25-Apr-2013

Nielsen Holdings NV *(NLSN)*

Q1 2013 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, everyone, and welcome to the Nielsen Holdings NV First Quarter Earnings Conference Call. [Operator Instructions] After today's presentation, there will be an opportunity for you to ask questions. [Operator Instructions] Please also note that today's event is being recorded. I would now like to turn the conference call over to Ms. Liz Zale, Senior Vice President of Investor Relations. Please go ahead.

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 first quarter 2013 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, April 25, 2013. 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 2012 Form 10-K and other filings and materials which you can find on nielsen.com/investors or at thesec.gov website. 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'll use on this call is available under the Event section of our Investor Relations website at nielsen.com/investors.

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 on today's call and on our IR website.

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

With that, I will turn it over to our CEO, David Calhoun.

David L. Calhoun

Chief Executive Officer & Executive Director, Nielsen Holdings NV

Thank you, Liz, and good morning. We had a very solid first quarter as we enter the year. Our revenue was up 4% on a constant currency basis, 3% on a reported basis. We had very strong growth in recurring revenue, which is the long-term, more subscription-oriented business that we enjoy; still pressure on our Insight business. As you look around the world, we see a slow-growth environment, but a stable environment with one exception, and that's Europe, which enters its third year of basically moving sideways. But all-in-all, a solid, solid quarter.

Adjusted EBITDA grew 5% on a reported basis and 6% on a constant currency basis. We had a very healthy margin expansion embedded in that. And adjusted net income grew 26% on a reported basis and 29% on a constant currency basis. There's been no change in our outlooks and our investments in growth opportunity, so we remain fully invested, and with our natural margin expansion, we have the ability to continue on that course.

We had very strong free cash flow in the first quarter, $70 million better than a year ago, and that supports the capital policy adjustment we made as we entered the year. And so we feel very good about continuing along those lines. Arbitron shareholders approved a transaction roughly a month ago and a regulatory process with respect to Arbitron is ongoing. We're responding to the second request. I've had very constructive and favorable feedback from the radio market, so feel good about how that process continues. And then finally, we will reaffirm our 2013 guidance.

The next Page, 6, is just a few of the significant growth opportunities that we have. We talk frequently about our program Reach and Read, which is to continue to build coverage across all of Africa, rural China, rural India. That program continues and we continue to capture more and more consumers in that process. We are doing a very good job of activating our Buy data. We have a couple of products we don't talk frequently about, Global Track being one, which is the ability to, in essence, track market shares all around the world for some of our big multinationals and we recently signed another big client to that product. We have a Total Store Read when we acquired the Perishables Group. We now have an ability to really measure all of what a store is capturing by way of market share, and many of our clients, including Safeway, have done a terrific job with that. And then finally, Nielsen Catalina, which is a long-term investment that we made which marries some of our Watch and Buy data, is off to a really good start here as we enter the year.

We continue to build on a business that we refer to as Ad Solutions, which is, in effect, the marriage of Watch and Buy data, and it measures brand effect for television, and now with the Vizu acquisition, online and digital. And we have a new product, Neilson Buyer Insights, which is the marriage of Credit Card data with all of our Watch data. At any rate, this package of products and the Ad Solutions approach to the marketplace has done exceedingly well and continues to grow at a healthy double-digit pace.

We've increased the reach of the OCR and XCR platforms, again, to bridge the digital world. We've had great success on this front. We continue to sign up more campaigns. We now have more than 200 advertisers and agencies, and we recently signed up the Omnicom Media Group. And so we feel very good. International expansion includes Australia, Canada, Germany and Italy, so we continue to stay on a very good course with respect to OCR.

Social Television ratings is a product, as you know, we created a relationship with Twitter that will be introduced here as we enter the fourth quarter of the year. Importantly, the Social Guide product that we acquired, again, and uses the Twitter feed, is off to a really good start and we've got a lot of interest across all the media companies and ad agencies. And at least based on the first couple of months, I feel real good about the prospect of that product and the interest.

