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NLSN - Nielsen Holdings PLC at Goldman Sachs Communacopia Conference

EVENT DATE/TIME: SEPTEMBER 16, 2015 / 1:40PM GMT

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PRESENTATION

Andre Benjamin - *Goldman Sachs - Analyst*

Good morning, everyone. For those of you that I don't know, my name is Andre Benjamin. I cover Nielsen, along with about 20 other of the data and analytics companies for Goldman Sachs.

I have the pleasure to welcome here this morning Mr. Steve Hasker, Global President at Nielsen. He was appointed to that role in August 2014. Prior to that role, he served as President of Global Products and Advertiser Solutions. He joined Nielsen from McKinsey's media practice in 2009. So welcome.

Steve Hasker - *Nielsen N.V. - Global President*

Thanks. Good to be here.

Andre Benjamin - *Goldman Sachs - Analyst*

So I'll fire a few through a few questions -- I'm sure the audience has some as well. So I'll try to save a few moments at the end for that. Just wanted to dive right into the world of TV and video and streaming. So I'd say the next 6 to 12 months is shaping up to be a actually pretty big deal for Nielsen in terms of all the new product offerings that you have measuring video.

Could you maybe discuss where you stand on some of the key initiatives -- stuff you've been talking about for it while. Digital content, ratings, the streaming video on-demand, etc., etc.

Steve Hasker - *Nielsen N.V. - Global President*

Yes, sure. I think because as an overarching comment, what we've focused on doing at Nielsen is being very purposeful about increasing and improving the speed with which we release new product and the speed with which we re-release them. So we put out new versions of the interface and new versions of the data.

And if you look over the last five years, I think there's tangible evidence with the launch of [DAR], the upcoming launch of DCR, the content ratings. The work we've done in social media. The work we've done around mobile, the rollout to 15 countries internationally of the digital ratings product. So what you're going to see from us is a continued acceleration of that cadence and just building on what we believe is a very strong track record of execution.

Now in the next couple of months, the things that sort of build on that momentum are firstly, the launch of digital content ratings, which is a companion product to digital ad ratings, and allows us to measure a piece of content, starting with video, and we'll extend it, we believe, into audio and text over time. It allows us to measure a program -- a TV program or a digital video program -- no matter where it is seen, firstly.

Secondly, we will add that to our TV ratings in the first quarter of next year. So we will be able to produce a total content ratings. We are the only company who can do that because of our position in TV.

So what you're going to see in the fourth quarter -- in the fall in the fourth quarter -- is a proprietary version of digital content ratings. So that enables any media company to see the ratings Nielsen measured of their content, no matter where that is running.

Heading into 2016, we will then make that syndicated so it becomes -- looks more like the TV ratings, where all the players can see all of the other programs. And it's much more of a syndicated industry-wide few. So that's the first thing.

The second thing that you mentioned is we announced in December last year and launched in the second quarter of this year our measurement of subscription video on-demand services. And we started with what's known as an audio signature-based solution and that has received a tremendous demand from rights owners.

So these are the folks who are selling programs -- selling their programs and their content to the SVOD providers. And they want a read on not only how many people are watching, they want a read on who is watching. So what is the age and the gender and the composition of those audiences? And they want that read in a way that is directly comparable to the TV ratings.

So in other words, if they are thinking about selling that content into an ad-supported TV environment and they are thinking about selling that content into a subscription-based SVOD environment, they want to understand what the relative value of those are. And the only way to do that is to have a single comparable form of measurement that can be compared back to the TV ratings.

So just as marketers need to understand the value of an eyeball on all the different platforms as they view their campaigns, the same goes for the rights owners, for the content owners. And I think the position that Nielsen occupies is the only player who can provide that data at what we would call industrial strength, using accredited panels, using our relationships with Big Data providers like Facebook.

Andre Benjamin - *Goldman Sachs - Analyst*

And just to make sure I heard something right, in terms of the syndication of DCR that you said first quarter of next year would be the target? Or is that later in the year for the policies?

Steve Hasker - *Nielsen N.V. - Global President*

We think it's the first quarter of next year. Because of the uptake from a dozen or so clients over the last couple of months in beta and because of the signals we're getting from the marketplace as we head into the fall, we are pretty confident that it will be first quarter of next year where we will start to see many more participants and a much more of an industry-wide view.

