

DUN & BRADSTREET CORP/NW

Form 10-K

March 01, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

**Form 10-K
Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Fiscal Year Ended December 31, 2005
Commission file number 1-15967
The Dun & Bradstreet Corporation
(Exact name of registrant as specified in its charter)**

Delaware
(State of incorporation)
22-3725387
(I.R.S. Employer Identification No.)

103 JFK Parkway, Short Hills, NJ
(Address of principal executive offices)
07078
(Zip Code)

**Registrant's telephone number, including area code: (973) 921-5500
Securities registered pursuant to Section 12(b) of the Act:**

Title of each class	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	New York Stock Exchange
Preferred Share Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

As of June 30, 2005, the aggregate market value of all shares of Common Stock of The Dun & Bradstreet Corporation outstanding and held by nonaffiliates* (based upon its closing transaction price on the New York Stock Exchange Composite Tape on June 30, 2005) was approximately \$4.128 billion.

As of January 31, 2006, 66,936,840 shares of Common Stock of The Dun & Bradstreet Corporation were outstanding.

Documents Incorporated by Reference

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Portions of the registrant's definitive proxy statement for use in connection with its annual meeting of shareholders scheduled to be held on May 2, 2006, are incorporated into Part III of this Form 10-K.

* Calculated by excluding all shares held by executive officers and directors of the registrant. Such exclusions will not be deemed to be an admission that all such persons are affiliates of the registrant for purposes of federal securities laws.

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PART I

Item 1. Business

Overview

The Dun & Bradstreet Corporation (D&B or we or our) is the leading provider of global business information, tools and insight, and has enabled customers to Decide with Confidence® for over 160 years. Our proprietary DUNSRight® quality process provides our customers with quality business information. This quality information is the foundation of our solutions that customers rely on to make critical business decisions. Customers use our Risk Management Solutions™ to mitigate credit risk, increase cash flow and drive increased profitability, our Sales & Marketing Solutions™ to increase revenue from new and existing customers, our E-Business Solutions™ to convert prospects to clients faster by enabling business professionals to research companies, executives and industries and our Supply Management Solutions™ to increase cash by generating ongoing savings from our customers' suppliers and protecting our customers from serious financial, operational and regulatory risk.

Our Aspiration and Our Strategy

In October 2000, we launched a new business strategy called the Blueprint for Growth. This strategy has been successful and continues to be our roadmap for driving our performance and achieving our aspiration, which is: To be the most trusted source of business insight so our customers can decide with confidence. Our aspiration reflects the belief that by intensifying our customer focus, our customers will be even more successful in the marketplace. Our Blueprint for Growth strategy has five components:

Brand;

Financial Flexibility;

Winning Culture;

Current Business; and

E-Business.

For the reasons described below, we believe that our Brand, our Financial Flexibility and our Winning Culture are powerful competitive advantages that drive the growth and profitability of our Current Business and E-Business.

Leverage Our Brand

We believe that the D&B® Brand stands for confidence: our customers rely on D&B when they make critical business decisions.

This confidence is the product of DUNSRight, our proprietary quality process that powers all of our customer solution sets. Through our DUNSRight quality process, our customers have access to comprehensive business information that we constantly endeavor to make more accurate, complete, timely and consistent, on a global basis. We believe that our quality process is the best in our industry.

The foundation of our DUNSRight quality process is **Quality Assurance**, which includes over 2,000 separate automated and manual checks to ensure that data meets our high quality standards. In addition, five **Quality Drivers** work sequentially to enhance the data and make it useful to our customers in making critical business decisions. Each of these quality drivers is described below:

First, by leveraging our core competency in **Global Data Collection**, we bring together data from thousands of sources worldwide and enhance it into quality information to help our customers make profitable decisions. We have the world's largest global business database, with over 101 million business records in over 200 countries, including over 41 million business records in the United States.

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We update our database more than 1.5 million times a day. As a result, we provide our customers a one-stop shop for global business data from around the world.

We integrate the data into our database through our patented **Entity Matching** process, which produces a single, more accurate picture of each business. Entity Matching ensures that disparate data elements are associated with the right businesses in our database by doing such things as allowing and correcting for variations in spelling, format, trade names and addresses.

We apply our nine-digit global **D-U-N-S® Number** as a unique means of identifying and tracking a business globally through every step in the life and activity of the business. We use the D-U-N-S Number to link headquarters, branches, parents and subsidiaries. In today's global economy, the D-U-N-S Number has become a standard for business identification and verification. The D-U-N-S Number is exclusively ours and is never reassigned to another business. It follows a business through every phase of its life, including bankruptcy, and allows verification of information at every stage of the DUNSRight quality process.

