

infoGROUP Inc.
Form 10-K
February 26, 2010

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

Form 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES ACT OF 1934
For the fiscal year ended December 31, 2009**
- Or**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
ACT OF 1934
For the transition period from to**

Commission file number: 001-34298

infoGROUP Inc.

(Exact name of registrant as specified in its charter)

Delaware

*(State or Other Jurisdiction of
Incorporation or Organization)*

47-0751545

*(I.R.S. Employer
Identification No.)*

5711 South 86th Circle, Omaha, Nebraska 68127

(Address of principal executive offices)

(402) 593-4500

(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Common stock, \$0.0025 par value

(Title of each class)

NASDAQ

(Name of each exchange on which registered)

Securities Registered Pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates computed by reference to the last reported sales price of the common stock on June 30, 2009 (the last business day of the registrant's most recently completed second fiscal quarter) was \$186.1 million.

As of February 19, 2010 the registrant had outstanding 57,903,615 shares of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's definitive proxy statement for the 2010 Annual Meeting of Stockholders are incorporated into Part III (Items 10, 11, 12, 13 and 14) hereof by reference.

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PART I

This Annual Report on Form 10-K (the "Annual Report"), the documents incorporated by reference into the Company's annual report to stockholders, and press releases (as well as oral statements and other written statements made or to be made by the Company) contain forward-looking statements that are made pursuant to the provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements related to potential future acquisitions and our strategy and plans for our business contained in Item 1 Business, Item 2 Properties, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations, and other parts of this Annual Report. Such forward-looking statements are based on our current expectations, estimates and projections about our industry, management's beliefs, and certain assumptions made by our management. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict; therefore, actual results may differ materially from those expressed or forecasted in any such forward-looking statements. Such risks and uncertainties include those set forth in this Annual Report under Item 1A Risk Factors, as well as those noted in the documents incorporated by reference into this Annual Report. You are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date on which they were made. Unless required by law, we undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. However, readers should carefully review the risk factors set forth in other reports or documents we file from time to time with the SEC, particularly the Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K.

For purposes of this report, unless the context otherwise requires, all references herein to the Company, Corporation, Infogroup, we, us, and our mean *infoGROUP Inc.* and its subsidiaries.

Item 1. Business

Company Profile

On June 1, 2008, we changed our Company name and registrant name from *infoUSA Inc.* to *infoGROUP Inc.* We are a Delaware corporation incorporated in 1972.

We are a provider of business and consumer databases for sales leads, mailing lists, direct marketing, database marketing, e-mail marketing and market research solutions. The Company's database powers the directory services of some of the top Internet traffic-generating sites. Customers use the Company's products and services to find new customers, grow their sales, and for other direct marketing, telemarketing, customer analysis and credit reference purposes. We operate three principal business groups, which are also our operating segments.

The *Data Group* maintains several proprietary databases of information relating to U.S. and international businesses and consumers.

The *Services Group* consists of subsidiaries providing list brokerage and list management, direct mail, database marketing services and e-mail marketing services to large customers.

The *Marketing Research Group* provides customer satisfaction surveys, employee surveys, opinion polling, and other market research services for businesses and for government.

Data Group

Our database operations are combined into a single operating segment, the Data Group. The Data Group is responsible for maintaining our proprietary databases and for developing and marketing products and services stemming from those databases. It provides sales leads and mailing lists to salespeople, small office / home offices, entrepreneurs, small and medium businesses and Fortune 2000 corporations for their sales and marketing efforts.

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Our Proprietary Databases

Business Databases

Our proprietary business databases contain information on nearly 15.5 million businesses in the United States and Canada, compiled through our proprietary compilation and phone verification processes in Omaha, Nebraska. The business database contains information such as name, address, telephone number, SIC codes, number of employees, business owner and key executive names, credit score and sales volume. We also provide fax and toll free numbers, website addresses, headline news, and public filings including liens, judgments, bankruptcies, and UCC filings. The primary components within our business database file are:

15.5 Million U.S. and Canadian Businesses

18 Million Global Businesses

12.5 Million Executives and Professionals

24 Million Executives

5.5 Million Small Business Owners

695,000 Manufacturers

2.6 Million Business Addresses with Color Photos

242,000 Big Businesses

2.1 Million Brand New Businesses

357,000 U.S. Houses of Worship

2.6 Million Business E-mail Addresses

56 Million UCC Filings

1.1 Million Medical Professionals

2.4 Million UK Businesses

Our data can be further categorized in a number of other subcomponents such as Executives at Home, Big Businesses and their Corporate Affiliations, Growing Businesses, Places of Interest, Schools and Female Business Owners.

