

DUN & BRADSTREET CORP/NW
Form 10-Q
November 01, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended September 30, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from _____ to _____
Commission file number 1-15967

The Dun & Bradstreet Corporation
(Exact name of registrant as specified in its charter)

Delaware
(State of
incorporation)

22-3725387
(I.R.S. Employer
Identification No.)

103 JFK Parkway, Short Hills, NJ
(Address of principal executive offices)

07078
(Zip Code)

Registrant's telephone number, including area code: (973) 921-5500

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one:)

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Title of Class	Shares Outstanding at September 30, 2012
Common Stock, par value \$0.01 per share	44,565,337

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

The Dun & Bradstreet Corporation

Consolidated Statements of Operations and Comprehensive Income (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2012	2011	2012	2011	
	(Amounts in millions, except per share data)				
Revenue	\$413.2	\$439.4	\$1,199.9	\$1,259.8	
Operating Expenses	124.2	150.2	395.2	431.1	
Selling and Administrative Expenses	154.5	162.6	448.2	470.4	
Depreciation and Amortization	20.0	20.6	59.9	60.6	
Restructuring Charge	4.8	5.3	23.2	18.0	
Operating Costs	303.5	338.7	926.5	980.1	
Operating Income	109.7	100.7	273.4	279.7	
Interest Income	0.2	0.4	0.5	1.3	
Interest Expense	(9.5	) (9.1	) (27.8	) (27.4)
Other Income (Expense) - Net	(15.4	) (8.9	) (8.8	) (20.5)
Non-Operating Income (Expense) - Net	(24.7	) (17.6	) (36.1	) (46.6)
Income Before Provision for Income Taxes and Equity in Net Income of Affiliates	85.0	83.1	237.3	233.1	
Less: Provision for Income Taxes	4.8	24.7	37.3	68.4	
Equity in Net Income of Affiliates	0.5	0.4	1.3	1.1	
Net Income	80.7	58.8	201.3	165.8	
Less: Net (Income) Loss Attributable to the Noncontrolling Interest	(1.1	) (0.4	) (1.8	) 1.0	
Net Income Attributable to D&B	\$79.6	\$58.4	\$199.5	\$166.8	
Basic Earnings Per Share of Common Stock Attributable to D&B Common Shareholders	\$1.77	\$1.19	\$4.29	\$3.38	
Diluted Earnings Per Share of Common Stock Attributable to D&B Common Shareholders	\$1.76	\$1.19	\$4.26	\$3.36	
Weighted Average Number of Shares Outstanding-Basic	44.8	48.9	46.4	49.2	
Weighted Average Number of Shares Outstanding-Diluted	45.2	49.1	46.8	49.6	
Cash Dividend Paid Per Common Share	\$0.38	\$0.36	\$1.14	\$1.08	
Other Comprehensive Income, Net of Tax					
Net Income (from above)	\$80.7	\$58.8	\$201.3	\$165.8	
Foreign Currency Translation Adjustments, no Tax Impact	20.9	4.6	13.2	34.8	
Defined Benefit Pension Plans:					
Prior Service Costs, Net of Tax Income (1)	(1.8	) (0.8	) (5.3	) (5.1)
Net Loss, Net of Tax Income (Expense) (2)	1.0	3.3	13.1	15.7	
Derivative Financial Instruments, No Tax Impact	0.4	0.9	1.2	2.3	
Comprehensive Income, Net of Tax	101.2	66.8	223.5	213.5	
Less: Comprehensive Income (Loss) Attributable to the Noncontrolling Interest	(1.1	) (0.6	) (1.7	) 0.7	
Comprehensive Income Attributable to D&B	\$100.1	\$66.2	\$221.8	\$214.2	
(1) Net of Tax Income of \$0.5 million and \$1.6 million during the three months ended September 30, 2012 and 2011, respectively. Net of Tax Income of \$1.8 million and \$2.0 million during the nine months ended					

September 30, 2012 and 2011, respectively.

Net of Tax Income (Expense) of \$0.1 million and (\$5.0) million during the three months ended September 30, (2)2012 and 2011, respectively. Net of Tax Expense of (\$4.4) million and (\$6.1) million during the nine months ended September 30, 2012 and 2011, respectively.

The accompanying notes are an integral part of the unaudited consolidated financial statements.

