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MANAGEMENT DISCUSSION SECTION

Michael Ng

Analyst, Goldman Sachs & Co. LLC

Great. Thank you. My name is Mike Ng. I cover movie theaters and toys for Goldman. And I have the privilege of introducing our next guest, Megan Clarken. Megan is President of Watch of Nielsen, and she leads the U.S. Media and International Watch commercial teams. During Megan's time at Nielsen, she has led the team responsible for the strategy, development and management of measurement products for television, digital and cross-platform, including Nielsen's Total Audience initiatives. Thanks so much for making the time, Megan.

Megan Clarken

President, Watch, Nielsen Holdings Plc

Pleasure, Mike.

QUESTION AND ANSWER SECTION

Michael Ng

Analyst, Goldman Sachs & Co. LLC

Q

So, maybe just starting off with a big picture question, Nielsen's Watch segment continues to perform very well, and this changes in the viewing landscape. Can you provide an overview of what you see as the key changes happening in content consumption today and how Nielsen has taken steps to successfully navigate through those changes?

Megan Clarcken

President, Watch, Nielsen Holdings Plc

A

Yeah. As most people will know, consumers are watching video all over the place now. So they are consuming it not just on the TV screen, but on digital devices as well. And we see there has been a significant rise of viewing on digital devices even in the last 12 months. With that comes adoption of different models of advertising, different formats of ads creative, different types of creative short form and long form for consumers who are looking for what they want, when they want in the right place at the right time.

And so, for us, we have always been about measuring the consumer wherever they go, regardless of which platform they are on, which device they are viewing, what types of ad asset they are looking at, what type of content they are looking at. And so, for the past four-and-a-half years, we've been focusing really hard on our Total Audience strategy, which is about just that making sure that we follow the consumer regardless of the device that they are on, regardless of the type of content that they're viewing, regardless of the ad model in which they're viewing it in, and making sure that we can report that back to all of the constituents, be that media owners, the advertisers, and the agencies in the way that they want to see it to facilitate trade. And so that's been a very big program of ours to bring flexibility to the marketplace, and it's well and truly now a big part of Nielsen's story going forward and underpinning the marketplace as it continues to evolve.

Michael Ng

Analyst, Goldman Sachs & Co. LLC

Q

And maybe just a brief follow-up to that question, as you talk about Total Audience and measuring consumers where they are and then talking about how that goes to facilitating trade, can you talk about some of the challenges as it relates to going from just measurement to currency and some of the hurdles that we may have to deal with as you made that transition?

Megan Clarcken

President, Watch, Nielsen Holdings Plc

A

Yeah. It's an interesting one. As most people know, in the traditional TV space, the currency has been cemented on a set of rules, and that is the measurement of ads, commercial breaks inside of television programming. And those set of rules go even further than that. They have to be the same set of assets in the same sequence across that video regardless of where it goes. And so for us that has been sort of the core of what most people have known as TV ratings. And so as you think about that change in consumption, we've seen a shift in the currency measurement from sort of same day, next day to three days to seven days, and Total Audience now has opened that up to be able to offer the ability to trade out to 35 days. On top of that, because the rule is there that says the ad load can't change in any way, shape or form, we also are facilitating discussions in the marketplace to provide some – or come to a decision as to whether or not there is some flexibility in that rule.

So, if you think about programming that moves across on to digital devices, those devices are well set-up to be able to dynamically insert ads and target ads to an individual. So, the whole question has been around whether or not the TV ratings rules are too stringent, and don't allow for that. So, we've been facilitating discussions around whether or not that's an extension to the current rules. And facilitating those discussions are hard, because they're not something we control. They're a dynamic between the buyers and the sellers as to how to price and how to position, and how to create strategies around that. And that's the sort of linear advertising world.

On the digital advertising world where there isn't a sense of time, there isn't a sense of an ad load of a particular time of video being viewed, there is a pre-roll or a mid-roll, or there is one ad, and that ad is not 30 seconds, it's 6 seconds, whatever that is, for us it's about creating some comparability. So, measuring that in a way that addresses things like invalid traffic, the viewability standards, and how they actually line them up with a campaign that's being run across TV and perhaps a linear environment to be able to give the advertisers a sense of their total audience to that campaign regardless of the ad model and the device. So, it gets very complex as these things start to evolve. And again, we feel very good about the framework that we've built in Total Audience to be able to respond to all of these changes and provide flexibility to the marketplace to make their choices around what they want to use to be able to sell their story.

