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Nielsen Holdings NV (NLSN)

Goldman Sachs Communacopia Conference

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President-Global Media Products

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Andre Benjamin
Goldman Sachs & Co.

MANAGEMENT DISCUSSION SECTION

Andre Benjamin
Goldman Sachs & Co.

Good afternoon, everyone. My name is Andre Benjamin. For those of you that I don't know, I'm the Information Services Analyst here at Goldman Sachs. I am pleased to have with me two gentlemen from Nielsen. First is, Jamere Jackson, CFO; as well as, Steve Hasker, Global President, here today. Jamere was appointed CFO of Nielsen in March 2014. Prior to joining Nielsen, he spent nine years with GE. Steve was appointed Global President in August 2014, and I'll let you spend a moment telling the audience about your current role.

Stephen Hasker
President-Global Media Products

Sure, Andre. Well, thanks everyone for joining us. We appreciate it. So, I do a couple of things at Nielsen. One is, I oversee all of our products. So, those products that measure what people buy, and also, those products that measure what people watch and listen to, and all the analytics around that. And then the second is, I lead our global media business.

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QUESTION AND ANSWER SECTION

Andre Benjamin
Goldman Sachs & Co.

Q

[ph] Good. (01:10) Well, I'll jump right in here. I'll try to leave a little bit of time for the audience to ask some questions at the end. So, first, Nielsen, pretty long history of measuring both the media and viewership, as well as retail purchases. Just to kick things off, maybe talk about the strategic importance in both franchises to the company, which one is a bigger driver of earnings growth, in your view, over the next couple of years; and why the margins in Watch is so much stronger than Buy?

Jamere Jackson
Chief Financial Officer

A

Yeah. So, we have two strong franchises in terms of what people watch and what people buy. And more recently, what people listen to. We've been a consistent steady grower, sort of through the cycles, if you will. We've got the margin expansion, a powerful free cash flow model, and that gives us the opportunity to grow our business, but also, return capital to shareholders in a very investor-friendly way.

When I think about the two franchises, our Watch business, it's been a strong grower for us. It is a business that we've been in for a long time. And when you look at the dynamics of that business, where we have a strong television Audience Measurement franchise, but also a growing Advertiser Solutions business that's been growing double-digit, and increasingly, a Digital franchise that we've added to that Audience Measurement business that's been growing very, very well as well.

When you think about the margins of that business, that business is the less labor-intensive component of the franchise, if you will, so obviously has a higher margin profile. But we like the way the two businesses work together. And increasingly, we're focused on how do we link our Watch assets to our buy assets to build a very strong franchise in total.

Andre Benjamin
Goldman Sachs & Co.

Q

And then, [ph] the thing (03:06) about the Watch business has grown a pretty healthy CAGR over the last five years, part of that due to M&A, but also a strong organic element. [ph] It has been (03:14) a little volatile. How should we be thinking about, what the growth rate of that business will look like over the near term and over the next couple of years?

Jamere Jackson
Chief Financial Officer

A

Yes, so, if you strip out M&A on a compound-average-growth-rate basis, it's been about in the 6% zip code. And we expect it to stay, sort of in that zip code, in that steady mid-single digit range, kind of, going forward.

Stephen Hasker
President-Global Media Products

A

But I think from the point of view of that, the products and our clients, what we do is we measure video, no matter where it plays. And obviously, we have a very strong franchise in 31 markets across the world in TV measurement. But we've built a system that flawlessly measures video on tablets and smartphones as well, so that was launched

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in the form of mobile OCR a couple of months ago. We've never seen uptake to a product like that one before. And it will be in the TV ratings. I think Leslie Moonves talked about this yesterday, [ph] who'll win (04:12) the TV ratings for the fall TV season here in the U.S., and then rolled out to the other markets thereafter.

So, when we look at the growth in video consumption, notwithstanding some of the pressure on individual ratings, we look at the growth in video consumption in this market and the other markets, and that's a real driver of growth, in terms of our media business. And our plan is to do the same thing in audio, which is to measure both terrestrial audio and streaming audio, and we have what we believe is the best mousetrap to do that. And certainly, both the terrestrial players and the digital players have looked at that mousetrap and liked the look of it.

