

DUN & BRADSTREET CORP/NW  
Form 10-Q  
August 09, 2012

**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 June 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)

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**Delaware** **22-3725387**  
(State of **(I.R.S. Employer**  
  
**incorporation)** **Identification No.)**  
  
**103 JFK Parkway, Short Hills, NJ** **07078**  
(Address of principal executive offices) **(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:

<b>Title of Class</b>	<b>Shares Outstanding at June 30, 2012</b>
Common Stock, par value \$0.01 per share	44,882,376

**THE DUN & BRADSTREET CORPORATION**

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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 June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(Amounts in millions, except per share data)			
<b>Revenue</b>	\$ 383.9	\$ 416.8	\$ 786.7	\$ 820.4
Operating Expenses	126.4	143.7	271.0	280.9
Selling and Administrative Expenses	139.2	154.3	293.7	307.8
Depreciation and Amortization	19.7	20.6	39.9	40.0
Restructuring Charge	9.3	8.5	18.4	12.7
<b>Operating Costs</b>	294.6	327.1	623.0	641.4
<b>Operating Income</b>	89.3	89.7	163.7	179.0
Interest Income	0.2	0.5	0.3	0.9
Interest Expense	(9.2)	(9.1)	(18.3)	(18.3)
Other Income (Expense) - Net	0.0	(8.3)	6.6	(11.6)
<b>Non-Operating Income (Expense) - Net</b>	(9.0)	(16.9)	(11.4)	(29.0)
Income Before Provision for Income Taxes and Equity in Net Income of Affiliates	80.3	72.8	152.3	150.0
Less: Provision for Income Taxes	24.2	14.6	32.5	43.7
Equity in Net Income of Affiliates	0.4	0.5	0.8	0.7
<b>Net Income</b>	56.5	58.7	120.6	107.0
Less: Net (Income) Loss Attributable to the Noncontrolling Interest	0.0	(0.2)	(0.7)	1.4
<b>Net Income Attributable to D&amp;B</b>	\$ 56.5	\$ 58.5	\$ 119.9	\$ 108.4
<b>Basic Earnings Per Share of Common Stock Attributable to D&amp;B Common Shareholders</b>	\$ 1.21	\$ 1.19	\$ 2.54	\$ 2.19
<b>Diluted Earnings Per Share of Common Stock Attributable to D&amp;B Common Shareholders</b>	\$ 1.20	\$ 1.18	\$ 2.52	\$ 2.17
<b>Weighted Average Number of Shares Outstanding-Basic</b>	46.7	49.3	47.2	49.4
<b>Weighted Average Number of Shares Outstanding-Diluted</b>	47.0	49.7	47.6	49.8
Cash Dividend Paid Per Common Share	\$ 0.38	\$ 0.36	\$ 0.76	\$ 0.72
<b>Other Comprehensive Income, Net of Tax</b>				
Net Income (from above)	\$ 56.5	\$ 58.7	\$ 120.6	\$ 107.0
Foreign Currency Translation Adjustments, no Tax Impact	(37.3)	16.2	(7.7)	30.3
<b>Defined Benefit Pension Plans:</b>				
Prior Service Costs, Net of Tax Income (1)	(2.0)	(2.6)	(3.5)	(4.3)
Net Loss, Net of Tax Income (Expense) (2)	6.7	7.1	12.1	12.4
Derivative Financial Instruments, No Tax Impact	0.5	0.7	0.8	1.5
<b>Comprehensive Income, Net of Tax</b>	24.4	80.1	122.3	146.9
Less: Comprehensive Income (Loss) Attributable to the Noncontrolling Interest	0.2	(0.2)	(0.6)	1.2

**Comprehensive Income Attributable to D&B** \$ 24.6 \$ 79.9 \$ 121.7 \$ 148.1

- (1) Net of Tax Income (Expense) of \$0.5 million and (\$0.2) million during the three months ended June 30, 2012 and 2011, respectively. Net of Tax Income of \$1.3 million and \$0.4 million during the six months ended June 30, 2012 and 2011, respectively.
- (2) Net of Tax Income (Expense) of (\$1.6) million and \$0.8 million during the three months ended June 30, 2012 and 2011, respectively. Net of Tax Expense of (\$4.5) million and (\$1.1) million during the six months ended June 30, 2012 and 2011, respectively.

