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Nielsen Holdings Plc (NLSN)

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CORPORATE PARTICIPANTS

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

MANAGEMENT DISCUSSION SECTION

[Abrupt Start]

QUESTION AND ANSWER SECTION

Q

...maybe an overview on the challenges that the industry, I guess, has been facing and then, obviously, your exposure to that business over the last, call it, 18 months. Just set the stage there if you can start with that.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

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Sure. It, indeed, has been a pretty challenging market for fast-moving consumer goods companies. I'd say there are two or three dynamics that really drive that. One is some of the shifts in consumer taste, so we've seen some of our largest clients particularly in food and beverage, have to combat sort of the change in consumer taste. So, some of our clients were in the center of the store package foods companies have been under a lot of pressure.

So, if you're selling salty snacks or carbonated beverages, it's been a pretty tough market for you as consumers' taste have shifted. I think the second dynamic that we see is there have been an increased level of competition. So, the barriers to entry for challenger brands, if you will, they enter in the marketplace and have an opportunity to grow volume and grow share. Again, retail distribution has certainly impacted some of our largest clients and we certainly haven't been immune to those dynamics.

And then, I'd say the third dynamic is there's been some challenges as it relates to innovation in the marketplace and we've seen a number of our clients really struggled to compete against the challenger brands or upstart brands as they think about pivoting the growth. So, as they look at those dynamics, we've seen pressures not only in data and analytics, but we see that pressure in the advertising agencies as well. So, that is largely the dynamics in the developed markets.

And in the emerging markets, growth is still available and we continue to see not only our large global multinational clients invest in a meaningful way but we also see a number of local brands continue to invest in data and analytics, and our business in the emerging markets has grown quite well in this environment. So, the challenges in the developed markets have certainly been pronounced and we haven't been immune to those dynamics for sure.

Q

Right. And could you just help understand, so when the big CPG company has that topline pressure, the margin pressure, what is it with Nielsen that [ph] they're having (00:02:33) that impacts you guys? So, how does that contract maybe works?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

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Yeah. So, what we're seeing with our largest clients is they have been challenged from a topline standpoint. Many of them have gone to the middle of the income statement to find a way to drive earnings growth in the face of a challenging topline environment. So, what we've seen in that dynamic is zero-based budgeting from some of our largest clients, and they literally go through every line item of the contract to find an opportunity to squeeze out some margins.

Some of them have had a tremendous amount of success in doing so. And in doing so, they look to sort of trim spending really across the board. So, a fewer spending of $100. Last year, you're trying to spend $95 in a tough growth environment. And they asked us to help them do that in a way that doesn't impact their business and helps them continue to grow.

So, our retail measurement services is critical to the way they run their business. A number of our analytics are critical to the way they run their business, but things that are a little bit more discretionary in nature, things that look like deep-dive consumer studies or things that are looking at sort of the future of consumers and some of their consumption have. And so a lot of that discretionary spending has gone away.

So, we see clients continuing to invest in things that are focused on how they manage their revenue. So, we still see them investing in things like pricing, promotion, shelf assortment, space optimization, those are the kinds of things our clients are doubling down on their investment. We call those things everyday analytics and clients are still investing pretty heavily in those things along with retail measurement. And those are the things that we're focused on as part of our Connected System platform.

Q

Right. And [ph] that gap from 100 to 95 (00:04:29) that you explained, how much of that is you – as a long time [indiscernible] (00:04:36) giving price concession. Is there much of that or is it literally just you're going to stop doing the discretionary surveys?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

No. It's more about remix in services. So, it's more about a client taking a look at all of the things that they're buying from us, and saying, one of the things that are most critical for me to draw a top line and/or understand business drivers. And so, as we sit down and look at those things with our clients, those are the things that they're buying, those are the things that are in demand and we're continuing to try and provide those things in a way that helps them with our business. So it's been more about those kinds of things as opposed to just pure going and cut the cost, cut the price in the contract then keep the same level of services. So, they actually have taken fewer services from us in many cases.

