11-Dec-2015

Nielsen Holdings Plc (NLSN)

Analyst Day

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MANAGEMENT DISCUSSION SECTION

Kate White Vanek
Senior Vice President-Investor Relations

Welcome to Nielsen's Third Annual Analyst Day. My name is Kate Vanek. I'm the SVP of Investor Relations. And on behalf of the entire company, welcome to everybody that made the journey to come in person and everybody that are listening and watching from afar.

As you can see, and also laid out in the books in front of you – or in the slides in front of you on your computer screen, we had a fantastic agenda outlined today. What's going to feel new, you might ask. A couple of people have already asked me that.

First and foremost, we have a lot of new faces. Second, you're going to hear from an absolute all-star client panel of ours. And third, you're going to hear heck of a lot more about technology, the role that it plays in Nielsen today and, importantly, the role that it plays in Nielsen in the future.

Something else is going to feel a little bit new and that's the fact that there's no plastic gadget in front of you. We've done this year, as sort of a gift, it's something that's really key to the Nielsen culture. And on behalf of every single person that attended today, we've made a donation to an organization that we have a wonderful partnership with, it's the United Nations World Food Programme. More information in the books in front of you, but thank you for your attendance today. It had a great impact.

The Nielsen Experience Lounge, this is always one of everybody's favorite parts of day, for sure. It's actually also where all the executives will meet you after the presentations conclude to be able to have conversations.

What you're going to see, if you haven't spent time there already, are 16 different demonstrations manned by 35 subject matter experts, talking through a lot of the key growth elements of the Nielsen story. I want to particularly call two to your attention. We get a lot of questions in IR, what am I not understanding? What is the street missing? Where do I need to spend more time? And I highlighted two that answer those questions.

First and foremost, our enterprise marketing platform demonstration. A lot of this is fueled by the eXelate acquisition that we did in March of this year, definitely spent time with this team. Also, data science. This is a key competitive advantage of Nielsen. And I really want to make sure that everybody that attended today walks away with a better understanding of these two things in particular.

And on that note of walking away with certain takeaways embedded hopefully in your brain, we all sat around as a team and thought what are the five main things we want to make sure that everybody that attend in person and tuned in from afar get from today.

First and foremost, it is our execution of total audience and the quite fantastic client adoption of it. You've already heard me mentioned this, so hopefully you realized how important it is by now, but Nielsen's building of an enterprise marketing platform and how our eXelate acquisition fuels this. Third, what Nielsen is uniquely doing to improve the value of advertising. How Nielsen is extremely relevant in a demos-plus world. Of course, you'll also hear a lot about some very key drivers of growth for our Buy segment. Total consumer measurement, this concept and also how we're leveraging technology to be able to create a connected buy system that not just enters the what, but the why and then also the what's next. And lastly, one of the absolute key strengths of Nielsen, our consistent performance through the cycles, mid-single digit revenue growth, ongoing margin expansion, extremely compelling free cash flow generation. You'll hear about all of these things today. And so, I hope you enjoy.

And with that, I'll turn it over to our first presenter, our CEO, Mitch Barns.

Dwight Mitchell Barns

Chief Executive Officer & Director

Hey, good morning. Thanks for joining us today. The first time I stood on this very stage in this same room in front of all of you was two years ago, when I was just beginning my transition as Nielsen's new CEO. Lots happened since then, a lot of change. For instance, I have a few more grey hairs. But also, in the markets that we serve, there's been a lot of change in those markets as well. For instance, in our Watch business, technology has continued to drive media fragmentation, driving these big changes in viewing behavior out there in the marketplace, including the rise of subscription video-on-demand.

In our Buy business, we've seen ongoing globalization. We've seen the rise of e-commerce. We've seen consolidation of some of the big companies. We've also seen the emergence of some new smaller players in the marketplace, who as a group are performing quite well. So, a lot of change out there. Those are just a few examples. [ph] Though even (05:44) while a lot of things have been changing, there are few things that have remained the same.

For instance, Nielsen were still just as focused today on measuring what consumers watch and buy. The value of what we do, independent third-party measurement, is as strong as ever. No change there. And our business has continued to deliver the same steady and consistent performance that we're known for. In fact, that's a characteristic of Nielsen all throughout our 92-year history. We've been able to simultaneously embrace change, while still delivering with consistency and we'll continue to do that in 2016 and beyond.

But one of the keys to our ability to navigate through change is our strategic framework and it has three parts: performance management, our focus on consumers and our global presence. And as we go through the presentations this morning, you'll hear more about these ideas. And as Kate said, you'll also hear more about technology and the growing role that technology is playing at our business and why that's important for Nielsen and our clients.

Let me add a little bit more color to each of these three parts though to our strategic framework. Let's start with performance management. It itself has two parts to it, measurement and improvement. We measure performance for our clients, and then we help them improve their performance.

Measurement. Measurement is the core of our business in both Watch and Buy. Independent third-party measurement is in fact fundamental to the transparent and efficient operation of markets. Markets did have an independent measurement standard, they perform better than markets without one. In other words, independent measurement adds value, and we're the clear leader when it comes to measurement and we continue to invest in and innovate on our core measurement services to keep them as relevant and as valuable as ever.

The second part to performance management is about improvement. Improvement, in other words, once clients know what happened, that's what measurement tells them. They immediately asked, why did that happened and what next, what do I need to do to improve going forward? That's our analytics business. And we have a number of great products in our analytics business that help our clients with their questions in the areas of marketing, advertising, sales and innovation and the direction we're going with this part of business is to more of a platform based, system-oriented approach, where we connect our analytics products together. So, that they operate more like a system and are connected directly into our client systems, more precise, more powerful, faster than ever before.

Let me give you an example. In the Watch part of our business, we're leveraging our recent acquisition of eXelate to create an enterprise marketing platform, or EMP. What this EMP does is it connects some of our analytics capabilities together, help our clients advertise with more precision than ever before. In other words, it helps to move from targeting segments of consumers to addressing individual consumers. Very powerful.

In our Buy business, same idea. We're connecting our analytics capabilities together into a system. Think of this as an operating system for marketing and sales, providing more power, more precision and more speed. And these systems, they're smart, they learn as they go. So, they continuously improve.

The second part of our strategic framework is our consumer focus. And many of you have heard me say this before, we measure consumers and we follow them wherever they go. For instance, in our Media business, we followed them from when they had just a few channels available only in their living room to today when they have literally hundreds of choices, many of them available on demand wherever they go. And in our Buy business, we followed their purchasing as the retail environment fragmented from being predominantly in supermarkets today and also including hypermarkets, so a wide range of specialty retailers in today's fast-growing e-commerce channel.

By the way, did you see the video that Amazon released last week of their 30-minute delivery by drone test? Did anybody see that? If that becomes a thing, we'll follow that, too.

Third part of our strategic framework is our global presence, and many of you have heard us talk often about our 106 country presents in the Buy side of our business covering more than 90% of global population. But our Watch business also has a strong and growing global presence. We now measure media in 45 markets around the world and those 45 markets represent about 80% of global advertising spend.

And in digital, our Digital Ad Ratings product is now in 17 markets, and just those 17 markets represent about 85% of global digital advertising spend. So, those are the three parts of our strategic framework.

Next I would like to talk about some highlights from 2015, and no better place to start than total audience measurement. So, a year ago, on total audience measurement, we still had a lot of work to do. We still had to solve the difficult problem of how to measure viewing of subscription video-on-demand. We still had to increase the size of our panels. We still had to roll mobile viewing into the ratings, and we still hadn't yet launched Digital Content Ratings, which at that time was still the key missing piece of our total audience measurement framework.

Well, here we are one year later and we've executed on every single one of those, on schedule in partnership with our clients. In other words, total audience measurement, it's here. It's real, it's in the market today, and it's gaining momentum in the form of growing client adoption. You'll also hear it in the marketplace commentary from our clients. It's a very different conversation today than it was 12 months ago.

Now the break-out star in our total audience measurement system is our Digital Ad Ratings product. To give you a sense of the progress that we're making here, I'll cite an independent third-party survey, you know how like independent data. Independent third-party survey of media agency professionals, and what we found is that 72% of those media agency professionals choose Nielsen's Digital Ad Ratings for their video ad guarantees. Now, that 72% is up 20 points versus just five months ago, and it's also 40 points better – that's 4-0, 40 points better than our nearest competitor. So, we're making great progress with Digital Ad Ratings.

Meanwhile, the counterpart metric, the complementary metric to Digital Ad Ratings is Digital Content Ratings and we're just getting started here. We launched it on schedule to the marketplace just a couple of months ago, and there's a growing number of networks and publishers who are integrating this capability, and we're on track to syndicate this metric for the market in the early part of 2016.

But throughout 2015, we focused intensely on our clients' priorities related to our total audience measurement framework. We deliberate on them one-by-one. In fact, more than two dozen deliveries to the marketplace, and every single one of them was difficult. But our teams didn't blink. They worked incredibly hard, and I'm immensely proud of what they have accomplished.

The second one on our 2015 highlights list is eXelate. A year ago, our acquisition of eXelate was just an idea. Today, eXelate is playing an important role in so many different parts of our business. The eXelate business itself is strong, it's growing, it's healthy. We're very happy with it. But we're just as happy with the assets and the talent that our acquisition of eXelate has brought into Nielsen, playing an important role across so many different parts of our portfolio.

eXelate has best-in-class capabilities, when it comes to data integration, whether it's Nielsen's data, our clients' data or other third-party data sets. eXelate also gets us much more plugged in to the programmatic buying universe. They also have an amazing infrastructure that connects directly to over 120 platforms in the ad tech world. So in short, this acquisition has been a big success for us, frankly even better than we expected.

The third one on this list, marketing effectiveness. It's another year of double-digit growth for us in our marketing effectiveness practice. This is the part of our business, where we connect our Watch and Buy assets to drive better marketing ROI, which is important to both buyers and sellers of media. This practice plays especially well to our core consumer package goods and media client verticals, but all sort of advertisers in automotive, financial services, telecom and retailing.

The fourth one on this list is emerging markets. We continue to love our position in the emerging markets. It continues to be a key driver of that part of our business's growth, despite some of the volatility that we saw on the second half of this year. The volatility is real, but it in no way changes our investment thesis for our business in these markets, driven by the strong long-term tailwinds of population growth, a rising middle class and urbanization, which create an ongoing need for more measurement coverage and more granularity, which drive growth for our business.

The last one on our highlights list here, capital allocation. Jamere is going to say more about this when he comes up. But this morning, we're announcing an additional $500 million share buyback, which we intend to exhaust by the end of 2017. Since 2013, we've already returned more than $2 billion in cash to our shareholders.

I love this chart. I love it. Six years of historical results, but we've actually had 38 consecutive quarters. That's almost 10 years of constant currency revenue growth, all through changing economic cycles, changing markets. Our business continues its steady, consistent performance, which is what enables us to continue to invest in the future while returning cash to our shareholders.

On this stage, you'll see some of the leaders, who will be up on the main stage today. Let me just walk through it. I know many of you already know Jamere, Steve Hasker and Megan Clarken You'll also hear from Mark Zagorski, who came into Nielsen through our acquisition of eXelate. John Burbank will moderate our client panel today. You'll hear from Patrick Dodd who will talk about the important work we do with retailers, Andrew Somosi will walk you through our Buy product strategy. And you'll also hear from our new Chief Technology Officer, James Powell. And of course, you all know Kate.

Now in addition to these leaders, we also have a wealth of leadership talent all throughout our organization. And in fact, many of them are here today and you'll have an opportunity to meet some of them and talk with them in the Experience Lounge after our morning's presentations. And I strongly encourage you to do that, walk over to the Experience Lounge, take a look and also take advantage of the opportunity to talk to these leaders. We have experts there and everything from neuroscience to data science, from e-commerce to our innovation incubator just outside of Tel Aviv in Israel and really incredibly impressive, incredibly strong group of leaders. In fact, stronger than ever.

And that's a result of our ongoing investment in leadership development at Nielsen and our ongoing effort to continue to foster a culture of positive risk taking and innovation at our company because that's important. In fact, it's a key to our success over our 92-year history. Our ability to continue to innovate and remake ourselves to keep pace with the changes in the marketplace.

Before I close, I want to say a few words about where Nielsen is going in the future. First, we'll continue to be the currency provider not just for TV and radio, broader. For video and audio, wherever consumers go to find them. The ultimate lead will be our clients, who will determine this. But we're more confident than ever in our strategy and our ability to execute on total audience measurement.

Our ambition here also includes text-based content. We've been gaining share there and our team believes they can continue to do so. I'm not going to bet against them. We'll also continue to innovate around the idea of unleashing the power of big data in our core measurement services in both Watch and Buy. And it turns out the key to doing this is our high-quality panels. That's right, those old-fashioned panels that some people like to make fun of. Well, guess what? They're more valuable than ever. The key is to connect your high – our high-quality panel with these big data sets in a hybrid-like system. That's in fact what the future of measurement looks like. And with our data assets, with our data science talent, with our data integration capabilities, we're better positioned than anyone on the planet to do that.

The third one on this list. You'll continue to see an open, connected system emerge from our product portfolio as our analytics capabilities continue to become more interconnected and interoperable with each other operating like a system and technology continues to play a greater and greater role in our business. And as that happens, you'll see Data-as-a-Service and Software-as-a-Service business models account for a growing portion of our revenue.

The fourth one on this list. We're going to stay laser-focused on our core consumer package goods and media client verticals, but we'll also continue to build our position in adjacent verticals, leveraging our existing platforms efficiently.

Last, certainly not least, you can – you should continue to expect Nielsen to continue our steady, consistent performance, revenue growth, expanding margins, growing free cash flow and incremental shareholder value. I feel great about the fundamentals of our business, leadership, our strategy, our ability to execute. There has never been a better time to do what we do than right now and we've never been better positioned to do it.

Thanks for coming this morning. We're glad you're here.

Kate White Vanek
Senior Vice President-Investor Relations

Next up to address the compelling financial framework of Nielsen is Chief Financial Officer, Jamere Jackson.

Jamere Jackson
Chief Financial Officer

I love that song. Good morning, and thank you. I'm going to take a quick look back at our historical financial performance. I'll cover 2015 and 2016 guidance. I'll give an update on capital allocation. And then, I'll wrap up with our long-term financial framework.

If you look back at our financial performance over the last five years, it's been quite compelling. We've delivered consistent, steady revenue growth. Through the cycles, it's been remarkably resilient. Our revenue has grown 7% compounded annually and 5% when you strip out the Arbitron and Harris acquisitions in 2013 and 2014.

As Mitch said, we've delivered 38 consecutive quarters of constant currency revenue growth. It's nearly a decade and we have invested in key growth opportunities in both of our segments. We delivered over 3.5 points of margin expansion from 2010 to 2015 behind a powerful syndicated business model, disciplined pricing and cost-out initiatives. This has led to incredibly strong free cash flow that has grown over 30% compounded annually. And importantly, in 2015, we will exit the year converting roughly 88% of our adjusted net income into free cash flow. And this free cash flow has given us tremendous flexibility to grow our business and return over $2 billion back to shareholders in the form of dividends and buybacks from 2013 to 2015. Look, we're a consistent, steady performer and we are well positioned to deliver strong shareholder returns.

We have this powerful syndicated business model, long-term contracts and blue-chip clients, but we've also invested in expanding our product capabilities. We've invested in adding coverage in the emerging markets and we brought real innovation to media measurement. And as a result, our revenue has been remarkably consistent through the cycles.

Our adjusted EBITDA growth is driven not only by this consistent, steady mid-single digit revenue growth, but also by 50 basis points to 70 basis points of margin expansion, which is net of the investments that we've made in expanding coverage in the emerging markets and adding new product capabilities in our media business.

And if you look at the growth in our two segments, it really highlights the consistency of our performance. Our Watch business, which operates in 45 countries, representing roughly 80% of global ad spent has been remarkably consistent. It's grown about 5% compounded annually, when you strip out the Arbitron acquisition in 2013. But importantly, we've been transforming our portfolio along the way by adding new products to enable our execution in total audience measurement by increasing our investment in areas like Nielsen Catalina Solutions and by divesting of assets like Nielsen Research Group, or NRG, which we did in the fourth quarter.

The goal is to create a faster growing, higher margin business going forward. Our Buy business has also been remarkably consistent, growing at about 4% compounded annually, when you strip out the Harris acquisition in 2014. Our Buy business operates in over 100 countries, representing 90% of population. No other company has a global presence, has the depth or breadth and product capabilities in measurement and analytics and this has resulted in significant new client wins and accelerating growth in the emerging markets. This is a consistent and resilient business model that has grown constant currency revenue for nearly a decade straight.

If you look at free cash flow and adjusted net income per share growth, they've both grown over 30% compounded annually. If you take a look at free cash flow in a little bit more detail, since we IPO-ed the company in 2011, our free cash flow conversion has hovered around 70%. As I said, in 2015, we're going to exit the year converting roughly 88%. And going forward, we're going to target 90%-plus conversion on free cash flow.

Our adjusted net income per share has more than tripled since 2010 behind consistent, steady revenue growth, margin expansion and the deleveraging benefits that we've experienced since 2010. When Mitch flashed the chart earlier and have said, I love this chart, I love that chart, too.

Moving to 2015 guidance. This is exactly what we showed in our October earnings call, highlighted by total revenue of 4.3% to 4.8% growth, adjusted EBITDA margin expansion over 70 basis points, adjusted net income of $2.60 to $2.64 and free cash flow of $850 million, which is up 25% versus the prior year.

Moving to 2016 guidance. For those of you who have followed our company for a number of years, this chart will look remarkably familiar in terms of its framework. And in fact, I see some of the sell side analysts smiling in the room, and I almost accused you of trying to steal my thunder from my presentation today.

But if you look at our revenue growth, we're going to target revenue growth of 4% to 6% on a constant currency basis, adjusted EBITDA margin growth of 50 basis points to 70 basis points, our adjusted net income per share of $2.83 to $2.93 and free cash flow of $950 million, which is up a $100 million or 12%. And you'll see in a couple of charts, we plan to return the majority of that back to shareholders.

On the right hand side of the chart, you can see some other financial metrics, which will help you with your models. But this framework that we've laid out, this guidance that we've laid out for 2016 is solidly in line with our long-term financial framework.

Moving to foreign currency impacts. We report on a constant currency basis to reflect our operating performance. We generally don't take on transaction risks. So, what you see here is the translation impact of FX. On the left hand side of the chart, you'll see that we generate roughly 60% of our revenue in U.S. dollars. And other than the euro at 9%, no other currency represents more than 4% of our revenue.

On the right hand side, if current spot rates hold steady through 2016, you'd expect about 170 basis points drag on revenue and 110 basis points drag on EBITDA. This is worth roughly $0.05 a share and is included in the guidance that I gave you on the previous stage. To give you a little bit of color on the segments and revenue, again, as I said, total Nielsen will grow 4% to 6%. Our Watch business will grow 4.5% to 6.5%. Audience Measurement will growth 6% to 7%. Marketing Effectiveness, 15% to 20%. And Audio will be 1% to 3%, bringing our core Watch revenue 6% to 7.5% growth.

Our core Watch revenue in 2016 will represent 95% of our revenue in the Watch segment. Other Watch will decline by 10% to 15%, and this reflects the divestiture of NRG in the fourth quarter, bringing our total Watch business to 4.5% to 6.5% growth.

And before I leave Watch, let me spend just one more minute on other Watch. In 2010, other Watch contributed roughly 15% of the revenue in our Watch segment. In 2016, it will contribute 5% of our revenue in the Watch segment. If you look at the contribution of revenue in 2016, it will be just three products in that area, one is our legacy NetRatings business, which will decline and eventually be [ph] sun setting (28:14) overtime as we replace it with Digital Content Ratings. And two products in the Telco space, which grow at low-single digits, but with good margins. If you look beyond 2016, and we did no further divestures in this area, then other Watch would grow flat to up low-single digits.

Moving to our Buy business. Our Buy business is going to grow 3.5% to 5.5% on a constant currency basis. The developed markets will grow 1.5% to 3.5%, and the emerging markets will grow 8% to 10% and this is driven by significant new client wins, stable discretionary spending and continued strength in the emerging markets. So, total Nielsen growing 4% to 6%.