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

**The Dun & Bradstreet Corporation**  
**Consolidated Balance Sheets (Unaudited)**

	June 30, 2012	December 31, 2011
	(Amounts in millions, except per share data)	
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 118.6	\$ 84.4
Accounts Receivable, Net of Allowance of \$26.1 at June 30, 2012 and \$17.1 at December 31, 2011	368.3	507.5
Other Receivables	6.2	5.7
Prepaid Taxes	5.7	1.5
Deferred Income Tax	26.1	32.1
Other Prepays	36.1	55.1
Assets Held for Sale	0.0	32.7
Other Current Assets	4.8	7.9
<b>Total Current Assets</b>	<b>565.8</b>	<b>726.9</b>
<b>Non-Current Assets</b>		
Property, Plant and Equipment, Net of Accumulated Depreciation of \$84.8 at June 30, 2012 and \$83.1 at December 31, 2011	40.0	45.7
Computer Software, Net of Accumulated Amortization of \$434.7 at June 30, 2012 and \$409.9 at December 31, 2011	133.5	127.6
Goodwill	595.6	598.4
Deferred Income Tax	242.4	243.1
Other Receivables	60.6	58.4
Other Intangibles	102.3	116.1
Other Non-Current Assets	55.4	60.9
<b>Total Non-Current Assets</b>	<b>1,229.8</b>	<b>1,250.2</b>
<b>Total Assets</b>	<b>\$ 1,795.6</b>	<b>\$ 1,977.1</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 49.0	\$ 36.4
Accrued Payroll	62.5	117.4
Accrued Income Tax	3.1	17.7
Liabilities Held for Sale	0.0	29.1
Short-Term Debt	400.6	1.1
Other Accrued and Current Liabilities	130.9	153.6
Deferred Revenue	575.3	598.2
<b>Total Current Liabilities</b>	<b>1,221.4</b>	<b>953.5</b>
<b>Pension and Postretirement Benefits</b>	<b>583.6</b>	<b>604.0</b>
<b>Long-Term Debt</b>	<b>613.0</b>	<b>963.9</b>
<b>Liabilities for Unrecognized Tax Benefits</b>	<b>135.2</b>	<b>129.5</b>
<b>Other Non-Current Liabilities</b>	<b>64.3</b>	<b>66.4</b>
<b>Total Liabilities</b>	<b>2,617.5</b>	<b>2,717.3</b>
<b>Contingencies (Note 7)</b>		

**EQUITY****D&B SHAREHOLDERS EQUITY (DEFICIT)**

Series A Junior Participating Preferred Stock, \$0.01 par value per share, authorized - 0.5 shares; outstanding - none	0.0	0.0
Preferred Stock, \$0.01 par value per share, authorized - 9.5 shares; outstanding - none	0.0	0.0
Series Common Stock, \$0.01 par value per share, authorized - 10.0 shares; outstanding - none	0.0	0.0
Common Stock, \$0.01 par value per share, authorized - 200.0 shares; issued - 81.9 shares	0.8	0.8
Capital Surplus	261.4	239.0
Retained Earnings	2,263.3	2,179.3
Treasury Stock, at cost, 37.1 shares at June 30, 2012 and 34.2 shares at December 31, 2011	(2,546.3)	(2,356.3)
Accumulated Other Comprehensive Income (Loss)	(804.9)	(806.7)
Total D&B Shareholders Equity (Deficit)	(825.7)	(743.9)
<b>Noncontrolling Interest</b>	<b>3.8</b>	<b>3.7</b>
<b>Total Equity (Deficit)</b>	<b>(821.9)</b>	<b>(740.2)</b>
<b>Total Liabilities and Shareholders Equity (Deficit)</b>	<b>\$ 1,795.6</b>	<b>\$ 1,977.1</b>

