DUN & BRADSTREET CORP/NW
Form 10-Q
August 02, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2016
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 incorporation)	(I.R.S. Employer 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 ý 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 ý 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 ý Accelerated filer o Non-accelerated filer o Smaller reporting company o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý
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, 2016
Common Stock, par value $0.01 per share	36,306,937

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THE DUN & BRADSTREET CORPORATION
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PART I. UNAUDITED FINANCIAL INFORMATION
Item 1. Financial Statements
The Dun & Bradstreet Corporation
Consolidated Statements of Operations and Comprehensive Income (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(Amounts in millions, except per share data)			
Revenue	$ 398.8	$ 375.4	$ 773.8	$ 731.6
Operating Expenses	133.0	136.4	265.4	267.4
Selling and Administrative Expenses	196.1	161.9	359.4	304.8
Depreciation and Amortization	17.3	14.1	33.7	26.5
Restructuring Charge	5.9	4.8	15.6	9.6
Operating Costs	352.3	317.2	674.1	608.3
Operating Income	46.5	58.2	99.7	123.3
Interest Income	0.5	0.4	1.0	0.8
Interest Expense	(13.4)	(11.8)	(26.9)	(23.2)
Other Income (Expense) - Net	(0.5)	(1.5)	0.3	1.8
Non-Operating Income (Expense) - Net	(13.4)	(12.9)	(25.6)	(20.6)
Income Before Provision for Income Taxes and Equity in Net Income of Affiliates	33.1	45.3	74.1	102.7
Less: Provision for Income Taxes	14.2	15.7	25.2	33.4
Equity in Net Income of Affiliates	1.0	1.3	1.7	2.0
Net Income from Continuing Operations	19.9	30.9	50.6	71.3
Less: Net Income Attributable to the Noncontrolling Interest	(1.1)	(1.3)	(1.8)	(2.2)
Net Income from Continuing Operations Attributable to Dun & Bradstreet	$ 18.8	$ 29.6	$ 48.8	$ 69.1
Income from Discontinued Operations, Net of Income Taxes (1)	—	0.7	—	2.2
Loss on Disposal of Business, Net of Income Taxes (1)	—	(38.2)	—	(38.2)
Loss from Discontinued Operations, Net of Income Taxes	—	(37.5)	—	(36.0)
Net Income (Loss) Attributable to Dun & Bradstreet	$ 18.8	$ (7.9)	$ 48.8	$ 33.1
Basic Earnings Per Share of Common Stock:				
Income from Continuing Operations Attributable to Dun & Bradstreet Common Shareholders	$ 0.52	$ 0.82	$ 1.35	$ 1.92
Loss from Discontinued Operations Attributable to Dun & Bradstreet Common Shareholders	—	(1.04)	—	(1.00)
Net Income (Loss) Attributable to Dun & Bradstreet Common Shareholders	$ 0.52	$ (0.22)	$ 1.35	$ 0.92
Diluted Earnings Per Share of Common Stock:				
Income from Continuing Operations Attributable to Dun & Bradstreet Common Shareholders	$ 0.51	$ 0.81	$ 1.34	$ 1.90
Loss from Discontinued Operations Attributable to Dun & Bradstreet Common Shareholders	—	(1.03)	—	(0.99)
Net Income (Loss) Attributable to Dun & Bradstreet Common Shareholders	$ 0.51	$ (0.22)	$ 1.34	$ 0.91
Weighted Average Number of Shares Outstanding-Basic	36.3	36.1	36.2	36.0
Weighted Average Number of Shares Outstanding-Diluted	36.6	36.4	36.5	36.4
Cash Dividend Paid Per Common Share	$ 0.48	$ 0.46	$ 0.97	$ 0.93
Other Comprehensive Income, Net of Income Taxes:				
Net Income from Continuing Operations	$ 19.9	$ 30.9	$ 50.6	$ 71.3

Loss from Discontinued Operations, Net of Income Taxes (1)	—		(37.5	)	—		(36.0	)
Net Income (Loss)	19.9		(6.6	)	50.6		35.3	
Foreign Currency Translation Adjustments, no Tax Impact	9.9		(10.4	)	(12.3	)	(54.1	)
Defined Benefit Pension Plans:								
Prior Service Costs, Net of Tax Benefit (Expense) (2)	(0.2	)	—		(0.4	)	(0.1	)
Net Actuarial Gain, Net of Tax Benefit (Expense) (3)	6.0		6.6		12.0		13.2	
Total Other Comprehensive Income (Loss)	15.7		(3.8	)	(0.7	)	(41.0	)
Comprehensive Income (Loss), Net of Income Taxes	35.6		(10.4	)	49.9		(5.7	)
Less: Comprehensive Income Attributable to the Noncontrolling Interest	(1.1	)	(1.1	)	(1.7	)	(1.8	)
Comprehensive Income (Loss) Attributable to Dun & Bradstreet	$ 34.5		$ (11.5	)	$ 48.2		$ (7.5	)

(1) Tax Benefit (Expense) of $(0.1) million and $2.2 million during the three month and six month periods ended June 30, 2015, respectively. See Note 14 to the unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q for further detail.

