

INFOUSA INC
Form 10-Q
May 15, 2003

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2003 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 0-19598

infoUSA INC.

(exact name of registrant specified in its charter)

DELAWARE

47-0751545

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification Number)

5711 SOUTH 86TH CIRCLE, OMAHA, NEBRASKA

68127

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (402) 593-4500

(Former name, former address and former fiscal year,
if changed since last report)

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 at least the past 90 days.

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

51,208,869 shares of Common Stock at May 5, 2003

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infoUSA INC.

FORM 10-Q

FOR THE QUARTER ENDED

MARCH 31, 2003

PART I

FINANCIAL INFORMATION AND
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

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ITEM 1. FINANCIAL STATEMENTS

infoUSA INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

| | MARCH 31, 2003 | DECEMBER 31, 2002 |
|--|---------------------------|------------------------------|
| (UNAUDITED) | | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 5,342 | \$ 6,285 |
| Marketable securities | 905 | 887 |
| Trade accounts receivable, net of allowances of \$4,244 and \$3,673, respectively | 40,833 | 39,352 |
| Officer note receivable | 510 | 510 |
| List brokerage trade accounts receivable | 14,084 | 16,635 |
| Prepaid expenses | 6,552 | 4,515 |
| Deferred marketing costs | 2,382 | 1,746 |
| | <hr/> | <hr/> |
| Total current assets | 70,608 | 69,930 |
| | <hr/> | <hr/> |
| Property and equipment, net | 46,068 | 45,756 |
| Intangible assets, net | 273,902 | 273,246 |
| Other assets | 4,627 | 4,454 |
| | <hr/> | <hr/> |
| | \$ 395,205 | \$ 393,386 |
| | <hr/> | <hr/> |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$ 33,562 | \$ 26,312 |
| Accounts payable | 17,313 | 13,303 |
| List brokerage trade accounts payable | 11,030 | 12,745 |
| Accrued payroll expenses | 9,347 | 11,410 |
| Accrued expenses | 4,320 | 1,827 |
| Income taxes payable | 5,900 | 3,287 |
| Deferred income taxes | 2,123 | 515 |
| Deferred revenues | 20,807 | 13,821 |
| | <hr/> | <hr/> |
| Total current liabilities | 104,402 | 83,220 |
| | <hr/> | <hr/> |
| Long-term debt, net of current portion | 140,829 | 164,116 |
| Deferred income taxes | 21,395 | 21,722 |
| Other liabilities | 3,020 | 6,000 |
| Stockholders equity: | | |
| Preferred stock, \$.0025 par value. Authorized 5,000,000 shares; none issued or outstanding | | |
| Common stock, \$.0025 par value. Authorized 295,000,000 shares; 51,869,816 shares issued and 51,188,549 outstanding at March 31, 2003 and 51,869,816 shares issued and 51,111,014 outstanding at December 31, 2002 | 130 | 130 |
| Paid-in capital | 92,115 | 92,205 |
| Retained earnings | 39,092 | 32,237 |
| Treasury stock, at cost, 681,267 shares held at March 31, 2003 and 758,802 held at December 31, 2002 | (4,083) | (4,538) |

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| | | |
|--------------------------------------|-------------------|-------------------|
| Notes receivable from officers | (838) | (834) |
| Accumulated other comprehensive loss | (857) | (872) |
| | <u> </u> | <u> </u> |
| Total stockholders' equity | 125,559 | 118,328 |
| | <u> </u> | <u> </u> |
| | \$ 395,205 | \$ 393,386 |
| | <u> </u> | <u> </u> |

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

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infoUSA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

| | THREE MONTHS ENDED MARCH 31, | |
|---|---|---------------|
| | 2003 | 2002 |
| | (UNAUDITED) | |
| Net sales | \$ 76,080 | \$ 76,723 |
| Costs and expenses: | | |
| Database and production costs | 20,900 | 21,260 |
| Selling, general and administrative | 33,134 | 31,881 |
| Depreciation and amortization of operating assets | 3,851 | 3,768 |
| Amortization of intangible assets | 3,324 | 3,336 |
| Restructuring charges | 555 | 167 |
| Acquisition costs | 13 | 63 |
| | <u>61,777</u> | <u>60,475</u> |
| Total operating costs and expenses | | |
| Operating income | 14,303 | 16,248 |
| Other income (expense): | | |
| Investment income | 682 | 70 |
| Other charges | (335) | (4,057) |
| Interest expense | (3,661) | (4,414) |
| | <u>10,989</u> | <u>7,847</u> |
| Income before income taxes | | |
| Income taxes | 4,134 | 2,981 |
| | <u>6,855</u> | <u>4,866</u> |
| Net income | | |
| EARNINGS PER SHARE: | | |
| Basic earnings per share | \$ 0.13 | \$ 0.10 |
| | <u>51,144</u> | <u>50,908</u> |
| Average common shares outstanding | | |
| Diluted earnings per share | \$ 0.13 | \$ 0.10 |
| | <u>51,144</u> | <u>51,223</u> |
| Diluted average common shares outstanding | | |

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

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infoUSA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

| | THREE MONTHS ENDED MARCH 31, | |
|---|---|-------------|
| | 2003 | 2002 |
| | (UNAUDITED) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 6,855 | \$ 4,866 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization of operating assets | 3,851 | 3,768 |
| Amortization of intangible assets | 3,324 | 3,336 |
| Amortization of deferred financing costs | 183 | 285 |
| Deferred income taxes | 1,281 | (74) |
| Non-cash 401(k) contribution in common stock | 359 | |
| Loss on interest rate swap agreement | | 1,204 |
| Gain on sale of assets | (179) | |
| Non-cash other charges | 135 | 1,769 |
| Changes in assets and liabilities, net of effect of acquisitions: | | |
| Trade accounts receivable | (99) | (350) |
| List brokerage trade accounts receivable | 2,551 | (1,251) |
| Prepaid expenses | (2,022) | (84) |
| Deferred marketing costs | (635) | (15) |
| Accounts payable | 3,016 | 1,126 |
| List brokerage trade accounts payable | (1,870) | 408 |
| Income taxes receivable and payable, net | 2,613 | 231 |
| Accrued expenses and other liabilities | 2,915 | (6,549) |
| Net cash provided by operating activities | 22,278 | 8,670 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (1,820) | (1,244) |
| Acquisitions of businesses, net of cash acquired | (5,260) | (2,183) |
| Software and database development costs | (123) | (708) |
| Net cash used in investing activities | (7,203) | (4,135) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repayment of long-term debt | (15,990) | (7,926) |
| Deferred financing costs paid | (28) | (949) |
| Proceeds from exercise of stock options | | 105 |
| Net cash used in financing activities | (16,018) | (8,770) |
| Net decrease in cash and cash equivalents | (943) | (4,235) |
| Cash and cash equivalents, beginning | 6,285 | 4,382 |
| Cash and cash equivalents, ending | \$ 5,342 | \$ 147 |
| Supplemental cash flow information: | | |