And then finally, we continue to capture more audiences across more devices. That, of course, is always our objective. First, to measure, second to roll them into our commercial ratings, and that's a process we'll stay on forever. But we continue to make great progress.

So with that, I'll turn it over to Brian. He'll fire through the financials, and then we'll get to Q&A. Thank you.

Brian J. West

Chief Financial Officer, Nielsen Holdings NV

Thanks, Dave, and good morning. First quarter revenue was $1.37 billion, up 4% constant currency, as Dave mentioned. Adjusted EBITDA was $349 million. That's up 6% constant currency. And margins expanded 42 basis points to 25.4%.

We did see the impact of foreign exchange in the quarter. FX rates were a drag of 90 basis points on revenue and around 100 basis point drag on EBITDA. Adjusted net income was $145 million, up 29%, a strong result driven by first, our continued deleveraging; second, the refinancing of our term loan and the associated benefit from lower interest costs; and three, our ongoing long-term favorable tax attributes. All that rolled into, as I said, a nice earnings growth quarter.

Adjusted income per share came in at $0.38, and finally, our free cash flow was a usage of $60 million. And as Dave pointed out, that's an improvement of $69 million versus the same time last year, reflective of the underlying business performance.

If I move onto Page 9, segment revenue, first quarter was – you had another quarter of consecutive top line growth. Total Buy revenue was $825 million. That's up 5% constant currency. Information Services was $648 million, up 7%. And that's driven by growth in both North America and the developing markets reflective of where we invest. The smaller part of Buy Insights was $177 million. It's down 4% year-over-year, which is a better sequential growth trend versus the fourth quarter of last year. And developing markets were up 6%. On one hand, the global multinational clients are still cautious, but the other hand, we saw continued strength from local and regional clients.

Total Watch revenue was $494 million. That's up a nice 4%. Another consistent performance from TV measurement. And double-digit growth, as Dave mentioned, from our Ad Solutions business. A side note, we made a small adjustment related to one of our legacy online businesses to discontinued operations. There's a page of the appendix to help you update your models.

Moving onto Expositions, revenue was $57 million. That's a decrease of 7%.It's all due to tradeshow timing between quarters. You'll see this flip around in 2Q when we expect to see the Expo segment grow double-digits. So core revenue, if you take out Expositions, was up 4.5% constant currency, as Dave mentioned, a nice one for us, very steady.

Page 10, profitability. First quarter adjusted EBITDA was $349 million, up 6% constant currency, and again, 42 basis points of expansion. Buy EBITDA was $124 million, up 5% as we continue to fund growth investments. Watch EBITDA came in at $199 million, up 7%, with very nice continued margin expansion reflective the scalability of the business model. Expositions EBITDA was $32 million, down 11%, again, all due to show timing. And we expect strong double-digit EBITDA growth in Expositions in the second quarter. Overall, we're delivering on our cost management productivity efforts while funding the growth investments and expanding margins.

Turn the page to 11. We do see the impact of fluctuations in foreign exchange rates because – in our reported results that is – as almost half of our revenues were outside the U.S. The bar graph depicts both the historical and projected foreign exchange impact on our revenue. In 1Q, you see the drag of 90 bps. And if all rates stay the same, constant for the remainder of the year, second quarter revenue will have a small drag of around 10 basis points on revenue. And then the full-year will see a drag of 40 basis points, both on revenue and on EBITDA. I remind everybody this is just a translation effect as we report. We always talk about constant currency, which reflects the underlying operating performance of the business.

Moving onto Page 12, upper-left, free cash flow in the quarter, use of $16 million. As I mentioned, almost [ph] $70 million (12:13) better than last year, driven by the operating performance and lower interest costs. CapEx came in at $70 million. Cash taxes, $29 million, that low rate driven by the long-term attributes that we enjoy. And restructuring came in at $21 million.

