

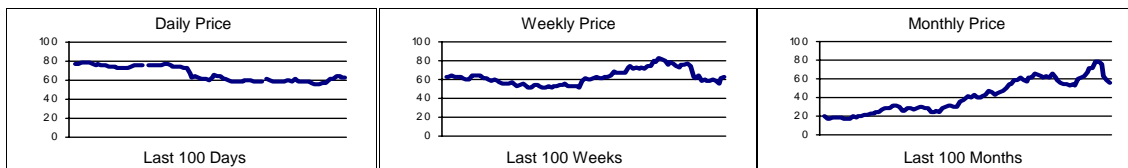
RHD R H DONNELLEY CORP

Current Price \$63.03

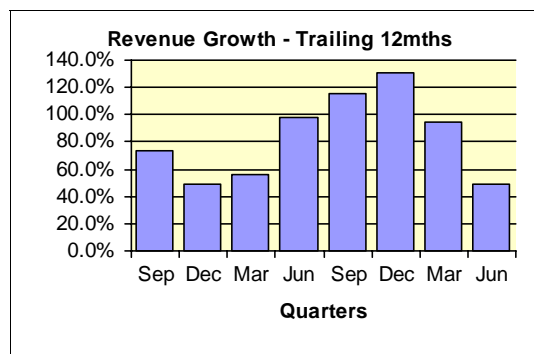
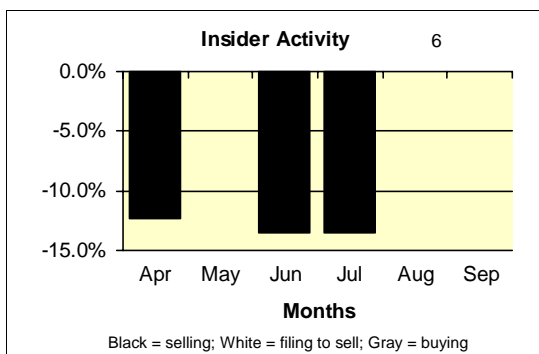
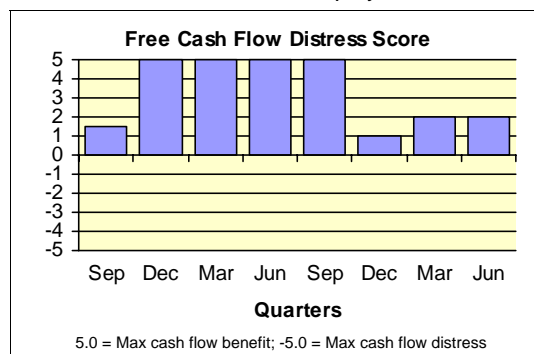
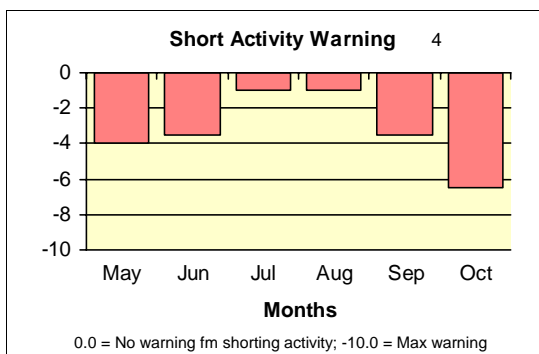
Market cap \$4,480

Price, 52-wk Hi/Lo \$84.49 / \$51.49

R.H. Donnelley Corporation publishes and distributes print and online directories in the United States.



Options?	No	Recent convertible	No	Convertible debts and pfd ¹	\$0
PE TTM	NEG x	Insider ownership	0 %	Next earnings due:	10/25/2007
Estimated PE	NEG x	Potential dilution ²	0 %	Bankruptcy Z-Score ³	0.3



RED FLAGS

<p><i>Ability to meet expectations</i></p> <p>High P/S ratio TTM ⁷ <input type="checkbox"/></p> <p>Negative free cash flow ⁸ <input type="checkbox"/></p> <p>Sales growth slowdown ⁹ <input type="checkbox"/></p> <p><i>Accounting issues</i></p> <p>Change in actg principles ¹⁰ <input type="checkbox"/></p> <p>Qualified audit language ¹¹ <input type="checkbox"/></p>	<p><i>Early balance sheet warnings</i></p> <p>Rising inventory to sales ¹² <input type="checkbox"/></p> <p>Rising accounts receivable ¹³ <input type="checkbox"/></p> <p>High long-term debt to capital ¹⁴ <input checked="" type="checkbox"/></p> <p><i>Stock and debt ratings</i></p> <p>Recent downward earns ests ¹⁵ <input type="checkbox"/></p> <p>S+P Debt Downgrade ¹⁶ <input type="checkbox"/></p>	<p><i>Stock selling signals</i></p> <p>High insider selling ¹⁷ <input checked="" type="checkbox"/></p> <p>Large institutional ownership ¹⁸ <input checked="" type="checkbox"/></p> <p>Co sales of common stock ¹⁹ <input type="checkbox"/></p>
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INVESTMENT CONCERNS

The five year decline in yellow pages usage continues as digital alternatives and competing directories proliferate. If revenues flatten, Donnelley's massively leveraged balance sheet could invite liquidity problems, something that may have occurred to insiders over the last few months. Additionally, the company extends credit to a good many small businesses that would be negatively impacted by slower economic activity. Recent acquisitions in digital seem pricy and a little late as yellow pages advertising across the country continue to deteriorate.