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

## The Dun &amp; Bradstreet Corporation

## Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended June 30,	
	2012	2011
	(Amounts in millions)	
<b>Cash Flows from Operating Activities:</b>		
Net Income	\$ 120.6	\$ 107.0
Reconciliation of Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	39.9	40.0
Amortization of Unrecognized Pension Loss	11.9	7.7
(Gain) Loss from Sales of Business / Investments	(6.0)	3.1
Impairment of Assets	16.1	0.0
Income Tax Benefit from Stock-Based Awards	3.7	8.5
Excess Tax Benefit on Stock-Based Awards	(0.6)	(3.8)
Equity Based Compensation	5.8	6.0
Restructuring Charge	18.4	12.7
Restructuring Payments	(13.3)	(8.3)
Deferred Income Taxes, Net	4.8	(6.7)
Accrued Income Taxes, Net	(28.5)	(4.3)
Changes in Current Assets and Liabilities:		
Decrease in Accounts Receivable	128.4	120.1
Decrease in Other Current Assets	21.2	3.9
(Decrease) in Deferred Revenue	(22.8)	(22.9)
Increase (Decrease) in Accounts Payable	12.7	(7.0)
(Decrease) in Accrued Liabilities	(59.0)	(30.9)
(Decrease) in Other Accrued and Current Liabilities	0.0	(1.9)
Changes in Non-Current Assets and Liabilities:		
Decrease in Other Long-Term Assets	3.3	30.6
Net (Decrease) in Long-Term Liabilities	(12.9)	(42.6)
Net, Other Non-Cash Adjustments	(0.1)	3.0
<b>Net Cash Provided by Operating Activities</b>	<b>243.6</b>	<b>214.2</b>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from Sales of Businesses, Net of Cash Divested	7.9	0.3
Payments for Acquisitions of Businesses, Net of Cash Acquired	0.0	(0.3)
Investment in Debt Security	0.0	(1.0)
Cash Settlements of Foreign Currency Contracts	1.8	5.4
Capital Expenditures	(1.1)	(2.0)
Additions to Computer Software and Other Intangibles	(33.1)	(17.0)
Reimbursement of Proceeds Related to a Divested Business	0.0	(7.4)
Net, Other	0.1	0.1
<b>Net Cash Used in Investing Activities</b>	<b>(24.4)</b>	<b>(21.9)</b>
<b>Cash Flows from Financing Activities:</b>		
Payments for Purchases of Treasury Shares	(204.0)	(67.5)
Net Proceeds from Stock-Based Awards	8.5	18.4
Payment of Bond Issuance Costs	0.0	(0.3)
Payments of Dividends	(35.7)	(35.6)
Proceeds from Borrowings on Credit Facilities	376.7	55.6
Payments of Borrowings on Credit Facilities	(327.5)	(167.6)
Excess Tax Benefit on Stock-Based Awards	0.6	3.8
Capital Lease and Other Long-Term Financing Obligation Payment	(1.5)	(2.8)



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Net, Other	(0.3)	(0.4)
<b>Net Cash Used in Financing Activities</b>	<b>(183.2)</b>	<b>(196.4)</b>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1.8)	8.7
Increase (Decrease) in Cash and Cash Equivalents	34.2	4.6
Cash and Cash Equivalents, Beginning of Period	84.4	78.5
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 118.6</b>	<b>\$ 83.1</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
<b>Cash Paid for:</b>		
Income Taxes, Net of Refunds	\$ 52.5	\$ 46.1
Interest	\$ 12.4	\$ 16.7