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Consolidated Balance Sheets (Unaudited)

	September 30, 2012	December 31, 2011
	(Amounts in millions, except per share data)	
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 137.0	\$ 84.4
Accounts Receivable, Net of Allowance of \$25.3 at September 30, 2012 and \$17.1 at December 31, 2011	390.3	507.5
Other Receivables	5.2	5.7
Prepaid Taxes	1.6	1.5
Deferred Income Tax	26.4	32.1
Other Prepays	33.5	55.1
Assets Held for Sale	—	32.7
Other Current Assets	4.2	7.9
Total Current Assets	598.2	726.9
Non-Current Assets		
Property, Plant and Equipment, Net of Accumulated Depreciation of \$81.6 at September 30, 2012 and \$83.1 at December 31, 2011	37.9	45.7
Computer Software, Net of Accumulated Amortization of \$446.2 at September 30, 2012 and \$409.9 at December 31, 2011	134.9	127.6
Goodwill	607.8	598.4
Deferred Income Tax	243.6	243.1
Other Receivables	47.7	58.4
Other Intangibles	102.4	116.1
Other Non-Current Assets	49.1	60.9
Total Non-Current Assets	1,223.4	1,250.2
Total Assets	\$ 1,821.6	\$ 1,977.1
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 40.4	\$ 36.4
Accrued Payroll	82.0	117.4
Accrued Income Tax	15.8	17.7
Liabilities Held for Sale	—	29.1
Short-Term Debt	400.2	1.1
Other Accrued and Current Liabilities	132.2	153.6
Deferred Revenue	543.4	598.2
Total Current Liabilities	1,214.0	953.5
Pension and Postretirement Benefits	578.4	604.0
Long-Term Debt	623.9	963.9
Liabilities for Unrecognized Tax Benefits	105.2	129.5
Other Non-Current Liabilities	65.8	66.4
Total Liabilities	2,587.3	2,717.3
Contingencies (Note 7)		
EQUITY		
D&B SHAREHOLDERS' EQUITY (DEFICIT)	—	—

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Series A Junior Participating Preferred Stock, \$0.01 par value per share, authorized - 0.5 shares; outstanding - none		
Preferred Stock, \$0.01 par value per share, authorized - 9.5 shares; outstanding - none	—	—
Series Common Stock, \$0.01 par value per share, authorized - 10.0 shares; outstanding - none	—	—
Common Stock, \$0.01 par value per share, authorized - 200.0 shares; issued - 81.9 shares	0.8	0.8
Capital Surplus	262.5	239.0
Retained Earnings	2,325.7	2,179.3
Treasury Stock, at cost, 37.4 shares at September 30, 2012 and 34.2 shares at December 31, 2011	(2,574.2	) (2,356.3)
Accumulated Other Comprehensive Income (Loss)	(784.4	) (806.7)
Total D&B Shareholders' Equity (Deficit)	(769.6	) (743.9)
Noncontrolling Interest	3.9	3.7
Total Equity (Deficit)	(765.7	) (740.2)
Total Liabilities and Shareholders' Equity (Deficit)	\$ 1,821.6	\$ 1,977.1

The accompanying notes are an integral part of the unaudited consolidated financial statements.

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The Dun & Bradstreet Corporation

Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended September 30,	
	2012	2011
	(Amounts in millions)	
Cash Flows from Operating Activities:		
Net Income	\$201.3	\$165.8
Reconciliation of Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	59.9	60.6
Amortization of Unrecognized Pension Loss	17.7	11.2
(Gain) Loss from Sales of Business / Investments	(6.0	) 11.7
Impairment of Assets	16.1	—
Income Tax Benefit from Stock-Based Awards	4.9	11.4
Excess Tax Benefit on Stock-Based Awards	(1.1	) (5.4
Equity Based Compensation	8.8	9.2
Restructuring Charge	23.2	18.0
Restructuring Payments	(23.7	) (15.2
Deferred Income Taxes, Net	(25.4	) (3.4
Accrued Income Taxes, Net	(14.6	) (7.8
Changes in Current Assets and Liabilities:		
Decrease in Accounts Receivable	109.2	117.0
Decrease in Other Current Assets	24.2	3.4
(Decrease) in Deferred Revenue	(56.9	) (67.8
Increase (Decrease) in Accounts Payable	3.6	(3.9
(Decrease) in Accrued Liabilities	(41.9	) (8.8
Increase in Other Accrued and Current Liabilities	8.2	5.9
Changes in Non-Current Assets and Liabilities:		
Decrease in Other Long-Term Assets	25.1	26.5
Net (Decrease) in Long-Term Liabilities	(25.5	) (58.3
Net, Other Non-Cash Adjustments	—	1.1
Net Cash Provided by Operating Activities	307.1	271.2
Cash Flows from Investing Activities:		
Proceeds from Sales of Businesses, Net of Cash Divested	7.9	0.3
Payments for Acquisitions of Businesses, Net of Cash Acquired	—	(1.7
Investment in Debt Security	—	(1.0
Cash Settlements of Foreign Currency Contracts	8.8	3.9
Capital Expenditures	(2.1	) (3.0
Additions to Computer Software and Other Intangibles	(49.8	) (29.7
Reimbursement of Proceeds Related to a Divested Business	—	(7.4
Net, Other	0.1	0.2
Net Cash Used in Investing Activities	(35.1	) (38.4
Cash Flows from Financing Activities:		
Payments for Purchases of Treasury Shares	(240.0	) (121.6
Net Proceeds from Stock-Based Awards	14.9	26.9
Payment of Bond Issuance Costs	—	(0.3
Payments of Dividends	(52.8	) (53.2
Proceeds from Borrowings on Credit Facilities	515.0	132.2
Payments of Borrowings on Credit Facilities	(454.3) (216.4

