

Dun & Bradstreet Holdings, Inc.

Good organic sales, but margins disappoint in 4Q

Reiterate Rating: BUY | PO: 13.50 USD | Price: 10.98 USD

We reiterate our Buy as organic sales improve gradually

DNB posted a mixed 4Q with an organic sales beat, but an EBITDA margin miss. On one hand, organic sales rose 5% (vs. our/consensus' 4.1/4.4%E). The company has not hit this level since 3Q22 (which was +5% ex the GSA contract exit). On the other hand, EBITDA margin fell short due to higher healthcare costs. Still, we think sales during the quarter demonstrate the durable benefit from DNB's key initiatives. We reiterate our Buy rating as we don't think valuation reflects the company's growth trajectory.

Organic sales were good, but margins need to step up

4Q's \$0.32 EPS beat our \$0.26E on higher sales and lower taxes, partly offset by a lower EBITDA margin (41.3% vs. our 43.3%E). We assume sales partly benefited from better Master Data Mgmt usage after a tough 4Q22. 4Q margins included \$6mn of unexpected healthcare costs ((100)bp to margin), but these costs are now at a more normalized run-rate. Mgmt initiated a \$1.00-1.04 2024 EPS guide on 4.1-5.1% organic sales and ~38.8-38.9% EBITDA margins (+20-40bp y/y). We raise our 2024E EPS by 3c to \$1.01. We maintain our \$13.50 PO but roll forward our valuation estimates to 2025 and use a 9x FY2 EV/EBITDA multiple (vs. 9.5x prior) to factor in slower margin expansion near-term.

Margins finally poised for 2024 growth

DNB's guidance for 20-40bp of 2024 EBITDA margin expansion was shy of its +50-100bp medium-term target. Management is reinvesting ~\$5-10mn of sales flow-through into GenAI initiatives. Management sees this as an opportunity fuel sales growth. For 2024, we model EBITDA margin +20bp to 38.8%; for out years, we assume margins are +25bp (vs. +50bp prior) to factor in the potential for additional investments.

Poised for potential GenAI sales benefits

Our 4.7% 2024 organic sales outlook assumes steady growth relative to 2023 (+4.6%E ex the GSA contract exit). This includes +250bp from pricing, with the rest from volume growth, including benefits from new logos and healthy renewals. DNB is bullish on its GenAI-related products, with investments across its Master Data Management, third party risk, supply chain management, and Hoovers offerings. In our view, success monetizing GenAI tools could drive organic sales to the higher-end of guidance.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	1.03	1.00	1.01	1.12	1.24
GAAP EPS	(0.01)	(0.11)	0.16	0.26	0.39
EPS Change (YoY)	2.0%	-2.9%	1.0%	10.9%	10.7%
Consensus EPS (Bloomberg)			1.07	1.20	1.27
DPS	0.10	0.20	0.22	0.24	0.27
Valuation (Dec)					
P/E	10.7x	11.0x	10.9x	9.8x	8.9x
GAAP P/E	NM	NM	68.6x	42.2x	28.2x
Dividend Yield	0.9%	1.8%	2.0%	2.2%	2.4%
EV / EBITDA*	9.4x	9.1x	8.7x	8.2x	7.7x
Free Cash Flow Yield*	6.7%	5.3%	8.2%	8.6%	10.2%

* For full definitions of *IQmethod*SM measures, see page 4.

15 February 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E Rev (m)	2,418.9	2,424.7
2025E Rev (m)	2,519.3	2,545.5
2026E Rev (m)	2,624.0	2,672.7
2024E EPS	0.98	1.01
2025E EPS	1.07	1.12
2026E EPS	1.18	1.24

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Stock Data

Price	10.98 USD
Price Objective	13.50 USD
Date Established	1-Nov-2023
Investment Opinion	B-1-7
52-Week Range	8.68 USD - 14.27 USD
Mrkt Val (mn) / Shares Out (mn)	4,746 USD / 432.2
Free Float	66.5%
Average Daily Value (mn)	34.95 USD
BoFA Ticker / Exchange	DNB / NYS
Bloomberg / Reuters	DNB US / DNB.N
ROE (2024E)	12.8%
Net Dbt to Eqty (Dec-2023A)	97.8%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BoFA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "[BoFA ESGMeter Methodology](#)".