The question is getting them aligned, getting the industry aligned around the metrics, and that's what we're working on, and we'll go down that path and then go forward, patient and disciplined way, and we should see some progress there at some point.

Andre Benjamin
Goldman Sachs & Co.

Q

So, you've been criticized by some of the people in this room for maintaining a primarily sample-based approach to traditional TV measurement. Many feel the sample size, even though you've demonstrated often as statistically significant, it's still too small. It doesn't capture detail with full confidence, all of those things. Could you maybe help us understand what you see as the virtues of that sample-based technique versus census? And why it doesn't make sense to potentially pursue more of a hybrid approach in measuring TV the same way that you are seemingly more open to on the online side?

Stephen Hasker
President-Global Media Products

A

Yeah. So, from the point of view of digital videos, so that which is distributed and watched on a PC, a smartphone or a tablet, we use the hybrid system. We use a system that takes out panels, and uses those panels to calibrate big data sets like Facebook and Experian. And that system is effectively a census measurement system.

Looking into the future, I think we will adopt a similar technique for our traditional media business. And in fact in local, about 18 months ago in the local TV business, we recognized that the panel sizes are under pressure, so we went down the path of introducing a system like that. And it was actually the clients who said, hold on a minute.

For example, we were not able to provide overnight ratings based on set-top box data. And the clients say, well look, if you can't provide overnights, we want you to stop and wait until you can. So, one of the sort of obligations and privileges that we have [ph] within (06:49) Nielsen is, we can't unilaterally launch products that change the ratings and the currency. We have to work with the MRC who've accredited these products, with the buyers and sellers of advertising, to make sure it does create a more labored process, but we consider it a privilege.

So, I think looking forward, just as we do in Digital, I think in the core TV franchises, we are going to be including other data sets. And the importance of the panel should not be underestimated, because although in many cases there are big data sets, they're not particularly clean. So, they are not representative of the population in many cases. And in other cases, they do not have persons-level information. They don't have age, they don't have gender and they don't have hometown.

And so, the opportunity to take an accredited panel that is exactly representative of the U.S. population, particularly one like the Nielsen panel that is recruited in person, and that we visit four times a year and spend hundreds of millions of dollars maintaining, to use that to calibrate multiple big data sets, we think, really is the

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future of measurement. We pioneered it in a lot of ways through OCR, and we will do the same in the TV business. But we have to be thoughtful and patient as we work through with our client constituents in doing that.

Andre Benjamin
Goldman Sachs & Co.

Q

So, given that you have indicated that it's something that you're open to, and seem almost committed to making that a likelihood going forward, based on your conversations with all the constituencies, like your clients, MRC, et cetera, [ph] I mean, (08:26) do you have a timeline how long [ph] that's likely to take, (08:29) is it many years, a couple years?

Stephen Hasker
President-Global Media Products

A

I know, look, I wouldn't venture a specific date, Andre, but I wouldn't – it's not many years, because we've been working with set-top box data now for four years. We have a significant amount of set-top box data in-house that we processed, that we did testers, so we bounced off different purchased data sets for the purpose of analytics. So, this is not unfamiliar territory to us. It really is a case of working with clients, having them test, get comfortable with the data, get comfortable with the trend lines and so forth. And that's a process that we obviously don't control. We can influence, but we don't control it.

Andre Benjamin
Goldman Sachs & Co.

Q

I guess, on the local side of the business, I don't know if you would be willing to share. You have differentiated between kind of the competitive positioning on the national side versus local. And for some reason, hypothetically, all of your clients were to become more frustrated and not be local customers anymore. How much of the overall business are we talking about that's local versus national?

Stephen Hasker
President-Global Media Products

A

So, I don't think that's lucky. I think what we're seeing in the marketplace is a set of clients who always want an alternative, right? Because as you come up to a contract negotiation with any live supplier, and we do sort of fall into that category, for the purposes of those guys. They wanted alternatives, so they're looking for an alternative. We're also seeing, as we alluded to before, more volatility in the ratings than they like or we like. And so, that's certainly, I think, creates a set of dynamics where we need to go faster than we have over last couple of years. And we'll do that.

Jamere Jackson
Chief Financial Officer

A

Yeah. And the other thing I'll add to that is, when you think about what we've done from a strategy standpoint, we said, look, we're going to measure the consumer and we're going to measure media consumption, whatever that consumption is. So, our commitment to our local is very strong, and we've invested through the cycles and we'll continue to do that going forward.