Moving to capital allocation. We will continue to execute on a balanced capital allocation approach in 2016. On the left hand side, you can see our long-term free cash flow allocation, where we'll allocate roughly 45% to the dividend and grow that in line with earnings. We will flex 40% between buybacks and tuck-in M&A opportunities and the remaining 15% to service our mandatory debt. As I said, this gives us tremendous flexibility to grow our business and return cash back to shareholders in a meaningful way.

And you can see, from 2013 to 2015, we've generated over $2 billion in free cash flow. We've returned over $2 billion back to shareholders in the form of dividends and buybacks. We've increased the dividend 75% since inception. And as Mitch mentioned, this morning we announced an additional $500 million buyback authorization, which gives us $850 million of dry powder, which we plan to exhaust largely by the end of 2017. We're committed to delivering incremental shareholder value through capital allocation.

When you look at our long-term financial framework, you can call this the next five years, if you will. And for those of you who followed our company, this framework will look very familiar as well. However, I want to highlight two areas in green that are different.

First is revenue growth. We're continuing to target consistent, steady mid-single digit revenue growth through the cycles. On margin expansion, going forward, we're targeting 50 basis points to 70 basis points. Historically, you've heard me say that we're targeting 40 basis points to 60 basis points. Based on scale in the emerging markets and the continued focus on productivity inside our company, we have a lot of confidence around 50 basis points to 70 basis points going forward.

Our adjusted net income per share growth will be double digits to low teens. This is behind solid operating earnings and the buyback that I've talked about on the previous page. Our cash tax rate will go from the mid-teens to the low-20s. Free cash flow conversion, 90% of adjusted net income per share is what we're targeting going forward, and this free cash flow gives us a lot of confidence around growing the dividend in line with earnings.

We have confidence in this financial framework because this is Nielsen, consistent, steady, mid-single digit revenue growth, ongoing margin expansion, an attractive and compelling free cash flow profile and a balanced capital structure. We're well positioned to deliver incremental shareholder returns.

Thank you, and I'll invite Mitch to the stage for Q&A.

Kate White Vanek

Senior Vice President-Investor Relations

At this time, we'll begin our first Q&A session. So, we'll be taking questions from the audience during this time.

QUESTION AND ANSWER SECTION

Manav Shiv Patnaik
Barclays Capital, Inc.
Q

Hey. Good morning, guys. Manav Patnaik with Barclays. So, the first question is just on the financial guidance aspect. How much does eXelate contribute to that number? And generally, over the – over your slides, you've always shown the constant currency rate, but not the constant currency organic rate. So, just going forward, can you just help us understand how we should think of that progression?

Jamere Jackson
Chief Financial Officer
A

Yeah. So, first of all, on your – on the second part of your question, how to think about the constant currency revenue growth, we've historically targeted 4% to 6% revenue growth. We've always said that, every year, we go [ph] into the year (32:15) looking to spend roughly $150 million to $200 million for tuck-in M&A and that usually contributes roughly 1 point on the top end of the range. So, if you want to think about it in the same framework, it's 4% to 6% with the 6% number largely dependent on us doing tuck-in M&A.

eXelate has been a positive contributor for us this year. As we said, in 2015, it was worth roughly 1 point. We'll start to grow over that next year. eXelate is a fast-growing business for us and [ph] you're seeing (32:46) in our reflection of the growth rates and our core Watch business growing 6% to 7.5%.

Manav Shiv Patnaik
Barclays Capital, Inc.
Q

And just to reinforce [ph] that (32:54) eXelate business proper won't be acquired as a P&L is growing great. But as I mentioned in my opening comments, it's also contributing in a lot of other areas in our business. So, I think its contribution to total Nielsen is even bigger than the eXelate business itself.

Kate White Vanek
Senior Vice President-Investor Relations
A

And if you wanted to get down to the modeling level, Manav, there's only about two months of eXelate.

Dan?

Dan Salmon
BMO Capital Markets (United States)
Q

Hi, guys. Good morning. Dan Salmon from BMO. Did you consider at all the marketing effectiveness division [ph] start to (33:26) break it out as its own segment? I know it's a little bit of a mix of the two businesses. Just as you think going forward about that, I know that's something we've talked about before.

Jamere Jackson
Chief Financial Officer
A

Yeah. So, from a segment standpoint, two things, one is marketing effectiveness really is bringing our Watch and Buy businesses together. It's growing very nicely. We've included in the Watch segment for simplicity sake. Going forward, we actually see the lines blurry between what we're doing in audience measurement and what we see in marketing effectiveness.

For example, when we talk to media clients today, not only are they looking to get our ratings data, but they're looking at other products in that marketing effectiveness area to help them amplify the value of their inventory. So, over time, we see the lines blurring more and more. And today, for simplicity's sake, it makes sense for us to call it out.

Sara Rebecca Gubins
Bank of America Merrill Lynch

Q

Hi. Sara Gubins from BofA Merrill Lynch. Two questions. First, on emerging market, 8% to 10% growth sounds great, but you did see a slowdown [ph] into (34:32) 6% in the third quarter. So, I'm wondering, what gives you confidence that it will ramp back up next year?

And then, maybe a question for Mitch. As you work to become more of a technology provider, does the competitive [ph] set changed (34:45) who you run into and how do you think about who you might both compete and partner with over time?

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Yeah. I can take them both. Emerging markets, as we've mentioned, there has been some volatility. You're right, in the third quarter, our growth rate there is a little lower than it has been, not a lot but a little bit lower than it has been in the recent quarters.

But the reality is there's still lots of underpenetrated opportunity for us in all those markets and our teams are after it. They're chasing it and they're making progress. So, we still feel very confident in our ability to continue roughly the same pace of growth next year as we have in the recent years.

On your second question about technology, [ph] as that (35:26) plays a bigger role – yeah. To some degree, our competitive [ph] set (35:29) does change. But the reality is, it was going to change anyway because this is really the marketplace moving in that direction. A lot of these big technology companies are starting to focus on the CMO. So, to some degree, they are potential competitors coming at it from a very different side of the equation, the technology side as opposed to we start from the data side of the equation.

So, I think there's every bit as much opportunity for us to cooperate with these big technology players, that they'll be included in that group as there is for us to be competing with them. We're happy to see them pull though, and we like our position.

Jamere Jackson
Chief Financial Officer

A

Just to add on the emerging markets, Mitch and I just finished our operating reviews. And as we've said, we're largely underpenetrated in a number of markets [ph] and (36:11) we saw some really robust growth opportunity. So, if you take a look at our largest market, Latin America, targeting double-digits for next year. China, our second largest market, double-digits. Southeast Asia, up high singles. Africa, which is our fastest growing market, but our smallest market is going to grow in mid-teens to upper-teens. The one hotspot that we had in 2015 was India, which actually is down a little bit in 2015 and we see a little bit of a snapback there. So, it gives us a lot of confidence around the 8% to 10% range for next year.

Dwight Mitchell Barns
Chief Executive Officer & Director
A

Probably, the best example though of this ability of our teams to find growth in these markets even when the volatility is there is Brazil. Brazil economy, everybody knows, has been not so great. And yet, our team has found very strong growth in our business all year long.

Kate White Vanek
Senior Vice President-Investor Relations
A

Tim?

Tim Nollen
Macquarie Capital (USA), Inc.
Q

Thanks. Tim Nollen from Macquarie. If I just eyeball the audience measurement and the audio lines of the Watch 2016 revenue guidance, it looks like maybe it's around the 6% or so range that you lifted up to starting about a year ago. But if you've got new [ph] total (37:16) audience measurement coming, you've got new sets of customers in – on video providers that weren't customers before and as this business grows, why wouldn't that number actually rise beyond that 6% figure?

Jamere Jackson
Chief Financial Officer
A

Well, two things. One, we're making tremendous progress there. We're in the early innings, obviously, with the things that we're doing from a total audience measurement standpoint. So, Digital Ad Ratings obviously has made tremendous progress, but we're still quite frankly early innings there.

In Digital Content Ratings, [indiscernible] (37:46) and quite frankly, we're not expecting a large contribution of revenue from Digital Content Ratings next year. But within the framework of what we're doing with total audience measurement, we feel very good about where we are. So, you're [ph] seeing the number of growth here (38:00) than it has been in the past. Again, our core revenue, 95% of that revenue in that large bucket is 67.5%. If you just look back a few years ago, that number was more than 4% [indiscernible] (38:10). So, we're making great progress.

Dwight Mitchell Barns
Chief Executive Officer & Director
A

And a lot of what the digital components of our total audience measurement system do is reinforce our offering for the media conglomerates, the biggest clients in our portfolio and do also bring incremental business to us with the digital players. But at the moment, that's still the smaller portion, by far, of our business.

Kate White Vanek
Senior Vice President-Investor Relations
A

[ph] Andrew (38:31), and then Brian.

Q

Jamere, I just want to make sure I'm getting the NRG treatment right. So, when we're talking about the 10% to 15% decline in other Watch, you're counting NRG as a negative. If I was thinking about in terms of organic growth, shouldn't I be adding back the NRG revenue?

Jamere Jackson
Chief Financial Officer
A

You would, if you thought about it in terms of organic growth. But we've been pretty consistent in the way that we've treated, sort of, our core revenue growth. So, NRG was sort of [ph] in the number (38:59) this year, next year, so when it's out, it's in 10% to 15% is the way that we've consistently shown the ins and outs in the portfolio year-over-year.

Q

Right. So, how big is NRG?

Jamere Jackson
Chief Financial Officer
A

So, NRG was roughly $40 million of revenue this year, and it's all coming out next year.

Q

Thanks.

Kate White Vanek
Senior Vice President-Investor Relations
A

Brian?

Brian W. Wieser
Pivotal Research Group LLC
Q

It's Brian Wieser, Pivotal Research. I'd just like to clarify that you're not expecting any change in currency that the market – TV market buyers and sellers will use, but that any change will cause revenue to grow or go differently. As an illustration, if folks start using TAR [indiscernible] (39:43) if that became a currency, that would presumably cost more to everyone. But, you're not assuming any change in currency in your long-term guidance?

Jamere Jackson
Chief Financial Officer
A

So, we report on a constant currency basis to reflect our operating performance. As I said, we generally don't take on transaction risks. So, what we're [indiscernible] (40:01) going forward is constant currency.

Dwight Mitchell Barns
Chief Executive Officer & Director
A

Maybe ask him to clarify it. Brian, do you want to clarify it?

Brian W. Wieser
Pivotal Research Group LLC
Q

Yeah, I'm sorry, [ph] (40:08) media buying and media selling currency.

Jamere Jackson
Chief Financial Officer

A

I'm sorry, I'm on foreign currency here when you were looking at me Brian.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

I just – I think the answer to your question, Brian, is no, not yet. But obviously, that process is well underway. We talked about it in our Q3 earnings call. You're going to hear an update on this today. That conversation we're having with the key players in the industry, where we're convening them as a group to talk about the change in the currency that the market would use for buying and selling of advertising.

Brian W. Wieser
Pivotal Research Group LLC

Q

Right.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

In the media world, that continues to move forward. I don't want to get [ph] into to (40:40) make any story around that, but that's not – there's no assumption for that yet in our financials.

Jamere Jackson
Chief Financial Officer

A

I want to clarify that, for 2016.

Brian W. Wieser
Pivotal Research Group LLC

Q

And then, the second question and maybe this is more for Jamere. As you're thinking in terms of capital allocation and – as we talk about eXelate and the players you're competing with tend to think nothing of dropping a billion dollars here and a billion dollars there, and pretty soon it's real money. I'm just curious of how you think about prioritizing investments in the marketing tech and enterprise marketing as you're characterizing it, if that becomes more of a priority given the expense or if it's as prioritized as it was within your financial framework.

Jamere Jackson
Chief Financial Officer

A

It's a good question. And indeed, the valuations are pretty spicy in that arena as it relates to some of the companies there. We've been pretty disciplined though about finding the right assets that make sense for our portfolio. And if indeed there was something that was critical to what we're trying to do from a total audience measurement standpoint, we have no issues at all, making sure that we allocate the right amount of capital to go after those assets because, again, at the end of the day, we're focused on measuring the consumer. And to the extent that we need to add capability to go do that, we have plenty of financial fire power to be able to execute.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

And for me, Brian, the key is for us to be crystal clear about who we are. Crystal clear because that's what [indiscernible] (42:02) what our choices should be about potential acquisitions for tuck-in purposes or strategy, everything else flows from that. And who we are is a measurement company, and our business will continue to be driven by data.

So, we're not going to go out and suddenly try to pretend we're a technology company. We are going to leverage technology in a much bigger way, but we're a measurement company and our core assets are data and the main source of our value to the markets that we serve is our data and we're crystal clear about that. A lot of decisions become really clear if we're clear about that.

Brian W. Wieser
Pivotal Research Group LLC **Q**

Thanks.

Kate White Vanek
Senior Vice President-Investor Relations **A**

Toni?

Toni M. Kaplan
Morgan Stanley & Co. LLC **Q**

Hi. Toni Kaplan fsrom Morgan Stanley. Just wanted to ask about the margin expansion guidance. How much of that is sort of more Watch related versus Buy related? And if you could give an update on, sort of, the profitability of the digital business. Thanks.

Jamere Jackson
Chief Financial Officer **A**

Okay. In terms of our 2016 guidance, we would expect a little bit more of a contribution from Buy in 2016 because, as I said before, the emerging market investments that we've made in Buy are starting to scale. So, our Buy business is going to have a much stronger contribution to the margin expansion in 2016. And at the same time, you're going to see us invest a little bit more in the Watch business, doing all the things that we're trying to do around total audience measurement. We manage margins on a total company basis. We feel goo d about the strength of the portfolio and being able to deliver that number.

Dwight Mitchell Barns
Chief Executive Officer & Director **A**

By the way, Toni, I think that was your study that I've cited in my opening comments, so thank you for your independent survey. I appreciate it.

Kate White Vanek
Senior Vice President-Investor Relations **A**

[ph] David (43:40)? You have your mic.

Q

Okay. Thanks. Two questions. The first is, can you talk about what you're seeing in – embedded in that guidance in terms of pricing power on your sort of traditional business? We often get that question, what's happening in the core business and pricing power?

The second question is, if you look at the margin guidance, the margin expansion, there's been chatter in the press about incremental investment in set-top box data and how you use that to evolve your product. Can you talk about what is embedded in that guidance? Could anything you do there, potentially have a material impact? Thanks.

Jamere Jackson
Chief Financial Officer

A

Do you want to take it?

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Well, on the – I'll take the second. Maybe you can come back on the first. On the set-top box data, we said on our Q3 earnings call, I think we said in other occasions as well, that, that is in fact the direction we're moving is to incorporate big data sets in both our Watch and Buy measurement services. But in Watch, it's most likely going to be including set-top box data, fusing that together with our high quality panels to provide the market with a lot more granularity, more stability.

As the viewing environment continues to fragment, we are in discussions – active discussions right now with a handful of potential data providers on that very topic. We're able to do that and going forward into 2016, all within the normal operating framework of our business. So, what you read in the press, sometimes those things get a little carried away. As I said in our Q3 earnings call, not sure where that number came from, David.

Kate White Vanek
Senior Vice President-Investor Relations

A

Got time for one more. Bill Warmington?

Jamere Jackson
Chief Financial Officer

A

No. I mean, just to finish on your earlier point on pricing power, there's been no erosion in pricing power. The thing that you have to make sure that you do in these environments to be very disciplined, to be very disciplined about the new products that you put in the marketplace, making sure that you're getting the right value for those and our teams have done a tremendous job commercially making sure that, that happens. There are always going to be certain end markets that are under pressure. But at the end of the day, making sure that you maintain discipline in your pricing approach is something that we've always done inside of our company.

William A. Warmington
Wells Fargo Securities LLC

Q

Thanks. Bill Warmington, Wells Fargo Securities. So, a couple of questions. First is on the guidance for 2016 to try to understand the contribution from the buyback and I know you have 850 million to go through 2017, just trying to gauge the impact for modeling proposes.

And then, the second question is to ask about the – how the renewals are going specifically on the Watch side and, if you're seeing a dollar lift there, to try to get sense for how much.

Jamere Jackson
Chief Financial Officer

A

I didn't hear the second part of your question, Bill.

William A. Warmington
Wells Fargo Securities LLC

Q

On the renewals for Watch...

Jamere Jackson
Chief Financial Officer

A

Renewables for Watch?

William A. Warmington
Wells Fargo Securities LLC

Q

Just trying to get a sense for whether they're actually going up on a dollar basis or on a per client basis?

Jamere Jackson
Chief Financial Officer

A

Got it. So, on the first question, as it relates to the buyback and the impact. I think we gave guidance on our share count going from roughly 371 million shares this year to about 361 million next year. So, remember, we had about $350 million left by the end of this year from our previous authorization. We committed to exhaust that through mid-year of next year and on this incremental $500 million authorization, we'll start to [ph] burn through (47:09) some of that through the back half of the year. So, that's how you get to the – from $371 million to roughly $361 million.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

[ph] Some (47:17) Watch renewals with our major clients are solid, they continue to be solid. So, that is reflected in what our expectations are for our business in 2016, the revenue growth, the margin expansion that continues on our business.

Kate White Vanek
Senior Vice President-Investor Relations

A

Thank you.

Jamere Jackson
Chief Financial Officer

A

Thanks.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

All right.

MANAGEMENT DISCUSSION SECTION

Kate White Vanek
Senior Vice President-Investor Relations

Our next section is about Nielsen's unique ability to capture the total audience, the total consumer and beyond. Touching specifically on the evolving consumer landscape and how our investments tie is Global President, Steve Hasker.

Stephen Hasker
Global President-Media Business, Nielsen Co. (US) LLC

48:03I didn't choose that track, by the way. That was Kate and the team. And it does take back from 1982, which may say something about me.

Anyway, so, look, I'm going to take the next couple of minutes to describe some of the trends we see in the marketplaces in which we operate and how those are guiding the investments that we're making and those investments are within the financial framework that Jamere just described.

So, for 92 years, we've been the leading company looking at how consumers behave, what they watch and what they buy. And I would humbly submit to you, in the last five or six or more, we've become equally good at interpreting those trends and those within our clients and translating that back into the product investments that we make. And so, I wanted to describe in brief terms what we're in the process of doing and what you'll see us do in the next 12 months to 24 months and set the stage for Megan Clarken to come up and talk about total audience, for Mark Zagorski to come up and talk about the enterprise marketing platform and for Andrew Somosi to come up and talk about the buy side platform.

So, of all the things happening in the marketplace, we think there are three trends that are the most indicative for us and guide us most precisely in terms of the investment. The first one is that audiences are increasingly screen platform and device diagnostic. It's not good enough for any of our media clients to think about one platform or another. It's not good enough for advertisers or agencies to think about one platform or another and it's not good enough for a measurement company to think about one platform or another.

That is the basic rationale of the total audience. And the message that Mitch gave you this morning which is, this isn't a pipe dream, this isn't something that's coming, this is in the market here, this is – we're rolling it out to clients, as we speak, and it's going to translate into the currency metrics that we've operated for a period of time.

The second trend is the consumers are buying in new ways across new channels. When you combine this with the first trend and you combine this with the explosion of big data, that's the basis for our eXelate acquisition in March, that's the basis for the enterprise marketing platform. It takes us from measuring audiences on a mass scale to getting into programmatic buying and selling and translating our data down to a precise level to allow activation by our clients on the buy side and on the sell side.

And then, the third trend is the clients' information and insights needs are increasing. Clients are becoming more sophisticated and the demands for insights and actionable data is going up, and that's really the basis for our buy side platform investment, which we're going to reveal to you today and Andrew Somosi will take you through that.

So, let's dig into the first trend in terms of media behavior. I think many of you have seen this chart. The – as you look from 2002 to 2015, what you've seen is a couple things. First and foremost, growth and the amount of time that the average U.S. consumer spends consuming media. The blue box down the bottom is radio, that's been under pressure in terms of time spent listening. The next two boxes are live and time-shifted TV. As we all know, they've been under pressure. But that is being more than made up for by time on multimedia devices, whether they be connected devices or game consoles and a lot of that time is subscription video-on-demand services and then tablets and smartphones.