(2) Tax Benefit (Expense) of $0.1 million during the three months ended June 30, 2016 and no tax impact during the three months ended June 30, 2015. Tax Benefit (Expense) of $0.2 million and $0.1 million during the six months ended June 30, 2016 and 2015, respectively.

(3) Tax Benefit (Expense) of $(3.1) million and $(3.5) million during the three months ended June 30, 2016 and 2015, respectively. Tax Benefit (Expense) of $(6.4) million and $(7.3) million during the six months ended June 30, 2016 and 2015, respectively.

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

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The Dun & Bradstreet Corporation
Consolidated Balance Sheets (Unaudited)

	June 30, 2016	December 31, 2015
	(Amounts in millions, except per share data)	
ASSETS		
Current Assets		
Cash and Cash Equivalents	$379.1	$ 365.7
Accounts Receivable, Net of Allowance of $22.4 at June 30, 2016 and $20.6 at December 31, 2015	411.1	523.5
Other Receivables	19.8	13.7
Prepaid Taxes	6.4	6.4
Deferred Income Tax	—	12.0
Other Prepaids	35.9	36.7
Other Current Assets	1.7	1.6
Total Current Assets	854.0	959.6
Non-Current Assets		
Property, Plant and Equipment, Net of Accumulated Depreciation of $54.7 at June 30, 2016 and $54.3 at December 31, 2015	34.3	27.2
Computer Software, Net of Accumulated Amortization of $363.3 at June 30, 2016 and $348.1 at December 31, 2015	110.7	102.6
Goodwill (Note 15)	703.9	704.0
Deferred Income Tax	104.7	93.8
Other Receivables	3.6	4.2
Other Intangibles (Note 15)	312.1	326.2
Other Non-Current Assets	39.6	48.9
Total Non-Current Assets	1,308.9	1,306.9
Total Assets	$2,162.9	$ 2,266.5
LIABILITIES		
Current Liabilities		
Accounts Payable	$54.6	$ 31.3
Accrued Payroll	76.8	108.8
Accrued Income Tax	14.6	28.7
Short-Term Debt	20.0	20.0
Other Accrued and Current Liabilities (Note 6)	142.5	122.6
Deferred Revenue	630.5	647.8
Total Current Liabilities	939.0	959.2
Pension and Postretirement Benefits	525.8	558.0
Long-Term Debt	1,715.6	1,797.0
Liabilities for Unrecognized Tax Benefits	8.9	8.3
Other Non-Current Liabilities	50.5	49.3
Total Liabilities	3,239.8	3,371.8
Contingencies (Note 7)		
EQUITY		
DUN & BRADSTREET SHAREHOLDERS’ EQUITY (DEFICIT)		
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	296.6	292.2
Retained Earnings	2,946.5	2,932.8
Treasury Stock, at cost, 45.6 shares at June 30, 2016 and 45.8 shares at December 31, 2015	(3,367.7)	(3,377.1)
Accumulated Other Comprehensive Income (Loss)	(966.2)	(965.5)
Total Dun & Bradstreet Shareholders' Equity (Deficit)	(1,090.0)	(1,116.8)
Noncontrolling Interest	13.1	11.5
Total Equity (Deficit)	(1,076.9)	(1,105.3)
Total Liabilities and Shareholders' Equity (Deficit)	$ 2,162.9	$ 2,266.5

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)