Andre Benjamin - *Goldman Sachs - Analyst*

Okay. In terms of the traction that you've gained -- clearly DCR is not commercial yet, but I guess in terms of the SVOD. Has that been in line with expectations I had and any indication for how we should think about market adoption going forward?

Steve Hasker - *Nielsen N.V. - Global President*

For us, it's been ahead of expectations because certainly 12 months ago, SVOD services like Netflix and Amazon Prime and Hulu Plus and so forth were an increasingly important part of the media ecosystem. I think in the last 12 months, they've really continued to kick on with both the subscription and their hours of usage.

So depending on where we set the expectations, I think we've seen more demand for this data than we probably expected. And what we're going to do is over time, we want to move from an audio signature-based system to a watermarked-based system.

Just very briefly: every single piece of TV content in the US has a Nielsen watermark in it and has done for many, many years. One of the things that a number of the SVOD players do is they strip out those watermarks because they benefit from some opacity in terms of the actual usage data.

We think over time, the competitive environment around SVOD will mean that there will be pressure from the content owners -- and competitive pressures -- that mean that those watermarks will actually be allowed to persist. And that will enable us to move from a system where we can provide a read on who is watching what to actually program-by-program, distributor-by-distributor data. So similar to the progression with DCR, that's the progression we are on with the SVOD read.

Andre Benjamin - *Goldman Sachs - Analyst*

So two follow-up questions to that. The first, given it has been on the market for a couple months now, has there been any conversation or concern with the accuracy of that rating to date? And if so, what are you doing to address that?

Steve Hasker - *Nielsen N.V. - Global President*

No, because some information is better than none -- or better than very little. So remember that some of those rights owners receive data back from the SVOD services themselves. Not all, but some of them receive a count of views or a count of streams.

But the problem with that data is -- they don't know relative to what. In other words, if it's 3 billion streams, is that a high number or a low number? How does it compare to other types of programs? How does it compare back to the kinds of viewership they are getting in ad-supported environments? They just don't have that information.

So the ability to -- for them to at least get an initial read on how their program is performing relative to the other -- or to distribution alternatives -- that's an important step forward. So what we haven't seen is people say oh, this doesn't make any sense. Or I don't like data. What we have seen is, this is great. I'd like more, right? I want more granularity. I want to understand down to the program level. So that's where we're going.

Andre Benjamin - *Goldman Sachs - Analyst*

So are there any signs -- you mentioned the fact that you think the industry is progressing towards a world where you will have the watermarks, the same as you do for your other forms of measurement? Are there any signs that the most vested players are at least willing to start having that conversation or are you still pretty far apart and that's just your view of where you are going to head?

Steve Hasker - *Nielsen N.V. - Global President*

Well, a number of the rights owners have already had those conversations about -- in their renewal deals with SVOD services to have the watermarks persist. We haven't seen that manifest itself in watermarks persisting yet, so I wouldn't venture a date as to when that happens. But I do think that the competitive forces give it a better chance than not.

Andre Benjamin - *Goldman Sachs - Analyst*

Got it. I guess the last thing on that topic -- I know you've made comments -- or not specifically you, but Nielsen has made comments about improving the product by also overlaying potentially router-based technology, other things that would allow you to get some more granularity around which service is distributing the video. But as of now, the audio mainly just picks up what the content actually is.

Any insight into how that technology is evolving? Or your level of interest in that or anything like that?

Steve Hasker - *Nielsen N.V. - Global President*

Well, we are doing some R&D at the moment on basically enhancing the meters to be able to gather more information and more data at the program and distributor level. That R&D is progressing well. The issue with router-based technologies -- and I know at least one of our competitors is looking at it.

The issue with that is you are able to gain a lot of information that is highly personal to the panelist. So if you tap into a router, you are likely to get credit card information; you are likely to get all kinds of personally identified information that needs to be managed very, very carefully and the relationship with panelists very, very carefully.

So to the extent we can avoid that, we will. And we will look to enhance our existing metering rather than tap into on a more holistic basis a wireless router.

Andre Benjamin - *Goldman Sachs - Analyst*

Got it. In terms of the measurement methodology for the traditional TV, that definition is evolving over time, as we all know. Kind of where do you stand in that? I know there's been some conversations around evolving that methodology. Is your push to increase the size of the local markets complete or could we see another increase in the size of that over time?

