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Nielsen Holdings NV *(NLSN)*

Q4 2012 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, and welcome to the Nielsen Holdings N.V. Fourth Quarter Earnings Call and webcast. All participants will be in listen-only mode. [Operator Instructions] Please note this event is being recorded. I would now like to turn the conference over to Ms. Liz Zale, Senior Vice President, Investor Relations. Please go ahead.

Elizabeth A. Zale

Senior Vice President-Investor Relations, Nielsen Co. (US) LLC

Thank you. Good evening, everyone, and thank you for joining us to discuss Nielsen's fourth quarter and full year 2012 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, February 11, 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 2011 Form 10-K and other filings and materials which you can find on our website at 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 law. A slide presentation that we'll use on this call is available under the Event section of our investor relations website, again 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 on today's call, and on our IR website.

For today's call, Dave will start with a brief summary of our results and accomplishments for 2012 and will provide a business update. Then Brian will discuss financials for the full year and fourth quarter and more details on our capital allocation priorities and will provide our full-year guidance for 2013. Following that 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 & Executive Director, Nielsen Holdings NV

Thanks, Liz. Good afternoon, everyone. So I'll go over our first page, give you a quick summary of what I think was a very solid year for the Nielsen Company, particularly with respect to some of the strategic wins that occurred over the course of the year.

Let's begin with our financial results. Revenue grew 1% on a reported basis and 4% on a constant currency basis. This narrowly missed the low end of our range. And while we saw a real order uptick at the very end of that quarter, it just was too late to close on the low end of the range itself. Underlying that we had very strong growth in our recurring revenue business, this is the information part of our business; and saw a continued pressure throughout the year on the Insights business.

Adjusted EBITDA grew 4% on a reported basis and 6% on a constant currency basis. Again, this margin expansion reflects sort of the scale model and in particular the growth of our Information business, which of course is the healthy and most scalable of our products. And then finally adjusted net income grew 19% on a reported basis and 23% on a constant currency basis, again the additional leverage on the basis of deleveraging our balance sheet.

Importantly, we have talked about being very clear on our capital allocation strategy. January 31 our Board adopted a dividend policy with an initial yield of 2% and a first payment in the first quarter of this calendar year. That dividend payment will be $0.16 per share. Importantly for everyone on the call we remain on a path towards investment grade when we need to access the financial markets. And so we have not given up on that as an objective and we think the timing works well.

Everyone knows we announced the negotiation of a deal with Arbitron. It adds another two hours of media coverage with our consumer base here across the United States. We're excited by it. It is in the regulatory process and we'll give you a little bit of an update I think on that in the Q&A. And then with respect to 2013 guidance, Brian will get into it but it's very much in line with our long-term framework with accelerating earnings and cash flow growth over the period.

If you'll flip the page, I don't usually do this but I think it's important to do. We had some really significant accomplishments over the course of 2012 with respect to sort of stage setting for future.

First, huge increase in U.S. retail coverage; again this is always important to all of our clients but with Walmart it was the single biggest increase in retail coverage in recent history. We expanded our coverage in Africa, in India, in China where all the future population growth resides. Critically important to us to get a big leadership position so that we can get the most of those markets that they develop. We extended several long-term client relationships, in fact all that were due, but importantly contract terms with respect to tenure of the longest that we have accomplished in our history. We launched a solution to increase local TV coverage, a product we refer to as a hybrid but it addresses an age old issue with respect to rating stability and it's in effect as we go throughout this year.

We expanded our TV and digital internationally. We won in Hong Kong. We won in the Ukraine. We won in the Czech Republic. We won online in Germany. So, all of these things are good and important for us in the year ahead.

We commercialized two very innovative products in the digital space, that being OCR and XCR. We continue to nurture them. We feel great about their progress. We believe that the OCR product has become the standard for video and that was certainly our primary objective.

We acquired SocialGuide and more importantly signed a deal with Twitter to begin the measurement of social TV ratings. This will be the first chance we have to basically marry earned media with paid media. There's something in it for everybody. If you're a media company, it's the extension of audience, if you're an advertiser it is the amplification effect that you get with earned media. So a big deal for us and I think an important future.

We accelerated the growth of our Ad Solutions business with Vizu, an important product for online advertisers in measuring brand effect. We commercialized Nielsen Catalina Solutions, which was an investment we started over three years ago. And finally, we signed our agreement to acquire Arbitron. So, lots of accomplishments. I think very important stage setting for the years ahead and something we all feel great about.

I'm going to turn over to Brian before we get to Q&A to give you some of the financial details.

Brian J. West

Chief Financial Officer, Nielsen Co. (US) LLC

Thanks, Dave, and good afternoon, everyone. I'm on page 9, total results for Nielsen in fiscal year 2012.

2012 was another strong year for the company. It's our sixth year of consistent revenue growth in the mid-single digits and expanding margins. For the full year revenue was $5.6 billion. That's up 4% in constant currency. Revenue came in a little light versus our expectations due to the short cycle Insights orders that didn't quite close in time for yearend, as Dave mentioned.