	Six Months Ended June 30,	
	2016	2015
	(Amounts in millions)	
Cash Flows from Operating Activities:		
Net Income	$ 50.6	$ 35.3
Less:		
Loss on Disposal of Business, Net of Income Taxes	—	(38.2)
Income from Discontinued Operations	—	2.2
Net Income from Continuing Operations	$ 50.6	$ 71.3
Reconciliation of Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	33.7	26.5
Amortization of Unrecognized Pension Loss	17.8	20.3
Income Tax Benefit from Stock-Based Awards	3.9	5.9
Excess Tax Benefit on Stock-Based Awards	(0.4)	(2.8)
Equity-Based Compensation	9.7	7.4
Restructuring Charge	15.6	9.6
Restructuring Payments	(20.7)	(8.2)
Changes in Deferred Income Taxes, Net	(1.6)	—
Changes in Accrued Income Taxes, Net	(17.4)	(15.6)
Changes in Current Assets and Liabilities, Net of Acquisitions:		
(Increase) Decrease in Accounts Receivable	105.2	127.4
(Increase) Decrease in Other Current Assets	1.0	8.7
Increase (Decrease) in Deferred Revenue	(17.6)	(10.5)
Increase (Decrease) in Accounts Payable	23.1	14.5
Increase (Decrease) in Accrued Liabilities	(2.9)	(32.9)
Increase (Decrease) in Other Accrued and Current Liabilities	—	0.5
Changes in Non-Current Assets and Liabilities, Net of Acquisitions:		
(Increase) Decrease in Other Long-Term Assets	12.0	9.9
Net Increase (Decrease) in Long-Term Liabilities	(31.3)	(19.2)
Net, Other Non-Cash Adjustments	0.2	(0.4)
Net Cash Provided by Operating Activities from Continuing Operations	180.9	212.4
Net Cash Provided by Operating Activities from Discontinued Operations	—	5.3
Net Cash Provided by Operating Activities	180.9	217.7
Cash Flows from Investing Activities:		
Payments for Acquisitions of Businesses, Net of Cash Acquired	—	(444.2)
Cash Settlements of Foreign Currency Contracts	(6.8)	(5.4)
Capital Expenditures	(9.5)	(4.8)
Additions to Computer Software and Other Intangibles	(23.4)	(24.6)
Net, Other	—	(0.1)
Net Cash Used in Investing Activities from Continuing Operations	(39.7)	(479.1)
Net Cash Used in Investing Activities from Discontinued Operations	—	(2.4)
Cash Flows Used In Investing Activities	(39.7)	(481.5)
Cash Flows from Financing Activities:		
Net Proceeds from Stock-Based Plans	4.0	5.5
Payment of Debt Issuance Costs	—	(3.9)
Proceeds from Issuance of Long-Term Debt	—	298.8

Payments of Dividends	(35.0)	(33.3)
Proceeds from Borrowings on Credit Facilities	220.4	728.9
Payments of Borrowings on Credit Facilities	(293.0)	(894.0)
Payments of Borrowings on Term Loan Facilities	(10.0)	—
Excess Tax Benefit on Stock-Based Awards	0.4	2.8
Payment for Capital Lease and Other Long-Term Financing Obligation	(0.2)	(0.3)
Net, Other	(1.5)	(0.2)
Net Cash (Used in) Provided by Financing Activities from Continuing Operations	(114.9)	104.3
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(12.9)	(14.6)
Increase (Decrease) in Cash and Cash Equivalents	13.4	(174.1)
Cash and Cash Equivalents, Beginning of Period	365.7	319.4
Cash and Cash Equivalents, End of Period	$ 379.1	$ 145.3
Cash and Cash Equivalents of Discontinued Operations, End of Period	—	7.5
Cash and Cash Equivalents of Continuing Operations, End of Period	$ 379.1	$ 137.8
Supplemental Disclosure of Cash Flow Information:		
Cash Paid for:		
Income Taxes, Net of Refunds	$ 40.3	$ 43.1
Interest	$ 26.8	$ 22.6

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, 2016 and 2015
(Amounts in millions)

	Common Stock ($0.01 Par Value)	Capital Surplus	Retained Earnings	Treasury Stock	Cumulative Translation Adjustment	Pension Liability Adjustment	Total Dun & Bradstreet Shareholders' Equity (Deficit)	Noncontrolling Interest	Total Equity (Deficit)
Balance, December 31, 2014	$ 0.8	$279.3	$2,831.1	$(3,392.4)	$(233.4)	$(688.7)	$(1,203.3)	$ 8.7	$(1,194.6)
Net Income	—	—	33.1	—	—	—	33.1	2.2	35.3
Payment to Noncontrolling Interest	—	—	—	—	—	—	—	(0.1)	(0.1)
Equity-Based Plans	—	4.9	—	11.2	—	—	16.1	—	16.1
Pension Adjustments, net of tax expense of $7.2	—	—	—	—	—	13.1	13.1	—	13.1
Dividend Declared	—	—	(33.6)	—	—	—	(33.6)	—	(33.6)
Change in Cumulative Translation Adjustment	—	—	—	—	(53.7)	—	(53.7)	(0.4)	(54.1)
Balance, June 30, 2015	$ 0.8	$284.2	$2,830.6	$(3,381.2)	$(287.1)	$(675.6)	$(1,228.3)	$ 10.4	$(1,217.9)
Balance, December 31, 2015	$ 0.8	$292.2	$2,932.8	$(3,377.1)	$(291.7)	$(673.8)	$(1,116.8)	$ 11.5	$(1,105.3)
Net Income	—	—	48.8	—	—	—	48.8	1.8	50.6
Payment to Noncontrolling Interest	—	—	—	—	—	—	—	(0.2)	(0.2)
Equity-Based Plans	—	4.4	—	9.4	—	—	13.8	—	13.8
Pension Adjustments, net of tax expense of $6.2	—	—	—	—	—	11.6	11.6	—	11.6
Dividend Declared	—	—	(35.1)	—	—	—	(35.1)	—	(35.1)
Change in Cumulative Translation Adjustment	—	—	—	—	(12.3)	—	(12.3)	—	(12.3)
Balance, June 30, 2016	$ 0.8	$296.6	$2,946.5	$(3,367.7)	$(304.0)	$(662.2)	$(1,090.0)	$ 13.1	$(1,076.9)

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 ("Dun & Bradstreet" or "we" or "us" or "our" or the "Company") Annual Report on Form 10-K for the year ended December 31, 2015. 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.