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Excess Tax Benefit on Stock-Based Awards	1.1	5.4	
Capital Lease and Other Long-Term Financing Obligation Payment	(2.2) (4.0)
Net, Other	(1.4	) (0.2)
Net Cash Used in Financing Activities	(219.7	) (231.2)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	0.3	9.4	
Increase in Cash and Cash Equivalents	52.6	11.0	
Cash and Cash Equivalents, Beginning of Period	84.4	78.5	
Cash and Cash Equivalents, End of Period	\$137.0	\$89.5	
Supplemental Disclosure of Cash Flow Information:			
Cash Paid for:			
Income Taxes, Net of Refunds	\$72.3	\$68.2	
Interest	\$13.3	\$17.3	

The accompanying notes are an integral part of the unaudited consolidated financial statements.

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The Dun & Bradstreet Corporation

Consolidated Statements of Shareholders' Equity (Deficit) (Unaudited)

For the Nine Months Ended September 30, 2012 and 2011

(Amounts in
millions)

	Common Stock (\$ Par Value)	Capital Surplus	Retained Earnings	Treasury Stock	Cumulative Translation Adjustment	Minimum Pension Liability Adjustment	Derivative Financial Instruments	Total D&B Shareholders' Equity (Deficit)	Noncontrolling Interest	Total Equity (Deficit)
Balance, December 31, 2010	\$ 0.8	\$227.3	\$1,989.5	\$(2,214.1)	\$(162.1)	\$(516.0)	\$(3.0)	\$(677.6)	\$ 8.8	\$(668.8)
Net Income	—	—	166.8	—	—	—	—	166.8	(1.0)	165.8
Payment to Noncontrolling Interest	—	—	—	—	—	—	—	—	(0.6)	(0.6)
Sale of Noncontrolling Interest	—	—	—	—	—	—	—	—	1.7	1.7
Equity-Based Plans	—	4.1	—	38.8	—	—	—	42.9	—	42.9
Treasury Shares Acquired	—	—	—	(121.6)	—	—	—	(121.6)	—	(121.6)
Pension Adjustments, net of tax of \$4.1	—	—	—	—	—	10.6	—	10.6	—	10.6
Dividend Declared	—	—	(53.2)	—	—	—	—	(53.2)	—	(53.2)
Adjustments to Legacy Tax Matters	—	4.9	—	—	—	—	—	4.9	—	4.9
Change in Cumulative Translation Adjustment	—	—	—	—	34.6	—	—	34.6	0.2	34.8
Derivative Financial Instruments, no tax impact	—	—	—	—	—	—	2.3	2.3	—	2.3
Balance, September 30, 2011	\$ 0.8	\$236.3	\$2,103.1	\$(2,296.9)	\$(127.5)	\$(505.4)	\$(0.7)	\$(590.3)	\$ 9.1	\$(581.2)
Balance, December 31, 2011	\$ 0.8	\$239.0	\$2,179.3	\$(2,356.3)	\$(168.3)	\$(638.4)	\$—	\$(743.9)	\$ 3.7	\$(740.2)

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Net Income	—	—	199.5	—	—	—	—	199.5	1.8	201.3
Payment to Noncontrolling Interest	—	—	—	—	—	—	—	—	(1.1)	(1.1)
Sale of Noncontrolling Interest	—	—	—	—	—	—	—	—	(0.4)	(0.4)
Equity-Based Plans	—	21.9	—	22.1	—	—	—	44.0	—	44.0
Treasury Shares Acquired	—	—	—	(240.0)	—	—	—	(240.0)	—	(240.0)
Pension Adjustments, net of tax of \$2.6	—	—	—	—	—	7.8	—	7.8	—	7.8
Dividend Declared	—	—	(53.1)	—	—	—	—	(53.1)	—	(53.1)
Adjustments to Legacy Tax Matters	—	1.6	—	—	—	—	—	1.6	—	—