Michael Ng

Analyst, Goldman Sachs & Co. LLC

Q

Okay. And that's a great segue into our next question, which is on TV advertising. The state of TV advertising I think is challenged and it's debated whether or not TV as a medium can still grow. Viewership is down across almost every network. So with some of the challenges in advertising revenue, how does Nielsen grow in that environment? In short, if your clients aren't growing advertising revenue, how does Nielsen grow?

Megan Clarken

President, Watch, Nielsen Holdings Plc

A

Well, we see – we've made a conscious choice for the right reasons to talk about our own marketplaces and video marketplace. And so, when you look at sort of the statistics around TV advertising, for us, you have to add the digital story as well because we measure video. We measure video in all forms on all devices. And so, TV advertising for us continues to grow. And you will see the statistics that support that. But more importantly, video advertising and video consumption continues to grow. And as the underlying third-party independent measure of that medium, that asset, we watch very carefully for the growth of video advertising, that's very, very healthy. And so, for us, again, what we see from the TV networks is also encouraging, they're experimenting with their digital assets, they are experimenting with digital platforms and their ability to monetize their audiences [ph] in addition going on (07:31) digital platforms, and we benefit from that because we measure that as well.

We also see sort of this experimentation leading to the advertisers going one way and then perhaps finding that that's not working and going back the other way. So we've seen in the last 12 or 18 months the shift from P&G to be very focused on digital to coming back to – looking back at traditional linear television. And when you think about it, what's sitting underneath all of that is what's the right use of the screen and the psychology or the psyche of the person that's actually in the front of that screen to get the right message to that person. And so far a big brand advertiser like P&G where they want to get to as many people as they can most effectively. TV is a great medium for that. And so while they might experiment and looking for a targeted advertising, they understand that, that ticks some boxes, but not all boxes. And so you start to see them come back and sort of balance their portfolio across the different mediums, really focusing on the consumer and the consumers' mindsets in front of that screen and what gives them the best ROI. So, again, for us, it's all good, because we measure all of it. We put the two things together to be able to give them those insights, we got to make those choices.

Michael Ng

Analyst, Goldman Sachs & Co. LLC



Okay. So, the Buy segment has been somewhat impacted by some challenging market conditions, particularly in CPG that's resulted in some cost cuts that's flowed through to Nielsen. Advertising agencies talk about some of the fee pressures that they're seeing from CPG companies that they focus more on margins. How concerned are you that similar pressures may eventually affect the Watch segment?

Megan Clarken

President, Watch, Nielsen Holdings Plc



The thing about our CPG clients is that they advertise – they're always going to advertise heavily. And so for us on the Watch side of the business, it's about giving them insights and to be – how to be more effective there. And so what we have seen from the CPG clients in particular, the heavy advertisers are that they're focusing more on transparency and third-party independent measurement to be able to really hone in on making those right decisions, making sure that every single dollar they spend is dollar that returns on that investment, that there is no waste is absolutely paramount to them at the moment.

So we actually see an increase in interest from the CPG sector in third-party independent measurement, and you hear that, you hear that every day from Marc Pritchard, from Keith Weed into – we really need to get the best insights we can into our advertising effectiveness. And so what's really interesting for us is that the measurement requirements go beyond the ratings. They go into our Marketing Effectiveness portfolio and offering up the ability to make sure that firstly we mark the reach of their advertising that it's a third-party independent [ph] readers (10:49) who they got to, how many times they got to that person. But we also measure the receptiveness of that advertising campaign whether or not it was memorable, if it caused an uptick in a desire to buy or transact, and then we measure the ROI, whether or not that campaign actually led to sales. And so across the 3Rs that we talk about, Reach, Resonance and Reaction, we're finding that advertisers are leaning in more heavily into those to make sure, again, that every dollar they spend is not a dollar wasted.