On the balance sheet, bottom-left of the chart, net debt came in at just over $6 billion and the net debt ratio was 3.76. On the cap table on the right, we refinanced $3 billion in the quarter and lowered our rate by around 56 basis points. And it really took our – it's the driver that took our weighted average interest rate to just under 4.5%. And as you can see from the table, we still have higher coupon notes in the cap structure that we view as an opportunity going forward.

Moving onto Page 13, 2013 guidance. As Dave mentioned, we're reaffirming guidance. Revenue growth at 4.0% to 5.0% constant currency growth, adjusted margin expansion in the 40 basis point to 60 basis point range. The adjusted net income growth versus the last February earnings call has been updated to plus 15% to 19% constant currency, which just reflects the benefit of the refinancing of the lower interest expense.

Our reported adjusted net income per share is at $2.13 to $2.19. We'll leave that where it's at and reaffirm there. And everything else we haven't changed, other than a very slight tweak to the share count number.

So with that, I will turn it over to Liz and we can start Q&A. Thank you.

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

Operator, go ahead. We'll take the first question.

QUESTION AND ANSWER SECTION

Operator: Ladies and gentlemen, at this time, we'll begin the question-and-answer session. [Operator Instructions] Our first question comes from Sara Gubins from Bank of America Merrill Lynch. Please go ahead with your question.

Sara Rebecca Gubins
Analyst, Bank of America Merrill Lynch

Q

Hi. Thanks. Good morning. Could you give us some more details on what you're seeing in Europe? Particular markets and how that might vary between Information and Insights?

David L. Calhoun
Chief Executive Officer & Executive Director, Nielsen Holdings NV

A

Yeah, Sara. Europe has been and continues to be a pretty big drag on our company. As you know, for almost three straight years, it's basically been going sideways. The reason it goes sideways is because the Information business holds up very well, which it has, and the Insights business, which declined significantly in the first 18 months, it gets smaller and smaller. I don't see that changing. The only thing that probably gives us some concern as we look for the rest of the year is just the extent to which it influences Eastern Europe, which we always have viewed as a developing market. So to be honest with you, I do think the Europe situation doesn't get any better. I think we're going to have the sort of stay in the status quo as the way – as how we think about it for at least another year or two and then get on with business in the other markets around the world. But it's been a tough situation. I think it's going to stay a tough situation as far as I can see.

Sara Rebecca Gubins
Analyst, Bank of America Merrill Lynch

Q

Okay. And then second, in the Insights business, it does seem like the revenue declines may have bottomed. So first, I want to just check and see if you think that that's fair. And then second, where are you seeing the improvement or easing of pressure? And are there any signs that your global clients might be thinking about ramping their spend later in the year?

Brian J. West
Chief Financial Officer, Nielsen Holdings NV

A

So Sara, there's no doubt, we saw bottom as we exited 2012 where the back half of that year was in the down 8%, 9% range. And we saw that getting better as you turned the corner in 2013. I'd also remind you, as you probably know, there is a comp phenomenon here. So the first quarter of last year was the highest-single quarter for Insights growth in probably two years. It grew 7%. So I'm up against that a little bit. But from our view is if everything stays basically the way it is in that part of our business as you go through 2013, it's got to get better because comps get better and it'll start to grow just because of the math. So what we're seeing out there relative to some of the client behavior is that the developing markets look like they're getting a little bit more investment on a relative basis, and that feels pretty good. And then client-by-client, it can be different. But the global clients, still, there's no doubt are feeling pretty cautious in general.

David L. Calhoun
Chief Executive Officer & Executive Director, Nielsen Holdings NV

A

Yeah, I – to even get more specific about the end of that question, I don't see breakout opportunities to the upside, just by way of attitude with all the multinationals. If we're going to continue to feel really good growth with the local clients in all the developing markets, I think that's going to be a – continue to be great. But I don't see any big upside sort of popping with the multinationals.

Sara Rebecca Gubins
Analyst, Bank of America Merrill Lynch

Q

Great. Thank you.

