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Nielsen Holdings NV *(NLSN)*

JPMorgan Chase & Co., Inc Ultimate Services Investor Conference

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MANAGEMENT DISCUSSION SECTION

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Good morning. I'm Andrew Steinerman of JPMorgan. I cover Info and Business Services. This is the Ultimate Services Investor Conference, and this is the Nielsen presentation. Just to make sure everybody's in the right room, this is the Info Services track. This, Auditorium C, will be Info Services the whole day long.

We're very excited to kick off with Nielsen today, and we have two people that are probably pretty familiar to many of you. Steve Hasker is the President of what we call the Watch business, which is the TV and media measurement business. And what you'll find, I think, most striking about Steve is that he's a very analytical, thoughtful, disciplined leader. But you always have to remember he's serving his clients – the media industry – which are surely a lot more zany. And so Steve is bringing a lot of kind of science and discipline to allow the media industry to be commercial.

Liz Zale also will be familiar to many of you. She's the Senior Vice President of IR of Nielsen, the face of Nielsen to many of us, and she's been in the services industry for a decade.

With that, I'll turn it over to Liz.

Elizabeth A. Zale
Senior Vice President-Investor Relations, Nielsen Holdings NV

Great. Thank you, Andrew. Good morning, everyone. Glad to be here today to present and also joining with my colleague, Steve Hasker. Before I start, like a good IR person, I'll show you the Safe Harbor.

So Nielsen – we're an information services business. That's all about providing our clients with a complete understanding of the consumers that they serve. And how do we do that? We'll talk about a lot of the ways that we do that. But specifically here we just want to put out in front our values, which is that we do that in an open, simple and integrated way. And our brand for over 90 years has stood for quality, integrity and neutrality.

So the investor proposition about Nielsen is really about must-have industry measurements. Like any good services business, we like to be in the middle of what our clients do. We are a global leader in retail sales measurement and market share, global leader in audience measurement. And the nature of our business is all about the long-term contracts and decades-long relationships that we have with clients that span many, many areas of their business.

Our focus has always been about cost leadership. We certainly benefit from the scalable, syndicated nature of much of the business that we have, which provides that global capability, provides us the opportunity to be even better at cost management. And last, our financial strategy has always been about derisking, deleveraging and also benefiting from a favorable tax position.

We do have global opportunities for growth that create a wealth of opportunity for us for the future, which start with our expanding of coverage in developing markets, primarily in the retail business, enabling the monetization across screens and driving the efficiency of marketing spend. And those last two are things that my colleague, Steve Hasker, will spend some more time talking about.

So what does that result in? It gives us increased enterprise value with the characteristics of growth across cycles, strong cash flow dynamics and, of course, increased return on capital.

Nielsen provides measurement and analytics for two very large global consumer-driven industries, which form our two primary segments: what consumers buy and what consumers watch. For what consumers buy, it's retail sales measurement, market share and analytics, where we're serving consumer packaged goods manufacturers and retailers.

For what consumers watch, we're providing audience measurement and analytics for content, advertising and media consumption across platforms. We're helping all of the providers in the media ecosystem – not just media companies, but content distributors, cable companies, online publishers and other technology players as well.

And just two client examples, we've got Nestle who we work with in over 80 markets around the world, a five-decade relationship, and CBS, where we benefit from a multi-year contract, very deep relationship, serving many areas of the company and a relationship of over seven decades.

This is just a view of how our clients in particular, our advertiser or Buy segment clients, use the Nielsen services, whether it's at the executive level, sales management or brand and marketing management. All of those functions within the company and many more actually are focused on the constant flow of information that we provide to them in terms of daily information about their retail sales and market share.

We also add on to that a tremendous amount of analytics, whether it's helping the sales management better position themselves in their negotiations with retailers around pricing and promotion, whether it's helping the brand and marketing management refine their marketing mix, modeling or optimize their advertising spend. These are all areas that we have important things, important ways to contribute to the value of our clients.