Q

Right. Maybe taking a look at it from another angle, you used to disclose information and insight of the mix, right, and I think you alluded to the core retail measurement side, something they can't do without. So, maybe can you just frame the mix today in terms of that core, was it discretionary and what the exposure might still be there?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

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Yeah. You know, in today's environment, the mix between what we historically call insights and analytics has become a little bit more fungible, in other words, the client is, as I alluded to, saying, listen, I need to go and turn $5 out of the contract, how do I go do that in a way that helps me continue to have the critical data needs that I have and the critical set of analytics that I have?

So, what we've seen over time is that the things that were much more discretionary consumer insights kinds of things, those are the kinds of things that have gone away, which means almost by default, you have more money being spent on retail measurement in everyday analytics as opposed to consumer insight.

So, that makes us – we probably moved 10 points of mix from discretionary consumer insights kinds of things to more syndicated everyday analytics kinds of efforts.

Q

Can you just talk a little bit about the contract structures? I think it's less so than the Watch side, obviously, but there's a certain amount of business I supposed you start off at the beginning with the – and you have that visibility. And the question is, I think, heading towards – you have to lower, I guess, the Buy number from a guidance perspective a couple of times, and understanding the market is obviously in a unique situation. But has that visibility changed or what's the dynamic there if you could walk us through that?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

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No. The visibility is still about the same as it has been. We typically walk into a year in our Buy business with about 60% on backlog in a contract. The other 40% was more discretionary, more ad hoc in nature. In today's world, again, the overall number has come down. So, the visibility in terms of the year looks more like a 70/30-ish kind of mix. But there are still things that clients have some discretion on in terms of timing or how much uses they'll have with certain analytics, et cetera.

So, retail measurement has been rock solid. I mean, our clients use that on a day-to-day basis to understand their retail measurement, how they rack and stack on market share relative to competition, and that's pretty important. It's embedded in the way they work every day. I'd say clients are still leaning into price and promotion kinds of things because revenue management is really critical when you're in an environment where growth has slowed.

And we're continuing to see clients ask for those kinds of services, and in some cases, we've seen clients even lean more heavily to those services. And then, it's with more things like consumer insights, some of which we've actually sunset out of the portfolio over the last 18 months. So, most of our consumer insights business in North America we've jettisoned out of the portfolio. We're out of the consumer segmentation sort of things and it's part of our Buy portfolio.

So, as the market has shifted more to core measurement and everyday analytics, we've had to prune some things out of the portfolio over time to make sure that we had a portfolio that was contemporary with where the demand was for our clients.

Q

And in terms of your exposure to the large, I think you said before that's been a big exposure to you and clearly, they're the ones feeling the pain. But I guess, is there a way to quantify what that exposure is versus the challenges with mid-sized companies?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

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Yeah. So, our large clients – I mean, none of our large clients are more than 3% or 4% of our revenue inside the company, but the reality is that they do drive a lot of activity in terms of the way that we build our own internal infrastructure to service those clients. So, to the extent that those large clients [ph] gets a cold (00:09:48), we certainly feel it inside our business.

I think the other thing that stands out to us is that in the mid-tier segment, we continue to see some of those clients grow. One of the challenges for us with the mid-tier segment is that the platform that we have historically operated on was a little bit more challenging for those clients to see value and help them with their business.

I think the things that we're doing to connect the system solve that and we're starting to win some of that mid-tier business back. And then, the long tail, in the smaller brands, which typically haven't invested a lot of money in data and analytics is a tremendous growth opportunity as well and we see that as an opportunity for us to go after some of that business as well.

So, there are pockets of growth still in the developed markets and certain client segments. But our largest clients, the more established brands, which quite frankly have been the strength of our client base for many, many years, is where a lot of the pressure has been in the developed markets.

