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MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Sean. I'll be your conference operator today. At this time, I'd like to welcome everyone to the Third Quarter 2015 Nielsen Holdings Plc Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

Senior Vice President of Investor Relations, Ms. Kate Vanek, you may begin your conference.

Kate White Vanek
Senior Vice President-Investor Relations

Thanks, Sean, and good morning, everybody. Thanks for joining us to discuss Nielsen's 3Q 2015 financial performance. Joining me on today's call is Mitch Barns, CEO, and Jamere Jackson, CFO. A slide presentation that we'll use on the call is available under the Events section of our Investor Relations website at nielsen.com\investors.

Before we begin our prepared remarks, I'll do my normal spiel. I'd like to remind all of you that the following discussion contains forward-looking statements within the meaning of the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may include comments about Nielsen's outlook, expectations and prospects and are based on Nielsen's view as of today, October 21, 2015.

Actual results in future periods may differ materially from those currently expected because of a number of risks and uncertainties. Those risks and uncertainties that we believe are material are outlined in our 10-K, which we filed this morning, which you can also find on our website.

For Q&A, as we have come to do because we have so many great people following us, we ask everyone to limit themselves to one question, so that we can accommodate everybody. Feel free to join the queue again, and if time remains, we'll definitely call on you a second time.

With that, to start the call, I'll turn it over to our CEO, Mitch Barns.

Dwight Mitchell Barns
Chief Executive Officer & Director

Yeah. Thanks, Kate. Good morning, everyone. Thanks for joining us on the call today. This has been a busy and productive past three months for us. Since we last spoke in July, the fast pace of change in the marketplace, especially in the U.S. media market, it's continued. And in fact, it's only seemed to accelerate.

The change isn't new to us or anyone else in this market. We're working closely with our clients and our partners in the industry and we've been making tremendous progress, especially on our Total Audience Measurement strategy. Our mission has always been to provide our clients with a clear and complete understanding of consumers and the markets in which they operate. That's exactly what we're doing. Our strong third quarter results are a testament to our ability to execute and gain client adoption in this rapidly changing and increasingly complex marketplace. Let's take a look.

First, revenues. Constant currency revenues increased 5% in the quarter. Adjusted EBITDA growth was approximately 7% constant currency due to our ongoing focus on productivity as well as the accretive impact of our investments in measurement coverage and analytics.

Adjusted net income per share grew 13.1% constant currency to $0.69. Free cash flow was a record $345 million in the quarter, up 19%. This was largely driven by our continued focus on working capital.

The strength of our free cash flow and our business model positions us well to continue to deliver value to our shareholders. We do this by investing in future growth of our business and by returning capital to our shareholders through dividends and share repurchases. We continue to be on track to complete our existing $1 billion share repurchase authorization by mid-2016.

As for our most recent acquisition, eXelate, after another quarter of ownership, we continue to be very pleased. By leveraging eXelate's big data infrastructure, we're increasing connectivity between Nielsen's datasets and other third-party datasets, both Watch and Buy. And we're connecting more and more of our CPG, media and digital clients to eXelate's enterprise data platform. The latest of these clients to sign on is Twitter which we announced earlier this week. Also noteworthy, our private equity sponsors have completed the sale of their remaining shares, so we're now 100% publicly owned. Lastly, we're tightening our guidance range for 2015, and Jamere will walk you through that in a few minutes.

Turning to the segments, Buy revenues grew 4.1% constant currency fueled by strong renewals and new client wins all over the world. One recent client win is Reckitt Benckiser. They decided to move their U.S. business back to Nielsen, so we now have a full global relationship with them. Our technology focus and data integration capabilities were crucial factors for us in this win.

Globally, our business with retailers was strong this quarter. In fact, it's been strong all year; double-digit growth year-to-date. We're helping retailers optimize things like pricing, assortment, and on-shelf availability. We're also helping them monetize their own key account data and frequent shopper data.

In developed markets, revenues were up about 3%. In the first half of the year, we saw a modest growth in discretionary spend and that continued in the third quarter. In emerging markets, revenues grew a little more than 6%, weighed down by slower growth in the secondary markets as clients prioritized in the face of economic headwinds. And one more point for our Buy business, margins. Margins increased for the fifth straight quarter.

Turning to Watch, revenues rose just over 6%, reflecting continued strength in audience measurement which grew 7%. In marketing effectiveness, growth was just shy of 8%.

I'm going to spend the rest of my time today talking about our progress on Total Audience Measurement. As most of you know, our number one priority is our Total Audience Measurement initiative. It involves a long list of difficult and complicated steps, many requiring innovation and all of them requiring great execution. Throughout 2015, we've executed on every single deliverable we laid out in our road map at the beginning of the year – 22 out of 22 deliverables through the first three quarters of the year. Our teams have been working very hard and I'm incredibly proud of them and the work that they're doing.

When we talk about Total Audience Measurement, the most common question we get is, how and when does Total Audience get adopted as the new currency? Recall that while Nielsen does not by itself determine the currency, we do and we are playing an active role in the process to redefine the currency. I'll comment on that in a moment, but first, I'll walk you through the phases we're going through to get there. We see it in four phases: Execute, Evaluate, Adopt and Transact. I'll begin by defining each phase, and then I'll follow that with an update on our progress for each phase.

First, Execute. Measurement needs to cover the total audience across all screens and platforms. That means TV, digital and VOD. It needs to measure audiences for both content and ads. It needs to be independent. Each of the measures needs to be comparable on an apples-to-apples basis across those screens and platforms. And the measurement also needs to be able to be de-duplicated, so that you can take out the overlap in audiences reached by each of those platforms. So that's Execute.

Next is Evaluate. As we bring new measurement capabilities to the market, our clients need time to take a look and ask themselves, what do the new numbers look like? How will the new metrics fit with my business process? For instance, can I use them for guarantees?

Third is Adopt. Once our clients have evaluated the new metrics, they then need to adopt the solutions we've introduced. In some cases, this might require action on their part to incorporate our software, tags or encoding.

And fourth is Transact. Once our clients have adopted the new metrics, they use them to buy and sell within and across the Total Audience Measurement system. So those are the four phases.

Next, I'll walk through our status and progress for each phase. For the first phase, Execute, as I mentioned earlier, throughout 2015, we've executed on every single deliverable we laid out in our road map at the beginning of the year – 22 out of 22 deliverables. Digital Content Ratings, in fact, was the final piece of the measurement grid that we had to fill in. With the release of Digital Content Ratings to our clients this fall, we now have measurement capabilities available in market, covering all of the important sources of viewing – TV, digital and VOD – both ads and content. But of course, this is phase one.