For our media and watch clients, similarly, our information is used across the levels of the business, from the executives to content developers, making programming decisions and questioning what kind of investments they need to develop in content. The media sales and marketing who are using our information every day as the basis of how they monetize their inventory, and of course, agencies and advertisers, very important players in all of this, who rely on Nielsen to be an independent third-party measurement providing transparency to the industry and helping them with an accurate view of whether what they paid for was actually delivered to them.

The embedded nature of those services that we provide is what really forms the basis of the resilience of this business. Steady growth, mid single digits as you can see historically, also adjusted EBITDA growth, which is a combination of the natural operating leverage in the business as well as a very strong focus, as we said, on cost management and productivity.

That cost management also helps enable us make the investments that we want in terms of attacking those future growth opportunities. I mentioned earlier the concept of expanding our global footprint, which is, again, primarily about our Buy business, serving our consumer packaged goods manufacturers and expanding our global footprint. That is really the first of the four consumer trends that we focus on that provide long-term growth opportunities. Growth in developing markets, if you think about how the number of emerging consumers is basically going to double over the next two decades.

Second, consumer demographic shifts. We have already seen a very powerful example of that in last week's presidential election that it is imperative that both product companies as well as media content developers think about what these shifts in demographics mean for their audiences, mean in how they need to adjust their products and how they need to better think about monetizing those audiences.

Third, media consumer fragmentation. We all know that there are more ways to consume more media. We believe that that provides a very important opportunity for Nielsen and that we're uniquely positioned to be able to actually build a bridge between all of those forms of content distribution, again, as a third-party measurement provider, on behalf of both the buyers and the sellers, of the advertisers and the media providers.

And last, with consumers being more connected, that pie of media consumption is really just expanding and some of that is about concurrent activity, as we know, using multiple devices, using a second device or interacting with social networks while you're watching television. Again, all of that just creates a wealth of opportunity for us as we need to help our clients figure out how do they monetize those audience, how do they help advertisers reach the audiences that they're looking for.

We've worked hard to develop a leadership position in these capabilities and to serve the industries that we support. In retail sales measurement, TV audience measurement, digital activity, whether it's audience measurement or understanding sort of behavior of the consumer, analytical insights about consumer behavior that help our Buy clients, again, do more with their product strategies, more with their pricing, more with their promotion, and advertising effectiveness, which is really about making a combination of data sets.

We describe it as the combination of our Watch and Buy data, where advertisers really need to better understand how they can assess the ROI of the marketing investments they're making. It's such an important area for our clients that we believe it's a tremendous opportunity. And actually Steve is going to spend some more time talking about that.

So I'll turn it over to Steve Hasker.

Steve Hasker

President-Global Media Products, Nielsen Holdings NV

Thanks, Liz. Okay, so I want to spend just a second teeing up the Watch side of our business and the way we think about the services and solutions that we provide to clients on that side of the business. This is a very simple framework that we use with our clients, we use internally to make investments and we use internally to sort of orient our strategy and our associates across the world.

So the first the three – the framework is called the three Rs. It's very simple: reach, resonance, reaction. The first part, reach, which is just a basic measure of how many people did my program or my campaign reach? This is an area in which we strive to create standards, so we strive to be the currency on which advertising is bought and sold. We've achieved that in TV, we're making progress against that objective in online and we will, as advertising models crystallize in mobile, do the same there. We do this in 30 countries in TV across the world and we're rolling out our online campaign ratings and our digital products to mirror that footprint internationally.

So the first one is reach. The second is resonance and this is did my program or did my campaign resonate? So in other words, did the brand likeability, the purchase intent, the brand recall, did those sort of metrics move as a result of the money that I spent and the advertising that I put on my media property?

And last but not least, reaction. So did the consumer, as a result of exposure to the program or the ad, change their behavior? And typically this is, did they go and buy more of the product? So reach, resonance, reaction. Again, reach is the area, if you think about the sort of tradition and the legacy of Nielsen, it is TV reach that we have the strongest position in and we're extending that in a couple of different ways.