We use the **Corporate Linkage** process to enable our customers to view their total risk or opportunity across related business entities. Corporate linkage means we view each entity in relation to its corporate family, providing our customers with increased awareness of risk exposure, new opportunities to penetrate existing customers, and increased leverage with their suppliers.

Finally, our **Predictive Indicators** use statistical analysis to rate a business's past performance and to indicate how the business is likely to perform in the future. As an example, Predictive Indicators are used to predict the likelihood of a company going out of business or not paying its bills. By providing Predictive Indicators, we make the information in our database even more actionable for our customers.

With the power of our DUNSRight quality process at its foundation, we believe the D&B Brand is another competitive advantage that will help us achieve our aspiration.

Create Financial Flexibility

We continually seek opportunities to reallocate our spending from low-growth activities to activities that will drive revenue growth, while, at the same time, improving our profitability. We view almost every dollar that we spend as flexible. What this means is that we view very little of our costs as fixed—we make a conscious decision about every investment we make.

We call this process *Creating Financial Flexibility*, and we continually and systematically seek ways to improve our performance in terms of quality and cost. Specifically, we seek to eliminate, standardize, consolidate, and automate our business functions, or migrate them to the Web. In addition, we evaluate the possibility that we can achieve improved quality and greater efficiencies through outsourcing. We have outsourced a number of technology functions over the past several years and have recently reviewed our existing outsourcing technology arrangements for areas where we can achieve further efficiencies. For example, during 2005, we increased the scope of our technology development outsourcing with respect to scheduled maintenance of our applications and routine testing of our software.

In addition, as part of our Financial Flexibility Programs, we eliminate non-core operations; consolidate operations such as our data collection telecenters; and automate and simplify data collection handled both internally and from third-party data sources.

Since the launch of our Blueprint for Growth strategy, we have implemented Financial Flexibility Programs. In each of these programs, we identified ways to reduce our expense base and then reallocated some of the identified spending to other areas of our operations to improve revenue growth. With each program we have incurred restructuring charges (which generally consists of employee severance and termination costs, contract terminations, asset write-offs, and/or costs to terminate lease obligations less sublease income) and transition costs (which consist of other costs necessary to accomplish the process changes such as consulting fees, costs of temporary workers, relocation costs and stay bonuses).

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Our Financial Flexibility Programs are continuing. On January 31, 2006, our Board of Directors approved our 2006 Financial Flexibility Program. In 2006, we will create financial flexibility through initiatives, including the following:

Eliminating, standardizing, and consolidating redundant technology platforms, software licenses and maintenance agreements;

Standardizing and consolidating customer service teams and processes to increase productivity and capacity utilization;

Consolidating our vendors to improve purchasing power; and

Improving operating efficiencies of facilities.

We expect to complete all actions under the 2006 program by December 2006. On an annualized basis, these actions are expected to create \$70 million to \$75 million of financial flexibility, of which approximately \$50 million to \$55 million will be generated in 2006, before any transition costs and restructuring charges and before any reallocation of spending. To implement these initiatives, we expect to incur transition costs of approximately \$15 million. In addition, we expect to incur non-core charges, as described in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report on Form 10-K, totaling \$23 million to \$28 million pre-tax, of which \$10 million to \$14 million relate to severance, approximately \$9 million to \$10 million relate to lease termination obligations and approximately \$4 million relate to other exit costs in 2006. Approximately \$36 million to \$41 million of these transition costs and restructuring charges are expected to result in cash expenditures. In addition, as a result of this re-engineering program, we expect that approximately 125 to 150 positions will be eliminated globally.

As a result of our ability to provide funds for activities that drive growth while at the same time improving our profitability, we believe financial flexibility is another competitive advantage.

Build a Winning Culture

We believe that a Winning Culture is built by strong leadership that will drive results and create shareholder value. To build such leadership, we have developed and deployed a consistent, principles-based leadership model throughout our Company.

Our leadership development process ensures that team member performance goals and financial rewards are linked to our Blueprint for Growth strategy. For example, we link a component of leadership compensation to our overall financial results and require each of our team members to be certified in our DUNSRight quality process. It also enables team members, which include our management and employees, to receive ongoing feedback on their performance goals and on their leadership. All team members are expected to have personal leadership action plans that are focused on their own personal development, building on their leadership strengths and working on their areas of development.

