

DUN & BRADSTREET CORP/NW

Form 10-Q/A

March 19, 2003

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q/A

Amendment No. 1

(Mark one)

☒

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

For the quarterly period ended June 30, 2002

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 001-15967

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)

07078-2708
(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 Sections 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 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, 2002
Common Stock, par value \$.01 per share	74,260,627

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Explanatory Note:

As a result of a review of its revenue recognition practices undertaken during the fourth quarter of 2002, The Dun & Bradstreet Corporation (the Company) identified timing errors totaling \$32.3 million (\$21.5 million net of tax) in the recognition of some revenue associated with 14 products during the period January 1, 1997 through September 30, 2002. In general, such revenue had been recognized at the time of billing instead of being deferred and recognized over the customer contract period (generally 12 months). Of the total errors, \$1.4 million related to 2002. We have also adjusted our consolidated balance sheets to reflect the tax effect of minimum pension liabilities for the years ended December 31, 1997 through 2001. The impact of the errors on the years ended December 31, 2001 and prior have been corrected through a restatement of previously reported amounts in Form 10-K/ A for the year ended December 31, 2001. Note 2 to the consolidated financial statements summarizes the impact of this restatement on the Company's statements of operations for the three and six months ended June 30, 2002 and June 30, 2001 and the balance sheets as of June 30, 2002 and December 31, 2001.

This Form 10-Q/ A hereby amends and restates Items 1, 2, and 3 in Part I and Item 1 in Part II of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, to reflect the restatement of the Company's consolidated financial statements included in such report. We are also correcting the number of shares of our common stock authorized as of December 31, 2001 as reflected on the consolidated balance sheets in the previously filed Form 10-Q. No further changes to the previously filed Form 10-Q are being made. All information in this Form 10-Q/ A is as of June 30, 2002 and does not reflect any subsequent information or events other than the restatement.

For additional discussion of developments relating to periods subsequent to June 30, 2002, please see the Company's report filed with the Securities and Exchange Commission with respect to such subsequent periods, including the Company's Quarterly Report on Forms 10-Q/ A for the quarter ended September 30, 2002.

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THE DUN & BRADSTREET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Quarter Ended June 30,		Year-to-Date June 30,	
	Restated 2002	Restated 2001	Restated 2002	Restated 2001
(Unaudited)				
(Amounts in millions, except per share data)				
Revenue	\$ 305.9	\$ 322.8	\$ 620.6	\$ 674.9
Operating Costs:				
Operating Expenses	102.2	115.8	211.0	247.3
Selling and Administrative Expenses	122.1	128.3	249.5	271.3
Depreciation and Amortization	19.9	23.8	39.4	48.6
Restructuring Expense Net	30.9	28.8	30.9	28.8
Reorganization Costs		(7.0)		(7.0)
Operating Costs	275.1	289.7	530.8	589.0
Operating Income	30.8	33.1	89.8	85.9
Non-Operating Income (Expense) Net:				
Interest Income	0.6	1.5	1.3	2.3
Interest Expense	(4.9)	(5.6)	(9.9)	(6.8)
Minority Interest Expense				(5.4)
Other Income (Expense) Net	(3.5)	34.8	(3.8)	34.5
Non-Operating Income (Expense) Net	(7.8)	30.7	(12.4)	24.6
Income before Provision for Income Taxes	23.0	63.8	77.4	110.5
Provision for Income Taxes	10.9	24.6	31.3	43.1
Equity in Net Losses of Affiliates	(1.2)	(1.1)	(1.7)	(1.8)
Net Income	\$ 10.9	\$ 38.1	\$ 44.4	\$ 65.6
Basic Earnings Per Share of Common Stock	\$ 0.15	\$ 0.47	\$ 0.60	\$ 0.82
Diluted Earnings Per Share of Common Stock	\$ 0.14	\$ 0.46	\$ 0.57	\$ 0.80
Weighted Average Number of Shares Outstanding:				
Basic	74.4	80.2	74.7	80.3
Diluted	77.1	82.5	77.4	82.4