For the second phase, Evaluate, as we bring new capabilities to the market, we work with our clients every day to help them understand the data, and importantly, how they can use the data to run their business. Digital Content Ratings is the latest part of our measurement system moving through this phase.

Phase three, Adopt. Lots of activity in this crucial phase, of course. Let's take it piece by piece; digital ad ratings, Digital Content Ratings and VOD are all in various stages in this phase.

First, digital ad ratings. We're steadily emerging as the standard of measurement for digital video ads. Nearly all of the top 25 U.S. advertisers are asking for guarantees based on our digital ad ratings metric. Beyond the U.S., our global footprint will cover 16 countries by year-end and that includes mobile. Just last week, we announced six new countries added to our mobile coverage.

What about Google and Facebook? Well, on our last earnings call, we shared that we were expanding our integration of digital ad ratings in Google's DoubleClick Bid Manager platform to seven new countries: France, Germany, Italy, Canada, Brazil, Australia and the UK. This is just one of the many things we do today with Google who has grown to be one of our largest Watch clients.

As for Facebook, last month, they announced their new video ad buying product that uses Nielsen's digital ad ratings for measurement of Facebook's video ads. You put it all together and it paints a picture of steadily increasing global marketplace adoption of digital ad ratings.

Next, digital content ratings. Our beta was a success. Our software has been fully tested by our partners and it's now available to all clients. We continue to have strong engagement by clients across all segments of the media sector, many of whom participate in our ongoing client advisory boards. We have implementation programs in progress with a growing number of major media players. This was a critical milestone that we established earlier in the year and we met our goals. We'll continue to enroll more clients as we build toward syndicated reporting of digital content ratings in the first part of 2016.

As for video on demand, the client roster continues to grow, especially for our signature-based measurement methodology. With that methodology, we're now measuring approximately 1,200 shows and more than 4,000 episodes, both up significantly since July.

To sum up, adoption of our Total Audience Measurement system is building, and it's building because we've been executing. And the capabilities are real – they're here today – available to our clients. They are making progress on the work that they need to do to fully take advantage of the new components.

For example, look at CBS. They're already seeing mobile and online viewing through their CBS All Access service show up as incremental points in the Nielsen ratings.

That all leads us to the fourth phase, which is Transact. Once viewing is measured comparably across all screens and platforms, and the metrics are adopted by clients, then they, of course, move to transact on those metrics. To do this most efficiently and in order to accommodate as many business models as possible, the market needs to redefine the currency so that comparable metrics are available across television and digital video. And so more of the viewing that we're already measuring can be included in the so-called currency ratings.

Our clients can and, in fact, many already do transact on each of the individual measures already available. But it'll be more efficient if those individual metrics are brought together into one – a new, more broadly-defined currency that represents more of the total audience across all screens and platforms, not just the viewing that fits into the rules that define C3 for television.

Over the past several months, we've had many one-on-one discussions with senior leaders of our clients regarding the need to redefine the currency and those discussions have been productive. Last week, we convened a meeting of players from across the industry, including a wide range of media owners and agencies to continue those discussions. This was an important, positive and productive step.

Going forward, we'll convene a series of additional multi-stakeholder meetings to continue the industry dialogue, aiming to reach consensus on a new definition of the currency. And the goal is to make enough progress for the industry to have a common framework to use for the 2016 up-fronts.

We feel great about our Total Audience Measurement strategy and the progress that we made this year, especially in this latest quarter, but there's more work to do. And we'll continue to execute and deliver on what the market needs. And we'll continue to update you regularly on our progress, including at our upcoming Analyst Day in December.

I'm looking forward to your questions, but first, let me turn it over to Jamere who has some additional topics to cover.

Jamere Jackson
Chief Financial Officer

Thank you, Mitch, and good morning, everyone. We had another great quarter with mid-single digit revenue growth, margin expansion, record free cash flow, and solid execution on our growth initiatives. Our incredibly strong business model and execution continue to deliver consistent growth through the cycles, strong profitability, and great free cash flow, which position us to grow and return cash to shareholders in a meaningful way. And our third quarter results demonstrate that our teams around the world are delivering for our clients and shareholders.

First, I'll hit the total company results for the quarter. Revenue was just over $1.5 billion, up 5% constant currency, with solid growth across both Watch and Buy. Our streak of constant currency revenue growth has been extended to 37 consecutive quarters, reflecting our consistency and resiliency through the cycles.

Our growth initiatives in both Watch and Buy are strengthening our competitive advantages as evidenced by new client wins in both segments and the launch of new products into the marketplace. And despite headwinds and volatility in some of our end markets, our businesses remain remarkably steady.

Adjusted EBITDA was $479 million, up 6.9% constant currency. And adjusted EBITDA margins were 31.3%, up 56 basis points on a constant currency basis as we continue to deliver solid margin expansion in both our Watch and Buy segments. Our teams are focused on delivering productivity while we continue to invest in expanding coverage and launching new products.

Adjusted net income was $256 million, up 9.4% constant currency. And diluted adjusted net income per share was $0.69, up 13.1% versus the prior year on a constant currency basis. Our adjusted net income per share results were fueled by a solid top-line growth, strong operating leverage and our share repurchase plan.

Finally, we delivered a record free cash flow of $345 million in the quarter, up 19.4% versus prior year. Our teams are laser focused on our free cash flow performance. We are running the place with intensity, and this gives us the fuel to grow and return cash to our shareholders. Again, a strong quarter with solid execution.

Next, I'll move to the segments. First is our Watch segment. Our Watch segment had another great quarter. Revenue was $715 million, up 6.1% constant currency. Our growth initiatives performed well as Audience Measurement was up 7%, and excluding Audio, was up 5.8%. Audio was up 11%. And while I'd love to say I've started a new trend, the reality is that we benefited from some delivery timing in the quarter, which will not repeat in the fourth quarter. In 2015, the highly profitable Audio business will deliver low single-digit revenue growth, margins that are accretive to the overall Watch business, and strong free cash flow.

Marketing Effectiveness was up 7.9% in the quarter as some business slipped to the fourth quarter. Year-to-date, Marketing Effectiveness is up 17%. We expect the fourth quarter to be strong and we will likely finish above the guidance range of 10% to 15% we gave a year ago.

The drag from non-core Other Watch products was less than a point in 3Q, and the portfolio pruning will continue in the fourth quarter. Digital Ad Ratings continues its momentum as our revenue more than doubled versus a year ago, reflecting strong demand from advertisers, agencies, and media owners.

