

DUN & BRADSTREET CORP/NW

Form 10-Q

May 08, 2013

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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Form 10-Q

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(Mark One)

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

For the quarterly period ended March 31, 2013

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

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The Dun & Bradstreet Corporation

(Exact name of registrant as specified in its charter)

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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 March 31, 2013

Common Stock,

39,946,372

par value \$0.01 per share



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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## The Dun &amp; Bradstreet Corporation

## Consolidated Statements of Operations and Comprehensive Income (Unaudited)

	Three Months Ended March 31,	
	2013	2012
	(Amounts in millions, except per share data)	
Revenue	\$ 381.0	\$ 402.8
Operating Expenses	126.2	144.6
Selling and Administrative Expenses	146.4	154.5
Depreciation and Amortization	18.3	20.2
Restructuring Charge	2.3	9.1
Operating Costs	293.2	328.4
Operating Income	87.8	74.4
Interest Income	0.2	0.1
Interest Expense	(9.9)	(9.1)
Other Income (Expense) - Net	(1.2)	6.6
Non-Operating Income (Expense) - Net	(10.9)	(2.4)
Income Before Provision for Income Taxes and Equity in Net Income of Affiliates	76.9	72.0
Less: Provision for Income Taxes	23.8	8.3
Equity in Net Income of Affiliates	0.5	0.4
Net Income	53.6	64.1
Less: Net (Income) Loss Attributable to the Noncontrolling Interest	(0.7)	(0.7)
Net Income Attributable to D&B	\$ 52.9	\$ 63.4
Basic Earnings Per Share of Common Stock Attributable to D&B Common Shareholders	\$ 1.30	\$ 1.33
Diluted Earnings Per Share of Common Stock Attributable to D&B Common Shareholders	\$ 1.29	\$ 1.32
Weighted Average Number of Shares Outstanding-Basic	40.6	47.7
Weighted Average Number of Shares Outstanding-Diluted	40.9	48.1
Cash Dividend Paid Per Common Share	\$ 0.40	\$ 0.38
Other Comprehensive Income, Net of Tax		
Net Income (from above)	\$ 53.6	\$ 64.1
Foreign Currency Translation Adjustments, no Tax Impact	(12.3)	29.6
Defined Benefit Pension Plans:		
Prior Service Costs, Net of Tax Income (1)	(1.5)	(1.5)
Actuarial Gain (Loss), Net of Tax Expense (2)	7.0	5.4
Derivative Financial Instruments, No Tax Impact	—	0.3
Comprehensive Income, Net of Tax	46.8	97.9
Less: Comprehensive (Income) Loss Attributable to the Noncontrolling Interest	(0.8)	(0.8)
Comprehensive Income Attributable to D&B	\$ 46.0	\$ 97.1

(1) Net of Tax Income of \$0.7 million and \$0.9 million during the three months ended March 31, 2013 and 2012, respectively.

(2) Net of Tax (Expense) of \$(3.5) million and \$(2.9) million during the three months ended March 31, 2013 and 2012, respectively.

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

Table of ContentsThe Dun & Bradstreet Corporation  
Consolidated Balance Sheets (Unaudited)

	March 31, 2013	December 31, 2012
	(Amounts in millions, except per share data)	
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 172.8	\$ 149.1
Accounts Receivable, Net of Allowance of \$25.4 at March 31, 2013 and \$27.3 at December 31, 2012	425.6	514.3
Other Receivables	9.9	6.5
Deferred Income Tax	25.1	26.3
Other Prepaids	31.8	46.8
Other Current Assets	8.3	4.4
Total Current Assets	673.5	747.4
Non-Current Assets		
Property, Plant and Equipment, Net of Accumulated Depreciation of \$82.0 at March 31, 2013 and \$81.2 at December 31, 2012	40.4	40.6
Computer Software, Net of Accumulated Amortization of \$434.9 at March 31, 2013 and \$431.9 at December 31, 2012	138.0	140.9
Goodwill	604.7	611.1
Deferred Income Tax	243.2	247.8
Other Receivables	45.5	47.1
Other Intangibles	94.3	99.3
Other Non-Current Assets	62.4	57.6
Total Non-Current Assets	1,228.5	1,244.4
Total Assets	\$ 1,902.0	\$ 1,991.8
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	\$ 42.0	\$ 40.9
Accrued Payroll	59.0	96.5
Accrued Income Tax	14.0	9.5
Short-Term Debt	0.1	0.2
Other Accrued and Current Liabilities	119.1	118.9
Deferred Revenue	634.2	610.7
Total Current Liabilities	868.4	876.7
Pension and Postretirement Benefits	656.1	668.3
Long-Term Debt	1,302.7	1,290.7
Liabilities for Unrecognized Tax Benefits	104.5	105.9
Other Non-Current Liabilities	67.3	64.5
Total Liabilities	2,999.0	3,006.1
Contingencies (Note 7)		
<b>EQUITY</b>		
<b>D&amp;B SHAREHOLDERS' EQUITY (DEFICIT)</b>		
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	—	—