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| | | |
|-------------------|-------------------|-------------------|
| Interest paid | \$ 1,082 | \$ 1,853 |
| | <u> </u> | <u> </u> |
| Income taxes paid | \$ 233 | \$ 3,315 |
| | <u> </u> | <u> </u> |

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

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infoUSA INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The accompanying unaudited consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, contain all adjustments, consisting of normal recurring adjustments, necessary to fairly present the financial information included therein. The consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

The Company suggests that this financial data be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2002 included in the Company's 2002 Annual Report on Form 10-K, filed with the Securities and Exchange Commission. Results for the interim period presented are not necessarily indicative of results to be expected for the entire year.

New Accounting Standards. In April 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections. SFAS No. 145, among other things, rescinds SFAS No. 4 which required all gains and losses from the extinguishments of debt to be classified as an extraordinary item and amends SFAS No. 13 to require that certain lease modification that have economic effect similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. Upon adoption of the new accounting standard in 2003, the Company was required to reclassify the extraordinary item of \$1.8 million related to the extinguishment of debt as reported in the 2002 consolidated statement of operations. The reclassification increased other charges expense by \$2.9 million and decreased income tax expense by \$1.1 million.

2. EARNINGS PER SHARE INFORMATION

The following table shows the amounts used in computing earnings per share and the effect on the weighted average number of shares of dilutive potential common stock. For the quarter ended March 31, 2003, the average market price of the Company's common stock was less than the exercise price of all the Company's outstanding common stock subject to option.

| | THREE MONTHS ENDED MARCH 31, | |
|---|---|-------------|
| | 2003 | 2002 |
| | (In thousands) | |
| Weighted average number of shares outstanding used in basic EPS | 51,144 | 50,908 |
| Net additional common stock equivalent shares outstanding after assumed exercise of stock options | | 315 |
| | 51,144 | 51,223 |

3. SEGMENT INFORMATION

The Company currently manages existing operations utilizing financial information accumulated and reported for two business segments.

The small business segment principally engages in the selling of sales lead generation, business directories and consumer DVD products to small and medium sized companies, small office and home office businesses and individual consumers. This segment includes the sale of content via the Internet.

The large business segment principally engages in the selling of data processing services, licensed databases, database marketing solutions, e-mail marketing solutions and list brokerage and list management services to large companies. This segment includes the licensing of databases for Internet directory assistance services.

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The small business and large business segments reflect actual net sales, direct order production, and identifiable direct sales and

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marketing costs related to their operations. The remaining indirect costs are presented as a reconciling item in corporate activities.

Corporate activities principally represent the information systems technology, database compilation, database verification, and administrative functions of the Company. Investment income, interest expense, income taxes, amortization of intangibles, and depreciation expense are only recorded in corporate activities. The Company does not allocate these costs to the two business segments. The Company records unusual or non-recurring items including acquisition costs, non-cash stock compensation expense, asset impairments and other extraordinary items in corporate activities to allow for the analysis of the sales business segments excluding such unusual or non-recurring charges.

The Company accounts for property and equipment on a consolidated basis. The Company's property and equipment is shared by the Company's business segments. Depreciation expense is recorded in corporate activities.

The Company has no intercompany sales or intercompany expense transactions. Accordingly, there are no adjustments necessary to eliminate amounts between the Company's segments.

The following table summarizes segment information:

| FOR THE THREE MONTHS ENDED MARCH 31, 2003 | | | | |
|--|---------------------------|---------------------------|---------------------------------|-------------------------------|
| | Small Business | Large Business | Corporate Activities | Consolidated Total |
| (In thousands) | | | | |
| Net sales | \$ 39,566 | \$ 36,514 | \$ | \$ 76,080 |
| Restructuring charges | | | 555 | 555 |
| Acquisition costs | | | 13 | 13 |
| Operating income (loss) | 15,211 | 18,109 | (19,017) | 14,303 |
| Investment loss | | | (682) | (682) |
| Other charges | | | 335 | 335 |
| Interest expense | | | 3,661 | 3,661 |
| Income (loss) before income taxes | 15,211 | 18,109 | (22,331) | 10,989 |

| FOR THE THREE MONTHS ENDED MARCH 31, 2002 | | | | |
|--|---------------------------|---------------------------|---------------------------------|-------------------------------|
| | Small Business | Large Business | Corporate Activities | Consolidated Total |
| (In thousands) | | | | |
| Net sales | \$ 39,348 | \$ 37,375 | \$ | \$ 76,723 |
| Restructuring charges | | | 167 | 167 |
| Acquisition costs | | | 63 | 63 |
| Operating income (loss) | 15,496 | 20,312 | (19,560) | 16,248 |
| Investment income | | | 70 | 70 |
| Other charges | | | (4,057) | (4,057) |
| Interest expense | | | 4,414 | 4,414 |
| Income (loss) before income taxes | 15,496 | 20,312 | (27,961) | 7,847 |

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4. COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss), including the components of other comprehensive income (loss), is as follows:

| | FOR THE THREE MONTHS ENDED | |
|-----------------------------------|-----------------------------------|-----------------------|
| | MARCH 31, 2003 | MARCH 31, 2002 |
| | (In thousands) | |
| Net income | \$ 6,855 | \$ 4,866 |
| Other comprehensive income: | | |
| Unrealized gain from investments: | | |
| Unrealized gains | 24 | 1 |
| Related tax expense | (9) | |
| Net | 15 | 1 |
| Interest rate swap agreement: | | |
| Gains | | 1,204 |
| Related tax expense | | (483) |
| Net | | 721 |
| Total other comprehensive income | 15 | 722 |
| Comprehensive income | \$ 6,870 | \$ 5,588 |

The components of accumulated other comprehensive income (loss) is as follows:

| | Foreign Currency Translation Adjustments | Unrealized Gains / (Losses) On Securities | Accumulated Other Comprehensive Income (Loss) |
|------------------------------|---|--|--|
| | (in thousands) | | |
| Balance at March 31, 2003 | \$ (672) | \$ (185) | \$ (857) |
| Balance at December 31, 2002 | \$ (672) | \$ (200) | \$ (872) |

5. ACQUISITIONS

Effective March, 2003, the Company acquired all issued and outstanding common stock of Yesmail, Inc., a provider of email acquisition and retention services. The acquisition has been accounted for under the purchase method of accounting, and accordingly, the operating results of Yesmail, Inc. have been included in the Company's financial statements since the date of acquisition. Total consideration for the acquisition was cash of \$5.0 million. The purchase price for the acquisition has been preliminarily allocated to current assets of \$3.1 million, property and equipment of \$1.4 million, current liabilities of \$3.7 million and goodwill of \$4.2 million. The transaction is subject to purchase price adjustment represented by an adjustment for finalized working capital and a two-year escrow for other contingent items specified within the merger agreement.

