

DUN & BRADSTREET CORP/NW
Form 10-Q
August 07, 2013
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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 June 30, 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

The Dun & Bradstreet Corporation

(Exact name of registrant as specified in its charter)

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:

Title of Class	Shares Outstanding at June 30, 2013
Common Stock, par value \$0.01 per share	38,797,378

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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		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
	(Amounts in millions, except per share data)			
Revenue	\$386.4	\$383.9	\$767.4	\$786.7
Operating Expenses	130.1	126.4	256.3	271.0
Selling and Administrative Expenses	142.3	139.2	288.7	293.7
Depreciation and Amortization	17.9	19.7	36.2	39.9
Restructuring Charge	2.2	9.3	4.5	18.4
Operating Costs	292.5	294.6	585.7	623.0
Operating Income	93.9	89.3	181.7	163.7
Interest Income	0.4	0.2	0.6	0.3
Interest Expense	(10.0	) (9.2	) (19.9	) (18.3
Other Income (Expense) - Net	(0.1	) —	(1.3	) 6.6
Non-Operating Income (Expense) - Net	(9.7	) (9.0	) (20.6	) (11.4
Income Before Provision for Income Taxes and Equity in Net Income of Affiliates	84.2	80.3	161.1	152.3
Less: Provision for Income Taxes	26.4	24.2	50.2	32.5
Equity in Net Income of Affiliates	0.6	0.4	1.1	0.8
Net Income	58.4	56.5	112.0	120.6
Less: Net (Income) Loss Attributable to the Noncontrolling Interest	(0.9	) —	(1.6	) (0.7
Net Income Attributable to D&B	\$57.5	\$56.5	\$110.4	\$119.9
Basic Earnings Per Share of Common Stock Attributable to D&B Common Shareholders	\$1.46	\$1.21	\$2.76	\$2.54
Diluted Earnings Per Share of Common Stock Attributable to D&B Common Shareholders	\$1.44	\$1.20	\$2.73	\$2.52
Weighted Average Number of Shares Outstanding-Basic	39.4	46.7	40.0	47.2
Weighted Average Number of Shares Outstanding-Diluted	39.8	47.0	40.4	47.6
Cash Dividend Paid Per Common Share	\$0.40	\$0.38	\$0.80	\$0.76
Other Comprehensive Income, Net of Tax				
Net Income (from above)	\$58.4	\$56.5	\$112.0	\$120.6
Foreign Currency Translation Adjustments, no Tax Impact	(24.4	) (37.3	) (36.7	) (7.7
Defined Benefit Pension Plans:				
Prior Service Costs, Net of Tax Income (1)	(1.4	) (2.0	) (2.9	) (3.5
Actuarial Gain (Loss), Net of Tax Expense (2)	6.9	6.7	13.9	12.1
Derivative Financial Instruments, No Tax Impact	—	0.5	—	0.8
Comprehensive Income, Net of Tax	39.5	24.4	86.3	122.3
Less: Comprehensive (Income) Loss Attributable to the Noncontrolling Interest	(0.8	) 0.2	(1.6	) (0.6
Comprehensive Income Attributable to D&B	\$38.7	\$24.6	\$84.7	\$121.7

Net of Tax Income of \$0.8 million and \$0.5 million during the three months ended June 30, 2013 and 2012, (1) respectively. Net of Tax Income of \$1.5 million and \$1.3 million during the six months ended June 30, 2013 and 2012, respectively.

(2)

Net of Tax Expense of \$(3.5) million and \$(1.6) million during the three months ended June 30, 2013 and 2012, respectively. Net of Tax Expense of \$(7.0) million and \$(4.5) million during the six months ended June 30, 2013 and 2012, respectively.

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

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Consolidated Balance Sheets (Unaudited)

	June 30, 2013	December 31, 2012
	(Amounts in millions, except per share data)	
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 196.5	\$ 149.1
Accounts Receivable, Net of Allowance of \$23.3 at June 30, 2013 and \$27.3 at December 31, 2012	359.9	514.3
Other Receivables	9.5	6.5
Prepaid Taxes	7.9	—
Deferred Income Tax	21.9	26.3
Other Prepays	25.1	46.8
Other Current Assets	7.8	4.4
Total Current Assets	628.6	747.4
Non-Current Assets		
Property, Plant and Equipment, Net of Accumulated Depreciation of \$82.5 at June 30, 2013 and \$81.2 at December 31, 2012	39.1	40.6
Computer Software, Net of Accumulated Amortization of \$443.5 at June 30, 2013 and \$431.9 at December 31, 2012	144.9	140.9
Goodwill	591.0	611.1
Deferred Income Tax	239.7	247.8
Other Receivables	45.3	47.1
Other Intangibles	86.8	99.3
Other Non-Current Assets	63.1	57.6
Total Non-Current Assets	1,209.9	1,244.4
Total Assets	\$ 1,838.5	\$ 1,991.8
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 41.8	\$ 40.9
Accrued Payroll	56.6	96.5
Accrued Income Tax	0.8	9.5
Short-Term Debt	0.1	0.2
Other Accrued and Current Liabilities (Note 6)	124.0	118.9
Deferred Revenue	579.6	610.7
Total Current Liabilities	802.9	876.7
Pension and Postretirement Benefits	646.1	668.3
Long-Term Debt	1,408.0	1,290.7
Liabilities for Unrecognized Tax Benefits	104.5	105.9
Other Non-Current Liabilities	65.4	64.5
Total Liabilities	3,026.9	3,006.1
Contingencies (Note 7)		
EQUITY		
D&B SHAREHOLDERS' EQUITY (DEFICIT)		
Series A Junior Participating Preferred Stock, \$0.01 par value per share, authorized - 0.5 shares; outstanding - none	—	—
	—	—