We have a talent assessment process that provides a framework to assess and improve skill levels and performance across the organization and which acts as a tool to aid talent development and succession planning. We also have an employee survey mechanism that enables team members worldwide to give feedback on our progress in building a Winning Culture.

We believe that improving our leadership and building a Winning Culture are competitive advantages that will help us achieve our aspiration.

Enhance Our Current Business and Become an Important Player in E-Business

We have four customer solution sets: Risk Management Solutions, Sales & Marketing Solutions, E-Business Solutions and Supply Management Solutions. We believe each of our customer solution sets will contribute to our growth and enable us to achieve our aspiration.

Our **Risk Management Solutions** help customers mitigate credit risk, increase cash flow and drive increased profitability;

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Our **Sales & Marketing Solutions** help customers increase revenue from new and existing customers;

Our **E-Business Solutions** help customers convert prospects to clients faster by enabling business professionals to research companies, executives and industries; and

Our **Supply Management Solutions** help customers increase their cash by generating ongoing savings from their suppliers and protecting our customers from serious financial, operational and regulatory risk.

Business Segments

We currently manage and report our business globally through two business segments:

United States (which consists solely of our United States or U.S. operations); and

International (which consists of our operations in Canada, Europe, Asia Pacific, and Latin America).

On January 1, 2005, we began managing our operations in Canada as part of our International segment and we have reclassified our historical financial results set forth in this Annual Report on Form 10-K to reflect this change. Prior to January 1, 2005, we reported the results of our Canadian operations together with our U.S. operations.

U.S. Our U.S. segment accounted for 75%, 71% and 67% of our total revenue for the years ended December 31, 2005, 2004 and 2003, respectively.

International. The International segment has offices in approximately 13 countries and has 134 independent correspondents, and through our D&B Worldwide Network conducts operations through strategic partner relationships with local players in more than 20 countries and through minority equity investments. The International segment accounted for 25%, 29% and 33% of our total revenue for the years ended December 31, 2005, 2004 and 2003, respectively.

As part of our ongoing effort to *Enhance Our Current Business*, we have been strengthening our D&B Worldwide Network through the continued implementation of a focused market leadership strategy for our International segment, through which we intend to establish a leading competitive position in every major market. We define a leading competitive position as one where we are, or we are partnered with:

A leading provider of Risk Management Solutions;

A leading provider of Sales & Marketing Solutions; and

Have the potential to grow both profitably.

We use different approaches to improve our competitive position from market to market worldwide. As part of this process, we evaluate our competitive position and potential in each country (or market) and determine whether we can best achieve our objectives through continued direct ownership of, and investment in, our local business, or by forming strategic relationships with local players.

Since the launch of the Blueprint for Growth strategy, we have entered into strategic relationships with strong local players in the following countries (markets), which have strengthened our DUNSRight quality process and improved our competitive position by enhancing our brand and increasing the size and quality of our database in these markets:

In 2001, Japan, Australia, New Zealand, Malaysia and Thailand;

In 2002, Korea;

In 2003, Indonesia, Israel and the Nordic region (Sweden, Denmark, Norway and Finland); and

In 2004, India, Distribution Channels in Pakistan and the Middle East, Central Europe (Germany, Austria, Switzerland, Poland, Hungary and the Czech Republic), Iberia (Spain and Portugal) and France.

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Our D&B Worldwide Network enables our customers globally to make business decisions with confidence, because we incorporate data from our strategic partners that has been put through the DUNSRight quality process into our database and utilize it in our customer solutions. Our customers, therefore, have access to a more powerful database and global solution sets they can rely on to make their risk management, sales and marketing and supply management business decisions.

Acquisitions to Enhance Our Business Growth

In addition, we have from time to time, acquired complementary businesses, products and technologies. For example:

In 2003, we acquired Hoover's, Inc.;

In 2003, we also acquired controlling interests in three privately held Italian real estate data companies and a minority interest in RIBES S.p.A.;

In 2004, we acquired an additional interest in RIBES S.p.A., resulting in our controlling interest of such entity; and

In 2005, we acquired LiveCapital, Inc.

Segment data and other information for the years ended December 31, 2005, 2004 and 2003 are included in Note 14 to our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K.