Operator: Our next question comes from Andrew Steinerman from JPMorgan. Please go ahead with your question.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Q

Good morning. I want to ask about the All Outlets Combined database, the so-called Wal-Mart database, and when you think about the full-year guidance of 4% to 5% constant currency. As we go into the second half of the year, is there going to be a comps challenge year-over-year because as we anniversary the AOC data? And then the second part of the question is, is the AOC data driving any additional Buy Insights business, kind of more specific, not a cyclical rebound, but Buy Insights benefiting from the value of AOC data and desire to do more analytics around it.

David L. Calhoun
Chief Executive Officer & Executive Director, Nielsen Holdings NV

A

So there's going to be mix shifts that occur over the course of the year that I think we're pretty comfortable with how they're all going to play out, which allows us to feel good and reaffirm the guidance that we've given you for the year. Yes, there is a – there is definitely an adjustment that occurs with respect to the inclusion of Wal-Mart for the 12 months up through about the end of the second quarter. But what's going on in the Insights business and the comps that sort of play out over the course of the year sort of more than offset that.

So – and we've got another factor, which is sort of some share shift gains that we have had over the course of the year. We don't report individual wins and losses, but we can account for them pretty clearly and know when they come and how they come. And so I feel real good about reaffirming that guidance. And yes, you're going to see some shifts in the mix of our business due to the Wal-Mart phenomenon.

We are no doubt seeing more analytics based on Wal-Mart and the Total Store Read stuff that we have. There's no doubt about that. But some of that offsets other Insight work that we do. And as I've said on this call many times and probably frustrate everyone, we don't know exactly what that offset is. So we try to just account for the aggregate Insight business and order rates. We feel good about where they are today. We don't need a big upside to happen in Insights for us to have favorable comps as we run through the rest of the year. And that's really the basis for our guidance. Brian, do you want to add anything to that?

Brian J. West
Chief Financial Officer, Nielsen Holdings NV

A

[ph] No (19:30).

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC
Q

Sounds good. Thank you.

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

Yep.

Operator: Our next question comes from Matt Chesler from Deutsche Bank. Please go ahead with your question.<Q – [06CSKR-E]Matt Chesler – Deutsche Bank Securities, Inc.>: [ph] John (19:43), on the Watch division, there's been a mismatch or I'd say an outperformance within the segment where your TV revs are outperforming the overall segment and it looks like there's also pretty good performance from your Ad Solutions business. So maybe you can comment on the part of the business there that's weighing it down. It sounds like you did get rid of some of your legacy online business. And is there point later in the year where this segment starts to look more like what the TV business is currently doing?

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

Yeah. Matt, you hit it exactly. It's – you still have – while we took care of one relatively small, actually very small, part of the legacy online portfolio and the disc ops, there's still online legacy stuff that's running off. And we've been pretty clear about that we were just going to manage that down. And you're seeing that. And to your point, I think as you start to get later in the year, you'll start to see our Digital business, our Ad Solutions business, our TV business stable, all start to move generally in a more consistent direction. But we're still at the tail end of running off some of this old legacy online stuff.

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

Can you be little bit more specific what is the online piece that is running off and why? And also can you comment a little bit on any initiatives you're making within local. I think I read out there that you're expanding your hybrid local measurement. What can we expect going forward?

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

Well, remember, part of that legacy online was old real planning tools that really were antiquated and probably were relevant 10 years ago to how you measure the Web that really aren't today. And those are still hanging around, albeit much smaller. And that's the stuff that you'll start to – you continue to wind down. You want to fulfill some responsibility to clients, but then you're going to get out of it. And that's the piece that I'm talking about. The local side feels very good in our view, particularly around how we launched local hybrid.

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

Matt, you'll recall that OCR was designed to displace the planning tool that previously was used as the audience reach measurement tool. OCR becomes the reach measurement tool and it really obsoleted that planning tool for us. And we have been basically allowing that to sort of drift down. It's not a big number anymore, and as I said, as Brian said, I think by the time we get to the second half of this year, it becomes pretty much de minimis.