Our full year adjusted EBITDA was $1.6 billion. That's up 6% in constant currency. And margin expanded 49 basis points at the high end of our range driven by favorable business mix. Exchange rates impacted our reported results. There was a 250-basis-point drag on revenue and a 210-basis-point drag on EBITDA for the year.

Adjusted net income was $704 million that's a very strong 23% constant currency and better than expected. And our adjusted net income per share was $1.87, also better than expected. Finally, our net debt ratio was 3.75 times down a quarter turn versus prior year.

Moving on to page 10, I'll go into the fourth quarter itself. The fourth quarter was our 25th consecutive year – quarter of growth. The fourth quarter revenue was $1.464 billion, up 4% in constant currency. Fourth quarter adjusted EBITDA was $457 million. That's up 6% in constant currency. And margins expanded 81 basis points. Exchange rates also impacted the fourth quarter reported results. There was a 60 basis point drag on revenue and a 40 basis point drag on EBITDA.

Adjusted net income was $234 million, again up a very strong 24%. And adjusted net income per share was $0.62. Cash flow accelerated in the quarter and we generated over $200 million in free cash flow, and that's up 37% over prior year.

Moving on to page 11, segment revenue for the fourth quarter, total Buy revenue in the quarter was $920 million. That's up 3% in constant currency. The biggest part of the Buy business is information services, which represents about 75% of the total segment. That was up 8% in constant currency. These are the revenues that are under long term contracts and that are growing as a result of the investments that we choose to make expanding our coverage of the consumer both in the U.S. and in the developing world.

The smaller part of Buy – Insights was down 8%. We saw pressure on this more discretionary part of the business. We did begin to see order momentum through the quarter, we just couldn't get it all in. And the developing markets were up 6% with local clients accelerating nicely, offset by select global clients who are more cautious on the discretionary side. Total developing markets for 2012 grew 7%.

The Watch segment revenue was $527 million, that's up 5% year-over-year driven by higher volume in both the U.S. and international markets. Our legacy online products was in the middle of a transition as we move out of certain services and move on to our new digital properties and our Ad Solutions business saw nice momentum. Finally Expositions revenue came in at $17 million. That's down 19% and this is basically driven by the timing of trade shows between quarters. Not a lot happened in the fourth quarter. For the full year Expositions had positive overall growth and revenue up 2%.

Moving on to page 12, profitability, adjusted EBITDA for the fourth quarter was $457 million, that's up 6% constant currency. Buy came in at $220 million, up 1%. Watch was $234 million, up 11%. And Expo's was $3 million. Adjusted EBITDA margins expanded 81 basis points which is up sequentially year-over-year.

Buy margins reflected our continued investments in expanding coverage while the Watch margins reflect the scale and the nature of our business. Overall we're able to deliver on productivity initiatives which allowed us to reinvest for the long term growth and expand margins in the quarter and for the full year.

Moving on to page 13, the balance sheet and cash flow; cash flow for the fourth quarter – free cash flow was $207 million. CapEx came in at $132 million, cash taxes of $36 million and restructuring was $15 million. The balance sheet net debt ended at just a bit over $6 billion and our net debt ratio was down to 3.75 times, a reduction of a quarter point. And we paid down $190 million of debt in the year. I'd also point out on our capital table, we refinanced – I'm sorry, we extended the maturity of $1.2 billion of our term loan to 2017 at L-plus 225. We refinanced $800 million of legacy high coupon notes from a 10% blended rate to 4.5%. And this all is reflected in our weighted average interest rate which is at 4.86% and it's lower by a little over 80 basis points year-on-year.

Two items I would note with regard to the $4.1 billion of loan debt we have, $1.2 billion of this will have the benefit of a rate step-down from L-plus 225 to L-plus 200 in 2013 based on hitting certain leveraged targets and we will be in the market tomorrow, February 12th, to re-price up to $2.9 billion of our bank debt based on the favorable market conditions that we see. So overall, it was a good year of continuing with our policy of de-risking and deleveraging the balance sheet.

Page 14, capital allocation, because of all of this work and the milestones we got through and the course of 2012, it's now giving us the opportunity to define what our capital allocation policy is going to be going forward. I'll remind everyone our priorities start with investing in our business for growth both organically and on an acquired basis as we continue our tuck in strategy. We'll also look to pay down debt and then return capital to shareholders. As Dave mentioned, due to the adoption of our dividend policy, which is initially a 2% yield, the quarterly dividend of $0.16 will start payment in the first quarter of 2013 and it's a range where we can commit to our annual growth expectations.

From a target capital structure standpoint, we believe that the range of 2.75 to 3 times net-debt-to-EBITDA is where is, where we're on road to get to, which we believe gets us to the investment grade goal, ahead of our 2016 to 2018 refinancing needs, as you can see in the maturity stack on the right hand side of this chart. We really aren't [indiscernible] (15:16) a new issuer of a debt for some time and this gives the confidence to begin returning excess cash to our shareholders in the form of the dividend to maximize overall shareholder returns.