Our Customer Solutions and Services

Risk Management Solutions

Risk Management Solutions is our largest customer solution set, accounting for 66%, 62% and 58% of our total revenue for the years ended December 31, 2005, 2004 and 2003, respectively. Within this customer solution set we offer traditional and value-added solutions. Our traditional solutions, which consist of reports from our database used primarily for making decisions about new credit applications, constituted 81% of our Risk Management Solutions revenue and 53% of our total revenue for the year ended December 31, 2005. Our value-added solutions, which constituted 19% of our Risk Management Solutions revenue and 13% of our total revenue for the year ended December 31, 2005, generally support automated decision-making and portfolio management through the use of scoring and integrated software solutions. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report on Form 10-K for a discussion of trends in this customer solutions set.

Our Risk Management Solutions help customers increase cash flow and profitability while mitigating credit risk by helping them answer questions such as:

Should I extend credit to this new customer?

What credit limit should I set?

Will this customer pay me on time?

What is my total credit risk exposure?

Should I change my credit policies?

How can I proactively manage my cash flow?

Our principal Risk Management Solutions are:

Our Business Information Report, or BIR, and our Comprehensive Report, which provide overall profiles of a company, including, based on the report, financial information, payment information, history of a business, ownership details, operational information and similar information;

Our Self Awareness Solutions, which allow our small business customers to establish, improve and protect their own credit;

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Our decisioning scores, which help assess the credit risk of a business by assigning a rating or score;

Our Risk Assessment Manager, or RAM[™], and enterprise Risk Assessment Manager, or eRAM[™], which help our customers manage their credit portfolios; and

e-Portfolio, a Web-enabled, real-time decisioning solution that helps customers minimize risk and maximize opportunity by automating their global risk policy.

In addition, certain of our solutions are available on a subscription basis. For example, in the U.S. our DNBi interactive Web-based solution offers our customers real time access to our global database, enabling them to make more timely and more confident decisions to mitigate risk and drive top line results. We also introduced a subscription plan in our European market in the second half of 2005. This new plan provides increased access to our Risk Management reports and data to help customers increase their profitability while mitigating their risk.

Sales & Marketing Solutions

Sales & Marketing Solutions is our second-largest customer solution set accounting for 27%, 26% and 25% of our total revenue for the years ended December 31, 2005, 2004 and 2003, respectively. Within this customer solution set we offer traditional and value-added solutions. Our traditional solutions generally consist of marketing lists, labels and customized data files used by our customers in their direct mail and marketing activities. These solutions constituted 45% of our Sales & Marketing Solutions revenue and 12% of our total revenue for the year ended December 31, 2005. Our value-added solutions generally include decision-making and customer information management solutions. These value-added solutions constituted 55% of Sales & Marketing Solutions revenue and 15% of our total revenue for the year ended December 31, 2005. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for a discussion on trends in this customer solutions set.

Our Sales & Marketing Solutions help customers increase revenue from new and existing customers by helping them answer questions such as:

Who are my best customers?

How can I find prospects that look like my best customers?

How can I exploit untapped opportunities with my existing customers?

How can I allocate sales force resources to revenue growth potential?

Our principal Sales & Marketing Solutions are:

Our Customer Information Management Solutions, which are a suite of solutions that cleanse, integrate and enrich customer information with our DUNSRight quality process. These solutions produce a comprehensive view of the customer that powers the Customer Relationship Management (CRM) system and business intelligence systems used by our customers to make sales and marketing decisions;

Our Market Spectrum[™] Web, which allows end-users easy access, through the Web, to a decision support application that provides an integrated view of customers and prospects. Market Spectrum Web is used to support accurate targeting and segmentation for marketing campaigns; and

Our Direct Marketing Lists, which benefit from our DUNSRight quality process to enable our customers to create an accurate and comprehensive marketing campaign.

E-Business Solutions

E-Business Solutions represents the results of Hoover's, Inc., a business we acquired in March 2003. In addition to offering Hoover's in the U.S., we began offering our Hoover's solution to customers in Europe in the fourth quarter of 2004. Hoover's accounted for 4%, 4% and 2% of our total revenue for the years ended December 31, 2005, 2004 and 2003, respectively. See Item 7. Management's Discussion and Analysis of

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Financial Condition and Results of Operations in this Annual Report on Form 10-K for a discussion on trends in this customer solutions set.

Hoover's provides information on public and private companies, and their executives and industries, primarily to senior executives and sales professionals worldwide. The database includes industry and company briefs, information on competitors, corporate financials, executive contact information, current news and research and analysts reports. Hoover's subscribers primarily access the data online via Hoover's Online.

Our E-Business Solutions help customers convert prospects to clients faster by helping them answer questions such as:

How do I identify prospects and better prepare for sales calls?