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

Q

Is there a point at which you can slow down investment in there and it shut down some legacy systems and actuate the size of revenue loss, get some profitability benefit from it?

David L. Calhoun
Chief Executive Officer & Executive Director, Nielsen Holdings NV

A

Yes, but I wouldn't overstate that one. The truth is – I mean with respect to just the online piece, we have much bigger benefits to harvest in closing down old legacy systems in the bigger, broader Buy side of our business. So the answer to your question is yes, that's an ongoing productivity opportunity for us. It's part of why our margins continue to expand. I wouldn't attribute that all to just that online legacy piece. That's not going to be the biggest part of that.

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

Q

Okay. All right. Thank you.

David L. Calhoun
Chief Executive Officer & Executive Director, Nielsen Holdings NV

A

Yep.

Operator: Our next question comes from Suzi Stein from Morgan Stanley. Please go ahead with your question.

Suzanne Stein
Analyst, Morgan Stanley & Co. LLC

Q

Hi. Can you just give us a little more detail on the regulatory process with Arbitron? Just remind us where you are. And can you address any specific issues that the FTC is focused on? And any sense of when this would potentially close?

David L. Calhoun
Chief Executive Officer & Executive Director, Nielsen Holdings NV

A

Yeah. All I can do, Suzi, I'll tell you where we are. I'm not going to try to speculate outcomes because it's a regulator and that's not smart on my part. We are literally trying to complete the second request, which is the documentation that is required inside the company. We have to organize it. We have to sort of prepare summaries. And then we have to hand it over. So we are really at the tail end of that process, almost ready to give it all to them. They will then go through their reviews and questions. So we're not – I don't want to speculate as to exactly where we zero in. I would suggest that, as I said early on, the request itself doesn't surprise us, doesn't concern us. We're just going to do our best, respond. There's nothing about the documentation that we've organized and prepared that scares us. So we're just going to move down this way. But I can't really speculate for you what outcomes are going to be. I'm going to guess it's somewhere between 60 days and 4 months it'll take for them to just go through it and give us a response. So anyway, I'd like to be more specific, but I can't. They are a regulator.

Suzanne Stein
Analyst, Morgan Stanley & Co. LLC

Q

And how are you thinking about the acquisition pipeline now? Is this sidelining you, waiting for Arbitron or no?

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

No, no, no. No, no. We look at them all day long. We continue to look at them all day long. We have a pretty rich pipeline. We'll continue down that path. As I've said many times, our appetite is usually built around smaller tuck-in acquisitions that complement our product portfolio, like the ones we've been doing; Vizu, SocialGuide, Perishables, that kind of stuff. It's a rich and it's a deep pipeline, and we'll continue to add things.

Suzanne Stein
Analyst, Morgan Stanley & Co. LLC
Q

Great. Thank you.

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

Yep.

Operator: Our next question comes from Eric Boyer from Wells Fargo. Please go ahead with your question.

Eric J. Boyer
Analyst, Wells Fargo Advisors LLC
Q

Hello.

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

Yeah. Hi, Eric.

Eric J. Boyer
Analyst, Wells Fargo Advisors LLC
Q

Oh, hi. Thanks a lot. Hey, just want to make sure the assumptions around the Arbitron increasing are still the same.

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

Yeah, no change.

Eric J. Boyer
Analyst, Wells Fargo Advisors LLC
Q

Okay. Great.

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

What we – I think we talked about it in December. I think that's $0.13 EPS in the first 12 months and then [ph] 19% (25:38) in the following 12 months.

Eric J. Boyer
Analyst, Wells Fargo Advisors LLC
Q

Okay. Great. Thanks. And then you mentioned the Credit Insights acquisition. On the margin, are you seeing more competition from companies that capture retail purchase data from credit and debit data?