Finally the last page for me, Page 15, 2013 guidance; 2013 full year revenue will be up 4.0% to 5.0% in constant currency and adjusted EBITDA margins will expand between 40 basis points and 60 basis points of constant currency. If FX rates stay where they were as of last Friday, February 8th, for the entire full year, we would see an 80 basis point benefit in revenue and a 65 basis point benefit in the adjusted EBITDA. Our estimates by quarter are included in the appendix of this presentation.

Adjusted income growth is estimated at plus 13% to 17% constant currency and the adjusted net income per share on a reported basis, including FX as of last Friday's rates is $2.13 to $2.19 per share. As I mentioned, the initial dividend yield is 2% and we expect to delever by 0.3 turns.

These are also some housekeeping items on the bottom of the chart; CapEx is in the range of $350 million to $360 million depreciation and amortization at $525 million to $535 million and net book interest of $335 million to $340 taxes . Cash taxes of 145 to 155, cash restructuring at $60 million to $80 million and the estimated weighted average diluted shares outstanding for FY 2013 is around 379 million shares.

With that, I will turn it over to Dave.

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

Just one comment before we break for Q&A and that's with respect to the planning environment and the revenue growth targets; it's a narrower range than what we'd normally do but to be honest we don't see anything in this economic environment that would suggest we might break to the upside, and therefore we didn't. And so that's going to be the planning horizon that we see, at least in the immediate future; and that's the – it gives us a wonderful path to invest and do all the things we need to do for the long term.

Elizabeth A. Zale
Senior Vice President-Investor Relations, Nielsen Co. (US) LLC

Thank you, Dave. Operator, we'll take the first question.

QUESTION AND ANSWER SECTION

Operator: Thank you. Our first question comes from Andrew Steinerman with JPMorgan.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Q

Good evening. Brian, you mentioned about accelerated free cash flow conversion. Could you go over what's driving that? And if you could give us a sense of headwinds and tailwinds on free cash flow as we look at 2013?

Brian J. West
Chief Financial Officer, Nielsen Co. (US) LLC

A

Yeah, a big part of it is all the work we've done about reducing the interest burden on the company. You saw it in multiple ways in 2012. Taking out those high coupon notes was a big deal, so that's a big driver of it. In terms of our headwinds into 2013 on cash flow, you know this business model holds up real well. And we'll have nice conversion and we think that we've got a reasonable outlook in terms of what the capital markets will look like and the corresponding interest environment, so we feel real good about no real big things out there that would impact us. And as Dave mentioned, we've got a business operating plan that's set for a planning environment that's not expecting a big acceleration. So, we feel pretty comfortable about where we're at.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Q

How about a working capital comment as it refers to free cash flow in 2013?

Brian J. West
Chief Financial Officer, Nielsen Co. (US) LLC
A

For us working capital is really in line with volume if you really look at it over a longer period of time, and that'll never change. We – our real working capital is all about collections and receivables. We don't have inventory. There's not big things that suck up cash on that front of the balance sheet, which again means that we have the high cash flow conversion due to the business model. So we feel good that anything would be more along volume impact which we think is a good thing because that means revenue is growing.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC
Q

Okay. Perfect. Thanks, Brian.

Elizabeth A. Zale
Senior Vice President-Investor Relations, Nielsen Co. (US) LLC
A

Thanks, Andrew.

Operator: Our next question comes from Matt Chesler at Deutsche Bank.

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

Good evening. I'm sure it's going to be on the Q, but can you be a little more explicit on what the constant currency revenue growth number was in the quarter? It seems that it didn't have a decimal on it.

Brian J. West
Chief Financial Officer, Nielsen Co. (US) LLC
A

The constant currency revenue growth for the fourth quarter?

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

Yeah, yeah.

Brian J. West
Chief Financial Officer, Nielsen Co. (US) LLC
A

The 4% number I mentioned?

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

Yeah. It was like 4.2%? Or 3.8%?

Brian J. West
Chief Financial Officer, Nielsen Co. (US) LLC
A

Oh, the exact number was 3.5%.

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

3.5%, okay. And then just on the, just a little more explicit on the commentary around not getting some of the short order revenue to book by the year-end. Should we expect [indiscernible] (20:01) you expect a catch up in the first quarter or is it just flow-through?

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

Q

Put it this way, we believe that the Insights business we've seen bottom and we already feel things getting better with momentum so that's kind of what we're talking about and again it's a narrow part of the business and, Matt, you know better than anybody this grows at mid-single digits year in, year out and what we're talking about playing for is that which is at times a little harder to call but as we exit the year, orders felt pretty good and we don't think we're going to see – we're confident we're not going to see continued rates of this Insights that we've seen in the second half of 2012.

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

Q

Okay. And then I guess sort of a bigger picture question around expanding your capabilities to cover – to follow audiences as they migrate across platforms. As you kind of [indiscernible] (20:56) results calls this season, a lot of companies are talking about being able to measure streaming. Maybe just an update on what your plans are for rolling out streaming capabilities and then just in general, is this going to be incremental revenue to Nielsen when you're able to deliver those services to clients or is that kind of part of the package?