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Timestamp: 15 February 2024 06:43PM EST

iQprofileSM Dun & Bradstreet Holdings, Inc.

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	6.5%	6.6%	8.1%	8.6%	9.3%
Return on Equity	12.3%	12.5%	12.8%	13.7%	14.8%
Operating Margin	6.7%	6.1%	13.1%	13.7%	15.0%
Free Cash Flow	319	253	391	409	486

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.2x	1.0x	1.3x	1.2x	1.2x
Asset Replacement Ratio	0.4x	0.3x	0.4x	0.3x	0.3x
Tax Rate	105.9%	42.2%	22.5%	22.5%	22.5%
Net Debt-to-Equity Ratio	96.2%	97.8%	87.4%	76.3%	63.2%
Interest Cover	0.8x	0.6x	1.4x	1.7x	2.3x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	2,225	2,314	2,425	2,545	2,673
% Change	2.7%	4.0%	4.8%	5.0%	5.0%
Gross Profit	1,503	1,483	1,548	1,622	1,701
% Change	0.1%	-1.3%	4.4%	4.8%	4.8%
EBITDA	864	892	942	999	1,061
% Change	1.9%	3.3%	5.5%	6.1%	6.1%
Net Interest & Other Income	(177)	(221)	(226)	(206)	(182)
Net Income (Adjusted)	441	432	441	487	543
% Change	2.2%	-2.1%	2.1%	10.6%	11.4%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(5)	(50)	68	108	166
Depreciation & Amortization	587	587	532	549	550
Change in Working Capital	(15)	(54)	(17)	(74)	(86)
Deferred Taxation Charge	(151)	(132)	(90)	(90)	(87)
Other Adjustments, Net	121	102	98	108	117
Capital Expenditure	(218)	(199)	(200)	(192)	(175)
Free Cash Flow	319	253	391	409	486
% Change	-1.3%	-20.8%	54.8%	4.6%	18.6%
Share / Issue Repurchase	0	0	0	0	0
Cost of Dividends Paid	(43)	(86)	(96)	(106)	(117)
Change in Debt	(200)	(58)	(234)	(259)	(359)

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	208	188	250	295	306
Trade Receivables	272	258	290	381	474
Other Current Assets	224	210	220	231	243
Property, Plant & Equipment	97	102	97	103	110
Other Non-Current Assets	8,671	8,378	8,065	7,716	7,360
Total Assets	9,472	9,136	8,923	8,727	8,492
Short-Term Debt	33	33	33	33	33
Other Current Liabilities	1,070	1,010	1,049	1,091	1,136
Long-Term Debt	3,552	3,513	3,279	3,020	2,661
Other Non-Current Liabilities	1,309	1,149	1,060	970	884
Total Liabilities	5,964	5,704	5,420	5,114	4,713
Total Equity	3,508	3,432	3,503	3,613	3,779
Total Equity & Liabilities	9,472	9,136	8,923	8,727	8,492

* For full definitions of iQmethodSM measures, see page 4.

Company Sector

Business Services

Company Description

Dun & Bradstreet is a leading global provider of business decisioning data and analytics. Its Finance & Risk segment is the commercial trade credit data and analytics leader, while its Sales & Marketing business helps clients target and maximize opportunities. With a history dating to 1841, D&B had FY22 sales of \$2.2bn.

Investment Rationale

Heading into a potential 2023 US downturn, we prefer the stocks of recession-resilient companies with idiosyncratic growth drivers. We think DNB fits this criteria. In addition, new-ish management has shown good progress reinvigorating sales growth via cross- and up-selling products, fueling product innovation, and attracting new customers. We expect organic sales growth and margin expansion in 2023 even if there is a recession.

Stock Data

Average Daily Volume 3,183,047

Quarterly Earnings Estimates

	2023	2024
Q1	0.19A	0.19E
Q2	0.22A	0.23E
Q3	0.27A	0.27E
Q4	0.32A	0.33E

Price objective basis & risk

Dun & Bradstreet Holdings, Inc. (DNB)

We base our \$13.50 price objective on 9x our CY25 EV/EBITDA estimate. Our price objective assumes the company's 2023E EV/EBITDA multiple trades roughly in line with valuation over the last twelve months.