Michael Ng

Analyst, Goldman Sachs & Co. LLC



Okay. And as you mentioned before, in order for digital viewership to be counted towards, I guess, traditional ratings, the ad load has to be the same as it was in linear. I think a lot of media companies are talking about the potential for having more targeted ads and dynamic ad insertion as always a topic that comes up. Nielsen clearly has dominance in linear TV measurement. Can you talk a little bit about how this transition towards more digital advertising affects Nielsen and how Nielsen reinforces being the measurement company of choice?

Megan Clarken

President, Watch, Nielsen Holdings Plc



Yeah. Well, what's really interesting for us is that some of the – or a lot of the new over-the-top services that are coming out, I'm going to point to YouTube TV and Hulu from an – are actually services that are popping up to support linear-based advertising. And so the first people they came to, to make sure that their viewership is being covered inside of the TV ratings with us. And so, we announced – gosh, it seems like yesterday, but it was probably about a month ago – the inclusion now of YouTube TV and Hulu into the TV ratings. So, it's nice and it's small, but as a distributor, they are very important for those studios networks who are distributing content, and so – because it has that same linear ad loads, it's now included in the ratings.

But for us, there are two ways that we measure digital over-the-top services, or pure digital pure plays if they don't carry that linear ad loads, and that is through Digital Ad Ratings, which is now the predominant measurement

service for digital advertising, with P&G coming onboard this year to make sure that Digital Ad Ratings is in place for all of their digital advertising. And Unilever has been there for a number of years, as well as the top 20 advertisers in the U.S. now use Digital Ad Ratings to make sure that they go what they paid for, not just across their digital buys, by connecting it to their TV buys as well. And so that keeps the advertising harnessed on digital platforms.

And then through our Total Audience framework, the introduction of Digital Content Ratings which uses the same underlying architecture to measure audiences to content. And so over time as more and more of the digital pure plays are coming onboard, is their ability to be able to announce their audiences to their programs regardless of the ad loads using Digital Content Ratings and combined with Total Content Ratings that is also [ph] a party (14:21) measurement offered by Nielsen.

So, for all of the newbies coming into the TV world, the linear advertising still stays true. But I will reiterate that the rules that are in discussion right now about opening them up to be more flexible, and again it is Nielsen's measurement that underpins the ability to do that through the flexibility that we've been providing.

Michael Ng

Analyst, Goldman Sachs & Co. LLC

Q

Could you just talk a little bit about those rules and what's being negotiated in terms of flexibility? Is it that perhaps the ads can be rearranged within a pod, or is there something else that's being negotiated right now?

Megan Clarken

President, Watch, Nielsen Holdings Plc

A

Yeah. It's really around two things it's falling on. One is the ability to swap out an ad asset inside of the pod. So at the moment, it has to stay intact. And that causes problems for TV networks who carry ads, for instance, that even when they go to the linear environment, they don't have a digital rights to show a particular talent. So, they may have to take the ad out, and [ph] so they made bricks (15:36) their ability to have that programming included in the TV ratings. So, more flexibility around the ability to swap out ads, whether that be one in an ads' pods or two or three. So, those discussions are underway.

And the second is around the comparability between ads seen in a digital environment to ads seen in a TV environment. A digital environment is a lean-forward environment of which you cannot run the same sort of ad loads on a digital environment and get away with it, as you do in a lean-back environment of the TV. So, as networks now are flowing across on to digital environment, they recognize that challenge. And as digital first want to compete and be seen in the same set of numbers as traditional TV players, they point out that that's an issue that we have to deal with. So, comparability making sure that it's a fair playing field, looking for ways to set rules around more constitutes and ad being seen across both a digital device and a TV screen are things that we're working through at the moment. But we are making terrific progress with our clients and with the marketplace to get those things sorted out, and they will continue to evolve.

Michael Ng

Analyst, Goldman Sachs & Co. LLC

Q

Okay. Let's talk about sports viewership. NFL ratings were down last year, the opening game this year was also down. What are you seeing in terms of sports viewership and is out-of-home consumption at bars and restaurants affecting this? And is there a meaningful contributor from out-of-home if you were to add that to the traditional linear ratings?