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

A

It's more or less part of the package. Yes it's incremental but in the total scheme of things, it's – I don't think you're going to notice big differences. We will measure streaming. So – and we will cover it around all devices. To be honest with you the technology of the metric itself is not hard. It's usually getting the industry interest to align themselves as to who gets credit. So I'm confident that the answer will be had and it will be a Nielsen answer and it will gradually find its way in to sort of the commercially acceptable currency. But it's not going to happen in a day. I do like where we are and I think we'll be at the leading edge of it.

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

Q

Okay. All right. Thanks a lot.

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

A

Yup.

Operator: Our next question comes from Brian Karimzad at Goldman Sachs.

Brian Karimzad
Analyst, Goldman Sachs & Co.

Q

Hi. So you mentioned that you find record long duration on some of the renewals. Was that in the Watch or the Buy side of the business?

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

A

Buy side retail measurements, market share, all those things that go into that. Those are sort of the real underlying strength of the company. The fact that that's been getting longer and longer I think reflects that sticky nature.

Brian Karimzad
Analyst, Goldman Sachs & Co.

Q

Okay. On the Watch side you historically had some five, seven years long. Have you seen that change over the last couple of years as [indiscernible] (22:50)...?

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

A

No, no. It's very consistent, very consistent.

Brian Karimzad
Analyst, Goldman Sachs & Co.

Q

Okay. And then on the – I guess help us reconcile a bit your comment that you don't see upside in the planning environment but then, Brian, you're saying there was some momentum coming out of the fourth quarter on the discretionary side. So I'm assuming you haven't baked in any acceleration whatsoever in the revenue guide. But given what you saw late in the fourth quarter, why won't you consider that possibility?

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

A

It's short cycle. So look, short cycles come and go and I don't want to make the same mistake I've made in the calendar year 2012. So this is the planning environment we have. There's nothing in the world I'd like more than to break to the upside; it's just that I'm not going to plan on it.

Brian J. West
Chief Financial Officer, Nielsen Co. (US) LLC

A

[indiscernible] (23:37) I would just add to that, we – as I mentioned, we think we've seen bottom in Insights, so it's not getting worse.

Brian Karimzad
Analyst, Goldman Sachs & Co.

Q

Fair enough. And on the emerging markets side, the local guys sound like they're picking up some. In those large multinational, the Western-based ones, have you seen any hints kind of over the next couple of quarters that they might be changing their tune or was it pretty much the same story as you're speaking to them?

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

A

I don't think there'll be the draw-down that we saw in the middle part of the year with respect to the multinational interests in the developing markets. I wouldn't say they're sort of moving back to robust, but I don't think we'll see the draw-down.

Brian Karimzad
Analyst, Goldman Sachs & Co.
Q

Okay, fair enough. Thank you.

Operator: Comes from Suzi Stein at Morgan Stanley.

Suzanne Stein
Analyst, Morgan Stanley & Co. LLC
Q

Hi. You talked about some of the major investment initiatives over the last year. How much of those are included in the 4% to 5% growth for fiscal 2013, or is there upside possibly from some of those initiatives?

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

Yeah. Suzi, I wouldn't count on upside. I've learned with the OCR development, which I'm still extremely excited about in where it's positioned and how it's going, these things just take time. So social media, which is very exciting for me, I think for every marketer, it's just going to take time in terms of building the use case around it, ultimately, who pays for what and how that gets sorted out. And so we want to make sure we do it right, give ourselves time. But of the things we've done in the last several years, I think this deal with Twitter and what earned media looks like alongside paid media is going to have reasonably big implications, but I'm not in a predictive mode yet.

Suzanne Stein
Analyst, Morgan Stanley & Co. LLC
Q

Okay. And then could you give a little bit more color on the Arbitron deal? Has there been any response from customers? And also maybe just remind us of the next steps in terms of the regulatory process and an update on your view of the timing of close?

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

Yeah, let me do my best. So I think you know we're in the regulatory review process as we speak. We're fully engaged, we're educating each other with all the right questions. So far, no surprises, nothing around those questions that gives us any cause for concern. We made a conscious choice to pull and re-file so that we'd have another 30 days to again educate both sides of the table on how to think about it. And we're not really handicapping the outcome with respect to a second request either. So we're just going to take it as it is.

We still love the deal in every way, shape or form. I've gotten really good feedback from the marketplace and particularly from the radio side of this, mostly built around the notion of ROI metrics and reaction metrics as we call that demonstrate the – demonstrate the effectiveness of radio as an advertising medium. So I really do think there's positive momentum on that side. I don't think I'm looking through rose-colored glasses. I'm excited about the deal and the regulatory process, it is what it is and everybody's just paying attention and walking our way through it.

Suzanne Stein
Analyst, Morgan Stanley & Co. LLC
Q

Great. Thank you.

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

Yeah.

Elizabeth A. Zale
Senior Vice President-Investor Relations, Nielsen Co. (US) LLC
A

Thanks, Suzi.