So, overall growth. The average consumer in the U.S. spends 64 hours a week consuming media. So, as I said last year, the average U.S. consumer has a second job and its consuming media and it's a very, very serious job here and is becoming increasingly serious in all parts of the world.

So, let's dig into TV for a minute. There's been lots and lots of press about the TV ratings. TV ratings in free fall, TV ratings declining. And what we've seen is significant pressure on the TV ratings particularly put on them by a subscription video-on-demand services. More and more content has become available in services like Netflix that has to put pressure on television ratings.

Having said that, we've seen these trends abated somewhat. November was not a great month for cable. But nevertheless, we've seen some stability. And we're going to do some Q&A a bit later this morning. And Glenn Enoch, our Head of Audience Insights, will be here to answer any questions you may have specifically on this and where that time and attention has gone.

Let's talk about the cable ecosystem for a minute, and I put this chart up here because I think there's a lot of misinformation in the marketplace. And that misinformation is based on the fact that most of the press is written after the second quarter numbers are posted. There is tremendous seasonality in the data because Americans tend to move in that second quarter [ph] the move right (53:02) is much higher in the second quarter and that translates to more cable disconnects, but it there does tend to be bounce-back in other parts of the year.

So, when you take out the seasonality, what you're talking about at the moment and certainly for the last year or two is about a 1% decline. Now, it's not great news for the cable ecosystem, by any means. But it's not falling off a cliff. And I think as long as the sports rights stay where they are, you're going to see some stability in this picture.

So, one of the questions we get, one of the insinuations is, well, the ratings are down, they must be wrong; or the ratings are down, where on earth did all that time and attention go? This chart tells you exactly where the time and attention has gone [ph] it's on (53:47) average, it's not for every network. Some networks have held their ratings much better than others, but it does tell you that the declines in time spent on PCs and televisions conventionally defined is more than offset by the time on TV-connected devices, a lot of which is spent around SVOD service, as I said, smartphones and tablets.

So this sort of unlocks a lot of that mystery. And we look at this by network, we look at this by different demographic groups, we look at by different ethnic groups, we look at local geographies. But on average, this is what the picture looks like.

When you take this trend global, so the trend toward fragmentation, the trend toward multi-tasking, multiple screen usage is true in every single market in which we operate. If we've had this conversation three years or four years ago, we might have been talking about something that was more of a U.S. phenomenon. This is a global phenomenon. So, [ph] to pick on one (54:45) particular statistics, the percentage of smartphone video users that watch full TV shows and movies, the numbers I think are relatively startling, particularly in places like Southeast Asia.

So, it's not just a U.S. phenomenon. We see demand for total audience in every single market in which we operate, every single market in which we have the TV currency. We have demand to move to total audience and many markets that we don't have the TV currency, there is acknowledgement that our product and solutions set is superior and there's demand to have conversations and to start to ramp up our services in those markets.

So where does that all lead? Well, if you look at our buy side footprint, as all of you know, we're in a 100 markets. So, we have people on the ground, serving advertisers and agencies in 100 markets and you overlay our media footprint, [ph] which is – which sales (55:35) 45 markets and we think we have an unprecedented opportunity to roll total audience out not just here in the U.S., as we have this year, but to go global. And we're very, very excited about that opportunity.

As Mitch said, on the buy side, we cover 90% of the world's population; on the watch side, we cover 80% of the world's ad spent. It's a great opportunity for us. So, where does all that lead? Well, it leads to total audience. I'm not going to steal Megan's thunder, but the one takeaway from total audience that I'd like everyone to take is this is real. We've rolled it out.

We have weekly calls going through the execution plans and the team has hit 66 out of 66 deliverables this year, that is unprecedented for The Nielsen Company. It's unprecedented for anyone in our space. So, any concerns that people may have had about our ability to deliver a very complicated and difficult task, I think, we've got a lot of confidence about our ability to deliver and the teams are growing in confidence every day.

So, turning to the second trend in terms of how consumers are purchasing differently. If we had this conversation 5 years or 10 years ago, we described a very linear consumer purchase panel. A consumer generates demand for a product with service. There is a set of advertising messages that come through TV, radio, and print. Typically, go in store, buy a product, [indiscernible] (56:54) purchase the product and perhaps if I like the product and the service develop some loyalty, a reasonably linear process [indiscernible] (57:02) has become a mess. Thousands, if not millions of different inputs to consumer products.

And I'd call out two things in particular in these green circles. The first is the influence of social media. The fact of the matter is that if you look at, for example, teenagers, teenagers in their media consumption, many of them would prefer to watch themselves score a touchdown than they would [indiscernible] (57:30) score a touchdown. That's very different to when we all grew up. Those of you who played football or played sports, it was worth watching the pros and it still is. But the fact is the availability of smartphone cameras and the usage in generation of consumer-generated media has changed that behavior. And that has translated to the way in which demand for products and services is generated. Social media is an incredibly important influence, right. And we believe that television and social media together is an incredibly important influence in terms of generating demand for products.

And then, secondly, smartphone usage. So, we've all seen the data on exploding smartphone usage across the world. Let me give you a stat. In India, 25% of consumer package goods purchases have used their smartphone in store to make comparison shopping decisions to compare a price, to compare a product, 25%. Now, what does that mean? Well, it means that the retailers lock on the consumer experience once and the store has been loosen and it provides opportunities for manufactures and media companies and agencies to influence that decision right at the point of purchase. And so, it's changing those dynamics.

Big data has exploited a very obvious point, but when you add this to the change in consumer behavior around media and the change in consumer behavior around buying, you have YouTube users uploading 50 years of video in a day. Facebook users sharing almost 5 billion pieces of content, whether they'd be likes all the way to videos.

Instagram users uploading 80 million photos in a day and Twitter users tweeting 500 times – 500 million times in a day, tremendous amounts of data being generated second by second on consumer behavior.

One of the things – one of the ways this is translating into the media buying – planning ecosystem is the growth of programmatic buying and selling. So, what does that mean? Well, it typically means a lots of different definitions. I think it's miss-defined, but we're describing it here as shifting away from buying a program to buying an audience and using real-time bidding and automated buying and selling to fulfill that.

The implication of this is that our market of clients, be they're brand managers, chief marketing officers, are no longer just communicators. They're consumer scientists. And you see this in the way they're investing in their own teams. The demand for data scientist across the U.S. and across the world has never been higher.

This is what creates the demand for the Enterprise Marketing Platform, and this is the reason we brought eXelate, the ability to take all of our datasets on the Watch side and the Buy side to connect them directly on behalf of their clients, both Watch and Buy clients, and enable them to trade based on that data and other third-party datasets. We're just starting that journey and we couldn't be more excited about it.

So, the third of the trends we talked about is increasing demand for information insights amongst our clients, and I'd focus for a second on our CPG clients. So, where are we today with those clients? Well, the first thing is, we're rolling out total consumer measurement just as we have total audience measurement on the Media side, we're rolling out total consumers measurement on the Buy side. What does this mean – well, it means coverage of new channels, it means coverage of e-commerce. And if you watch closely activities with companies like Alibaba, we're leading the world in this area.

The second is we're driving client performance improvement. Those of you who watch us carefully will have seen over the last couple of years we've made a series of very small acquisitions in the area of performance based analytics, like Etanova around innovation, like G4 around trade pricing and promotion. And those assets are giving us new insights into how our clients are making decisions and how to optimize those decisions and drive better performance.

The third Mitch talked about at length is the growth in emerging markets and we're well positioned here for a couple of reasons. Firstly, our multinational clients who are predominantly U.S. clients wanted to take their gold standard partner into those markets as they grow. So they take The Nielsen Company, they insist on our measurement, on our analytics and on our insights as they think about new markets in Southeast Asia or in Africa and so forth.

And the local giants want the best data available particularly those that are growing fast and starting to have international aspirations and that provides a great engine for growth in those emerging markets. Emerging markets being emerging will always fluctuate but we're confident that our position is enduring there. We're winning with new and bigger clients, we had a big announcement that couple of – recently with [ph] the record bank user (01:02:13) and we are very, very confident in our ability to compete head-to-head and win profitable business in a sensible way.

Retailers are growing vertical, Pat Dodd is going to talk about this, so I won't steal his thunder. But the point is we are very focused on serving retailers. They spend a lot of money, they have enormous demand for insights and information and we're just scratching the surface. And then last but not least, James is going to come up here and talk about the technologies that he has inherited and the technologies that he is developing and how he is putting that picture together to serve all our clients better.

So going forward, what's happening in the CPG in the retail space? Well, it's a blizzard of innovation and it's a blizzard of transformation, you have local giants coming up, I talked about them a second ago. You have high-growth niche players. You have players who are very focused on particular multicultural segments and players who are particularly focused on green, sustainable. And that is appealing to younger consumers. It's appealing to minority consumers across the world. And they're showing very, very interesting growth rates and we're getting better and better at serving them.

E-commerce I'll talk about in a minute – big data we've talked about, but what you have is the challenges that brand managers, sales executives and chief executives of consumer packaged goods companies, those challenges have never been greater. To understand consumer behavior, to develop products, to market products and to get the in-store and e-commerce tactics right, the demand for information insights has never been greater.

But just to take one example, I think this is well known to everyone, but it was interesting to look across different regions and in different types of product sets using our data. And to understand, what is the prevalence of e-commerce around these different categories. And I think what you see is in places like Southeast Asia it's often the predominant form of accessing these products. But in every single market across the world, the numbers I think are pretty startling and this is why we're so focused on total consumer measurement.

So what's happening now as a result of these trends in our CPG clients? Well, we think at least four things. The overall trend is from pretty siloed and disintermediated. And what I mean by that is a central research group who sat in the center, in the headquarters, took Nielsen's information and distilled that out into the brand managers, into the sales executives to the different regions. What we now see is a much more connected environment. We have leaner data science capabilities closer to the point of decision. So, brand managers have direct access to Data Sciences, and in some cases, the brand managers themselves are very, very adept at accessing our data directly and making decisions right there and then.

Secondly, distinct and periodic datasets, so I get my retail measurement service data from Nielsen, every once in a while, gets provided to the researchers, the research group, who then distill it out. What we now see is right-time data platforms available to the decision makers. So, they're demanding our data much more frequently and they want direct access to it. Thirdly, disconnected data and analytics, so the RMS data over in one silo and all the analytic products from Nielsen and others in another silo. And this is the most important trend and Andrew Somosi is going to talk about this. Clients are saying they have to talk to each other. So, if I run my business, which I do today, on Nielsen's retail measurement service, you have to tell me why my market share went up and down, and link it in an automated right-time manner.

So, how much of that market share lift was due to good product innovation? How much of it was due to great marketing execution? Is my shift to programmatic working or is it not working? And then, last but not least, how much of it was due to great trade pricing promotion, in-store execution? Tell me what is happening in my business and then, lead me to the sort of decisions I should take. And that's a very exciting place for us to be. That leads us to the Connected Buy System, Andrew is much cleverer than I am, he's going to talk you through it in a few minutes this morning, but we couldn't be more excited about this. We've been working on it now for 24 months, and every time we revisited every investment we make, we're getting more and more excited.

So, in summary, three trends, three bets. It's not all that complicated, but I hope you sense the excitement that myself and the team have as you listen this morning.

So with that, I'd like to thank you and welcome Megan.

Operator: Next up, to walk us through Total Audience measuring what no one else can today and tomorrow is EVP Global Product Leadership Watch, Megan Clarken.

Megan Clarken

Executive Vice President, Nielsen Global Watch Product Leadership, Nielsen Holdings Plc

All right. Good morning, everybody. I'm going to take my time this morning to talk you through our Total Audience program. I'm going to remind you of what it is, why it's important, I'm going to give you an update on our progress of rolling it out into the market, and then I'm going to talk about the next steps that we have to take, and then I'm going to give you a glimpse into the second part of the strategy, our future vision.

But firstly, why Total Audience and what are we seeking to achieve for our clients. Today our media clients are facing a increasing issue whereby the commercial ratings affectionately known as C3/C7 are drifting further and further away from being able to properly represent the audiences to their programs. Now remember, the commercial ratings were established in 2006 and they're a measurement of audiences that are viewing commercials or advertising inside of TV programs within a period of seven days, within a period of seven days. And that's used for trading, for buying and selling. And in the past or until now, those numbers were relatively interchangeable to also represent audiences to the programs until now.

So what we've seen is three trends that are bucking that system and I'm going to show you what that looks like. Firstly, let me say that this data are coming up behind me is real data. This is coming out of our Total Audience framework today. This is a real client, this is a real program. And what you seeing here is the audience to that program that is qualifiable, that is represented inside of the C3, C7, the TV ratings.

For the first trend that's causing a problem is timeshifted viewing. So, consumers are watching programs well outside of that seven-day window, and none of that is included in the ratings, none of that is able to be properly monetized.

The second trend that we see is more and more programming is being viewed through digital devices. Now, those devices lend themselves really well to dynamic content sessional targeting, and none of that is able to be included in the ratings.

And the third big trend we see is the distribution of that programming by a video-on-demand, and subscription video-on-demand services like Netflix. None of that is included in the ratings. In fact, until now, none of the SVOD providers were being independently measured, which means that the media owners were not able to use comparable measurements to make strategic business decisions around their models, their revenue models for this, be it advertising or be it subscription.

And so what you can see here is that the C3/C7 ratings are no longer representing the audiences to programs. And that's why we need Total Audience Measurement. So, I'm going to take some time to talk you through what Total Audience Measurement is. [audio gap] (01:10:33-01:10:43)

It's really important that we understand exactly what Total Audience is. It's four things, four things, simple. The first thing it is [ph] the – all (01:10:51) digital devices, PC, tablet, smartphones, both in at and in browser. So it's across all devices and access points and it's across business models. So the linear advertising model and the digital dynamic advertising model and in fact no advertising model, in the case of subscription video on-demand and all of those permutations of media exposure represented inside of this grid.

So the first thing that Total Audience is, is the measurement of every single cell in this grid – every cell in this grid. The second thing that it is, it is about the comparable measurement of every cell in this grid. So apples-to-apples measurement, making sure that everything is computed using the same metrics as each other that they're measured on top of the same consistent architecture, using the Single Source platform. And why is this important?

And the best way to describe this is through an article that appeared in the press about two months ago. And the article talked about Yahoo! and Yahoo! was distributing an NFL game, I don't know if you remember this article, this is incredibly powerful; they were distributing an NFL game and they reported the audience to the NFL game of 15.2 million. Now this is an incredibly sizable audience, even by TV standards. But what was failed to be considered was that the way in which digital is measured is different, the way in which TV is measured. So, in TV, the way in which we measure audience is, is we measure the audience to every minute of the show – every minute of the show, we add up that audience and we divide that by the minutes of the show. We get to an average minute audience and that's how we calculate it. In digital, the way it's measured is by stream starts – stream starts.

Now let me explain stream starts in your language is probably a stream start – stream start. Did I get that right? And now you know what I mean. Stream start, so in fact we count every single person when the video starts. That's what happens in digital and so what compounded this problem from the Yahoo! perspective was that they had the game on autoplay on their homepage, which meant that every single person that came to Yahoo! whether they watch the game at all, whether they saw it up there in the corner or watched it for a second was counted and they become one of that 15.2 million. So the article rightly so corrected it. What they did was they recalculated it using the way in which TV is measured and that 15.2 million came down to 1.6 million, 1.6 million, so the second thing that Total Audience is, is the lining up of that measurement. So making sure that everything here is calculated in the same way, so it's comparable.

The third thing that Total Audience is, is the creation of ratings for content and ads, separate. So separating the measurement of content from the measurement of ads. The reason why this is important is that we believe that over time there'll be less and less relationship between the two, less and less relationship because of dynamic ad and sessions. So the ad that you see is different to the ad that I see even though we're looking at the same piece of content and that may be true in some instances for TV as well. So through addressable TV, the ad that you'll see when you're watching a TV program may be different to the ad that your neighbor is seeing next door. So we have to measure both separately content and ads. So we're producing total content ratings for pricing, for planning and for placement and total ad ratings for post for analysis and reconciliation against guarantees. So two things separately.

The first thing that Total Audience is, it is the creation of a ratings service which is no longer the domain of the traditional broadcaster. It is all-inclusive and anyone can participate and it's focused around content types, video, audio, and text. So that for the first time YouTube can stand up and use the same language when they're describing themselves for ad sales as NBC and CBS. What this means is it takes the friction out of the market. It takes the confusion away for the advertisers and ultimately it drives ad spend into the ecosystem, promotes growth. So that's it, four things, that's what Total Audience is.

Let me update you now on the progress that we're making in terms of getting this out to the market. We've described this across four distinct, but sometimes overlapping steps, and I'll take you through each of those. First step is the execution. Now, I'm thrilled, I'm proud to say that today, as of yesterday, we had completed the build of Total Audience. It is done. It is done and dusted, we are finished. We have successfully completed, I think Steve referred to 66 deliverables [indiscernible] (01:15:51) 66 deliverables, distinct to Total Audience with 25 deliverables, of which we delivered on time and on plan every single one of them. We pushed all sorts of obstacles out of our way and we solved incredibly complex problems that nobody has faced before using innovation, our partnerships, our expertise and team work. And I'm incredibly proud as Mitch said, I'm incredibly proud as he is with the team for what they've achieved.

The second step here is the evaluation step. Now, what this involves, it's the on-boarding of clients. It is getting the new metrics out to those clients, making sure the data meets your expectations and working through any problems that come up in that process. So today we've successfully deployed the ability for all of our clients to see their program ratings after 35 days, so no longer the seven-day thing, it's after 35 days.

We've also established and enabled 30 clients or over 30 clients actually for VOD and OTT measurements, their content via VOD or OTT deliverables and now our delivery is now being measured. We have over 20 clients and I wish I could rattle off who they are because it's wildly impressive, but I can't unfortunately. But, over 20 clients that are either in beta, they're being instrumented now, they've already been instrumented, starting to see their data for Digital Content Ratings and this is really impressive, we're thrilled with the momentum that we're getting around this.

This evaluation stage will continue. So this is going to continue to happen through its lifetime, because we have to continue to on-board clients, continue to [ph] lay out measurements (01:17:38) for them, continue to bring partners into the program. So this continues, it's iterative. But now we move into the adoption stage and this is going to happen during 2016 as clients get used that data, they will use it where it makes sense, but they're really [ph] using it to size it up (01:17:52). So they can work out how they're going to use those numbers to transact against going into 2017.

Now we had our second industry meeting on Tuesday of this week, where we brought together 30 of the industry's top researchers from both the Buy side and the Sell side and they represented everybody. They're all there. And while I can't disclose what was discussed in that meeting, what I can say was that there was enormous support around what we're doing, a push for more and more momentum and those plans, we're actively talking about how to get involved in this, how to help each other to on-board so that they could move this process through 2016. So, we couldn't be more thrilled with what we are seeing coming out of Client Support as well.

Let me give you a view of what Total Audience looks like through the lens of the clients. I'm going to show you the data there is looking like inside of the software that we delivered to them.

Know that everything that you see here is also being delivered through API. So clients can get this straight into their own systems. This is digital content ratings. This is a real client. This is a real program, real episodes inside of here. It doesn't look too sexy from here, but trust me this is very sexy for our clients. Because this is the first time now they're getting measurement of their digital programming, apples-to-apples comparison, ratings quality across their entire programming. And this is all on display in the demo area. So, I'd encourage you to go back and talk to the team and have a look at the [ph] UIs (01:19:30).

And then there is this. This is Total Content Ratings. This is where we bring the program ratings, the linear ratings with the DCR ratings – Digital Content Ratings to produce the world's first, this is a world first, this is apples-to-apples measurement. This is a computation of video ratings across platform, right here. This is real data, this is a real program, this is a real network. What you're seeing here is the distribution of their audiences by platform and by access point and by device. You're seeing the computation of the audiences by age, gender; and what you can see is an accumulation of those audience plus the deduplication of those audiences across platform. This is real – this is real.

So, in the last two years, I've taken you from Total Audience the vision to Total Audience the reality. So I'm going to move one step further here and I want to introduce you to the second stage of this, to Total Audience is the measurement of many, it's a measurement of many, I want to introduce you to the concept of the activation of one, the activation of one, what do I mean by that? Well, Total Audience is about measuring populations. It's about producing ratings that represent populations because for brand advertising and most advertising it's about reaching populations. To measure populations effectively, you must have representative panels, you must, or you're missing out on gaps of the population. You must have the world's best data scientists. You must have genius algorithms, that are able to take that representative sample and extrapolate it out to measure a population. This is Nielsen's sweet spot. This is what we do better than anybody else in the world. And this what Total Audience, the instrumentation of Total Audience will just move us even further apart from everybody else.