We continue to add new clients, and the number of campaigns nearly doubled versus a year ago. This dynamic, along with the successful release of Digital Content Ratings this month, and increasing demand for our Video-On-Demand Measurement gives us tremendous momentum towards our Total Audience Measurement framework.

Lastly, the eXelate products continue to open up some exciting growth opportunities with new and existing clients. Our ability to connect our data sets with other big data sets allows us to address a fast-growing area of the marketplace, where marketers are shifting to more programmatic ad buying and seeking more precision in finding target audiences.

Watch adjusted EBITDA was $334 million, up 7.4% on a constant currency basis. Watch margins expanded 57 basis points as we continued to drive productivity and operating leverage in the business. Our Watch segment remains strong and our new products are gaining momentum.

Turning to Buy, our business had another good quarter with significant new client wins and strong margin expansion. Third quarter total Buy revenue was $816 million, up 4.1% on a constant currency basis. Our business in the developed markets was $563 million, up 3.1% on a constant currency basis. And our business in the emerging markets was $253 million, up 6.3% on a constant currency basis.

In the developed markets, we continue to invest, resulting in new client wins. For example, in North America, we had four big client wins, including Reckitt Benckiser. Our relationship with RB has deepened beyond consumer insights and expanded into an engagement that is focused on measurement, strategy and technology. No single company provides the breadth of capabilities as Nielsen does, and it is a catalyst for our growth.

Emerging markets remained solid, though down sequentially against the backdrop of challenging macro-economic conditions. We're certainly not immune to these dynamics and some clients pulled back discretionary spending in some of the smaller countries. However, despite the challenging environment, we saw double-digit growth in Africa and Latin America, our largest region. In addition, we saw high-single digits in Southeast Asia, and mid-single digits in the Middle East and Greater China, despite all of the turbulence there. We are continuing to invest in a disciplined way through this latest cycle.

Buy EBITDA was $157 million, up 6.1% constant currency. Our Buy adjusted EBITDA margins were up 36 basis points in the quarter. This the fifth straight quarter of Buy margin expansion as we have worked to improve profitability while we continue to invest in emerging markets. Overall, we had a good quarter in Buy with solid revenue growth and margin expansion on a constant currency basis.

Moving to foreign currency impact, I want to remind you that we report revenue and EBITDA on a constant currency basis to reflect our operating performance. We generally don't take on transactional risk, so this slide focuses strictly on a translation impact for reporting purposes.

In the quarter, foreign currency resulted in a 760 basis points drag on revenue and a 650 basis points drag on EBITDA, which were both slightly higher than what we laid out on our second quarter earnings call. If yesterday's spot rates held constant through 2015, then we expect a 650 basis point drag on revenue and a 570 basis points drag on EBITDA for the full year in 2015, which is also slightly higher than our previous estimates.

Moving to 2015 guidance, we are tightening our 2015 guidance. Most notably, we see revenue at 4.3% to 4.8% on a constant currency basis. We expect adjusted net income per share of $2.60 to $2.64 per share and free cash flow of approximately $850 million. We remain confident in our plan to execute and deliver.

So to wrap up, we are very pleased with our execution in the third quarter. We have a lot of momentum in both of our segments and we're delivering on our commitment to grow our business and expand margins and free cash flow. In addition, we are committed to an efficient and balanced capital structure, and we'll return over $1 billion in cash back to shareholders in 2015 in the form of dividends and buybacks.

And with that, I'll turn it back to Kate.

Kate White Vanek

Senior Vice President-Investor Relations

Thanks so much. Sean, we're ready for Q&A.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Your first question comes from the line of Todd Juenger from Sanford Bernstein. Your line is open.

Todd Juenger
Sanford C. Bernstein & Co. LLC
Q

Hi. Good morning. Thanks. I will keep it to my one question. Would love to hear a little bit more on what's going on in the Buy business. And thank you for the detail you already provided, but I guess, as analysts trying to think about forecasts, and looking at the – what I'll call a deceleration or a lower growth rate in the emerging markets and a stronger quarter in the developed markets and just – I know you have so much visibility there. So, anything you could do to help us think through how that plays out over the next quarters and into the coming years as we think about going forward would be very helpful. Thank you.

Jamere Jackson
Chief Financial Officer
A

Thank you, Todd. For the year, Buy would be toward the middle of the range that we gave, which was 3.5% to 5.5%. So, in Buy, in the fourth quarter, we expect it to look a lot like the third quarter actually, with developed markets growing at approximately 3% and the emerging markets growing at approximately 6%. And this would get us to a roughly 4% growth rate in the fourth quarter, give or take.

Dwight Mitchell Barns
Chief Executive Officer & Director
A

Yeah, and I'd also would just add to that. We continue to have a long-term horizon in terms of how we think about and invest in the emerging markets. And the long-term picture there is still incredibly attractive. As you know, Todd, the world's adding 130 million people of the global middle class every single year, and will continue to do so over the next decade. A vast majority of that is in Asia and Africa. That's where a lot of our focus is from an investment and growth perspective.

So, while the short-term might – there might be some economic headwinds right now causing some clients to maybe pause a little bit on some of their investment – the long-term for us is still great, and it'll continue to pay off for us.

Operator: Your next question comes from the line of Manav Patnaik from Barclays. Your line is open.

Manav Shiv Patnaik
Barclays Capital, Inc.
Q

Yeah. Hi. Good morning, guys. Thank you for all the color on, I guess, how you guys are looking for the Total Audience to roll out. I was wondering if you could, in the context of that, just address the competitive situation – and not only just the obvious merger, but in the news that we keep seeing – we see a lot of news, but like for example, the Comcast news that's been hitting Wall Street Journal recently. I was just wondering what your take on that is and how we should be interpreting that with respect to how your rollout goes.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Yeah. Thanks, Manav. Like I said, it's been a busy and productive quarter and there's a lot happening in the market. It's a ton of fun. I said to our media teams that I – I was just emphasizing – they have to enjoy this moment in history, working at the thrilling sharp edge of the media market. It's just incredibly exciting.

First, on the competitive situation, look, we love our competitive position. The market needs Total Audience Measurement. That's the loud and clear call from the marketplace. So, that's exactly what we've been focused on, executing on and delivering. And as I mentioned, our capabilities are here. They're in the market, they're real, ready for our clients to leverage.