What is the prospect's business strategy and who are its major competitors?

How does the prospect compare to others in their industry?

Who are the key senior level decision-makers?

How do I build a strong relationship with my customers?

How do I find new business opportunities and keep current on market trends and competitors?

Our principal E-Business Solutions are:

Our subscription solutions delivered online through Hoover's Online (such as Lite, Pro, Pro Plus, Pro Premium) and via electronic data feeds;

Our advertising and e-marketing solutions provided through www.hoovers.com and related websites;

Licensing of Hoover's proprietary content to third-party content providers; and

The Hoover's Handbook series, a series of authoritative, printed reference materials.

Supply Management Solutions

Supply Management Solutions accounted for 3%, 2% and 3% of our total revenue for the years ended December 31, 2005, 2004 and 2003, respectively. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report on Form 10-K for a discussion on trends in this customer solutions set.

Our Supply Management Solutions help our customers to increase cash by generating ongoing savings from our customers' suppliers and protecting our customers from serious financial, operational and regulatory risk by helping them answer questions such as:

How much do I spend on purchasing?

How much business do I do with each supplier?

How can I minimize my purchasing costs?

How can I avoid supply chain disruption?

How can I know which suppliers are also customers?

How can I find suppliers to help achieve my corporate diversity objectives?

How do I know whether I am in compliance with regulatory acts?

Our principal Supply Management Solutions are:

Our Supply Data Services, which provide data content and professional services to remove duplicate records and file fragmentation as well as cleanse, enhance and enrich our customers' supplier information;

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Our Supplier reports, particularly our Supplier Qualifier Report[™], which enable our customers to understand risk in their supply base by providing an in-depth business profile on an individual supplier and help customers understand the nature and performance of a supplier's business;

Our Supply On-Ramp[™], which is a Web-based solution that allows customers to standardize their supplier registration and evaluation process by creating a single point of entry with consistent procedures; and

Our Supply Optimizer[®], which is an analytical software tool that provides customers with a comprehensive view of their supplier relationships: who their suppliers are, how much they are spending by business unit and what categories of customers solutions and services are being bought.

Our Sales Force

We rely primarily on our sales force of approximately 1,700 team members worldwide to sell our customers solutions, of which approximately 1,200 are in our U.S. segment and 500 are in our International segment as of December 31, 2005. Our sales force includes relationship managers and solution specialists who sell to our higher-revenue customers, teams of telesales people who sell to our lower-revenue customers and a team that sells to resellers of our solutions and our data.

We deliver our solutions primarily through the Web and other electronic methods, including desktop and enterprise application software, as well as through third-party resellers and enterprise software vendors.

Our Customers

Our principal customers are banks and other credit and financial institutions, major manufacturers and wholesalers, insurance companies and telecommunication companies. The principal customers for our E-Business Solutions are sales, marketing and business development professionals. None of our customers accounted for more than 2% of our 2005 total revenue or of the revenue of our U.S. or International business segments. Accordingly, neither we nor either of our business segments is dependent on a single customer or a few customers, such that a loss of any one would have a material adverse effect on our consolidated annual results of operations or the annual results of either of our business segments.

Competition

We are subject to highly competitive conditions in all aspects of our business. A number of competitors are active in specific aspects of our business. However, we believe no competitor offers our complete line of solutions or can match our global data quality resulting from our DUNSRight quality process.

In the U.S., we are a market leader in our Risk Management Solutions business in terms of market share and revenue, including revenue from sales of third-party business credit information. We compete with our customers' own internal business practices by continually developing more efficient alternatives to our customers' risk management processes in order to capture more of their internal spend. We also directly compete with a broad range of companies, including consumer credit companies such as Equifax, Inc. and Experian Information Solutions, Inc. (Experian), which have traditionally offered primarily consumer information services, but now offer products that combine consumer information with business information as a tool to help customers make credit decisions with respect to small businesses.

We also compete in the U.S. with a broad range of companies offering solutions similar to our Sales & Marketing Solutions and Supply Management Solutions as well as our customers' own purchasing departments. In our Sales & Marketing Solutions business, our direct competitors include companies such as Experian and infoUSA, Inc. (infoUSA). In our Supply Management Solutions business, we directly compete with consulting firms, specialty data providers and specialty software companies.

