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PRESENTATION

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(audio in progress) at www.morganstanley.com/researchdisclosures or at the registration desk. So I'm Toni Kaplan, the Business Services Analyst at Morgan Stanley focused on analytics and publishing stocks. And it's my pleasure to have Steve Hasker, Global President of Nielsen with us today. And Nielsen's leading provider of audience and retail measurement for companies in consumer packaged goods, retail, media and telecom industries, among others. And Steve oversees Nielsen's Media business and global products portfolio. So thanks very much for being here today. First, maybe you could talk about what total audience measurement is and what key initiatives you're undertaking on the watch side of the business in 2015?

Steve Hasker - *Nielsen N.V. - President*

Yes. Thanks, Toni. Thanks, everyone, for being here. So, total audience is a big push for the watch or the media side of the business for us. This year, we've really built put the pieces in place over the last couple of years to be able to execute and deliver on it in 2015. And basically, it is being able to measure the total audience to a piece of video content or a video ad campaign, no matter where it appears, no matter when it appears, and no matter who it is seen by. And we're using our TV ratings as a component of that; we're using our Online Campaign Ratings, which we've renamed Digital Ad Ratings.

We're using our relationships with Facebook, with Experian, with Adobe, all of the pieces to be able to by the end of this year for any media company show the reach or the ratings to a piece of content, a program and for any advertiser or agency to be able to show the reach or ratings for a campaign no matter where it is seen, including tablets, smartphone, PC, TV, or over-the-top devices. So that's our mission. We're well on the way to doing it. We're in execution mode and it's proving to be, so far, so good, in terms of that execution.

Toni Kaplan - *Morgan Stanley - Analyst*

And in terms of the distribution channels, right now, do you have the full scope of measurement out in the marketplace in terms of capability or I know video on demand and streaming are some initiatives that you have. So what's up next?

Steve Hasker - *Nielsen N.V. - President*

Yes. So, we have all the pieces in place to be able to measure everything, but we need to roll out. So, let me give an example, we have developed a system, which is quite unique, leveraging our relationship with Facebook amongst others and Dolby and IP around combining panels and big data to measure consumption of video and mobile devices. And so the step that we're now undertaking is getting our Software Development Kit, our SDK, into the apps of all of the major media companies in order to be able to measure that. So we're going through that process, we've had some good days and some not so good days in getting that done, but we're confident about being able to roll that out this quarter and be able to produce metrics around program consumption, ad consumption. So that's one piece.

Another piece is over-the-top consumption. We have seen very significant demand from the rights owners to understand what is going on in all manner of over-the-top services, including the subscription on-demand services. So we're able to do this, we're able to do it using our meters and our panels and our existing infrastructure, and we'll do it for those players who want to see those metrics and want to be able to better understand what is the consumption of content on those devices and platforms.



Toni Kaplan - Morgan Stanley - Analyst

Okay. And we've seen a large shift in terms of viewing from TV to other forms of distribution, especially rapidly in the past year. And so when you think about profitability, how does that shift impact Nielsen, both do you get as much revenue as viewership shifts away from TV and also in terms of margins? Can digital get to the same types of margin levels that TVs have?

Steve Hasker - Nielsen N.V. - President

Well, so a couple of things to note. The first is that we measure all forms of media consumption and time spent against that consumption, particularly for video and particularly for audio and increasingly for text and that time span is going up. The average American person now spends about 52 hours a week consuming media. So think about the fact that most of us have a second job, which is consuming media. The majority of that is TV, but increasingly, we see people spending time on video games, on social networks, listening to various forms of audio and so forth. And so as long as that time spent and the opportunities for our media clients to monetize those eyeballs increases and the opportunities for advertisers to support that programming increases, we think there is growth for us, first and foremost.

Secondly, today, our margins are lower in digital than they are in TV; however, that is because we're still building scale in those businesses. There's nothing intrinsically lower margin about our digital measurement products versus our other products, and one of the principal reasons for that is unlike all of our competitors, we use the same panel for digital measurement as we do for TV. So we have gone to those households and put software to measure digital devices in addition to TVs and that fuels our digital measurement products. So in other words, we are leveraging that set of investments and that asset, which is a unique asset to be able to measure all forms of media.

Now, there is an economic advantage to that, but more importantly, the advantage is we can produce a single set of metrics for video consumption no matter where that video is consumed and we can simplify it down to singular metric showing the total and unduplicated reach to any particular piece of content or ad. And we think that that provides a very significant set of advantages for us as the world becomes more fragmented across platforms in those devices and as marketers want more simplicity to understand what consumers are doing in that fragmented landscape and media ad salespeople need and want the same thing.