So, if you take a step back from that and if you're a player in the market who only covers, say, part of the market – maybe only digital or you only have set-top box data – you see things evolving in a way that doesn't favor you. And so, if you see that happening, you got two options. One is to focus on the analytics needs of clients in the market, or you have to combine or come together with somebody else so that you have at least a chance of covering something closer to the total market.

And so, the two that have come together recently. Look, they had a matchmaker in the form of WPP, they started dating, they decided to get married. So good for them, but they still have a lot of work ahead of them. And they still have an issue, too, which I think is a very important one, which is the issue of independence. Now, I've read where they've said that WPP doesn't have a board seat as if that solves the problem. But of course, it doesn't. WPP is still their largest shareholder and you have to pay attention to your largest shareholder. You have to pay attention to all your shareholders; everybody on this call knows that.

Our largest shareholder is an investment firm, not a media agency. So, for us, it's not an issue. But for them, I think it is. They also have to now stitch together two different product portfolios that weren't designed to be put together. And look, it's hard enough – we know – it's hard enough when you are designing them to be put together. It's still hard to put them together. When they weren't designed originally to be put together, this is incredibly difficult to provide the market with apples-to-apples comparability across those metrics and the ability to de-duplicate audiences across platforms.

So, it's a very high bar. And even if you get passed that bar, look, we still have, from our side, the MRC. We have 27 E&Y [Ernst & Young] auditors that audit our operations every single day. We have years of IP and systems tuned to do exactly what the market needs, delivering overnight ratings and all the other things. So, again, we love our competitive position and the progress we've been making on Total Audience Measurement as this year has unfolded and where we stand right now. Look, we have more to do, but we're in a great spot and we're going to continue to execute. And again, I just want to emphasize, our capabilities are real. They're here today. They're ready for our clients to leverage.

One more that you asked about, Manav, that I would just touch on real quickly is you mentioned the article in the Wall Street Journal today about Comcast and their interest in selling their set-top box data. And I'm sure some of you saw that. There was a mention of a $100 million price tag. Look, let me just say right up front, there isn't going to be any $100 million deal. I don't know where they got that. But with regard to our interest in acquiring set-top box data, yeah, we're interested. We're actively pursuing it. And I'm not going to comment on any specific deals that might be in progress right now, but safe to say we're in active discussions with some of the major MVPDs, and don't be surprised if you see us announce something before the end of the year.

We already have a lot of set-top box data in hand and we use it every day to drive our analytics business. But with regard to the measurement part of our portfolio, we've been clear, at every opportunity over this past year that the way we see the future of measurement is that, yeah, it'll still involve these high quality panels that we've historically done so well with, but it'll increasingly incorporate big data sets as well.

We already do that in some parts of our measurement portfolio; for instance, how we measure digital. Our digital ad ratings metric is a high-quality panel, hybrid model with a big data set. And you're going to see that happen across more parts of our portfolio.

For television, the big data set obviously is set-top box data. And so, our plan as we move forward into the future is to incorporate set-top box data into our measurement of television viewing audiences. And you'll see that unfold in due time.

But too often, I think people think of this choice between high quality panels and big data sets as you have to choose one or the other. And we just think that's the wrong way to think about it. The future of measurement is a hybrid approach. Putting the two together, having the best of both worlds, and that's exactly the approach we have been taking and will continue to take across virtually every part of the measurement portion of our portfolio.

Operator: Your next question comes from the line of Anj Singh from Credit Suisse. Your line is open.

Anjaneya K. Singh
Credit Suisse Securities (USA) LLC (Broker)

Q

Hi. Thanks for taking my questions. Just building on the last one. I was hoping you can expand and give us some thoughts on what your stakeholders are saying. I appreciate you giving us your perspective, but wondering to what extent, if any, these competitors or different data sets are entering or playing into these meetings as you seek to broaden the definition of currency. Thank you.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Our stakeholders, they're definitely interested in this issue. I think they talk about it, certainly with us, in almost every conversation, every discussion we're having. Independence is critically important; redefining the currency is critically important. I think redefining the currency, one of the challenges on that one is, of course, the question of what it's going to mean to their business, right?

If you redefine the currency, the history has been there are always some who benefit from the new definition of the currency. And some, who at least in the short run might not benefit; they might lose out a little bit. And everybody wants to, first of all, assess what it's going to mean to their business. And so, everybody approaches it with some degree of tentativeness, and look, we get that.

But the meeting that we had last week, the cross-industry meeting with the multiple stakeholders was very positive, very active, very productive discussion. And everybody's looking forward to the next session to continue the progress on the issue.

On independence, let's just go back to that one for a second. I think it's one that people have taken for granted for so long, really, that people are having to almost remind themselves of what it means and why it's important. Now, in the digital world, independence often comes up as captive metrics. If a publisher has this incredible level of detail about the activity happening on their particular site, isn't that great? Well, independent third party measurement still has a really important role because independence matter.

And also, we provide the ability to across publisher sites. In fact, there was an article in the Wall Street Journal this morning from John Wren, CEO of Omnicom, talking about this very issue, where, look, you just can't grade your own homework. He realizes how important third party independency is to the measurement business and to the business models of all the players in this marketplace. That's always been true. It has been almost assumed and taken for granted in recent times, but I think people are again realizing and remembering all the reasons why it's true. And we'll continue to emphasize that value and it's always been our position in the marketplace. We are the independent third party provider.

Operator: Your next question comes from the line of Andre Benjamin from Goldman Sachs. Your line is open.

Andre Benjamin
Goldman Sachs & Co.
Q

Thank you. Good morning. I was hoping you'd maybe talk a little bit about how you're thinking about the next stage of development for the SVOD product and what you're thinking about in terms of the use of in-home routers versus enhancing the solution as it is today?

Dwight Mitchell Barns
Chief Executive Officer & Director
A

Yeah. Thanks, Andre. Video on demand, it's certainly an important issue for our clients. There's probably two to three times as much time spent viewing their premium video content through VOD than through mobile. And mobile is important as we all know. So our measurement capabilities here are being adopted by growing numbers of clients in the marketplace. And we have several of them, the most recent one being the signature-based approach that I talked about before.

We are, Andre, as you allude to, having to work around the best possible approach which is, for our watermarks, we're allowed to pass through by the subscription video on demand platforms, Netflix for example, and then that would make the measurement far more comprehensive and far more efficient. But they have so far not chosen to let that happen for their reasons and we respect those reasons.

We found an alternative approach to be able to measure viewing of video on demand through SVOD platforms. That's been critically important to our clients who are those media content owners for them to understand the size of the audiences that they're licensing their – who are viewing their content that they're licensing to these platforms – to make sure they're getting paid the right amount.