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Operating results for Yesmail, Inc. are included in the accompanying consolidated statements of operations from March 1, 2003. Assuming Yesmail, Inc. had been acquired on January 1, 2002, included in the accompanying consolidated statements of operations, unaudited pro forma consolidated net sales, net income and net income per share would have been as follows:

| | For the three months ended | |
|----------------------------|---|---------------------------|
| | March 31, 2003 | March 31, 2002 |
| | (In thousands, except per share amounts) (unaudited) | |
| Net sales | \$ 77,945 | \$ 80,913 |
| Net income | \$ 4,938 | \$ 1,039 |
| Basic earnings per share | \$ 0.10 | \$ 0.02 |
| Diluted earnings per share | \$ 0.10 | \$ 0.02 |

The pro forma information provided above does not purport to be indicative of the results of operations that would actually have

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resulted if the acquisitions were made as of those dates or of results which may occur in the future. Pro forma net income includes adjustments for amortization of intangible assets and income taxes.

6. NON-CASH STOCK COMPENSATION EXPENSE

At March 31, 2003, the Company has a nonqualified stock option plan. The Company applies the intrinsic value based method of Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations in accounting for its stock option plan. No stock-based employee compensation cost is reflected in net income, as all options granted under the plan had an exercise price equal to the market value of the underlying common stock on the date of grant. The Company's pro forma net income and earnings per share would have been as indicated below had the fair value of all option grants been charged to salaries, wages, and benefits in accordance with SFAS No. 123, *Accounting for Stock-Based Compensation*:

| | Three Months Ended March 31, | |
|--|---------------------------------|---------|
| | 2003 | 2002 |
| Net income, as reported | \$6,855 | \$4,866 |
| Less: Total stock-based employee compensation expense determined under fair value based method, net of tax | 240 | 288 |
| Net income, pro forma | \$6,615 | \$4,578 |
| Earnings per share: | | |
| Basic as reported | \$.13 | \$.10 |
| Basic pro forma | \$.13 | \$.09 |
| Diluted as reported | \$.13 | \$.10 |
| Diluted pro forma | \$.13 | \$.09 |

The above pro forma results are not likely to be representative of the effects on reported net income for future years since options vest over several years and additional awards generally are made each year.

The fair value of the weighted average of option grants is estimated as of the date of grant using the Black-Scholes option-pricing model with the following assumptions used for grants in 2003 and 2002: expected volatility of 9.92% (2003) and 11.94% (2002); risk free interest rate based on the U.S. Treasury strip yield at the date of grant; and expected lives of 5 years.

Compensation cost for stock options and warrants granted to non-employees and vendors is measured based upon the fair value of the stock option or warrant granted. When the performance commitment of the non-employee or vendor is not complete as of the grant date, the Company estimates the total compensation cost using a fair value method at the end of each period. Generally, the final measurement of compensation cost occurs when the non-employee or vendors related performance commitment is complete. Changes, either increases or decreases, in the estimated fair value of the options between the date of the grant and the final vesting of the options result in a change in the measure of compensation cost for the stock options or warrants. Compensation cost is recognized as expense over the periods in which the benefit is received.

During the second quarter of 2002, the Company granted non-qualified stock options to a non-employee consultant of the Company in connection with a consulting agreement executed by the Company. The options vest evenly over four years and have a five year life. The fair value of the option was estimated, as of the grant date, using the Black-Scholes option pricing model with the following assumptions: no dividend yield for any year, expected volatility of 64%, risk free interest rate of 4.11% and an expected life of 5 years. As such, the Company has recorded a non-cash charge of \$6 thousand, related to stock options granted to the consultant during the three months ended March 31, 2003. The charges were recorded as an addition to paid-in-capital. The consulting agreement commits the Company to make cash payments of \$450 thousand, \$675 thousand, \$775 thousand and \$200 thousand in 2002, 2003, 2004 and 2005 to the consultant for services rendered. Expense

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recorded for the three months ended March 31, 2003 for this consulting agreement was \$175 thousand.

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During the quarter ended March 31, 2003, the Company recorded restructuring charges due to additional workforce reductions of \$555 thousand. The charges included involuntary employee separation costs for 56 employees in administration, sales support and marketing functions. As of March 31, 2003, an accrual of \$554 thousand was included in the accompanying consolidated balance sheet for severance costs remaining to be paid.

During the quarter ended March 31, 2002, the Company recorded restructuring charges due to workforce reductions of \$167 thousand, as a part of the Company's overall strategy to reduce costs and continue commitment to its core businesses. The workforce reduction charges included involuntary employee separation costs for 29 employees in administration, sales support and marketing functions.

8. ACQUISITION COSTS

During the quarter ended March 31, 2003, the Company recorded costs of \$13 thousand for general and administrative expenses incurred in connection with the integration of acquired companies. These costs are not direct costs of acquisition and therefore cannot be capitalized as part of the purchase price.

9. OTHER CHARGES

During the quarter ended March 31, 2003, the Company repurchased \$5.0 million of its Senior Subordinated Notes. As part of these repurchases, the Company recorded charges of \$0.3 million for net unamortized debt issue costs related to the Senior Subordinated Notes and for amounts paid in excess of carrying value of the debt.

During the quarter ended March 31, 2002, the Company wrote-off deferred financing costs of \$2.9 million in connection with the refinancing of its Senior Secured Credit facilities. Additionally, the refinancing resulted in a loss of \$1.2 million for the reclassification of an interest rate swap agreement from Other Comprehensive Income (Loss) included in the Company's consolidated balance sheet.