Consumer Databases

Our consumer database contains approximately 215 million individuals and 135 million households and includes hundreds of data elements. Key elements in our database include: name, address, phone number, age, estimated household income, marital status, religion, ethnicity, dwelling type and size, home value, length of residence, and dozens of lifestyle elements. Key components within our consumer database include:

215 Million Consumers

16 Million New Movers Per Year

3.3 Million New Homeowners Per Year

13 Million Bankruptcies

135 Million Households

70 Million Homeowners

145 Million Occupants

151 Million Consumer E-mail Addresses

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We also maintain a file of Public Filings containing 54 million households and businesses that have filed for bankruptcy, or have tax liens or judgments recorded against them.

Expanding our Databases and Keeping Them Current

We compile and update information from many sources. Most of these sources fall within the following categories:

Yellow Page and White Page Directories

Annual Reports

SEC Filings

Public Filings (UCC and other public filings)

Nearly 24 million phone calls to verify and collect additional information

Newspaper articles

In addition, we use information licensed from the United States Postal Service's National Change of Address system and Delivery Sequence File to update and maintain our business database.

We have over 600 individuals in the United States compiling and updating our databases from these sources. As a result, the databases change by roughly 65% per year.

In the United States, we have staff updating the U.S. business database by making nearly 24 million phone calls a year to verify the name of the owner or key executive, address, number of employees, fax numbers, e-mail addresses, hours of operation, credit cards accepted, URL address and other information.

Products and Services Derived from Our Databases

We create many products and services from our databases to meet the needs of current and potential customers. We offer access to our databases over the Internet through our various websites, such as *infoUSA.com*, *Salesgenie.com*, *onesource.com*, and others. We create products and services such as prospect lists, mailing labels, 3 × 5 cards, printed directories, DVDs, business credit reports, and many other online and offline applications. Our products and data processing services are used by clients for identifying and qualifying prospective customers, initiating direct mail and e-mail campaigns, telemarketing, analyzing and assessing market potential, and surveying competitive markets in order to find new customers and increase sales. Our data also enables extensive data hygiene and enhancement services.

Internet-Based Subscription Services for Sales Leads and New Customer Development

Salesgenie.com. Provides targeted lead generation for sales professionals. Salesgenie offers fast, targeted online access to our databases with advanced filtering, mapping, and scoring capabilities that enable users to zero in on more prospects like their best customers. Salesgenie is available on demand from a laptop or mobile device. Currently subscriptions are based on a monthly fee per user, with multi-seat packages based on a tiered-pricing structure serving the needs of both small business owners and the sales organizations of large enterprises.

Salesgenie.com/Lite. This service offers a subset of the full databases with limited search criteria for a monthly fee per user.

Marketzone® Gold Marketing Edition. Provides on-demand, online access to our database of approximately 15.5 million businesses combined with the hygiene and data enhancement of existing customer files. Designed for marketing departments who support distributed or large sales forces (50 or more sales representatives), Marketzone Gold combines point-and-click selection of targeted prospects from any web-browser with suppression of existing customers to improve the effectiveness of and cost efficiency of direct marketing campaigns. Direct marketers can use Marketzone Gold to analyze existing customers, identify target markets and develop more successful targeted marketing programs.

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MarketZone® Platinum. An e-CRM (customer relationship management) solution that integrates the entire suite of our services to create real-time customer content integration. MarketZone Platinum is an extremely flexible, full function marketing database, campaign management and e-campaign solution which incorporates an engine to support analytic tools for extracting customer insight from today's expanding data sets. MarketZone Platinum enables us to quickly build and deploy custom analytic solutions to meet the evolving demands of our largest customers with the most sophisticated marketing requirements. MarketZone Platinum's multiple platform applications, modules, and campaign management/e-campaign management components can be leveraged to deliver high-performance analytic applications rapidly. We believe that these capabilities, along with our ability to provide data-processing, data and consultative services under one roof, make MarketZone Platinum a comprehensive and compelling solution.

infoConnect ONE PASS. Provides online, real-time data enhancement and file cleansing services which allow our clients to access key data and model scores to build customer relationships at the point of contact. Composed of four targeted web services—BusinessConnect, ScoreConnect, ConsumerConnect, and AddressConnect—infoConnect offers immediate response capabilities that can yield impressive direct marketing results. Our infoConnect services allow our clients to upsell, cross-sell and provide more targeted offers to grow their sales in real-time environments such as call centers and online stores.