Operator: Our next question comes from Eric Boyer, Wells Fargo.

Eric J. Boyer
Analyst, Wells Fargo Advisors LLC
Q

Hi, thanks. The developing markets, you saw an uptick there in your revenue growth. Could you just give us kind of your expectations for that market for the year? Are we still talking probably the mid-single-digit range you think for 2013?

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

Well...

Brian J. West
Chief Financial Officer, Nielsen Co. (US) LLC
A

Well, first of all, the developing markets, [ph] believe it or not (27:27), has grown faster than the total, right, and that's reflecting the numbers. We think it's a good thing and that's [ph] licensed (27:33) by local clients that are small books of business but ones that are growing really fast. Anyway, so that actually over-indexed the overall growth rate.

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

Yeah. So anyway, yeah, I plan for and we will continue to invest for a double-digit growth in the developing markets. The quarters and the years roll-out the way they do but I'm still optimistic that we can deliver on that. And China feels like it might be regaining some momentum. India has been consistent and we go in with some momentum into the year. Africa is just going to take a while for that market to develop. But again, I feel good about it. I'm investing for it to grow double-digits. That's how we think about it.

Eric J. Boyer
Analyst, Wells Fargo Advisors LLC
Q

Okay, great. And then just as far as the Buy and Watch segments, the breakdown of revenue growth for 2013. Should it be along the same types of levels as we saw in 2012?

Brian J. West
Chief Financial Officer, Nielsen Co. (US) LLC
A

Yeah, we don't break out guidance by segment but you'll do your own interrogation of what we've looked [ph] by (28:33) historically and you'll be able to gauge that for a 4% to 5% guidance. And we'll let you come out your own answer. But we feel really good about both sides of these big franchises that just be very resilient in and out of any cycle and very nice growth in that mid-single-digit range.

Eric J. Boyer
Analyst, Wells Fargo Advisors LLC

Q

Okay. Well, along those lines then, anything other than Walmart in the first half within your Information business that we should be thinking about as far as moving pieces?

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

A

Probably no single annual moment like that. You know that, that being an Information component, that it's recurring. Market share with respect to last year was definitely in favor of Nielsen. How that plays out over the course of the year and years ahead, I don't want to project. But given the fact that I know we gained some reasonable market share over the course of last year, there has to be some resilience to that, some added value there.

Eric J. Boyer
Analyst, Wells Fargo Advisors LLC

Q

All right, 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 Co. (US) LLC

A

Thanks, Eric.

Operator: Next question comes from Sara Gubins, Bank of America Merrill Lynch.

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

Q

Thank you. Your margin guidance for 2013 is a bit higher than what we've seen before. Are there areas where you're either pulling back on spend or some incremental investment spend is ending?

Brian J. West
Chief Financial Officer, Nielsen Co. (US) LLC

A

No, not at all. We still view – we've talked about being in full investment mode to do all the things we want to do in the name of long-term growth and that's all still contemplated in the margin guidance expansion for 2013. The last couple years, we've been expanding margins call it around 50 basis points, we don't see anything different in that in 2013 while still being able to do everything we want to do around investing for the long-term.

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

Q

Okay. And then, on recent calls you've broken out some more details in Buy in terms of Europe versus the U.S. and growth rates are declined. Could you give us some more detail there?

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

A

I'll just maybe state the obvious here. Europe has been – we're in the third year of sort of a flat world. And I don't expect it to jump up at all. So our Information business, the good news is as usually is the case, the Information part of what we do holds up beautifully. So it's flat to up a couple of points. And then the Insights business which has been depressed in Europe now for a while is going to stay there. So we have no – we've got nothing in our plan that suggest that any rebound in Europe and of course the U.S. has been a reasonably robust place for us, especially with respect to the Information part of the thing. And I don't see breakout to an upside. But I do expect continued good performance in the U.S.

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

Q

Thank you.

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

A

Yeah.

Elizabeth A. Zale
Senior Vice President-Investor Relations, Nielsen Co. (US) LLC

A

Thanks, Sara.

Operator: Our next question comes from David Bank at RBC Capital Markets.

David Bank
Analyst, RBC Capital Markets Equity Research

Q

Hey. Thanks very much. A couple of follow-ups on the OCR and XCR initiatives, we tend to use them almost interchangeably. And I guess I wonder are we sort of closer to broader market adoption and revenue generation for either? Or do you see the timeframe as the same, because you think that because XCR is cross platform there would be greater complexity on lots of levels? And then the second related question is you guys have been talking about how it seems to be less about technology than more to be about industry structure almost, but I think for today your online ratings are mostly coming – they're sort of PC-based as opposed to tablet and mobile, I think. And is that a technology issue? Or is it more sort of industry structural? Thank you.

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

A

Yeah, good. So, the latter first, it's industry structural and it will get resolved and it will get resolved within the Nielsen context. So I – and I feel good about that, I really do. With respect to the discussion OCR/XCR, again a reminder, the big value-added component and the big investment that we made is really OCR; a much more robust metric that can be delivered every day that actually a publisher is willing to guarantee and ultimately deliver audience against. That's something new and different relative to the way the industry was previously served and it adds enormous value. XCR becomes a matter of convenience mostly for the use community.