10. RELATED PARTY TRANSACTIONS

Mr. Gupta was eligible for a cash bonus in 2002 based on Company performance. The criteria for Mr. Gupta's bonus specifies that he would receive 10% of the Company's adjusted EBITDA in excess of \$80 million. In January 2002, the Company paid an advance of \$1.5 million to Mr. Gupta (based on the Company's 2001 performance) to be off set against any 2002 bonus payable to Mr. Gupta pursuant to his bonus program. The advance was to be applied to part or all of his 2002 bonus or paid back by Mr. Gupta by January 2004. In May 2002, Mr. Gupta paid back \$0.6 million of the original advance, leaving an advance balance of \$0.9 million. Mr. Gupta's 2002 bonus has been determined to be \$0.4 million. The remaining balance of \$0.5 million is classified as Officer Note Receivable in the accompanying Balance Sheet.

11. GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets consist of the following:

| | March 31, 2003 | March 31, 2002 |
|--------------------------------------|---------------------------|---------------------------|
| | (In thousands) | |
| Goodwill | \$273,272 | \$262,417 |
| Non-compete agreements | 13,534 | 13,534 |
| Core technology | 4,800 | 4,800 |
| Customer base | 8,372 | 8,372 |
| Trade names | 15,802 | 15,802 |
| Purchased data processing software | 73,478 | 73,478 |
| Acquired database costs | 19,000 | 19,000 |
| Perpetual software license agreement | 8,000 | 8,000 |
| Software development costs, net | 3,014 | 5,565 |
| Deferred financing costs | 9,221 | 8,845 |
| | 428,493 | 419,813 |

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| | | |
|-------------------------------|------------------|------------------|
| Less accumulated amortization | <u>154,591</u> | <u>146,567</u> |
| | <u>\$273,902</u> | <u>\$273,246</u> |

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12. CONTINGENCIES

The Company and its subsidiaries are involved in legal proceedings, claims and litigation arising in the ordinary course of business. Management believes that any resulting liability should not materially affect the Company's financial position, results of operations, or cash flows.

On May 14, 2002, a former principal of an acquired business was awarded \$1.6 million by an arbitrator for settlement of a dispute regarding exercise of stock options issued by the Company as a part of the acquisition. The Company's management believes that it has sufficient legal grounds to have the ruling overturned and that such an outcome is likely. Accordingly, the Company has not recorded a litigation charge for the cost of this judgment or other potential claims and contingent liabilities as management believes that the likelihood of a material loss for such contingencies is unlikely.

12. SUBSEQUENT EVENT

The Company is in the process renegotiating the Senior Secured Credit facility with Banc of America Securities, LLC to, among other things, increase the amount of credit. The Senior Secured Credit Facility currently provides for grid-based interest pricing based upon the Company's consolidated leverage ratio and ranges from base rate + 1.00% to 1.75% for base rate loans and from LIBOR + 2.00% to 2.75% for LIBOR loans for the Term A Loan, interest at base rate + 2.00% for base rate loans and LIBOR + 3.00% for LIBOR loans for the Term B Loan and a Revolving Credit Facility in the amount of \$18.0 million which provides the same interest pricing as the Term Loan A Loan. Substantially all assets of the Company are pledged as security under the terms of the Credit Facility.

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ITEM 2.

infoUSA INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

GENERAL

The Company is a leading provider of business and consumer information, data processing and database marketing services. The Company's key assets include proprietary databases of 14 million businesses and 220 million consumers in the United States and Canada. We believe our proprietary content is the most comprehensive and accurate data available. We leverage these key assets by selling through multiple distribution channels to over 4 million customers that include small and medium-size businesses, Fortune 1000 companies, consumers, and Internet users.

This discussion and analysis contains forward-looking statements, including without limitation statements in the discussion of comparative results of operations, accounting standards and liquidity and capital resources, within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933, which are subject to the safe harbor created by those sections. The Company's actual future results could differ materially from those projected in the forward-looking statements. Some factors which could cause future actual results to differ materially from the company's recent results or those projected in the forward-looking statements are described in Factors Affecting Operating Results below. The Company assumes no obligation to update the forward-looking statement or such factors.

The Company has supplemented its internal growth through strategic acquisitions and has completed over 20 acquisitions since mid 1996. The Company has increased its presence in the consumer marketing information industry, greatly increased its ability to provide data processing solutions, increased its presence in list management and list brokerage services and broadened its offerings for e-mail and business marketing information. During 2002 and 2003, the Company completed the integration of Polk City Directories and enhanced its presence in e-mail marketing, e-mail customer retention and e-mail customer acquisition services with the acquisition of DoubleClick's email deployment business, Clickaction and Yesmail. The Company also continued to consolidate the printed and online directory industry with its acquisition of Hill-Donnelly and City Publishing directory companies.

Since 1996, the Company has systematically integrated the operations of the acquired companies into existing operations of the Company. In most cases, the results of operations for these acquired activities are no longer separately accounted for from existing activities. The Company cannot report the results of the operations of acquired companies upon completion of the integration as the results are commingled with existing results. Additionally, upon integration of the acquired operations, the Company frequently combines acquired products or features with existing products, and experiences significant cross selling of products between business units, including sales of acquired products by existing business units and sales by acquired business units of existing products. Due to recent and potential future acquisitions, future results of operations will not be comparable to historical data.

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RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, selected financial information and other data. The amounts and related percentages may not be fully comparable due to the acquisitions.

| | THREE MONTHS ENDED MARCH 31, 2003 | THREE MONTHS ENDED MARCH 31, 2002 |
|--|--|--|
| CONSOLIDATED STATEMENT OF OPERATIONS DATA: | | |
| Net sales | 100% | 100% |
| Costs and expenses: | | |
| Database and production costs | 27 | 28 |
| Selling, general and administrative | 44 | 42 |
| Depreciation | 5 | 5 |
| Amortization | 4 | 4 |
| Restructuring charges | 1 | |
| Acquisition costs | | |
| | <u>81</u> | <u>79</u> |
| Operating income | 19 | 21 |
| Other expense, net | (5) | (11) |
| | <u>14</u> | <u>10</u> |
| Income before income taxes | 14 | 10 |
| Income taxes | 5 | 4 |
| | <u>9%</u> | <u>6%</u> |
| Net income | | |
| OTHER DATA: | | |
| SALES BY SEGMENT: | | |
| | (in thousands) | |
| Small business | \$ 39,566 | \$ 39,348 |
| Large business | 36,514 | 37,375 |
| | <u>76,080</u> | <u>76,723</u> |
| Total | | |
| SALES BY SEGMENT AS A PERCENTAGE OF NET SALES: | | |
| Small business | 52% | 51% |
| Large business | 48 | 49 |
| | <u>100%</u> | <u>100%</u> |
| Total | | |
| Amortization expense of goodwill and related intangibles (1) | \$ 3,324 | \$ 3,336 |
| | <u>21,478</u> | <u>23,352</u> |
| Earnings before, interest, taxes, depreciation and amortization, (EBITDA), as adjusted (2) | | |
| EBITDA, as adjusted, as a percentage of net sales | 28% | 30% |
| | <u>22,278</u> | <u>8,670</u> |
| Cash Flow Data: | | |
| Net cash provided by operating activities | \$ 22,278 | \$ 8,670 |