Andre Benjamin
Goldman Sachs & Co.

Q

So, a lot of the industry focus and a lot of conversation at this conference is about the consumption and measurement of video, as we look at TV, desktops, mobile, tablet. You've been pretty vocal in your actions, trying to help the industry in capturing those, the eyeballs, they move across the various platforms, so that they can be

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monetized. Could you maybe tell us where you stand in that process, where you are today? What we should be expecting to see from you over the next six months? Maybe, what are some of the challenges that you're seeing today that you hope gets solved going forward?

Stephen Hasker
President-Global Media Products **A**

Yeah. So, look, I think we have the only, sort of, tested industrial-strength solution in the marketplace today, full stop. So, lots of people talk about mobile and cross-platform, we have a solution that is in the marketplace that clients are – that they're using, and it is being used as currency that trade between buyers and sellers of advertising. So, that has a couple of components. It's built on the OCR system, so mobile OCR.

So, [ph] if it's (11:45) an advertiser is running a campaign across PC, tablet and smartphone, which of course, the vast majority of digital advertisers are doing exactly that. The OCR system measures those seamlessly. So, it gives a daily rating, age, gender, reach, frequency, by DMA, no matter how big or small the campaign, no matter whether its video or display.

And as I mentioned before, we haven't seen uptake to a product like that. When we launched it, we had a long list of clients who are ready to go, paying for that, using that. And it's been good growth in the month since then. We will take that same system and ensure that for the fall TV season, the ratings include [ph] some or all know it's (12:27) C3, C7, which is the industry definition of currency in this country, that those metrics include viewership of those programs and those ads on smartphones and tablets.

So, the answer to your question is for digital video, it's all included today. For TV, because of the importance of the fall TV season, it gets included for the fall season. And that's why the clients who are close to this are saying and recognizing that we're right with them or even ahead, in terms of the metrics we are providing. And they are getting credit, unless he was asked, so what happens to your audiences once that comes in. And he said, look it will be slightly up, or at worst, flat. And I think that's right. I think there'll be others who see moderate increases or larger increases to some of his programs and some of his networks. He'll see increases in viewing because the total time spent viewing by consumers of video is going up.

As we look at the metrics, people are reading less, and they're spending less time at the mall and they're watching more video on the bus, in the office, and so forth. So, total video consumption is going up. And that represents a growth opportunity for us, provided we keep doing what we're doing, which is measuring it no matter where it goes.

Andre Benjamin
Goldman Sachs & Co. **Q**

And one thing that I didn't hear you explicitly mention, but has been discussed a lot here as well, it's also the over-the-top, video-on-demand, stuff that streams over the Internet, is that captured in this solution? And how do you see the mix and the products that you offer kind of evolving, [ph] if that becomes mobile of ads platform continuity? (14:06)

Stephen Hasker
President-Global Media Products **A**

Yeah. So, we've designed a system that measures programs and ads separately and together. So, to the extent that the world becomes more dynamic, and ads [ph] are pooled in the different adverts. (14:18) Our system is, in a sense, future-proof to that, and whichever way the industry decides to go, and whichever business policy we will

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be able to measure that. So, I think, to the point of view of looking forward, as those alternative, different types of business model grow, VOD and so forth, I think we're well placed.

And one of our clients that's been our client since they were launched was HBO, as an example. HBO is not head supported, as everyone knows. And HBO signed on to Nielsen ratings very early in their evolution, because they wanted to understand their ratings, specifically, who was watching which programs from a programming standpoint. And they also wanted to understand their value to the cable operators. So, we see that same dynamic increasingly playing, as other players have non-ad-supported models, now that's not a world in which we're in any way redundant. We have just as much applicability to that world, and we're pretty bullish about where it leads us.

Andre Benjamin
Goldman Sachs & Co.

Q

Shifting just slightly over to some of the advertising effectiveness measurement that you do. Yeah. One of your competitors, comScore, announced the partnership with both Yahoo and Google to have their advertising effectiveness product put on the ad platform, particularly DoubleClick for Google, you announced the partnership with Google as well. I just wonder if you could maybe help the audience, for those that are not as familiar, understand what is similar versus different between your various partnerships? And what data do you get from Google, if you're getting demographic information for them? Facebook is a big part of your relationships as well.

