Corrected Transcript

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# Nielsen Holdings NV *(NLSN)*

Nielsen Holdings N.V. Divestiture Call

# CORPORATE PARTICIPANTS

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

# OTHER PARTICIPANTS

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

**Dan Salmon**
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# MANAGEMENT DISCUSSION SECTION

**Operator**: Good morning and welcome to the Nielsen Holdings NV conference call to discuss the divestiture of Expositions. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Yaeni Kim, Director of Investor Relations. Please go ahead.

## Yaeni Kim
*Director-Investor Relations, Nielsen Holdings NV*

Thanks, Emily. Good morning, everyone. I'm pleased to have you join us for this conference call to discuss our announcement this morning regarding the divestiture of Nielsen Expositions. With me on today's call is Brian West, Chief Financial Officer.

Before we begin, I'll refer you to the Safe Harbor for forward-looking statements on page two of the presentation. The slide presentation that we're using on this call is available under the Events section of our Investor Relations website at www.nielsen.com/investors.

With that, I'll turn over the call to our CFO, Brian West.

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

Thanks and good morning, everyone. We appreciate you jumping on the call. We thought given the Onex announcement regarding our Expositions business that it would be helpful to have a brief discussion with all of you to see how we're thinking about the transaction and put it into some context.

So if I go to the webcast slides that are out there, I'm on the page three, Divestiture of Expositions. So everyone knows, the Expos part of the company is a relatively small segment, just over $180 million of revenue last year and about $97 million of EBITDA. We always referred to this business as a high margin, great strong cash flow business, but always non-core. But that if the opportunity presented itself, we were going to be sellers. And we were able to get that done and signed, and now we're pleased that that will now be with Onex.

The sale price is $950 million in cash. And I remind everyone, as we've said before, this is a tax-free transaction, so there will quite a bit of value creation from this deal.

In terms of what our impact is to our revenue and EBITDA for the year, so our revenue constant currency growth rate and our adjusted EBITDA margin basis point expansions, those growth numbers won't change given this is not a very big part of the company. There will be an EPS impact that we'll disclose and characterize as we close this later. But in terms of the growth rate, it's not really material, and there will be earnings adjustment that we'll talk about that as we get closer to close.

And in terms of what we'll do with the proceeds is we're happy to have this close line up nicely with our anticipated close of Arbitron, our pending acquisition, so those two line up nicely. We'll be able to do the Arbitron deal with a lot less debt, so we'll need to raise $950 million less for that transaction. So we're happy and pleased that we're able to be fortunate to line those two up. But more importantly, it also increases our flexibility to return cash to shareholders over time, which is different from where we were as we closed last year as we talked about our dividend policy in February, so we think that's a good thing for investors. We expect this deal with Onex to close in the second quarter, subject to various normal closing conditions.

On page four, just in terms of how we see the net leverage impact and why we think this deal will allow us to move faster on our deleveraging plan and then open up the ability to return capital to shareholders over time is on this bar chart. At the end 2012, we ended at 3.7 times net debt leverage. And we had always talked about in 2013 having a target of deleveraging by 0.3 times to get us to a number of around 3.45 for end of 2013. We also had described that by doing Arbitron under the original way we contemplated, it was going to add about four ticks on the net leverage, as you see in the orange up on the chart. But then because we'll be able to need to raise a lot less debt because of these proceeds going towards that anticipated transaction, we get about three ticks back. So it's really instead of being almost 3.9 net debt leverage, we'll be at 3.5-ish, and we're happy with that. And again, this opens up the flexibility over time to have future return of capital discussions with all of you.

With that, those are all my remarks that I had planned, and I'd be happy to take anyone's questions. So, operator, if you want to open up the line, we'll move on.

# QUESTION AND ANSWER SECTION

**Operator**: [Operator Instructions] And our first question will come from Matt Chesler of Deutsche Bank. Please go ahead.

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

Q

Good morning, Brian, a few questions. So you said that the transaction was tax-free I presume because it's a Dutch entity. Could you talk about the net proceeds in general? And then secondly, the EPS impact, I guess you don't know until you get closer to close. But do you anticipate that it will be positive or negative, and then any early thoughts on whether return of capital could deviate from what you've been doing so far?

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

A

Yes, so for now on the net proceeds assumption, what I would have you – what I suggest you guys use is $925 million because there will be deal fees and associated costs. So for now, you use $925 million for your models, and then we'll update as we get closer to close.

In terms of the EPS side, here is how I think about this one. So we had always talked about the pending Arbitron acquisition was going to add $0.13 of EPS in the first 12 months. And then on this one, you're going to lose earnings from Expos, but you're going to have a pretty meaningful reduction in our interest costs for the Arbitron deal because there's let's say $925 million less debt. So while I don't have exactly all of the numbers, we feel really good about the fact that even though we're going to lose the EPS from Expos, we're going to have a very nice healthy benefit in the lower interest cost that's going to make that Arbitron transaction feel even better.

So we'll sort all that out for you as we close both of those hopefully in the not too distant future. So we think the net benefit is going to be a good one for the company and, more importantly, the benefit in terms of what the portfolio will look like because now we're talking about having one non-core business out of the portfolio and we have another one coming in that looks just like our TV business in many ways. So we feel good about the underlying impact as well. Your third question was on...

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

Q

Just on return of capital just...