In our E-Business Solutions, Hoover's competition varies based on the size of the customer and the level of spending available for services such as Hoover's Online. On the high end of product pricing, Hoover's Pro, Hoover's Pro Plus and Hoover's Pro Premium products compete with other business information providers

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such as infoUSA. On the lower end of product pricing, our Hoover's Lite solution mainly competes with advertising-supported websites and other free or low-priced information sources, such as Yahoo! Finance and CBS MarketWatch.

Outside the U.S., the competitive environment varies by country, and in some countries we are a market leader. For example, in Europe, our direct competition is primarily local, such as Cerved in Italy and Experian in the United Kingdom (UK). In addition, common links exist among some of these competitors through their membership in European information network alliances, such as BIGNet (Experian), and we believe that competitors may be pursuing the establishment of their own pan-European network through direct investment, which could ultimately be positioned by them as an alternative to our D&B Worldwide Network. However, we believe we offer superior solutions when compared to these networks because of our DUNSRight quality process. In addition, the Sales & Marketing Solutions landscape is both localized and fragmented throughout Europe, where numerous local players of varying size compete for business.

We also face significant competition from the in-house operations of the businesses we seek as customers, other general and specialized credit reporting and business information services, other information and professional service providers, and credit insurers. For example, in certain International markets, such as Europe, some credit insurers have identified the provision of credit information as an additional revenue stream. In addition, business information solutions and services are becoming more readily available, principally due to the expansion of the Internet, greater availability of public data and the emergence of new providers of business information solutions and services.

As discussed in Our Aspiration and Our Strategy above, we believe that our Brand, our Financial Flexibility and our Winning Culture form a powerful competitive advantage.

Our ability to continue to compete effectively will be based on a number of factors, including our ability to:

Communicate and demonstrate to our customers the value of our proprietary DUNSRight quality process and, as a result, improve customer satisfaction;

Maintain and develop proprietary information and services such as analytics (*e.g.*, scoring) and sources of data not publicly available;

Leverage our brand perception and the value of our D&B Worldwide Network; and

Attract and retain a high-performing workforce.

Intellectual Property

We own and control various intellectual property rights, such as trade secrets, confidential information, trademarks, trade names, copyrights, patents and applications therefor. These rights, in the aggregate, are of material importance to our business. We also believe that each of the D&B name and related trade names, marks and logos are of material importance to our business. We are licensed to use certain technology and other intellectual property rights owned and controlled by others, and other companies are licensed to use certain technology and other intellectual property rights owned and controlled by us. We consider our trademarks, service marks, databases, software, patents, patent applications and other intellectual property to be proprietary, and we rely on a combination of statutory (*e.g.*, copyright, trademark, trade secret, patent, etc.) and contract and liability safeguards for protection thereof throughout the world.

Unless the context indicates otherwise, the names of our branded solutions and services referred to in this Annual Report on Form 10-K are trademarks, service marks or registered trademarks or service marks owned by or licensed to us or one or more of our subsidiaries.

We own patents and patent applications both in the U.S. and in other selected countries of strategic importance to us. The patents and patent applications include claims which pertain to certain technologies which we have determined are proprietary and warrant patent protection. We believe that the protection of our innovative technology, especially technology pertaining to our proprietary DUNSRight quality process,

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through the filing of patent applications is a prudent business strategy and we will continue to seek to protect those assets for which we have expended substantial research and development capital. Filing of these patent applications may or may not provide us with a dominant position in the fields of technology. However, these patent applications may provide us with legal defenses should subsequent patents in these fields be issued to third parties and later asserted against us. Where appropriate, we may also consider asserting or cross-licensing our patents.

Employees

As of December 31, 2005, we employed approximately 4,350 team members worldwide, of which approximately 2,950 were in our U.S. segment and Corporate and approximately 1,400 were in our International segment. We believe that we have good relations with our employees. There are no unions in our U.S. segment. Workers Councils and Trade Unions represent a portion of our employees in the European and Latin American operations of our International segment.

Available Information

We are required to file annual, quarterly and current reports, proxy statements and other information with the SEC. Investors may read and copy any document that we file, including this Annual Report on Form 10-K, at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Investors may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, from which investors can electronically access our SEC filings.

We make available free of charge on or through our website (www.dnb.com) our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish the material to, the SEC. The information on our website is not, and shall not be deemed to be, a part of this Annual Report on Form 10-K or incorporated into any other filings we make with the SEC.

Organizational Background of Our Company

As used in this report, except where the context indicates otherwise, the terms "D&B," "Company," "we," "us," or "our" refer to The Dun & Bradstreet Corporation and our subsidiaries.