Firstly, we're extending it to cross-platform. Secondly, we're extending it I think in a very focused way internationally. And then thirdly, we're extending it into the other two metrics, resonance and reaction. And you're always going to see, I think, more, if you like competitive intensity and multiplicity of offers in the resonance and reaction areas, because different marketers want different things. And so there doesn't need to be one single standard in resonance and reaction. But in our view the markets are much more efficient and the growth of the media and the confidence that advertisers draw from different types of media is greater if you have a single standard in reach.

Okay. So let me talk a little bit about reach and where we are at the moment. So the first one is the TV ratings. I think that's familiar to everyone and our position there on a national and local basis and in 30 markets across the world. We produce overnight ratings. They are the basis on which $80 billion is traded here in the U.S. and in the international markets I mentioned. And we've extended that in a meaningful way using Online Campaign Ratings.

So Online Campaign Ratings was a product that we launched over 16 months ago. It's gotten good traction. We're seeing advertisers demanding guarantees based on Online Campaign Ratings and media properties offering guarantees. And that was really the single most important milestone in our first 12 months of that product and solution is to look to make sure that it's the basis of guarantees, and that is a very new phenomenon in the digital space. Before, guarantees had not been offered – had not been demanded or offered because the data wasn't good enough.

So perhaps most importantly, Online Campaign Ratings work seamlessly with our television ratings. So in other words, as a seller of inventory I can come in every morning and I can see what my inventory has done for an advertiser across the TV, connected devices like Xboxes, the PCs, and web browsing activities on smartphones and tablets. We will add tablet and smartphone apps in the next 12 months, so we're working against that. We filed some IP and we expect to add that to the proposition in the next 12 months.

And this, for the first time ever, gives an ad sales executive the basis on which to sell across the platforms. And similarly it gives an agency or an advertiser the first ever look on an apples-to-apples basis at what the reach is of their campaign across platforms, and that can be video or it can be static display, banner ads and so forth.

So we think it's a pretty big step forward. The industry is still working its way through and trying to understand how to use the data, what is the most effective use of the data, but we're seeing some very interesting use cases.

So that's a quick snapshot of reach. And then resonance and reaction, there are two components to this. On resonance, basically this is our Brand Effect product suite. Those of you who have followed us for a while will know that a number of years ago we bought the leading resonance, TV resonance product, which was called IAG. We have integrated that into our Advertiser Solutions proposition and are seeing good growth in that product and in that business.

We have extended that into online with the support of Facebook and more recently Twitter, and we've also extended it into mobile with the support of Apple. And so we're very excited about this as a growth opportunity for us. And it is something that the sellers of advertising use to enhance their proposition and enrich their ad sales story, and it's also used by advertisers to understand short of reaction whether their advertising dollars were effective.

And if you're – for example if you're an automotive marketer, you can't go all the way to reaction every single time, because the fact of the matter is that's a very long purchase cycle. So you need to understand this metric. In CPG, on the other hand, Consumer Packaged Goods, you are more focused on the reaction part, which is why on the right-hand side of this page we have the example around Nielsen buyer insights. This is the integration of our media exposure information across platforms with a very large data set from credit card information.

So we draw on the credit card information and we also draw on Catalina with our joint venture there to look at the actual purchase behavior. So in other words, what a marketer can see was how many people saw my ad and did their purchase behavior change as a result of the exposure to that ad? It's a very powerful proposition for the marketers, and we've seen clients like ABC in their upfront use this to better differentiate their ad sales proposition as well. So again we're very focused on products and solutions that both sides of the advertising trade can find useful and provide both as an ad sales tool and a measure of efficiency and effectiveness.

Okay, so let me just finish with a sense for our strategic initiatives. I touched upon this when I opened up a second ago. The first is really as Liz talked about, investments in the developing and emerging world to make sure that we are ahead of any competition and that we're providing insights to our major global clients and our biggest local clients in those marketplaces, so that's the first.