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| | | |
|---------------------------------------|----------|---------|
| Net cash used in investing activities | (7,203) | (4,135) |
| Net cash used in financing activities | (16,018) | (8,770) |

(1) This represents amortization expense recorded by the Company on amortizable intangible assets recorded as part of the acquisition of other companies, and excludes amortization related to deferred financing costs, software development costs, and other intangible assets not recorded as part of an acquisition of another company.

(2) EBITDA, is defined as operating income adjusted to exclude depreciation and amortization, impairment of assets and non-cash stock compensation expenses. EBITDA is presented because it is a widely accepted indicator of a company's ability to incur and service debt and of the Company's cash flows from operations excluding any non-cash items. However, EBITDA, does not purport to represent cash provided by operating activities as reflected in the Company's consolidated statements of cash flows, is not a measure of financial performance under generally accepted accounting principles (GAAP) and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Also, the measure of EBITDA, may not be comparable to similar measures reported by other companies.

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The following provides a reconciliation of operating income to EBITDA, as adjusted:

| | Three months ended March 31, | |
|-----------------------------------|-------------------------------------|------------------|
| | 2003 | 2002 |
| Operating income (loss) | \$ 14,303 | \$ 16,248 |
| Non-cash charges: | | |
| Depreciation of operating assets | 3,851 | 3,768 |
| Amortization of intangible assets | 3,324 | 3,336 |
| EBITDA, as adjusted | <u>\$ 21,478</u> | <u>\$ 23,352</u> |

Net sales

Net sales of the Company for the quarter ended March 31, 2003 were \$76.1 million compared to \$76.7 million for the same period of 2002.

Net sales of the small business segment for the quarter ended March 31, 2003 were \$39.6 million, compared to \$39.3 million for the same period of 2002. The small business segment principally engages in the selling of sales lead generation and consumer DVD products to small to medium sized companies, small office and home office businesses and individual consumers. This segment also includes the sale of content via the Internet.

Net sales of the large business segment for the quarter ended March 31, 2003 were \$36.5 million, a 2% decline from \$37.4 million for the same period of 2002. The large business segment principally engages in the selling of data processing services, licensed databases, database marketing solutions, e-mail marketing solutions and list brokerage and list management services to large companies. This segment includes the licensing of databases for Internet directory assistance services. The decrease in net sales is principally due to softer customer demand for data processing services related to a general slow-down in the United States economy and the uncertainty surrounding the war in Iraq.

Database and production costs

Database and production costs for the quarter ended March 31, 2003 were \$20.9 million, or 27% of net sales, compared to \$21.3 million, or 28% of net sales for the same period of 2002.

Selling, general and administrative expenses

Selling, general and administrative expenses for the quarter ended March 31, 2003 were \$33.1 million, or 44% of net sales, compared to \$31.9 million, or 42% of net sales for the same period of 2002. The increase in selling, general and administrative expenses as a percentage of net sales is principally due to the acquisition of various companies during 2002 and 2003, including Hill-Donnelly, City Publishing, the e-mail list business of DoubleClick, ClickAction and Yesmail. These acquired companies historically had higher operating sales and marketing cost structures as a percentage of net sales than the Company's existing businesses.

Depreciation and amortization expenses

Depreciation and amortization expenses for the quarter ended March 31, 2003 were \$7.2 million, or 9% of net sales, compared to \$7.1 million, or 9% of net sales for the same period of 2002. The Company adopted Statement of Financial Standards (SFAS) No. 142, Goodwill and Other Intangible Assets as of January 1, 2002. SFAS No. 142 requires the Company to complete an annual impairment test on goodwill and other intangible assets with an indefinite life rather than record amortization expense on those assets. We currently do not expect to record an impairment charge, however, there can be no assurance that at the time a review is completed a material impairment charge will not be recorded.

Restructuring costs

During the quarter ended March 31, 2003, the Company recorded restructuring charges due to workforce reductions of \$555 thousand as a part of the Company's continuing strategy to reduce costs. The workforce reduction charges included involuntary employee separation costs for 56 employees.

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During the quarter ended March 31, 2002, the Company recorded restructuring charges due to workforce reductions of \$167 thousand as a part of the Company's overall strategy to reduce costs and continue commitment to its core businesses. The workforce reduction charges included involuntary employee separation costs for 29 employees.

Acquisition costs

During the quarter ended March 31, 2003, the Company recorded integration-related costs of \$13 thousand. The integration-related costs included consulting costs, information system conversion and other direct integration-related charges. These costs were not directly related to the acquisition of Yesmail, and therefore could not be capitalized, but were costs associated with the integration of operations into the Company's existing operations.

During the first quarter of 2002, the Company recorded integration-related costs of \$0.1 million. The integration-related costs included consulting costs, information system conversion and other direct integration-related charges. These costs were not directly related to the acquisition of Polk Directories, and therefore could not be capitalized, but were costs associated with the integration of Polk Directories operations into the Company's existing operations.

Operating income

Including the factors previously described, the Company had operating income of \$14.3 million, or 19% of net sales for the quarter ended March 31, 2003, compared to operating income of \$16.2 million, or 21% of net sales for the same period in 2002.

Operating income for the small business segment for the quarter ended March 31, 2003 was \$15.2 million, or 38% of net sales, as compared to \$15.5 million, or 39% of net sales for the same period in 2002. The decrease in operating income as a percentage of net sales is principally due to increased selling, general and administrative expenses represented as a percentage of net sales associated with certain companies acquired during 2002 and 2003 including City Publishing and Hill-Donnelly, as further described in the selling, general and administrative section above.