The other interesting thing, again, about those large clients is, as I said, the emerging markets, those clients continue to see growth opportunities. If you look at what's happening in markets like India, in China and Brazil and the continent of Africa, there are tremendous growth opportunities there. So, those same clients that are challenged in the developed markets are continuing to invest in a major way in the emerging markets, and we continue to expand our coverage capabilities in the emerging markets.

And that global footprint is really a big benefit for us. So, we do see sort of this multi-speed world, if you will, with higher growth in the emerging markets, challenges in the developed markets. We're focused on building the portfolio. Quite frankly, that gives us an opportunity to operate in those environments and help our clients grow.

Q

Sorry, do you have a question [indiscernible] (00:11:48)?

Q

Sorry, could you illustrate with an example, bringing more to life what you meant by mid-tier customers not being able to use your platform earlier, but now with your Connected System, they are able to. Just if you could illustrate that. Thanks.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

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Yeah. The Connected System platform that we're rolling out is much more data as a service/software as a service platform. So, for our largest clients, they have typically leaned into retail measurement and analytics, but also relied pretty heavily on a Nielsen client services team. Think of those individuals more as consultants to help them navigate their way through the data and do sort of their own custom slice of analytics.

With our Connected System platform, it's more DaaS/SaaS-based, and so mid-tier clients and long-tail clients have an opportunity to do that more on a self-service basis and not necessarily have to rely on a Nielsen client services team. And that has been a big win for us in the marketplace. We've won a couple of really nice clients in that space and we've announced some publicly, others we haven't. So, it's going to be a growth driver for us as we go forward and it's one of the reasons why we're making that level of investment in the platform.

Q

Sorry. Just a quick follow-up. I'm not sure I understand what exactly you're bringing to them versus what they didn't have. And secondly, I'm not sure what's your bringing to them and are they now able to get some of that from the likes of Google, Amazon, Facebook? So, could you just give maybe a real-life example of what are you really talking about?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

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Yeah. So, a real-life example is today, a client actually gets retail measurement data from Nielsen and they also have a client services team on site that helps them as they inject that data in their systems, helps them think about what it means for their business, what it's telling them relative to competition. They do analytics on that data. Our client services team will provide a number of insights around the data that they get. And the client services team also helps them think about things to help them maximize their revenue, at a retailer for example. So, we'll have a team helping them with pricing. We'll have a team helping them with promotion plans. We'll have a team helping them with shelf assortment or space optimization, those kinds of things.

And that is delivered largely through Nielsen client services individuals. In our Connected System platform, we're making all of those data points available on a platform in a self-service sort of way, so that our client can actually see the data themselves and start to activate against that data as opposed to relying on a client services team.

So, our largest clients, they may have a number of Nielsen individuals working with different parts of their organization. The platform that we're building enables those clients to do it more on a self-service basis. In terms of getting data from other providers, it really isn't relevant in this case because we get the data directly from retailers. We provide that data to our clients. And so, there isn't a relevant example in terms of getting data from Google and Facebook, at least not in our Buy business. Okay.

Q

Just on that point, in terms of the client service team, the consultants or whatever, how much of that is still out there? I guess the question is once connected [indiscernible] (00:15:27) full rollout, will that be a big cost-saving initiative?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

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There will be some cost savings associated with it. One of the things we're learning as we go through the Connected System rollout and as we spend time with our clients thinking about conversions, there will be certain clients, so some of our largest, most sophisticated clients who have relied on Nielsen client services teams for a number of years will continue to lean into that model but they will have the option to very clearly use the Connected System in a way that reduces that reliance on the client services team.

So, yeah, there'll be some cost savings associated with it, but it won't completely go away because these teams are embedded and they add a lot of value on the client side and our clients are going to lean into that service in a different way.

What will change for the client is the speed with which they will get data from Nielsen, which means the speed with which they're able to activate against that data will actually change dramatically with the Connected System, and that's what our clients are most excited about.