The second is to go cross-platform, so OCR is just the start of this, and it opens up all kinds of strategic options for us as we go forward to look across platforms, whether that's connected devices, PCs, smartphones or tablets. And we're looking to make that seamless and integrative with our television ratings at every turn.

And then lastly, you want to make sure that, as I talked about from the advertising solutions point of view, that we're both enabling more precise advertising placement and we're also looking to synchronize the paid and earned component. So we announced a very small, but we think important, acquisition on Monday of SocialGuide, and you're going to see us move more and more into the social TV space to better understand the interactivity between the use of major social sites and TV programs and how from an ad sales perspective that is meaningful for our television clients. And also from a programming perspective how it's meaningful for our television clients. And then last but not least, how the advertisers should think about combining their TV buy with a social media buy.

So with that, I'll – yes?

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

I'm curious about the SocialGuide acquisition. Is this your first foray with a technology very focused on Twitter?

Steve Hasker

President-Global Media Products, Nielsen Holdings NV

Well, we purchased a number of years ago a business called BuzzMetrics, which we put into our joint venture with McKinsey, NM Incite. And so BuzzMetrics provides insights and analysis around all kinds of social activity including Twitter. So Andrew, it's not our first, but this one is very specifically around TV. We think that SocialGuide, of all of the players out there who do sort of social TV analytics, we think SocialGuide has the best interface, has the best algorithm to determine whether a tweet or any kind of other social activity is associated with a TV program. So it's a great building block for us there.

Andrew C. Steinerman

Analyst, JPMorgan Securities LLC

When I introduced you, Steve, I don't know if you sort of agreed with me, but companies that are serving media, they're sort of a vain bunch, at least in my view. When you think about OCR, you're trying to get the whole industry to accept your new standard online, now [ph] versus the traditional (19:16) standard. Talk about the entrenched interests in the media industry and in the advertising, the advertising agencies, and why OCR is better aligned with those entrenched interests than any competition that...

Steve Hasker

President-Global Media Products, Nielsen Holdings NV

Yes, so look, as I mentioned there's a very important part of this, which is to make sure that whether it's OCR measuring activity on a PC or a tablet or a smartphone or a connected device, that it is directly comparable to our TV measurement, right? We made a very conscious decision a couple of years ago to invent a metric, a GRP, so age, gender, reach, frequency, by DMA on a daily basis, that would come out and exactly mirror TV ratings.

Now, what we've never said to the industry is, we're going to stop there, we want everything to look like TV. What we have said is we wanted to start in a cross-platform world, from the point of view that let's make it easy for the marketer, because every single marketer across the U.S. and across the world has TV. The major brands have TV as a part of their marketing mix. And they've been bought up in TV; they've been bought up around GRPs.

And so before we invented this metric what they faced was TV GRPs on one side and then unique users, impressions, page views, click-throughs, basically apples and oranges. So what we wanted to do was give them a common currency across the two from which they could then make decisions about effectiveness and efficiency and so forth.

Andrew C. Steinerman

Analyst, JPMorgan Securities LLC

But how does that address kind of the entrenched interests better, besides for the fact that it's comparable to traditional TV ratings than any of the [indiscernible] (20:59)?

Steve Hasker

President-Global Media Products, Nielsen Holdings NV

Yes. So it gives – let me give you a couple of examples. It gives the marketer who's been working with TV budgets since they started at Procter & Gamble or General Motors or so forth, a common basis to make decisions. So for the first time ever, they can look at the reach across platforms and say, okay, I understand the age, gender, reach and frequency in different platforms. And then I can start to decide whether a 30-second spot is the same as a 15-

second pre-roll or a banner ad, and I can discount or inflate those depending on how I feel about that. We have products that help them do that. So do some of our competitors. So that's the first one.