Operating income for the large business segment for the quarter ended March 31, 2003 was \$18.1 million, or 50% of net sales, as compared to \$20.3 million, or 54% of net sales for the same period in 2002. The decrease in operating income as a percentage of net sales is principally due to increased selling, general and administrative expenses represented as a percentage of net sales associated with the companies acquired during 2002 and 2003 including ClickAction and Yesmail, as further described in the selling, general and administrative section above.

Other income (expense), net

Other income (expense) net, was \$(3.3) million, or (5)% of net sales, and \$(8.4) million, or (11)% of net sales, for the quarters ended March 31, 2003 and 2002, respectively. Other income (expense) is comprised of interest expense, investment income and other income or expense items, which do not represent components of operating income (expense) of the Company.

Interest expense was \$3.6 million and \$4.4 million for the quarters ended March 31, 2003 and 2002. Interest expense has decreased due to the continued reduction in the amount of total debt outstanding and favorable interest rates. Investment income was \$0.3 million and \$0.1 million for the quarters ended March 31, 2003 and 2002.

During 1999 in conjunction with the acquisition of Donnelley, the Company negotiated a credit arrangement (Senior Debt Credit Facility). According to the terms of the Senior Debt Credit Facility, the Company entered into an interest rate swap agreement with Union Bank of California, to fix the rate on \$60.5 million of the debt at an interest rate of 6.385% for the term of 3 years. On March 6, 2002, the Company refinanced the Senior Debt Credit facility administered by Deutsche Bank with Bank of America Securities, LLC. As a result of the refinancing, the Company recorded a charge of \$1.2 million for amounts reported in Other Comprehensive Income related to the fair value of the interest rate swap agreement. Also during the quarter ended March 31, 2002, the Company wrote-off deferred financing costs of \$2.9 million in connection with the refinancing of its Senior Secured Credit facilities as described above.

Income taxes

A provision for income taxes of \$4.1 million and \$3.0 million was recorded for the quarters ended March 31, 2003 and 2002, respectively.

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EBITDA

The Company's EBITDA was \$21.5 million, or 28% of net sales for the quarter ended March 31, 2003, and \$23.4 million, or 30% of net sales for the same period in 2002. EBITDA is defined as operating income adjusted to exclude depreciation and amortization, impairment of assets and non-cash stock compensation expenses.

LIQUIDITY AND CAPITAL RESOURCES

Consolidated Statements of Cash Flows Information:

As of March 31, 2003, the Company's principal sources of liquidity included cash and cash equivalents of \$5.3 million, and \$18.0 million available under the Revolving Credit Facility described above. In April 2003, the company borrowed \$13.5 million against the Revolving Credit Facility to make a required payment under the Senior Secured Credit facility based on excess cash. The transaction was required under the Senior Secured Credit Facility under renegotiation and had no impact on total debt. As of March 31, 2003, the Company had a working capital deficit of \$33.8 million.

Net cash provided by operating activities during the three months ended March 31, 2003, totaled \$22.3 million compared to \$8.7 million during the same period of 2002 due to a \$6.9 million increase in deferred revenue, a \$3.0 million increase in accounts payable and an increase in net income of \$2.0 million.

During the quarter ended March 31, 2003, the Company spent \$1.8 million for additions of property and equipment, \$0.1 million related to software and database development costs, \$5.3 million for the acquisition of businesses and \$16.0 million on the repayment of long-term debt.

The Senior Secured Credit Facility provides for a Term A Loan of \$47.0 million due March 2005, a Term B Loan of \$45.0 million due March 2006 and \$18.0 million under a Revolving Credit Facility due March 2005.

The Senior Secured Credit Facility provides for grid-based interest pricing based upon the Company's consolidated leverage ratio and ranges from base rate + 1.00% to 1.75% for base rate loans and from LIBOR + 2.00% to 2.75% for LIBOR loans for the Term A Loan, interest at base rate + 2.00% for base rate loans and LIBOR + 3.00% for LIBOR loans for the Term B Loan and a Revolving Credit Facility in the amount of \$18.0 million which provides the same interest pricing as the Term Loan A Loan. Substantially all assets of the Company are pledged as security under the terms of the Credit Facility. As of December 31, 2002, the Term A Loan had a balance of \$34.3 million, with an interest rate of 4.30% and a Term B Loan balance of \$40.8 million, with an interest rate of 4.80%. Additionally, the Company is required to pay a commitment fee of between 0.35% and 0.50%, dependent on the consolidated leverage ratio, on the average unused amount of the Revolving Credit Facility.

The Company is subject to certain financial covenants in its various credit facilities, including total funded debt leverage ratio, senior debt leverage ratio, fixed charge coverage ratio and minimum consolidated EBITDA. Management believes the Company is in compliance with all restrictive covenants of the Company's various debt facilities.

The Company believes that its existing sources of liquidity and cash generated from operations will satisfy the Company's projected working capital, debt repayments and other cash requirements for at least the next 12 months. Acquisitions of other technologies, products or companies, or internal product development efforts may require the Company to obtain additional equity or debt financing, which may not be available or may be dilutive.

Consolidated Balance Sheet Information:

Trade accounts receivable decreased from \$45.3 million at March 31, 2002 to \$40.8 million at March 31, 2003, with related days sales outstanding (DSO) decreasing to 49 days for the quarter ended March 31, 2003 from 54 days for the same period in 2002.

ACCOUNTING STANDARDS

In June 2001, the FASB released SFAS No. 143, Accounting for Asset Retirement Obligations, which addresses financial

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accounting and reporting for obligations associated with retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 requires recognition of asset retirement obligations as a liability rather than a contra-asset. SFAS No. 143 is effective for the Company's fiscal year ending December 31, 2003. SFAS No. 143 is not expected to have an impact on the Company's consolidated financial statements.

In April 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections. SFAS No. 145, among other things, rescinds SFAS No. 4 which required all gains and losses from the extinguishments of debt to be classified as an extraordinary item and amends SFAS No. 13 to require that certain lease modification that have economic effect similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. Upon adoption of the new accounting standard in 2003, the Company is required to reclassify the extraordinary item of \$1.8 million related to the extinguishment of debt as reported in the 2002 consolidated statement of operations. The reclassification increased other non-operating expense by \$2.9 million and decreased income tax expense by \$1.1 million.