Toni Kaplan - Morgan Stanley - Analyst

Great. And so just continuing on that theme of the shift in terms of viewing habit, as TV ratings have been declining for some players, we've seen a lot of blame go towards Nielsen. And so do you see that continuing as that fragmentation continues and what can Nielsen do about it and is Nielsen really to blame?

Steve Hasker - Nielsen N.V. - President

Well, one of the things that -- in a time of disruption, you're always going to see people looking for I suppose blame the referee, particularly knowing that the referee won't blame back. So there is an element that's sort of understandable here. Having said that, some of the comments we've seen have been criticizing our rate of innovation and as someone who has been at Nielsen for five years, I look at the invention of Online Campaign Ratings, I look at the invention of the Nielsen Twitter TV Ratings, of Nielsen Buyer Insights incorporating credit card data, Nielsen Catalina Solutions incorporating loyalty card data, the deal with Adobe, the acquisition and integration of Arbitron, and today the acquisition of eXelate. And I would stand that record of sort of innovation and progress up against anybody's anywhere.

So the claim that we are not innovating I think is factually untrue. Where there is a legitimate claim is around the C3 and C7 metrics. So let me give a couple examples. Beyond the seventh day, there is no credit to viewing. Where an advertiser or media company decides to insert a different ad after the live broadcast, there is no credit; where that particular program or that episode is viewed in a different environment like SVOD, there is no credit, okay.

But it is important to remember that Nielsen do not unilaterally decide what is in the ratings, that is a decision that was reached by the industry in 2006 and it needs updating. So the imperative for us is to make sure that we can and do measure every single impression to a piece of content or an ad, and that's the mission we're on and we're moving down that path. The imperative for the industry is then to tight the metrics that flow from that measurement and redefine the currency. We will be an active participant in that, but we are not the only participant in that. That is going to require a set of discussions that are compromised similar to that which we saw in 2006.

Toni Kaplan - *Morgan Stanley - Analyst*

And let's shift to competition for a minute. Within the digital advertising measurement state, can you talk about how competition is evolving there, how Nielsen is differentiated in that space and yes, anything to add?

Steve Hasker - *Nielsen N.V. - President*

So I think the sources about differentiation are a couplefold. The first, as I mentioned, is this idea of being able to, we've developed a system, which says the future of measurement is the combination of panels used to calibrate and correct big data sets, and the first product we've put in the marketplace around that was Online Campaign Ratings or the Digital Ad Ratings products. That panel is a very significant source of advantage, because this is a panel that we recruit in person.

So in other words, we go and knock on households and we ask for cooperation from everyone in the household and we increasingly measure all of the devices in that household. So that enables us to have a real sense for the people and their behavior and to de-duplicate consumption of similar programs or ads across different devices. Nobody else does that, firstly.

Secondly, we can take the ratings, our digital ratings products and output, and we can put them together with the TV ratings. So we can go to a marketer or an agency and explain how many people saw a campaign, no matter where it was played. We're not cobbling together the TV ratings and the digital ratings. These are coming from the same panel, they're coming from the same universe estimate and they're coming from the same system.

Thirdly, we think our relationship with a Facebook and Adobe provide very compelling advantages. Facebook's registration database is the biggest, richest third-party big data source, we believe, and certainly provides some real advantages; and then, Adobe's distribution but through their tagged penetration and also their prime time player, we think are huge. So as we look at this space, I hate for anyone to think that we are arrogant about it, but we do think we've got four or five really compelling advantages that nobody else currently matches or can match for a long period of time.

Toni Kaplan - *Morgan Stanley - Analyst*

Great. Also with regard to competition, have you seen anything in sort of the start-up space that is sort of new or innovative in terms of capturing audience measurement?

Steve Hasker - *Nielsen N.V. - President*

Well, I think the great thing about sort of media tech and telecom, broadly defined, particularly around mobile and social, is there are startups that come up all the time and we have a good presence in Silicon Valley, we have a good and increasing presence in Tel Aviv, another tech hot spots; and we're always on the lookout for players to partner with, ultimately perhaps players to acquire; and I think it's incumbent upon us to be, A, keep a pulse on what's going on; and B, be very open to the right set of alliances.

Having said that, the idea that sort of the two guys in a garage are going to be able to produce the kinds of metrics that the market requires, which is metrics that run across all platforms I think is illusory. To produce metrics for one particular distribution system or one platform is certainly



something that an innovator can, will and does do, but to be able to have them span the entire ecosystem and simplify things in a way that marketers and media companies need to have happen, we think that we have some significant advantages in being the provider of those kinds of industry-wide, industrial strength currency metrics.

Toni Kaplan - *Morgan Stanley - Analyst*

Right. And you mentioned the partnership with Adobe a second ago. What are you most excited about on the Digital Campaign Ratings side?