OneSource Global Corporate and Executive Database. Provides business and financial information to professionals who need quick access to timely and reliable company, industry, and market intelligence. OneSource's primary products, the OneSource Business Browsersm products, are password-protected, subscription-based products that provide sales, marketing, finance, and management professionals and consultants with industry and company profiles, research reports, media accounts, executive listings and biographies, and financial information. Our international database spans 200 countries and provides information on approximately 17 million companies and 23 million key decision makers at these companies. The companies featured in our international database include not only large public companies but also well-known private companies.

Credit.net Business Credit Reports. Provides access to an unlimited number of business credit reports via the internet. The product is used by customers for making credit decisions, verifying company information, assisting in collection support, and identifying potential new customers. Customers can purchase individual business credit reports from the Internet or they may select a subscription-based plan offering unlimited access to our business credit reports for a current flat monthly fee per user.

Polk City Directories (formerly infoUSA City Directories and Hill-Donnelly Directories). Two of our directory divisions, Polk City Directories (CityDirectory.com) and infoUSA City Directories (infousacity.com), now offer bundled subscription packages for a fixed monthly fee per user. These bundled packages include a printed directory on a customer's immediate region, a DVD on the entire state, and Internet access for all of the U.S.

Non-Subscription Products and Services—Customized Sales Leads and Databases

Printed Prospect Lists, Mailing Labels, and Sales Lead Cards. Our databases can be sliced and diced to create customized sales leads and mailing lists for our customers. Our small business consultants work with a business to select the right criteria such as geography, type of business and size of business to generate the most revenue. The custom list can then be delivered in electronic format, printed format, put on mailing labels, provided on 3 x 5 index cards, or customers may place the order themselves using the infoUSA.com website.

Licensing

We license our data to a variety of value-added resellers and original equipment manufacturers in several key vertical industries, including directory assistance, GIS/mapping, navigation, local search, Internet directories, site location

analysis, sales leads, marketing, demographic modeling and fraud prevention.

Services Group

The Services Group consists of subsidiaries whose primary focus is helping customers enhance the value of their own customer data or providing full-service marketing solutions. It provides customer database management, list brokerage, list management, e-mail marketing, and catalog marketing services.

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Yesmail

Yesmail is an innovative interactive marketing solutions company, providing a range of email, social networking and online services. Yesmail has the experience and capabilities to create, build and implement email campaigns that directly support client objectives, whether they are built for revenue generation, brand awareness or community building. We believe Yesmail is known for developing and implementing customer-centric interactive marketing solutions that drive results. The Yesmail product suite, a combination of technology and service solutions, enables marketers to develop highly personalized customer communications programs that drive return on investment through increased sales and/or cost reductions.

Yesmail's online marketing suite includes:

Yesmail Enterprise A database and e-mail campaign management application for large enterprises with complex data, personalization and integration needs;

Yesmail Express A robust, self-serve e-mail campaign management tool for mid-market companies;

Yesmail Direct A small-business e-mail campaign management tool;

Yesmail Database Integrated marketing database management utilizing our MarketZone suite of products;

Yesmail Media Database enhancement and list growth utilizing our data, co-registration, search, list rental and append products; and

Yesmail Consulting Consulting in the areas of strategic marketing, e-mail creative, data analysis, privacy and deliverability, and best practices.

In addition, Yesmail owns patented predictive modeling tools that are embedded into certain of its e-mail campaign management tools and utilized by the Yesmail professional services team.

Yesmail has principal emarketing service offices in Portland, Atlanta, Chicago, Los Angeles, Omaha, New York, San Francisco, London, Singapore, and Toronto.

Subsequent to December 31, 2009, the Company created Infogroup Interactive, a subsidiary within the Services Group Segment, which is a digital marketing solutions and services provider dedicated to addressing the needs of cross-channel and interactive marketers. Infogroup Interactive brings together the market leading software solutions of Yesmail and the market leading digital media capabilities of Walter Karl Interactive, building a robust set of services and products that address business intelligence, data management, web development, social media and mobile marketing needs.