And for us, that is still being developed, because the use community has – if they have both metrics, they get to do what they want with them. If they have a single metric, well, then they can combine them and maybe there's some efficiency in it. But I want to make sure the relative value is understood of the metrics. OCR is a brand-new thing delivering brand-new stuff to the marketplace; and then XCR makes up sort of a matter of convenience for certain users who want to go across. So I feel good about both, but there is a real difference in the way we think about them.

David Bank
Analyst, RBC Capital Markets Equity Research

Q

Thank you very much.

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

A

Yeah.

Elizabeth A. Zale
Senior Vice President-Investor Relations, Nielsen Co. (US) LLC

A

Thanks, David.

Operator: [Operator Instructions] Our next question comes from Doug Arthur at Evercore.

Douglas M. Arthur
Analyst, Evercore Partners (Securities)

Q

Yeah. I mean realizing you've got a couple – still some regulatory steps in Arbitron, now that you've had a chance to take a closer look at puts and takes on it in terms of how it fits into the Nielsen platform, is there anything you can share with us as an update?

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

A

We negotiated this deal believing it was a really good thing for Nielsen and I still believe based on everything we know it's a really good deal. I'm going to end up being a real proponent for radio, both in terms of the effectiveness of the medium in the advertising world and how it should be scored against other mediums, and so I feel good about that and believe we can add value to the radio clients. The clients, as the question earlier asked, have been actually very supportive of Nielsen's role in radio and our ability to tie Buy side data to the radio advertising medium. That is what we're attempting. And then separately, as expected, my international community as in Nielsen people serving overseas markets just can't wait to understand what Arbitron has, so that they can bring to all their local markets. So this part of the puzzle is working out, I think, very well. I am very optimistic.

Douglas M. Arthur
Analyst, Evercore Partners (Securities)

Q

Okay, thank you.

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

A

Yeah.

Operator: Your next question comes from Todd Juenger at Sanford Bernstein.

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

Q

Hi, great. Thanks for taking the question. I'm sorry to do this to you guys again, but I must be missing something on the revenue. So I'd love it if I could just go through again. You grew 4% constant currency in fiscal year 2012 and then if we're looking into the next year at 4%, 5%, if I compare the good guys and bad guys, so we have a half a year at Walmart coming in next year again, which I think should be sort of similar year-over-year. You have Insights, which it sounds like you think has bottomed out, had a pretty bad, relatively not good year in fiscal year 2012, so that should on its own make things a little better than in fiscal year 2012 and it sounds like international, if anything is accelerating a little bit.

If I put all of that together, I mean it sounds like it should either be higher or maybe I'm missing another risk or perhaps, are these longer terms contracts you're signing? Maybe you're trading a little bit lower growth rate in term for the extra years? Or are you just being conservative?

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

A

[ph] Boy (36:19), I hope you're right. Listen, I make no mistake. A lot of stuff happens over the course of the year. I am definitely influenced by an environment I just don't think is all that healthy. I think there's a lot of things that are sort of going to go on over the course of the year in the macro environments. I have more confidence in consumers' outlook than I do my clients and so that is really where it resides. And I just missed the guidance last year, so call me crazy, but I'm trying to learn from my mistakes.

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

Q

All right, fair enough. Let me ask you one quick follow up, if you don't mind. So in past years, I think you've made a statement like something like 70% of your revenue is booked sort of going into the year. Correct me if I'm wrong, I wonder if that's still about the same this year and sort of like what work is left to do in terms of rounding out the year.

Brian J. West
Chief Financial Officer, Nielsen Co. (US) LLC

A

So, yes, that is true. We start every year with about 70% of our revenue with high visibility and really what you're always playing for is that Insights business, which we've talked about a few times largely speaking. So nothing's changed and we still have quite a bit of visibility and then that is reflective in this very steady mid-single-digit growth business that reflects those long-term contracts and that high visibility, so nothing's changed on that front.

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

Q

All right, fair enough. Thank you very much.

Elizabeth A. Zale
Senior Vice President-Investor Relations, Nielsen Co. (US) LLC

A

Thanks, Todd.

Operator: Your next question comes from Bill Warmington at Raymond James.

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

Q

Good morning. Sorry, good afternoon, everyone. The quick question for you on the Insights business, what's driving the improvement there? Is it one or two clients or broad-based? And does it signal a shift for the CPG companies from margin preservation to revenue growth?

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

A

To be honest with you, I think the biggest shift was some adjustments that a couple of clients made with respect to how much insight work they do and particularly around the world, I think those adjustments are now behind us and behind them and now they're sort of back to building. This wasn't a share issue in any way, shape or form, this was a sort of a market issue. And I think more than anything – because we've had lots of clients grow in the very healthy rates in the midst of last year's dismal performance in that way, so I just think the couple of adjustments that occurred are behind us. Otherwise, it's a pretty robust market as of today but I'd just remind you, it is short cycle. It is what it is.