In June 2002, the FASB released SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities, which addresses accounting and reporting for costs associated with exit or disposal activities, and nullifies EITF 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to exit an Activity. SFAS No. 146 addresses involuntary one-time employee termination benefits, cost to terminate a contract that is not a capital lease, and other associated exit costs. Existing accounting guidelines require companies to recognize a liability when management commits itself or announces plans to exit or dispose of an activity. SFAS No. 146 will prohibit companies from recognizing an exit or disposal liability can be measured at fair value. The Company is required to be in conformity with the provisions of SFAS No. 146 for exit or disposal activities that are initiated after December 31, 2002. The adoption of SFAS No. 146 is not expected to have a material effect on the Company's financial position or results of operations.

In November 2002, the Emerging Issues Task Force of the FASB reached consensus on Issue 00-21 (EITF 00-21), *Revenue Arrangements with Multiple Deliverables*. EITF 00-21 addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. EITF 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. EITF 00-21 is not expected to have material impact on the Company's consolidated financial statements.

In November 2002, the FASB issued Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of SFAS No. 5, 57 and 107 and rescission of FASB Interpretation No. 34. This interpretation requires additional disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also specifies the requirements for liability recognition (at fair value) for obligations undertaken in issuing the guarantee. The disclosure requirements are effective for interim and annual financial statements ending after December 15, 2002, (December 31, 2002 financial statements for calendar year companies). The initial recognition and measurement provisions are effective for all guarantees within the scope of Interpretation 45 issued or modified after December 31, 2002. The Company has not yet determined the effect of Interpretation No. 45 on its financial statements with respect to initial recognition and measurement.

FACTORS THAT MAY AFFECT OPERATING RESULTS

Our Internet strategy is subject to review and revision.

Our Internet strategy is to leverage our proprietary content into multiple vertical market applications and provide marketing solutions for electronic commerce applications. The strategy we introduced in fiscal 2000 of being an incubator of Internet database companies has been revised to a strategy of developing more efficient and profitable applications of our content through the Internet. We cannot guarantee that our customers will choose to have our products and services delivered to them over the Internet. If we are successful in developing Internet applications, we may face strong competition from current and potential competitors, including other Internet companies and other providers of business and consumer databases. We will review our Internet strategy from time to time and may continue to revise it.

Our markets are highly competitive and many of our competitors have greater resources than we do.

The business and consumer marketing information industry in which we operate is highly competitive. Intense competition could harm us by causing, among other things, price reductions, reduced gross margins, and loss of market share. Our

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competition includes:

In consumer sales lead generation products, Acxiom, Experian (a subsidiary of Great Universal Stores, P.L.C. (GUS)), and Equifax, both directly and through reseller networks.

In data processing services, Acxiom, Experian, Direct Marketing Technologies (a subsidiary of GUS), and Harte-Hanks Communications, Inc.

In business sales lead generation products, Experian and Dun s Marketing Services (DMS), a division of Dun & Bradstreet. DMS, which relies upon information compiled from Dun & Bradstreet s credit database, tends to focus on marketing to large companies.

In business directory publishing, from Regional Bell Operating Companies and many smaller, regional directory publishers.

In consumer products, certain smaller producers of CD-Rom products.

Technologies which companies may install and implement in-house as part of their internal IS functions, instead of purchasing or outsourcing such functions.

In addition, we may face competition from new entrants to the business and consumer marketing information industry as a result of the rapid expansion of the Internet, which creates a substantial new channel for distributing business information to the market. Many of our competitors have longer operating histories, better name recognition and greater financial resources than we do, which may enable them to implement their business strategies more readily than we can.

We are highly leveraged. If we are unable to service our debt as it becomes due, our business would be harmed.

As of March 31, 2003, we had total indebtedness of approximately \$174.4 million, including \$92.0 million of Notes under an indenture (the Indenture) and \$70.5 million under a \$110 million Senior Secured Credit Agreement. Substantially all of our assets are pledged as security under the terms of the Senior Secured Credit Agreement. The indebtedness under the Senior Secured Credit Agreement was refinanced March 6, 2002 and originally incurred in connection with our acquisition of Donnelley Marketing in 1999. Our ability to pay principal and interest on the Notes issued under the Indenture and the indebtedness under the Senior Secured Credit Agreement and to satisfy our other debt obligations will depend upon our future operating performance. Our performance will be affected by prevailing economic conditions and financial, business and other factors. Certain of these factors are beyond our control. The future availability of revolving credit under the Senior Secured Credit Agreement will depend on, among other things, our ability to meet certain specified financial ratios and maintenance tests. We expect that our operating cash flow should be sufficient to meet our operating expenses, to make necessary capital expenditures and to service our debt requirements as they become due. If we are unable to service our indebtedness, however, we will be forced to take actions such as reducing or delaying acquisitions and/or capital expenditures, selling assets, restructuring or refinancing our indebtedness (including the Notes issued under the Indenture and the Senior Secured Credit Agreement) or seeking additional equity capital. We may not be able to implement any such measures or obtain additional financing.

The terms of our current indebtedness restrict our ability to take certain actions that fit our business strategy.

Our existing credit facilities contain certain covenants which restrict our ability to:

Incur additional indebtedness;

Pay dividends and make certain other similar payments;

Guarantee indebtedness of others;

Enter into certain transactions with affiliates;

Consummate certain asset sales, certain mergers and consolidations, sales or other dispositions of all or substantially all of our assets

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Acquire other companies; and

Obtain dividends or certain other payments from our subsidiaries.

These restrictions may impair our ability to take certain actions that fit our business strategy. A breach of any of these covenants could result in an event of default under the terms of our existing credit facilities. Upon the occurrence of an event of default, the lenders could elect to declare all amounts outstanding, together with accrued interest, to be immediately due and payable. If the payment of any such indebtedness is accelerated, our assets may not be sufficient to repay in full the indebtedness under our credit facilities and our other indebtedness. Moreover, if we were unable to repay amounts owed to the lenders under our credit facilities, the lenders could foreclose on our assets that secure the indebtedness.

Under the terms of our current indebtedness, the occurrence of a change of control of infoUSA could have serious adverse financial consequences to us.

If a change of control of *infoUSA* were to occur, we would in certain circumstances be required to make an offer to purchase all outstanding Notes under the Indenture at a purchase price equal to 101% of the principal amount of the Notes, together with accrued and unpaid interest. There can be no guarantee that, if this were to happen, we would have sufficient funds to purchase the Notes. In addition, a change of control and any repurchase of the Notes upon a change of control may constitute an event of default under our other current or future credit facilities. In that event, our obligations under such credit facilities could be declared due and payable by the lenders, and the lenders may also have the right to be paid for all outstanding obligations under such credit facilities before we repurchase any of the Notes.