List Brokerage and List Management Divisions

These divisions include subsidiaries Walter Karl, Edith Roman, and Direct Media Millard, whose combined operations make them the largest list brokerage/list management providers in the industry for both Business-to-Business and Business-to-Consumer marketers. We provide list brokerage and list management services and an array of database services to a broad range of direct marketing clients. These divisions also specialize in e-mail list management and brokerage, co-registration, lead generation and mobile messaging for an array of off-line and on-line marketers. Our specialized list brokerage services, combined with state-of-the-art technology, allow us to deliver specialized client acquisition solutions and multi-channel marketing strategies.

Donnelley Marketing

Donnelley Marketing is a leading provider of data processing services to the catalog direct marketing industry, with a heritage of over 40 years. Our clients are integrated multi-channel direct marketers who utilize our suite of merge/purge, database management, and data products to reduce promotion expenses and improve response performance. A heavy emphasis on modeling and analytical tools combined with business intelligence reporting is integrated into Donnelley's suite of products. Donnelley Marketing provides integrated solutions that help our clients gain insight into their customer base and turn that insight into actionable, measurable means of targeting the best audience and increasing profitability.

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Infogroup Nonprofit

Infogroup Nonprofit brings together two of the industry's leading organizations serving the needs of nonprofit organizations; May Development Services and Triplex. Infogroup Nonprofit delivers a full range of postal and digital direct marketing services to our nonprofit clients. Services include creative, print and digital campaigns, audience targeting, data processing, and in-depth analytics.

Marketing Research Group

The Market Research Group provides insightful solutions for businesses around the globe and uncovers answers to issues worldwide. It consists of businesses acquired in 2006 and 2007 and consolidated under Opinion Research Corporation (ORC) for a common go-to-market approach.

Opinion Research Corporation

ORC has its worldwide headquarters in Princeton, N.J., and offices across the U.S., Europe and the Asia Pacific region. Founded in 1938, ORC offers a comprehensive portfolio of research products and services which provide insight into the attitudes and needs of both consumers and business executives across a range of industries. ORC offers the unique ability to integrate primary research, secondary research, competitive intelligence and expert insight to address client's strategic issues. The Company's expertise is focused in the areas of customer engagement strategies, market planning & development, employee engagement, corporate brand & reputation management, competitive intelligence and on-demand business intelligence. ORC serves all industries, with specialized practices in the financial services, pharmaceuticals, healthcare, information technology and telecommunications, energy, consumer goods and services and public services sectors. We believe ORC is a leader in the integration of research and technology, and is known for its nimble, flexible and responsive approach to the complex research challenges facing its clients worldwide.

Globally, ORC operates in Asia as NWC Opinion Research, with offices in Australia, Singapore, Hong Kong, China and Kuala Lumpur; in Europe as ORC International with offices in London, Manchester and Edinburgh; and in the United States as ORC with offices in Princeton, New York, Chicago, Boston, Washington D.C., Minneapolis, and Seattle.

ORC is a founding member of the Council of American Survey Research Organizations (CASRO), a member of the European Society for Opinion and Marketing Research (ESOMAR), a member of the Association of Market and Social Research Organizations in Australia, and a member of the MRS Company Partner Service, a UK-based association for the promotion of professional standards. The Company's research is seen around the world through the CNN/Opinion Research Corporation Poll® and through its partnership with NYSE Euronext on the annual NYSE Euronext CEO Report which surveys CEOs of the New York Stock Exchange's listing companies on topics ranging from globalization and governance to strategy and human resources.

Macro International

Macro International Inc. (Macro), an applied social research company and a former subsidiary within the Marketing Research Group, was divested during the first quarter of 2009. See Note 4 to the Consolidated Financial Statements. The Company reflects the results of this business as discontinued operations for all periods presented.

Technology Infrastructure

The Company's technology strategy is to provide our clients the information technology infrastructure and tools so they have the flexibility to respond faster to industry trends, which we believe makes our clients more competitive. By providing them the data and tools they want, in the format that they need, we believe they can make more efficient, effective and real-time decisions to help drive their bottom line.

We are focused on investing capital into the research and development of leading products, services and applications that will provide our clients with the ability to make real time decisions and have a competitive edge.