We manage and report our business through the following two segments:

- Americas (which consists of our operations in the United States ("U.S."), Canada and Latin America); and
- Non-Americas (which primarily consists of our operations in the United Kingdom ("U.K."), the Netherlands, Belgium, Greater China, India and our Dun & Bradstreet Worldwide Network).

The financial statements of the subsidiaries outside of the U.S. and Canada reflect results for the three month and six month periods ended May 31 in order to facilitate the timely reporting of the unaudited consolidated financial results and unaudited consolidated financial position.

In June 2015, we divested our business in Australia and New Zealand ("ANZ") for $169.8 million, which was part of our Non-Americas segment. Accordingly, we have reclassified the historical financial results of our business in ANZ as discontinued operations for all periods presented as set forth in Item 1. of this Quarterly Report on Form 10-Q. See Note 14 to the unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q for further detail.

The prior period consolidated balance sheet was adjusted associated with the adoption of Accounting Standards Update ("ASU") No. 2015-03 "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs" in the first quarter of 2016. The impact was $6.2 million and $7.1 million at June 30, 2016 and December 31, 2015, respectively. See Note 2 and Note 4 to the unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q for further detail.

Where appropriate, we have reclassified certain prior year amounts to conform to the current year presentation.

Note 2 -- Recent Accounting Pronouncements

We consider the applicability and impact of all ASUs. The ASUs not listed below were assessed and determined to be either not applicable or are expected to have an immaterial impact on our consolidated financial position and/or results of operations.

Recently Adopted Accounting Pronouncements

In November 2015, the Financial Accounting Standards Board ("FASB") issued ASU No. 2015-17 "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes." This standard requires entities to present deferred tax assets and deferred tax liabilities to be classified as noncurrent in the balance sheet. The standard is effective for fiscal years and the interim periods within those fiscal years beginning after December 15, 2016. The guidance can be applied either prospectively or retrospectively. In the period that the ASU is adopted, an entity will need to disclose the nature of and the reason for the change in accounting principle. If the new guidance is applied prospectively, the entity should disclose that prior balance sheets were not retrospectively adjusted. If the new guidance is applied retrospectively, the entity will need to disclose the quantitative effects of the change on the prior balance sheets presented. Early adoption was permitted. We adopted this standard in the first quarter of 2016 on a prospective basis. The impact to the prior periods is immaterial, and as a result, the prior period consolidated balance sheet was not retrospectively adjusted.

In August 2015, the FASB issued ASU No. 2015-15 "Interest-Imputation (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements." This standard incorporates into the Accounting Standards Codification ("ASC") the Securities and Exchange Commission's ("SEC") view on the presentation and subsequent measurement of debt issuance costs related to line-of-credit arrangements. The SEC staff announced that it would not object to an entity presenting the cost of securing a revolving line-of-credit as an asset, regardless of whether a balance is outstanding. The guidance in this ASU provides an alternative for presentation of these costs. This guidance retains the requirement to subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement. The adoption of this authoritative guidance did not have a material impact on our consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-12 "Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962) and Health and Welfare Benefit Plans (Topic 965): I. Fully Benefit-Responsive Investment Contracts; II. Plan Investment Disclosures; III. Measurement Date Practical Expedient." This three-part ASU simplifies current benefit plan accounting and requires (i) fully benefit-responsive investment contracts ("FBRICs) to be measured, presented, and disclosed only at contract value and accordingly removes the requirement to reconcile their contract value to fair value; (ii) benefit plans to disaggregate their investments measured using fair value by general type, either on the face of the financial statements or in the notes to the financial statements; (iii) the net appreciation or depreciation in investments for the period to be presented in the aggregate rather than by general type, and removes certain disclosure requirements relevant to individual investments that represent five percent or more of net assets available for benefits. Further, the amendments in this ASU eliminate the requirement to disclose the investment strategy for certain investments that are measured using Net Asset Value ("NAV") per share using the practical expedient in the FASB ASC Topic 820. Part III of the ASU provides a practical expedient to permit employee benefit plans to measure investments and investment-related accounts as of the month-end that is closest to the plan's fiscal year-end, when the fiscal period does not coincide with a month-end, while requiring certain additional disclosures. The amendments in Parts I and II of this standard were effective retrospectively for fiscal years beginning after December 15, 2015. The amendments in Part III of this standard were effective prospectively for fiscal years beginning after December 15, 2015. Early application for all amendments was permitted. The adoption of this authoritative guidance did not have a material impact on our consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-05 "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." This standard provides guidance to assist an entity in evaluating the accounting for fees paid by a customer in a cloud computing arrangement. Specifically, the amendments in this update provide guidance to customers related to whether a cloud computing arrangement includes a software license. If the cloud computing arrangement includes a software license, the guidance requires that the customer account for the software license element of the arrangement in a manner consistent with the acquisition of other software licenses. Where the arrangement does not include a software license, the guidance requires the customer to account for the arrangement as a service contract. The amendments in this update apply only to internal-use software that a customer obtains access to in a hosting arrangement if certain criteria are met. The new standard supersedes certain guidance in ASC 350-40 "Internal-Use Software" which will require the accounting for all software licenses within the scope of such guidance to be consistent with the accounting for other licenses of intangible assets. The standard was effective for fiscal years and the interim periods within those fiscal years beginning on or after December 15, 2015. The guidance may be applied (i) prospectively to all arrangements entered into or materially modified after the effective date, or (ii) retrospectively. The standard requires additional disclosures under each method of adoption. Early adoption was permitted. The adoption of this authoritative guidance did not have a material impact on our consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03. The new standard requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that