David L. Calhoun
Chief Executive Officer & Executive Director, Nielsen Holdings NV

A

No. Again, this wasn't an acquisition. This was a data deal, so we got what we think is the best source of credit card data. We married it with our Watch data and we're out in the marketplace with it. And it's a very, very good product. The truth is we don't see a lot of competition on that front, mostly because the difficulty is they don't have the Watch data to marry it to. So for us, that's a relatively easy thing to do. I also believe we have the single-biggest source of credit card data built into our product. So I feel good about that. And I don't see a significant competition today and I don't see one likely in the next 12 months to 24 months.

Eric J. Boyer
Analyst, Wells Fargo Advisors LLC

Q

Okay. Great. And then we haven't talked about Answers in quite a long time. Just wondering what the status is there?

David L. Calhoun
Chief Executive Officer & Executive Director, Nielsen Holdings NV

A

Yeah, we're very happy with Answers. As you know, the big-launch clients, two manufacturers, Procter and Kraft, and the big retailer Safeway with their loyalty program. So all three are performing really, really well. All three are adding the functionality. Our job now is to convert couple every year, and we'll do that.

Eric J. Boyer
Analyst, Wells Fargo Advisors LLC

Q

Are we at the point where we could see some cost savings from that platform, the migration off of the legacy platforms in 2014?

David L. Calhoun
Chief Executive Officer & Executive Director, Nielsen Holdings NV

A

Yeah, you'll see that. I mean that's part of our – definitely part of our long-term productivity opportunity. First build the platform, make sure it's robust, make sure it can handle the global marketplace, and then steadily convert our clients. And that is what we will do.

Eric J. Boyer
Analyst, Wells Fargo Advisors LLC

Q

Okay. Great. Thanks a lot.

David L. Calhoun
Chief Executive Officer & Executive Director, Nielsen Holdings NV

A

Yeah.

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

A

Thanks, Eric.

Operator: Our next question comes from Tim Nollen from Macquarie. Please go ahead with your question.

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

Q

Hi. Thanks. Could you please give a comment – another comment on the OCR and XCR business, which seems to have a lot of potential? You did refer to some great success and a lot of advertisers and agencies signed up. What more can you tell us, please, about where the business stands now and what the growth opportunity may be?

David L. Calhoun
Chief Executive Officer & Executive Director, Nielsen Holdings NV

A

Well, we're as bullish as we've ever been. We are not yet a standard in the industry. I think we are becoming one in the video advertising space, which is the rich part of the space and a space that in our view was the most important one to capture. So I feel very good about that. We're winning most of what we see; not all of what we see. And our job is to eventually turn this into a standard. So I don't know what to tell you other than we're adding more advertisers, we're adding more agencies. I think the inclusion of the Omnicom Media Group is another important sign because it's going to be the agencies in the end who as they make these conversions and learn how to make money themselves from this product, that's what's really going to accelerate its use. And so again, very steady progress. We're not going to call out numbers until we really get to significant critical mass and we can begin to talk about it as a standard. But we feel good about it. And that's pretty much all I can tell you at this stage.

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

Q

Okay. Thanks.

David L. Calhoun
Chief Executive Officer & Executive Director, Nielsen Holdings NV

A

Yep.

Operator: Our next question comes from William Bird from Lazard. Please go ahead with your question.

William Bird
Analyst, Lazard Capital Markets LLC

Q

Good morning. How would you characterize developing markets' conditions and potential for improvement? And then secondly, I was just wondering if you could drill down a little bit more on how you see the commercial opportunity for both Twitter ratings and Nielsen Buyer Insights? Thank you.<A – [004QSX-E]David Calhoun – Nielsen Holdings NV>: I feel better about the developing markets than I did a year ago. There is some stability. I think they all are planning on slightly slower growth objectives as economies, and that's actually a healthy thing. We are going to be beneficiary, already are, with the conversion to a consumer economy in China. So as I think everyone knows, looking at just the GDP numbers is not – that's not something that really influences us. There is a significant economic objective to move to a more consumer-oriented economy in China. That's a good thing. We get a lot of a support from the government to help them with policy development and building consumer confidence. So that feels right. I think we're going to have a really good run in India. We've had some terrific wins. They're in the order book and I feel good about how they're going to play out over the course of the year.