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

## The Dun &amp; Bradstreet Corporation

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

For the Six Months Ended June 30, 2012 and  
2011

	Common Stock (\$0.01 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)
<b>Balance, December 31, 2010</b>	\$ 0.8	\$ 227.3	\$ 1,989.5	\$ (2,214.1)	\$ (162.1)	\$ (516.0)	\$ (3.0)	\$ (677.6)	\$ 8.8	\$ (668.8)
Net Income	0.0	0.0	108.4	0.0	0.0	0.0	0.0	108.4	(1.4)	107.0
Sale of Noncontrolling Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2	1.2
Equity-Based Plans	0.0	6.5	0.0	23.1	0.0	0.0	0.0	29.6	0.0	29.6
Treasury Shares Acquired	0.0	0.0	0.0	(67.5)	0.0	0.0	0.0	(67.5)	0.0	(67.5)
Pension Adjustments, net of tax of \$0.7	0.0	0.0	0.0	0.0	0.0	8.1	0.0	8.1	0.0	8.1
Dividend Declared	0.0	0.0	(35.7)	0.0	0.0	0.0	0.0	(35.7)	0.0	(35.7)
Adjustments to Legacy Tax Matters	0.0	3.3	0.0	0.0	0.0	0.0	0.0	3.3	0.0	3.3
Change in Cumulative Translation Adjustment	0.0	0.0	0.0	0.0	30.1	0.0	0.0	30.1	0.2	30.3
Derivative Financial Instruments, no tax impact	0.0	0.0	0.0	0.0	0.0	0.0	1.5	1.5	0.0	1.5
<b>Balance, June 30, 2011</b>	\$ 0.8	\$ 237.1	\$ 2,062.2	\$ (2,258.5)	\$ (132.0)	\$ (507.9)	\$ (1.5)	\$ (599.8)	\$ 8.8	\$ (591.0)
<b>Balance, December 31, 2011</b>	0.8	239.0	2,179.3	(2,356.3)	(168.3)	(638.4)	0.0	(743.9)	3.7	(740.2)
Net Income	0.0	0.0	119.9	0.0	0.0	0.0	0.0	119.9	0.7	120.6
Payment to Noncontrolling Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.2)	(0.2)
Sale of Noncontrolling Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.3)	(0.3)
Equity-Based Plans	0.0	20.8	0.0	14.0	0.0	0.0	0.0	34.8	0.0	34.8
Treasury Shares Acquired	0.0	0.0	0.0	(204.0)	0.0	0.0	0.0	(204.0)	0.0	(204.0)
Pension Adjustments, net of tax of \$3.2	0.0	0.0	0.0	0.0	0.0	8.6	0.0	8.6	0.0	8.6
Dividend Declared	0.0	0.0	(35.9)	0.0	0.0	0.0	0.0	(35.9)	0.0	(35.9)
Adjustments to Legacy Tax Matters	0.0	1.6	0.0	0.0	0.0	0.0	0.0	1.6	0.0	1.6
Change in Cumulative Translation Adjustment	0.0	0.0	0.0	0.0	(7.6)	0.0	0.0	(7.6)	(0.1)	(7.7)
Derivative Financial Instruments, no tax impact	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.8	0.0	0.8
<b>Balance, June 30, 2012</b>	\$ 0.8	\$ 261.4	\$ 2,263.3	\$ (2,546.3)	\$ (175.9)	\$ (629.8)	\$ 0.8	\$ (825.7)	\$ 3.8	\$ (821.9)

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 (D&B, we or our) Annual Report on Form 10-K for the year ended December 31, 2011. The unaudited consolidated results for interim periods do not include all disclosures required by accounting principles generally accepted in the United States of America (GAAP) for annual financial statements and are not necessarily indicative of results for the full year or any subsequent period. In the opinion of our management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of the unaudited consolidated financial position, results of operations and cash flows at the dates and for the periods presented have been included.

All inter-company transactions have been eliminated in consolidation.

Simultaneously with the sale of the domestic portion of our Japanese operations to Tokyo Shoko Research Ltd. (TSR), we entered into a ten-year commercial arrangement to provide TSR with global data for its Japanese competitors and became the exclusive distributor of TSR data to our Worldwide Network partners. We continue to manage our business through three segments. However, as of January 1, 2012, our Asia Pacific Partnerships have been moved out of our Europe and Other International Markets segment and into our Asia Pacific segment.

On January 1, 2012, we began managing our business through the following three segments (all prior periods have been reclassified to reflect the new segment structure):

North America (which consists of our operations in the United States (U.S.) and Canada);

Asia Pacific (which primarily consists of our operations in Australia, China, India and Asia Pacific Partnerships); and

Europe and Other International Markets (which primarily consists of our operations in the United Kingdom (UK), Netherlands, Belgium, Latin America and European Partnerships).

Prior to January 1, 2012, we managed and reported our business globally through the following three segments:

North America (which consisted of our operations in the U.S. and Canada);

Asia Pacific (which primarily consisted of our operations in Australia, Japan, China and India); and

Europe and Other International Markets (which primarily consisted of our operations in the UK, Netherlands, Belgium, Latin America and our Worldwide Network).

The financial statements of the subsidiaries outside North America reflect results for the three months ended May 31 in order to facilitate the timely reporting of our unaudited consolidated financial results and unaudited consolidated financial position.

Where appropriate, we have reclassified certain prior year amounts to conform to the current year presentation due to the change in segment structure discussed above.