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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	261.3	261.7
Retained Earnings	2,442.0	2,405.5
Treasury Stock, at cost, 42.0 shares at March 31, 2013 and 40.6 shares at December 31, 2012	(2,946.0	) (2,833.3 )
Accumulated Other Comprehensive Income (Loss)	(859.0	) (852.1 )
Total D&B Shareholders' Equity (Deficit)	(1,100.9	) (1,017.4 )
Noncontrolling Interest	3.9	3.1
Total Equity (Deficit)	(1,097.0	) (1,014.3 )
Total Liabilities and Shareholders' Equity (Deficit)	\$ 1,902.0	\$ 1,991.8

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

Table of ContentsThe Dun & Bradstreet Corporation  
Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended March 31,	
	2013	2012
	(Amounts in millions)	
Cash Flows from Operating Activities:		
Net Income	\$53.6	\$64.1
Reconciliation of Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	18.3	20.2
Amortization of Unrecognized Pension Loss	8.3	5.9
(Gain) Loss from Sales of Business / Investments	—	(6.0)
Impairment of Assets	—	12.9
Income Tax Benefit from Stock-Based Awards	2.5	3.0
Excess Tax Benefit on Stock-Based Awards	(0.5)	(0.5)
Equity Based Compensation	3.4	3.1
Restructuring Charge	2.3	9.1
Restructuring Payments	(4.0)	(5.0)
Deferred Income Taxes, Net	—	3.8
Accrued Income Taxes, Net	3.5	(21.7)
Changes in Current Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	83.3	65.9
(Increase) Decrease in Other Current Assets	11.6	15.9
Increase (Decrease) in Deferred Revenue	26.7	27.8
Increase (Decrease) in Accounts Payable	1.5	2.6
Increase (Decrease) in Accrued Liabilities	(37.9)	(43.2)
Increase (Decrease) in Other Accrued and Current Liabilities	9.1	8.2
Changes in Non-Current Assets and Liabilities:		
(Increase) Decrease in Other Long-Term Assets	(4.3)	4.4
Net Increase (Decrease) in Long-Term Liabilities	(6.3)	(3.8)
Net, Other Non-Cash Adjustments	1.2	0.6
Net Cash Provided by Operating Activities	172.3	167.3
Cash Flows from Investing Activities:		
Proceeds from Sales of Businesses, Net of Cash Divested	—	8.0
Cash Settlements of Foreign Currency Contracts	(5.5)	5.8
Capital Expenditures	(3.0)	(0.5)
Additions to Computer Software and Other Intangibles	(13.4)	(14.8)
Net, Other	(0.1)	0.1
Net Cash Used in Investing Activities	(22.0)	(1.4)
Cash Flows from Financing Activities:		
Payments for Purchases of Treasury Shares	(121.0)	—
Net Proceeds from Stock-Based Awards	2.9	7.3
Payments of Dividends	(16.1)	(18.2)
Proceeds from Borrowings on Credit Facilities	152.1	123.9
Payments of Borrowings on Credit Facilities	(139.9)	(246.2)
Excess Tax Benefit on Stock-Based Awards	0.5	0.5
Capital Lease and Other Long-Term Financing Obligation Payment	—	(1.2)
Net, Other	—	(0.1)
Net Cash Used in Financing Activities	(121.5)	(134.0)