We were incorporated in 2000 in the State of Delaware. For more information on our history, including the various spin-offs leading to our formation and our becoming a public company in September 2000, see Item 3. Legal Proceedings.

Item 1A. Risk Factors

Our business model is dependent upon third parties to provide data and certain operational services, the loss of which would materially impact our business and financial results.

We rely significantly on third parties to support our business model. For example:

We obtain much of the data that we use from third parties, including public record sources;

We partner with single source providers in certain countries that support the needs of our customers around the globe and rely on our strategic partners in our D&B Worldwide Network to provide local data in countries in which we do not directly operate;

We have outsourced various functions, such as our technology help desk and network management functions in the U.S. and in the UK; and

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We have also outsourced certain portions of our data acquisition and delivery, customer service and some financial processes, such as cash collections and accounts payable.

If one or more data providers were to withdraw their data, cease making it available, or not adhere to our data quality standards, our ability to provide solutions and services to our customers could be materially adversely impacted, which could result in decreased revenue, net income and earnings per share. Similarly, if one of our outsource providers, including our strategic partners, were to experience financial or operational difficulties, their services to us would suffer or they may no longer be able to provide services to us at all, materially impacting our business and financial results. In addition, we cannot be certain that we could replace our large third party vendors in a timely manner or on terms commercially reasonable to us.

We face competition that may cause price reductions or loss of market share.

We are subject to competitive conditions in all aspects of our business. We compete directly with a broad range of companies offering business information services to customers. We also face competition from:

The in-house operations of the businesses we seek as customers;

Other general and specialized credit reporting and other business information services;

Other information and professional service providers; and

Credit insurers.

In addition, business information solutions and services are becoming more readily available, principally due to the expansion of the Internet, greater availability of public data and the emergence of new providers of business information solutions and services. Large web search engine companies can provide low-cost alternatives to data gathering and change how our customers perform key activities such as marketing campaigns. Such companies, and other third parties which may not be readily apparent today, may become significant low-cost competitors and adversely impact the demand for our solutions and services.

Weak economic conditions also can result in customers seeking to utilize free or lower-cost information that is available from alternative sources such as the Internet and European Commission sponsored projects like the European Business Register. Intense competition could harm us by causing, among other things, price reductions, reduced gross margins and loss of market share.

We are facing increased competition from consumer credit companies that offer consumer information solutions to help their customers make credit decisions regarding small businesses. In addition, consumer information companies are seeking to expand their operations more broadly into aspects of the business information space. While their presence is currently small in the business information market, given the size of the consumer market in which they play, they have scale advantages in terms of scope of operations and size of relationship with customers, which they can potentially leverage to an advantage.

Our ability to continue to compete effectively will be based upon a number of factors including our ability to:

Communicate and demonstrate to our customers the value of our proprietary DUNSRight quality process and, as a result, improve customer satisfaction;

Maintain and develop proprietary information and services such as analytics (*e.g.*, scoring), and sources of data not publicly available;

Demonstrate value through our decision-making tools and integration capabilities;

Leverage our brand perception and the value of our D&B Worldwide Network;

Continue to implement the Financial Flexibility component of our strategy and effectively reallocate our spending to activities that drive revenue growth;

Deliver reliable and high-quality business information through various media and distribution channels in formats tailored to customer requirements;

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Attract and retain a high-performing workforce;

Enhance our existing services and introduce new services; and

Improve our International business model and data quality through the successful management of strategic partner relationships in our International segment that are part of our D&B Worldwide Network.

We may not be able to successfully complete undertaking various initiatives in our International segment that are critical to increasing our international revenues and enhancing our operating margins.

We are undertaking a number of initiatives in our International Segment that are primarily focused on improving our competitive position, growing our revenues and improving our operating margins.

Examples of initiatives we are currently undertaking or will seek to undertake in the near future include:

Implementing subscription plan pricing for customers to increase their access to our Risk Management reports and data, to help them increase profitability while mitigating risk;

Improving the management of our D&B Worldwide Network in order to, among other things, optimize revenue and profits realized by the sale of data collected by strategic partner organizations in certain markets; and

Implementing specific process re-engineering projects designed to improve efficiency and productivity in our business.

These and other initiatives we undertake may not be successful in attaining a consistent and sustainable level of improved International financial performance. For example, we may not be able to reduce costs of our operations through re-engineering to the extent expected due to challenges in implementing our technology plans, or the efforts by our partner organizations to increase the value of the data they provide us may not result in significant improvements in data quality.