**Note 2 Recent Accounting Pronouncements**

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In July 2012, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2012-02, Intangibles Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment. The amendments in this ASU allow a company to qualitatively assess whether indefinite-lived intangible assets are more likely than not impaired. If the indefinite-lived intangible assets are considered impaired, a company is required to perform the quantitative test under ASC 350-30, Intangibles Goodwill and Other General Intangibles Other than Goodwill. The authoritative guidance does not amend the requirement to test indefinite-lived intangible assets annually for impairment. In addition, the authoritative guidance does not amend the requirement to test these assets for impairment between annual tests if there is a change in events or circumstances. The authoritative guidance is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted if a public entity's financial statements for the most recent annual or interim period have not yet been issued. We are currently assessing the impact of the adoption of this authoritative guidance on our consolidated financial statements.

In December 2011, the FASB issued ASU No. 2011-11, Balance Sheet (Topic 210); Disclosures about Offsetting Assets and Liabilities. The amendments in this ASU require a company to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods. A company should provide the disclosures required by those amendments retrospectively for all comparative periods presented. We are currently assessing the impact of the adoption of this authoritative guidance on our consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-continued

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

**Note 3 Restructuring Charge**

Financial Flexibility is an ongoing process by which we seek to reallocate our spending from low-growth or low-value activities to other activities that will create greater value for shareholders through enhanced revenue growth, improved profitability and/or quality improvements. With most initiatives, we have incurred restructuring charges (which generally consist of employee severance and termination costs, contract terminations, and/or costs to terminate lease obligations less assumed sublease income). These charges are incurred as a result of eliminating, consolidating, standardizing and/or automating our business functions.

Restructuring charges have been recorded in accordance with Accounting Standards Codification ( ASC ) 712-10, Nonretirement Postemployment Benefits, or ASC 712-10 and/or ASC 420-10, Exit or Disposal Cost Obligations, or ASC 420-10, as appropriate.

We record severance costs provided under an ongoing benefit arrangement once they are both probable and estimable in accordance with the provisions of ASC 712-10.

We account for one-time termination benefits, contract terminations, and/or costs to terminate lease obligations less assumed sublease income in accordance with ASC 420-10, which addresses financial accounting and reporting for costs associated with restructuring activities. Under ASC 420-10, we establish a liability for cost associated with an exit or disposal activity, including severance and lease termination obligations, and other related costs, when the liability is incurred, rather than at the date that we commit to an exit plan. We reassess the expected cost to complete the exit or disposal activities at the end of each reporting period and adjust our remaining estimated liabilities, if necessary.

The determination of when we accrue for severance costs and which standard applies depends on whether the termination benefits are provided under an ongoing arrangement as described in ASC 712-10 or under a one-time benefit arrangement as defined by ASC 420-10. Inherent in the estimation of the costs related to the restructurings are assessments related to the most likely expected outcome of the significant actions to accomplish the exit activities. In determining the charges related to the restructurings, we had to make estimates related to the expenses associated with the restructurings. These estimates may vary significantly from actual costs depending, in part, upon factors that may be beyond our control. We will continue to review the status of our restructuring obligations on a quarterly basis and, if appropriate, record changes to these obligations in current operations based on management's most current estimates.

***Three Months Ended June 30, 2012 vs. Three Months Ended June 30, 2011***

During the three months ended June 30, 2012, we recorded a \$9.3 million restructuring charge. The significant components of these charges included:

Severance and termination costs of \$8.1 million and \$1.1 million in accordance with the provisions of ASC 712-10 and ASC 420-10, respectively, were recorded. Approximately 500 employees were impacted. Of these 500 employees, approximately 435 employees exited the Company in the second quarter of 2012, with the remaining to exit in the second half of 2012. The cash payments for these employees will be substantially completed by the fourth quarter of 2012; and

Lease termination obligations, other costs to consolidate or close facilities and other exit costs of \$0.1 million.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-continued

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

During the three months ended June 30, 2011, we recorded an \$8.5 million restructuring charge. The significant components of these charges included:

Severance and termination costs of \$5.4 million in accordance with the provisions of ASC 712-10 were recorded. Approximately 100 employees were impacted. Of these 100 employees, approximately 65 employees exited the Company in the second quarter of 2011, with the remaining having exited in the second half of 2011. The cash payments for these employees were substantially completed by the first quarter of 2012; and

Lease termination obligations, other costs to consolidate or close facilities and other exit costs of \$3.1 million.