But let's expand that and go to the other side. I want to talk about audience buying. And audience buying is where you want to reach a very specific audience. So, I want to reach people who eat SUBWAY sandwiches and watch college football. And this is most prevalent in the world of digital, where you can have a one-to-one relationship with somebody because of their personal device. Nielsen is uniquely set up to play an incredibly important role in this field as well. So you think about it, we know more about individuals than most anybody else. We know what they watch and what they buy, our media exposure today, either what they watch is ratings, quality. We have behavioral data sets, we have shopping data sets and others. And underneath all of that, we have our newly acquired data management platform in eXelate, which has the ability to take those attributes and fuse them to individual device IDs and cookie IDs enabling marketers to send very specific messages straight out to the consumer via the ad service. This is incredibly powerful.

Our acquisition of eXelate in Q1 of 2015 brought an amazing asset to Nielsen which sets us up beautifully to deal with this environment. My colleague Mark Zagorski is going to come up in a minute and share a little bit more about that vision to you. But in closing, I do want to leave you with a couple of thoughts.

Firstly, the burning issues that the market faces around the reconciliation of the commercial ratings to audiences to programs, only Nielsen can solve that – only Nielsen can solve it. We have the IP that sits underneath all of that, that is our domain. And we're the only ones that can bridge the ratings, the linear ratings to digital measurement, that's our domain, and we will do that. We're thrilled by the momentum that we're seeing in the marketplace, the support for the Total Audience concept and the on-boarding of clients to Digital Content Ratings and ultimately Total Content Ratings.

The buying metrics, so is currency metrics, they will change, they have to change. Today's ratings cannot reflect today's consumer, and we're going to usher the marketplace through that process in 2016. And lastly, this ecosystem is changing all the time, the Buy ecosystem is closing all – changing all the time. But we're in the driving seat around that change. We underpin – our measurement underpins over $100 billion worth of advertising, and we're here to take a leadership position for all changes and all reshaping of the buying system, even into audience buys. And to talk you through that in more detail I'm going to pass you across to my colleague, Mark Zagorski. Thank you.

Kate White Vanek

Senior Vice President-Investor Relations

Taking Total Audience to the next level and activating it through our Enterprise Marketing Platform or EMP is CEO of eXelate and Nielsen Company, Mark Zagorski.

Mark S. Zagorski

Chief Executive Officer, eXelate, Nielsen Holdings Plc

Awesome. Who doesn't want to play air guitar when they hear that? I mean, that is kind of like – Thank you, Megan. You know, the one thing they say, it's the first rule of presenting is never follow really smart people with impressive accents, so I've been really set up now.

So, thanks for making time this morning. What I am going to share is a little bit about like you heard so far in many of the presentations about the Enterprise Marketing Platform that we built and we continue to expand on. That EMP is really talk – it really brings together all the incredible assets that we brought as part of the Nielsen or the eXelate acquisition earlier this year bringing together into a really impressive way of looking at how data and data solutions are delivered to our customers, and I think it's going to change the way those customers look at us as well as the way the market looks at Nielsen.

So, before we go deep into that, let's take a step back and something that I'm sure many of you are familiar with, is – been talked about over and over again in many of the investment banking analyst reports is the number of point solutions that marketers are dealing with today funded by lots of VC companies. There's been a huge amount and a huge growth of lots of little solutions out there that marketers are trying to string together themselves in many cases to get a better insight on their consumer. But there is obviously a huge opportunity and a growing trend to sync all of those assets together into a more cohesive, more connected solution not only because it makes sense from a marketplace perspective, but it makes sense from how marketers want to use those solutions. Again, many reports out there that say, there is not only a desire from the marketers for this, but there is really a drive and a need for it as well. The great takeaway here and this is an often-used quote is that platforms are eating the marketing world. It's true, we hear about it everywhere. And at Nielsen, we've not only attacked this, we're taking a seat at the table with platforms, but we're going to attack this with a vengeance.

What does that mean? Well, really what we're looking at is taking the assets that Nielsen actually has brought to the table. So things like our data management platform, some analytics solutions, and our vast pool of digital data which covers several billion consumers and consumer devices worldwide, and mapping those up with the massive amount of solutions that Nielsen has, from things across the total measurement space, in attribution space, ROI solutions, and obviously the incredibly accurate panel data, bringing those new things together into a cohesive and integrated platform that we're calling the EMP.

So what is this, how do we define this EMP? Put simply, at least from textspeak perspective, we are saying it's an integrated suite of Reach, Resonance And Reaction solutions. So these are things like marketing ROI solutions and marketing effective solutions, media attribution solutions and REIT solutions plugged into what we're calling a big data infrastructure, or a BDI, a backbone, a cohesive backbone, and connected into this ecosystem of first-, second- and third-party applications and data. It's really important to remember that. What we're looking at is a system that not only plugs into the data and assets that Nielsen has, but the data and assets that are out there in the ecosystem as well and the driver here is to enable seamless insight, optimization and programmatic activation, We'll hear this over and over again.

The core here is, as what Megan said, we're evolving from the idea of understanding many in groups, to actually understanding one. How that comes together, is what we call mapping those – that activity into a single ID. So that's everything what – from what a consumer buys, which we have a rich array of data and analysis of what those consumers are buying, to what they're watching, and not just what they're watching obviously on TV, but what they're doing across multiple different devices.

Mapping all this to an ID, and pulling that into that cohesive backbone. What that allows us to do is then take that data, and help marketers understand how they should act and where they should attribute the results, what's working and what's not working and and even more importantly, how do they react, how do we drive insights that allow us to make changes to what we're doing. Again, simply, it's about the individual, [ph] encountering us (01:29:06) down to the individual.

Now, we get to the fun part. So, this is – this is where it gets technical and you guys can start scribbling stuff out. Here's where things go – start, start drawing. The EMP is real, there are people they're knowing it in the back, this is not slide where, these are not boxes that don't mean anything. I'll walk you through some of this stuff. We'll start at the middle, so if you look at this as a big burger, we're going to start with the meat. The meat is what we call the BDI or the Big Data Infrastructure. That's the backbone, which we can ingest, literally billions of points of data every minute.

We do this from taking an offline data that we have from our partners like Nielsen Catalina, online data that we see from the hundreds and hundreds of publishers that we work with, across both Watch and Buy. So, we're pulling in tons of data into this and associating that with that unique ID. That also gives us the power to take that data and enhance other products that we currently have, things like Digital Ad Ratings. So, we can move beyond demos to the demo plus world, where we're showing not only what someone's age and gender is but the fact that they shop at a certain store, are they are interested in flying to Paris next week.

These are things that we can help enhance current products, but also helps build the solution itself. Once that data is in the BDI, we then can move that individual level data into a whole suite of applications. So if the BDI is meat in this burger, think of it as the operating system, right? Just like in your phone, that operating system has apps that run on it. We have apps too. We have everything from analytics apps that show marketing effectiveness in ROI, to things like Multi-Touch Attribution that show what works and what doesn't, data management, which will allows our marketers to segment those audiences and even a marketplace that allows them to take their data and meld that with other third-party data to create really strong insights and really strong segments.

And this is an open system. So it allows for future applications that we'll be building down the road, not only from again internal, but with external partners. We know, as Mitch said, we're not a technology company, our core assets are in data analysis and analytics. So there are lots of other great companies out there who have applications that we can plug into this and we're working on this every day.

Finally, there is an activation layer and you've heard a lot about this. This is not about just taking the data and making it insightful, but it's activating against that data, making sure that we can find, we can help our marketers and our partners take that data and actually deliver a message to those consumers. It's a huge amount. As we know, this activation is across multiple platforms. We're plugged into over 100 different platforms, everything from the top video and mobile exchanges to search tools and personalization tools, when it comes to content. It's a huge system. And as I noted, this is activated now, this is real.

Let's talk about this and how this is actually helping one of our clients today. This is a CPG client who's in the hair care space and they're using multiple parts of this system, multiple parts of our EMP to actually drive real results for themselves. In this case, they're taking a first-party CRM file or first-party piece of data that they have as well as activity that they're seeing through some of their web properties and they're enhancing that use of persona, with data that we're able to deliver them from people like Nielsen Catalina, the Nielsen TV data, and even data that eXelate's been enable to bring to the table from our digital interactions that we see.

From this we move from that market, it can move from understanding that, yes this is someone who bought a bottle of shampoo from us to hey, they also shop at Coles and they watched American Idol last week and they also search for discount salon products and flights to Paris. And in a classic fashion, we can also tell them that they are female, between the ages of 24 to 45. Boom, we've already taken this piece of information, one piece of this user and given them a much broader scope of who they are and not just through guess work and analysis, but through actual data that we have that we can associate with that consumer.

We then take that ID and we push it up to our application layer, which gives us the ability to do things like attribute where that consumer saw an ad and how that ad influenced their purchasing behavior. We can help understand, let's find some more of those consumers and find that consumer and find more people just like them. So, let's take that person as a seed and model more around them. And then, finally, let's see other things that consumer – that that consumer – the index is highly against. What does that help us do? Well, first of all, we can then activate marketing programs against that across mobile, display, and video. But, it gives us a whole broad of other – broader examples of other results that we have.

So, first of all, obviously, they can help more effectively spend their marketing spend, right? We help them understand what's working and what's not working. That's a huge win in itself. But, on top of that, they're able to gain new insights into that shopper behavior or into that consumer on that purchase behavior into lots of other things that, that may be extremely relevant. So, in this case, there is a huge propensity to travel overseas, Does that mean there could be a great opportunity for us for a promotional [ph] brand (01:34:19) strategy? Or different promotional strategy around our product? And this is real.

And then finally, it gives them the ability to build new prospects, a new prospect target. There is – there is a few core things that every marketer wants to do, right? They – but, it all comes down to one thing. How do I sell more, and selling more usually is not just about selling to people already sold to, but how do I find more people more efficiently and there was lesson in letting them do that by taking the individual who's buying and finding more people just like that. So, this is real. It's happening and delivering results today. But for all of our marketers, there is some serious and real takeaways that we believe that the Nielsen EMP's starting to bring to them across the entire cycle of their planning, buying measurement and refining process, through our data, the broad connectivity that we have and our truly unparallel legacy in measurements.

We really feel we have an advantage in helping those marketers understand their consumers more deeply by providing tons of data around that – that individual ID, analyzing them more accurately. Big data is awesome, panel data is accurate. You bring the two together and nothing can match it.

I'd finally touched and targeted those people across multiple platforms. It's the idea of being able to activate and activate not just for targeting, but activating for driving and finding out what their reactions are to that targeting. The bottom line here is we're helping marketers market more effectively.

So, wrapping up, when we talk about the EMP, there's been a lot of discussion about today. I don't think it's overstatement to say, it's a new platform for new Nielsen, and the theme of that new Nielsen is all about connectivity. We look at this platform, it's connecting our data assets to – and helping accelerate their value. It's the whole idea of one plus one can equal three. By associating lots of different data sets to a single user, we can actually start to build new sets around that and look at incredible new insights as well as take those data sets and push them to places where they never have before.

We're building entire businesses around delivering data into the digital space, where there's never been an opportunity for us before, this is new. It connects and that falls to the second play, it connects us to the whole vast of programmatic solutions. Again, think of that app ecosystem of all of those great companies out there who are just dying for data. It allows us to allow them to plug their great solutions into our backbone to deliver an unbelievably seamless experience for a marketer.

And that goes to the third point. It allows, it makes our products easier to use and sell. There is no doubt there are lots of different solutions out there for marketers to deal with. The challenge for them is not that there are solutions out there, it's how do they work with them together. By pulling them together into a platform we make it easy for them.

Think of it this way, I used the analogy before about an operating system. How hard is it to take an operating system off your phone, it's almost impossible. How easy is it take an application off your phone, takes one second, sometimes you do it by accident when you sit down. But the end of the day, this makes this more sticky for both our Watch and Buy clients. We're connecting data together for them, and we're connecting it through a platform that is very sticky and eventually it will be very hard for them to remove.

We believe and we're confident that we win based on our proprietary data at scale, our connectivity and our massively connectivity to the ecosystem, not only the ecosystem technology applications, but the ecosystem of customers. We are so connected across so many Buy customers and so many Watch customers. I would beg to challenge someone to say that they have a bigger, broader footprint with people with those clients. And then finally, our independence.

It's always been the core of what we do is the fact that we have the most independent and trusted measurement and analytics products out there, that is our leader, that is our differentiator and that's why we can win here.

So, that's it. Thank you very much, today.

Kate White Vanek

Senior Vice President-Investor Relations

And now we'll begin our second Q&A session. Adele is everywhere these days if you haven't noticed. In case you didn't know, she actually sold 3.4 million albums in the first week and 4 million in the first 10 days. How does the world know this? Nielsen. It's Nielsen's Entertainment business. We've actually had it for 15 years. It's small albeit when we think about the whole grand scheme of Nielsen, but it's healthy, it's growing and it's profitable. And it's just one of those things within Nielsen that would surprise you because you probably didn't know it existed. So back to business, to our second Q&A.

In addition to the presenters that you've just seen with Steve, Megan and Mark, we have three other superstars up here. We have David Wong, SVP of Product Leadership. He is essentially the Product Manager for digital ad rating and digital content rating. So I'm assuming some of this is going to be quite popular once we're all in the Experience Lounge. We also have Glenn Enoch, SVP Audience Insights. Glenn joined us in March of last year from ESPN, where he spent 17 years prior to that. We also have Kelly Abcarian, she is our SVP of Product Architecture, and one of the main people facilitating the charge with our clients as we redefine the conversations around C3.

So with that, I open it up to the audience for questions.

QUESTION AND ANSWER SECTION

Jeff P. Meuler
Robert W. Baird & Co., Inc. (Broker)

Q

Yeah, Jeff Meuler from Baird. I know you don't make the decision, the market does, but can you help us understand what it's looking like or currency is going to look like, and what I'm trying to figure out is should we be thinking about, a, currency being kind of a matrix with multiple metrics where some of the market is going to trade up of seven days, some of it is going to be 28 days, some of it is going to include digital, others are not because they are going to want to have DAI in a separate ad load? Can you just help us understand what currency is going to mean or what any preliminary view of what the currency is going to look like?

Stephen Hasker
Global President-Media Business, Nielsen Co. (US) LLC

A

Yeah, let me start and then I will hand over to Kelly. The answer, Jeff, is, yes. So, look, Megan talked about it. What we've focused on to-date is getting a measurement system in place that measures everything, ad supported, not ad supported, dynamic ad insertion, as many days as is needed. And I – the conversations with the industry have started. As Megan said, there – we're excited about the start, we are excited about the input we've gotten and the engagement we've gotten. And my sort of editorial to this would be, I think there is going to be a trade-off between sort of simplicity around a relatively small number of metrics that is – are easily understood versus lots and lots of metrics that provide all kinds of flexibility to support our media clients' business models and our agency's imperatives. So the conversation, I think you can see it also, like between wanting to be a simple set of metrics like C3 and C7 versus the need for more complexity.

Kelly Abcarian
Senior Vice President, Watch Product Architecture, Nielsen Holdings Plc

A

Yeah, I would agree. So a lot of our clients are looking at, they buy a TV on a units basis, they are buying digital on an impressions basis and campaign basis. As we think about the audience grid, you can actually layer in almost that grid that you're speaking about, how do they want to have a currency. So some both from a planning data set and a currency transact posting data set that they can have that flexibility in which to plan and then transact on. That is what the Total Audience framework provides.

Q

Great, thanks. So the broadcasting cable networks have had their results for a while. I was hoping you could provide some detail about the conversations with the networks. For example, what kind of networks are more or less pleased with the results, and what has been the range of the viewership gains?

Stephen Hasker
Global President-Media Business, Nielsen Co. (US) LLC

A

Okay. I'll start. Megan, you can correct me. Look, I think it is impossible – and Glenn is also at the middle of this – it is impossible to generalize. It really is every network and in some cases, within the network and they're own scheduling, the results differ. As to the viewing that is after seven days, just the viewing that is on different devices, what I would say is that hit programming resonates across many devices, and programming that misses doesn't necessarily gain some enormous audience on other devices or in other windows. Glenn, do you want to add to that?

Glenn Enoch
SVP Audience Insights, Nielsen Holdings Plc

A

Yeah. I would agree that – I would be wary about characterizing one program or one network in this – in the question, because everything is going to be a little different. We're certainly capturing viewing and bringing it back to our clients that most of being captured before. And the way that it's being done, if you go back to the demonstration and look at the product – Kelly will be standing there – we had a great panel at our C360, where one client brought a picture of the way they were kind of cobbling together this additional viewing, and it looked exactly like what we're delivering in Total Audience measurement. So, I think that as a whole, we're doing what they need to done.

Q

Has there been any change in the methodology over the past, say, six months? Has there been a give and take with the various networks and some of them may want to look at a different way in a way?

Kelly Abcarian
Senior Vice President, Watch Product Architecture, Nielsen Holdings Plc

A

Well, I would say the change in methodology of Total Audience is really bringing that comparability. So, we'll – and to doing that, there are the metric concept as a view, for instance; very common in digital, similar kind of concept doesn't really exist in TV. To kind of bring those languages together, we had to create metrics such as that in which to be able to talk the same language and to be able to really compare audiences at graphs. And that's really the new part of what clients are adjusting to.

Megan Clarken
Executive Vice President, Nielsen Global Watch Product Leadership, Nielsen Holdings Plc

A

The methodology that we have taken, the marketplace through for the last two years, the Total Audience methodology, which is really underpinning the DAR product, that has not changed. So, there's nuances around additional metrics that may be inside of the reporting and Kelly touched on one of them, viewability. Viewability is different for a TV as it is for digital because the dynamics are different, the technology is different, the ability to miss an ad on the digital landscape, on the digital device is different than TV. So, there's just nuances around reporting rather than that underlying architecture remains the same. It's consistent, it is single source, it's using big data and panels to bring the numbers together.

Kate White Vanek
Senior Vice President-Investor Relations

A

Okay, we'll go to Paul and then Laura, who is in the middle, guys.

Paul L. Ginocchio
Deutsche Bank Securities, Inc.

Q

Hey, Steve. It's Paul Ginocchio from Deutsche Bank. I asked this of Megan a few weeks ago, but with measurement, currently, you're generating fees of about 2.25% of TV advertising. Now, you're going to layer on planning ROI and actually serving up data that helps people target their ads better. Can you talk about those new products, those planning ROI data for better ad serving? Are those more important in measurement? And as you move from just TV to digital, can you just talk about how that 2.5% or 2.25% sort of take rate for your services goes? Can you talk...

Stephen Hasker
Global President-Media Business, Nielsen Co. (US) LLC

A

So, we've had this framework in place now for six or so years, it's Reach, Resonance and Reaction. I think you've all heard about it. And we've always said to you guys and said to our clients and got an input that we think that there is a real market need for a single set of numbers from a single methodology, to Megan's earlier point, around reach. We think the market is more efficient when there is one referee on the field, informing buyers and sellers as to the number of people who saw a program or an ad at any – in any platform, any period of time. And that doesn't mean that there can't be all kinds of analytics around those reach metrics, but we do think the market is much more efficient. And if you look across the world at different media markets where there is one provider, one captive provider, an independent single third party measurement provider makes for a more efficient media market.

In resonance and reaction, we've always said – and I think it's proven to be true, I think it will continue to be proved – there's lots of room for lots of players. So the kinds of metrics that one particular CMO wants are different than others. So automotive to CPG or within CPG as examples. And that goes the same with resonance. So, I think we see sort of white hot competition in those areas, but we are very proud of what we've done with Nielsen Catalina, with Nielsen Buyer Insights, with [indiscernible] (01:48:45) product suite, with neuroscience and so forth. And we think we are advantaged because everything links back to our reach data.