I think if things are going to change in the future with these subscription video-on-demand platforms, if they're going to ultimately embrace the kind of measurement we can provide, either something will have to change in their business model, first of all; or secondly, it might have to come as a result of pressure, a push that would be made on behalf of the media content owners.

In the meantime, we have our solutions out there. We're working on a solution that would provide more comprehensive, if you will, syndicated coverage of all of that viewing, which is tentatively slated for later next year. That's where we stand right now, though. Thanks, Andre.

Operator: Your next question comes from the line of David Bank from RBC Capital Markets. Your line is open.

David Bank
RBC Capital Markets LLC

Q

Okay. Thanks. Good morning, guys. I guess, another follow-up in a line of follow-ups in terms of commentary about the evolution of your measurement data set, particularly on Watch. And I think from what you've said today and what you've said historically, it seems to us from the outside like there'll be kind of two factors.

The first, to maintain the integrity of the panel in a fragmented world for sort of the traditional piece. Our sense is you'll probably continue to want to bulk up the size of the panel. And the second would be the need to create this more hybrid approach, incorporating for greater data richness like you do for DCR and DAR, more on the Watch side for traditional. I guess, the question is, where are you in the progress on the panel side with where you want to be and how you see that size rather and how you see it evolving?

And second, definitely appreciate the – it won't be $100 million price tag, but what – as we model a company, do we think about an impact to margin and an impact to expenses, lumpiness as you kind of look to build a more hybrid approach or is it already sort of in the trends? Thank you very much.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Yeah. Thanks, David. On your first question, with respect to our panel, I assumed you're talking specifically about our national television panel. We have, in fact, been increasing the size of that panel as this year has gone along. By the end of the year we will have in fact doubled the size of the panel. I think this is something that maybe we haven't done a good enough job of touting to the marketplace. We're doubling the size of that panel.

It's incredibly high-quality panel, I remind you, representative of all of the different ethnic and socioeconomic groups. Gold standard, often recognized by people outside of Nielsen as the best panel, from a quality perspective, that exists on the planet. We're doubling the size of that panel. So, it'll reach about 100,000 persons by the end of the year, and you'll start to see the benefits of that flow through.

And one of the key reasons why we're doing that is not just to keep up with the increasing fragmentation of viewing in the marketplace, but it's also to better enable us to unlock the value, to unleash the value of big data sets across our Total Audience Measurement framework, both the digital data sets and also, ultimately, when we do start to incorporate set-top box data for television viewing, unlock that value as well.

That's what big data sets often need. They're big. They have lots of potential, but to pull that potential out of the big data set for the kind of business that we're in, you need a high-quality panel to calibrate, to repair, to fill in gaps – that big data set – in order to allow it to really reach its full potential for the marketplace. And so, we've been preparing ourselves for that and that's why you see the size of the panel increase.

Now, as far as acquiring set-top box data and the impact that might have on our financials, look, set-top box data, it really depends on how much you get. It depends on also what usage you're allowed to apply it to, and then it also – other terms will factor into it – like is it exclusive relationship or is it not, and how many years is the deal, and all those things factor in.

And so you can swing the number in a wide, wide range. But I'd just remind you, when we acquire set-top box data, it relieves pressure on us to increase the size of the panel even more in the future. And so, panels are really expensive. To do them right, if you're going to do a panel right, it's expensive. And so, set-top box data actually helps you sort of counterbalance that expense. Jamere, you have something to add to this.

Jamere Jackson
Chief Financial Officer

A

Yeah. So, we talked about doubling the size of the panel. That's included in our CapEx and OpEx run rates kind of going forward. So, no lumpiness associated with that. And then as Mitch talked about on set-top box data, depending on the use cases associated with it and how much data you get, there are real revenue synergies and real productivity benefits, both on the CapEx side and also on the panel measurement or panel maintenance side. So these are things that we can execute on and do that within our long-term financial framework.

Operator: Your next question comes from the line of Tim Nollen from Macquarie. Your line is open.

Tim W. Nollen
Macquarie Capital (USA), Inc.

Q

Hi. Thanks for taking the question. I just wanted to follow up again on the Total Audience Measurement issue [audio gap] (38:55-39:13). I appreciate the proactive efforts you're making with the industry to try to redefine ratings. I just wonder if you could talk a little bit about some of the pushback may be from the various TV networks or ad agency groups. And if you can give us any sense of timing on when they could actually come to redefining a ratings' currency? Because from our perspective, it seems very simple on paper and very obvious to do this, but I recognize it's much more tricky to actually get it done. So what does it really take to sort of work through the issues? What are the issues and when can we expect to have a new ratings system on the market?

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Yeah. Thanks, Tim. I don't know that I would quite characterize them as pushbacks as much as questions or options, and everybody sort of has a slightly different take on the pluses and minuses of the option. But let's look at some of the dimensions.

One is timeframe. Right now, the TV market uses the currency that's C3; some of the players have moved to C7. There's an interest in the market to take that even further. And especially as you start to bring video-on-demand into the currency metric, and you might extend the timeframe out to as much as 35 days. And we have the ability – I just want to point out – we have the ability to measure viewing out to 35 days.

So, if the clients want to do that, we can do it. We already report C3. We already report C7. In fact, in all of the data that goes out to the marketplace, we have the capability to extend that even further. So that's one dimension.

The other dimension is more about the breadth. In other words, if we're able to measure all important sources of viewing in the market, do they want all of those important sources of viewing included in the currency or do they just want some but not all? And that'll really come down to how they view the monetization opportunity. If they think they can monetize the viewing better by having it included in the currency, then they'll push for that. If they feel like they can get a higher rate, a better monetization, by having that particular spice of the marketplace left outside the currency, then they'll choose that and everybody will sort of think through it, make that assessment.

They'll have to decide what's true for the short term versus what it's likely to look like a few years down the road. I think the longer horizon people take in their view about the currency, the more inclusive that they're going to want to make it, the more comprehensive it's going to be, the closer it'll be to truly a total audience representation within the currency. So that's how we think about the dimensions right now.

Now, our push isn't necessarily to get that locked down 100%, but our push is to get it clear enough that there's a common consensus around a reasonable framework for how to think about your business in time for the 2016 up-fronts, in time for the 2016 up-fronts. And everybody is aligned around that interest. Everybody that came to our meeting last week – I wasn't there myself, but what I'm told by my teams – there was a broad consensus, yeah, that's important. We need to try to get there and everybody is willing to make the effort to drive hard, make enough progress, where they can at least have that clear framework in place.