Megan Clarken

President, Watch, Nielsen Holdings Plc

A

Out-of-home, which we launched, again, a few months back, has had a tremendous uptake from our clients. And in particular, as you point out, the sports networks have been really excited about this offering. So we've signed on the biggest players out there, Turner Sports, ESPN, CNN, and others have all leaned forward into this. But out-of-home measurement just – it doesn't just help the sports networks as well, of course, it contributes to the big broadcasters and the news networks. So if we take a look at what we're seeing in terms of uptick to sports networks, so sports programming, it's up to about 9% in terms of lift to their audiences. But you can have a look at also large broadcast networks. They are up about 8%. So I think that's 9.1% and 8% to large broadcast networks. And then, you can even go to cable news which is up 6.8%. So it has a tremendous contribution to their audiences and it helps them tell that story.

The other thing to note about sports is the changing sports environment, the changing behavior of viewers. And so, one thing we're paying close attention to is behavior of millennial viewers. And what they tend to do is, dip in and out. And so, the ability for them to catch up on digital devices or for them to come and go from a program that's being shown – a game that's being showed live on TV is something that I think we have to watch out for and the industry needs to watch out for, making sure that they're catering to that kind of behavior.

It's hard to say whether that behavior changes as millennials get older. Millennials are actually older these days. But as they sort of move through their life stages, whether that's behavior changes, but we're always paying attention to the shifts of behavioral viewing and the way in which content needs to be thoughtful of that behavior across the different screens and devices that we measure, or the different platforms in which the networks are having to pay attention to. So lots of movement in the sports space.

Michael Ng

Analyst, Goldman Sachs & Co. LLC

Q

Okay. Audience-based buying is a buzzword that's coming up a lot. As I understand, it's buying audiences beyond traditional demographic metrics, like gender and age. Viacom, Turner and Accenture have teamed up to form this joint venture, OpenAP, that helps standardize audience-based targeting across each of those different networks. I think the OpenAP service uses data from comScore and Nielsen. Could you talk a little bit about what this implies for Nielsen as a measurement company if anything at all?

Megan Clarken

President, Watch, Nielsen Holdings Plc

A

Yeah. Well, it's an opportunity for us. So, you're rightly saying we're working on contributing to that system, not just in the form of the data that we offer to be able to plan against, but also the posting, so posting meaning validation that you actually got what you pay for. And so, it's an exciting proposition for us to be inputting into that system.

When you think about OpenAP, it's an environment where basically those three parties are putting in their own media assets with their own – what they know about the audiences to those assets using Nielsen data to support that, and then offering the ability for advertisers to put their own first-party data in there. So, if an advertiser says, I actually have a pretty good view of who new mums are, can you connect me with programming that actually attracts new mums? And then they make that transaction happen, and they go through the buying systems, and they place that advertising campaign.

So what it basically is, is instead of just selling broad reach, they are using the TV screen to get to their narrow audiences, and pricing, finding a new way to monetize and price those audiences for a more precision-based marketing. For us, again, it's a great opportunity because it's our data that underpins that system. And it's our brand, and our third-party independents that validates that buy as demanded by the advertiser.

And so, OpenAP is one example of a number of different platforms that are popping up to be able to better utilize the TV screen to get to very precise audiences. And as I said before, that works for some advertising. It's a way in which to reutilize the TV screen as they go up against precision marketing on a digital device, but it's not the only form of advertising. As I said before, as the big brand advertisers want to actually make sure that they're utilizing the linear ad loads because it gives them better bang for buck. They get to a lot of people all at once, they get a chance to be able to use one single asset with great sound and motion. [ph] Jingle, as (23:02) you remember for the rest of your life, and it's really effective. So it's just a different way to perhaps offer something different to advertisers. Again, for us, it's all good. It's new advertising models of which we underpin, both in forms of the targeting, but also the measurement on the other side.

Michael Ng

Analyst, Goldman Sachs & Co. LLC

Q

And just to be clear, services like OpenAP help target audiences in what are considered traditional linear ad loads there.

Megan Clarken

President, Watch, Nielsen Holdings Plc

A

Yeah, correct.