In terms of the financial implications of this, and the question was asked to me and Mitch before around Total Audience, but let me say a couple of things. The first is we have a business model that leans toward long-term multi-year contracts with price escalators in it. And we – I'd like to think we're very thoughtful about making sure that whenever there is a price escalator, there is real value behind that price escalator. And the most important thing for us over the last couple of years has been to design and build Total Audience. That has been more important than worrying about when do our clients pay more, what happens to the 2%, 2.25%. But what I would say is that we genuinely believe we are the only player who can do this and we've built it, and we are very happy so far with what we have built and we are very happy with the reactions we've gotten from clients. And we think that good things will follow that. And we'll follow that into the business model that we've been using now for half a century.

Kelly Abcarian
Senior Vice President, Watch Product Architecture, Nielsen Holdings Plc

A

Okay.

Kate White Vanek
Senior Vice President-Investor Relations

A

Great. We'll go to Laura and then Andre.

Laura Martin
Needham & Co. LLC

Q

So, Laura Martin with Needham. So, Steve, I want to talk about Netflix for a second. So we published The Future of TV piece today that showed when a content guy puts a piece of content on linear TV, he earns $0.30, and when he moves that content to Netflix, he gets $0.11. And they're the high-end homes according to Nielsen, so you starve the TV ecosystem of the most valuable ad units because they're all watching Netflix that doesn't have advertising. Can you remind us, Steve, in a Netflix home, how much less linear TV that home watches? And as you start measuring the VOD players, do you think that product that you can sell to the content companies could be a meaningful revenue driver as they try to close the gap from earning $0.30 on linear TV to $0.11 on Netflix?

Megan, for you, I am quite fascinated. Digital does $50 billion a year including search and it has always graded its own homework. So the result is that Facebook isn't – have an impression that's comparable to AOL or Yahoo. And today, 50% to 60% of that revenue is non-viewable or fraud. As you bring in a standardized Total Audience product, how can any digital company adopt you and risk taking its top line down 50% to 60%, because you guys are not going put non-viewable and fraudulent metrics into your ratings?

Stephen Hasker
Global President-Media Business, Nielsen Co. (US) LLC

A

Okay. So, Laura, two questions. The first one around Netflix, the second one around sort of captive metrics used by digital players. Megan will answer that one, but I would say we have Brad Smallwood up next, and he could talk to that very question as he leads the analytics area for arguably the world's leading digital publisher, Facebook.

So, on the Netflix question, let me make an opening remark and then turn to Glenn. The sort of disparity you talk about in terms of the subscription fees paid into the cable ecosystem versus direct to Netflix or any of the other players, I think it remained and one of the reasons it remained a mystery until relatively recently was there wasn't comparable measurement, and there was no and, to some extent, continues to be limited transparency into what's actually happening and how many people are spending what amounts of time. That was the reason that we have spent real time and effort being able to measure SVOD services and connected devices.

So we're starting to produce that data where we're playing it back to the subscribing networks and to the studios, and they are starting to consume that. We haven't syndicated that product yet, we will. We've now, I think, got 3,000 different programs being measured through the SVOD services. And so, I don't know that we can give you the answer you need because it's still very early days, but as each day goes on, we get more and more information and more importantly, our clients get more and more information about exactly what's going on, and the net effective of that will be a more efficient licensing fee structure. Whether it's – how it plays out, I think, we will determine on the relative market – the market power of the various players, but that's going to be the implication and we play a key role in that. Glenn, any...

Glenn Enoch
SVP Audience Insights, Nielsen Holdings Plc

A

Yeah. Just quickly, I just want to caution that while homes that have SVOD content available to them watch less TV, it's not always because of the SVOD. Homes that subscribe to Netflix, Google+, Amazon Prime are more wealthy households, they have higher household income and they have younger householders. And I've been cracking open rating books for 35 years, in all that time, householders that are young and have more money watched less TV. What we're trying to do for our clients is help them pick apart the effect of SVOD from the effect of just who those households are.

Kelly Abcarian
Senior Vice President, Watch Product Architecture, Nielsen Holdings Plc

A

Yeah. The one [indiscernible] (01:53:58) is with our [ph] national panel expansion (01:54:00), that'll go in at the end of this month. We'll now have over 50,000 connected devices in under measurement and which should bring that SVOD measurement to life that we launched earlier this year, and our clients couldn't be more excited. They are already getting huge insights of the measurement, not only of SVOD original series, but also of their network programming that they're selling into these services, and [ph] seeing those audience list (01:54:23) and being able to better negotiate those deals.

Megan Clarken
Executive Vice President, Nielsen Global Watch Product Leadership, Nielsen Holdings Plc
A

Let me take the second question and I will – I'd love that if you did ask Brad. I don't want to put Brad on the spot, but he's going to come up, and I think that question is one that he'll answer better than any of us.

Dwight Mitchell Barns
Chief Executive Officer & Director
A

He's very, very shy.

Megan Clarken
Executive Vice President, Nielsen Global Watch Product Leadership, Nielsen Holdings Plc
A

He is a very shy guy. But you're right that Google Search has marked their own homework for a long, long time; for over – since 1997, when they launched. And they're the kings, they're the kings of search and that's their domain. What Google has acknowledged is that, that doesn't transcribe onto the advertising space. And they have not been able to make that work for them. And they did that a few years ago when they came onboard for digital ad writings to be third-party, to be measured by a third-party independent company so that they can have independence in the reporting around the results of their ad servings, it is incredibly important to them as it is to Facebook, and so we're seeing them come across the line in terms of making sure that they can use the same language, that they can justify the spend back to their advertisers using third-party independent measurement. But please do ask Brad that question when he is up here.

Stephen Hasker
Global President-Media Business, Nielsen Co. (US) LLC
A

Yeah. Just to add on the question about viewability and fraud. The other dynamic is that advertisers and buyers are demanding the measurements in this case. Because dollars and consumer behavior is changing where people are consuming on these new digital platforms, they need to be confident who to trust that the dollars that they're investing there are effective dollars. And so, advertisers and agencies will demand that measurement.

The second thing, which I'd point out is that video is a very different space than the display space or even the search space where video starts from a place where it's highly viewable and there is less fraud, particularly for premium video. And so, our measurement is actually helping them – the ecosystem to grow faster. It's building increasing amount of trust and build comfortable metrics so that people are able to make better decisions about spend.

Kate White Vanek
Senior Vice President-Investor Relations
A

Okay. So, we have time for one more. Andre, I know you have the mic.

Andre Benjamin
Goldman Sachs & Co.
Q

Thanks. Andre Benjamin, Goldman Sachs. So, a question on next steps around Total Audience. It's pretty clear you have a bunch of people beta testing. There's – you can't really do anything about the level of agreement between what those include and what doesn't. But from a technological perspective, I was just wondering what had been the continued criticisms or things that people are asking you to continue delivering that they're not seeing? And then, how much of that is something that you need to develop internally versus potentially working with the smart TV providers or the set-top box players or other people to improve their hardware capabilities so that you can provide the industry what they are looking for?

Megan Clarken
Executive Vice President, Nielsen Global Watch Product Leadership, Nielsen Holdings Plc

A

I'll start it and then the techie folk can finish it up. For the most part, total content ratings is able to include most everything. These guys – correct me if I'm wrong. But what it – still the piece that we would like to make sure that we can get to the bottom of and syndicate is the subscription video on demand providers who are taking their watermarks off the data.

It just means that we can't get as granular as we would like to in terms of the reporting of that viewing inside of total content ratings. And so the total ad ratings, we continue to onboard partners around dynamic ad insertion to ads that are served to the TV screen. And we did a partnership with Roku this year, which was an incredibly exciting partnership for us whereby Roku is now able to support digital ad ratings inside of the Roku operating system and become a partner for us in terms of being able to report demographics. Because it is one thing for us in total ad ratings to report volume metrics and say how many times somebody saw a particular ad, but ratings has to get down to demographics. And so to get down to demographics, the dynamic ad insertion, we require more and more partnerships, which we will continue to work on as we are in multiple conversations with providers there to bring that data in and to light up those services throughout next year.

Stephen Hasker
Global President-Media Business, Nielsen Co. (US) LLC

A

Yeah. I think, Andre, I'd – there are two – I think there are two sort of pain points that are still there. One is this is increasingly a team sport with our clients. So, we require them to install SDKs, we require their guidance along the way. We're working very closely with their engineering and technology teams. Those teams are very busy doing other things. So that's been, I think, a cause of sort of back and forth over time. We've gotten significantly better and we're going to continue on that path. That's the first thing.

The second thing, you mentioned set-top box data and smart TV data. There are lots and lots of usages of that – of those datasets, many of which we're already pursuing around ROI and so forth. Local TV is the one that we're focused on amongst others. The panels in some of the local markets are not big enough to measure fragmented viewing. And so you talk about pain points. I think the team's broad aspect is something we're getting better at, something our clients are getting better at, but it's a process. And the second is local TV, the reason we've been focused on extending our usage of return path data has been to stabilize our local TV ratings, and that's – we're yet to really get to that and you'll see us make some progress going forward.

Kate White Vanek
Senior Vice President-Investor Relations

A

Thank you.

[Video Presentation] (02:00:18-02:01:13)

MANAGEMENT DISCUSSION SECTION

John F. Burbank
President-Strategic Initiatives, Nielsen Co. (US) LLC

So if you don't recognize that music, that's the theme song from The Johnny Carson Show. I'm sorry about that, Dave, but it's not a CBS product or wasn't at that time certainly. And if you are aware of that show, probably in the back of your head, you are hearing Ed McMahon saying, here's Johnny, right? And that's really clever because my name is John, but that's not the point. The point is that you should be hearing Ed McMahon saying, and here's Total Audience, because if you haven't gotten the message yet, it is here. And that's what we're going to talk about for the next half an hour or so.

So, I'm going to ask a few questions and then we are going to reserve 15 minutes for Brad to answer that question. And then if there is any time left, we'll get to you guys as well. Now, obviously, we'll spread the questions around.

QUESTION AND ANSWER SECTION

John F. Burbank
President-Strategic Initiatives, Nielsen Co. (US) LLC

A

So, the first thing I'd like the panelist to respond to is we've all heard, right, the media world is fragmenting. There's more time spent on digital platforms, there's more television viewing that is going outside of the C3 window.

So, I'd like each of you to describe, if you would, what its Total Audience mean to you, what does it mean to your clients, and what do you see as the Nielsen role in helping your clients succeed. And I'm going to start with you, Rishad, as a representative of advertisers and media buyers. If you can just talk to us a little bit about what you're looking for from Total Audience.

Rishad Tobaccowala
Chief Strategy Officer, Publicis Groupe SA

A

Sure. So, I think as Steve and Megan pointed out, the – but people, right, have become highly polygamists in many ways across devices. They have become highly, what I would say, blurry between what they do, whether they are actually consuming or whether they are transacting, which is extremely important, and the other is there is this weird world between what is advertising and what is content. And there is a perspective that at least we have, and I think a lot of people have, which is the world is going to get more digital, and therefore, the stuff that's measured today on TV is going to be a smaller portion. Advertising in some ways will be replaced more by utility and commerce, so – and content, which is important. And I think the third is the entire idea of segments and data will be important. What we like clearly about Total Audience, as Megan pointed out, is it addresses all of these issues. It addresses, A, it's got to be across devices; second, it has to be a measurement that you could actually compare, because at some particular stage, this is a blurred world.

We are in a world where marketers increasingly want to connect everything. And if you don't have a common currency, it's a little hard to connect. So that's the second aspect of it. And I believe the third very much important is increasingly looking at segments. We talked about many to one and how we can become more segmented.

So, how we can be more connected, how we can be more diverse, how can we be more segmented and more real time. And I think Total Audience is well on its way there, there are places that we would like to press them further, but that's what we like.

John F. Burbank
President-Strategic Initiatives, Nielsen Co. (US) LLC

A

Thank you. Brad, what is your perspective from the digital side?

Brad Smallwood
Head of Marketing Science, Facebook

A

Yeah, I think – well, there's two pieces of, call it currency or whatever there is. There's the currency and then there is the verification. And as a previous question that kept referencing Facebook was verification has been a problem for digital. Verifying that – we can say we deliver age and gender, Google can say it, Yahoo can say it, everybody can say that they deliver a particular something. You need an independent third party to actually kind of be the arbiter of like this is actually what really happened. And that – that's – I don't think that really happens as much in the television world because it's a – it is actually also what represents what got delivered. And so I think for digital, this is one of the reasons that we've been so behind the product right from the start, is for digital, we really need that because we need to have somebody kind of saying, this is really what actually happened versus everybody kind of judging their own homework. So, that's really important. I think the other pieces around the audience and looking – I mean, a media buyer, at the end of the day, doesn't really want to buy media channels, they want to buy audiences who happen to be on media channels. And increasingly, as we look at kind of the world, the audiences are across many different media channels, and being able to kind of stitch that together and talk about reach and frequency and all of that across all of the media that somebody is consuming is how you end up delivering kind of an effective campaign. And again, you need a third party to do that because any one media channel, first of all, shouldn't judge their own homework, and second, doesn't have the data necessarily to do that. So, I mean that's why we're still kind of invested in this, because it does provide comparability to all the other mediums, but ultimately delivers better advertising to the advertisers.

John F. Burbank
President-Strategic Initiatives, Nielsen Co. (US) LLC

A

So, David, your turn to add to this conversation. And if you have any thoughts around the changing of the C3 and the rules around guarantees, we'd love to hear that.

David F. Poltrack
Chief Research Officer, CBS Corporation

A

Well, the – and certainly, on the Total Audience measurement, it is something we've been working with Nielsen and pushing for as more and more of our content ended up in different places at different times. We are – we certainly applaud the progress that Nielsen has made. Earlier this week at a conference, I presented that – one of our new shows, Limitless, was on that – it's a show that reached 9.8 million live viewers, and with all of the Nielsen Total Audience components added to that, the actual audience was 16 million. So, that just shows you how dramatic the difference this makes. And the – so Nielsen made a lot of progress there, and I think we are very close to be able to answer that question. However, I always – I think of Total Audience as a first step and the most – because we also have to deal with the issue of communications and context. And what we are doing, one of the things that Nielsen is doing that really wasn't mentioned that much this morning by Nielsen...

John F. Burbank
President-Strategic Initiatives, Nielsen Co. (US) LLC

A

Well, now is your chance.

David F. Poltrack
Chief Research Officer, CBS Corporation

A

...but is all the work that they're doing in measuring context and measuring communications effectiveness. And we are very much a partner with Nielsen in developing the bio feedback measurement and that, I think, is another – that's the other part of...

John F. Burbank
President-Strategic Initiatives, Nielsen Co. (US) LLC

A

Can you describe that a little more for people who might not be familiar with it?

David F. Poltrack
Chief Research Officer, CBS Corporation

A

Well, this is measuring how advertising works, how communication takes place in different context. Obviously, a smartphone context is different from the television at home context. And what we really have to understand, because people are consuming media in different ways, and we don't really – we have a lot of information about how people sitting at home in front of a television set react to advertising, but we don't have it for all of these new variations that are available. And we want to make – we want to provide the best context for our advertisers' messages. So, that involves a great deal of complicated work that goes beyond just counting the house and talks about measuring how different types of communication affect people, the – we've already done two major studies of – with Nielsen over the last couple of years, one on the long-term effect of advertising and the other one on the – how effective advertising is to wear out effects of advertising. And they were published at The Advertising Research Foundation and the Journal of Advertising Research, and those were done by CBS in context in – with Nielsen. And that is also an area that has to be combined with the Total Audience measurement to give us the holistic product that we have to be able to help our advertisers use the media most effectively.

John F. Burbank
President-Strategic Initiatives, Nielsen Co. (US) LLC

A

Terrific. So, Brad, maybe you could talk a little bit about what you're doing right now with Total Audience, and how are you deploying that and helping solve the client needs at Facebook.

Brad Smallwood
Head of Marketing Science, Facebook

Yeah. I mean, so we've been behind what was OCR, now TAR, DCR, all the CRs, TRs whatever. We've been kind of behind them right from the start like really kind of focused on providing hard data into the system in order to kind of help – to help power them. So that's kind of like, because we wanted to help drive these single currencies. These single currencies as Steve mentioned before are good for media companies like us, because it provides consistency. And so, that's why we're behind it. In terms of the actual things that we do, for our big – for campaigns, we actually fund them for advertisers. We actively kind of run them, we try to promote – we promote them to run them across – to do cross publisher studies.

We provide guarantees on some of our products on them. We're kind of – doing kind of all the things that you would expect. We also do things like if an advertiser really wants to have a guarantee based on it then, we change our delivery to actually – to make sure that we're going to deliver directly and target according to the Nielsen segments. And all of this that I'm talking about is kind of global wherever ...

John F. Burbank
President-Strategic Initiatives, Nielsen Co. (US) LLC

I was just going to ask if...

Brad Smallwood
Head of Marketing Science, Facebook

Yeah.

John F. Burbank
President-Strategic Initiatives, Nielsen Co. (US) LLC

I was just going to ask, how much of this stuff are you extending around the world?

Brad Smallwood
Head of Marketing Science, Facebook

Yeah. I mean... I don't know the number of countries that we brought the study in, but it's everywhere that – it has 5 countries, 15 countries, 20 countries where it's active. So yeah, we do it – we do this globally, so...

John F. Burbank
President-Strategic Initiatives, Nielsen Co. (US) LLC

Terrific. So, Rishad, you've talked in the past about the importance of – and the interesting aspects of Nielsen bringing more data such as Nielsen Catalina or even the view that you have on eXelate. When you think about total audience and the needs of your clients, how do those pieces fit into the solution? And what makes you excited about bringing this to your clients?

Rishad Tobaccowala
Chief Strategy Officer, Publicis Groupe SA

So, right now we're working in at least three different levels with Nielsen. First just, the original total audience. I think this ability to measure both reach and frequency and optimize across devices including offline. And very importantly, the difference between mobile and desktop and TV is unique, because as more activity moves to these devices, it becomes extremely important. It allows us to obviously work between Facebook and CBS versus separate. So those are one big benefit. The second is in the world of segmentation, we're very excited about eXelate. And in the world of outcomes which is how do people buy, we're very interested about Catalina.

At some particular stage, we think all of these things will blend into one thing, because the reality of it is I don't think people are going to differentiate between watching and doing. Okay? Increasing is going to be about interactions, increasing is going to be faster and it's going to be segments of one. And I sense, total audience will be sort of the foundation across which all of these connects.

John F. Burbank
President-Strategic Initiatives, Nielsen Co. (US) LLC

True. David, you are one of the, I think the pioneers of the integration of audience data and data sets like the Nielsen Catalina, maybe you could talk a little bit about your views of that within the context of total audience?

David F. Poltrack
Chief Research Officer, CBS Corporation

Yeah. So, essentially my position on this is that we – as much as total audience is a major step forward. The industry spends too much money counting the house and not enough money measuring results. And that's the direction we have to go in.

We want to be able to tell our advertisers that when they ran -if they were on a spot on Blue Bloods on Friday night, this is how many people that were watching that show will show up at your store on Saturday morning, and then be able to tell them on Monday morning how many people actually showed up. And that is the kind of accountability that the advertiser is looking for. That is the kind of a – that's the information that is available to us today that has not historically been available to us. And that's also the kind of accountability that will I think give advertisers more confidence in the power of their advertising and the importance of advertising in building brand equity and also delivering short-term results.

So, that is where we are really focused right now. And our whole campaign performance audit program at CBS is designed to help provide the measurement tool, the package of measurement tools that offer that accountability for the advertiser. And that's what the program was built in conjunction with Nielsen.

John F. Burbank
President-Strategic Initiatives, Nielsen Co. (US) LLC

Perfect. So, Brad, another question for you. Mobile has been a really difficult thing to measure discreetly. You guys have famously sort of pivoted your business from a desktop business to mobile. Maybe you could talk a little bit about – what are the challenges of measuring mobile, how important is mobile to Facebook, how important it is having mobile measurement within TAR for you guys so that you can measure and compare mobile to TV and so forth.

Brad Smallwood
Head of Marketing Science, Facebook

Mobile is very important to us. Yeah, very, very important to us. So, yeah, I mean, the challenges of mobile as a marketer are – is tough because it's a brand new medium, it's always hard, new medium, you got to think about it differently, that's tough.