*Six Months Ended June 30, 2012 vs. Six Months Ended June 30, 2011*

During the six months ended June 30, 2012, we recorded an \$18.4 million restructuring charge. The significant components of these charges included:

Severance and termination costs of \$11.2 million and \$4.7 million in accordance with the provisions of ASC 712-10 and ASC 420-10, respectively, were recorded. Approximately 620 employees were impacted. Of these 620 employees, approximately 555 employees exited the Company in the first half of 2012, with the remaining to exit in the second half of 2012. The cash payments for these employees will be substantially completed by the fourth quarter of 2012; and

Lease termination obligations, other costs to consolidate or close facilities and other exit costs of \$2.5 million.

During the six months ended June 30, 2011, we recorded a \$12.7 million restructuring charge. The significant components of these charges included:

Severance and termination costs of \$9.6 million in accordance with the provisions of ASC 712-10 were recorded. Approximately 200 employees were impacted. Of these 200 employees, approximately 160 exited the Company in the first half of 2011, with the remaining having exited in the second half of 2011. The cash payments for these employees were substantially completed by the first quarter of 2012; and

Lease termination obligations, other costs to consolidate or close facilities and other exit costs of \$3.1 million.

The following tables set forth, in accordance with ASC 712-10 and/or ASC 420-10, the restructuring reserves and utilization related to our Financial Flexibility initiatives:

	Severance and Termination	Lease Termination Obligations and Other Exit Costs	Total
<b>Restructuring Charges:</b>			
Balance Remaining as of December 31, 2011	\$ 8.3	\$ 2.2	\$ 10.5

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Charge Taken during First Quarter 2012	6.7	2.4	9.1
Payments during First Quarter 2012	(4.0)	(1.0)	(5.0)
Balance Remaining as of March 31, 2012	\$ 11.0	\$ 3.6	\$ 14.6
Charge Taken during Second Quarter 2012	9.2	0.1	9.3
Payments during Second Quarter 2012	(7.5)	(0.8)	(8.3)
Balance Remaining as of June 30, 2012	\$ 12.7	\$ 2.9	\$ 15.6

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-continued

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

	Severance and Termination	Lease Termination Obligations and Other Exit Costs	Total
<b>Restructuring Charges:</b>			
Balance Remaining as of December 31, 2010	\$ 8.9	\$ 0.5	\$ 9.4
Charge Taken during First Quarter 2011	4.2	0.0	4.2
Payments/Pension Plan Settlement(1) during First Quarter 2011	(5.1)	0.0	(5.1)
<b>Balance Remaining as of March 31, 2011</b>	<b>\$ 8.0</b>	<b>\$ 0.5</b>	<b>\$ 8.5</b>
Charge Taken during Second Quarter 2011	5.4	3.1	8.5
Payments during Second Quarter 2011	(3.9)	(0.3)	(4.2)
<b>Balance Remaining as of June 30, 2011</b>	<b>\$ 9.5</b>	<b>\$ 3.3</b>	<b>\$ 12.8</b>

(1) We incurred a settlement of \$1.0 million in the first quarter of 2011 related to our Canadian Pension Plan.

**Note 4 Notes Payable and Indebtedness**

Our borrowings are summarized in the following table:

	At June 30, 2012	At December 31, 2011
<b>Debt Maturing Within One Year:</b>		
Short-Term Fixed-Rate	\$ 400.0	\$ 0.0
Other	0.6	1.1
<b>Total Debt Maturing Within One year</b>	<b>\$ 400.6</b>	<b>\$ 1.1</b>
<b>Debt Maturing After One Year:</b>		
Long-Term Fixed-Rate Notes (Net of a \$0.7 million and \$0.8 million discount as of June 30, 2012 and December 31, 2011, respectively)	\$ 299.3	\$ 699.2
Fair Value Adjustment Related to Hedged Debt	4.5	4.4
Credit Facility	308.6	259.4
Other	0.6	0.9
<b>Total Debt Maturing After One Year</b>	<b>\$ 613.0</b>	<b>\$ 963.9</b>

**Fixed-Rate Notes**

In November 2010, we issued senior notes with a face value of \$300 million that mature on November 15, 2015 (the 2015 notes), bearing interest at a fixed annual rate of 2.875%, payable semi-annually. The proceeds were used in December 2010 to repay our then outstanding \$300 million senior notes, bearing interest at a fixed annual rate of 5.50%, which had a maturity date of March 15, 2011 (the 2011 notes). In connection with the redemption of the 2011 notes, we recorded a premium payment of \$3.7 million to Other Income (Expense) Net in the consolidated statement of operations and comprehensive income during the year ended December 31, 2010. The 2015 notes of \$299.3 million, net of \$0.7 million remaining discount, are recorded as Long-Term Debt in our unaudited consolidated balance sheet at June 30, 2012.