Michael Ng

Analyst, Goldman Sachs & Co. LLC

Q

That viewership is still measured by Nielsen's traditional [indiscernible] (23:28)...

Megan Clarken

President, Watch, Nielsen Holdings Plc

A

Absolutely. Thank you for helping me.

Michael Ng

Analyst, Goldman Sachs & Co. LLC

Q

No problem. So, let's discuss the virtual MVPD services. You mentioned that YouTube and Hulu are included in your measurement. What about some of the other ones like Sling TV, Vue, DIRECTV NOW? Are these being measured today? And what happens when the ad format changes on these vMVPD services as media networks decide that, they want to have a more targeted or a dynamically inserted ad?

Megan Clarken

President, Watch, Nielsen Holdings Plc

A

Yeah. So today, there is – eight or so of the OTC services that are being measured using the traditional TV ratings service. We've extended traditional TV ratings service out to include anything that's coming through digital devices that have a linear ad loads and you might hear us refer to that as simply Digital in TV Ratings. So, we're measuring upwards of eight of those big platforms today.

The second part of your question is, is around what happens when they dynamically change the ad because the moment they're carrying a linear ad load but they can dynamically change their ads. For us again, I go back to the flexibility of the Total Audience platform which enables us to do that as well. So if you think about Roku, Roku is embedding Nielsen software into their advertising campaigns, to surface Nielsen measurements against those dynamically inserted ads, using our Total Audience framework to do that.

So again, the flexibility is that we can measure it inside of the linear TV ratings, if it's a linear ad load, and if it's not, we can do it through a number of different ways, the most predominant one is [ph] inside of (25:25) Digital Ad Ratings, using the software implementation that Roku is using today alongside Hulu and others.

Michael Ng

Analyst, Goldman Sachs & Co. LLC

Q

Okay. And while we're on the topic of digital measurement, is Nielsen taking a sample-based approach to OTT and VOD measurement, because I think when we think about Internet-delivered video services, presumably we [ph] theoretically (25:54) have the data to measure the entire population. So, could you maybe talk about what are you doing there and some of the advantages or disadvantages of using sample versus population-based measuring?

Megan Clarken

President, Watch, Nielsen Holdings Plc

A

Yeah. So, our philosophy in measuring everything is to use a combination of sample and census data, but always, always calibrated by our panels and our panels are the source of truth for us. They are the representative version of the U.S. population and we have to use those, because no sample is going to be able to be representative of what we see in the U.S. population.

So, for digital viewing and for over the top viewing, everything we can get from a sample base to bring in and calibrate using our panels is important to us. Our most important sample base is through the implementation of the software, because that truly is census. It's telling us exactly every single person who sees that video, we get a report of them. We know that they've been there and then from there, there were other sample bases that we can use, whether that would be smart TV data, set-top box data and others to be able to at least get a slither of viewership that helps us with coverage.

And then what happens from that is we collect that information and then we wait and balance that using the panel, the TV panel. In that way, we can report out to a total population. So the TV panel is while the currency as age, gender there are hundred different attributes inside of our panel, which we capture when we go and recruit that panel.

So ethnicity is an important one to make sure that when we are reporting our audiences to content and ads just that we get the ethnicity absolutely right because it's critically important particularly in local markets and critically important to ethnic channel. So as an example, we have to make sure that we always use the panel to extrapolate important population-based insights like that. So it's a combination of both.

Michael Ng

Analyst, Goldman Sachs & Co. LLC

Q

Okay. In the context of digital advertising ratings, can you talk about what Nielsen is doing to measure services like Netflix, Facebook, Amazon, Snap. Are these companies using different measurement services in the cases where Nielsen isn't the measurement service or are they just relying on their own proprietary viewership data?

Megan Clarken

President, Watch, Nielsen Holdings Plc

A

A little bit of both. So let's start, they're all different actually. So, let's start with Netflix. Netflix, as most people know, don't support third-party independent measurements. In fact what they do is they have the content owner, so the studio, the network who's distributing through Netflix, take off what we call our watermark which is our identifier. So they have to strip that off so we theoretically can't measure them. But over the last three years, we've had enormous interest from the studios and the networks to actually provide third-party independent measurement because they need to validate the return on that investment. They need to understand whether or not a license to Netflix is cannibalizing what potentially could be their ad revenue.