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

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THE DUN & BRADSTREET CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	Restated June 30, 2002	Restated December 31, 2001
	(Unaudited)	
	(Dollar amounts in millions, except per share data)	
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 147.1	\$ 145.3
Accounts Receivable Net of Allowance of \$21.5 at June 30, 2002 and \$21.0 at December 31, 2001	280.8	317.8
Other Current Assets	94.0	117.1
	<hr/>	<hr/>
Total Current Assets	521.9	580.2
	<hr/>	<hr/>
Non-Current Assets		
Property, Plant and Equipment, Net	141.9	158.0
Prepaid Pension Costs	364.9	333.7
Computer Software, Net	81.9	103.6
Goodwill, Net	145.6	139.6
Other Non-Current Assets	127.7	147.5
	<hr/>	<hr/>
Total Non-Current Assets	862.0	882.4
	<hr/>	<hr/>
Total Assets	\$ 1,383.9	\$ 1,462.6
	<hr/>	<hr/>
Current Liabilities		
Other Accrued and Current Liabilities	\$ 291.2	\$ 332.7
Unearned Subscription Income	379.4	359.5
	<hr/>	<hr/>
Total Current Liabilities	670.6	692.2
	<hr/>	<hr/>
Pension and Postretirement Benefits	378.4	377.3
Long Term Debt	299.7	299.6
Other Non-Current Liabilities	106.1	111.2
Contingencies (Note 8)		
Minority Interest	1.2	1.3
Shareholders' Equity		
Preferred Stock, \$.01 par value per share, authorized 10,000,000 shares; outstanding none		
Series Common Stock, \$.01 par value per share, authorized 10,000,000 shares; outstanding none		
Common Stock, \$.01 par value per share, authorized 200,000,000 shares for 2002 and 2001 respectively issued 81,945,520	0.8	0.8
Unearned Compensation Restricted Stock	(1.2)	(1.8)
Capital Surplus	221.2	227.3
Retained Earnings	185.2	140.7
Treasury Stock, at cost, 7,684,893 shares at June 30, 2002 and 5,067,235 at December 31, 2001	(242.8)	(148.7)

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Cumulative Translation Adjustment	(201.7)	(203.7)
Minimum Pension Liability	(33.6)	(33.6)
	<u> </u>	<u> </u>
Total Shareholders' Equity	(72.1)	(19.0)
	<u> </u>	<u> </u>
Total Liabilities and Shareholders' Equity	\$1,383.9	\$1,462.6
	<u> </u>	<u> </u>

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

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THE DUN & BRADSTREET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,	
	Restated 2002	Restated 2001
	(Unaudited) (Dollar amounts in millions)	
Cash Flows from Operating Activities:		
Net Income	\$ 44.4	\$ 65.6
Reconciliation of Net Income to Net Cash		
Depreciation and Amortization	39.4	48.6
Gain from Sale of Businesses		(36.4)
Equity Losses in Excess of Dividends Received from Affiliates	1.7	1.8
Restructuring Expense, Net and Other Asset Impairments	30.9	28.8
Decrease in Accounts Receivable	40.8	40.7
Net Decrease in Other Current Assets	0.8	13.2
Deferred Revenue from RMS Agreement	(3.5)	35.4
Deferred Income Taxes	12.1	(0.3)
Accrued Income Taxes, Net	5.5	1.2
Net Increase in Long Term Liabilities	0.4	5.1
Increase in Other Long Term Assets	(21.5)	(29.5)
Net Increase in Unearned Subscription Income	15.5	31.8
Net Decrease in Other Accrued and Current Liabilities	(67.4)	(56.3)
Other	6.0	5.0
Net Cash Provided by Operating Activities	105.1	154.7
Cash Flows from Investing Activities:		
Cash Proceeds from Sale of Real Estate	21.5	
Cash Proceeds from Sale of Businesses		76.4
Payments for Acquisition of Businesses		(16.6)
Capital Expenditures	(6.1)	(8.5)
Additions to Computer Software and Other Intangibles	(15.0)	(18.7)
Investments in Unconsolidated Affiliates	(0.9)	(8.9)
Other	(1.5)	3.8
Net Cash (Used in) Provided by Investing Activities	(2.0)	27.5
Cash Flows from Financing Activities:		
Payments for Purchase of Treasury Shares	(111.3)	(26.5)
Net Proceeds from Stock Plans	7.8	10.9
Decrease in Commercial Paper Borrowings		(49.5)
Repayment of Minority Interest Obligations		(300.0)
Increase in Long-Term Borrowings		299.6
Other	0.5	(1.9)
Net Cash Used in Financing Activities	(103.0)	(67.4)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1.7	0.3