I actually spent some time last week with one of our large clients talking about some of the capabilities in the Connected System and they're really excited about, number one, the platform itself and the user friendliness associated with it. We're building individual personas for different individuals in the organization to interact with the data in a way that makes most sense for them.

So, for example, the sales team or the market research team or the finance team all look at different slices and cuts of the data to help them think about sort of their day-to-day activities. What we're building in the Connected System is personas to actually help them meet that need. So, it's a lot more efficient for the client in that way.

And then the second thing that they're really excited about is the availability of not only the Nielsen apps that help them understand business drivers but the Connected Partner apps where we brought third-party providers on to the platform. We have over 45 of those providers. Today, those providers provide other sets of analytics that our clients use today. Maybe it's a weather app or some other planning app, et cetera. That's on our platform today and the clients are really excited about having an opportunity to do all of that on our Connected System platform. So, it will change the way that those clients work with us and it will be an exciting growth driver for us as we move forward.

Q

Just a quick one on the emerging markets, conceptually longer term makes sense at the growth area. The recent slowdown in your numbers, like how much of that has been some slowdown that we've seen from the CPG companies in the emerging markets? So, this is, I think, you called out some changes you have to make in China specifically. But can you help just illustrate that?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

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Yeah. For multi-nationals, I mean, you occasionally see fits and starts with multi-nationals even in growth markets like the emerging markets, for example. So, what you'll see from time to time is a client or two in a couple of countries will have some challenges in terms of growth, et cetera. And they will shift some priorities, but longer term, the trend in the emerging market is very healthy. We see a lot of demand there. Multi-nationals are continuing to invest there in a meaningful way.

And also, the local clients are investing in the emerging markets as well. We see gains with the local clients. [ph] They are Walmart (00:18:58) of double-digits in the emerging markets, and they're about 35% or 40% of our business. So, we have a nice hedge, if you will, against some of the blips in fits and starts that you typically see with multi-nationals. But longer term, the trend is going to be fine. We talked about in the fourth quarter specifically some of our own challenges in China. Those things are behind us. We've made some changes there in terms of leadership and structure, and the teams are operating pretty well.

Q

Okay. My next question is just around M&A in your end markets. So, there's a lot of consolidation going on in CPG and maybe you will lead this to get into Watch as well. There's obviously a lot of news out there in terms of consolidation on the Watch side of the media company. How does M&A in those two divisions – or how should we think about how M&A there can impact you, guys?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

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Yeah. On the Watch side of our business, M&A typically doesn't impact us that much. As long as the number of networks stays the same, we'll get paid roughly the same. So, there isn't a huge issue when there's consolidation in the industry, as long as they don't decide to go take a bunch of networks dark, our business will be fine.

And on the Buy side of the business, you could have a situation if the acquirer is acquiring brands that they're not in today and then it's sort of a zero-sum game, they're going to still need data in those categories. If an acquirer is getting brands or getting data in certain categories already, then sometimes there's a little bit of compression in terms of the amount of things that they need to go buy from us.

We typically haven't seen a lot of impact associated with that because most of the consolidation that's happened in both sides of our businesses have either been acquirers getting brands that they don't already have in the portfolio and sometimes they need more data and analytics including some of the historical data to understand the businesses that they're getting and what's happening in the category.

But we watch it very closely and we just want to make sure that as those companies come together, it makes sense for us. The one thing that, potentially, is a little bit of upside, particularly on the Buy side of the business, is as some of the large brands think about how they pivot to growth, there's a little bit of a build versus buy decision that needs to be made. If you're a big manufacturer that has scale and your factories sort of sprinkle across the landscape and you're thinking about what it's going to take for you to go innovate and re-tool those factories, in some cases, you're seeing some of those big manufacturers acquire capability or acquire smaller brands instead of investing in R&D and coming to the marketplace that way. And in that case, some of those smaller brands that weren't spending money on data and analytics will now start to spend money to help them understand how they fit in the larger ecosystem and that could be a boost to the business. But over time, again, consolidation hasn't really impacted our business that much.