Steve Hasker - *Nielsen N.V. - Global President*

So let me take those questions separately. The first one relates to the definition of the national ratings. So the sort of mission-critical task for us is to get total -- what we call Total Audience in place by the end of this year. Most if not all of the components of Total Audience in place by the end of this year, which is the ability to measure any program or any ad, no matter where it is viewed.

So whether it's on the TV, the PC, the tablet, the smartphone, or some other connected device, whether it's a TV program, whether it's a digital-originated piece of video, or whether it's an ad. We want to be able to measure that using the same methodology and using the same panel at the basis and the same Big Data sets so that we can provide de-duplicated numbers on a daily basis. That's what we're doing.

So all of those numbers will become increasingly available into the first quarter of next year, so that any advertiser or any media company can see that data and start to make much better decisions about where to place advertising, where to sell programming.

On the back of that, the C3 or C7 definition of national TV ratings will need to evolve. It's very important to recognize that we don't unilaterally decide on that definition. We certainly have input and we can make suggestions and we are in the process of making those to the buyers and sellers of advertising.

But in 2006, when C3 was developed, there was a 143-page document that was developed by the industry that was sort of delivered to Nielsen that we played a role in that, but it was very much, Nielsen, this is what we want from you. And we went away and built that and developed it.

We also developed the capability, for example, to measure 35 days of viewing. So there's a bit of a misunderstanding in the industry, which is Nielsen only measures 3 days. We actually measure 35 days and we distribute data on 3 days and 7 days. So live plus 3 and live plus 7.

We could extend that to 35, but that's only part of the challenge. The time period is part of the challenge. The other part of the challenge is getting all forms of distribution -- so including tablets and smartphones. And that's what we're doing. And the third part is enabling dynamic ad insertion. Those are -- at least those three dimensions are what makes C3 and C7 in need of update.

So we're in the middle at the moment, Andre, of a dialogue with buyers and sellers to update that, right? And there are different points of view as to how it should be updated, because whenever you change the metrics, there are winners and losers.

But I'd say that dialogue is a healthy dialogue. There are strong points of view, but I think it's a very constructive conversation so far. I wouldn't venture a date as to when we are able to update that, but I do think that upfronts are always a good forcing device for and update in those metrics. So we saw more of a move from C3 to C7 in the most recent update and I think next year, we'll see more of a move to incorporate more devices and potentially different time periods as well.

On the local front, to your second question, we've got an investment program that's been ongoing for a number of years to do a couple of things. The first is to increase the size of the panels, right? We face the challenges of increasingly fragmented viewership in local markets. And it puts real pressure on the size of our television measurement panels. So that's the first part of it.

The second is exploring the use of return path data and having conversations with the owners of that data as to how we can use it. And the third is exploring the use of other forms of data -- whether it be from connected devices, whether it be from the PPM for the measurement out-of-home and so forth.

So we're working our way through that. And I think the dialogue with the industry is a constructive one. I'd like us to go faster, but I think we're sort of in the process of making the right investments and the question is one of timing.

Andre Benjamin - *Goldman Sachs - Analyst*

It's ironic you say that, because we all know you are talking to so many different people in the industry. And like you said, there's always winners and losers. But I guess the popular perception is often that you are the person holding up the pace of the innovation and it seems like you are trying to debunk some of that and make it clear that there are others that are actually --

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Steve Hasker - *Nielsen N.V. - Global President*

Well I think it's easy for me to say because I've only been around at Nielsen for five or so years. But I think historically, Nielsen may have been one of the reasons that things move slowly. I honestly -- admittedly, I've got a biased point of view, but I don't believe that to be the case now. I think if you look at what we've done over the last five years with the launch of digital ad ratings, the launch of the Nielsen Twitter TV ratings, our mobile solution, development of Total Audience, pending launch of DCR, the international rollouts -- I would stand our track record of innovation and deployment up against anybody in our industry or any other.

The sort of privilege we have is that we provide these data sets that are the currency of record. And when you change them, it has real implications, right? And there's a point of view in the industry, which I think is a perfectly rational one, which at times is if my ratings are going to go down as a result of these improvements, I'd prefer you just leave it as is, right?