debt liability in a manner consistent with the treatment for debt discounts. The amendments in this update do not affect the recognition and measurement guidance for debt issuance costs. In addition, the ASU requires that the amortization of debt issuance costs be reported as interest expense. The standard was effective for fiscal years and the interim periods within those fiscal years beginning on or after December 15, 2015. The guidance should be applied retrospectively to all prior periods presented in the financial statements, subject to the disclosure requirements for a change in an accounting principle. Early adoption was permitted for financial statements that have not been previously issued. The adoption of this authoritative guidance did not have a material impact on our consolidated financial statements. See Note 4 to the unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q for further detail.

In January 2015, the FASB issued ASU No. 2015-01 “Income Statement Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items.” This standard eliminates such concept from existing GAAP. Under the new guidance an entity is no longer required to: (i) segregate an

extraordinary item from the results of ordinary operations; (ii) separately present an extraordinary item on its income statement, net of tax, after income from continuing operations; and (iii) disclose income taxes and earnings-per share data applicable to an extraordinary item. The new standard retains the existing requirement to separately present on a pre-tax basis within income from continuing operations items that are of an unusual nature or occur infrequently. Additionally, the new standard requires similar separate presentation of items that are both unusual and infrequent in nature. The standard was effective for fiscal years and the interim periods within those fiscal years beginning on or after December 15, 2015. The guidance may be applied prospectively or retrospectively to all prior periods presented in the financial statements, with additional disclosures for entities electing prospective application. Early application was permitted as of the beginning of the fiscal year of adoption. The adoption of this authoritative guidance did not have a material impact on our consolidated financial statements.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” The standard changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking “expected loss” model that generally will result in the earlier recognition of allowances for losses. For available-for-sale debt securities with unrealized losses, entities will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. Entities will have to disclose significantly more information, including information they use to track credit quality by year of origination for most financing receivables. The standard is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2019. The guidance requires entities to apply the amendments through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). For certain assets (such as debt securities for which an other-than-temporary impairment has been recognized before the effective date), a prospective transition approach is required. We do not expect that the adoption of this authoritative guidance will have a material impact on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09 “Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.” This guidance simplifies several aspects of accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2016. Early adoption will be permitted in any interim or annual reporting period for which financial statements have not yet been issued or have not been made available for issuance. We are currently assessing the impact of the adoption of this authoritative guidance on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-07 “Simplifying the Transition to the Equity Method of Accounting.” This guidance eliminates the requirement to apply the equity method of accounting retrospectively when a reporting entity obtains significant influence over a previously held investment. The standard is effective for fiscal years beginning after December 15, 2016 and the interim periods within those years. Early adoption is permitted. The guidance should be applied prospectively for investments that qualify for the equity method of accounting after the effective date. We do not expect that the adoption of this authoritative guidance will have a material impact on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-05 “Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships.” This guidance clarifies that a change in counterparty to a derivative contract, in and of itself, does not require the dedesignation of a hedging relationship. The standard is effective for fiscal years beginning after December 15, 2016 and interim periods within those years. Early adoption is permitted. Entities may adopt the guidance prospectively or use a modified retrospective approach to apply it to derivatives outstanding during all or a

portion of the periods presented in the period of adoption. We do not expect that the adoption of this authoritative guidance will have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02 "Leases (Topic 842)." This standard requires entities that lease assets to recognize on the balance sheet, subject to certain exceptions, the assets and liabilities for the rights and obligations created by those leases. The standard is effective for fiscal years and the interim periods within those fiscal years beginning after December 15, 2018. The guidance is required to be applied by the modified retrospective transition approach. Early adoption is permitted. We are currently assessing the impact of the adoption of this authoritative guidance on our consolidated financial statements.