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Effect of Exchange Rate Changes on Cash and Cash Equivalents	(5.1	) 1.4
Increase in Cash and Cash Equivalents	23.7	33.3
Cash and Cash Equivalents, Beginning of Period	149.1	84.4
Cash and Cash Equivalents, End of Period	\$172.8	\$117.7
Supplemental Disclosure of Cash Flow Information:		
Cash Paid for:		
Income Taxes, Net of Refunds	\$17.8	\$23.2
Interest	\$0.7	\$(4.4 )

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

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## The Dun &amp; Bradstreet Corporation

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

For the Three Months Ended March 31, 2013 and 2012

(Amounts in  
millions)

	Common Stock (\$ Par Value)	Capital Surplus	Retained Earnings	Treasury Stock	Cumulative Translation Adjustment	Minimum Pension Liability Adjustment	Derivative Financial Instrument	Total D&B Shareholders' Equity (Deficit)	Noncontrolling Interest	Total Equity (Deficit)
Balance, December 31, 2011	\$ 0.8	\$ 239.0	\$ 2,179.3	\$ (2,356.3)	\$ (168.3)	\$ (638.4)	\$ —	\$ (743.9 )	\$ 3.7	\$ (740.2 )
Net Income	—	—	63.4	—	—	—	—	63.4	0.7	64.1
Payment to Noncontrolling Interest	—	—	—	—	—	—	—	—	(0.1 )	(0.1 )
Sale of Noncontrolling Interest	—	—	—	—	—	—	—	—	(0.4 )	(0.4 )
Equity-Based Plans	—	20.4	—	10.8	—	—	—	31.2	—	31.2
Pension Adjustments, net of tax of \$2.0	—	—	—	—	—	3.9	—	3.9	—	3.9
Dividend Declared	—	—	(18.3 )	—	—	—	—	(18.3 )	—	(18.3 )
Adjustments to Legacy Tax Matters	—	1.6	—	—	—	—	—	1.6	—	1.6
Change in Cumulative Translation Adjustment	—	—	—	—	29.5	—	—	29.5	0.1	29.6
Derivative Financial Instruments, no tax impact	—	—	—	—	—	—	0.3	0.3	—	0.3
Balance, March 31, 2012	\$ 0.8	\$ 261.0	\$ 2,224.4	\$ (2,345.5)	\$ (138.8)	\$ (634.5)	\$ 0.3	\$ (632.3 )	\$ 4.0	\$ (628.3 )
Balance, December 31, 2012	\$ 0.8	\$ 261.7	\$ 2,405.5	\$ (2,833.3)	\$ (151.2)	\$ (701.0)	\$ 0.1	\$ (1,017.4)	\$ 3.1	\$ (1,014.3)
Net Income	—	—	52.9	—	—	—	—	52.9	0.7	53.6
Equity-Based Plans	—	(0.4 )	—	8.3	—	—	—	7.9	—	7.9
Treasury Shares Acquired	—	—	—	(121.0 )	—	—	—	(121.0 )	—	(121.0 )

Pension													
Adjustments, net of tax of \$2.8	—	—	—	—	—	5.5	—	5.5	—	5.5			
Dividend Declared	—	—	(16.4	)	—	—	—	(16.4	)	—	(16.4	)	
Change in Cumulative Translation Adjustment	—	—	—	—	(12.4	)	—	—	(12.4	)	0.1	(12.3	)
Balance, March 31, 2013	\$ 0.8	\$261.3	\$2,442.0	\$(2,946.0)	\$(163.6)	\$(695.5)	\$0.1	\$(1,100.9)	\$ 3.9		\$(1,097.0)		

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

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THE DUN & BRADSTREET CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(Tabular dollar amounts in millions, except per share data)

Note 1 -- Basis of Presentation

These interim unaudited consolidated financial statements have been prepared in accordance with the instructions to the Quarterly Report on Form 10-Q. They should be read in conjunction with the consolidated financial statements and related notes, which appear in The Dun & Bradstreet Corporation's 2017