The second one is the agencies. If you think about what's happening in the agencies, really led by GroupM but now followed by others, the major buyers of TV are now responsible for – increasingly responsible for the online video as well. Those are people that their entrenched interests have been growing up trading on Nielsen ratings, and so you've seen them migrate towards OCR because it's a language they understand and it gives them the basis to put TV and online together on the same platform.

In last year's upfront a number of the agencies went to the broadcast networks and said, if and when there's a make-good against your TV guarantee or your TV buy, as long as you use Nielsen's measurement system in digital we will let you make some or all of that up with your online plays. That's a major step forward to cross-platform. We've been talking about cross-platform for a decade, but last year's upfront was the first time that it actually became real as a result of OCR.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

So talking about this coming upfront next spring, how would that be a step up from this first milestone that you mentioned?

Steve Hasker
President-Global Media Products, Nielsen Holdings NV

Yes, so I mean, we're continuing to enhance the OCR suite so over time we'll add a programming component to help the ad sales forces better articulate their proposition. And as I said we'll add the consumption of apps, so not only the browsing consumption across devices, but the consumption of video content through apps. And so we just think that as we head into next year's upfront, we'll see greater usage of it and we'll see it sort of get more teeth if you like, in terms of the trades that are made against the cross-platform metric.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

And are you pretty confident that eventually online TV watching, Internet TV, will have one standard like traditional TV ad ratings?

Steve Hasker
President-Global Media Products, Nielsen Holdings NV

I think it will for reach. I think it's in the interests of the buyers and the sellers and the agencies to have a single standard for reach. I think for resonance and reaction and analytics, there'll be many, there'll be many products.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

You say it's the same.

Steve Hasker
President-Global Media Products, Nielsen Holdings NV

Yes.

Andrew C. Steinerman

Analyst, JPMorgan Securities LLC

So, Liz, let me challenge you a little bit. I listened to Steve and all the dynamics of OCR sound great. I mean it really sounds like you've figured out the game plan. Again when we hear OCR contributing to revenue or even contributing to Watch revenue, 1800 advertising campaigns, and then I say, okay, Liz, where is this in the model? It's hard to find it in the model. When is OCR going to move the revenue meter?

Elizabeth A. Zale

Senior Vice President-Investor Relations, Nielsen Holdings NV

Well, I think when is a difficult question for us to answer because it is about that adoption, not just by a number of advertisers, a number of media companies that we talked about, a number of agencies and online publishers, but it's also about the penetration, the broader usage of that metric.

And where we're seeing it today, as Steve even talked about, the use of OCR by media companies is a major step, but that doesn't mean that they're all using it for all of their advertising campaigns or for all of their advertisers, because that is in part dictated by the level of adoption that we have on the agency and the advertiser side. So it's really about I think collectively moving the needle.

Andrew C. Steinerman

Analyst, JPMorgan Securities LLC

But are they doing ad campaigns online without measurement?

Steve Hasker

President-Global Media Products, Nielsen Holdings NV

Yes, decreasingly so. So in other words, up until we put OCR out, basically what you had was a system whereby an ad salesperson would go into the marketplace and say, okay, I have 20 million uniques, or 30 million page views, or 40 million or 40 billion impressions, and typically the advertisers and the agencies would roll their eyes and say, okay, you've got a lot and so does the next guy, so all right.

But you know, if I want to get males 18 to 49, I've got a sense that I should be on ESPN.com and I've got a sense that I should be on three other sites. So that's the first decision. They put them in the plan, they make the buy, and then the buy is executed, and basically there's no basis to demand or offer a guarantee. Basically what happened was you'd get server log data to get a sense for whether you've got what you wanted. So you'd get it from the ad server or you'd get it from the publisher themselves, so there's no independent third-party measurement standard on which you could hold the publisher accountable.

Elizabeth A. Zale

Senior Vice President-Investor Relations, Nielsen Holdings NV

And that was basically just on the basis of impressions. So it would tell you you got this number of impressions delivered by this site. It doesn't tell you anything about demographics, who the actual audience was.