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New Revenue Recognition Standard:
In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," which outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers and supersedes and replaces nearly all existing GAAP revenue recognition guidance, including industry-specific guidance. The authoritative guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. The five steps are: (i) identify the contract with the customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognize revenue when or as each performance obligation is satisfied. The authoritative guidance applies to all contracts with customers except those that are within the scope of other topics in the FASB ASC. The authoritative guidance requires significantly expanded disclosures about revenue recognition and was initially effective for fiscal years and the interim periods within these fiscal years beginning on or after December 15, 2016. In August 2015, the FASB issued ASU No. 2015-14 "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date." This standard defers for one year the effective date of ASU No. 2014-09. The deferral will result in this standard being effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2017. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016 including interim reporting periods within that reporting period.
In March 2016, the FASB issued ASU No. 2016-08 "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)." This guidance amends the principal versus agent guidance in the new revenue standard. The amendments retain the guidance that the principal in an arrangement controls a good or service before it is transferred to a customer. The amendments clarify how an entity should identify the unit of accounting for principal versus agent evaluation and how it should apply the control principle to certain types of arrangements, such as service transactions. The amendments also reframe the indicators to focus on evidence that an entity is acting as a principal rather than an agent, revise examples in the new standard and add new examples.
In April 2016, the FASB issued ASU No. 2016-10 "Revenue From Contracts With Customers (Topic 606): Identifying Performance Obligations and Licensing." The guidance amends identifying performance obligations and accounting for licenses of intellectual property in the new revenue standard. The amendments address implementation issues that were raised by stakeholders and discussed by the Revenue Recognition Transition Resource Group. The amendments updated examples and added several new examples to illustrate the new guidance.
In May 2016, the FASB issued ASU No. 2016-11, "Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of Securities and Exchange Commission ("SEC") Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting (SEC Update)" which rescinds certain SEC guidance from the FASB Accounting Standards Codification in response to announcements made by the SEC staff at the EITF's March 3, 2016, meeting.
In May 2016, the FASB issued ASU No. 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients," which amends certain aspects of ASU No. 2014-09 such as assessing collectibility, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition.
We will adopt the new revenue guidance on January 1, 2018 and apply the modified retrospective transition method. We are currently assessing the impact of the adoption of this authoritative guidance on our consolidated financial statements.

Note 3 -- Restructuring Charge

We 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 were incurred as a result of eliminating, consolidating, standardizing and/or automating our business functions.
Restructuring charges have been recorded in accordance with 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 costs 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, 2016 vs. Three Months Ended June 30, 2015
During the three months ended June 30, 2016, we recorded a $5.9 million restructuring charge. This charge is comprised of:

- Severance and termination costs of $5.9 million in accordance with the provisions of ASC 712-10 were recorded. Approximately 90 employees were impacted. Of these 90 employees, approximately 65 employees exited the Company by the end of the second quarter of 2016, with the remaining primarily to exit by the end of the third quarter of 2016. The cash payments for these employees will be substantially completed by the end of the first quarter of 2017.

During the three months ended June 30, 2015, we recorded a $4.8 million restructuring charge. This charge is comprised of:

- Severance and termination costs of $4.8 million in accordance with the provisions of ASC 712-10 were recorded. Approximately 50 employees were impacted. Of these 50 employees, approximately 40 employees exited the Company by the end of the second quarter of 2015, with the remaining primarily having exited by the end of the third quarter of 2015. The cash payments for these employees were substantially completed by the end of the first quarter of 2016.

Six Months Ended June 30, 2016 vs. Six Months Ended June 30, 2015
During the six months ended June 30, 2016, we recorded a $15.6 million restructuring charge. This charge is comprised of:

- Severance and termination costs of $15.6 million in accordance with the provisions of ASC 712-10 were recorded. Approximately 255 employees were impacted. Of these 255 employees, approximately 210 employees exited the Company by the end of the first half of 2016, with the remaining primarily to exit by the end of the third quarter of 2016. The cash payments for these employees will be substantially completed by the end of the first quarter of 2017.

During the six months ended June 30, 2015, we recorded a $9.6 million restructuring charge. The significant components of this charge included:

- Severance and termination costs of $9.5 million in accordance with the provisions of ASC 712-10 were recorded. Approximately 135 employees were impacted. Of these 135 employees, approximately 125 employees exited the Company by the end of the first half of 2015, with the remaining primarily having exited by the end of the third quarter of 2015. The cash payments for these employees were substantially completed by the end of the first quarter of 2016; and

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Contract termination, lease term obligations and other exit costs including those to consolidate or close facilities of $0.1 million.