Q

So, when you think about that, so when you gave your sort of 2020 guidance of 3% organic growth or whatever, how much of that kind of assumptions do you have to make or can you make in terms of there could be some consolidation or not in the market?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

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Yeah. We think we – as we were looking at going out to 2020, we thought in terms of what's going to happen in both sides of our business, informed by our clients and their plans and how they think about growth going forward and we can sort of translate that back to what that means for Nielsen. We do think there's going to be some consolidation as we move forward, but again, there's not going to be a whole lot of impact to our businesses, and a whole lot of it was rolled into our plan for 2020.

Q

So maybe just shifting gears to the Watch side of the business. I guess in terms of the update on the currency, where are we with the whole TV [indiscernible] (00:23:04) for digital and so forth? What's the latest there?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

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Yeah. We've made tremendous progress with our Total Audience Measurement initiatives. All of the products that are needed to give clients more flexibility in terms of monetizing their audience are already in the marketplace. Whether it's Digital Ad Ratings or Digital Content Ratings or Digital in TV Ratings, those things are all in the marketplace today. And clients are using those data sets today to help them monetize their inventories. We're seeing some of that as part of some of the upfront announcements that are happening today.

Our role in the marketplace has always been to provide the measurement capability that allows our clients to monetize those audiences across whatever screen or platform those audiences are on. And so, that's why we spent so much time over the last six or seven years really building out our digital capabilities because as we saw sort of linear television ratings go down, we actually saw audiences continuing to grow because there was more consumption in digital. So, we've been really focused on making sure we bring those capabilities to market. And you've seen it in our growth rates. We're adding more things to measure in the Nielsen mix and that's been good for our business.

In terms of what that's going to mean for the currency, we're already seeing clients use the different products, if you will, to expand what would be currency, and we don't get to necessarily declare ourselves with the currency, the market does in terms of how they're buying and selling and trading them.

Now, what we've seen in the last year or so is that all of the top ad agencies are using our digital products, which almost, by definition, says that it's reached currency status. And we continue to see advertisers demand guarantees based on Nielsen metrics, which is the other side of the currency equation. So, I feel great about the progress that we've made and feel great about the usage of the things that we have in the marketplace. And the reality is we're continuing to innovate because the market is changing pretty rapidly.

Q

And if you just keep the marketing [indiscernible] (00:25:26) for a second. If you think about it, the growth has held pretty nicely considering all the, at least, media chatter on pressures and so forth. Is it fair to say that the new products have added a level of revenue but you've lost some base somewhere, or why is that not accelerated with these digital things and so...

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

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Well, I mean, if you look at Audience Measurement of Video and Text, for us, that growth is actually accelerating. That growth, if you just went back a few years ago, it was probably in the 3% range, 3% to 4% range. And you've seen us grow in that piece of our business comfortably in mid-single digits now for some time. And that's a combination of, A, having a very rock-solid national TV business, and also having all of the new digital products in the marketplace that have given us a tremendous amount of capability to service those clients in a way that's meaningful to them.

So, what our clients know is that as media fragmentation has really accelerated in the last three or four years or so, we have been in the marketplace innovating and developing products, bringing those products to the marketplace to help them find those fragmenting audiences. And so, as we sit down and have discussions with our clients about renewing their contracts and growing their business going forward, it's a much easier conversation when you're talking about all the additional capabilities that you brought to the marketplace as opposed to, gosh, linear audience are declining and you don't have the products in place to go help me find those fragmenting audiences.

So, not only have we done it in digital, but we've added things like out-of-home measurement and other things that help clients sort of measure those audiences.

Q

Okay.