And so whenever we make those kinds of suggestions in the industry, you always get people who say okay, show me the test data and then I'll give you my reactions. And some people love the test data and say, how fast can you go? And others hate the test data and say, how can I stop this?

We have to work our way through that. And I think traditionally, we've been okay at it and I'd like to think we are getting better at it. But it's never easy. It is something that differentiates our market position from all of our competitors.

Andre Benjamin - *Goldman Sachs - Analyst*

In terms of one of the avenues that you mentioned -- I want to dig a little bit further -- which was the exploration of the use of return path and set-top box data. You talked a bit about this in the past. We know that you are using it in some of your point solutions, but not across the broad currency-based measurements.

I guess how are the conversations with customers going there? Are you beta testing or any other type of testing you wanted to get done?

Steve Hasker - *Nielsen N.V. - Global President*

Yes, so we've been using return path data from a couple of providers now for about four or five years. So we've been licensing that data and we've been incorporating it in two ways. One is in our ROI solutions. So when you match exposure on television to purchase data and show that a particular consumer saw an ad and went and purchased more of that product or less of a competitor's product. So that's the first way we've done it.

The second way is we've had ongoing R&D as to how would we include this in the currency television ratings. And that work is ongoing. The head of the MRC, George Ivie, said to me a number of years ago when I first joined Nielsen: the more you learn about return path data, the less you like it. Because there are a number of constraints that need to be overcome.

One is that when you go to bed at night, you turn the TV set off and you leave the set-top box on. And if you are an advertiser, you do not want to pay for ratings that are based on that data set. The second is you don't know who's in front of a particular television and the owners of that data also don't know the composition of a household.

The third is that each of the providers have very, very different demographic and ethnic skews, which provide different ratings. So to rely only on set-top box data is to produce a product that an advertiser cannot demand a guarantee on and a media company cannot offer a guarantee on. It's as simple as that.

But we do believe that when you combine it with an MRC-accredited nationally or locally representative panel that you can calibrate and correct that. So that's -- we're in the process of developing. I won't give you a date because it's dependent on securing that data at reasonable prices and being able to roll that out, test it with the marketplace. There is a process that needs to overcome. But having said all that, we are reasonably optimistic that we can and will do it.

Andre Benjamin - *Goldman Sachs - Analyst*

And in terms of the limitations -- the limitations have been known for a long period of time and oft discussed. Is there nothing that you know of that technologically can be done in terms of innovation to try to work on it? Is it really just a roadblock that you don't think will ever be worked through or is it just that we haven't gotten to the point that you can -- clearly, demographic skew is just a matter of getting enough people to give the data. That's probably the easiest one.

But in terms of knowing whether the TV is on or who is watching it, any conversations about how to overcome those roadblocks?

Steve Hasker - *Nielsen N.V. - Global President*

Well, there's a couple different constraints. The demographic one I don't think is as easy as that, because you are always going to have broadcast-only homes. So you got a portion of the US population and that portion is much higher in international markets, who don't subscribe to any telco, satellite, or cable company -- and never will.

And as you look at increasing numbers of over-the-top services -- as we all know, the multichannel subscriber numbers are under pressure. They are not going up. So in the US, you've got 20% or 30% of the households that don't subscribe. In a market like Australian, you've got 80% of the households that don't subscribe. In the UK, you've got 50% of the households who don't subscribe.

So you've got to get a read on them. And if you rely only on set-top box data, you cannot get that read. So that's the first thing. However, to your point, problems like the on/off can be solved technologically and are in the process of being solved technologically, firstly.

Secondly, where you have a panel that's representative, many of these frailties around who's watching and some of the viewer behavior and the person's characteristics -- because remember: currency quality ratings are persons-based ratings; they are not household. You can get to persons-based. So those can be overcome.

The other thing that's positive about this is we are starting to see more and more multichannel television providers actually have data that is usable. So a couple of years ago, there was this sort of perception that there's all this data out there, why don't you use it?

When you actually drilled in and talked to the cable and satellite providers at that time, they'd say well, actually, it's only 10% or 15% or maybe 30% of our boxes that provide data, firstly. That has grown over time, so much healthier numbers now.

Secondly, we can't give them to you on an overnight basis. We can give them to you weekly or monthly. And when you produce overnight ratings, you need the data overnight. Most of the players still cannot provide it on an overnight basis.