Steve Hasker

President-Global Media Products, Nielsen Holdings NV

Yes, so no demographics, so you don't know who was in the audience. And the second problem is, if you look at impression counts, there's a couple things that are sort of really troubling about them. The first is there's a good chunk of it is fraud, right? So click fraud and so forth. The second is how do you know about the reach and frequency? So this may – if you've got 10 million impressions, this may be 10 people a million times. I'm over-exaggerating, but you don't really know who you're reaching and how often you're reaching them.

And the second is you've got cookie deletion problems. So in other words, it may actually be a small number of people who have five different devices at work and at home, and their identifier is being deleted from time to time. So over a month, because these metrics are monthly, you just had no real sense for what you were getting, no real sense.

And then so what we've done is we've created a metric like TV where you buy against the Nielsen rating and you post or you settle against the Nielsen rating. And what we're seeing is that the advertiser has so much more confidence in what they're actually getting that they are prepared to demand a guarantee, that the publishers in a lot of cases like AOL and Hulu and others are prepared to offer that guarantee, and they're seeing CPM increases.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Okay. How about just one Buy question before we open it up. The quarter looked great. The one holdback is Buy insights, 14% of revenues. It's more discretionary, it was off, including in the United States, kind of broadly. When you think of the types of services in Buy insight, Liz, are these the type of things that could be deferred for a long period of time, or by the time we get to the beginning of the calendar year are consumer packaged goods companies going to have to get back into those insights?

Elizabeth A. Zale
Senior Vice President-Investor Relations, Nielsen Holdings NV

Well, to some extent, as the head of our North American Buy business, John Lewis, would tell you, the business priorities were – or some of them are actually business problems that those insight projects address, don't go away if you don't address them. If they have a pricing problem it will persist. And so it's really a matter of at what point does it become enough of a burning issue or enough of a business priority that you have the wherewithal to actually address it.

Companies don't address those problems on their own. They don't necessarily have the staff or resources or expertise to do that, and so it's really about at what point – it's difficult to know exactly when and it could be different for any particular client of ours – but at what point they decide to start to address some of those issues and start to try to move their business forward. It could be something that a competitive issue that arose that drives them to do that. So it is just a matter of time, but that pacing is something that is hard for us to predict.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

All right. Let's open it up.

QUESTION AND ANSWER SECTION

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Q

It's a question back there.

Q

[inaudible] (29:15) and over the past couple weeks [ph] out of the (29:16) media companies, I know CBS, Les Moonves discussed the implications [ph] and things and (29:22) the greater shift to DVR viewing. And so are you seeing a push to C7 and if there is a push to C7 that could be adopted by the industry, what are the implications for Nielsen?

Steve Hasker
President-Global Media Products, Nielsen Holdings NV

A

Yes, so we're certainly seeing a push from a couple of the big broadcasters to C7. They've raised it with us a number of times, and we've sort of listened carefully to that. But let me make a couple of points. The first is, we capture and distribute live plus seven day data today. So it is in our systems. It is recorded. It is available for the industry. So from the point of view of, is there a significant investment to make, or would this be a difficult transition for us to make, not one bit. It's already there, all right?

But the thing to note is that just because one side of the industry, i.e., the broadcasters, are demanding this, it doesn't mean that the agencies and the advertisers are necessarily going to go there. Because remember when C3 was invented in 2007, it was not invented by Nielsen. It was invented by the industry. And we obviously provide that data and we benefit from being – from that privilege, but it's the combined industry, the buyers and sellers of advertising, who determine what the right currency is. And so it's going to be interesting to see how it plays out. There's certainly demand on the broadcaster side and the agencies and advertisers really haven't spoken up yet as to whether they're prepared to go there or not. If they are, we're already ready. We can do it.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Q

Okay. Next question. Right over here.

Q

I have a question about the Watch international business. I don't know that much about it. Are other countries – are there major other countries where the Nielsen rating – I mean does it work exactly the same way, where Nielsen is the currency and that's the way people are buying and selling advertising? Are there some differences there? Maybe you could just [indiscernible] (31:30).