Steve Hasker - *Nielsen N.V. - President*

Well, so, on the Digital Campaign Ratings side, I mean that is a OCR, we've seen good penetration of that. We have 19 of the top 25 advertisers preferring to and we couldn't be happier with the way it's going here and in the international markets in which we've launched it. We have coming up in the middle of the year in partnership with Adobe a companion product which is the program ratings and the content ratings. In other words, today, we have a very comprehensive, robust MCR accredited system for measuring ads that we've not had the similar companion product that allows media companies to sell and plan around the program ratings.

And so by piggybacking on the Adobe tags and the distribution of the prime player, we think we're going to be able to get that product up and running in unprecedented speed. And so an ad sales executive is going to be able to look at the rating to a particular program or a particular piece of content, whether that be video or static page and understand typically what are the ratings and what is the composition of that audience and then be able to offer a guarantee to an advertiser in their agency in a way that is much better informed. So in other words, it's going to close the gap between the sort of taking a guess as to what the right guarantee level will be for audience delivery and actually delivering. And so we think that that's going to be a pretty big step forward to daily industrial strength, very accurate ratings for programming no matter where it's played.

Toni Kaplan - *Morgan Stanley - Analyst*

Great. I like to ask about buy. Just it makes up about two-thirds of the business and gets a little less attention than watch seems to. So wanted to make sure we addressed it. Can you talk about the key initiatives you have in place for buy this year?

Steve Hasker - *Nielsen N.V. - President*

Yes. So, we measure what people buy, particularly fast-moving consumer goods in 110 markets. And we do that through our Retail Measurement Service, our Homescan panels and a series of advanced analytics around that. The big initiatives in that side of the business are really twofold. The first is just to always be improving the coverage quality and fidelity of our products, particularly in developing markets where it is hard to do, where you have just as much trade going across what we call traditional trade or literally across a card table as you do point-of-sale automated supermarkets. And so we're always investing to improve the quality of those datasets and of those products.

And the second thing we're doing is linking the analytics through the data. So, we are the world's leading provider of analytics to fast-moving consumer goods and retailers around things like pricing, assortment, trade promotions, right of innovation success; and increasingly, what we're trying to do is to make sure that those analytics are linked back to our market share data in a couple ways. The first is to make sure that as people do scenario planning, they can understand what a particular pricing assortment promotion decision, how that will impact their share; and then, once they've made that decision to be able to track it through. And so, that's the big push for us on that side of the business in addition to the blocking and tackling of quality and coverage.

Toni Kaplan - *Morgan Stanley - Analyst*

And in the past, you have Nielsen Catalina linking watch with buy. Where are we now? I think that was an initiative from a number of years ago. So how has that evolved and where is that going?

Steve Hasker - Nielsen N.V. - President

Yes. So, we've linked sort of watch and buy in a couple of different ways. And this is so what we call the marketing effectiveness space. So, the first was Nielsen Catalina Ventures where we took our media exposure data and we took the loyalty card information from Catalina which I think is 60 million households and we are able to show where someone saw a particular commercial impression did their purchase behavior change, that's really getting to the Holy Grail of marketing spend effectiveness.

We added Nielsen Buyer Insights, which does exactly the same thing with credit card data. And that is important because categories like quick-service restaurants, consumer electronics, entertainment, are often purchased through credit cards. So we're able to do the same analytics. To that, we added use of the [Park] dataset to be able to inform automotive companies and media companies looking to attract automotive ad spend dollars.

And then, in essence, another piece of the puzzle is the announcement we made this morning around eXelate and eXelate was a very specific -- it was looking to meet a couple of very specific client needs, this isn't sort of a speculative acquisition for us. We've worked with eXelate for a couple of years now, and we've worked very successfully with eXelate. So they know us and we know them and have a very tight sort of development road map around this, but clients in different ways were asking a series of questions, the first question they're asking was can you add other datasets on top of your age and gender data? So in other words, can you show us propensity to purchase, likelihood to purchase, and some of the behavioral datasets that eXelate have tremendous repositories around?

The second is many clients, both consumer packaged goods advertisers, other types of advertisers and media companies, are looking to integrate disparate and different sources of data. So they're saying, they have their own cookie pool or their own device ID pool. They have access to the Nielsen ratings, they have access to purchase dataset, they have access to our market share data and they want to put it together to better inform their decisions. And they either want us to do that for them or they want us to be able to helping form that and eXelate have built a data management platform that we think is a very, very compelling place for us to be, to help meet those client needs.

And then last but not least, the eXelate team has done a very good job over the years of building the linkages into the programmatic ad buying and selling systems such that the data flows automatically into those trading platforms, into those bidding systems and so we are increasingly being asked to play in programmatic buying and selling with Nielsen data and this will enable us to light that up we think in a pretty seamless way.

Toni Kaplan - Morgan Stanley - Analyst

I wanted to ask about local TV and then I'll open it up to the audience for some questions. But can you talk about local TV measurement and this past quarter, I think you had a lot of success in local. So really what's driving that and how is competition [evolving there]?