So as George Ivie said, this is great in theory. In practice, it's a little harder to do. And that's really what our R&D is focused on, is to work with these players to make sure we can use the data and it's mutually beneficial.

Andre Benjamin - *Goldman Sachs - Analyst*

So one of the themes that we've already started to hear in the early presentations and we will continue to hear over the next three days is cord cutting and cord shaving. So I'm wondering: there have been some pretty tepid trends in advertising lately. We are all focused on these broad shifts.

How have those actually impacted your relationship with people in the industry? I guess we've heard a lot of blame put on Nielsen, but in reality, how should we expect that to actually roll through your financial results? Not just today, because you have the long-term contracts, but over time?

Steve Hasker - *Nielsen N.V. - Global President*

Well, as I said, first and foremost, we're shifting our business from heavily reliant on TV ratings to reliant on Total Audience ratings. So as long as consumers are watching video, we think we've got an important role to play.

And increasingly, we are agnostic between whether that's ad-supported or subscription-based. Companies like HBO have been subscribers to Nielsen ratings since their inception. Because they need to get an understanding of who's watching and what sort of volumes and how that compares to other forms of TV viewing, so that dynamic we think stems across first and foremost.

Secondly, in the short term, our contracts are not based on the number of subscribers. So we don't price our services based on the number of cable subscribers or satellite subscribers to a particular cable network. So there's no great vulnerability there, for sure. And we think that there is upside as the world gets more and more complicated and the opportunities to monetize content become larger and the decisions around how to monetize that content get higher and higher in stakes.

Andre Benjamin - *Goldman Sachs - Analyst*

Okay. Programmatic or automated or whatever the description we use. Maybe talk a little bit how Nielsen is preparing to compete in that world as advertising does become more digital and automated. And how has your recently acquired acquisition of eXelate fit into that?

Steve Hasker - *Nielsen N.V. - Global President*

So the acquisition of eXelate was very much an acknowledgment of the growth of programmatic. Because what we wanted to be able to do is have a sort of a data matching engine and a set of plumbing that would enable all of our data -- whether it be the TV ratings, the digital ad ratings, or any other data set -- to be piped instantaneously into trading desks, into programmatic buying and selling systems.

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And we've now owned eXelate for six or seven months and we couldn't be more excited about sort of what we bought. The team that we've integrated and how that business is performing, both in terms of what it used to look like as a stand-alone business and also how it's integrated and helping the entire Nelson business.

So we have a set of APIs that we pipe through eXelate that allow, for example, our TV data to be available to anyone, who instead of looking at a Nielsen interface, has built their own interface and wants that data to come in automatically. We've done that sort of since the acquisition of eXelate. We are pretty excited about that one. We wish there were five or six other eXelates that we could acquire.

Andre Benjamin - *Goldman Sachs - Analyst*

I guess for people that are a little less familiar with what they actually do -- one, maybe a bit of a brief on why that's different.

Steve Hasker - *Nielsen N.V. - Global President*

Sure. There are three -- at sort of broad level, there are three things that eXelate do. The first is they have what I call an enormous data cube. In other words, they have accumulated data based on cookies and device IDs and other data sources over many years on consumers. So -- and that is not only age and gender; it's all kinds of behavioral and psychographic characteristics.

So when you add that to the Nielsen panel, which is the definitive source of age and gender and hometown, you have a very, very rich source of data that we didn't previously have access to or certainly didn't have in-house -- that's the first thing.

The second thing is eXelate are one of the best in the world at integrating disparate data sets. So taking a panel-based data set and a Big Data-based data set and putting it together in a way that a marketer can trust, right? This is through sort of ID matching and look-alike modeling. And it's not easy to do. Many players do it. We don't think anyone does it as well as eXelate does it.

And the third thing that eXelate have, which I referred to before, is all the plumbing into programmatic ad buying and selling systems. And there's nothing particularly scientific about that, but it takes time to build. So we faced the choice: do we build it ourselves or do we buy eXelate and benefit from that existing plumbing? And we decided to do the latter.

Andre Benjamin - *Goldman Sachs - Analyst*

I guess on the back of that, if we look back two, three years from now, what are the types of products or innovations that we should be able to say when they bought eXelate, that enabled them to do these things that we are now looking at?