The challenges to mobile for measurement are exponentially harder on the net, because what happens is, I was just looking at some data the other day – or yesterday, and if you're running a mobile meter, the drain on somebody's battery life is significant. And so – and people are really concerned about that. And so, how do you get data in that environment where you're – kind of you can't be disruptive at all because it will really impact some of these experience and then how do you do that in a big data way.

And so, the idea is – which is what Nielsen has done is like, you go out to data providers like us, and you say, okay, here's – provide data to us, but provide it without actually kind of impacting the users' experience. That to me is the only way that measurement is going work on mobile.

And then, having a small set of panelists to correct kind of combining the big data with the panel, the really good kind of panel data and doing those corrections. That's the only way it's going to work. And from what I understand, which I understand the stuff reasonably well. Nielsen's kind of the only one that's actually done that today.

There's other kind of companies that have kind of started down that path, but don't actually have a flow-through mobile system .And I'll tell you kind of on the Facebook side, we have – we don't allow a lot of those other companies to run on our site, because they don't have – unless it's a really big campaign when in which case we would, because they don't have enough sample on their small mobile panel, which is the only way that they end up being able to measure us, is through their mobile panel.

And so, it's a huge issue, and not just for us, it's kind of for everybody. I think the solution that you have is a good start, but I think there's also a lot of additional things that the companies need to do on this in order to measure it, because as you thought with the ROI stuff, all of these things tend to be a lot harder in the mobile environment. There's opportunities, but it's kind of a change in the thinking.

John F. Burbank
President-Strategic Initiatives, Nielsen Co. (US) LLC

Rishad, you spend a lot of time outside the U.S. When you think about mobile and you think about advertising, and you think about developing worlds and where many of your advertiser clients want to grow, how important – how much pressure is being put on you guys of agencies to make effective mobile marketing and then be able to measure that?

Rishad Tobaccowala
Chief Strategy Officer, Publicis Groupe SA

Tremendous amount of pressure, because in countries like obviously Africa, India and China, they have actually led the world in mobile. And to a great extent, in India, we went from 25 million to 250 million smartphones in two years. And in fact, most of the social networks, for instance, like Facebook et cetera, the second largest market, nowhere in revenue, but in use is happen to be now India. So to a great extent and in China with companies like Tencent, et cetera, it's a huge deal.

So, the key – and again, to the point, is we have taken outcomes versus inputs. So inputs and outcomes, which is very important. And we have to think advertising, content and utilities, because one of the key things online is – one of the reasons I think Facebook works is because it's native and in the flow, right. But, when it disrupts you, you – actually it's anti-advertising. You hate the brand. And so, utility and services become very important. And I think, an emphasis on just advertising is very, very limited today, especially in mobile.

John F. Burbank
President-Strategic Initiatives, Nielsen Co. (US) LLC

And I'd imagine, David, a lot of the concepts that you were talking about earlier is really about mobile and making sure that the advertising works on that platform. I don't know if you want to add anything?

David F. Poltrack
Chief Research Officer, CBS Corporation

Yeah. Well, obviously, the CBS All Access is a subscription-based service, that we have now put – essentially we designed for mobile. I mean that's where we see the growth is going to be there, because it offers live access to all of our – to affiliates around the country.

John F. Burbank
President-Strategic Initiatives, Nielsen Co. (US) LLC

And total audience is live also on that.

David F. Poltrack
Chief Research Officer, CBS Corporation

Right, yes. So that is – but I agree with Brad. I mean, this is going to be one of the processes where the bad players in mobile advertising are going to make it hard for all of us, because there are some really atrocious mobile advertising, driving customers, consumers crazy right now and the – so there's going to have to be a great deal of understanding as to when does an advertisement – when is the advertising acceptable for customers and when is it really an intrusion that they don't want and that may turn you against the company as opposed to for it.

John F. Burbank
President-Strategic Initiatives, Nielsen Co. (US) LLC

Yeah. So I think I've heard that you've talked about that fact that measurement really isn't broken, right? But it's just that we have to educate people more and the industry more about these types of new measurement, is that – that's a theme that I think you've been presenting across the industry?

David F. Poltrack
Chief Research Officer, CBS Corporation

Yes. I mean, what people do is, they say, well we have a -a lot of people get up at industry functions, and they say, we have a measurement problem. And then if you actually ask them, what's the measurement problem, they have no idea. They don't know what they're talking about. They just picked it up in dominos. They have a measurement problem, and I think a lot of people also say they have a measurement problem, because they actually a performance problem and it's easier to call it a measurement problem.

The fact is we can measure the audience, but we are dealing with, again, the measurement, we're talking about counting the house and – we're spending a lot of time. We have a system-based audience demographics. Age and sex totally irrelevant in today's society, essentially that those demographics aren't – that our currency demographics, it's for transactional purposes, we're stuck with it, but it really doesn't make any difference. The changes we see from year-to-year in some of the demographic ratings aren't a function at all of the performance of the content. There are function of the fact that the millennial population is going through the age curve. And it's – we have the baby boomers here and the millennials here, and they're moving like this. And I'd say move...

John F. Burbank
President-Strategic Initiatives, Nielsen Co. (US) LLC

[indiscernible] (02:22:29).

David F. Poltrack
Chief Research Officer, CBS Corporation

The composition of the demographics changes.

John F. Burbank
President-Strategic Initiatives, Nielsen Co. (US) LLC

Right.

David F. Poltrack
Chief Research Officer, CBS Corporation

And the viewing pattern changes, but everybody is watching the same amount of television. They're just at different age points. So, we have to – we can't make decisions based on those types of demographics. We have to look at usage base, lifestyle, life stage base, those are the types of measurement. And that's why with a bigger panel, the more total measurement, we're able to do that, and that's available.

So, I would say that we are probably only using 10% to 20% of the analytic power available to us, today with the data that we currently have, just because it's so complex, it's so – you need to staff up for it, you have to change your whole metric. Until it becomes part of the transactional currency, it's not relevant. We have to – on one hand, we have to deal with the transactional currency, and on the other hand, we have to deal with, what I can really count which is the results-based measurement.

John F. Burbank
President-Strategic Initiatives, Nielsen Co. (US) LLC

Does that mean think we should take NZT though? Come on, it's a Limitless joke.

David F. Poltrack
Chief Research Officer, CBS Corporation

We all need NZT, there's no question about it. That won't even be in there.

[05G72N-E John Burbank]

So I'm going to ask one more question, then we'll open it up to the audience, so get ready with all your questions. So this one is for Rishad. Maybe you can talk to us about the importance of a measurement company, not having a conflict of interest and sort of being truly independent. When you think about from the advertiser or the agency perspective, what's your point of view on that?

Rishad Tobaccowala
Chief Strategy Officer, Publicis Groupe SA

So, for us there are three areas that are very important. Independence is a critical area, transparency is a second area, and the best solution for our clients is the third area. And we basically need all those three, because in the end that's who we serve. One of the key things with independence is, it is much easier for us to feel conformable with companies that, there is no sort of the hen and the in the hen house issue. And also it's a little bit easier for us to work with companies that happened to have a currency and the ability of like a Total Audience to work across everything. One of the key things with independence also is small little companies like Facebook actually partnered with....

John F. Burbank
President-Strategic Initiatives, Nielsen Co. (US) LLC

But, they're growing.

Rishad Tobaccowala
Chief Strategy Officer, Publicis Groupe SA

Yeah. They're small companies, but they're growing and other ones are growing. And to a great extent, the reality of it is, they're only going to link up, right, with them. The second area because of that who's got the best of breed. Now, the reality of it is, unfortunately today no one company has best of breed in everything. So – but that becomes our independence. So, while we use a lot of Nielsen, we use other folks. But we are constantly – as I had dinner with you last night, we are constantly trying to figure out how you can up your game, which is a big part of it, which is important.

And the third is really transparency and transparency is much more easier with independent companies than with companies which we compete with sometimes. So, yes, but what tends to basically happen is, we have a big belief that working with companies like you all and not calling you all names will help us and our clients.

John F. Burbank
President-Strategic Initiatives, Nielsen Co. (US) LLC

There we go. So, with that we can take the lights up and then we can take some questions. Let's start over here, [ph] Kendra (2:26:23).

QUESTION AND ANSWER SECTION

Andrew Charles Steinerman
JPMorgan Securities LLC

Q

It's Andrew Steinerman at JPMorgan. David, we've known each other for a few years, so I hope it's okay if I ask a hard question. So, here it goes. Obviously, it will be very good for the media industry's commerce if there was a single currency measuring total audience measurement via Nielsen. However, there's also another value that for the media companies, it's good to have competition in measurement. How are broadcasters like CBS going to be able to balance result these two dynamics?

David F. Poltrack
Chief Research Officer, CBS Corporation

A

Well, I agree with you. I think it is very important to have competition. And we are getting more competition in the business. And I think that Nielsen has responded to the competition. I mean Nielsen, obviously – you just heard Nielsen tell you about all the great things they are doing. A little bit of [indiscernible] (2:27:23) if there was no comScore, Rentrak would all these be going along as fast as it is. I've noticed an acceleration in Nielsen's plan since comScore and Rentrak have emerged. So yes the competition is very good. The more challenging the measurement, I think the more opportunity for entrepreneurial and there's work in there and the business. And we are – we're working with all these companies.

And I think that's a very healthy process. And in terms of measuring the results though – if you're talking about the transactional nature of the business it's very hard to move from one unified transactional platform. And that's why we still have demographics because there – if every one of our clients comes to us and says – one says, I want diet cola drink as the other one says I want new car in tenders, we can give them that information now. But how to run a market – a multi-billion dollar marketplace on all of those different measures becomes very, very cumbersome. So we do need some kind of unified currency with which to deal and that's where the – some of the new players. And if you talk to a lot of the new companies that are out there, that are research companies that we're excited about working with are not really trying to take on Nielsen in that way. They're trying to build and add on top of the currency measure and get the more in depth and more customized solutions. The important thing is to just be able to give our advertisers as much evidence and proof as to just how powerful the medium is.

John F. Burbank
President-Strategic Initiatives, Nielsen Co. (US) LLC

Q

Brad, do you want to add something?

Brad Smallwood
Head of Marketing Science, Facebook

A

Yeah. I just – first of all I'll say money moves with consistency and so I think it's having some, having a single standard helps drive that consistency. So that's probably the highest order for media companies like ours, the highest order issue. But the fact around innovation, which – if you look at with one thing where there's no competition, you end up not having enough innovation. And so figuring out how you solve that innovation but I don't necessarily know that having many different companies all putting out, this is where online has been for a very long time, all putting out different numbers that are inconsistent. And then advertisers or media companies will pick the one that makes them looks the best. And then you get in this world that everybody just always picks the one that makes you looks the best and that's not measurement. That actually doesn't doing anybody any good. And so I think that's what we've – we've made a decision long ago that we were going to focus on kind of getting to a standard that works a kind of across TV and online together. And it's been well received, I think by our advertisers, not just by Nielsen, but by our advertisers.

John F. Burbank
President-Strategic Initiatives, Nielsen Co. (US) LLC

Q

Yes, [ph] Walter (2:30:39).

Brian W. Wieser
Pivotal Research Group LLC

Q

Hi, it's Brian Wieser here. Question around the age and gender, as a means of not targeting prioritization. As Nielsen seems to – I continuously hear that Nielsen has a meaningful advantage in how well it measures, age and gender. David, you've pointed out certainly, as long as I've been following you, some of – well, I'll call it the ridiculousness of age and gender as a means of targeting versus alternatives and yet it persists. I think the industry knows that, age and gender is a flawed approach and yet it persists.

Since it seems to help Nielsen, because they do it really well, I guess, it's relevant to as to how long it persists. So, I'm just curious about your thoughts and maybe Rishad too, how you think about it? But what are your thoughts about the persistence of why it will continue and how long it continues as a primary means of prioritization of inventory on the part of advertisers?

David F. Poltrack
Chief Research Officer, CBS Corporation

A

Well, as I said, I think it persists because it – the reason age and gender came up as being the solution, initially was because it was the – originally television has measured just household ladies. And then they – and age and gender came up because the baby boomers were going into the adult audience. People were really focused on them. And it's something that's pretty easy to measure. You know – for instance, a man or woman, you know essentially what happens in different age groups. But it became increasingly irrelevant as consumer patterns changed and as the demographics changed.

Now what – the question is, okay, is there some other measurement or currency that can be distributed across all the varied advertisers that we have that would be meaningful to all of them. That would allow for a – the transactional nature of the market to be a – to function efficiently. And that's where we're struggling right now as to how to make that conversion. But you have an interest, [ph] you've had it right now (2:33:03). Everyone talks about the millennials, right? So, the millennial generation is [ph] up and they – there's this perception (2:33:11) that the millennial generation is totally different. And that – the evidence clearly that we're seeing is that that isn't the case at all. They're at – the 18 year olds to 24 year olds today are acting pretty much like the 18 year olds to 24 year olds of past generations. And when they turned – when they move into the 25 year old to 34 year old age group, they change like other generations did. The millennials though – what's interesting about the millennials is they're moving from 18 year old to 24 year old, a segment of the population which actually has very little consumer power to 25 year old to 34 year old and beyond, which is where people start to have significant consumer power. So, within the – as the millennials go into their 30s, they are – they are going to drive the economics of the country in a way that baby boomers did 20 years, 30 years ago. But they're going to be – they're not going to be 24 year olds anymore. They're going to be 35 year olds living in a home with a family and their patterns are going to change.

So, I think it's much more important that we try to measure people by lifestyle. So, we have introduced what we call our media – and again this was a project that we did with Nielsen. It's called the media demand landscape with a huge segmentation of the population done with Cambridge, which is a marketing group, which is a part of Nielsen where we define the population according to their media consumption profiles and then tied now with Nielsen through fusion and other techniques. We've tied that media consumption profile to product consumption profile across their Catalina's service and their Nielsen biographics.

So now, I can define – I don't have to define baby boomers versus millennials. I can now talk about engaged streamers versus media trendsetters versus TV traditionalists. And I can associate media consumption with product consumption with lifestyle. That's much more relevant than trying to define people by age.

John F. Burbank
President-Strategic Initiatives, Nielsen Co. (US) LLC

A

Rishad – I'm sorry. Do you have some comments as well?

Rishad Tobaccowala
Chief Strategy Officer, Publicis Groupe SA

A

Yeah. I would basically say a couple of things. I agree with you. One of the keys is there's certain amount of stuff with age which is sort of – it's a bridge between where we were to where we are going, and there has to bring along the bridge. There are – I think, to a great extent, the real competition and the reason I think Nielsen is navigating aggressively into the future is the real competition is change. And to a great extent, people's behaviors have changed.

One of the things we say is increasingly where you are will be as important as who you are, based on, for instance, your mobility data. But the interesting thing is human beings. When we think about all the silicon world, the human beings actually are carbon-based life forms which we sometimes forget. And they have certain carbon-based analog behaviors that don't change, and one of those comes with age, one of those comes with lifestyle, one of those comes with location.

But very, very important, we have to look at their entire lives. And one of the key things, whether it is Total Audience or biographics or Catalina, is how do we put all these ingredients together to get a holistic perspective, is what excites us. And one of the interesting things is there is a lot of people trying to do it. Nielsen's got it all, but to a great extent the future is the real competition.

Brad Smallwood
Head of Marketing Science, Facebook

A

If you look at digital on Facebook, in particular, I think age and gender are probably necessary but not sufficient in a digital environment. But a very large percentage of digital campaigns are targeted on age and gender, plus a bunch of other things. And so – but you still need age and gender because that's how you decide what creative you're going to do. That's how you make the add more relevant, more appealing to them so that they don't shut at all. And so, it is still used very, very widely even within a digital environment where you have [ph] retiree (02:37:36) and all these other things.

John F. Burbank
President-Strategic Initiatives, Nielsen Co. (US) LLC

A

We probably have time for one more question. [ph] Kendra (02:37:41)?

Todd Juenger
Sanford C. Bernstein & Co. LLC

Q

Hi. Thanks. Todd Juenger from Bernstein. One for David and one for Rishad. David, as the world – in [indiscernible] (02:37:51) more toward Total Audience. As a representative of the television complex, I'd love to hear your thoughts on how you reconcile. The good news, I think, for companies like yours is that presumably, you'll get much more credit for audiences that aren't in the currency today, like the example you gave on [indiscernible] (02:38:12). And that's good. You have bigger provable audiences that presumably you can sell.

But at the same time, doesn't Total Audience also bring on billions of other digital impressions into the same supply pool on the same terms that will also compete to those [indiscernible] (02:38:28)? And some people would argue TV has more to lose in the game from total measurement. So I'd love to hear that.

And Rishad, anticipating that David's answer might include a lot about relative effectiveness of different platforms, would love to think about how you help your clients evaluate the ROI on different platforms of the communications they deliver. There's a raging debate in the investment community about for brand advertising, is digital delivering the same ROI, a better ROI [indiscernible] (02:39:01) TV and what are the earlier results from that and how do your clients instruct you to balance ROI versus low CPM? Thank you.

David F. Poltrack
Chief Research Officer, CBS Corporation

A

Certainly, it's true. I mean there are tremendous amount of an exponential growth in the touch points, as we call them, or the communication touch points as all these new technology comes onboard, and that's a challenge to the traditional media up. However, what we're finding and what we're hopefully going to be demonstrating to advertisers that all of these actually makes television advertising more effective.

The television advertising was not as effective when there was no Google Search. It wasn't, because we make people aware of things. We get people's curiosity about something and then we had a hope that they waited – that weekend, they went to the showroom for the car or they continued on. Now they [ph] haven't seen (02:40:08) gratification. They can find out immediately. They can go – they can react to the message that's in television.

Social media. Social media amplifies what goes on in television. Facebook and television work together. I think Brad has done research. We've certainly done research that shows that Facebook campaigns are enhanced by strong television campaigns. And television campaigns are enhanced by strong Facebook campaigns. What all of these is doing is making a better communication environment for the advertiser, if they take advantage of all of it, but we have to show how it all works together.

And as I continually say, any advertiser who is taking money out of their television campaign to fund their digital campaign is crazy. Television enhances digital. Digital enhances television. There are a lot of places in the marketing environment to get money to build a digital platform. Do not take it from the television. And we can demonstrate that if you have less television, your digital campaign will not be as effective. So, it's not television or digital. It's how television and digital come together.

John F. Burbank
President-Strategic Initiatives, Nielsen Co. (US) LLC

A

And what do you think, Rishad? I think I saw you nodding.

Rishad Tobaccowala
Chief Strategy Officer, Publicis Groupe SA

A

I agree but also, I would say instead of calling it television, I would call it video. One of the key things speaking in an Indian tongue to what the Australians just said, is if you're thinking about sort of relevance and residence and reaction. The reality of it is the digital world really allows you to measure reaction very well and sometimes allows you to get relevance very well.

What we have begun to see is it's harder to get residence, okay, till we got video. And when we got video, things became a little bit more exciting. So, it's sort of really video. There is that social interchange. And to a great extent, one of the big problems as we have a business increasingly of re-aggregating audiences, because audiences are fragmented.

Traditionally in the world of marketing, we started with a cow and we got a stake. That was segmentation. In the online world, we basically start with a piece of [ph] meat (02:42:44) then we try to get a hamburger because there's people come one at a time.

Video is a very interesting way to combine with social to get it together, but it is highly complex and it's going to take a little bit of time. But we have to sort of recognize that eventually, we have to follow people's behaviors and we have to eventually change things. And the big challenge is not – the television is not television; instead, video is migrating to different places which is number one. And number two, even though I worked for an advertising agency, I think content distribution and utilities are going to increase relative to just message exposure.

John F. Burbank
President-Strategic Initiatives, Nielsen Co. (US) LLC

A

Well, I hope that we're able to eliminate a little bit more about the power of Total Audience and its adoption in the industry. And thank you very much for your time and thank our panelists.

Operator: We will now pause for a 15-minute break.

[Break] (02:43:43-02:44:08)

MANAGEMENT DISCUSSION SECTION

Kate White Vanek

Senior Vice President-Investor Relations

Welcome back. We have throughout the course of the year over 2,000 investor interactions, yeah, we measure that too. And we also measure what you all ask about in a pretty cool codified way. And we spend 90% of those conversations talking about our Watch segment. And while we love our Watch business, we also have a fantastic Buy business. And our hope is that particularly with the next two presentations, we give you a lot more to focus about and to ask about.