Downside risks to our PO: 1) failure to successfully execute the turnaround plans could hurt earnings and valuation, 2) leverage is above and free cash flow conversion is below peers, 3) D&B's markets are competitive and it has lost share in recent years. Further share gains could erode its market position.

Upside risks to our PO: 1) faster than expected sales, 2) margins track better than expected, and 3) spending slows in 2023E

Analyst Certification

I, Heather Balsky, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Business, Education & Professional Services Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alight Inc	ALIT	ALIT US	Heather Balsky
	Aramark	ARMK	ARMK US	Heather Balsky
	Cintas	CTAS	CTAS US	Heather Balsky
	CoStar Group	CSGP	CSGP US	Heather Balsky
	Dun & Bradstreet Holdings, Inc.	DNB	DNB US	Heather Balsky
	Equifax	EFX	EFX US	Heather Balsky
	Gartner	IT	IT US	Heather Balsky
	Moody's Corp.	MCO	MCO US	Heather Balsky
	S&P Global	SPGI	SPGI US	Heather Balsky
	Strategic Education	STRA	STRA US	Heather Balsky
	Thomson Reuters	YTRI	TRI CN	Heather Balsky
	Thomson Reuters	TRI	TRI US	Heather Balsky
NEUTRAL				
	FactSet Research Systems Inc	FDS	FDS US	Heather Balsky
	First Advantage Corporation	FA	FA US	Heather Balsky
	Verisk Analytics	VRSK	VRSK US	Heather Balsky
UNDERPERFORM				
	ASGN Inc.	ASGN	ASGN US	Heather Balsky
	Clarivate PLC	CLVT	CLVT US	Heather Balsky
	ManpowerGroup	MAN	MAN US	Heather Balsky
	MSCI Inc	MSCI	MSCI US	Heather Balsky
	Robert Half	RHI	RHI US	Heather Balsky
	TransUnion	TRU	TRU US	Heather Balsky



iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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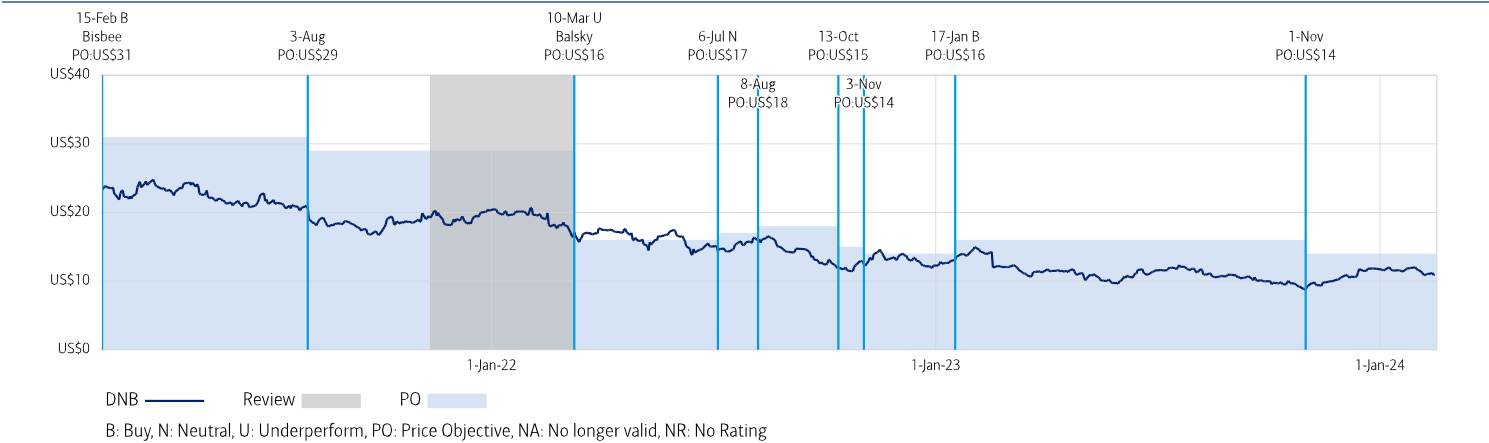
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Dun & Bradstreet (DNB) Price Chart



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Equity Investment Rating Distribution: Business Services Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	26	55.32%	Buy	17	65.38%
Hold	8	17.02%	Hold	3	37.50%
Sell	13	27.66%	Sell	11	84.62%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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