Stephen Hasker
President-Global Media Products

A

Yeah. So, look, the first thing is, as I say, if we talk about Google specifically, so we have a long-standing relationship with Google. They're a good client. It's a very strong relationship. There's a whole series of things we do for and with Google, including have OCR run on, across Google properties like YouTube and the Google Content Network. So, in other words, an advertiser who uses OCR as their system, can use that system on – maybe that's running on Google or any other property. And it's purely independent, and the system works exactly the same on Google as it does on Yahoo, as it does on every other site. So, it's the first thing.

The second thing is, that includes Google's mobile properties, which distinguishes this from comScore. Now, when we invented OCR, we invented it as a Nielsen product, not a Facebook product or a Google product or anything else. At that time, we decided that Facebook has the richest demographic data: Age, gender, hometown, and so forth. And that shouldn't come as a surprise to everyone, because of the nature of the Facebook service. I need to register my age, my gender and my hometown. And if I put erroneous data, either I'm not going to have friends or my friends are going to correct it. So we founded that data set with 1.6 billion users across the world, as it is now was the richest source of that data.

And certainly, richer than, by nature of the service, richer than Google's or Facebook's. So, we've had discussions about using that data, and integrating into the ad service. And I think, we'll make some progress around those things, but what we won't do is compromise the independence of the system. It is the same system that runs on every single publisher. It runs in the same way across Facebook, as it does across Google, across AOL, MSN and any website [ph] that goes more. (18:01) And I think, we don't know on their Facebook – comScore haven't released their product yet. They haven't said that much about it, but I think they're going to face some very difficult times, if indeed, they have a different – if they're using Google data to measure property on Google, and Yahoo data to measure properties, advertising runs on Yahoo and their own data to measure everything else, that's going to be a very difficult world for an advertiser, who's [ph] working (18:24) for the same system across the same properties.

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Andre Benjamin
Goldman Sachs & Co.
Q

One last question on cost platform. How do you think about the adjustable market in terms of the size of the opportunity to measure online video, relative to your current revenue base for traditional TV? And do you believe that you need to – how do I say this. Do you think that it's most important for you to spoke of solely on kind of dominating video, because that's the core of your business? Or, as you continue to move further down the road of integrating everything into one measurement system, should we think about you becoming more prominent in the measurement of display, games, applications and other things that some of your competitors are more focused on?

Stephen Hasker
President-Global Media Products
A

Yeah. So, we sort of look at the world not in terms of TV versus sort of other types of video or radio versus other types of audio, and so forth. We look at it in terms of video, audio and text for a very simple reason. We think that as consumers, and that's where we always start, we think that we're either watching video, we're listening to something, listening to some audio or we're reading text, we're getting rich information. We're getting informed through text, no matter what the device. And increasingly, we are device-agnostic, right? We will measure the individual devices and aggregate those result dedupe them from a research perspective, so we can show from a single-source panel, where people are watching the same content, listening to the same content across multiple devices. But that's the way we think about it.

We have learned with video, and we've sort of been unapologetic about that. And certainly, the market has recognized that there's real value in having the same metric, run from TV all the way across other platforms, and we think that the same will be true of audio.

Our bet is that text will follow, and that major advertisers are going to say, look, I've got a standard for video and a standard for audio, and therefore, I want the same standard across my entire marketing campaign, but we'll see [ph[when (20:23) that happens.

Certainly, the highest CPMs and the highest growth in terms of digital spend, is going to the video space. And so, we think that's a good place to start. We think that's a good place to be winning. And we do see this is additive to our Watch business, our core Watch business and our growth rates, because the total consumption of video is going up. And the opportunities to media companies is going up with it, for the following reason. As consumers consume more video, they have a preference for professionally produced video.

The professionally produced video is, in large part, owned by and produced by, in many cases, the television networks and the studios that fit within those groups. And so, in a lot of ways, this is their battle to lose, and they're well-placed. And there's some questions around their business model. There are some questions around the level of competition, as you get further and further away from a television screen. But certainly, great video content is hard to create. And those that are good at it will remain good at it, and continue to be very well-placed, and that will drive our growth above and beyond our existing business.