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Currently our efforts to link information sets across divisions will enable our clients to access a broad, feature rich data model. Our service oriented architecture enables internal and external access to core data via an exposed service layer. This architecture leverages both an enterprise service bus and a data delivery layer to optimize security, performance and accessibility to core data. In the ever-changing interactive world, providing reusable web services to our clients through our Services Oriented Architecture is a key strategy. This strategy enables our clients to embed these services in their applications to meet their on-demand data needs.

Our goal is to continue to provide a complete set of tools that are easy to use and gives our clients the ability to access the information they want, when they want it.

International Operations

In addition to our significant domestic operations, we currently conduct business in the United Kingdom, Malaysia, India, Hong Kong, China, Canada, Singapore, and Australia. Our international revenues are determined by the location of our sales offices. For 2009, approximately 13% of the Company's consolidated net sales were generated internationally. See Note 20 to the Consolidated Financial Statements. Our international operations increase our exposure to complex and variable laws, regulations, and labor practices, with which we must comply, which is included in our Item 1A *Risk Factors*.

Sales and Marketing Strategy

We utilize a multi-channel approach in our marketing to reach new and existing customers, increase our market share and capture more of our customers' marketing spending. Marketing channels include direct mail, print, outbound telemarketing, search marketing, online advertising, event sponsorships broadcast media, email marketing and social networking marketing. In 2009, we supplemented more traditional print and broadcast advertising with new media channels such as social networking sites and company-run blogs to promote our brands and thought leadership. We continue to advertise to promote all our valuable brands through all types of advertising.

To monitor the success of our various marketing efforts, we have incorporated data gathering and tracking systems. These systems enable us to determine which types of advertising brings in the best return, so we can make future investments in these areas and obtain a greater yield from our marketing. Additionally, through the use of the same database products and services we provide our clients, we are working to more efficiently determine the needs of our various client segments and tailor our services to their individual needs. These initiatives will help us more effectively organize around our customers to strengthen current customer relationships and to attract new clients.

Growth Strategy

Our primary growth strategy is to improve organic growth by focusing in three core areas: leveraging our world leading proprietary data; generating new revenue from new products and services, particularly in the area of integrated digital marketing channels; and improving our go-to-market strategy by better organizing around customers and their needs.

We believe we are well positioned to take advantage of changes in the market as companies demand more efficiency in their spending and take a more targeted approach to their sales and marketing efforts. The quality and accuracy of our databases allow for more precise targeting, reduced waste and improved contact with decision makers and buyers. Additional value-added services such as marketing analytics and campaign design and evaluation make our customers more effective marketers.

We believe new products and services introduced by us will also support the shift from single-channel marketing to multi-channel digital marketing and allow us to capture an increased percentage of our customers' marketing spending. We believe new solutions will extend our ability to help our customers conduct effective marketing campaigns across multiple platforms such as social media solutions (SMS), mobile applications, user generated content, search and other online avenues in addition to traditional direct marketing and email.

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The final aspect of our core growth strategy involves improving our go-to-market strategy by better organizing around customers and their needs. By rationalizing our multiple companies and brands into fewer market-facing businesses, we believe we are better able to understand and meet the needs of customers in different segments. We believe this approach allows us to more effectively present multiple solutions to these customers and enhances our ability to capture a larger share of the market, as well as more of our customers' marketing spend. At the same time, we're investing in our sales, marketing and customer service capabilities in order to bring a highly focused solutions oriented deliverable to our clients.

In addition to these efforts, we will continue to look to international markets for strategic growth opportunities and will continue to enhance our international databases. Our first focus will be on expanding our capabilities in those countries in which we already operate, such as Canada, the UK, Australia, India, Malaysia, Singapore and greater China including Hong Kong.

Finally, we are creating strategic alliances with leading partners to extend our reach and leverage our resources. We believe these relationships will allow us to more quickly enter new markets in key strategic areas such as social media, and to provide enhanced data solutions to our customers.

Competition

The business and consumer marketing information industry is highly competitive. We believe that the ability to provide highly accurate proprietary consumer and business databases along with data processing, database marketing, e-mail marketing and market research services under one roof is a key competitive advantage. We compete with several companies in each segment of our business. Our competitors include: Acxiom, Experian, Harte-Hanks Communications, Inc., Dun & Bradstreet, email competitors such as Epsilon, Responsys, Exact Target, and eDialog, and a variety of companies in the market research industry. 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.