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The following tables set forth, in accordance with ASC 712-10 and/or ASC 420-10, the restructuring reserves and utilization:

	Severance and Termination	Contract Termination, Lease Termination Obligations and Other Exit Costs	Total
Restructuring Charges:			
Balance Remaining as of December 31, 2015	$ 18.6	$ 2.3	$20.9
Charge Taken during First Quarter 2016	9.7	—	9.7
Payments during First Quarter 2016	(10.1)	(0.3)	(10.4)
Balance Remaining as of March 31, 2016	$ 18.2	$ 2.0	$20.2
Charge Taken during the Second Quarter 2016	5.9	—	5.9
Payments during Second Quarter 2016	(10.0)	(0.4)	(10.4)
Balance Remaining as of June 30, 2016	$ 14.1	$ 1.6	$15.7

	Severance and Termination	Contract Termination, Lease Termination Obligations and Other Exit Costs	Total
Restructuring Charges:			
Balance Remaining as of December 31, 2014	$ 8.1	$ 1.8	$9.9
Charge Taken during First Quarter 2015	4.7	0.1	4.8
Payments during First Quarter 2015	(2.5)	(0.3)	(2.8)
Balance Remaining as of March 31, 2015	$ 10.3	$ 1.6	$11.9
Charge Taken during Second Quarter 2015	4.8	—	4.8
Payments during Second Quarter 2015	(5.3)	(0.3)	(5.6)
Balance Remaining as of June 30, 2015	$ 9.8	$ 1.3	$11.1

Note 4 -- Notes Payable and Indebtedness
Our borrowings are summarized in the following table:

	Maturity	June 30, 2016		December 31, 2015	
		Principal Amount	Carrying Value	Principal Amount	Carrying Value
Debt Maturing Within One Year:					
Term Loan Facility		$20.0	$20.0	$20.0	$20.0
Total Short-Term Debt		$20.0	$20.0	$20.0	$20.0

Debt Maturing After One Year:					
3.25% senior notes issued in December 2012 (1) (4) (5)	December 1, 2017	$450.0	$449.0	$450.0	$448.7
4.375% senior notes issued in December 2012 (2) (4) (5)	December 1, 2022	300.0	296.6	300.0	296.3
4.00% senior notes issued in June 2015 (3) (4) (6)	June 15, 2020	300.0	296.9	300.0	296.5
Term Loan Facility (7)	November 13, 2020	365.0	363.5	375.0	373.3
Revolving Credit Facility	July 23, 2019	309.6	309.6	382.2	382.2
Commercial Paper Program		—	—	—	—
Total Long-Term Debt		$1,724.6	$1,715.6	$1,807.2	$1,797.0

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(1) The notes were issued at a discount of less than $0.1 million with a remaining balance of less than $0.1 million at June 30, 2016. In connection with the issuance, we incurred underwriting and other fees of approximately $3.4 million, with a remaining balance of $1.0 million as of June 30, 2016.

(2) The notes were issued at a discount of $2.9 million with a remaining balance of $1.9 million at June 30, 2016. In connection with the issuance, we incurred underwriting and other fees of approximately $2.5 million, with a remaining balance of $1.5 million as of June 30, 2016.

(3) The notes were issued at a discount of $1.2 million with a remaining balance of $0.9 million at June 30, 2016. In connection with the issuance, we incurred underwriting and other fees of approximately $2.9 million, with a remaining balance of $2.2 million as of June 30, 2016.

(4) The 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. We were in compliance with these non-financial covenants at June 30, 2016 and December 31, 2015. The notes do not contain any financial covenants.

(5) The interest rates are subject to upward adjustment if our debt ratings decline three levels below the Standard & Poor's® and/or Fitch® BBB+ 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 rates and the rates cannot adjust below the initial interest rates. As of June 30, 2016, no such adjustments to the interest rates were required.

(6) The interest rates are subject to an adjustment if our debt ratings decline one level below the Standard & Poor's BBB- credit rating and/or two levels below the Fitch BBB credit rating 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 the initial interest rate. As of June 30, 2016, no such adjustments to the interest rate were required.

(7) In connection with the placement of the term loan facility, we incurred $1.9 million in structuring and other fees, with a remaining balance of $1.5 million as of June 30, 2016.

In the first quarter of 2016, we adopted ASU No. 2015-03 "Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." As required, the guidance was applied retrospectively to all prior periods. Accordingly, we have reclassified balances related to debt issuance costs from "Other Non-Current Assets" to "Long Term Debt" for all prior periods. Debt issuance costs are presented as a direct deduction from the carrying amount of the related debt liability. The impact to our consolidated balance sheet was $6.2 million and $7.1 million at June 30, 2016 and December 31, 2015, respectively.