Steve Hasker
President-Global Media Products, Nielsen Holdings NV

A

Yes, there are some differences. So as I said, the Nielsen company is in 100 – Liz is probably going to correct me here, but about 101 countries or so. The Watch side of the business is in about half of those and unlike the Buy side of the business, it's less global in a sense, because those of you who've operated in media markets internationally will know that media business is a local business. Typically the broadcasters are government owned, or family owned, same with the publishers and so forth. Now that's changing, but it's changing reasonably slowly.

So we have television audience measurement, as an example, in 30 markets. The single biggest difference to the U.S. market is here we deal directly with the broadcasters and the cable networks. We provide them ratings and they pay us for those services. In many international markets there's what's called a JIC, a Joint Industry Committee, and that JIC could be a combination of the broadcasters or a combination of the broadcasters in cable, a combination of broadcasters, cable agencies and/or advertisers. And basically what happens is they form that committee, they put a tender out for the provision of television audience measurement and we and others compete for it, and typically those are five- and seven-year contracts.

What we've been able to do in the last 18 months is have a very, very high success rate in competing for and winning those tenders. So we're confident in our ability to grow our business on that basis over time, but it is different in that respect because it comes up every 5 to 7 years and you've got to continue to compete and win for those tenders.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Q

Next question?

Q

How consolidated was the issue of multinationals pulling back on insights in the recent quarter? And given the sensitivity, I'd imagine there might be historical precedent there and if so, how quickly do they return?

Elizabeth A. Zale
Senior Vice President-Investor Relations, Nielsen Holdings NV

A

It was fairly broad-based. We saw that both in – we've been seeing that in Western Europe for some time as you would probably expect. What was unique about the transition from the second to third quarter is we started to see that pullback in North America and in the developing market as well. And it was actually broad in terms of the number of clients that we saw; although there are clients who are still investing and growing their insight spend, as Andrew kind of pointed out before.

In the sort of recovery from the prior recession, we did see some growth in the insights business even through 2009, actually had constant currency growth of 2% in the insights business. In 2010 we saw a much higher growth rate, double digits, which was really about a return of better consumer sentiment and consumer goods manufacturers being pretty aggressive about filling their new product pipelines, a very important part of their growth strategy and doing a lot of work with us around that, new product forecasting, et cetera.

So it can happen rather suddenly. In that instance, I think it was collective because there was such a collective sort of pullback, so it's difficult for us to take a lesson from that and say well, we think it will be exactly this timeframe. But we have seen that activity before. It can come back very quickly; again, just difficult to predict.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Q

Ad Solutions you talked a bit about before. I know it's a couple-hundred-million-dollar business. First, Liz, is it reported in Watch or Buy, and is it...

Elizabeth A. Zale A
Senior Vice President-Investor Relations, Nielsen Holdings NV

Watch.

Andrew C. Steinerman Q
Analyst, JPMorgan Securities LLC

And is it moving the revenue needle in Ad?

Elizabeth A. Zale A
Senior Vice President-Investor Relations, Nielsen Holdings NV

It is reported in Watch. If you think about it, we've talked about actually I think the past three quarters, it being a double-digit growth business. It is small relative to the core sort of audience measurement business. So it's difficult when you have that very steady business that's of very large scale, growing in the annual 4% to 5% range constant currency. It's hard to move the needle, but on a quarter to quarter basis you might see a little bit of impact from it. We do though believe that there is a tremendous runway of opportunity for that business and I think we're really just at the beginning of that traction.

Andrew C. Steinerman Q
Analyst, JPMorgan Securities LLC

So you think eventually we will be talking about moving the needle with Ad Solutions?

Elizabeth A. Zale A
Senior Vice President-Investor Relations, Nielsen Holdings NV

It is a possibility.

Steve Hasker A
President-Global Media Products, Nielsen Holdings NV

If everything goes right.