Q

Yes. To that point, I wanted to ask you, what's – I mean, obviously, the income burns from the linear TV, but what's your share on the digital, and what's the sort of pricing you get or margins you get in that product? And what's the competition like?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

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Yeah. Digital is a lot more fragmented in terms of thinking about share. So, the way that we actually think about what's happening in the marketplace is we look at the top ad agencies and the top advertisers that are using our digital metrics. And so, all of the top 25 global advertisers are using the Nielsen digital metrics if you will, and all of top 7 ad agencies are using the Nielsen metric. And we're also seeing adoption on the publisher side as they think about putting Nielsen digital metric capability into their offering, if you will.

So, we feel great about the progress that we've made and the reason we've made so much progress is that there was always this notion that maybe there would be two currencies that somehow there'll be a linear currency and somehow there'll be a digital currency. Reality is that if you talk to any of the big publishers, they just wanted their total audience measured, and that's been our focus inside of the company saying what platform is there.

And then, how do you then go take those measurement capabilities and give clients flexibility so that they can monetize the audiences in a way that makes sort of sense for their business model. So, if they're showing content on linear television and they're showing the same content to their digital audiences, how do you give them flexibility to take one plus one and have it equal two, if you will, and that's what our metrics are designed to do.

So, it's apples-to-apples, it's deduplicated and clients are getting a view of their total audience. So, as we've made those products come to life in the marketplace, it's been great for our business.

In terms of the competitive landscape, there are lots of smaller competitors out there. There've been other competitors that have brought products to the marketplace. But really, the market is really focused around apples-to-apples, deduplicated metrics where you can take your linear audience, add it to your digital audience and that's what we brought to the marketplace. It's been great for our business and we love our competitive position in the marketplace.

Q

So, with all that said, let me ask you a question this way. So, a lot of the media investors still seem to be bearish that something could crack on the Watch side. Where do you see the risk in your Watch business as at it stands today? It sounds like you've got the total audience measure, you've got the digital offerings, so where could it go wrong?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

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The thing that we focus on in our business all the time is making sure that we're innovating to stay in step or even just ahead in some cases with what's happening with fragmentation. If you just look at what's happened in the last four or five years, if we were just in the linear TV business, we would have missed out on a tremendous growth opportunity in digital.

So ,what we've tried to do over the last few years or so is make sure that we're innovating to keep up with media fragmentation. I'd tell you, it's a difficult job. If you look at what's happened with the explosion in over-the-top, if you look at what's happening with out-of-home measurement, if you look at what's happening with viewing on native digital platforms, it's been a relatively tall order to do that.

But our teams have done a tremendous job of innovating in a way that makes sense, bringing those measurements to the marketplace, working with our clients to understand how these measurements are going to be used in their business, and how it impacts their business model. And in some cases, we've had over 100 iterations just on our Digital Ad Ratings product alone over the last year or so. And it's a testament to the fact that our teams are on the ground, they're spending the time with our clients and understanding where their needs are and innovating accordingly.

So, the one thing we always think about is that a few years ago, we said fragmentation is our friend because it gave us more things to measure. The reality is it's been a friend and it's been a challenge because it's forced us to really step our game up in terms of innovation. And I got to tell you, the teams have done a great job.

Q

And specific to Watch, how much incremental investment does the innovation require? Like, when we think again just about Watch, how should we think about the margin progression over the next three to five years?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

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Yeah. The good news in our Watch business is that the platform that we built for Digital Ad Ratings, which in a previous life it was called OCR, we built that platform back in the 2010-2011 timeframe and that platform has scaled very nicely. So, as we've added Digital Ad Ratings and then Digital Content Ratings and all of our digital measurement is all sort of on that same platform and it's scaled very nicely. And so, there isn't a big slug of investment that needs to come to continue to keep up with fragmentation.

What we've also had to do during this timeframe as well is we've had to invest money to shore up our local products. So, we are eliminating paper diaries, moving all electronic measurement. In some cases, we expanded the size of panels in certain markets. Those are the kind of investments that you've seen us make over the last few years or so. And at the same time, the margins have continued to expand because the business is actually scaling pretty nicely based on the platforms we already have in place.