And they need to know how to price a license to Netflix. So they came to us, look for ways to try and measure it without our watermark in there, which has been a challenge for us, however today we do it. So today we have a 3,100 assets inside of our library that are being distributed through Netflix. And the way that we do it is that our meters inside of our [ph] panelist homes (30:01) actually have the ability to listen for content being viewed. And the studios and the networks provide us with that content so that we can take a recording of them, I think to try to make this simple, take a recording of it and put it in our library, and then when the meter hears something being played and can't see a watermark, it reports a unidentified asset.

And so what we do is we aggregate that – we report that back to the studio or to the network and say this is viewing that happened, we couldn't identify the channel or the over-the-top service or anything that it came from. And they know what their contracts are with Netflix, so they go, oh it's my Netflix viewing. So that way we can report back in a non-syndicated way, but to those that subscribe to net service the Netflix viewing, and that's been incredibly helpful for the studios and networks who have taken that on. So Netflix is being handled in that way, we hope we get to a time where we can syndicate it, we can do it using watermarks, we can do it properly like everything else, but it's being incredibly effective.

On the Snapchat and Facebook front, they actually are huge supporters of us and clients. So despite what happens very publically particularly for Facebook. Facebook uses Digital Ad Ratings to validate advertising campaigns that run across Facebook. And they do that because they've always been a supporter of Digital Ad Ratings. Their data is actually used in the calculation of the ratings, which many people don't know. But their data set is incredibly important for having an input for age, gender calculation. So they're a partner of ours as they are a client. So of course they're a user of Digital Ad Ratings.

But they also self-report, the walled gardens, [ph] tend to (32:02) self report at times and it's usually around their audiences to their content, which is not a – it's not a currency – there is no currency around content measurement in the traditional world. And the digital world it's always being used as a proxy to be able to say this is how big the asset is. And so they tend to more often than not self report around audiences to their programming.

And so through Digital Content Ratings, which is one of the total audience framework products we are working with Facebook to validate their claims to their audiences to their content, which is proving to be more and more important for them to get third party validation of those claims. But really it's about – it comes back to sort of the world of advertisers and their need to get third-party validation across all of the claims that are being made when they're buying advertising and trying to understand one party as they're compared to the others.

One of the things that's really important for the ecosystem is that, that it isn't a world of walled gardens, of different people making different claims and the advertiser holding the cam trying to work out what this is. But that is the world of Nielsen is to bring comparable measurement across the marketplace, so that everybody is fairly measured.

Michael Ng

Analyst, Goldman Sachs & Co. LLC

Q

And when you talk about the need for Facebook to have more independent third-party measurement, is that just pressure coming from advertisers on them to get some sort of verification from somebody else so they are not grading their own homework?

Megan Clarken

President, Watch, Nielsen Holdings Plc

A

Yeah. Certainly, it's always been a pressure from the advertisers in terms of their advertising campaigns. So did I get the audience I paid for, I am not going to listen to you Facebook or listen to you Google, I want third-party independent measurement of that and so Digital Ad Ratings has always been the answer to that question and Google support it, as does Facebook and they use it, they're big proponents of it.

I think Facebook find that they are getting pressure from everywhere, where they're using their own numbers to validate their audience to their programs. So, some pressure certainly from the agencies, who are trying to plan for advertisers against audiences to programs or to content. And certainly from a public pressure, to make sure that they have third-party validation against those claims, because they're important claims.

They're comparing the size of their audiences to TV network. So, our [ph] voice (34:45) being held to the highest standards, when it comes to third-party independent measurement. And so the pressure is on to work to those standards. And again Facebook, Facebook understand this, they are supporters of third-party independent measurement. They are supports of Nielsen, have been for a long time. And so, it's just opportunity for us to lean in and help them out with these things.

Michael Ng

Analyst, Goldman Sachs & Co. LLC

Q

Okay. And can you talk a little bit about how meaningful Netflix viewership can be to any piece of content, maybe you can put it as a context of for a particular show, how much of the viewership is Netflix relative to what we may see on a linear platform

I think from the outside looking in, it's sort of difficult to parse it out?