Steve Hasker - *Nielsen N.V. - Global President*

I think there are two areas. One is that sort of existing Nielsen data sets are significantly more usable in a dynamic programmatic environment. So any programmatic buyer or seller can pipe in Nielsen data. Folks like Simulmedia do a lot of that today. We just want more and more players to be able to use this data more seamlessly. That's the first thing.

The second thing is the ability to produce more and more rich data sets, like impact data. This is something that we've launched for the automotive sector, as an example, whereby you can see exposure to television commercials and purchase behavior around automotive. And what are some of the causation and correlations there. We'd like to be able to develop more and more of those to be able to better inform the marketing allocation decisions.

Andre Benjamin - *Goldman Sachs - Analyst*

One of the other products that we talked about at the top -- digital ad ratings. Primarily going head-to-head comScore's VCE product. Could you maybe tell us a little bit how adoption is going? The 2Q call, I think, it was called out that the product had tripled in revenue. You showed me 1 billion impressions. How should we frame that in the scheme of everything that Nielsen is doing. Should that drive -- what kind of growth that should drive, etc.?

Steve Hasker - *Nielsen N.V. - Global President*

Well, I think first and foremost, I think it was a perception a number of years ago that we were the TV guys and comScore were the digital guys. I think with digital ad ratings, we've established the preeminent measure of digital audiences.

ComScore focused very much on viewability. We have not focused as much on viewability. So I think a lot of the volume that comScore drives is viewability. Our volume is around digital audiences, which are exactly comparable to our TV ratings.

And as someone who looks at literally the daily sales activity and confirmed purchase orders, I'm very excited about what I see, particularly on the advertiser front. So more and more large advertisers with and in some cases without their ad agencies, are choosing digital ad ratings. And choosing that because the audience count is MRC-accredited. It's based on the same panel as the TV ratings, so it is a seamless system with the TV ratings. And it's based on the Facebook registration database, which is by far and away the single most powerful source of age and gender data outside of a Nielsen panel, with 1.6 billion people globally.

So from a point of view of counting audiences in a digital environment across all devices, it's unparalleled. It doesn't really have a competitor. But comScore data is focused on viewability. I think they've done a good job around that, which is a different slant on that play.

Andre Benjamin - *Goldman Sachs - Analyst*

So to that end, do you find that most of the customers that you speak with are still using both? Or are people starting to choose which one they want? You hit on some of this already -- the focus on audience versus viewability, but what's really driving that decision process for most people?

Steve Hasker - *Nielsen N.V. - Global President*

So if you go to the publisher side, you'll find that they are open using both, mostly because they have to be. If you want to accept advertising dollars, you've got to sort of accept the measurement system that that advertiser and/or their agency bring to the table. So certainly I think many publishers would be using both.

Having said that, a number -- particularly players like Facebook and others -- prefer DAR and are much more comfortable offering guarantees on Nielsen's digital ad ratings because of its stability and its granularity and because it provides that direct match to TV.

Similarly, the TV networks, many of them are more comfortable in offering guarantees because it enables them to get a much cleaner read and provide a Total Audience count -- TV and digital. So there's some real dynamics on the publisher side, which we think favor us and we are starting to think play through.

On the advertiser side -- some advertisers use both. Increasing numbers are choosing one and suffice to say, we like what we are seeing in terms of who is choosing whom.

Andre Benjamin - *Goldman Sachs - Analyst*

Are you still on track -- I think it was said that you would be in 16 global markets covering 95% of global digital advertising by the end of the year. Are you still on track for that?

Steve Hasker - *Nielsen N.V. - Global President*

Yes, we are. We look at sort of -- as we think about our international media business or international watch business, as we call it, every market is different, right? To sort of describe global media environment I think is a little bit misleading. Certainly, Google have a similar interface across the world. Yahoo have been an international media company for many years.

But every market competes with different family and government-owned media Enterprises. The agency presence, the advertiser presence, is distinct in each market. So we've taken an approach that we want to be able to launch a what we call currency-quality product that is equivalent to the US in each market.

And that's where we're heading: 16 markets, 95% of the world's ad spend. And we are seeing good volume pickup in all the markets we've launched because we have a presence in 106 countries as Nielsen. So we have people on the ground who are working with advertisers, particularly CPG advertisers, who are the strongest and most important voices in the marketing environment in many of the developing markets. So we've been able to lean into the existing sales folks on the buy side of the business as well.