Employees

As of December 31, 2009, we employed 3,146 persons on a full-time equivalent basis. This is a reduction of approximately 1,625 persons during 2009, including a reduction of 1,033 persons due to a divestiture of Macro (as discussed in Note 4 to the Consolidated Financial Statements) and 592 persons primarily due to strategic headcount reductions. None of our employees are represented by a labor union or are the subject of a collective bargaining agreement in the United States. We have never experienced a work stoppage and believe that our employee relations are good.

Website Information

We maintain websites at www.infogroup.com. Contents of the websites are not part of, or incorporated by reference, into this Annual Report. We have made available free of charge on our www.infogroup.com website all annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act) as soon as reasonably practicable after we have filed such material with, or furnished it to, the SEC.

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Item 1A. Risk Factors

Described below and throughout this Annual Report are certain risks that our management believes are applicable to our business and the industry in which we operate. There may be additional risks that are not presently material or known. There are also risks related to the economy, the industry and the capital markets that affect business generally, and us as well, which have not been described. If any of the described events occur, our business, results of operations, financial condition, liquidity or access to the capital markets could be materially adversely affected.

The SEC's investigation and related matters have resulted in significant fees, costs and expenses, diverted management time and resources, and could have a material adverse effect on our business, financial condition and results of operations.

We have incurred significant professional fees, expenses and other costs in connection with responding to and cooperating with the SEC's investigation, and related matters described in Item 3, Legal Proceedings, of this Annual Report. As of December 31, 2009, the Company has incurred approximately \$34.4 million in expenses related to these matters (including advancement of legal fees to individuals pursuant to our indemnification obligations). These expenses were approximately \$7.8 million, \$23.6 million, and \$3.0 million in 2009, 2008, and 2007, respectively. In addition, our Board of Directors, management and employees have expended a substantial amount of time in connection with these matters, diverting resources and attention that would otherwise have been directed toward our operations and implementation of our business strategy. We expect to continue to spend additional time and incur additional professional fees, expenses and other costs in responding to and cooperating with the SEC's investigation. In addition, if the SEC were to conclude that an enforcement action is appropriate as a result of its investigation, we may divert even greater amounts of time from our management, Board of Directors and employees, and incur even greater fees, expenses and costs, any of which could have a material adverse effect on our business, financial condition and results of operations. On October 20, 2009, we announced we had reached an agreement in principle to resolve the SEC's investigation. The SEC Commissioners must still approve the agreement, which was reached with the Denver Regional Office of the SEC, and thus, the terms are not final.

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 competitors include: Acxiom, Experian, Harte-Hanks Communications, Inc., Dun & Bradstreet, email competitors such as Epsilon, Responsys, Exact Target, and eDialog, and a variety of companies in the market research industry. 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 may not be able to compete successfully against current and future competitors.

Changes in the direct marketing industry and in the industries in which our customers operate may adversely affect our business.

Many large companies are reducing their use of direct mail advertising and increasing their use of on-line advertising, including e-mail, search words, and banner advertisements. As a result of this change in the direct marketing industry, such customers are purchasing less data for direct mail applications. In addition, several of our customers operate in industries, in particular the financial and telecommunications industries, that are undergoing consolidation. Such consolidation reduces the number of companies in those industries, and therefore may reduce the number of customers we serve. We are addressing these changes by offering products that integrate our data, data processing, database

marketing and e-mail resources, and pursuing industries that are experiencing growth rather than consolidation. We cannot guarantee that the marketplace will accept these new products, or that we will be successful in entering new markets. If we do not gain acceptance for our new products or successfully enter new markets, our business, financial condition and results of operations would be adversely affected.

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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, DVD, and electronic media via 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 must identify customer preferences and develop and offer products to meet their preferences to replace declining revenue from traditional direct marketing products and services.

One of our primary growth strategies is to improve our organic growth. We believe that much of our future growth prospects will rest on our ability to identify customer preferences and to continue to expand into newer products and services. For example, key to this is our effort to replace declining revenue from traditional direct marketing products and services with revenue from our on-line Internet subscription services. In the past three years we invested approximately \$18.8 million on capital related to Internet technology to develop subscription-based new customer development services for businesses and sales people. We believe delivery of information via the Internet is or will be the preferred method by our customers. If we fail to recognize customer preference trends or customers are not willing to switch to or adopt our new products and services, such as our Internet subscription services, our ability to increase revenues or replace declining revenues of older products will be impaired.