Latin America, probably the toughest of the developing world, but not bad. I mean it's going to be I think a good middle single-digit kind of game for us. So I feel good about all of it. Eastern Europe probably isn't going to feel as robust as it has historically for us, simply because the effects of Europe are creeping into it. And I think Russia is the one other country that's difficult. But all-in-all, better than that did a year ago for sure.

The Twitter product, I will tell you, again, it's small today. I'm way excited about it because I'm getting calls from everybody. The folks running the business for me are just pleading for more salespeople. So all the signals are really good. That's the SocialGuide product, which delivers audience information to advertisers, mostly for their own sell-side activities. When we get to real ratings that sit alongside our program ratings as we approach the fall, that's when the business really starts to play bigger. And that moment is going to come and I feel good about the prospects for it. So we'll call out numbers when they become meaningful enough to influence all of our financials. But right now, all I can tell you is it feels really, really good about the early momentum.

William Bird Q
Analyst, Lazard Capital Markets LLC

NBI?

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

[indiscernible] (31:36).

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

Oh, I'm sorry, NBI. Same thing. We've had a great uptake. It covers more than the CPG world. When we go after the CPG world, we need sort of product levels, SKU level kinds of data to really to help. This is retail establishment level data that you get from credit cards. It doesn't boil all the way down to SKU data. So it really – for the travel and leisure industries, and the industries that are most interested in attracting consumers to their particular retail outlet, that is where this one plays big. And so we're beginning to enter new markets that we didn't enter before. And it's actually very exciting. So anyway, again, off to a good early fast start, part of our advertising solutions success.

And we're almost at critical mass there where we can start really talking about it. But anyway, it's growing quickly.

William Bird Q
Analyst, Lazard Capital Markets LLC

Thank you.

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

Yep.

Operator: Our next question comes from Doug Arthur from Evercore. Please go ahead with your question.

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

Yeah, Dave, you – the Nielsen Catalina partnership's been around for a bit, but you seem to particularly call it out this quarter. Is anything I mean dramatically changing there? You mentioned as part of your – an overall solution offering. I'm just [ph] wondering amplify (32:53)?

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

We have a product we refer to as Brand Dashboard, which in effect, allows for brand managers who are looking for very specific consumers and very specific consumer behavioral attributes to in effect dial in specific programs that they should be advertising on. So it just is a – it's a much more precise way of placing advertising in the end. That is what the product's being used for. That was the original design of this joint venture. But believe it or not, we've literally just gotten to the launch. So again, it feels good. It's part of a nice portfolio and it's growing very quickly. So yes, you're right, the rubber's finally hit the road on that one.

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

Great. Thank you.

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

Yep.

Operator: Our next question comes from Brian Wieser from Pivotal Research. Please go ahead with your question.

Brian W. Wieser
Analyst, Pivotal Research Group LLC
Q

Oh hi. Thanks for taking the question. One thing I was noticing from your K recently actually was that if you look at the top-five Watch clients, which I guess are the broadcast networks primarily, you've got – you had about 15% year-over-year growth. But everyone else, by inference, was basically flat. I was wondering if you could characterize any diverging trends between the different Watch clients. I assume that the rest is sort of the agencies and smaller networks. A second question around [indiscernible] (34:14)...

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

Hey, can I just address that quickly because I think maybe you ought to just take that offline and talk directly to Liz. I don't recognize that data at all.

Brian W. Wieser
Analyst, Pivotal Research Group LLC
Q

Okay.

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

I wouldn't agree with that characterization at all.

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

So I don't want anybody to get the wrong impression either.

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

Business grows across the breadth of the business.