Jamere Jackson
Chief Financial Officer
A

Another angle on that is, if you think about the way that media fragmentation has occurred, it's getting harder and harder to find those audiences, and it is requiring companies like ours to continue to invest in things that are very innovative. And as you make those investments, and you make those investments alongside your client, number one, they know and understand what you've done. They appreciate it, because they know what media

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fragmentation means for the business, and you get compensated for it, in terms of your ability to price and take advantage of that.

And so, we've been very disciplined about making sure that we make the right investments, that we understand where consumers are going, that we'll remain committed to the consumer, and we have the conversation with the clients and they get it, and we've been able to enjoy the pricing associated with that.

Andre Benjamin
Goldman Sachs & Co.

Q

One quick question on radio. Can you maybe give us an update on Nielsen Audio? Obviously, you rebranded the Arbitron assets. Any examples, that just, one, how is it trending? Two, any examples of – I know when you bought it, there were a lot of demonstrations of cross-selling opportunities, in terms of working with advertisers for what's on the local market. So, any interesting or tangible examples you can provide there, that are actually playing out as planned?

Stephen Hasker
President-Global Media Products

A

Yeah. So, when we closed that deal some time ago, and as we closed it, we talked about sort of three or four things that we would bring to that business. The first of those, was to apply our measurement science. We have about 900 measurement scientists to apply that expertise to the Arbitron panels and the Arbitron system. And I think, we've done that. We've been able to stabilize those panels, increase some of the quality, and that's an ongoing task. But the early days, I think, you're positive. Lots more work to do there, but positive early days.

The second thing we talked about was, the opportunity to take the Arbitron technology and electronic expertise to win business internationally. And so far, there's been one big radio tender come up since we closed the deal in Turkey, and we won it. That doesn't mean we'll win every one, but I think it is indication that those, the Nielsen sort of footprint with the Arbitron technology will give us the opportunity to experience [ph] then some (24:05) growth.

And the third was the one you talked about, Andre, which is this idea, your taking buy-side data, purchased data, and combining it with the listening data to help illuminate the ROI of spend on radio. And we launched a preview of it, not long after we acquired, and we showed the first set of results from that to the industry and the agencies and the advertisers in April, May, and we've since been on various road shows to talk about that.

And it was really the first time, it's sort of a little bit unbelievable, but it's really the first time that anyone has looked at radio as part of the marketing mix, and try to understand exactly what the ROI is or the dollars spent on radio. And what we found was that, there was some surprising results and some positive results for radio in terms of the value in categories that they have seen any spend from today, like consumer packaged goods. All right. And so, we got underneath this, and we started to learn that people driving home listen to radio on the way of their drive home. If they're exposed to consumer package goods and it's close to mealtime, then that often converts to purchase, to actual purchase.

So, that was a bit of a revelation for the radio business. And I think it's up to the radio industry to grab that and turn that into sales and revenue with a new set of advertisers. But certainly, what we've done is given them the ammunition to do that, and we've given the advertisers and their agencies much more high data about how radio does, when it doesn't fit into the marketing mix.

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Andre Benjamin
Goldman Sachs & Co.

Q

And any updates for the audience on where the effort in measuring streaming radio, perhaps?

Stephen Hasker
President-Global Media Products

A

Yeah. So what we've done is basically propose to industries, so this is both the terrestrial players and the pure-play digital players, what our solution is. And it's based on the OCR infrastructure. So, it's tagging a piece of content on any device and having that tag part of our service, part of our panels, and part of third-party data sets, producing a rating on the back of all those three.

Both sides of the audio business have said, yeah this is – we love this solution. This is very significantly better than anything else we've ever seen. So, we want to run with it. I think, where we're still going back and forth is, to what extent can the metrics be the same? Should they be the same and are they the same? So, the attackers, if you like, call them that, the digital radio folks, very much want the same set of metrics, so that they can take a share of the $17 billion in radio spend. And the terrestrial players are basically saying, well look, we're not so keen for that to happen.

And so, we have two principles in a battle like this, and it's very similar to one that AC Nielsen encountered when cable television came along. And the cable folks said, we [ph] would want to be in (26:54) on the ratings; and the broadcasters said, hold on, this isn't really what we're looking to do.