So, that's what we're shooting for, and again, our capabilities being real, here today in the market, the fact that we've executed throughout the year is what enables this discussion to really reach its inflection point right now and start to drive to that new definition of the currency. This has happened before, I remind you, back in 2006, 2007, when the market moved to what is now C3 as the currency. And believe it or not, it happened about 20 years before that, too, in around 1987 timeframe. It doesn't happen very often. These are big moments in the marketplace, and we're playing our active role to convene this process, to moderate it, and to facilitate it in the best way that we know how.

Operator: Your next question comes from the line of Tom Eagan from Telsey Advisory Group. Your line is open.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Great. Thanks. Another follow-up on total audience. Mitch, just to continue what you were just talking about, could you describe maybe what the total audience metric is going to be as you meld, say, TV ratings and say page views? Is it impressions? And then, will there be an index to translate from the current ratings to that metric? Thanks.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Yeah. Thanks, Tom. I think the way to think about it is you almost have to think about the medium. So, for instance, think of video perhaps separately from text, separately from audio. So, if I just focus on video, then what the metric is going to look like probably – again, this is not something Nielsen decides. It's something the market decides; we facilitate what the options available are – but it's going to probably still be something in the form of average minute.

Average minute is, in fact, the way we report television right now. But it will probably also need to include a reach and time spent component to it as well because that's the way that you start to be able to see across all these platforms with a level of fidelity that's important to all the players, digital and traditional television alike.

So, it will have at least those characteristics I'm quite confident. And the question beyond that is what I already covered, which is timeframe and its breadth. In other words, every single slice included or just some of the slices included.

And one of the things that we've discussed with some of the players in the industry is even the prospect of a rolling metric. In other words, we can report it C3, C4, C5, all the way out to C35, but a broader inclusion of all the viewing, and people can then choose to trade on whatever timeframe they want, and that may be where some of the players decide to go as well. So those are some of the considerations, but ultimately, we still think an average minute with a reach and time spent component to it, will be essential for everybody to have the clarity in the marketplace that they require to understand their audiences and to run their businesses.

Operator: Your next question comes from the line of Andrew Steinerman from JPMorgan. Your line is open.

Andrew Charles Steinerman
JPMorgan Securities LLC

Q

Hi. It's Andrew. I wanted just to make sure, Jamere, that in the quarter we had about 1% revenue contribution from acquisitions. And heading into the fourth quarter, given that we anniversary Affinnova – it might be half of that.

Jamere Jackson
Chief Financial Officer

A

Yeah. So, you're right, we did have about a one point contribution from acquisitions in the quarter and then Affinnova does roll off in the fourth quarter. So, you'd expect about half of that because you'd just be talking about eXelate at that point.

Operator: Your next question comes from the line of Tim McHugh from William Blair. Your line is open.

Tim J. McHugh
William Blair & Co. LLC

Q

Yes. Thanks. I just want to ask on the set-top box topic. I guess – if you did acquire it, whether year-end or sometime next year I guess – once you get it what type of work and how long would you expect before you can start to incorporate that into either the analytics or some sort of your measurement products?

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Well, as I mentioned, we are already – we already have set-top box data in hand. We already know how to handle it. We already use it, in fact, every day for the analytics portion of our portfolio. As far as using it for measurement, we've also done a lot of work to prepare ourselves for that. So, it wouldn't take us too long for us to at least bring the capability to offer it, to execute on it, to offer it for our clients. Then they would move through the same phases that I talked about before with respect to total audience. They'll evaluate it. Then they'll choose whether or not they want it to be adopted for the marketplace. That will really determine the time line far more than our ability to take it on board, to incorporate it and to execute on it.

So, we've had a lot of conversations with clients in the marketplace historically already. And we already have a pretty good sense of where they would like to see us go first. And no surprise, that would probably be the local television audience measurement part of our portfolio first, but we wouldn't stop there. Ultimately, over time, we'll use it everywhere that it can help our clients in the marketplace.

Operator: Your next question comes from the line of Sara Gubins from Bank of America Merrill Lynch. Your line is open.

Sara Rebecca Gubins
BofA Merrill Lynch

Q

Hi. Thanks. Good morning. I was hoping to jump back to Buy for a minute. Within developing markets, is the slower growth or pullback that you're seeing coming more from multinational clients or regional and local? And you mentioned strength in Latin America. Could you give us some color on what you're seeing in Brazil? Thanks.

Jamere Jackson
Chief Financial Officer

A

Yeah. So, let me just talk a little bit about the emerging markets. So, emerging markets are up 6.3% in the quarter and 8.6% year-to-date. And we were pretty pleased with how resilient it's been through the cycles. So, we see pockets of growth in Latin America, which is our largest region. You mentioned Brazil, which is one of our largest markets in Latin America, was up high-single digits.

Africa, which is our smallest region, but it's our fastest-growing region, was up double digits. And Southeast Asia was up high single digits. Our largest market in Southeast Asia was up double digits. And as I said before, China was up mid-single digits. The Middle East was up mid-single digits. So, in the large markets in each of our regions, which represent roughly 75% of our emerging market revenue, we saw high single digit growth.

And where we saw the softness was really in the next tier, and that was driven by discretionary spending being down. So, in these kinds of environments where you have challenging macroeconomic conditions, clients tend to pull back in second-tier markets, and they tend to focus more on the discretionary spend in those markets.

The other point that you asked was around multinationals versus locals, and we've seen the multinationals rebound. And in fact, in this quarter, multinationals and locals were at parity and they were both around mid-single digit growth. So, we feel very good about the progress that the multinationals have made and with a backdrop of challenging macroeconomic conditions.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Yeah, Sara, on that last point, it's a little bit different than what we have seen in recent quarters, of course, because we have been mentioning how the local clients have been outpacing the multinationals in recent quarters in some of the most important growth markets around the world. So, noteworthy that in this recent quarter, they're closer to parity.

Operator: Your next question comes from the line of Brian Wieser from Pivotal Research. Your line is open.

Brian W. Wieser
Pivotal Research Group LLC

Q

Thanks for taking the question. Just another one regarding the timing of DCR. I wanted to probe a little more about what needs to happen for its measures to be in the market for transactions to begin. More specifically, are there meaningful changes that media owners need to make in terms of their operations and workflows? Are there still upgrades they need with their Adobe relationships? And then, do subscribers who are not media owners like agencies need to upgrade? I just wanted to make sure those are understood.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Yeah. Thanks, Brian. There are steps that the clients have to make. In fact, to go through that adoption phase, as we mentioned, they have to almost always take steps, especially with the digital parts of our portfolio and Digital Content Ratings, there's is no exception to that. We've gone through the beta phase; now you have this growing list of clients implementing the software, and they're going to begin to receive in the coming weeks what we're calling their own preview of the data. So, in other words, they'll get to see data for whatever they asked us to measure.