Fluctuations in our operating results may result in decreases in the market price of our common stock.

Our operating results may fluctuate on a quarterly and annual basis. Our expense levels are relatively fixed and are based, in part, on our expectations as to future revenues. As a result, unexpected changes in revenue levels may have a disproportionate effect on operating performance in any given period. In some period or periods our operating results may be below the expectations of public market analysts and investors. Our failure to meet analyst or investor expectations could result in a decrease in the market price of our common stock.

If we do not adapt our products and services to respond to changes in technology, they could become obsolete.

We provide marketing information and services to our customers in a variety of formats, including printed formats, electronic formats such as CD-Rom and DVD, and over the Internet. Advances in information technology may result in changing customer preferences for products and product delivery formats. If we do not successfully adapt our products and services to take advantage of changes in technology and customer preferences, our business, financial condition and results of operations would be adversely affected.

We have adopted an Internet strategy because we believe that the Internet represents an important and rapidly evolving market for marketing information products and services. Our business, financial condition and results of operations would be adversely affected if we:

Fail to develop products and services that are well suited to the Internet market;

Experience difficulties that delay or prevent the successful development, introduction and marketing of these products and services; or

Fail to achieve sufficient traffic to our Internet sites to generate significant revenues, or to successfully implement electronic commerce operations.

Changes in laws and regulations relating to data privacy could adversely affect our business.

We engage in direct marketing, as do many of our customers. Certain data and services provided by us are subject to regulation by federal, state and local authorities in the United States as well as those in Canada and the United Kingdom. In addition, growing concerns about individual privacy and the collection, distribution and use of information about individuals

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have led to self-regulation of such practices by the direct marketing industry through guidelines suggested by the Direct Marketing Association and to increased federal and state regulation. There is increasing awareness and concern among the general public regarding marketing and privacy concerns, particularly as it relates to the Internet. This concern is likely to result in new laws and regulations. Compliance with existing federal, state and local laws and regulations and industry self-regulation has not to date seriously affected our business, financial condition or results of operations. Nonetheless, federal, state and local laws and regulations designed to protect the public from the misuse of personal information in the marketplace and adverse publicity or potential litigation concerning the commercial use of such information may increasingly affect our operations. This could result in substantial regulatory compliance or litigation expense or a loss of revenue.

Our business would be harmed if we do not successfully integrate future acquisitions.

Our business strategy includes continued growth through acquisitions of complementary products, technologies or businesses. We have made over 20 acquisitions since mid-1996 and completed the integration of these acquisitions into our existing business by the end of the quarter as of March 31, 2003. We continue to evaluate strategic opportunities available to us and intend to pursue opportunities that we believe fit our business strategy. Acquisitions of companies, products or technologies may result in the diversion of management's time and attention from day-to-day operations of our business and may entail numerous other risks, including difficulties in assimilating and integrating acquired operations, databases, products, corporate cultures and personnel, potential loss of key employees of acquired businesses, difficulties in applying our internal controls to acquired businesses, and particular problems, liabilities or contingencies related to the businesses being acquired. To the extent our efforts to integrate future acquisitions fail, our business, financial condition and results of operations would be adversely affected.

ITEM 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is not exposed to material future earnings or cash flow exposures from changes in interest rates as over one-half of the Company's debt is at fixed rates. At March 31, 2003, the fair value of the Company's long-term debt is based on quoted market prices at the reporting date or is estimated by discounting the future cash flows of each instrument at rates currently offered to the Company for similar debt instruments of comparable maturities. At March 31, 2003, the Company had long-term debt with a carrying value of \$174.4 million and estimated fair value of approximately \$177.9 million. The market risk is estimated as the potential decrease in fair value of the Company's long-term debt resulting from a hypothetical increase of 10% in the rates currently offered to the Company. An increase in interest rates would result in approximately a \$3.4 million increase in fair value of the Company's long-term debt. The Company does not have operations subject to risks of foreign currency fluctuations.

ITEM 4.

CONTROLS AND PROCEDURES

Within the 90 days prior to the date of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Exchange Act Rule 15d-14(c) and Rule 13a-14. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective in enabling the Company to record, process, summarize and report information required to be included in the Company's periodic SEC filings within the required time period. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation.

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infoUSA INC.
FORM 10-Q

FOR THE QUARTER ENDED

MARCH 31, 2003

PART II

OTHER INFORMATION

ITEM 5.
SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the 2003 Annual Meeting of Stockholders of the Company held on April 21, 2003, the stockholders voted and approved the following items:

1. Elected the following directors to the Board of Directors for a term of three years.

| | | | | |
|---------------------|------|------------|-----------|-----------|
| Vinod Gupta | FOR: | 45,635,583 | WITHHELD: | 1,388,830 |
| Geroge F. Haddix | FOR: | 46,389,457 | WITHHELD: | 634,956 |
| Dr. Vasant H. Raval | FOR: | 46,391,073 | WITHHELD: | 633,340 |

2. The stockholders also ratified the appointment of KPMG LLP as the Company's independent auditors to examine the financial statements of the Company for the fiscal year 2003.

| | | | | | |
|------|------------|----------|--------|----------|-----|
| FOR: | 45,903,314 | AGAINST: | 15,090 | ABSTAIN: | -0- |
|------|------------|----------|--------|----------|-----|

ITEM 6.
EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

| | |
|------|--|
| 99.1 | Certificate Pursuant to Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith |
| 99.2 | Certificate Pursuant to Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith |

(b) Report on Form 8-K

The Company filed a Form 8-K/A effective as of December 3, 2002 related to the acquisition of ClickAction Inc. and Form 8-K for the acquisition of Yesmail, Inc. effective as of February 28, 2003.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

infoUSA INC.

Date: May 14, 2003

/s/ STORMY L. DEAN

Stormy L. Dean, Chief Financial Officer
(principal financial officer)

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Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Stormy L. Dean, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2003 of *infoUSA* Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the Evaluation Date); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

/s/ STORMY L. DEAN

Stormy L. Dean
Chief Financial Officer

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Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Vinod Gupta, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2003 of *infoUSA* Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the Evaluation Date); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

/s/ VINOD GUPTA

Vinod Gupta
Chief Executive Officer

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Exhibit Index

| Ex. No. | Description |
|----------------|--|
| 99.1 | Certificate Pursuant to Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith |
| 99.2 | Certificate Pursuant to Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith |