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# Nielsen Holdings NV *(NLSN)*

Q3 2012 Earnings Call

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# MANAGEMENT DISCUSSION SECTION

**Operator**: Ladies and gentlemen, thank you for holding and welcome to this conference call on Third Quarter 2012 results for Nielsen Holdings N.V. [Operator Instructions] This conference is being recorded.

I will now turn the call over to the host, Liz Zale, Senior Vice President of Investor Relations. Ms. Zale, please proceed.

## Elizabeth A. Zale

*Senior Vice President, Investor Relations, Nielsen Holdings NV*

Thank you. Good morning, everyone, and thank you for joining us to discuss Nielsen's third quarter financial performance. Joining me on today's call from Nielsen is David Calhoun, Chief Executive Officer; and Brian West, Chief Financial Officer.

Before we begin our prepared remarks, I'd like to remind all of you that the following discussion contains forward-looking statements within the meaning of the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may include comments about Nielsen's outlook, expectations and prospects. These and other statements that relate to future financial results and events, are based on Nielsen's view as of today, October 22, 2012.

Our actual results in future periods may differ materially from those currently expected, because of a number of risks and uncertainties. The risks and uncertainties that we believe are material are outlined in Nielsen's 2011 Form 10-K and other filings and materials, which you can find on ir.nielsen.com or at sec.gov. We encourage you to consult these documents for a more complete understanding of these risks and uncertainties. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by securities laws.

A slide presentation that we use on this call is available under the Events section of our Investor Relations website at ir.nielsen.com.

We use certain non-GAAP measures to evaluate the results of our operations. We believe these non-GAAP measures provide useful information to investors regarding financial and business trends when viewed in conjunction with our GAAP results of operations. Further definition and a reconciliation of these non-GAAP measures to our results under GAAP, is available at the end of our press release. It is also in the appendix of the webcast slide presentation we're using today and on our IR website.

For today's call, Dave will start with a brief summary of our results for the quarter and will provide a business update. Then, Brian will discuss financials for the quarter and will provide our full year guidance, then, we'll be happy to take your questions.

And now to start the call, I'd like to turn it over to our CEO, David Calhoun.

## David L. Calhoun

*Chief Executive Officer, Nielsen Holdings NV*

Thank you, Liz. Good morning, everyone. I'm going to kick this off on Page 5 of our presentation with a brief overview. We had very solid third quarter results. I would characterize it as a very high-quality quarter with respect to revenue. It grew 1% on a reported basis, 5% on a constant currency basis. Adjusted EBITDA grew 4%, up 7% on a constant currency basis. Again, reflecting some of the high-quality growth I referred to. And then, finally, we had a step in our debt refinancing that was an important milestone and it really retired the last of our high-cost debt originating with the original leverage buyout back in 2006.

This growth and resilience was really mete up against a very difficult environment. We can see that. Our clients are having a difficult time around the world. Clearly, developing markets are struggling and so the most discretionary end of our business, captured by way of Insights, has been under pressure. We'll update you on that with Brian's comments.

Progress on key initiatives, really doing exceedingly well. On the Watch side, OCR continues to have real momentum. XCR, of course, we just launched and has a significant uptake here in the early going. Local, has even had a terrific contract season this quarter. And then, finally, in the Buy business, a particular investment that we've made in a marketing mix arena where Watch and Buy meet, has done very well. Very much in line with our expectations. So we'll update our 2012 guidance just by way of sketching it and Brain will give you the numbers.

Revenue, I expect to skirt the low-end of the range. Margin expansion, I expect to be at the high end, again, reflecting some of the high-quality growth that we've had, particularly here in the third quarter. And our EPS range will move up.

So Page 6, the operating environment. We've had a terrific time in the Watch businesses. We've had sequential improvement each quarter of the year. Third quarter, reflects the ongoing sequential improvement. We've had strong TV growth in the U.S. We've had a couple international wins that are meaningful in the Ad Solution space, where again, in effect, we are marrying the Watch and Buy business, as we go out and create products for marketing and advertising effectiveness has done exceedingly well. It's a double-digit growth for us.

Strong growth in information. All of our growth and then some, in this quarter was characterized by recurring strong information growth. Global Insights, in fact, declined for us. And while we had pockets of growth built around some big multinational clients that are doing exceedingly well, on balance, it worked against us, as the developing markets began to slow and the discretionary spending began to slow around it.

So in this case, we've had a decline here in the Insight business. Again, Brain will walk you through the numbers. But what I'd like to tell you, is that we can feel the concern and the uncertainty that exist out in the developing world.

China continues to do reasonably well for us, as does India. But almost all other Eastern Europe, Russia, other markets that we characterize as developing, have been under real pressure. While we had growth in developing markets, 4%, we still feel the lag.

This is an update. We continue to march along on our investments on programs and coverage with respect to our Buy business. In this case, on the left-hand side, we're talking about Walmart for the most part in the developed market, but again, we continue a full out Africa, China, India expansion on coverage, so that we can capture those markets as they continue to move forward.

And on the Watch side, OCR continues to have real progress. We're now up 1,800 campaigns, we've got over 100 advertisers and agencies in ad platform. We just launched in the U.K. and so we're feeling very, very good about that. And in fact, with respect to the OCR and XCR, we pretty much have most of the major TV networks signed up. XCR, of course, we had a launch. We've got a lot of strong interest, ESPN, Facebook, Unilever, Hulu, GroupM, have all made investments and debts on this one and so we're again, feeling like we've planted the seed and we'll continue to see progress. And we've had a good contract season in the local market. All of the Sinclair stations, including the Four Points and Freedom stations, are now receiving Nielsen ratings.

In the international wins, we've had nice wins in television in Australia, Hong Kong. We had a big online win in Germany and so we're feeling very good about some of the discreet wins in – around the world.

So with that, I'm going to turn it over to Brian. He'll give you a little more breakdown and we'll chat afterwards. Brian?

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## Brian J. West
*Chief Financial Officer, Nielsen Holdings NV*

Thanks, Dave. And I'm on Page 9 of the webcast slides. So strong results for the quarter, that show the resilience of the model in our minds. On revenue, came in at $1.423 billion, that's up 5% constant currency. Adjusted EBITDA came in at $424 million, that's up 7% constant currency. We did have a drag in reported results, due to foreign exchange fluctuations, which I'll cover in more detail.

Adjusted EBITDA margins, the rate was nearly 30%, up 96 basis points on a reported basis and up 56 basis points constant currency. And we had favorable margin expansion both year-over-year and sequentially, even as we continue to reinvest for growth, as we have the better business mix.

Adjusted net income was $200 million for the quarter, up 13% constant currency and ANI per share was $0.53. Free cash flow generation was strong at $258 million, which was favorable to last quarter, last year. So as we closed the first three quarters of the year, revenue's up 4% constant currency, EBITDA's up 6% constant currency, margin expansion is up 37 basis points. And as far as adjusted income goes, we're up 22%, reflective of the earnings power of the business.

Let me take a little bit on revenue on Page 10. Let's start with the Buy segment. Total Buy revenue was $852 million, that's up 4% constant currency. And we had growth across every region, including Western Europe. The biggest part of the Buy business are Information Services, which accounts for roughly 75% of the segment. That piece is up 9% constant currency. Again, this is the long-term contractual part of the Buy business, where we provide the syndicated data to clients all around the globe. Information was particularlystrong this quarter, driven by, in part, the impact of coverage expansion in the U.S. and in part, by higher client demand for measurement data in certain markets.

The smaller piece of Buy, Insights, was down 9%, as Dave mentioned. This is the more discretionary part of the business. It represents roughly 15% of the total company. We did see pressure for lower client spending across geographies. Many clients are delaying projects and we felt the impact.

The positive is that it wasn't all clients, in fact, half of the top 10 increased spending in Insights by anywhere from 10% to over 50%, as they looked to differentiate and invest. Developing markets was up 4%, again, on one hand benefiting from the growth of Information, while on the other hand, pressured by the Insights drawback.

Moving onto the Watch business. Watch had a very good quarter of revenue, $504 million, up 5%. The growth is a full point compared to last quarter. Our U.S. volume grew, based on new clients and services. International TV had nice growth and our Advertiser Solution business was up double-digits. Finally, on Expositions, was $67 million, that's up 5% for the quarter.

So in summary, while we did have pressure on the smaller more discretionary Insight business, we had a 7% growth across the recurring, largely contracted parts of the business, which is about 80% of Nielsen, where we continue to have very good visibility.

On Page 11, foreign currency impact. As you know, just over half of our revenue comes from the U.S. dollar. The next biggest currency is the Euro, at about 12% year-to-date and there's many other currencies that make up the remaining 35%. And as you can see from the quarterly bar chart, in the third quarter, we had a drag of 390 basis points on revenue and we had a drag of 260 basis points on EBITDA.

And as far as the fourth quarter, based on where rates were on October 19, we would expect a fourth quarter revenue drag of around 60 basis points and an EBITDA drag of around 40 basis points. Again, all of this is reporting representation, as we focus on constant currency growth rates which reflects the underlying operating performance of the company.

On Page 12, profitability. Adjusted EBITDA for the Buy business was $175 million, up 4%. Watch was $212 million, that's up 9%. Expositions was $41 million, that's up 11%. For a total company of $424 million, up 7%.

In total, we achieved margin expansion of around 56 basis points constant currency, driven by this better business mix and the margin expansion, as I mentioned, was up sequentially and year-over-year. The Buy margins were better versus the first half, due to the lower Walmart startup costs as we continue to invest in developing markets. We also had good profitability in both the Watch and the Expo segments.

So just a reminder, that the model is scalable and as we commit to cost leadership, it means the margins grow as the business grows and we saw that both in the quarter and year-to-date.

Moving onto the cash flow and balance sheet. Cash flow for the quarter, free cash flow was $258 million. That was stronger generation in line with the seasonality of the business. CapEx was $73 million. Cash taxes is $26 million, low based on both timing and planning. Restructuring was $16 million on a cash basis. And the P&L charge for restructuring was just $3 million, that's down versus the second quarter and down versus the first half.

From a balance sheet standpoint, net debt came in at just over $6 billion and the net debt ratio was 3.8 turns, down two ticks. And as far as the Cap table, we reduced debt by net $163 million and the weighted average interest rate was just up a tick a little bit, 5 bps at 5.7%.

Page 14. Just to update everyone on the balance sheet management. Remind everyone that the maturity profile in the upper left, we have basically three and half years with no meaningful maturities and the 2016 maturity of $2.7 billion is just – is pre-payable low-cost bank debt.

The deleveraging in the bottom right, we've gone from over nine times to under four times, as we close out the third quarter. And the big event for us, is that we took advantage of the historic low rates and we refinanced legacy high-coupon notes. We issued $800 million of unsecured debt at 4.5% with an eight-year term.

We also redeemed 11.5% senior notes due in 2016 and prepaid 8.5% senior secured notes that were due in 2017. So we raised 4.5% paper and retired about effectively 10% paper. So it's great about the transaction. There will be a non-operating pre-tax charge in the fourth quarter to take care of the redemption of prepayment charge of about $150 million. And we again, it made all the economic sense in the world to take these out now and it's an important step for us.

The interest benefit for the quarter was around $10 million and the benefit for next year is between $45 million and $50 million. And we also had – S&P upgraded the senior secured debt to BBB-. So again, as Dave mentioned, an important milestone is we de-risk and de-lever the balance sheet and position us for the future.

Page 15, on guidance. As Dave mentioned, constant currency revenue growth will be at the low end of the range. Margin expansion will be at the high end of the range, reflecting the better business mix. Adjusted net income growth will be at the high end of the range of 20%. And we're moving up the earnings per share to $1.82 to $1.84, primarily driven by the benefit of the refinancing and FX rates.

The leveraging will be a reduction of 0.3 turns. Leverage won't come down as much as originally anticipated, because it was more cost effective for us to fund the $150 million of refinancing fees with cash flow, rather than raising more debt.

And a little housekeeping, CapEx, we tightened that range a bit to $350 million to $360 million. No change in depreciation or amortization. The net book interest is $410 million to $415 million, lower based on the refinancing I mentioned. Cash tax is $130 million to $135 million, that's a touch lower. And no change to the cash restructuring.

So to wrap it up, all this reinforces the consistent compounding growth story of Nielsen and I would like to turn it back over to Liz.

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

Sure. Thanks, Brian. Operator, we'll take the first question.

# QUESTION AND ANSWER SECTION

**Operator**: Thank you. Our first question comes from Brian Karimzad of Goldman Sachs. Please go ahead.

## Brian Karimzad
*Analyst, Goldman Sachs & Co.*

Q

Good morning. If we can just talk a little bit more about the softness of the Insights from that zero to minus nine. What's your sense of what's different about that half of the top 10 that increased versus the other half that I presume did some pretty severe cuts? Did you also get a sense that perhaps some folks who pay the up-charge for the coverage expansion on Walmart, maybe their budget wasn't ready and they pulled back a bit on Insights to accommodate that?

## David L. Calhoun
*Chief Executive Officer, Nielsen Holdings NV*

A

It's a good question. The first observation I would make, is it was a little bit more of a developing world-centric maneuver. If I would characterize the clients that are spending more versus those aren't, it usually reflects their business situation. So those who are – have momentum, feeling market share gains, are of course, doing more and more. And those who are feeling the opposite, are doing less and less. And so it just so happens that balance worked against us.

The Walmart phenomena, honestly, as I go through this with our teams, you can't point to any specific situation where that's the case. On the other hand, I guess I'd be crazy to suggest that that might not have been the case. So I just don't – it's not an easy one to corral and puts your arms around. So there is a possibility that the new Walmart contracts did take something out of the budget. But it wasn't a easy one for one thing that any of us could notice. So I'm not trying to deflect it, that's the truth.

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**Brian Karimzad** Q
*Analyst, Goldman Sachs & Co.*

Okay. Thank you.

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**David L. Calhoun** A
*Chief Executive Officer, Nielsen Holdings NV*

Yep.

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

Thanks, Brian. Operator, next question please?

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**Operator**: Yes, Ma'am. Our next question comes from Andrew Steinerman of JPMorgan. Please go ahead.

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**Andrew C. Steinerman** Q
*Analyst, JPMorgan Securities LLC*

Good morning, everyone. When you speak to your clients about the new All Outlets Combined database, do you feel like they've gotten all the value that they anticipated? And when you look at the Buy Information segment, do you feel like the fourth quarter will have the same benefit as the third quarter? Or the fourth quarter and Buy Information might see further acceleration because of the AOC database?

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**David L. Calhoun** A
*Chief Executive Officer, Nielsen Holdings NV*

So I'll just comment first. We have had nothing, nothing but rave reviews of the expanded coverage data here in the U.S. And I have personally felt them on all fronts. So it's complete for the first time. It gives them discrete analytic opportunities that they neverhad before and so I could not feel better about how that's going and whether they believe they're deriving real value from it or not. I see that, both at the retail level and at the brand and manufacturer level.

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**Brian J. West** A
*Chief Financial Officer, Nielsen Holdings NV*

And as far as the fourth quarter, so we had very nice Info growth in the quarter. Part of that obviously, was Walmart and part of it was just higher demand. And the part that is Walmart that we'd expect to be consistent for the next three quarters, as we've always discussed.

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**Brian Karimzad** Q
*Analyst, Goldman Sachs & Co.*

Okay. That sounds good. And that's what we've heard on the Heinz call last week as well. Thank you very much.

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**David L. Calhoun**
*Chief Executive Officer, Nielsen Holdings NV*
A

Terrific.

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

Thanks, Andrew. Operator, next question please?

**Operator**: Yes, ma'am. Our next question comes from Ashwin Shirvaikar of Citi. Please go ahead.

**Ashwin Shirvaikar**
*Analyst, Citigroup Global Markets (United States)*
Q

Hi. Thanks. Would you say that you hit an inflection point here with OCR? Is there a way – is there going to be an inflection point, where [ph] these get optioned (20:39) by firms so much that everyone else has to go for it?

**David L. Calhoun**
*Chief Executive Officer, Nielsen Holdings NV*
A

Well, I don't want to suggest that we've seen it yet, but I think we're getting very close and I feel very good about it. I think with respect to the measurement of video, we probably have already seen it. With respect to the broader application of the metric across display and video, I think that's going to take a little longer. But I'm feeling very good about where things are.

**Ashwin Shirvaikar**
*Analyst, Citigroup Global Markets (United States)*
Q

Okay. And you guys obviously, have plenty of flexibility in your cost structure, which you've shown throughout the year. But in terms of this going forward, how sustainable is that cost flexibility with regards to clients? About half the top 10 clients slowing down in Insights and so on. Are you likely to actually continue to use that flexibility? Or will you keep making investments for the future? So short term versus long term question?

**David L. Calhoun**
*Chief Executive Officer, Nielsen Holdings NV*
A

Yeah. So – look, the reason we're going to end up at the high end of our margin improvement, is simply because the investments that we've been making have been built, all built around the Information side of our business, right? And they've all been paying off. And so the mix shift that – I wish the mix shift hadn't been as dramatic this quarter, as it was, because I wish the Insight business had a little more strength to it. But that mix shift is something that we – that's designed, we're working toward and it helps us with respect to margin expansion going forward. So I feel very good about that.

Our insight business is – it's relatively easy to manage the variable cost side of that one, relative to the demand. That said, we're still investing toward a very strong growth scenario for Insights, because we believe in them. We've always had spikes and valleys in the Insight business over the years. So we're not giving up in any way, shape or form. Someday, we'll get a little help from the economy, not sure when, but someday we will and these things will all come running back. So I'm not – we're investing just like we were the quarter before and the quarter before that, mostly built around Information businesses and I think that's about it. No change that I would point to and I think the model just keeps playing the way it's been playing.

**Ashwin Shirvaikar**
*Analyst, Citigroup Global Markets (United States)*

Q

Got it. Thank you.

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

A

Thanks, Ashwin. Operator, next question please?

**Operator**: Our next question comes from Suzi Stein of Morgan Stanley. Please go ahead.

**Suzanne Stein**
*Analyst, Morgan Stanley & Co. LLC*

Q

Hi. Can you talk about your longer-term plans, as far as your capital allocation strategy? You're quickly de-levering the balance sheet and I just wanted to know your thoughts on when you might consider a dividend or a share buyback?

**Brian J. West**
*Chief Financial Officer, Nielsen Holdings NV*

A

Well, I think as we noted, the thing we feel great about is getting the most recent milestone behind us, which is refinancing these high-coupon notes. And then, from where we're going and the future capital structure, we will be thoughtful and descriptive when we're ready.

**David L. Calhoun**
*Chief Executive Officer, Nielsen Holdings NV*

A

But we're approaching that. We're approaching that policy decision and it won't be that far off that we'll let the world know.

**Suzanne Stein**
*Analyst, Morgan Stanley & Co. LLC*

Q

Okay. And then, comScore has been making a bunch of announcements with respect to products that look like they're meant to compete with XCR. Have you guys seen anything out in the market, that you think is new and viable as competition to your product?

**David L. Calhoun**
*Chief Executive Officer, Nielsen Holdings NV*

A

Yeah. Not a thing.

**Suzanne Stein**
*Analyst, Morgan Stanley & Co. LLC*

Q

Okay. Thank you.

**David L. Calhoun**
*Chief Executive Officer, Nielsen Holdings NV*

A

Yep.

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

Thanks, Suzi. Next question please?

**Operator**: Our next question comes from Matt Chesler of Deutsche Bank. Please go ahead.

**Matt T. Chesler**
*Analyst, Deutsche Bank Securities, Inc.*
Q

Hi. Good morning. First question around Watch. You guys have talked about how you thought that there would be timing, I think you characterized it as a timing benefit in the second half, within the Watch division, partly because of some of the choppiness of the comps issues, perhaps because of some of your product rollouts. Have we already started to see that in the third quarter? Or are you envisioning that a lot of that would be in the fourth quarter?

**Brian J. West**
*Chief Financial Officer, Nielsen Holdings NV*
A

I think we've been pretty consistent for our Watch business, it's a typical 4% to 5% grower over the course of a full year. There might be moments when a quarter might have some discrete things. The first half, it grew 4%, this latest quarter, it grew 5% and we still think that that's the steadiest part of the portfolio and we wouldn't expect the future look much different than the historical context.

For us, what we feel good about, is all of the smaller wins we have in various parts of the business, whether it be International or Ad Solutions. Those are nice growth wins and we think that momentum will keep with us. But again, it's a big business, 4% to 5% is what we expect.

**Matt T. Chesler**
*Analyst, Deutsche Bank Securities, Inc.*
Q

How would you characterize the monetization of OCR and XCR, as contributing to that? That good steady state run rate?

**Brian J. West**
*Chief Financial Officer, Nielsen Holdings NV*
A

Again, we never had that in any of our numbers and when we do, we'll let you know. It's always been – we always have talked about that being out.

**Matt T. Chesler**
*Analyst, Deutsche Bank Securities, Inc.*
Q

And just a final real quick one, is on the restructuring. It's tracking a little bit below the $75 million to $100 million out there. But given the revenue trend, should we expect more in the fourth quarter? And then, do you think you're done after the fourth quarter? Or might there be more beyond that?

**Brian J. West**
*Chief Financial Officer, Nielsen Holdings NV*
A

No. I think for the year, Matt, $75 million to $100 million is the right zip code for where we expect the cash side for this to land. So there's been no change. And then, as far as next year, we'll – as we get closer into having the

2013 discussion, we'll certainly update that topic. But for us, again, there's nothing episodic in front of us that we'd expect to have a big huge restructuring, similar to what we had this year.

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**Matt T. Chesler**
*Analyst, Deutsche Bank Securities, Inc.*
Q

Okay. Thanks, Brian.

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

Thanks, Matt. Next question please?

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**Operator**: Our next question comes from Sara Gubins of Bank of America Merrill Lynch. Please go ahead.

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**Sara Rebecca Gubins**
*Analyst, Merrill Lynch, Pierce, Fenner & Smith, Inc.*
Q

Thank you. Good morning. First question, in developing markets are you seeing similar changes in demand from local clients and your multinational clients? Or is it more weighted towards the multinational clients?

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**David L. Calhoun**
*Chief Executive Officer, Nielsen Holdings NV*
A

It's still a – as it has been the last quarter or two, is multinational experience. The local clients continue to grow at a very healthy rate for us, particularly true in China, Brazil, et cetera. So – now it's been a – it's definitely been a multinational phenomenon.

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**Sara Rebecca Gubins**
*Analyst, Merrill Lynch, Pierce, Fenner & Smith, Inc.*
Q

Okay. And then, on the Watch side, one of the issues that you've talked about in the past, is in terms of Cross-Platform measurement, is the idea that advertisers need to get comfortable with it and understand how they want to value various parts of Cross-Platform measurement. Are you seeing any change in the marketplace around this, that makes you more comfortable with growth potential in Cross-Platform measurement products?

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**David L. Calhoun**
*Chief Executive Officer, Nielsen Holdings NV*
A

Well, the big thing in my view, is going to be whether the agency world can affectively guarantee audiences across both mediums and then, trade audiences across both mediums. Now, I think as you know, [ph] Hubama (28:15) has made some real steps here and has approached the marketplace in that way and I think has been successful. But at this moment, it's still early in the game. So my hope is that they will be very successful. The rest of the market will follow. And if in fact, audience guarantees, which can be traded across mediums can happen, that is the proof point on what we're talking about.

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**Sara Rebecca Gubins**
*Analyst, Merrill Lynch, Pierce, Fenner & Smith, Inc.*
Q

Okay. Thank you.

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**David L. Calhoun**
*Chief Executive Officer, Nielsen Holdings NV*
A

Yep.

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

Thanks, Sara. Operator, next question please?

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**Operator**: Our next question comes from David Bank of RBC Capital Markets. Please go ahead.

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**David Bank**
*Analyst, RBC Capital Markets Equity Research* — Q

Hey. Thanks very much. Two quick questions. The first one, is historically, given that Insights is that more discretionary part of the spend and the less contractually tied in, can you talk about historically, how much Insights has been a canary in the coal mine of what happens when the contracts get reset or when the contractual spend gets evaluated for next year? Is it – does it tend to be a canary in the coal mine? Or is it not quite as correlated?

The second question, is on the Watch side. There's been a lot ofvolatility in the ratings for the – particularly the broadcast networks in the beginning of the 2013 season. And I'm wondering if that has been a catalyst for any more activity in XCR and OCR? In that you'd think the networks are trying to capture eyeballs in any way they can and the quicker that technology gets adopted, the methodology gets adopted, the quicker they're going to be able to add back some eyeballs. And has there been increased discussion around that since the new seasons began? Thanks.

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**David L. Calhoun**
*Chief Executive Officer, Nielsen Holdings NV* — A

Yep. So to the first question, absolutely zero correlation, really. The two books of business that operate independent of one another in a big way. And it's funny, the harder things get, actually the more compelled our clients are to comb over the market share data that they have. So it's a zero correlation.

On the second one, there is an intense discussion at all times around capturing more eyeballs. And so for all of us, we are busy trying to find the next eyeball, the iPad coverage, et cetera. And we are solving for those things and we will get those done and eventually, incorporated into the big currencies that they use to trade advertising. The issues tend to be sorting out who gets credited for these audiences and eyeballs. Is it the distribution? Is it the content, et cetera? So – but the intensity around wanting to get them and the push to get them, has always been there and it still is there.

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**David Bank**
*Analyst, RBC Capital Markets Equity Research* — Q

Thank you.

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**David L. Calhoun**
*Chief Executive Officer, Nielsen Holdings NV* — A

Yep.

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

Thanks, David. Operator, next question please?

**Operator**: Our next question comes from Todd Juenger of Sanford Bernstein. Please go ahead.

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Todd Juenger
*Analyst, Sanford C. Bernstein & Co. LLC*

Q

Hey. Good morning. A quick one, I guess on the Watch business. You made the comment, you had a strong local contract season and including Sinclair, who had publicly made some comments about not renewing, I think, certain contracts when they first came up over the summer. I think they even referred to, saying something about the price-value relationship wasn't where they needed it to be. I was just wondered, if you could tell us what you did to change their mind and obviously, get them back on board?

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David L. Calhoun
*Chief Executive Officer, Nielsen Holdings NV*

A

Yeah. I don't – I'm not going to talk about Sinclair discreetly, but what I will tell you, is that we have been out communicating broadly to the local television marketplace and all the interested parties. A broad program to increase the coverage of our sampling, we introduced new technology to the sampling process. We're going to incorporate some set-top box data into the sample as well. So at the end of the day, they're going to end up with a much more stable metric and this is something they've pressed on us for a long period of time, but now they see that program in full swing and I think that matters a lot.

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Todd Juenger
*Analyst, Sanford C. Bernstein & Co. LLC*

Q

Terrific. One quick follow-up, if I may. Just with all the talk about OCR, could you make a quick comment about the product net ratings? And what is the role of that going forward? Who are the customers? What they might use that for? And how does that fit into the picture?

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David L. Calhoun
*Chief Executive Officer, Nielsen Holdings NV*

A

Yeah. So it's a – think about that as a planning tool that the agency world and others would use to, in effect, target audiences and then, go out and ultimately procure those audiences. OCR, in many ways, was an attempt by us to build a real overnight metric that had accountability and a broad set of demographics attached to it, that would in many ways, supplant the need for that planner as the tool of choice. So that's a product that over time, will mean a little less to us. We will continue to develop it as a – just a planning tool, but OCR takes away a lot of the utility that it used to – that [ph] Net Planner (33:39) used to provide. So we've been, in some ways, eating our young on that one.

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Todd Juenger
*Analyst, Sanford C. Bernstein & Co. LLC*

Q

Makes sense. Thanks a lot.

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David L. Calhoun
*Chief Executive Officer, Nielsen Holdings NV*

A

Yep.

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

A

Thank you, Todd. Operator, next question please?

**Operator**: Our next question comes from Doug Arthur of Evercore. Please go ahead.

Douglas M. Arthur
*Analyst, Evercore Partners (Securities)*
Q

Yeah. Brian, two questions. I think last – second quarter you put a range on the weakness in Insights in Western Europe of down about 20%. Is there a similar figure for the third quarter? And then I've got a follow-up.

Brian J. West
*Chief Financial Officer, Nielsen Holdings NV*
A

Yeah. Western Europe was about that range down, in the 20%, in the third quarter as well.

Douglas M. Arthur
*Analyst, Evercore Partners (Securities)*
Q

Okay. And then – thank you. And then, on SG&A, continued to be down pretty solidly year-over-year. Is that something that's likely to continue, at least on the near-term basis?

Brian J. West
*Chief Financial Officer, Nielsen Holdings NV*
A

Again, as we think about the model and the mix shift, that's what leads us to have confidence that as we think about the total year, margins will be at the higher end, at the 50 basis points of expansion. And that's because the model and the cost efficiencies come into play, particularly as you grow your syndicated products faster.

Douglas M. Arthur
*Analyst, Evercore Partners (Securities)*
Q

Okay. Great. Thank you.

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

Thank you, Doug. Operator, next question please?

**Operator**: Our next question comes from Tim Nollen of Macquarie. Please go ahead.

Tim W. Nollen
*Analyst, Macquarie Capital (USA), Inc.*
Q

Hi. Thanks. I want to come back on the question of the current broadcast rating season, or the current rating season, for TV. Hearing what you're saying on OCR and understanding what the potential is there, one of the other issues seems to be time-shifted viewing, i.e. more DVR viewing. Your current standard of course, is C+3 and I wonder if there's any discussion in the industry about extending that window of measurement?

And then, secondly, could I just ask for a quick follow-up on your – I guess you'd call them your Ad Solutions business, what I think of as your merging of your Watch and your Buy data. What do you have as a product? And what should we expect from that in the near term? Thanks.

**David L. Calhoun**
*Chief Executive Officer, Nielsen Holdings NV*
A

Yeah. So first one, again, was time shifting. Time shifting is, it's real, it's always been real. C3 is a currency that the – our buyers and agencies choose. We do measure time shifted, right down the chains. So you can go to C+7, you can go all the way down the list. And I actually have heard a fair amount of pressure in the industry to include more days. So I don't know whether that happens or not, to be honest with you, because there's buyers and sellers involved in that. But we measure it all and if they want it and decide that they're going to include it in that, we'll provide it next to it. So it's not hard to do. And then, the next question.

**Brian J. West**
*Chief Financial Officer, Nielsen Holdings NV*
A

Yes. And then, Ad Solutions for us and some examples of products, we think about our world in a couple of phases. There's the Reach side, which is TV ratings. The other side is residence, where did the brand break through and some of the products would be brand effect. We measure both in TV and online, whether or not there was recall. And also, we have a – on the reaction side, is did you get anything for your advertising? We have a product with Catalina, which is Nielsen Catalina joint venture, where we take our overnight TV ratings and match it with overnight shopper purchases and then, help advertisers get more insight into their spend.

We also have a product that does that broadly, called Nielsen Behavior Insight. So there's lots of different products that build off our Reach capabilities that we feel encouraged by.

**Tim W. Nollen**
*Analyst, Macquarie Capital (USA), Inc.*
Q

Okay. Still fairly small in terms of revenues I assume? And not much of a cost to investment requirement?

**Brian J. West**
*Chief Financial Officer, Nielsen Holdings NV*
A

It's relatively small, the total, but it's getting bigger and it's growing fast. So – and we're investing behind it.

**David L. Calhoun**
*Chief Executive Officer, Nielsen Holdings NV*
A

Yeah. You'll hear a lot more about that one, as we move forward.

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

Tim, for example, the Vizu acquisition that we did, actually contributed that online brand effect, real-time capability to do ad effectiveness.

**Tim W. Nollen**
*Analyst, Macquarie Capital (USA), Inc.*
Q

Okay. Thanks.

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

Thank you, Tim. Operator, next question please?

**Operator**: Our next question comes from Bill Warmington of Raymond James. Please go ahead.

Bill A. Warmington
*Analyst, Raymond James & Associates*

Q

Good morning, everyone. I wanted to ask if you could give us some preliminary broad brush thoughts on 2013? And then, also ask about your thoughts on the pace of investments in emerging markets?

David L. Calhoun
*Chief Executive Officer, Nielsen Holdings NV*

A

It's a little early for the 2013 discussion, but I will tell you, that the pace of investments is likely to be sustained at exactly the levels we are today, because we're in the middle of them and we don't see a reason to draw back. All these big developing markets continue to have new first-time consumers and despite the fact that multinationals are doing a little less on the Insight front, they do want the information. And that part of the business, as we build out that network, they don't usually blink on signing up. So we'll likely keep those investments at the similar levels.

Bill A. Warmington
*Analyst, Raymond James & Associates*

Q

Okay. And then, on OCR, a follow-up. Wanted to ask if you could give us a sense for what the revenue run rate contribution is now? And you've expanded into the U.K., just wanted to ask what do you think is next, in terms of countries?

Brian J. West
*Chief Financial Officer, Nielsen Holdings NV*

A

Well, in terms of expansion, there's six countries thatwe're going to go march and rollout, with a very similar product platform that we have in the U.S. We feel encouraged and U.K. is happy to be first. And in terms of the revenue run rate, at the right time when we feel confident about where the commercial tipping point is, we're going to be updating everyone and it's just too early to tell on that front.

Bill A. Warmington
*Analyst, Raymond James & Associates*

Q

Okay. Thank you very much.

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

A

Thank you, Bill. Operator, next question please?

**Operator**: Our next question comes from William Bird of Lazard. Please go ahead.

Bill G. Bird
*Analyst, Lazard Capital Markets LLC*

Q

Good morning. Could you talk a little bit about Answers on Demand? And how that initiative is developing? And then, secondly, how soon do you think XCR could become the currency for the upfront market? Thank you.

**David L. Calhoun**
*Chief Executive Officer, Nielsen Holdings NV* A

AOD is doing very, very well. Two major manufacturers on it now for better part of the year. It's performing well for them. They've gotten real benefit from it. In many ways, it facilitated the breakup of the Kraft enterprise into two. We did things in – over the course of weeks, that would have taken us six months or longer in the old days. And then, importantly, we have our first real retail application in the loyalty space with Safeway, that's going exceedingly well, giving them lots of insights and lots of loyalty data. So I feel very, very good about that and we will continue to look for the next major, either manufacturer or retailer, to expand that AOD playground.

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**Brian J. West**
*Chief Financial Officer, Nielsen Holdings NV* A

And then, OCR as a standard.

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**Bill G. Bird**
*Analyst, Lazard Capital Markets LLC* Q

Actually, XCR as a standard?

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**David L. Calhoun**
*Chief Executive Officer, Nielsen Holdings NV* A

Yeah. XCR, it's going to take a while, because you need all the agencies to understand what it is and have it line up against the TV ratings today and have to be delivered similarly. So as a standard, it's going to – there's months before we can get it even distributed in such a way that it could become a standard. But I feel good about the prospect. And as I said, I think if GroupM early runs are indicative, I don't think the others will hesitate. And then, our job is to make sure we have the metric distributed alongside. So anyway, I hope – hopefully that answers your question.

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**Bill G. Bird**
*Analyst, Lazard Capital Markets LLC* Q

Thank you.

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

Thanks, Bill. Operator, next question please?

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**Operator**: Our next question comes from Kelly Flynn of Credit Suisse. Please go ahead.

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**Kelly A. Flynn**
*Analyst, Credit Suisse Securities (USA) LLC (Broker)* Q

Thanks. Sorry to get this granular on the organic growth guidance, but I think the answer of this question has a big impact on how we model the fourth quarter. So when you talk about sweeping the low end – towards the low end of the range, obviously, you're talking about 5%, but are we talking like 4% and change rounding up? Or you think you're going to get above 5%? Because if you get to 5%, I think that implies something like 7% plus organic growth in the fourth quarter. So trying to figure out, if that's realistic and if so, what's going to drive that acceleration in the fourth quarter? Thank you.

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**David L. Calhoun**
*Chief Executive Officer, Nielsen Holdings NV*

A

Kelly, I'm not going to make your forecast for you. If I knew it that precisely, I would tell you. We do have an Insights business, that for us is very hard to predict. We'd know that our Information business is strong and will continue strong. I have no idea where Insights moves here in the fourth quarter. So you can run your scenarios on either side of it. And what we know is, it'll be at the low end of that range. And so I don't know if it's above it, below it or whatever, but it's going to skirt that low end. It has to, because we have three quarters in the bank as you say and you just got to run your model just like we'll run ours.

**Kelly A. Flynn**
*Analyst, Credit Suisse Securities (USA) LLC (Broker)*

Q

Okay. But you are – I can absolutely do that, but you are implying some nice acceleration in the fourth quarter. So can you just help us with where that's going to come from?

**Brian J. West**
*Chief Financial Officer, Nielsen Holdings NV*

A

Well, I think that the – that which is large lender contract, that's going to be steady as she goes. The part that's harder to call at this moment, because the environment is Insight. So I don't know if that's helpful, but there is a base book of business that performs well and has performed well and we would have it continue. It's calling Insights, it's harder.

**Kelly A. Flynn**
*Analyst, Credit Suisse Securities (USA) LLC (Broker)*

Q

Okay. Got it. Thanks a lot.

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

A

Thanks, Kelly. Operator, next question please?

**Operator**: Our next question comes from Mark Zgutowicz of Piper Jaffray. Please go ahead.

**Mark J. Zgutowicz**
*Analyst, Piper Jaffray, Inc.*

Q

Thank you. Maybe just a quick follow-up on Kelly's question. And understanding that you don't have perfect visibility here, but was wondering if you could maybe better quantify the lag effect that you had spoke to earlier from emerging market's weakness. Obviously, your overall emerging business was up 4%, but you saw Insight down 9%. So I guess does that simply imply that we're going to see greater than 9% declines over the next couple of quarters?

**Brian J. West**
*Chief Financial Officer, Nielsen Holdings NV*

A

Look we're – again, Insights, because it is discretionary and you have a tough macro environment for our clients, harder to call and we're not going to be overly optimistic on what that result's going to be. The good news is, we got a bigger base of business that is under long-term contract, it's performing just fine.

**Mark J. Zgutowicz**
*Analyst, Piper Jaffray, Inc.*

Q

Okay. And then, just quick a follow on that. Walmart, we estimate that the incremental there was roughly $25 million plus and that's just assuming similar infill services growth that you saw in the first half of 2012. Just curious, if that's a rough – roughly in the ballpark? And if that's a good assumption for the next three quarters?