Megan Clarken

President, Watch, Nielsen Holdings Plc

A

Very. Yeah and difficult because it's different for different shows and we're responding to requests from studios to measure particular shows versus syndicating the data. So it's very hard to sit up here and try to give you a full picture of Netflix while they don't subscribe to being measured. But in broad context, some of the things that we do see are that of the TV homes that have a capability for over-the-top services or syndicated, sorry, subscription based VOD programming to be add on their TV screens. We see about 10% of those homes actually subscribing to Subscription Video On Demand services, and about 50% of that is Netflix.

So in terms of sort of their total ownership of the screen, I guess you'd have to look at the sample of TV homes that or U.S. based homes that have SVOD services. And of that total viewing about 10% of that is SVOD services of which, about half of that is Netflix. So as a broad brush, they're the sorts of statistics we can say. They spike depending on if Netflix airs a new series of original content, these things go up and down. And it's difficult to say in terms of network programs and the viewership to network programs, we can say in aggregate because Netflix has so much TV content than in aggregate. There's a lot of TV sort of catalog programs that are being viewed, but it's

difficult to say in terms of one-offs of those catalog programs, how that compares to what was being viewed on the TV screen in a live environment.

Michael Ng

Analyst, Goldman Sachs & Co. LLC

Okay. And -

Q

Megan Clarken

President, Watch, Nielsen Holdings Plc

It's very difficult.

A

Michael Ng

Analyst, Goldman Sachs & Co. LLC

I'm sorry, I just wanted to follow-up on that just to make sure I understood that, you just say of the TV homes, a 10% subscribe to an SVOD service?

Q

Megan Clarken

President, Watch, Nielsen Holdings Plc

No, of the TV homes that have the capability, 10% of those TV homes subscribe to an SVOD service. So, I'm saying of the U.S. population, not all TVs in the U.S. population have the capability -

A

Michael Ng

Analyst, Goldman Sachs & Co. LLC

Okay.

Q

Megan Clarken

President, Watch, Nielsen Holdings Plc

- to have SVOD services.

A

Michael Ng

Analyst, Goldman Sachs & Co. LLC

Right. So of connected TV homes.

Q

Megan Clarken

President, Watch, Nielsen Holdings Plc

Correct. Yeah.

A

Michael Ng

Analyst, Goldman Sachs & Co. LLC

Okay. Understood. Just moving on to just currency, what is the primary TV measurement currency today? And how do you see the mix of deals that are transacted on C3 versus C7, versus C35 evolving this broadcast season and perhaps over the next several years?

Q

Megan Clarken

President, Watch, Nielsen Holdings Plc

A

Yeah, that's an interesting one. So, we've seen it change over the last couple of years. Two years ago, there was sort of a mix of C3, C7, and this year in upfront we saw a lean towards C7, quite a big lean towards C7. And now that the Total Audience platform has enabled a comparable measurement, trading measurement out to 35 days, it will be interesting to see as these things evolve, what moves out to 35 days, what perhaps goes to a 14 days. So, we've offered that capability to move beyond C7. Now, it's important to understand that not every – C7 is not or C3 is not necessarily the trading metric for things like news programming. I mean news programming is a same day or next day cycle. So it will – news programming is never going to be something that we'll look for seven days. But certainly drama and comedy tends to go out to seven days. What we are seeing from clients that are really leaning into total content ratings and the C35 capability is a real interest on what happens to their audiences over that period of time. Sorry I feel like I'm ignoring the [indiscernible] (39:54).

So for example, CBS. CBS has always been sort of known as a network that has programming for older audiences. That's where they lean into, even though they're very good with younger audiences as well. But predominantly they would talk about older audiences. And so, they've been C3 to C7 for a number of years. But when I look at their C35 component, what's really interesting inside of the data is that their audiences are actually shifting to younger as the time goes on. So their older audiences start to go down over that seven day period and guess what, their younger audiences pick up. So they're accumulating a bigger audience over a 35-day period and that audience is actually becoming younger over the second part of that period.