We have two principles. One is, whatever metric we put out will be reflective of the consumer behavior and the business models that suit it. Right? So, it has to be a current contemporary metric that's appropriate to measure, firstly. And secondly, everyone will get the same thing. So, those are the two principles, and that, it's not always the measures that people like to hear, but this is a – where we'll take a long-term view. We will not compromise for the purposes of, sort of, short-term revenues and the high of having someone sign up to get some analytics along the way.

And we're just working our way through that. I wouldn't [ph] hesitate the datas to, (27:37) when that happens, but I do think it's in the interest of both sides, and ultimately, in the interest of the advertiser to understand the entire audio mix. And I think that, that gravitational pull will ultimately prevail, and we'll get to the right places.

Andre Benjamin
Goldman Sachs & Co.

Q

So, just to make sure I understood properly, you're saying that the actual design of the product is pretty much done at this point, this is all just about negotiating terms with yourselves.

Stephen Hasker
President-Global Media Products

A

It is done. It is done. That's right.

Jamere Jackson
Chief Financial Officer

A

It's music to the CFO's ear as well.

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Stephen Hasker
President-Global Media Products

A

Yeah. So, there's no significant investment, there's no road testing or sort of app development that needs to take place. It's done. But that for us, that the hard work is often getting the buyers and the sellers, and getting the different players in the ecosystem to coalesce around the output. Designing the system and the technology can, and often is, the easier part. It's getting everyone to coalesce, and that's what takes time.

Now, in a sense, it's good news for us, because it sort of demonstrates the role we play in the industry and the value of currency. But there are days where it moves slower than we would like.

Andre Benjamin
Goldman Sachs & Co.

Q

So, we have a couple of questions here on the retail and Buy business [ph] up front, (28:51) see if the audience has a few. First, basics on what the current trends are, what you're seeing that happens in mixed news and data points out of the consumer space, both on the CPG side as well as the higher-end consumer? So maybe, just talk about how those mixed data points impact your business in what you're seeing now versus, say, a couple of months ago.

Jamere Jackson
Chief Financial Officer

A

Sure. So, overall, the business is very healthy. And we've talked about a couple of things, one is, our information business has been pretty healthy through the first half of the year. And we've also seen also seen pretty good progress in our Insights or analytics business.

Another key thing for us is, the growth that we're seeing in the emerging markets. We saw emerging market growth up 8% in the first quarter and 9% in the second quarter, sort of marching towards our goal of getting to double-digit growth. And those are exciting trends for us.

When you think about sort of the CPG companies in general, they're pockets of things that are really, really promising. And there are some companies that we work with that are making great progress in terms of their ability to grow their business and use the capabilities inside Nielsen to do that. And then, you see in other places, where there are certain categories that we've all read about, cereals, snacks, carb beverages, some of those categories where the growth is a little bit below expectations, and that tends to cause them to be a little bit more cautious. But overall, the business is very healthy, and we continue to see steady progress with both our multinational customers, as well as our local customers, and some of the emerging markets as well.

Andre Benjamin
Goldman Sachs & Co.

Q

So, I just wonder if maybe you could take a little bit of time to help some, understand the Insights business. It's a $700 million to $800 million business, but I'm pretty confident that a lot of investors in the room don't fully understand exactly how it works. So, maybe could you help explain it? Tell us how you take advantage of having all this TV data and retail data to actually marry that into something that's unique in the marketplace?

Stephen Hasker
President-Global Media Products

A

Yes. So, in a sense, we're on a journey from the situation where we would do very much analytics-driven by the various clients that we work with. So, particularly in the CPG and grocery retail space, a particular client would

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look in one market or across many markets, and say, I want to understand how to optimize my pricing or my assortment, my trade promotions, whatever it was.

And basically what we've done is two things, and this is a work in progress. So, the first is, we've organized those activities around three main areas, okay? And the reason for that is, we want to make sure that we build depositories of backed data, and we want to make sure we just continually deepen our bench and enable that data, those activities, to look more and more syndicated.

So, the three activities are innovation, where our base is franchise and concept product testing is a very, very valuable part of our portfolio. The second is marketing effectiveness, which is we you think about reach, resonance and reaction. The framework that's been adopted by many media companies and many advertisers, measures how many people did a campaign reach, did it resonate, and did the consumer react differently, like they're buying more product. We measure each of those and inform that process.