**Brian J. West**
*Chief Financial Officer, Nielsen Holdings NV*

A

Again, I can't comment on that assumption. For us, obviously, the Information business did have sequential higher growth in the quarter, partly it was due to the Walmart effect and we look forward to seeing that for three quarters forward. But it was part of it and it'll continue.

**Mark J. Zgutowicz**
*Analyst, Piper Jaffray, Inc.*

Q

Okay. And one quick last one on OCR. I'm just curious, how much do you factor viewability as really the roadblock to you really starting to see OCR really see an inflection point? If you were to throw that in the bucket of all those challenges that you're seeing at the agencies, is viewability at the top of the list? In the middle? Or how would you characterize that?

**David L. Calhoun**
*Chief Executive Officer, Nielsen Holdings NV*

A

Yeah. Listen, I understand that our competitor has tried very hard to make that a big deal, it's not. We have viewability already embedded in OCR. It is a perfectly adequate measure of it and it might get better over time. But viewability as something that's a tradable part of what we do, either us or the other guy, is going to get less and less and less important because all the servers ultimately are going to determine that. So I don't – I just don't see that as a big differentiator in any way, shape or form now and even less in the future.

**Mark J. Zgutowicz**
*Analyst, Piper Jaffray, Inc.*

Q

Super. Thanks. It's helpful.

**David L. Calhoun**
*Chief Executive Officer, Nielsen Holdings NV*

A

Yep.

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

A

Thanks, Mark. Operator, next question please?

**Operator**: Our next question comes from Davis Hebert of Wells Fargo Securities. Please go ahead.

**Davis Hebert**
*Analyst, Wells Fargo Advisors LLC*

Q

Good morning. Thanks for taking the question. I just wondered if you could quantify the local TV broadcast as a percentage of revenue for the Watch side? And how material competition effect is there? And then, secondly, just a comment on how you see the ratings playing out, whether you want to be investment grade at some point?

**Brian J. West**
*Chief Financial Officer, Nielsen Holdings NV*
A

So local TV is small, we've described that before. It's not a big mover, but making sure the product works for local clients is actually something we're focused on. And in terms of the long-term capital structure, we know that we always said that there's a path to investment grade, we can get there, we like the deleveraging features of the model and we'll get more precise exactly what that looks like in the not-too-distant future.

**Davis Hebert**
*Analyst, Wells Fargo Advisors LLC*
Q

Okay. Thank you.

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

Thanks, Davis. Operator, next question please?

**Operator**: Our next question comes from Gary Bisbee of Barclays Capital. Please go ahead.

**Gary E. Bisbee**
*Analyst, Barclays Capital, Inc.*
Q

Hi. Thanks. Good morning. I guess the question, what's the natural operating leverage in the business model, if you achieve the mid single-digit revenue growth targets and were not investing so aggressively in developing markets and building out OCR and the other places you've been investing?

**Brian J. West**
*Chief Financial Officer, Nielsen Holdings NV*
A

Yeah. We've always said that the model without any reinvestment does about 100 basis points of expansion, but we choose to deliberately reinvest anywhere from 50 basis points to 70 basis points back into the business in the name of growth. Right now, it happens to be around developing markets. And as Dave mentioned, those are things that over the long term, are important to our clients and therefore, important for us. And we continue to feel optimistic about those investments.

**Gary E. Bisbee**
*Analyst, Barclays Capital, Inc.*
Q

If we think about the next couple of years, is there a strong roadmap of continued areas to invest, that you're planning to make? Or is there likely to be an inflection point at some point, where more of that falls to the bottom line? And I guess the context around that question, is that I think in past calls you've made commentary that at some point over the next year, you get to a point where the rate of change in those investments in developing markets and it sounds like you're already a lot of the way through it and OCR will start to decelerate a bit. Is there more stuff coming? Thank you.

**David L. Calhoun**
*Chief Executive Officer, Nielsen Holdings NV*
A

The answer is yes. I don't want anybody to try to dream up a scenario where we invest less, because it's – this is not the nature of what we do. So geographical expansion is what we've talked about for the most part here in the last couple of years. There's also a geographical penetration. It's not good enough to just cover it at the highest level, you then, have to get down into city zip codes, et cetera. And in China, that number is a big number of locations.

And then, secondly, with respect to coverage, even in the developed world, we're going to continue to march down the e-commerce space in such a way that we continue to incorporate more and more e-commerce transactions into our overall metric, et cetera. So it's – these things will be called out in different ways as the markets are ready for them and as the data and our ideas are good.

So I just would discourage folks from trying to write down our investment scenario, at least at this stage. I still see way more opportunities for us to invest and grow the business, than I do short falls.

**Gary E. Bisbee** Q
*Analyst, Barclays Capital, Inc.*

Thank you.

**David L. Calhoun** A
*Chief Executive Officer, Nielsen Holdings NV*

Yep.

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

Thanks, Gary. Operator, I think that's our questions?

**Operator**: Yes, ma'am. That concludes the question-and-answer session. I'd like to turn it back over to Ms. Zale for any closing remarks.

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

Great. I just wanted to thank, everyone, for joining us today. We look forward to interacting with all of you at upcoming conferences and other meetings as we close out the year. And just a reminder, you can also follow Nielsen IR on Twitter and don't forget to download the Nielsen IR iPad app from the App Store. Thanks, everyone.

**Operator**: This concludes the Nielsen Holdings N.V. Third Quarter 2012 call. A replay of this call will be available on the Nielsen Investor Relations website shortly. Thank you.