When we think about our global Buy business, we generally think about what drives its growth in six buckets. I've laid them out today in front of you. Number one, our unmatched global presence. We have a footprint in over 100 countries around the world which is a unique competitive advantage and definitely something that [indiscernible] (02:45:11) is helping us win more and more clients. Number two, we have four very powerful partnerships like the one for Alibaba for instance.

We also are focusing on increasing coverage and granularity. And something I would also put in that bucket is expand beyond not just focusing on our CPG clients, but expanding a little bit beyond to near neighbors, like retailers.

You'll hear today about this opportunity at hand that we have with the global retailer vertical, and you'll hear about it from a 24-year Nielsen veteran Pat Dodd, who will take the stage right after I am.

After Pat, you're going to hear about how we are further integrating measurements and analytics from Andrew Somosi. He's going to walk you through the connected buy system that we have and how it will also drive growth for the Buy segment going forward.

So now, without further ado, Pat Dodd.

Patrick Dodd

President-Global Retailer Vertical, Nielsen Co. (US) LLC

Thank you. You're probably wondering why a Canadian is playing an Aussie rock anthem and it's not for Steve Hasker. It's actually a little bit of a tribute to my retail vertical team in Australia who just secured a pretty strategic win for us, a significant one last week. So, this one was for them.

I do want to thank you today for your time. It's a real pleasure for me to be with you here today to talk you about something that I'm quite passionate about. I've been in the business, as Kate said, over 20 years now. I've had the privilege of running about 45 markets for the Nielsen Company across three continents, and I see retailers as a compelling growth opportunity, an organic one for Nielsen like I've never seen before.

Most of you in the room today, you most likely think about our Buy business from the CPG companies we serve, but the Buy business is much more than that. Retailers and the retailer vertical is definitely a growth channel for us with a ton of headroom.

This is not a new relationship we have with retailers. In fact, we have longstanding local and global relationships with thousands of retailers all over the world in the 106 markets that we serve, global and local. And these retailers for many years have been interesting the Nielsen Company with their valuable data that's been fueling our CPG measurement service as well as our analytical services that you hear about. These are terrific companies and brands like Wal-Mart, Carrefour, Tesco, 7-Eleven, Ocado, JD.COM and Target, and those are just a few.

But now in a world of retailer fragmentation where the choices that we have tonight to pick up our dinner or pick up a new toothbrush are really endless. The amount of time that retailers are looking at, how they get the right answers to very complex marketing and merchandizing questions has never been greater. And it's not just the questions. We've done our research here as we should. The growth in a space called retailer analytics is exploding right now where retailers are looking for answers to things around pricing, assortment, other stocks, and of course digital.

And as Nielsen puts a little bit more resource and focus, and we just pivot our solutions towards retailers, we are growing our business this year with retailers at a double-digit pace. I'm going to walk you through just three examples today of how we're trying to help retailers win and where we see a lot of upside opportunity for our solutions and a lot of demand.

Let's start with pricing. One of the key focus areas that all retailers have, be it online or offline is how to offer a competitive price to their shoppers. And you may not know this but each and every day, each and every week, retailers all over the world, they are spending millions of dollars. They have in-house teams kind of hand-woven, manual processes that are a little or no technology that they're spending on collecting competitive pricing information and putting analytics together for it. And that's the situation today, a lot of complexity.

If you just look at markets like China and the U.S., just two markets, two big ones, there's over $300 million of waste in the system today by leveraging these processes, no technology and no scale from syndication.

Now in contrast to that, the Nielsen Company has an automated approach to this challenge. We leverage our in-store teams all over the world – electronic data and tools – and then obviously, the scale of syndication that we can offer, the entire industry. And what that does is it gives them deep pricing solutions at a great price.

Now when you think about it, we collect information on pricing, one of the most critical things to retailers every day for every item in the store. And we report that information, write down the store address or their digital platform, and we seamlessly send this information into our client systems, so they can adjust their pricing in real time, a very powerful solution.

Today, we have over 200 retailers utilizing this service, and we've only just begun. The service is only in 30 markets today. But as I make my way around the world, the demand from all channels of trade to look at pricing on and offline, develop or emerging, is enormous and a great organic growth bet for the Nielsen Company.

Number two, when I'm not talking about pricing with retailers, we are talking about retailers looking to accelerate their growth by finding a way to move their format online to complement their brick-and-mortar offering. And in this new world, this new virtual world, the digital shelf is infinite. And what that means for our packaged goods marketers and retailers is product ranges are exploding. The sheer number of items available to all of us in the room today are growing exponentially.

But the virtual shelf is only as powerful as the consumer's ability to navigate it and get high-end digital images and information. And resellers are realizing that instead of managing this complexity themselves, they're coming to the Nielsen Company for us to provide to information and product images for them.

You may not know this, but we are the world leader in this space today, managing digital inventory for some of the largest retailers in the world: product catalogs, digital images, as well as very detailed product information, as you and your families are looking for information about products that all comes from our reference information of the Nielsen Company.

We're doing this for many retailers today to fuel their online platform but also their mobile applications. This service is available in 15 markets today and year-in and year-out, it's growing at 20% a year, and we still see a lot of headroom there. But we're also seeing a lot of demand from local and global retailers who have come to us to say, please expand the capability. So, from 15 markets in 2015, by 2017, we will be in 25 markets with this service.

This quarter alone, we are launching it into developed markets like Canada and fast-growing, hot e-commerce markets like India. So that service is now going to be up and running this quarter and launching those two places alone. Again, a great organic growth bet for the Nielsen Company with retailers.

Let me go to my last of three examples today and that comes down to marketing effectiveness. You've heard a lot about Nielsen's strength in this space. What I want to leave you with today is that retailers are massive advertisers. In the U.S. and Europe alone, retailers are spending $35 billion a year on advertising. TV, digital, print, direct-to-consumer are very large spend.

In one of the largest advertising markets in the world – this may not surprise you; it does to some – four retailers are in the top 10 total advertisers in the country. These four retailers spend more money on advertising than Coca-Cola, Nestlé or Samsung in the UK. That gives you an example of the scale of these just four retailers each and every year they are spending. So, they are spending a lot of dollars.

Second of all, retailers are collecting so much information about all of us in the room today, an enormous amount of information and it's growing exponentially. They're collecting this information through the loyalty cards or reward cards you probably have in your wallet, and also the trail of shopper information you leave behind when you visit their digital properties. And this is really where Nielsen comes in, looking at activating shopper information, finding their most profitable consumers, reaching them through advertising channels, and measuring ROI.

We have a very unique set of assets at Nielsen to help our retailers manage this complexity. We not only have a system to help retailers manage their loyalty information through our Answers on Demand platform, but we have IP build where we can integrate this information now with other data sets, such as our Homescan panel, market measurement services, marketing mix modeling, and now eXelate, a terrific opportunity for Nielsen to help our retailers get a much higher return on their advertising dollars that are very precious to them.

Right now, no one has the breadth of marketing effectiveness tools in the marketplace. We have big advertisers here, but we have the glue to put it altogether for a retailer in a very seamless way. And we have now systems in place in North America that are installed, Europe and now Asia with the list of prospects growing each and every week as we talk to retailers about this opportunity to make their advertising spend much more efficient. Again, a great close-in growth bet for us.

So, to go back to the beginning of my talk, I just want to talk about just a few things here to close. In 2015, we definitely turned up the intensity on our focus on retailers. And I'm really excited that we did because we're seeing even more proof points that the growth is out there. And we're going to leverage what's all has been true with the Nielsen Company.

A few things. Our global footprint. We now have teams at retail across serving online and offline retailers in 106 markets, our wide portfolio that is moving to digital, and a very unique position where we're also very connected to all the retailers' major CPG partners, so we could help influence and drive the buy-sell ecosystem on the CPG side of the business as well.

So, the opportunity with retailers, they have always been wonderful data partners for the Nielsen Company and now, we're building services just for them to give them a competitive edge, to help them rip out waste from their system, which they need right now as they're transforming their business, but more importantly to grow. And then Nielsen will grow along with them.

Thank you very much for your time.

Andrew Somosi

EVP- Global Product Leadership, Buy, Nielsen Holdings Plc

Good morning. My name is Andrew Somosi, and I lead the product teams for developing solutions for our Buy clients, our manufacturers and retailers. And as you've heard from Steve and Kate and from Pat, we have enormous growth opportunities with our buy-side clients. So I'm going to spend a little time talking to you about our product strategy and how that's enabling us to capture those opportunities, what are the [indiscernible] (02:59:03) of benefits for our clients and what it means for Nielsen.

So if you were to look inside one of our large manufacturer retailer clients, what you would see is hundreds of users across many departments just like these actual example for just one client, who are relying on Nielsen's data, analytics, software to make important decisions every day. We drive decisions across the entire business. And in fact, our clients are actually using our data to measure their performance worldwide.

However, these departments and these users are not always acting in unison which can sometimes lead to fragmented decision-making and it's at the expense of the best decisions that those clients, those companies could make as a whole. And at a time when our clients are actually grappling with new changes, new challenges, changing consumer behavior, new competitors, even new business models, we have a unique opportunity as Nielsen and only as Nielsen to align organizational decision-making across our clients using one Nielsen system. So imagine all those users now empowered to act in unison using one Nielsen playbook.

The solution is a connected, additive, continuous performance improvement system. As you heard from Mitch earlier, it's always built on the two objectives that we measure our client's performance and we improve our client's performance. And total consumer measurement is always at the foundation. That's the what, what happened? And we're continuously investing to extend our leadership position in measuring our client's performance in both traditional and new channels.

So you heard Steve and you heard Pat talk about e-commerce as being a very important area where we're reinvesting in. But it's not the only one. So for example, in Q4, we're just launching in North America a new service that enables us to help our clients measure the way people are consuming beverages and alcoholic product in restaurants and bars. So think of this total consumer measurement as the foundation. So keep understanding what happened.

To understand how to improve performance, we have to do two things. The first thing is understand why those performance numbers are changing and then what you do about it. So automated business drivers help explain, help quantify why the performance of our clients are changing.

And you can think about that in three types of drivers. The first one is all of the levers that a business can pull to be able to actually change performance, so that could be launching a new product, changing a price, launching a digital ad campaign. Then secondly, there are all the levers that you can use in terms of what the competitor is doing. So you want to take that into account. And third, it's larger, more macro market-driven forces which could be the economy, weather or changing consumer behavior.

So, take beverage example again, since it's a new service, if you were to look at one of our beer clients, what they want to know across all those departments is what was the real impact of all the leverage they're pulling on. So what was the real impact of the local circulars they were doing, the national ad campaigns, the talking points that their sales force was using in conversations with distributors and retailers, how did all those forces really play out into the change they saw in their performance, say, in the northeast. So this is really critically important to explain why. You have the what is measurement and the why.

But we're also moving beyond just a why and empowering our clients to take the next step, which is simulating what-if scenarios and actually taking action. So you heard from Mark before about eXelate around how we can help the segment in digital campaigns, the tools that we have to be able to literally change the price at a given store. So all of those [ph] we've done on (03:03:13) different touch points to actually help our clients take action, and that's what we mean about a connected, additive, continuous system.

They really combines all these levers in terms of real measuring and help this action for performance improvement. It's the what, which is total consumer measurement. It's the automated business drivers which explains why performance is changing. And then it's the action and activation that actually make a change. And then it's continuous. It's a loop, better and faster and better performance. And it's additive. Why is it additive? It's because each time a client buys more and more components of the system, their benefits are actually additives.

Now, how are we building the system? How are we building the system? So, it's built on a number of elements, foundational investments you've heard us talk before. In fact, Pat just mentioned Answers on Demand. You've heard [indiscernible] (03:04:11) before on Global Track Complete.

And there are couple of key elements I'd like to call out. So, one of them is the content manufacturing. This is really important because we are in so many markets. And we have to make sure that our content is as usable and valuable for a small yoghurt manufacturer in France, as it is for a large CPG company who's looking to track their performance across Mexico, Turkey and Indonesia. That's really, really important.

A second piece is the data ecosystem. And we have really, really unique data. In fact, James Powell in just a little bit is going to talk about one of my passion areas which is our reference data. So, unique to us. But it's not just our data. It's also our client's data. So, when we make a proportions – our promotions tool is going to leverage actual cost information from our clients as well as third party data, we call casual data to help like the weather for example that we can bring in into the system, right. So, our own data, client data, and third-party data.

The modeling and the analysts are really key too. All right, that's the heart; that's the guts of the system. That's what enables those different users across those different departments to actually have one playbook. That's really important.

And the last piece is the client experience. And yes, we're making investments into our user interfaces, but it's, again, not just our own. We're increasingly able to deliver directly to our clients as well as to third parties to actually improve innovation and create a broader ecosystem around what we want to do.

These are some really important benefits to our clients from this connected system for the buy side, for the manufacturers and retailers. The first one is smarter decisions. And it's not just because they're data driven; it's because they are integrated and aligned. So I'd like to use the example of what happens when the manufacturer wants to bring a new product to market. Think of all of the things that have to happen. The product has to show up in the right store or position on the right e-commerce site – right positioning – at the right price. In the store, it has to actually be available. There are a number of different campaigns that could be running, whether, again, it's a local circular, it's a national TV campaign, or it's actually, in the case of the beer example, a mobile [indiscernible] (03:06:25) that shows up when you enter a restaurant. All those things have to happen in unison to achieve the objective of actually making that product line successful. That's what we mean by smarter decisions.

Second is speed. Two things there. One is the faster setup of our solutions, and once they're set up, the ability to deliver insights faster. So, one of our solutions that I love, our revenue management and optimization solution. It's a software-as-a-service tool which actually helps people select and change prices at the UPC and store level. Now, in the old days, this would have taken us upwards of 50 days to get up and running from the time a client said go. In today's world with this connected system, now we're talking about a matter of days. That's the real time-to-value for our client; that's speed.

The third is productivity. So, back to automated business drivers. That means that Nielsen and client teams can now focus; the analyst can focus on higher value, more strategic activities.

And lastly, innovation, because we're making it easier for our teams, client teams, and the border ecosystem to build on top of our data. The benefits are also for Nielsen in terms of organic growth and profitability.

So, one is we're differentiating our core measurement. As you've heard from Mitch and from me and everybody else, the loop that you saw before what, why, and what next begins and ends with measurement, and we're differentiating that, continuing to enhance it in terms of all the channels like e-commerce and on-premise. But it's also differentiated because we're not coupling it into this overall system, and that's really important.

Secondly – you've heard Mark talk about this too – is embedding our solutions. So the more users there are, the more use cases, the more data that's being consumed, the more people are touching our software, the more [ph] embeditive (03:08:21) workflows there are into other systems of the client, that makes us really, really sticky and that's really, really good.

The third is accelerating cross-sell, because it's easier for a – one of our commercial teams to explain how the various Nielsen product actually fit together, and that makes easier for a client to understand why they should buy it.

And finally, we can scale our investments. And that's because the data, the models, the software applications that are developing, are now repurposable across our footprints, across many geographies, and that's real scale.

And this is really the reason why we're so excited about the buy side, and especially about this connected, additive system, because what it's allowing us to do is to help align organizational and decision-making using a Nielsen system, a Nielsen playbook. And think of that close-loop performance. It's the what; that's our measurements. And then it's the why. And what to do next, that's really about the improvements, measure and improve.

And for us, the big, big benefits is growth through differentiating our core, our core measurements, the stickiness, the cross-sell, and of course the scale that we can get from our investments. Thank you very much.

James T. Powell
Chief Technology Officer

Good morning. I'm James Powell. I'm the new guy. So, I thought I'd start off giving you a little bit of an insight into some of the things I've learned since I've joined Nielsen about six months ago, and then talk a little bit about what I joined Nielsen, and then hopefully talk about the opportunity which Nielsen has to move to an open software-based platform and how that's going to support the scale that's needed by Andrew and Megan as they've been explaining today.

My background is in data, and obviously Nielsen has a common need across all of the businesses we've been talking about this morning to collect, calibrate, and deliver data. But I think it's perhaps not – it's underestimated just how complex it is to gather the information, gather the data that Nielsen manages, whether it's building a system to watch all the TV in the U.S., or whether it's building the eXelate systems that handles billions of requests a day from the various partners that use the data exchange platform, or whether it's building a system that allows us to go out and do a retail audit across all these different countries. That's a remarkable amount of data, it's – and we're very familiar with the big data's big four: volume, velocity, variety, and veracity. But just getting this data is extremely hard. People often talk about data being commoditized. I think that's overestimated; what's been commoditized by the Internet is access to data, distribution of data. But actually getting the data, understanding who to get the data from, is extremely difficult still.

Once you got the data, then things get challenging because you've got to organize that information. Without the organization of that data, there really is no value to that data. It can't be leveraged; it can't be built upon. So, calibrating that data – and here's the other way we acquire data, is through panels; it's very important. Building and maintaining an independent trusted panel is extremely challenging. It's challenging in a world where such – more and more channels exist from a diversity perspective, and it's challenging just in terms of the change that's always going on in that market.

Building those panels is a key part of how the data scientists that work in my group – the job they do is to make sure those panels are designed accurately, designed to scale, designed to allow us to extrapolate the sample to-date that we have up to global universes. Big data is going to become very important. It's obviously more important every day. Things like the Internet of Things are going to bring more and more data sources into this equation. But being able to calibrate that with panels is going to be a key part of how Nielsen can differentiate this product and a key part what our clients expect. You heard Brad talk about the need in mobile, for instance, to be able to calibrate a big data set with mobile because of the battery usage, and we expect that to be a key differentiator going forward.

And finally, reference data. The way we organize that data is key to making it easy to integrate, easy to build analytics against it, and easy for our clients to use it. I'm going to come back to reference data in a minute.

Only when we've got all those things can we deliver this Total Audience or total consumer. And the other thing that data scientists do, which I think is very important to understand, is being able to provide context around that data for our clients. It's not enough to be able to design the data; it's not enough to make it easily usable. We have to be able to work out how that fits within the context of our clients. And so that is a true asset for the organization as well.

So that's what I have learned since I joined the organization. I did want to talk specifically about reference data. Reference data, Andrew is very passionate about our reference data. I'm very passionate about reference data, because I understand how it changes the cost of ownership of data, how it makes it easy to use, easy to integrate.

There are obviously lots of characteristics that need to be gathered around a product, such things as the color, the images, the particular item name. There are also these ideas of – this idea of identifiers, things that uniquely refer to that item, that person, that store, that zip code. And using those identifiers allows us to join this data, allows us to manage the fact that we've got so many different channels of information coming to us, and allows us to build analytics against that data. It also is fundamental to the way to make sure our customers can consume that data, particularly integrating their own data sources or potentially third-party data sources as well. I would not underestimate how important reference data is to our products and to our customers in the future.

So, I joined Nielsen and obviously, I think there's tremendous opportunity. I've really enjoyed the first six months. I think that the big opportunity is really to change the way we build our products and services to be more modern to leverage the modern software tools that are available now. The last five years has seen tremendous innovation in technology that can solve data problems. You know the big hyperscale providers like Amazon, Google, Facebook have all open source software recently, which demonstrates that you don't have go to proprietary mechanisms in order to be able to deliver insight. We can leverage those tools. We can deliver faster agility. We embrace the world of DevOps with the way we build and deploy products. We can align with the way our customers are thinking about architecture. All of these things are exactly the kind of thing I love to do.

Automation is a key opportunity for us. We have the opportunity to use things like crowd-based sourcing of data management. We have the opportunity to use things like machine learning to do automation faster, quicker, better. All of this will have tremendous impact not just on the way we build our products and services but on the way our clients build their products – and use our product and services.

So what does it mean for our clients? Well, they need agility. They need us to do a better job of being faster to respond. So we need to embrace these new architectures I've described. I think that the first step around that is really making sure the data is in the right place, that it's easy to use; I've come back to reference data. It's also about making sure that we can integrate that data with first party data, the client data they want, potentially financial information or [indiscernible] (03:16:31) do they have this unique event; and also third-party data. Establishing a common mechanism by which we can connect those things together is extremely important, and building analytics against that common data is going to be critical to our client success.