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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	267.6	261.7
Retained Earnings	2,483.6	2,405.5
Treasury Stock, at cost, 43.1 shares at June 30, 2013 and 40.6 shares at December 31, 2012	(3,067.3	) (2,833.3)
Accumulated Other Comprehensive Income (Loss)	(877.8	) (852.1)
Total D&B Shareholders' Equity (Deficit)	(1,193.1	) (1,017.4)
Noncontrolling Interest	4.7	3.1
Total Equity (Deficit)	(1,188.4	) (1,014.3)
Total Liabilities and Shareholders' Equity (Deficit)	\$ 1,838.5	\$ 1,991.8

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

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Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended	
	June 30,	
	2013	2012
	(Amounts in millions)	
Cash Flows from Operating Activities:		
Net Income	\$ 112.0	\$ 120.6
Reconciliation of Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	36.2	39.9
Amortization of Unrecognized Pension Loss	16.5	11.9
(Gain) Loss from Sales of Business / Investments	—	(6.0)
Impairment of Assets	—	16.1
Income Tax Benefit from Stock-Based Awards	6.4	3.7
Excess Tax Benefit on Stock-Based Awards	(1.0)	(0.6)
Equity Based Compensation	6.8	5.8
Restructuring Charge	4.5	18.4
Restructuring Payments	(7.4)	(13.3)
Deferred Income Taxes, Net	0.5	4.8
Accrued Income Taxes, Net	(18.9)	(28.5)
Changes in Current Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	146.6	128.4
(Increase) Decrease in Other Current Assets	18.0	21.2
Increase (Decrease) in Deferred Revenue	(25.4)	(22.8)
Increase (Decrease) in Accounts Payable	(0.8)	12.7
Increase (Decrease) in Accrued Liabilities	(37.9)	(59.0)
Changes in Non-Current Assets and Liabilities:		
(Increase) Decrease in Other Long-Term Assets	(5.4)	3.3
Net Increase (Decrease) in Long-Term Liabilities	(16.1)	(12.9)
Net, Other Non-Cash Adjustments	0.1	(0.1)
Net Cash Provided by Operating Activities	234.7	243.6
Cash Flows from Investing Activities:		
Proceeds from Sales of Businesses, Net of Cash Divested	—	7.9
Cash Settlements of Foreign Currency Contracts	(5.1)	1.8
Capital Expenditures	(4.5)	(1.1)
Additions to Computer Software and Other Intangibles	(22.2)	(33.1)
Reimbursement of Proceeds Related to a Divested Business	(0.1)	—
Net, Other	0.1	0.1
Net Cash Used in Investing Activities	(31.8)	(24.4)
Cash Flows from Financing Activities:		
Payments for Purchases of Treasury Shares	(283.1)	(204.0)
Net Proceeds from Stock-Based Awards	47.2	8.5
Payments of Dividends	(32.0)	(35.7)
Proceeds from Borrowings on Credit Facilities	350.2	376.7
Payments of Borrowings on Credit Facilities	(232.4)	(327.5)
Excess Tax Benefit on Stock-Based Awards	1.0	0.6
Capital Lease and Other Long-Term Financing Obligation Payment	(0.5)	(1.5)
Net, Other	2.6	(0.3)
Net Cash Used in Financing Activities	(147.0)	(183.2)

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Effect of Exchange Rate Changes on Cash and Cash Equivalents	(8.5) (1.8)
Increase in Cash and Cash Equivalents	47.4	34.2	
Cash and Cash Equivalents, Beginning of Period	149.1	84.4	
Cash and Cash Equivalents, End of Period	\$ 196.5	\$ 118.6	
Supplemental Disclosure of Cash Flow Information:			
Cash Paid for:			
Income Taxes, Net of Refunds	\$62.3	\$52.5	
Interest	\$19.5	\$12.4	

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 Six Months Ended June 30, 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 Instruments	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	—	—	119.9	—	—	—	—	119.9	0.7	120.6
Payment to Noncontrolling Interest	—	—	—	—	—	—	—	—	(0.2)	(0.2)
Sale of Noncontrolling Interest	—	—	—	—	—	—	—	—	(0.3)	(0.3)
Equity-Based Plans	—	20.8	—	14.0	—	—	—	34.8	—	34.8
Treasury Shares Acquired	—	—	—	(204.0)	—	—	—	(204.0)	—	(204.0)
Pension Adjustments, net of tax of \$3.2	—	—	—	—	—	8.6	—	8.6	—	8.6
Dividend Declared	—	—	(35.9)	—	—	—	—	(35.9)	—	(35.9)
Adjustments to Legacy Tax Matters	—	1.6	—	—	—	—	—	1.6	—	1.6
Change in Cumulative Translation Adjustment	—	—	—	—	(7.6)	—	—	(7.6)	(0.1)	(7.7)
Derivative Financial Instruments, no tax impact	—	—	—	—	—	—	0.8	0.8	—	0.8
Balance, June 30, 2012	\$ 0.8	\$261.4	\$2,263.3	\$(2,546.3)	\$(175.9)	\$(629.8)	\$ 0.8	\$(825.7)	\$ 3.8	\$(821.9)
Balance, December 31, 2012	\$ 0.8	\$261.7	\$							