And then, come the first quarter of next year, after more clients have implemented the measurement capability, we'll begin syndicated reporting sometime in the first quarter of next year. But, yeah, that's a lot of what has to happen between now and then is clients implementing the capability orienting their systems around it. And in particular, one thing that they'll want to do, and I would say even need to do, is start to line up how Digital Content Ratings work in their business process alongside Digital Ad Ratings. One thing we said way back when we first announced that we were going to launch Digital Content Ratings into the market, was that it will be valuable on a stand-alone basis by itself, but it'll also add a lot of value and strength to our Digital Ad Ratings metric that, of course, has already been out there for a while.

The two metrics are designed to work that way, build on the same measurement architecture, one complementing and enhancing the value of the other. They'll work as a system together within our clients' business process. And so, yeah, the clients will also want to make sure everything's wired together to take full advantage of that characteristic of this measurement system, too.

Operator: Your next question comes from the line of Dan Salmon from BMO Capital Markets. Your line is open.

Dan Salmon
BMO Capital Markets (United States)

Q

Hi. Good morning, everyone. Mitch, I just wanted to return to eXelate. I think it was Jamere in his comments noted getting good traction with both new and current clients. First, on the new clients, could you just tell us a little bit more about who are those sort of new clients? Are they generally coming from the ad tech ecosystem? Are they smaller players? And then second, with current clients or current partners, how much is eXelate starting to act as a little bit of a Trojan horse? I'd think, especially with some digital native players, maybe in the case like Twitter in the news this week, does it really open the door to allow you to bring more of your products to bear with these clients?

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Yeah. Thanks, Dan. eXelate – before I go to your specific question, let me just say a couple of words. We love this acquisition. It's a great business. It's up about 30% year-to-date. It's a great set of capabilities and assets that not only you're driving the eXelate business proper, but also we're leveraging now across an increasingly broader part of the Nielsen portfolio.

The team we acquired through this business, too, is incredibly talented team, both here in the U.S., but also their tech team, their technology team based in Tel Aviv. I was in Israel back in July, spent better part of the day with the eXelate technology team, and I was just incredibly impressed. And they're really fired up about being part of Nielsen and having a much bigger platform on which to demonstrate all the great things that they can do in the marketplace.

Maybe the most important thing eXelate is doing for us right now, outside of its business specifically but across the Nielsen portfolio, is what they are able to do to bring even more power to our mission to connect Watch data with Buy data.

And to the question you have about new clients, one of the new clients that they've helped us bring on board is Reckitt Benckiser that I mentioned in my prepared comments earlier. One of the key reasons why Reckitt decided to move its U.S. business back to Nielsen is because of our technology capabilities and in particular, with respect to digital and what that means to their ability to market to consumers. And a lot of the especially interesting capabilities that Reckitt saw are enabled or enhanced by what actually brings to the table for us.

Yeah. And then, as far as them bringing in new clients, as they become part of Nielsen, they have all the same assets they have before. Now, they have even greater access and more granular access to Nielsen's data sets and putting those together really has helped them across their entire portfolio. So, it's media company. It's certainly ad tech, which has been their focus, and it's also consumer packaged goods companies. New clients really all across the spectrum.

Operator: Your next question comes from the line of Laura Martin from Needham. Your line is open.

Laura A. Martin
Needham & Co. LLC

Q

Hey there. Mitch, I'm interested in product on Watch. So, you guys sent out a notice yesterday that it was fascinating, this one broadcast drama had – you guys were measuring about 77% of it now – but then there was an extra 7% of viewing on VOD, 6% on connected TVs and 8% on mobile devices.

My question is, as you go to market with the content ratings and total audience, do you add those as a bundle and try to add them to existing contracts or are people buying those one at a time? And do they go into your current long-term contracts or are these like one-year contracts for these, let me call it, new, sort of 20% or 25% of viewing that you haven't historically measured? What's the product look like here for [indiscernible] (55:51)?

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Yeah. Great question, Laura. Yeah, I saw that article. I think that was like a blinded example of just to show how the total audience spreads out across all these screens and platforms. And also, I think reinforces our point that we're already able to measure all this stuff, even though it's not all included in what is the so-called currency metric for the marketplace. So, as that currency definition gets brought in, more of that viewing then flows through the currency in this presumably, more fully monetized by the client. That's really the value proposition for them.

So, the way our – the way we think about this is the reason why our business should – the reason why we expect our business to continue to grow at attractive mid-single digit rates with the big media companies is because we are, in fact, doing this work, to capture the total audience for them versus what we've done historically, more focused just on traditional television platform for those clients. So, that's the way to think about it there.

When you look at the digital-first players, so we think of people like YouTube or the video that you might see on AOL Huffington Post or these kinds of sites, that's where there's a lot more incremental business opportunity for us. And so, it'll play out differently in those different parts of our business, but that's the way we think about it.

Jamere Jackson
Chief Financial Officer

A

Yeah. And the good news here is that we have an efficient contracting infrastructure with our existing clients where we can broaden those relationships. But it is incremental opportunities for us to gain pricing because we're measuring incremental things in that world. And then, as Mitch said, for the native digital players, these are incremental relationships for us.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

And there's a little bit of a transition we go through. For instance, as clients are in the evaluation or early part of the adoption phase, it may not be included in their overall subscription for our measurement services. They may be buying it more as a project in order to get a sense of what it looks like and what it means. And then once they get comfortable with it, once they see how it'll fit within their business processes and they move deeper through the adoption phase, then it probably becomes more – if they're a big media conglomerate – it becomes more a part of their ongoing overall audience measurement contract and subscription with us. That's the way we've generally seen it play out so far with the big media companies that we work with. And I think it makes a lot of sense. Certainly works well for us. I assume it works very well for them, too.

Laura A. Martin
Needham & Co. LLC

Q

Thanks. That's very helpful.

Operator: Your next question comes from the line of Toni Kaplan from Morgan Stanley. Your line is open.

