09</b>	<b>\$ (2.69)</b>	<b>\$ 3.29</b>	
Operating income	\$ 1,347	\$ 39	\$ 30	\$ 1,416	\$ 35	\$ 21	\$ -	\$ 1,472	
Depreciation and amortization	89	-	-	89	-	-	-	89	
<b>OIBITDA (non-GAAP) <sup>(2)</sup></b>	<b>\$ 1,436</b>	<b>\$ 39</b>	<b>\$ 30</b>	<b>\$ 1,505</b>	<b>\$ 35</b>	<b>\$ 21</b>	<b>\$ -</b>	<b>\$ 1,561</b>	
<b>OIBITDA margin (non-GAAP) <sup>(2)</sup></b>	<b>44.6%</b>			<b>46.7%</b>				<b>48.6%</b>	

## Notes:

- (1) The number of shares issued in the spin-off on November 17, 2006 was approximately 146 million. For basic and diluted earnings per share calculations, it was assumed that approximately 146 million shares were outstanding for the entire period. No additional shares were issued through December 31, 2006.
- (2) OIBITDA is a non-GAAP measure that represents operating income before interest, taxes, depreciation, and amortization. OIBITDA margin is a non-GAAP measure calculated by dividing OIBITDA by total operating revenue.
- (3) The stock-based compensation charge reflects a one-time adjustment to record stock compensation expense of \$39 million associated with Verizon stock-based compensation and other stock-based awards that vested at the time of spin.
- (4) Separation costs are costs associated with becoming a stand-alone entity as a result of the spin-off from Verizon.
- (5) On-going pension costs are expected to be reduced, primarily as a result of the Internal Revenue Code 414(l) pension asset transfer from the Verizon pension plan as the result of the Idearc spin-off from Verizon. This reduction is partially offset by anticipated higher other post employment benefit costs. This pro forma adjustment reflects the expected on-going pension and other post employment benefit cost levels for this historical period.
- (6) Reflects the impact of entering into a new printing contract which resulted in exiting the commercial printing business (\$7 million in revenue and \$4 million in costs) and a reduction in printing cost rates.
- (7) In connection with the spin-off on November 17, 2006, Idearc issued \$9.1 billion of debt and will incur interest expense that it did not incur in the past. This pro forma adjustment is to reflect the ongoing interest expense levels during this historical period.