It's also very important that we build out APIs that allows to integrate our data into third-party systems. We've talked about the eXelate platform. We've talked about being able to expose that is APIs in order to allow people to build applications. We're going – a question from the audience earlier was who we're going to be working with, who we're going to be partnering with in the future of that clients site. Having a discipline around the reference data, the data model associated with how we organize our information, and delivering API that allow that to be easy to consume is going to be very important.

We're spending a huge amount of effort right now in Total Audience making sure that our clients understand the APIs, as Steve mentioned, and making them easy to use, making them easy to deploy, making sure that clients can get their mobile apps out quickly [ph] and click the odd (03:17:28) instrument to allow them to be plugged into the Total Audience framework. API is going to be a key way we're going to deliver this in the future.

Our clients get data and analytics at the point of decision-making, and what's more important, they get data at the right place in the right time. Andrew talked about all of those people who consume Nielsen data. Making sure that we can plug into all of those places is going to be very important. Making sure that our systems are flexible enough to conform – to integrate with the way the clients are thinking about their architectures is going to be very important.

It's also going to mean a huge amount for Nielsen. We're going to eat our own dog food. This isn't a system that we're building separate to support our clients; this is how we do our work. This is how we will build our systems to support the buy side, to support the watch side. We'll build scale. We will build a common software stack so that we can reuse components as we build them. We can leverage the acquisition of eXelate, the best practices that they have there, the use of cloud-based technology. All of that is leveraged as a common stack to allow us to scale so that we have our own dog food to do this common pattern across each of our businesses, whether it's collection, calibration, and delivery. By eating our own dog food, our clients then can feel comfortable that they will get the right level of support, the right level of agility, and the right level of performance in the systems we provide.

So hopefully, I persuaded you. I'm certainly a big believer that our data and analytics are unique differentiators. It's remarkably difficult to get access to the data Nielsen has, and I wouldn't underestimate how important it is to organize that information using the reference data. I think our ability to deliver that data is unmatched, and we're going to provide tremendous value for our clients by moving to this cloud-based infrastructure that's truly open. It's not only going provide value for us and our clients, it's also going to be platform in which we can innovate going forward in the future.

[Music] (03:19:26-03:19:26)

QUESTION AND ANSWER SECTION

Kate White Vanek
Senior Vice President-Investor Relations

A

We'll turn it to the audience for questions. Manav?

Manav Shiv Patnaik
Barclays Capital, Inc.

Q

Thanks. Good morning – afternoon, I guess now. But two questions. So first, on the technology side, it sounds really interesting, the shifts. I can't pretend I understand it. But the general question is like how much investment is required for that, like what's the timeline for it? And I guess the whole software-as-a-service concept, does that need to be a big chunk as a percentage of revenue? So that's the first question.

And then second one, probably for Mitch and Jamere is just – so, it sounds like there's a lot of exciting things being talked about today. It sounds like there's a lot of opportunity. But in terms of the organic growth, I mean we've been at 4% for a long, long time. So when does that needle finally start moving? Because I guess half the 4% is price. So when do we actually get a lot of this volume coming in to push the numbers higher?

James T. Powell
Chief Technology Officer

A

Yeah. In terms of the technology question, it's not so much that we're going to build a new system. It's changing the way we are building the systems today. We're evolving current systems. We are actually doing all this today. So I don't think you're going to see a big change in the capital spend. I think what you're going to see is a change in the speed at which we can deliver, and more leverage, more buy versus build, rather than internal build, I think.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

On the second part of the question. You want to... 03:21:11

Jamere Jackson
Chief Financial Officer

A

Yeah, so two things. Number one, just to build on what James said, and to answer a little bit more on your first question as well, is when we think about the way that we've invested inside the company over time, our run rate on CapEx is roughly $400 million. There is another $100 million of program expense that's buried into the run rate. As I said before, we spent $150 million to $200 million in terms of tuck-in acquisitions. So we've got a lot of financial firepower and a lot already baked in the run rate to get a lot of these things done. So one of the challenges and one of the fun parts in my doubt as the CFOs to make sure that as we are building this capability, that we do within the framework that I've shared earlier today and that's the way that we plan to execute going forward.

And then in terms of the growth rate, again, I think you're seeing some of that already. If you look at our core growth rate in our Watch business growing at 6% to 7.5%, if you can remember that was a run rate that was more in the 4% zip code a few years ago. And we've added capability, like Nielsen Catalina Solutions, like Nielsen Buyer Insights, like bringing on the eXelate acquisition. So we have a lot of confidence that the core run rate, if you will, is accelerating in our Watch business.

And then in our Buy business, some of the things that we've talked about today and some of the things that we're focusing on in the future are the things that lead to significant new client wins and accelerating capabilities in the emerging markets because as we bring these capabilities to the table, it helps us go win the next big multinational contract or convince the local CPG client to sign on with Nielsen.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Also helps us continue to grow at these significant rates in the emerging markets around the world while continuing to expand our margins in our Buy business. We have five consecutive quarters of margin expansion by now. A lot of that is the payoff from the investments we had made in measurement coverage, in granularity in those parts of the world. Now, we're sort of into a new chapter where we're going to increase the power and the speed through automation through these connected systems. It just drives a lot more, as Andrew said, usage of the data in a much more aligned way. So we're excited to see where it goes. But some of these things take a little time as well.

Kate White Vanek
Senior Vice President-Investor Relations

A

Sara?

Sara Rebecca Gubins
Bank of America Merrill Lynch

Q

Hi. Thank you. Questions for Patrick and Andrew. First, the new platform that you were talking about for – by clients in general, how much of that is truly new versus repurposing the kinds of products that clients are already buying for you? So, I'm trying to understand how much is really additive as opposed to repurposing, for example, Answers On-Demand.

And then a question on retailers is the retailers – most of your retailers are already contributing your co-op data. So I'm wondering how much you would you expect them to effectively spend with you incrementally as opposed to the exchange that's already taking place for them to give their data to Nielsen and presumably get some service for it in return. And if there's any possible way to size either of those, that'd be great.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Andrew, why don't you start and then...

Andrew Somosi
EVP- Global Product Leadership, Buy, Nielsen Holdings Plc

A

So, the answer is both. There are a number of important components like Global Track Complete that are part of that the system. But there's also a considerable amount that is intended to be also new. And the big difference – I think that this goes along the lines of what James said – is that the speed of bringing the new components to market is going to be – we expect to be a lot faster. But it is by no means just taking the old and just like repurposing [indiscernible] (03:24:51) system. We are absolutely expecting that in the course of 2016, new things coming online built on the platform.

The scale piece of that is really, really important. So, the ability – we talk about the external ecosystem. There is an equally important internal Nielsen ecosystem that makes it easier and faster for large groups of people in the company to be developing on a common platform.

A

Great. Just on the question on retail, it's a great one, because we're adding new retailers to our family all over the world each and every year, particularly as retail fragmentation continues with specialty shops, c-stores, e-commerce. But our base measurement service is very, very valuable right now with this fragmentation. So quite often, some base retail measurement work is used to be able to get them to stay in the family and be in the family, but a lot of our solutions that I showed today, are what we would call in the improved side, and that's places where we are asking retailers to invest and invest with us. So that's basically how it works.

Kate White Vanek
Senior Vice President-Investor Relations

A

I'm not sure who has the mic, [ph] Andre (03:26:01).

Q

I wanted to ask about the grouping of these offerings that we used to call Buy Insights, which is just kind of discretionary spending from CPG companies. And we heard a lot of about new analytics, advanced analytics, which should be adding to that grouping. I just wanted to get a sense of 2016, how do you think that kind of grouping of spend will look with CPG companies?

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Just to say a little bit more...

Q

So we used to have a division Buy Info versus Buy Insight, and so what I'm effectively asking, Mitch, is how do you think Buy Insights will do in 2016?

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Well, it has several different parts. We have pricing analytics, we have assortment optimization analytics, we have marketing mix optimization to our clients, and we also have some capabilities that are more focused on their new product innovation. They're all very distinct parts. Part of what Andrew had described is bringing all these together and making it operate much more as a system rather than distinct and separate parts. That's more of an enhancement or, call it a – it'll allow clients to extract more value out of each of those individual services and enhance the value of each of them.

But those individual parts of the business all will grow at their own pace. Marketing mix modeling, for example, right now are the largest provider of that in the world, and a big part of that is in the developed markets in particular. And I would say the same thing about our innovation analytics business.

The one thing, though, historically about this part of our business is we've always described it as the lumpier part of our business, because it does involve more the discretionary spend rather than subscription spend. Part of the opportunity that Andrew describes, though, is when you put these things together as a system, makes them more sticky. It also makes them more likely to be purchased by our clients as a subscription that starts to make that a more steady part of our business. So part of it is we are going to drive growth because they are going to be more valuable, but another part of it is it should also become gradually over time a more stable part of our business, less discretionary because it is more sticky and more embedded in terms of the way our clients operate in these areas of marketing and sales.

In terms of how to think about the growth rate, though, at least in 2016, we're not saying that it's going to go a huge step change in terms of the growth rate. This is something that we'll build, it'll start to roll out into the marketplace, and gradually over time, it should start to elevate our growth rate in this area. But you're not going to see huge impact on that in 2016. A little bit of enhancement probably a little bit later in 2017 is when that happens. But the bigger effect, I think, is going to be on the stability of our business in this area.

Q

Thanks.

Kate White Vanek
Senior Vice President-Investor Relations

A

David Bank.

David Bank
RBC Capital Markets LLC

Q

Thank you. Hey, Mitch, this question is really for you. I think while the presentation has been scintillating and I have hung on every word of it, I was very briefly distracted by a story in MediaPost this morning suggesting that as you were tweaking the core TV measurement methodology, there was some controversy regarding whether or not you would retain MRC accreditation for the core products. So, first off, could you talk about what that tweak is, and does it put the core product at any sort of risk for retaining media accreditation? And frankly, does it even matter? Thanks.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Well, our core television – national television ratings remain fully accredited. We are right now in the process of increasing the panel sizes. That's something we've talked a lot about as the year has gone along. And we've been very open, very much engaged and collaborative with the MRC through that process. Meetings will continue this month. But the process of accreditation, and if something would ever decide to not be accredited, it's very involved, very elaborate process as they always have a number of steps involved. Nothing ever changes overnight in this accreditation process, and I think rightfully so. It just shows the thoroughness of the approach that the MRC and all the clients that are engaged through the organization of the MRC – it really validates that thoroughness.

So, the third national panel expansion. Look, we stand behind it. It's about increasing the quality. It's about making sure that that measurement capability stays current. With everything that's happening in the marketplace with media fragmentation, I have to increase that panel size. You have to increase the ability to leverage that data in an increasingly fragmented world. And we're confident that that's going to be well received by the marketplace as it continues to roll out. There is a separate process that'll also unfold in 2016 related to Total Audience Measurement, total ad ratings, total content ratings, separate accreditation process [indiscernible] (03:31:03). And again, we remain fully engaged with the MRC, fully open, transparent, working with all the clients who are involved in that organization.

Kate White Vanek
Senior Vice President-Investor Relations

A

Tom.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Great. Thanks. Also from Mitch, on the Watch business, 2016 is a very important year for most major media companies with the Olympics and the election ad spending. How do you think the TV networks will use Total Audience to negotiate for the spring upfronts? Thanks.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Megan and others have mentioned that data's flowing through system, it's available for people to see what that looks like, and as they are already beginning to form their thoughts around how to approach the 2016 upfronts, I think that data's already starting to help inform people.

Now, reality is the current system, or if everyone of you think of it as soon-to-be the old system, is still out there. It's still what the market is trading on. That will still play a very significant role. And in essence, they're going to have two different systems that they will be able to use to inform their thinking throughout 2016, including through the upfront process. And I think that's smart, that's healthy, that makes sure that everybody can bridge themselves from the previous system into the future of the business.

And I think you'll see these two things being utilized in parallel by all of the big companies, both on the buy and sell side in 2016. If we do our job well, if it works the way we fully expect it will, in 2017 I think you'll move off of two sets of tracks and on to the future – the future model, which is our Total Audience Measurement System. But in parallel, through 2016, almost surely the way that this is going to play out.

Jamere Jackson
Chief Financial Officer

A

I think the one thing I'd add to that is that 2016 will be a big year for analytics as well. You'll see a number of clients looking to use analytics products and our marketing effect in this practice to help them amplify the value of their inventory. And you'll see that roll through the numbers as well, and that's part of the guidance that we've given.

Kate White Vanek
Senior Vice President-Investor Relations

A

Why don't you just pass the mic to Dan?

Dan Salmon
BMO Capital Markets (United States)

Q

Jamere, you mentioned earlier that next year's multiple expansion will be largely driven by the Buy segment. If I connect that together with Megan's comment earlier that 2017 is when Total Measurement and Total Audience really starts to hit its specific sweet spot moving from adoption to transaction, would it be unfair of us to assume that as we get into those outer years of the decade, that margin expansion starts to be driven a little bit more by both of the segments so it's a little bit more even?

And then my second question is for Kate. Was there a memo to all the guys for blue shirts, dark jackets, and dark jeans or just total coincidence?

Kate White Vanek
Senior Vice President-Investor Relations

A

You guys can go for it.

Jamere Jackson
Chief Financial Officer

A

Well, I'll answer that second question. Kate runs the whole show here. She's done a tremendous job.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Yeah. We're lucky when it's a memo. [indiscernible] (03:34:06) face-to-face interaction.

Jamere Jackson
Chief Financial Officer

A

Here we go, I have a bunch of kick marks on my shins for her telling me what to do.

Just on your question on margin expansion, so, again, we manage margins inside the total company. You saw over the last few years where we were investing heavily in emerging markets that our Watch business and the expansion in the Watch margins were a little bit of the bill payer for some of the investments that we were doing on the Buy side. This year, with all the things that we're doing with Total Audience, Buy's going to be a bigger contributor to that 50 to 70 basis points. And then over time, it normally levels out where you're getting about equal margin expansion in both. But from a Buy standpoint, the reason we feel very confident is, remember, in our Buy business, we invest roughly two points of margin back into the business as we were expanding in the emerging markets. We still have about a point left to go there.

So I'm pretty confident all the time that's as those emerging markets start to scale that we'll see the accretion in the Buy margins and the 50 to 70 basis points that we're targeting inside the company is pretty solid.

Kate White Vanek
Senior Vice President-Investor Relations **A**

Tim has one next.

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

Thanks. Tim Nollen from Macquarie again. I just wanted to ask about the uniqueness of your data products. And it might sound like an odd question, because in a way, you're the only company that really does Watch and Buy together, but in other ways you're not. I can think of at least one other company that has similar types of offerings. I just wonder how you might distinguish yourselves amongst others that generate their data and effectively work on both media and consumer.

And then in addition, how different and important is this compared with companies that can bring in information from outside sources and layer on different data sources to provide the same sort of information? Is that functional? Is that comparable or not?

Dwight Mitchell Barns
Chief Executive Officer & Director **A**

We probably all have a commented on this. So I'll start, and maybe, Andrew, James, Pat, and Jamere, you probably have something too. I think one way that we clearly are differentiated, not just our opinion, but really the opinion of our clients in the marketplace, is in fact our global presence. We're the one – while there might be others, who have some of the same component parts that we do, they don't have those and also the global presence. And that's especially important, I think, given the way big companies are approaching the global marketplace these days and where some of their best growth opportunities happen to be. If they have the core measurement data, for instance, in all these key emerging markets where a lot of the sales volume still moves through what's called traditional trade – very difficult part of the marketplace to measure. Nobody else really has had the stomach to tackle the really high-quality measurement of traditional trade in all these emerging markets around the world but Nielsen. We're highly differentiated in that way. And it's incredibly important.

On that base, then, there are other ways that we're differentiated.

Andrew Somosi
EVP- Global Product Leadership, Buy, Nielsen Holdings Plc **A**

I mean, I think, two things. One is that – I think James alluded to this, but people kind of look under the hood and see kind of like what it actually takes to actually manufacture our data, so that on the buy side, for example, you have these big companies and small [indiscernible] (03:37:18) as their internal system of record and in some case the Wall Street. That's – it's pretty big. I mean there is complexity that only we feel we can do.

I think second thing is, and I alluded to this before, which is the notion of having the measurement is very, very unique, because it allows us to kind of start and end that loop. But when we talk about causal data, for example, so the explanatory data, I think we're pretty open to say, like, there are other players there too. But it's that entire system that allows us to create that value, and it attaches incremental uniqueness to that fundamental measurement. So, I think, totally, add-on to Mitch's point about important, us having that measurement piece really is.

James T. Powell
Chief Technology Officer

A

I think in terms of your question around integrators, potential partners in the future, I think one of the reasons we're emphasizing data model, we're emphasizing APIs, we're talking about software-as-a-service, data-as-a-service, is because we want to partner with firms like that who can solve problems with the client. We need to be aligned with how our clients think about their workflow, how they start to become a more digital company, and how they become agile. Some of that will be solved by [indiscernible] (03:38:22), some of that will be solve by a largest scale integrator, where we have to integrate into that. I think the difference is they can't do it without our insight into what that data means and how it joins together with the other assets, and I think that's the unique differentiator.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

And just reference data, you heard both Andrew and James refer to their passion for reference data, which is kind of a funny thing. But the reason why is because they have dug into it deeply and they've realized that is the single most powerful source of differentiation in value. Nobody else – while they might have access to all the different data sets, the ability to connect those data sets, the ability to slice them and dice them and then therefore drive usage of them in all these different ways, ultimately comes back to the reference data, not the original [indiscernible] (03:39:07) data itself, the reference data. That's why they're so passionate about it, because they know that Nielsen not only has more reference data than anybody else. We have the best source of reference data, and we in fact are the ones who have sort of the hierarchy and the definition of all of that reference data. It's driving the marketplace. We're only probably taking advantage of 20%, 30% of the opportunity that that reference data represents right now. So they see tons of upside in these connected systems that will help us extract the next 20%, 30%, 40%, 50% of the opportunity from that reference data.

Kate White Vanek
Senior Vice President-Investor Relations

And, with that, we're out of time. I know I'm sure there are more questions. That's what the Experience Lounge is all about. And from here, I'll turn it over to Mitch from some closing comments.

Dwight Mitchell Barns
Chief Executive Officer & Director

Just a few comments to close, and looking forward to seeing everybody over in the Experience Lounge, and I hope I get a chance to talk with as many of you as possible.

First, one thing I hope you saw today from the speakers that we brought up on the stages is just an illustration of how global our company is. Half the speakers that came up here are people who are from outside the United States, and really represent the leadership of our business. We value our global presence not only because it allows us to be uniquely positioned with the big global clients, and it not only allows us to pursue the growth opportunities in these emerging markets, which are some of the best growth opportunities in the world. But also our access to talent and ideas and innovation from all over the world, and that's illustrated in terms of the speakers that were up in front of you on the stage this morning.

Couple other things. We've repeatedly this morning described our company as having this steady and consistent performance, and I know many of you have referred to us that way as well. In fact, one of you in the room has in the past referred to us as excitingly boring, and that's okay. We actually take that as a compliment.

But the one thing I wouldn't want you all to take away when we say steady and consistent is that that is somehow easy, because it's not, because what we're doing is we're delivering steady and consistent performance in markets that are actually very dynamic and very changing. And all of that dynamism and all of that change requires response from us in the form of innovation, in the form of progressive thinking, in order for us to be able to deliver the steady, consistent performance that you see from our business. And that's exactly what we're doing.

That's exactly what we focused on in our topics that we shared with you this morning, innovation in the form of Total Audience Measurement, in the form of our enterprise marketing platform, and in the form of our connective, additive, continuous buy system that Andrew talked about. All three of these are, of course, examples of innovation in our business, but they're also examples of the Nielsen of the future, which is a more technology-centric company, which is the more digital and modern-looking company, and certainly a much more connected portfolio and company.

So that's where we're going as a business. In fact, in many respects we're already there. We're already doing it, and it's already having a positive impact on the performance of our business. And we're going to continue to do it. It's driving growth, it will continue to drive productivity, and it will continue to drive incremental shareholder value.

So, with that, I once again say thank you very much for joining us this morning. We hope that was useful and productive for you. We're really glad you were here. I'm looking forward to talking with as many of you as possible over in the Experience Lounge, and look forward to seeing you over there. Thanks again.