Andre Benjamin - *Goldman Sachs - Analyst*

So you mentioned a couple questions ago Nielsen becoming more indifferent between whether video is consumed on ad-supported subscriptions. The one thing we get asked about often is how should we think about Nielsen's quote unquote traditional ad-supported TV revenue stream as the end market becomes increasingly fragmented?

So one: how are you thinking about that? And two: do you think that those traditional TV revenue streams are at risk? And if so, are they being appropriately offset by the others?

Steve Hasker - *Nielsen N.V. - Global President*

Well, we are not seeing any pressure on them today, so first and foremost. But we do keep a keen eye on the dynamics in the marketplace in terms of multichannel cable subscribers, in terms of the growth in ad spend, where it's growing, where it's under pressure, for sure.

What I would say is that we've always had a proposition for subscription-only services. And as the environment get more complicated and as consumer behavior gets more fragmented, the need for a single read at the person's level -- that is what the researchers call de-duplicated -- goes up, right?

Fragmentation is our friend because if you have a very small number of providers of video, the need for independent third-party measurement -- so not owned or operated by a media seller. Not owned or operated by a big buying agency -- the need for independent third-party measurement goes up, not down.

As a rights owner, the decisions today that you face as to whether to sell into the cable bundle or whether to sell to an SVOD service -- the stakes are as high, if not higher, than they've ever been. And you need numbers you can trust.

For an advertiser, chasing valuable consumers to build brand loyalty and sell your products has never been more difficult. So you need to have an understanding of for video and for audio and for text how people are spending their time and attention.

And who can't cobble this together and hope that an apple and an orange will somehow get you to the right answer. You have to have something that's comparable. Again, we're the only player who can provide that. There's lots of noise in the marketplace about all these cross-platform systems. Nielsen has the only in-home recruited panel where we measure all the devices in the panel. We are able to de-dupe back to that household and we are able to use that to calibrate and correct every single Big Data set out there. It's without parallel.

So we like where we sit. I won't say we are ambivalent as to whether it's ad-supported or subscription, because we are sensitive to the sort of business models and the pressures that our clients are under. But certainly, we have an equally important value proposition no matter how content is sold.

Andre Benjamin - *Goldman Sachs - Analyst*

And so how should we think about all these new digital measurement products and the impact on margins? Should we say that it's a benefit because there's more operating leverage because it's digital and theoretically lower cost? Or is it a headwind because more of these smaller players in the fragmented world can't compete and that puts pricing pressure? How should we think about those?

Steve Hasker - *Nielsen N.V. - Global President*

Well, if you sort of gig underneath what we've built and how we've done it, it all starts with the existing panel. So you see us every year continue to invest large amounts of money -- and we have done for years [ENL] panels. And the quality and the representativeness and the speed with which we can stand up households, get that data back on a minute-by-minute basis.

That is an investment that we are increasingly leveraged -- not only in the TV space, but in digital. Not only in measuring reach of audiences, but also in measuring reaction of ROI. So from that point of view, it's a pretty big tailwind and it's very, very scalable.

The headwind, if there is one, is the fact that when you launch a new digital product, you've got to educate the sales teams, you got to educate the agencies and the clients. You've got to get it off the ground. Often you've got to work with them to test beta data for six months. That is -- that comes at a lower margin.

But as the things get more and more scale, we like the look of what we see. And we are starting to get into a position of significant scale with a number of these products.

Andre Benjamin - *Goldman Sachs - Analyst*

Maybe a little over five minutes left. I guess I want to ask one last question and then I'm sure there are a few in the audience. We talked a lot about debunking myths or things that people don't understand.

I guess as you sit here talking to investors today about the development of your product portfolio, what do you think is the most commonly misunderstood thing that is talked a lot in the media, but we may not fully be in a position to realize is not true?

Steve Hasker - *Nielsen N.V. - Global President*

I think that there's sort of a general theme of that perhaps the investment community and the business community reads about sort of cross-platform measurement. That if you really talk to researchers, you need to have a single source representative panel that is recruited in person.

So if it's recruited online, then I can claim to be a 25-year-old female living in New York City. Whereas when it's recruited in person, I cannot claim that, firstly. Secondly, when our representative goes to a household, they wire up all the devices. They understand the family composition.