Elizabeth A. Zale A
Senior Vice President-Investor Relations, Nielsen Holdings NV

Yes.

Andrew C. Steinerman Q
Analyst, JPMorgan Securities LLC

Okay. Questions. Go ahead.

Q

Just a question on – and I apologize if you already touched on this – on the hurricane and the [ph] destruction (36:14) of power outages and large parts of the population not watching television. How does the advertising, marketing, television and Nielsen normalize for an event like this and what happens to the business?

Steve Hasker
President-Global Media Products, Nielsen Holdings NV

A

Yes, I mean, well, we basically, we're able to put our ratings out on the same basis, so from an operating standpoint we, like everyone else, had to take extraordinary measures, but we did get it done. From the point of view of how we sort of normalize [ph] Laura (36:44), the numbers are the numbers. We don't do anything sort of special to sort of accommodate, so if they jump around, there's a very clear explanation for why they did that in this particular case but they are what they are. I remember one example of a competitor where there was a blackout and their ratings kept going. You do not want that to happen. The rating system has to be accurate enough that it picks this kind of thing up and accurately reflects it, even if it isn't good news for the TV networks.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Q

Steve, just to be clear, Nielsen's business in Watch is a subscription business so blackouts and things like that don't affect your revenue at all.

Elizabeth A. Zale
Senior Vice President-Investor Relations, Nielsen Holdings NV

A

That's right.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Q

Okay, other questions? Be brave. Go ahead.

Q

The business has been around a long time; you guys have been public for this time around for a shorter amount of time.

Elizabeth A. Zale
Senior Vice President-Investor Relations, Nielsen Holdings NV

A

18 months.

Q

Yes. You tell a – it's a great story to tell and everyone I've heard tells it very well. I guess the first question is what has surprised you most over the past 18 months relative to kind of the plan out of the gate? And then the second one would be how true is it that the more difficult the environment, the more competitive the environment in different places, the more they need you, versus the reality of insights dropping and stuff, so those are the two questions that I would have.

Steve Hasker
President-Global Media Products, Nielsen Holdings NV

A

Can I answer the first one?

Elizabeth A. Zale
Senior Vice President-Investor Relations, Nielsen Holdings NV

A

Please do.

Steve Hasker
President-Global Media Products, Nielsen Holdings NV

A

Yes, so I've been at Nielsen three years, so I'm not going to give you the kind of since-IPO type answer that maybe you want. But the thing that's been a positive – so I joined because of Dave Calhoun and the opportunity that it [ph] rested (38:26). And I also had a sense that Nielsen had a big opportunity to take a sort of legacy TV ratings business in all kinds of directions as I described.

But the thing that's been the most surprising is the extent to which we are in the middle of Silicon Valley. So whether it's Facebook or Apple or Google or Twitter or the next set of those players, they're coming to us for a very simple reason, which is they're trying to build advertising sales businesses, and they figure in order to get the big brands, to adopt them on mass, they need the standard for independent third-party measurement, and that's created all kinds of opportunities for us and our associates. And it's a pretty exciting place to be on the Watch side.

Elizabeth A. Zale
Senior Vice President-Investor Relations, Nielsen Holdings NV

A

The second part of your question, the insights business, which is really part of our Buy segment; it is a discretionary spend. It is not under long-term contract. It's always going to be variable in terms of what clients' particular priorities are; what their budget capacity is; how they're driving their business forward. That said, what we talked about on our third quarter call back in October was that the syndicated part of our business, information services, long-term contract business both in Buy and Watch, actually grew collectively 7%, which is I think a very powerful statement about how necessary the services are that we provide. In good times and in bad times, businesses need to know exactly how they're doing. They need to have granularity about that and they need to be able to effectively move their business models forward by monetizing the assets they have.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Perfect. I think that's a great place to stop. Thank you so much, Steve and Liz. It was great. Next up is Equifax.

Elizabeth A. Zale
Senior Vice President-Investor Relations, Nielsen Holdings NV

Thanks, Andrew.