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 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. For example, in 2003 the Federal Trade Commission amended its rules to establish a national do not call registry that permits consumers to protect themselves from unsolicited telemarketing telephone calls. Various states also have established similar do not call lists. And although do not call list regulations do not currently apply to market research phone calls, such as the type performed by us, new legislation or regulation could eliminate the current market research exemption. 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 collection, management or 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.

Strategic acquisitions and failure to successfully integrate our business units and rebrand the Company to our customers may negatively impact our financial results.

We have been an acquisitive company, growing through more than 35 strategic acquisitions in the last twelve years. Each of these acquisitions presented challenges in financing the purchase and integrating the acquired businesses on a profitable basis. We may pursue strategic acquisitions when presented with appropriate opportunities. Any acquisition we undertake increases the risks of unsuccessful integration of the acquired business, increasing the potential of harm to our financial results from this growth strategy. Failure to strategically consolidate and merge our existing business

units may prevent us from achieving our planned cost savings initiatives.

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Future acquisitions may also harm our operating results, dilute our stockholders' equity and create other financial difficulties for us.

We may in the future pursue acquisitions that we believe could provide us with new technologies, products or service offerings, or enable us to obtain other competitive advantages.

Acquisitions by us may involve some or all of the following financial risks:

use of significant amounts of cash;

potential dilutive issuances of equity securities;

incurrence of debt or amortization expenses related to certain intangible assets; and

future impairment charges related to diminished fair value of businesses acquired as compared to the price we pay for them.

We may not be successful in overcoming the risks described above or any other problems associated with future acquisitions. Any of these risks and problems could materially harm our business, prospects and financial condition. Additionally, we cannot guarantee that any companies we may acquire will achieve anticipated revenues or operating results.

A failure in the integrity of our database could harm our brand and result in a loss of sales and an increase in legal claims.

The reliability of our products and services is dependent upon the integrity of the data in our databases. We have in the past been subject to customer and third-party complaints and lawsuits regarding our data, which have occasionally been resolved by the payment of money damages. A failure in the integrity of our database could harm us by exposing us to customer or third-party claims or by causing a loss of customer confidence in our products and services.

We also license proprietary rights to third parties. While we attempt to ensure that the quality of our brand is maintained by customers and by the business partners to whom we grant non-exclusive licenses, they may take actions that could materially and adversely affect the value of our proprietary rights or our reputation. In addition, it cannot be assured that these licensees and customers will take the same steps we have taken to prevent misappropriation of our data solutions or technologies.

We may lose key business assets, including loss of data center capacity or the interruption of telecommunications links, the Internet, or power sources, which could significantly impede our ability to operate our business.

Our operations depend on our ability, as well as that of third-party service providers to whom we have outsourced several critical functions, to protect data centers and related technology against damage from hardware failure, fire, power loss, telecommunications failure, impacts of terrorism, breaches in security (such as the actions of computer hackers), natural disasters, or other disasters. The on-line services we provide are dependent on links to telecommunications providers. In addition, we generate a significant amount of our revenue through telesales centers and websites that we utilize in the acquisition of new customers, fulfillment of solutions and services and responding to customer inquiries. We may not have sufficient redundant operations to cover a loss or failure in all of these areas in a timely manner. Any damage to our data centers, failure of our telecommunications links or inability to access these telesales centers or websites could cause interruptions in operations that materially adversely affect our ability to meet customers' requirements, resulting in decreased revenue, operating income and earnings per share.

If we discover a material weakness in our internal control over financial reporting in the future, we may not be able to provide reasonable assurance regarding the reliability of our financial statements. As a result, investors could lose confidence in our reported results which could have a negative effect on the trading of our securities.

Effective internal control over financial reporting is necessary for us to provide reasonable assurance with respect to our financial reports being free of material misstatement. If we cannot provide reasonable assurance with

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respect to our financial reports, investors could lose confidence in our reported financial information, which could have a negative effect on the trading of our securities. As we continue to modify our business processes to achieve our strategic consolidations, we may have difficulties in maintaining effective internal controls over financial reporting.

Management determined that our internal controls over financial reporting were effective as of December 31, 2009 following remedial actions completed which corrected the reported material weakness at December 31, 2008. Although we determined that our internal controls over financial reporting were effective, internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls or fraud. Therefore, even effective internal controls over financial reporting can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements.

Changes in accounting standards may negatively affect our reported earnings and operating results.