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

A

Yes, return on capital, thank you.

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

Q

[indiscernible] (7:30) on the table potentially.

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

A

So I would say that we're thrilled to be able to have this transaction bump up so closely to Arbitron. We think it's smart by just raising a lot less debt because you won't need it in the immediate term. But, as I mentioned, our whole thinking around capital allocation, capital return, now has more flexibility. And I would say that once we get closed with these, hopefully, two transactions, we'll be more explicit about what we plan to do. But we've got lots of flexibility and lots of options that are on the table, as you can imagine, and we'll get discussions internally and we'll obviously get feedback from our investors. But we think this is a good position to be in, and we'll be more clear as those decisions get made but, more importantly, as we close these two transactions, definitely this one in the second quarter and Arbitron as soon as the regulatory review comes to a close.

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

Q

Thanks, I tried.

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

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

Q

Hi, thanks, good morning and thank you for doing a call on this. So, Brian, just to clarify, for Arbitron, the $0.13, so that included the incremental cost of debt that you would have been taking on associated with closing the deal?

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

A

Yes, so in that math, in that EPS, we would have burdened that benefit for having to raise I guess close to $1.3 billion of debt. Now we have a lot less debt to raise, so we will see a very meaningful benefit in that EPS number attributed to this transaction.

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

Q

Okay, got it. So my guess is that that $0.13 probably comes down somewhat when you net it out for selling Expos but certainly not by as much as if you had simply sold Expos. Is that a fair – a quick look at it?

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

A

Yes, I think if you – when you run the math, you're going to see that net-net when you bring Arbitron in and you take Expos out, it's pretty close because of that interest benefit that you're going to pick up on the Arbitron side.

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

Q

Okay, thanks. And on Arbitron, I know you don't know what the timing will look like, but I think Dave had talked about hoping to know more in about two to four months. Does that still sound about right?

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

A

As with anything on the regulatory environment, we don't try to call or handicap the timing. We're moving through it as fast as we can, and the regulators are going to decide on their own timetable. So we'll stay tuned and keep everyone abreast as we know more.

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

Q

Okay, and then just last question. I believe that Expos was really run as a separate standalone entity, and so there aren't going to be any incremental costs that either remain or anything that was really allocated to it, but I just wanted to check about that.

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

A

Not much. If anything, it would be modest. But it's not going to be a big deal because it was always run as a separate entity, and it's a very efficient carve-out.

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

Q

Thank you.

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**Operator**: Our next question is from Dan Salmon of BMO Capital Markets. Please go ahead.

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### Dan Salmon
*Analyst, BMO Capital Markets (United States)*

Q

Good morning, Brian. Could you maybe just describe the process a little bit, how you came to arrive at this agreement, if you met with other potential bidders? And then secondly, just anything that would be special in the approval process for this deal, maybe the fact that it's a Canadian fund, or should it be fairly clear and straightforward?

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

A

Near as we can tell, it's going to be a very normal, easy close, in our view. There's nothing on the regulatory horizon that we would expect to prolong this [ph] dividing (11:32) nature. There will be a requirement to do certain HSR [Hart-Scott-Rodino] filings, but not any kind of expectation that it would get a review, and then it's just normal closing stuff. So we don't expect this to be dragged on. And as I said, we expect it to finish in the quarter.

In terms of process, we've always said for the better part of two years that the Expositions, while we loved it, was non-core. But if the opportunity presented itself, we would take a hard look at it, and we did. It was a competitive, robust process. We're happy with the end result and thrilled that a company like Onex will be able to take that business and invest in it for the future and grow it with a whole different set of expectations versus what we would have to portend with. So we feel really good about it.

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### Dan Salmon
*Analyst, BMO Capital Markets (United States)*

Q

Thank you.

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**Operator**: [Operator Instructions] And our next question is from Brian Wieser of Pivotal Research. Please go ahead.

### Brian W. Wieser
*Analyst, Pivotal Research Group LLC*

Q

Hi, thanks for taking the question. Just to follow up quickly on Matt's statement and question, can you clarify this is tax-free because of the Dutch entity? And then the second question, are there any other legacy Nielsen businesses that you can see now that are non-core or anything else that might be likely to be divested, even if very small?

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

A

Yes, so first question, yes, this is tax-free given the way that it is structured and where it sits in the structure, which is a Dutch entity. So we're confident that the tax favorability will come through. And this was always a non-core asset, and we've always been pretty explicit about that. So for us, this is something that, again, we feel great about in Onex's ownership, and there's nothing that's going to be called out as non-core that I can see. This was really the last one.

### Brian W. Wieser
*Analyst, Pivotal Research Group LLC*

Q

Great, thank you very much.

**Operator**: Your next question is from Todd Juenger of Sanford Bernstein. Please go ahead.

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

Q

Hi, good morning. Actually, every single one of my questions has already been answered, so I won't take up any more of your time. Thank you.

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

A

All right, Todd, thanks.

**Operator**: Having no further questions, this concludes our question-and-answer session. I'd like to turn the conference back over to Mr. West for any closing remarks.

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

Great, so thanks for taking this call early for most of you. And if there are any questions, Yaeni Kim and Amy Glynn, their numbers are out there, and feel free to reach out to them. And we'll see you guys as soon as we get out with various conferences over the next few weeks. Thanks everyone.

**Operator**: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.