And then, the third is performance management, which really is sales execution, in-stores execution, pricing, promotions, assortment, shelf size. And the guiding light, the second part of this, is to make sure to your point, that those analytics activities are linked to our big syndicated data sets, where we have a privileged market position, like our TV ratings, like our Online Campaign Ratings and all the video ratings, and like our retail measurement service, which runs in 106 countries.

And we think that, that really will increasingly give us a competitive advantage, as we engage in those activities, because it links back to the data that is the life blood of the constituent clients' businesses, firstly. And secondly, it helps sort of modulate the ebbs and the flows in all this business. With clients, sort of leaning to it or cut back a little bit, it's been more volatile than the other side of our business. And we think that we can sort of modulate that a little bit.

Jamere Jackson
Chief Financial Officer
A

Yeah. The beauty of that set of business is, I mean, it's really an advanced set of analytical capabilities that Steve talked about. And as clients think about their environments, on tough cycles, oftentimes you want to lean into those analytical capabilities a lot more because you want to get more efficient. You want to figure out how do I go find another point of share growth when the volume in the whole category is not there?

So, I want to get sharper on pricing and promotion. I want to get sharper on shelf analytics, those kinds of things. And that's the beauty of that business. And as Steve said, there's more and more what we're seeing our clients do, is sort of link their info and their insights or analytics spend together, to make sure that they're optimizing not only the information that they get, but they're also optimizing sort of the performance improvement portion of their spend. And we feel pretty good about where we are.

Andre Benjamin
Goldman Sachs & Co.
Q

But then, those different capabilities you laid out, what types of solutions are you seeing that are the most in demand today? And any color on what types of customers are asking for it?

Stephen Hasker
President-Global Media Products
A

Yeah. We see terrific demand for our pricing and promotions work, particularly around trade promotions. So, for those of you, who've sort of watched this trend, you can think about $100 spent in total media for any particular

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brand. The share, which is going to measured media over the last 30 years, has actually come under pressure. It's declined. And the share, which is going to trade promotions, so that's [ph] in dial (35:10), that is the co-op payments and so forth. That's growing. And I've said, it's up to about 70% of the total mix. So, in other words, the pool in which the media companies plays, is about 30% of the mix.

We're seeing more and more manufacturers, really want to get very, very technical and very analytical about optimizing that promotions activity. Now, some of it, they cannot control, because it is a co-op spend, and it's very much a price of doing business in the retail outlet. But a lot of it, they can. And what they're realizing, is that a large amount of their promotions activity isn't working. So, they're giving the wrong price to the wrong customers. They're running promotions that are ineffective, and we're getting better and better in measuring that and performing that, and we've seen the demand for that service grow in developed markets and in developing markets.

Jamere Jackson
Chief Financial Officer **A**

And that's important because in this environment, and all of our clients will tell you what they're really focused on is eliminating waste. Eliminating places where they've spent money and they didn't necessarily get the kind of return on that investment that they need, and they want to eliminate waste. And a lot of what we're doing from an analytic standpoint is helping them get a lot sharper, focused on the places where they wasted dollars and they can redirect those into something that's going to help them build their business and build their brand.

Andre Benjamin
Goldman Sachs & Co. **Q**

I definitely have tons more questions, but I'll check the audience. I'm sure there are a handful out there as well. See, there's a gentleman back there.

Q

Yes. It strikes me that the digital overlay enables advertisers to spend more money more wisely with just the point you just made, I think, and analytics complement that. But what I'm struggling with is, is that good news or bad news for Nielsen? Do you cannibalize your existing business or does it tilt it, because you're adding more value and, therefore, you're more important?

Stephen Hasker
President-Global Media Products **A**

Well, as long as we're measuring the consumer, and we're putting the consumer at the center of our measurement rather than measuring any one point of distribution, it favors us. If we ever get to the point we were missing entire points of distribution, then I think we're exposed to the kind of trend you described. So, it is a very much a focus for us to be distribution-point agnostic and make sure that we're measuring all of the consumers' consumption, whether that is of video or audio [ph] clicks (37:43) or whether that's of consumer packaged goods. And obviously, different channels will present different challenges.