If we fail to improve the performance of our International segment, the market value of our common stock could be materially adversely affected.

We rely on annual contract renewals for a substantial part of our revenue and our quarterly results may be significantly impacted by the timing of these renewals.

We derive a substantial portion of our revenue from annual customer contracts. If we are unable to renew a significant number of these contracts, our revenue and results of operations would be harmed. In addition, our results of operations from period to period may vary due to the timing of customer contract renewals.

Changes in the legislative, regulatory and commercial environments in which we operate may adversely impact our ability to collect, manage, aggregate and use data.

Certain types of information we gather, compile and publish are subject to regulation by governmental authorities in certain markets in which we operate, particularly in Europe and other international markets. In addition, there is increasing awareness and concern among the general public regarding marketing and privacy matters, particularly as they relate to individual privacy interests and the ubiquity of the Internet. These concerns may result in new laws and regulations. In general, compliance with existing laws and regulations has not to date seriously affected our business, financial condition or results of operations. Nonetheless, future laws and regulations with respect to the collection, management and use of information, and adverse publicity or litigation concerning the commercial use of such information, could affect our operations. This could result in substantial regulatory compliance or litigation expense or a loss of revenue.

In addition, governmental agencies may seek, from time to time, to increase the fees or taxes that we must pay to acquire, use and/or redistribute data that such governmental agencies collect. While we would seek to pass along any such price increases to our customers, there is no guarantee that we would be able to do

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so, given competitive pressures or other considerations. In addition, any such price increases to our customers may result in reduced usage by our customers and/or loss of market share.

We may be unable to achieve our revenue and earnings per share growth targets, which could negatively impact our stock price.

We have established revenue and earnings per share growth targets for 2006 and aspirations for 2007. Our growth is dependent upon successfully executing our strategy to reduce our expense base and reallocating a portion of the savings into new initiatives with higher revenue growth. Our initiatives and investments may not be sufficient to achieve and maintain such growth targets. A failure to reach and maintain our desired revenue growth or our earnings per share growth targets could have a material adverse affect on the market value of our common stock.

We may be unable to adapt successfully to changes in our customers preferences for our solutions, which could adversely impact our revenues.

Our success depends in part on our ability to adapt our solutions to our customers preferences. Advances in information technology and uncertain or changing economic conditions are changing the way our customers use business information. As a result, our customers are demanding both lower prices and more features from our solutions, such as decision-making tools like credit scores and electronic delivery formats. If we do not successfully adapt our solutions to our customers preferences, our business, financial condition and results of operations would be materially adversely affected. Specifically, for our larger customers, our continued success will be dependent on our ability to satisfy more of their needs by providing solutions beyond data, such as enhanced analytics and assisting with their data integration efforts. For our smaller customers, our success will depend in part on our ability to simplify our solutions and pricing offerings and enhancing our marketing efforts to these customers.

To address customer needs for pricing certainty and increased access to our solutions, in the fourth quarter of 2003 we began to rollout a subscription pricing plan. The subscription pricing plan provides expanded access to our Risk Management Solutions in a way that provides more certainty over related costs to the customer, which in turn generally results in customers increasing their spend on our solutions. This plan has been an important driver of our growth in 2005. Our success moving forward is dependent, in part, on the continued penetration of this offering and the successful rollout of similar programs in various markets around the world. Similarly, our continued success is dependent on customers acceptance of DNBi.

Our operations in the International segment are subject to various risks associated with operations in foreign countries, which could adversely impact our operating results.

Our success depends in part on our various operations outside the United States. For the three years ended December 31, 2005, 2004 and 2003, our International segment accounted for 25%, 29% and 33% of total revenue. Our International business is subject to many challenges, the most significant being:

Our competition is primarily local, and our customers may have greater loyalty to our local competitors;

Credit insurance is a significant credit risk mitigation tool in certain markets, thus reducing the demand for our Risk Management Solutions; and

In some markets, key data elements are generally available from public-sector sources, thus reducing a customers need to purchase our data.

Our International strategy includes forming strategic partner relationships in certain markets with third parties to improve our data quality. We form and manage these strategic partner alliances to create a competitive advantage for us over the long term, however, these strategic partnerships may not be successful.

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The issue of data privacy is an increasingly important area of public policy in various International markets, and we operate in an evolving regulatory environment that could adversely impact aspects of our business or the business of our partners on whom we depend.

Our operating results could also be negatively affected by a variety of other factors affecting our foreign operations, many of which are beyond our