And so what's really interesting and exciting for CBS is now they have Nielsen validated currency numbers that support a set of [ph] sale (41:04), post seven days to younger audiences and younger audiences are extremely valuable in advertising. And so, it'll be interesting as networks get access to that data and start to really study that data and strategize around their advertising models in relation to that data, how these things would change.

Again for a Nielsen, what's important is to be able to provide the data to offer flexibility. So, it's very hard for us to speculate the future, except to say that we are underpinning those changes with the amount of data and flexibility that we offer, and discussions that we facilitate with the industry to say, hey this is what we're seeing, how about we revisit some of the [ph] roles and models (41:55) and we can cut the data in any which way that you want, but let's move with the industry, supporting those important strategic decisions with underlying data that surfaces some of those really interesting insights for the networks and for digital first players.

Michael Ng
Analyst, Goldman Sachs & Co. LLC

Q

Okay. I have a few more questions, but I do want to save some time for questions. We have one down here, if we can get a mic.

Q

Hi. Good morning, Megan.

Megan Clarken
President, Watch, Nielsen Holdings Plc

A

Hi.

Q

Okay. Just to go back to kind of where Mike started asking about the health of your Watch client base, but maybe I'll put it on a more sharper point to it. So, the truck that ran over the Buy business this last year was very clear and apparent a year or two ago. And so the narrative for the Watch business seems to be relatively clear too, because you – I watched you speak for two -three years now about bringing more value to your TV advertisers. Yet your TV advertisers this year despite more capabilities, more windows are actually down in revenue this year on National TV. So at what point are all of these new capabilities and tools that you're bringing to the advertisers or to the networks going to see results in a inflection point – the trend of their total revenue?

Megan Clarken
President, Watch, Nielsen Holdings Plc

A

The trend of their total revenue -

Q

Yeah, yeah, ad revenue.

Megan Clarken
President, Watch, Nielsen Holdings Plc

A

Or else?

Q

No, no, their total ad revenue?

Megan Clarken
President, Watch, Nielsen Holdings Plc

A

Well, firstly, I mean, I can't speak for them. What I can say is that we're providing the data and the tools for them to make the smartest decisions they can in terms of their strategies. What we are doing is supporting a video marketplace. And so as we see peaks and troughs in the TV, our TV clients, we also see peaks and troughs and a lot of growth in our digital clients as well. So, we are supporting both sides and I think the growth of our TV clients business to us is healthy, the renewals are there. They lean on us for more data to make more decisions, it's difficult for me to speculate again what that means to their businesses, whether they use that data to make the right decisions.

But we've seen for many years that media marketplace has changed, that's always ebbing and flowing in different directions of which we're there to make sure that a, we underpin it, we stay the primary source of data for those changes and that we look for those who are benefiting who are doing the most out of the changes in the landscape and that they become bigger, bigger and bigger clients for us. So for us the mix of clients change them and will always change whether or not they have the right strategies in place using that data to make sure that they continue to grow is something I wish I could control, but I don't.

Q

Okay. So if you maybe pretty – twisting a little bit, we all know the Facebook has been a very important client for you so, if you were to strip out the Facebook or digital, primary customers, are you able to grow your business with your historic network customers?

Megan Clarken

President, Watch, Nielsen Holdings Plc

A

Well, we are because they continuously looking to us to help them grow their business. So, as long as they grow their business, we'll grow our business. But I think the first part of your question is the crux here that we would never strip them out. We would never strip for us into video landscape. And so there are more and more video players. And for us to be a healthy business means that we have to continue to service that entire landscape. And that's going to change dramatically over the next 10 or 20 years. For us, it's about servicing everybody in a video landscape. And so, I could never sit here and speculate if we cut out our digital clients that would be crazy because they're incredibly important clients and growing important clients.

Michael Ng

Analyst, Goldman Sachs & Co. LLC

Q

We're actually just out of time.

Megan Clarken

President, Watch, Nielsen Holdings Plc

A

It's okay.

Michael Ng

Analyst, Goldman Sachs & Co. LLC

Q

Thank you so much, Megan.

Megan Clarken

President, Watch, Nielsen Holdings Plc

A

All right. Thank you.

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