Recently, we announced the deal with Alibaba to measure sort of what we called omni-channel, and essentially what it does is, for about four or five categories of consumer goods, we're able to measure the – we combined our offline purchase data in China with all of the purchases on Alibaba for that category. And what that does is, it informs those brands as to how they're doing at Alibaba and what role that channel plays versus all their other

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channels. And what it does for Alibaba is they have the other side of that view and they understand how valuable are we to these brands and how do we continue to build our business.

So, there's an example of us just being channel-agnostic and measuring both. And if we stick to that principle, we're pretty confident we'll be fine, and we'll continue to grow, as the world becomes more fragmented as the marketing environment and selling environment becomes more difficult.

Andre Benjamin
Goldman Sachs & Co.

Q

Any others? Actually, I have a question for you.

Stephen Hasker
President-Global Media Products

A

There's one.

Andre Benjamin
Goldman Sachs & Co.

Q

Sorry, go ahead.

Stephen Hasker
President-Global Media Products

A

Sure.

Q

You mentioned that one of the challenges you face is getting all the different stakeholders, I guess, to agree on the metrics that have been developed, and to use it as a currency, et cetera. So, I guess I've been hearing for the last day and a half, that people had been waiting for these tools with bated breath. What, if any, are the obstacles that you're encountering in rolling out these new services?

Stephen Hasker
President-Global Media Products

A

So, a lot of what people have been waiting for is the mobile measurement. And on one hand, you can say, [ph] what you want, (39:37) Nielsen, what took you so long? On the other hand, this time last year, some networks were going really long in terms of providing that data into the digital platforms and alternative devices, others were holding back. Some had the rights to do it, others didn't. Some understood which business model they we're going to pursue, some didn't.

So I think, there's an element of sort of, well, we want the measurement to catch up, even though perhaps, they weren't ready. I think what has happened in the 12 months is, one, our solution has been road-tested. We've had lots and lots of beta trials. Everyone who has used the data, they like it, firstly. [ph] So now, it's daily-based (40:16) solution that people have great confidence in, but I also think you've seen, basically, some of the rights issues become overcome. You've seen some of the business model issues overcome.

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So, I wanted say we were ahead of this one, because you never really want the referee on the field to be ahead of the game. But I'll tell you, we're right on it, and I think the clients are seeing that, we're certainly well ahead of any of our competitors.

I mean, we like our media environment. The more complicated it gets, the more we like it. Because we do believe, that as long as we stay agile, we've made a lot of steps in that direction over the last four years or five years, that our size and our scale, the engineering and the measurement science talent we have, basically means we're the only player who can measure all these points of distribution in an increasingly complex environment. And it puts great stress on us and on others, but we do think that the gap between what we can do and what others can do grows.

Andre Benjamin
Goldman Sachs & Co.

Q

The one I wanted to close with is the cap allocation. So, you have significantly increased the dividend over the last 18 months, openly talked about starting to buy back some stock next year. Any update on your thoughts around allocation, how attractive M&A is versus returning cash [ph] with those other method? (41:47) And for those that aren't as familiar, what impact, being a Dutch company, that has on all of that?

Jamere Jackson
Chief Financial Officer

A

Sure. So, we recently updated our leverage target to the 3 times area versus sort of targeting our rating. What that does for us, is that gives us a tremendous amount of flexibility. We've said in the 2015-2016 timeframe that we'd grow our free cash flow to about $1 billion a year, and it'll grow from there. And we're going to have a balanced capital allocation approach, so about 45% of that is targeted towards the dividend, which will grow in line with earnings; about 35% will toggle between M&A opportunities and buy-back; and the rest, sort of service our debt. And again, this gives us tremendous flexibility to grow our business, return capital to shareholders in a very investor-friendly way.

In terms of being a Dutch company, there was some tax friction associated with doing a bigger buy-back. We have a $500 million buy-back that's in place today, which is largely to offset the dilution from employee plans in the 2015 timeframe. After we paid a couple of years of dividends, we'll have a ton of headroom to go increase that, and we'll look to do that over time. As our free cash flow continues to grow, we have an opportunity to increase that buy-back, and again, return capital to shareholders in a very investor-friendly way.

Andre Benjamin
Goldman Sachs & Co.

Great. Well, we're out of time. Thank you so much, that you've all taken some time, and everyone, have a good afternoon.

Stephen Hasker
President-Global Media Products

I appreciate it.

Jamere Jackson
Chief Financial Officer

Good afternoon. Thanks.

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