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

Q

Got it. And then you've become the standard in online video measurement. What's the next milestone for OCR? Is it to move into display or what do you think?

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

A

Yes. It has to extend itself across display and it's got to become vital to the planning and optimization platforms that exist. And so that product development is continuous. We're clearheaded about what we want to get done. We're still in the development mode but I still feel confident and believe that OCR is the right answer for this digital market.

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

Q

How about the potential for the Buy business to begin to move online?

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

A

As in measuring online purchase behavior?

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

Q

Correct.

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

A

It does. Now the real question is, how quickly do we get huge data providers to jump into the co-op network? So before that happens, we will always represent that online shopping environment. We do it with our panels and other means but eventually we're going to have to convince big players to contribute data so that the market fully understands. I'm confident that that will happen. It only took us how many years to get Walmart in the offline world so I'm confident it will happen. It just takes time. In the meantime, we will represent it as best we can and the market so far has purchased that kind of data. So anyway I feel good about it. I think we'll be on the leading edge but they're going to make those co-op decisions when they make them and my job is not to rush them. It's just to keep educating them.

Bill A. Warmington
Analyst, Raymond James & Associates, Inc.
Q

Got it. Well, thank you very much.

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

Yup.

Elizabeth A. Zale
Senior Vice President-Investor Relations, Nielsen Co. (US) LLC
A

Thanks, Bill.

Operator: Our next question comes from Tim Nollen at Macquarie.

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

Hi. Thanks for taking the questions. Just a couple little dustups here. Could you repeat please what you said about refinancing some bank debt? I just missed the comment. You mentioned something for tomorrow. Secondly, could you just comment on tax given a lot of adjusting items and so forth? Your tax rate moves around a lot. Should we still just be using a 35%-ish rate going forward? And lastly, do you have anything to comment on in terms of your financial backers perhaps selling down some more of the shares as we move forward? Thanks.

Brian J. West
Chief Financial Officer, Nielsen Co. (US) LLC
A

I'll start. Regarding tomorrow, I'm glad you asked that. The debt markets are very attractive right now, and we're going to take the opportunity to reprice up to $2.9 billion of our term loan. So look forward to that when we execute, but that's what we're going to do tomorrow. And we expect if the market holds, we'll be beneficiaries of that in our interest expense going forward.

In terms of taxes, the tax rate for us, important distinction between book rate and cash tax rate. The book rate is always going to be reflective of some noise and some ins and outs that aren't really reflective of the economic underlying performance. We've always pointed folks towards our cash taxes, which in 2012 ends up at around a 15% rate. And we've spoken before that, that long-term range is going to be in the low-20s and we continue to have that posture, and that rate will gradually move up. But it's going to start from a 15% in 2012 and move towards that low-20s. 35% is just a book rate, which has a bunch of noise in it, as you mentioned, really focusing on our cash taxes.

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

With respect to sponsors and their interest, I guarantee they'll let us know when they want to move. And right now, I've got nothing to say about it.

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

Okay. Would you mind if I just follow up quickly on the bank numbers; I assume that any refi that you do is included in your guidance statement, is that right?

Brian J. West
Chief Financial Officer, Nielsen Co. (US) LLC
A

No.

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

No. It's not. Okay.

Brian J. West
Chief Financial Officer, Nielsen Co. (US) LLC
A

Everything we have out there is what we see in our hand today. Any benefit will come back and provide more once we get that one done. But there's nothing in there that contemplates that, one way or the other.

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

Okay. But we could assume that your book interest rate will go down as of, perhaps tomorrow, given the numbers you're putting in your guidance statement today.

Brian J. West
Chief Financial Officer, Nielsen Co. (US) LLC
A

Well, we're going to launch the transaction tomorrow. I hope so. But it will take a few days for it to close, but that's the intent.

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

Okay, fine. Thank you.

Elizabeth A. Zale
Senior Vice President-Investor Relations, Nielsen Co. (US) LLC
A

Thanks, Tim.

Operator: Next question comes from William Bird at Lazard.

William G. Bird
Analyst, Lazard Capital Markets LLC
Q

Good evening. What are your thoughts on growing the dividend over time as you deleverage? Should we think of Nielsen as like a single-digit dividend grower? Or something more than that? Thank you.

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

I don't want to get into projecting that now. I will let Brian comment if he likes. We will grow it with consistent performance of the company's growth rates and that's our intention. And we will always hold out our objective to get to investment grade when the time is right for us to refinance certain things. So I don't want to get into a sort of conjecture at this moment, but if our model continues to produce at the kind of rate it does today, it will be that kind of growth rate.

William G. Bird
Analyst, Lazard Capital Markets LLC

Q

And as a follow on, when would you hope to address the 2016 maturity wall?