So the value of that as a central asset in cross-platform measurement I think is easily overlooked and misunderstood -- not by the research community, but certainly by those of us who have not had many years of training in research.

I think the second thing is the value of independence. Again, we are entirely independent. We sit between the buyers and sellers. It gets us in trouble from time to time because they are often at each other's throats from a business standpoint.

But we are not a media company who has exhaust from our service to consumer-produced data that's interesting for analytics. Nor are we a measurement company that has a significant ownership stake from a media buying house. So our independence we think is a real asset and something we cherish.

Unidentified Audience Member

Thank you. You spoke about new products and cross-platform. You have announced a few time the measurements of digital audio. And why so many delays? And do you expect to catch up with competition quite fast?

Steve Hasker - *Nielsen N.V. - Global President*

So -- that's a great question. So the system I've described which uses a panel -- a representative panel -- accredited panel and takes Big Data, principally from Facebook. That system we have adapted for audio. We've tested it; it works. Everyone who has seen the results is delighted, okay?

Where we have run aground so far has been that the either side of that debate, which is principally the large radio broadcasters, as they think about their digital and cross-platform proposition, and principally the Silicon Valley pure play digital audio players cannot and will not agree on the right metrics, firstly.

Secondly, the agencies are in the process of forming an opinion or to the extent they have formed them have not been prepared to publicly voice that. So we have put a stake in the ground and said we think the right measurement -- we describe what we think is the right measurement system. And we've had either side say, well, we don't agree. So it's ground to a halt.

I do believe that common sense will prevail, firstly. Secondly, I am convinced that we have the single best measurement system out there and ultimately, that will prevail. But we've been very modest in terms of our financial expectations as to when this comes to pass and when we pay for that product set. But we are doing all we can.

Unidentified Audience Member

Thanks. And I had two questions. One: once you get DCR rolling, what is left to get to Total Audience measurement? The second one is with companies like Viacom saying they are trying to get to 50% non-Nielsen measured, Fox just said the big guys like us have take it -- to set the pattern ourselves because we can't wait for the measurement companies. I'm just wondering how that affects your or are you involved in it on the other side?

Steve Hasker - *Nielsen N.V. - Global President*

Yes, so we are involved in conversations with all of the players, including those two, as to how we should be refining our metrics, firstly. And secondly, how we can help them develop whatever secret sauce they what to use to sell their advertising and their audiences.

DCR is the biggest remaining piece in the Total Audience picture. So we've rolled out the mobile measurement. We've started with the SVOD process. DCR is effectively a business that we walked away from a number of years ago. So in order to produce Total Audience [sports] content, that's the biggest remaining piece.

Once we've got it in place, we then produce the combined numbers using the panel to de-duplicate the audience results. So that's where we sit and we are confident that that is going to level the playing field, in a sense, in terms of the metrics between digital and TV.

Andre Benjamin - *Goldman Sachs - Analyst*

I have time for one last --

Unidentified Audience Member

With media getting more and more fragmented and you fielding more and more products to measure all these different new outlets, I wonder if you can give us a lot more detail in terms of your strategy and pricing? How do you view ROIC in this area? What can we expect in terms of revenue growth increments? What is the pushback that you're getting from the variety of constituents that you deal with in terms of this pricing mechanism? As much detail as you can.

Steve Hasker - *Nielsen N.V. - Global President*

Okay. I've just noticed the clock wind down to zero, so I'll give you as much I can in a shorter period of time. So we've had a philosophy for a number of years that we prefer long-term contracts with our major clients with price escalators in them. And those price escalators are indirectly or directly tied to product enhancements that they benefit from.

So our clear preference is as we roll out these new products to fold them into that structure. And I would say so far, so good. So when we first launched DAR, which was called OCR in its first incarnation, many clients were -- mid-contract, they would sign up for that separately. And then as the contracts rolled over, that service would be incorporated in at an appropriate price escalation. That's the model we look to pursue. Certainly as we roll out DCR and Total Audience, that's exactly the model that we are pursuing.

The guidance that we provided is the guidance we stick to. I think we've always been pretty conservative about those price increases because we want to partner with our clients. And we have a great market position, but we are respectful of sort of that going forward.

Andre Benjamin - *Goldman Sachs - Analyst*

Thank you.