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Increase in Cash and Cash Equivalents	<u>1.8</u>	<u>115.1</u>
Cash and Cash Equivalents, Beginning of Year	<u>145.3</u>	<u>70.1</u>
Cash and Cash Equivalents, End of Quarter	<u>\$ 147.1</u>	<u>\$ 185.2</u>

Supplemental Disclosure of Cash Flow information:

Cash Paid Year to Date for:

Income Taxes, Net of refunds	\$ 12.5	\$ 35.6
Interest and Minority Interest Expense	\$ 9.3	\$ 5.7

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

Table of Contents**THE DUN & BRADSTREET CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****(Tabular dollar amounts in millions, except per share data)****Note 1 Interim Consolidated Financial Statements**

These interim consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and should be read in conjunction with the consolidated financial statements and related notes of The Dun & Bradstreet Corporation (D&B or the Company) 2001 Annual Report on Form 10-K/A. The consolidated results for interim periods are not necessarily indicative of results for the full year or any subsequent period. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of financial position, results of operations and cash flows at the dates and for the periods presented have been included.

Note 2 Restatement of Financial Statements

As a result of a review of its revenue recognition practices undertaken during the fourth quarter of 2002, the Company identified timing errors totaling \$32.3 million (\$21.5 million net of tax) in the recognition of some revenue associated with 14 products during the period January 1, 1997 through September 30, 2002. In general, such revenue had been recognized at the time of billing, instead of being deferred and recognized over the customer contract period (generally 12 months). Of the total errors, \$1.4 million related to 2002. We also adjusted our consolidated balance sheets to reflect the tax effect of minimum pension liabilities for the years ended December 31, 1997 through 2001. The impact of the errors on the years ended December 31, 2001 and prior have been corrected through a restatement of previously reported amounts in Form 10-K/ A for the year ended December 31, 2001.

The tables that follow present a summary of the impact of restating the consolidated statements of operations for the three and six months ended June 30, 2002 and June 30, 2001 and the balance sheets as of June 30, 2002 and December 31, 2001. The impact of the restatement is an increase in revenue and net income of \$0.7 million and \$0.7 million, respectively, for the three months ended June 30, 2002, and \$2.1 million and \$1.4 million, respectively, for the three months ended June 30, 2001. The impact of the restatement is a reduction in revenue and net income of \$3.1 million and \$1.4 million, respectively, for the six months ended June 30, 2002, and \$3.4 million and \$2.0 million, respectively, for the six months ended June 30, 2001. The impact of recording the tax effect of the minimum pension liability is an increase to Other Non-Current Assets (Deferred Tax) and Total Shareholders' Equity of \$22.0 million as of June 30, 2002 and December 31, 2001.

Quarter Ended June 30, 2002		Quarter Ended June 30, 2001		Year-to-Date June 30, 2002		Year-to-Date June 30, 2001	
As Reported	As Restated	As Reported	As Restated	As Reported	As Restated	As Reported	As Restated