Brian J. West
Chief Financial Officer, Nielsen Co. (US) LLC

A

Well, the good news is, because that's three years away, we've got time on our side and we're in a – as you can tell from the last year, two years, six years, we've been very active in the capital markets, opportunistic when needed to be and consistent with our policy to take leverage down and de-risk by extending maturities and lowering interest rates, that's not going to change and we'll always have that mindset. But again, we're not compelled to do anything, because we've got time on our side.

William G. Bird
Analyst, Lazard Capital Markets LLC

Q

Thank you.

Elizabeth A. Zale
Senior Vice President-Investor Relations, Nielsen Co. (US) LLC

A

Thanks, Bill.

Operator: Our next question comes from Kelly Flynn at Credit Suisse.

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

Q

Thanks. Just a couple of sort of maintenance questions. First of all, would you mind giving us the segment revenue growth rates out to one decimal place? That would be very helpful for Watch, Buy, and then Info and Insights.

Brian J. West
Chief Financial Officer, Nielsen Co. (US) LLC

A

Why don't you ask your next question and then I'll work on getting that. I'm sure you've got another one.

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

Q

Thanks, yeah. And then the – just the cash tax rate, I think you just referenced this in an answer to a prior question, but I just want to clarify the 15% for 2012, [ph] the one from (45:51) 2013, what rate is that exactly that you're expecting? And then over what period of time, do you expect it will ratchet back up to the low-20s?

Brian J. West
Chief Financial Officer, Nielsen Co. (US) LLC

A

It's going to modestly move up and it's going to gradually get to that low-20 perspective. I don't know whether that is going to be a point a year or not, it depends on business mix, among other things. But right now we think we've done some planning opportunistically that has that at the rate we think is very attractive and moving toward 20% we think is a good thing and something consistent with what we've always talked about. In terms of the segment revenues, Kelly, you want fourth quarter?

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

Q

Yeah, exactly.

Brian J. West
Chief Financial Officer, Nielsen Co. (US) LLC

A

Well, fourth quarter, the Buy business was plus 3.4%; Information, plus 7.7%; and Insights, down 7.5%. Obviously all of those are on constant currency. Watch was up 4.8%.

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

Q

Okay, perfect. Thank you so much for giving us that. I appreciate it.

Elizabeth A. Zale
Senior Vice President-Investor Relations, Nielsen Co. (US) LLC

A

Thanks, Kelly.

Operator: Our next question comes from Brian Wieser at Pivotal Research.

Brian W. Wieser
Analyst, Pivotal Research Group LLC

Q

Hi. Thanks for taking the question. Two questions, one on social media, just monetization of the SocialGuide product. I just want to see if you had any thoughts about how big you think that opportunity is maybe by the time you've launched the Nielsen Twitter TV Ratings or other analytics products around this? Dimensionalizing, do you see $100 million? $10 million? Anything like that. And a second unrelated question, I saw this news about extending deal with Tata I guess from a $1 billion agreement to a $2.5 billion agreement, and extending the duration. I'm just wondering, does that lead to any extra restructuring charges just suggest to me that there's a lot more work that they'll be doing so curious about any other implications from that agreement?

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

A

Yeah. I'll start with the social media one. Look, I don't want to get into sort of how big it could because it's such an early stage. I will say in my lifetime in this industry, I get more questions around the paid media metric than almost any – paid versus earned media versus almost anything. There's a genuine interest on the part of all marketers to somehow capture the earned media part of it and place advertising in the right places so that earned media can be maximized. That's what this metric is meant to do. It sets aside the paid media television metric and says if I put it on advertising on this program, the likelihood of a big earned media component is high. So I know that an advertiser if he's confident that that will happen will buy more advertising on that particular program; and the media side of it will want to promote in a significant way the earned media opportunity if advertising is put in their medium.

So in many ways I'm going to try to serve every client I do today but I'm going to try to give them something different, something better and I think there's a high likelihood, one, they'll be interested. They know everyone else is interested and they're likely to pay me for it. I just don't want to get at this moment in time as we're getting ready to launch the first edition to project just how big. I'm confident. I like it. The economics and the model that underlie it are actually very attractive. So we got plenty of time to get this right and build the use case the right way.

With respect to Tata, I think the right way to think about it is that most of this growth in a relationship is already embedded in the work we're doing together and the continuing progress that they've made with us in servicing our needs. It's – they've been a spectacular partner for us. Everywhere in the world as we built this scale model, they've been a big part of it. And so, I feel good about it. There's not much on the risk side for anyone to think about, the numbers sounds big but we've always been way ahead of that set of numbers and I believe we will continue to be. They've been a terrific partner.

Brian W. Wieser
Analyst, Pivotal Research Group LLC

Q

Okay, great. Thank you very much.

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

A

Yeah.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to Liz Zale for any closing remarks.

Elizabeth A. Zale
Senior Vice President-Investor Relations, Nielsen Co. (US) LLC

Thank you. I just wanted to thank everyone again for joining us today. We look forward to interacting with all of you in the quarter as we go. And we'll be presenting at a number of conferences this quarter. To stay connected, you can also follow Nielsen IR on Twitter and download the Nielsen IR iPad app from the App Store. Thanks very much, and have a good night.

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