Toni M. Kaplan
Morgan Stanley & Co. LLC

Q

Hi. Thanks. I wanted to see if you could provide some more clarity on the marketing effectiveness business. I know you mentioned some of the business moved to the fourth quarter. But is there anything you can call out in terms of why clients might be delaying or any sort of change in client demand there? Thanks.

Jamere Jackson
Chief Financial Officer

A

Yeah. So, marketing effectiveness is about half subscription, half discretionary, and so clients do have some discretion about the timing of the work that they'll actually do. So, year-to-date, marketing effectiveness is up 17%. We expect the fourth quarter to be strong, which will look more like the first half of the year, which is around 20% growth. And as I said, we will likely finish above the guidance range we gave at Analyst Day last year, which was 10% to 15%.

Operator: Your next question comes from the line of Jeff Meuler from Baird. Your line is open.

Jeff P. Meuler
Robert W. Baird & Co., Inc. (Broker)

Q

Yeah. Thank you. It might be too early to get a read into the, I guess, CBS digital and TV ratings response from advertisers or ad agencies. But Mitch, anything that you can say either from that relationship or your meetings as the industry looks to redefine the currency? What is the advertiser or agency response to this process? Are they prepared to potentially have to pay for a much larger audience once this additional leakage, I guess, is plugged? Thank you.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Yeah, absolutely. They have a big interest in seeing this get clarified and for the market to operate with more transparency and efficiency, if you will. And one of the – if I'm an advertiser, used to be a brand manager – so if I'm thinking about this from my old perch in the brand marketing world, I'm thinking about de-duplication of audiences.

So I might have some of my advertising money going to digital platforms, some in television, some in other media, and I want to be in all those areas, but I want to make sure I've got it optimized. And in order to understand that, I have to understand the overlap in audiences across all the places that I'm investing my money in advertising. De-duplicating those audiences, therefore, becomes really the critical question. What does that look like and what do I get on a net total reach basis? And so, a Total Audience Measurement system, like the one that we're building and delivering to the marketplace, it does exactly that. And so, whether I'm an advertiser or an agency, I'm incredibly interested in seeing that clarity in the marketplace.

And ultimately, again, I just go back to the point of independence. If you're de-duplicating across all these platforms, it again points to the importance of having a third party, an independent third party in the mix. Each of the individual platforms probably has a perspective on themselves. They probably all look at themselves slightly differently. None of them see every other platform out there. That's what an independent third party does. We look across all the platforms. We look at them all on an apples-to-apples basis. We have a very transparent approach to how we de-duplicate audiences across those platforms. I think that's incredibly important to an advertiser and to an agency that represents those advertisers.

Operator: Your next question comes from the line of Doug Arthur from Huber Research. Your line is open.

Douglas Middleton Arthur
Huber Research Partners LLC
Q

Yeah, Mitch, just continuing on that vein, I mean, there's also a lot of rhetoric in the trade press about potential competitive threats to your measurement business. And there's chatter that the cable companies may band together. I mean, how do you feel about that? And does the sort of rhetoric, does it impact your ability to price your product as the reach of your measurement gets greater? Thanks.

Dwight Mitchell Barns
Chief Executive Officer & Director
A

Not much. No. I mean, there's nothing new about that idea or chatter associated with it. A lot of times what I think you see there is that players are looking to work together in the industry. But it's more focused on analytics. It's more focused on granularity as opposed to the role that an independent measurement plays in the marketplace. And by the way, I think that's smart, and we certainly support those kinds of activities whenever we can from an analytics perspective.

From a measurement perspective, though, it has been tried before. Go back several years, but the fact that it's not here now maybe says something. So, that's not really our focus. We're focused on executing on our Total Audience Measurement strategy, doing exactly what the market needs. We still have more work to do, but, again, it's been a very productive year and quarter for us.

Operator: Your last question comes from Bill Warmington from Wells Fargo. Your line is open.

William A. Warmington
Wells Fargo Securities LLC
Q

Good morning, everyone. So, first, I want to send a shout-out to [ph] Yaney (01:03:12) on her new baby boy.

Dwight Mitchell Barns
Chief Executive Officer & Director
A

Yeah. All right, Bill.

Jamere Jackson
Chief Financial Officer

A

Thanks, Bill.

William A. Warmington
Wells Fargo Securities LLC

Q

And then the second is to – a couple parts to this question. First is to ask Jamere, if you wouldn't mind walking through the pieces of the Watch guidance for Q4 for us just to get some extra clarity there. And then also if you could talk a little bit about the free cash flow margin, because that's been very strong. It's around 10.8% last year. Looking like you're tracking around 13.5% to 14% for 2015. I just want to know if you can talk a little bit about what's behind the strong free cash flow performance and whether we can expect the free cash flow margin to continue to expand in 2016 and 2017.

Jamere Jackson
Chief Financial Officer

A

Thanks, Bill. Let me walk you through the fourth quarter Watch. So, in Watch, we expect the fourth quarter to look more like the first half of the year with core Watch, which we've said is audience measurement, audio and marketing effectiveness being up about 6%, which it's been all year, and Other Watch to be down 15% to 20% resulting in about a 2 points drag. So, let me walk you through the pieces then.

So, Audience Measurement, ex- audio, will be up around 6%. Audio will be down probably 3% to 4%. We've talked about timing this year. Year-to-date, it's up 4%. It's probably going to finish the year in the 2% to 3% range, as we laid out earlier. Marketing Effectiveness, as I said, will be up around 20%. We have good line of sight to that number. And then Other Watch will be down 15% to 20%, and that's based on the planned portfolio actions. So again, the three pieces that we call our core Watch – Audience Measurement, Audio, Marketing Effectiveness – up 6%. Other Watch being down 15% to 20%. And it gets you to a Watch number for the fourth quarter of around 4% plus.

And then on free cash flow, as I said, look, we're running the place with intensity. Probably 10 points of our free cash flow performance in terms of growth rate this quarter was due to the work we're doing around working capital. And you heard Mitch give a shout-out to the teams on the last earnings call, and it's a play that we've been running inside the company. Our entire team is focused on it and we're executing and delivering.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

I still got it on my whiteboard.

Kate White Vanek
Senior Vice President-Investor Relations

Thanks, everybody.

Operator: This concludes today's Q&A portion. I would now like to turn the call back to Kate Vanek.

Kate White Vanek
Senior Vice President-Investor Relations

Thanks so much, guys. Hi, Sean. Thank you, everybody, for tuning in today. You know where to find us if you have any questions. Talk to you soon.

Dwight Mitchell Barns

Chief Executive Officer & Director

Thanks.

Operator: This concludes today's conference call. You may now disconnect.