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

Yeah.

Brian W. Wieser
Analyst, Pivotal Research Group LLC
Q

Okay. So separately, on online campaign ratings, it sounds like certainly a lot of traction among agencies. But when we heard that Google, for example, has not adopted or embraced it, I'm curious to, maybe just speaking more generally, among those publishers which have not signed up, do you get a sense that it's mostly just a commercial discussion versus a strategic one? In other words, there may be some players who want to create a competing currency or just won't sign up under any terms. Or is it just a question of eventually coming to commercial terms? I'm curious for any thoughts you have on that.

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

Well, with Google, as you mentioned, which is the one that matters the most I think for the broad marketplace, it's purely a strategic question for them. So they have, as you know, announced better part of a year ago their own product to in effect measure their site. And I don't – our view is that the market will always need and require an objective measurement to satisfy itself in the placement of advertising. And the advertisers who we started with as we designed this product have pretty much proved that point as they've gone down the path with us and with independent measurement.

So – but Google is going to have to wrestle with that decision. And listen, they're the one guy who's big enough, who's got a big enough reach to draw their own conclusions. We believe it's in their best interest and the market's best interest to have the objective measure. And we think they'll be one of the biggest beneficiaries of that measure. But listen, me saying it, they have to convince themselves of that. I'm hopeful that someday that'll happen.

Brian W. Wieser
Analyst, Pivotal Research Group LLC
Q

And we've definitely heard they've left money on the table by not having it. Thank you very much.

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

Well, this happens; this happens. There are always folks who – they have rich in data who want to measure themselves, and I get it and I understand it. They have got great insights to it. But the independent measurement thing is a very important thing for the – ultimately to get the maximum realization of that market. I think and believe that someday they'll come to that conclusion.

Brian W. Wieser
Analyst, Pivotal Research Group LLC
Q

Great. Thank you.

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

Yep.

Operator: And our final question for this morning comes from Dan Salmon from BMO Capital Markets. Please go ahead with your question.

Dan Salmon
Analyst, BMO Capital Markets (United States)
Q

Hey. Good morning, everyone. Just you mentioned the Twitter business is still small, but the other day, we saw an announcement from that company and [ph] Publicis (37:07) about a tighter integration between the two. I expect we may see more of those coming. Should we view these type of announcements as sort of second-derivative positives for your work with Twitter as those companies tighten up with the agencies a bit more?

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

I think that's the perfect description, to be honest with you. Yes. They're very complementary. What's happening is you're going to see a real shift in measurement from purely measuring paid advertising reach to paid and earned. Earned really is the Twitter and Facebook feed, right. That's what that is. And because you don't pay for the reach, but you get it as a result of either good programming or good content or just a great message. So that is what we're all leaning into. Our measurement facilitates that currency, if you will, and then everything else just becomes sort of a big ad for the agencies to go out and help their clients sell better, get their messages clear, learn how to leverage the earned component of reach. That is really – I think your characterization as a second derivative is a perfect description.

Dan Salmon
Analyst, BMO Capital Markets (United States)
Q

Okay, great. Thanks very much.

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

Yep.

Operator: And ladies and gentleman, at this time, I would like to turn the conference call back over to Ms. Zale for any closing remarks.

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

Thank you. Just wanted to say we'll be announcing our participation in some May conferences shortly and we look forward to interacting with all of you at those conferences and other meetings. Also related to the recent SEC guidance around the use of digital and other social media, investors should be aware that we use multiple channels for information disclosure, including our website, nielsen.com/investors; Twitter; and also our iPad app. You can follow Nielsen IR on Twitter. And don't forget to download the Nielsen IR iPad app from the App Store. Thanks, everyone.

David L. Calhoun

Chief Executive Officer & Executive Director, Nielsen Holdings NV

Thank you, everyone. Thanks.

Operator: Ladies and gentlemen, today's conference has now concluded. We do thank you for attending today's presentation. You may now disconnect your telephone lines.