Term Loan Facility

On May 14, 2015, we entered into a delayed draw unsecured term loan facility which provided for borrowings in the form of up to two drawdowns in an aggregate principal amount of up to $400 million at any time up to and including November 15, 2015 (the "term loan facility"). The term loan facility matures five years from the date of the initial drawdown. Proceeds under the term loan facility were designated to be used for general corporate purposes including the refinancing of the 2.875% senior notes that matured in November 2015 and the repayment of borrowings outstanding under the $1 billion revolving credit facility. Borrowings under the term loan facility bear interest at a rate of LIBOR plus a spread of 137.5 basis points. Our initial draw down under the term loan facility in the amount of $400 million was made in November 2015, establishing a facility maturity of November 2020. We also committed to repay the borrowings in prescribed installments over the five year period. Repayments expected to be made within one year are classified as "Short-Term Debt" and the remaining outstanding balance is classified as "Long-Term Debt." The weighted average interest rates associated with the outstanding balances as of June 30, 2016 and December 31, 2015 were 1.83% and 1.73%, respectively.

The term loan 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 term loan facility credit agreement and which are generally identical to those contained in the $1 billion revolving credit facility. We were in compliance with the term loan facility financial and non-financial covenants at June 30, 2016 and December 31, 2015.

Revolving Credit Facility and Commercial Paper Program

We currently have a $1 billion revolving credit facility maturing in July 2019. Borrowings under the $1 billion revolving credit facility bear interest at a rate of LIBOR plus a spread of 110.0 basis points. The revolving credit facility requires the maintenance of interest coverage and total debt to EBITDA ratios which are defined in the $1 billion revolving credit facility

credit agreement. We were in compliance with the $1 billion revolving credit facility financial and non-financial covenants at June 30, 2016 and December 31, 2015.

In accordance with ASC 470, “Debt,” a short-term obligation that will be refinanced with successive short-term obligations may be classified as non-current as long as the cumulative period covered by the financing agreement is uninterrupted and extends beyond one year. Accordingly, the outstanding balances under the revolving credit facility were classified as “Long-Term Debt” as of June 30, 2016 and December 31, 2015, respectively. The weighted average interest rates associated with the outstanding balances as of June 30, 2016 and December 31, 2015 were 1.78% and 1.51%, respectively.

We borrowed under this facility from time to time during the six months ended June 30, 2016 and the year ended December 31, 2015 to supplement the timing of receipts in order to fund our working capital. We also borrowed under this facility during the year ended December 31, 2015 to fund the acquisition of NetProspex and a portion of the consideration for Dun & Bradstreet Credibility Corp (“DBCC”). This facility also supports our commercial paper program. Under this program, we may issue from time to time unsecured promissory notes in the commercial paper market in private placements exempt from registration under the Securities Act of 1933, as amended, for a cumulative face amount not to exceed $800 million outstanding at any one time and with maturities not exceeding 364 days from the date of issuance. Outstanding commercial paper would effectively reduce the amount available for borrowing under our $1 billion revolving credit facility. We did not borrow under our commercial paper program during the six months ended June 30, 2016 or during the year ended December 31, 2015.

Other

At June 30, 2016 and December 31, 2015, we were contingently liable under open standby letters of credit and bank guarantees issued by our banks in favor of third parties totaling $2.7 million and $2.6 million, respectively.

Interest paid for all outstanding debt totaled $26.8 million and $22.6 million during the six months ended June 30, 2016 and 2015, respectively.

Note 5 -- Earnings Per Share

We 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 for the three month and six month periods ended June 30, 2016 and 2015, none of our stock-based awards were deemed to be participating securities.

We are required to include in our computation of diluted EPS any contingently issuable shares that would have satisfied all the necessary conditions by the end of the reporting period as if it were the end of the performance period. Contingently issuable shares are shares that have an issuance contingent upon the satisfaction of certain conditions other than just services. We have granted certain employees target awards of performance-based restricted stock units, in the form of leveraged restricted stock units or performance units. As the actual number of Dun & Bradstreet common shares ultimately received by the employee can range from zero to 200% of the target award depending on the Company’s actual performance against the pre-established market conditions or performance conditions, these awards are considered contingently issuable shares.

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Income from Continuing Operations Attributable to Dun & Bradstreet Common Shareholders – Basic and Diluted	$18.8	$29.6	$48.8	$69.1
Loss from Discontinued Operations – Net of Income Taxes	—	(37.5)	—	(36.0)
Net Income (Loss) Attributable to Dun & Bradstreet Common Shareholders – Basic and Diluted	$18.8	$(7.9)	$48.8	$33.1
Weighted Average Number of Shares Outstanding – Basic	36.3	36.1	36.2	36.0
Dilutive Effect of Our Stock Incentive Plans	0.3	0.3	0.3	0.4
Weighted Average Number of Shares Outstanding – Diluted	36.6	36.4	36.5	36.4
Basic Earnings (Loss) Per Share of Common Stock:				
Income from Continuing Operations Attributable to Dun & Bradstreet Common Shareholders	$0.52	$0.82	$1.35	