Q

Got it. And then just sticking to the topic of margins. For this year, can you just remind the audience the step-down in margins? And I think Walmart is a big part of that, just the components of the guidance there.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

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Yeah. So, we did take our margin guidance down about 60 basis points this year. It's largely due to some of the investments that we're making particularly on the Buy side of the business with investments that we're making in retailers. So, we're building retailer collaboration programs. We talk about Walmart very publicly in their One Version of Truth program, which is off to a fantastic start.

But we also have other retailer collaboration programs that we're building. So, an important source of growth for us, and it's an important capability that we're bringing to the Buy side of the business because there's a ton of friction and a ton of waste on the Buy side of the business, and both manufacturers and retailers have a tremendous demand for the tools that we're building there.

So, that's a big chunk of the margin drag that we're seeing this year relative to last year, but we're confident those investments are going to pay off for us. We're going to start to see the revenue from some of those retailer programs impact our Buy numbers in the second half of this year, and then throughout 2019 and 2020.

We're also making some investments on the Watch side of the business. So, I talked a little bit about the investments that we're making particularly around local, eliminating diaries, moving to more electronic measurement, those kinds of things. So, it is an investment year for us, but what we're confident about is that the things that we're investing in are the things that – and there's a tremendous demand from our client base. So, even on the Buy side of the business, I mean, we're focused on expanding coverage with things like our e-commerce capability. We're focused on the Connected System. We're focused on retailers. Those are the three things that are dragging our Buy numbers.

We're not counting on a snapback in spending. We're not counting on clients to start the way back in a more discretionary spending. We're really focused on those things that are going to help our clients grow our business.

And then on the Watch side, it's about really expanding coverage and building out the capabilities there around total audience that our clients have a ton of demand for, and that they're using to help them monetize their business.

Q

And maybe just in the last two minutes that we have left. In terms of your 2020 target, you then have the margins going upward of 500 basis points. Can you just talk about the confidence level, the visibility you have there, and any thoughts on how that phases out?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

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Yeah. So, we have a $500 million cost savings plan that's in action in the company. About $400 million of that is coming from our operations in technology organization, and about $100 million of that is coming from some of the reductions that we'll do in SG&A, and we're off to a great start there. Our operations in technology organization led by John Tavolieri is actually a little bit ahead of schedule with things like automation, moving some of our work into what we call super hubs that will give us an opportunity to consolidate work and streamline the process and capabilities that we have in the business.

And then, we're also significantly improving our capabilities in the emerging markets by automating some of our data collection capabilities in Buy. Again, those things are all off to a tremendous start, and our teams are doing a great job there.

So, we have a high degree of confidence in those things. All the programs are in flight. We're executing against them. We're a little bit ahead of schedule. So, when I think about that portion of our 2020 plan, there's a commitment inside of the company, and the work is underway, and we're going to start to see the results in the back half of this year and early next year.

Q

All right. Maybe I'll just squeeze in one more, just capital allocation.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Sure.

Q

Just in the context of the 4-times-plus leverage that you're at, how do you think about the use of free cash?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. So, in a long term, we said we're going to hold our leverage somewhere in the 3 times area. We're a little bit at the high end of that today, but the business will delever nicely as you look at our 2020 plan, where we'll generate pretty close to €3 billion of free cash flow.

We've said in terms of our long-term capital allocation framework, we'd allocate roughly 45% to the dividend and grow that in line with earnings, leaves us about 40% to toggle between sort of growth opportunities and buybacks, and the remaining 15% to service the mandatory debt. That gives us a tremendous amount of flexibility to both grow our business and return cash to investors in a meaningful way.

Unverified Participant

Right. I think we'll leave it there. So, thank you so much, Jamere, for being here. I appreciate it.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

Great. Good to see you. Yeah. Thanks.