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The 2015 notes were issued at a discount of \$1.1 million, and, in connection with the issuance, we incurred underwriting and other fees of approximately \$2.5 million. These costs are being amortized over the life of the 2015 notes. The 2015 notes contain certain covenants that limit our ability to create liens, enter into sale and leaseback transactions and consolidate, merge or sell assets to another entity. The 2015 notes do not contain any financial covenants.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-continued**

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

In November and December 2010, we entered into interest rate derivative transactions with aggregate notional amounts of \$125 million. The objective of these hedges was to offset the change in fair value of the fixed rate 2015 notes attributable to changes in LIBOR. These transactions have been accounted for as fair value hedges. We have recognized the gain or loss on the derivative instruments, as well as the offsetting loss or gain on the hedged item, in *Other Income (Expense) Net* in the consolidated statement of operations and comprehensive income.

In March 2012, in connection with our objective to manage exposure to interest rate changes and our policy to manage our fixed and floating-rate debt mix, these interest rate derivatives were terminated. This resulted in a gain of \$0.3 million and the receipt of \$5.0 million in cash on March 12, 2012, the swap termination settlement date. The gain of \$0.3 million was recorded in *Other Income (Expense) Net* in the consolidated statement of operations and comprehensive income during the six months ended June 30, 2012. The \$5.0 million cash received is reflected as an offset to interest paid in the unaudited consolidated statement of cash flows during the six months ended June 30, 2012.

Approximately \$0.8 million of derivative gains offset by a \$0.5 million loss on the fair value adjustment related to the hedged debt were recorded through the date of termination in the results for the three months ended March 31, 2012. The \$4.9 million adjustment in the carrying amount of the hedged debt at the date of termination will be amortized as an offset to *Interest Expense* in the consolidated statement of operations and comprehensive income over the remaining term of the 2015 notes. Approximately \$0.4 million of amortization was recorded from the swap termination date through June 30, 2012, resulting in a balance of \$4.5 million in our unaudited consolidated balance sheet at June 30, 2012.

In April 2008, we issued senior notes with a face value of \$400 million that mature on April 1, 2013 (the *2013 notes*), bearing interest at a fixed annual rate of 6.00%, payable semi-annually. The interest rate applicable to the 2013 notes is subject to adjustment if our debt rating is decreased four levels below the Standard & Poor's and Fitch A- credit ratings that we held on the date of issuance. After a rate adjustment, if our debt ratings are subsequently upgraded, the adjustment(s) would reverse. The maximum adjustment is 2.00% above the initial interest rate and the rate cannot adjust below 6.00%. As of June 30, 2012, no such adjustments to the interest rate have been made. Proceeds from this issuance were used to repay indebtedness under our credit facility. During the second quarter of 2012, the 2013 notes had been reclassified from long-term debt to short-term debt because they will expire in less than one year. As such, the 2013 notes are recorded as *Short-Term Debt* in our unaudited consolidated balance sheet at June 30, 2012.

The 2013 notes were issued at face value and, in connection with the issuance, we incurred underwriting and other fees of \$3.0 million. These costs are being amortized over the life of the 2013 notes. The 2013 notes contain certain covenants that limit our ability to create liens, enter into sale and leaseback transactions and consolidate, merge or sell assets to another entity. The 2013 notes do not contain any financial covenants.

On January 30, 2008, we entered into interest rate derivative transactions with an aggregate notional amount of \$400 million. The objective of these hedges was to mitigate the variability of future cash flows from market changes in Treasury rates in anticipation of the issuance of the 2013 notes. These transactions were accounted for as cash flow hedges and, as such, changes in fair value of the hedges that took place through the date of the issuance of the 2013 notes were recorded in *Accumulated Other Comprehensive Income (AOCI)*. In connection with the issuance of the 2013 notes, these interest rate derivative transactions were terminated, resulting in a loss and a payment of \$8.5 million on March 28, 2008, the date of termination. The payments are recorded in *AOCI* and are being amortized over the life of the 2013 notes.

***Credit Facility***

At June 30, 2012 and December 31, 2011, we had an \$800 million, five-year bank revolving credit facility, which expires in October 2016. Borrowings under the \$800 million credit facility are available at prevailing short-term interest rates. The facility requires the maintenance of interest coverage and total debt to Earnings Before Income Taxes, Depreciation and Amortization (*EBITDA*) ratios, which are defined in the credit agreement. We were in compliance with these credit facility covenants at June 30, 2012 and December 31, 2011.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-continued

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

At June 30, 2012 and December 31, 2011, we had \$308.6 million and \$259.4 million, respectively, of borrowings outstanding under the \$800 million credit facility with weighted average interest rates of 1.25% and 1.58%, respectively. We borrowed under this facility from time-to-time during the six months ended June 30, 2012 to supplement the timing of receipts in order to fund our working capital and share repurchases. The \$800 million credit facility also supports our commercial paper borrowings of up to \$300 million (limited by borrowed amounts outstanding under the facility). We did not borrow under our commercial paper program during the six months ended June 30, 2012 and 2011.

**Other**

At June 30, 2012 and December 31, 2011, certain of our international operations had uncommitted lines of credit of \$2.1 million and \$3.2 million, respectively. There were no borrowings outstanding under these lines of credit at June 30, 2012 and \$0.2 million of borrowings outstanding under these lines of credit at December 31, 2011. These arrangements have no material facility fees and no compensating balance requirements.

At June 30, 2012 and December 31, 2011, we were contingently liable under open standby letters of credit issued by our bank in favor of third parties and guarantees in favor of certain of our banks totaling \$11.7 million and \$12.2 million, respectively.

In March 2012 we terminated our interest rate derivative transactions resulting in the receipt of \$5.0 million in cash on the date of termination. The \$5.0 million cash received is reflected as an offset to interest paid in the unaudited consolidated statement of cash flows. Interest paid for all outstanding debt totaled \$16.8 million and \$12.4 million during the three month and six month periods ended June 30, 2012, respectively. Interest paid for all outstanding debt totaled \$15.9 million and \$16.7 million during the three month and six month periods ended June 30, 2011, respectively.

**Note 5 Earnings Per Share**

In accordance with the authoritative guidance in ASC 260-10, we are required to assess if any of our share-based payment transactions are deemed participating securities prior to vesting and therefore need to be included in the earnings allocation when computing Earnings Per Share (EPS) under the two-class method. The two-class method requires earnings to be allocated between common shareholders and holders of participating securities. All outstanding unvested share-based payment awards that contain non-forfeitable rights to dividends are considered to be a separate class of common stock and should be included in the calculation of basic and diluted EPS. Based on a review of our stock-based awards, we have determined that only our restricted stock awards are deemed participating securities. The weighted average restricted shares outstanding were 8,396 shares and 66,559 shares for the three months ended June 30, 2012 and 2011, respectively. The weighted average restricted shares outstanding were 19,331 shares and 84,662 shares for the six months ended June 30, 2012 and 2011, respectively.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
<b>Net Income Attributable to D&amp;B</b>	\$ 56.5	\$ 58.5	\$ 119.9	\$ 108.4
Less: Allocation to Participating Securities	0.0	(0.1)	0.0	(0.2)
<b>Net Income Attributable to D&amp;B Common Shareholders - Basic and Diluted</b>	\$ 56.5	\$ 58.4	\$ 119.9	\$ 108.2
<b>Weighted Average Number of Shares Outstanding - Basic</b>	46.7	49.3	47.2	49.4
Dilutive Effect of Our Stock Incentive Plans	0.3	0.4	0.4	0.4
<b>Weighted Average Number of Shares Outstanding - Diluted</b>	47.0	49.7	47.6	49.8

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<b>Basic Earnings Per Share of Common Stock Attributable to D&amp;B Common Shareholders</b>	\$ 1.21	\$ 1.19	\$ 2.54	\$ 2.19
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