Steve Hasker - Nielsen N.V. - President

In a very real sense, local TV measurement has been from a product standpoint, and I am a product guy, has been a soft underbelly for us because the panels, in some cases, particularly for the smaller markets, are not big enough, right. And so for the big programs, most popular programs, biggest networks, the system works just fine, but as you go further into long tail, the ratings, particularly on a day-to-day basis, jump around too much and that creates volatility and instability and ultimately unhappiness on behalf of our clients. And so we've looked at doing two things.

The first thing we've looked at doing over the last couple of years is incorporating return path data into the ratings. We were working with Kantar and the DIRECTV data, we're working with the Charter data to do that and we've made good use of that data, but ultimately clients have prevented us from ever getting it into the ratings because from amongst other reasons, we couldn't get it on a daily basis. So we couldn't inform overnight ratings and many of our clients said, if you can't use this for overnights, we're not interested. That is starting to change. So we're optimistic that as more and more return path or set-top box data becomes available that we will be able to incorporate it in the local ratings and increase the fidelity of those ratings.

In the meantime, we announced a couple of weeks ago, and it's been very well received, a couple of initiatives to improve the fidelity, the quality, the stability of the ratings; this included improvements to the size of the panels, firstly. Secondly, a technique we call rating stabilization to avoid some of the unexplained volatility that is not reflective of consumer behavior, but instead is reflective of the underlying instability.

And then, lastly, viewer assignment where we actually know the viewers in a particular household that we were throwing those ratings out because of some very specific rules, so that's been well received. We think it's going to improve the quality, the stability of the ratings and we think it will help our media clients and the agencies that buy against those ratings make better decisions. So we're optimistic about that, but we've still got work to do to ensure that we take this methodology of using the panels to calibrate and correct big datasets and we apply that to all of our business, not just the digital side of our business.

QUESTIONS AND ANSWERS

Toni Kaplan - *Morgan Stanley - Analyst*

Great. Anyone has any questions in the audience; otherwise, I'll continue. Yes, one up here.

Unidentified Audience Member

(inaudible -- microphone inaccessible).

Steve Hasker - *Nielsen N.V. - President*

So we've shared all with our customers in terms of the mobile TV ratings system, the content ratings and then the plans to get return path data in. So we've been I think very transparent about that. We've also obviously announced and taken everyone through the measurement initiatives, stabilization initiatives. So it's all out there, there's nothing that I'm talking about today that our clients aren't aware of.

Having said that, we are in the measurement business and our clients are in either the sort of consumer packaged goods or the media business, the video business, the audio business. And so it bears repeating and I think we've learned this over time, it is, some of this stuff is pretty specific and resembles inside baseball. And so it's incumbent upon us to be as transparent as possible and to be very consistent in the messaging. So as I said, we've been out there, we've shared it with all of the client committees, the industry bodies, the clients themselves, but we're just going to keep doing that because it's pretty specific stuff in some cases.

Unidentified Audience Member

(inaudible -- microphone inaccessible).

Steve Hasker - *Nielsen N.V. - President*

Yes, I mean, we're in the process of installing the SDKs in our video playing apps right now and that we've had a few fits and starts, but that is now progressing well. And we are sort of happy with the momentum we're building up there. I don't have a specific data for where we'll have everyone wired up, but where as each door goes by, we're getting more and more optimistic. The first data around the content ratings will come by the Adobe deal at the start of the summer and then we'll be producing a full set of syndicated data toward the end of the summer. So those are some of the dates that we're certainly focused on.

And then, by the end of the year, we want to make sure that this sort of total audience vision is in place. So for anybody who wants to understand the total audience to a campaign or the total understood program, we want to make sure that they can do that by the end of the year. The path



that I wouldn't hazard a guessing is when does C3, C7 get updated, not because I think it will happen, I think it will happen, but that requires similar to 2006 recreation of C3 that requires the agencies and the media companies to come together and make decisions as to what is the right period of time, some of the sort of more esoteric research things sort of like.

For how long do you need to watch a program or an ad before it gets credit, how is SVOD treated? Is it in the numbers, is not in the numbers? There's a series of questions that people are going to need to sort of do the long coalesce around. I don't think it will take forever because there's a real need on both sides to get total audience metrics in place but whenever the ratings are changed, there are winners and losers. And so there's a lot at stake and that invariably does create a bit of inertia.

Unidentified Audience Member

Let me just ask you one final question about watch margins. You've been investing for a long time in OCR and building that platform out. I think at Investor Day, you mentioned that a lot of that platform is complete, but obviously you will continue to invest in new watch initiatives, but how quickly should we think about the expansion of watch margins over the long-term?

Steve Hasker - Nielsen N.V. - President

So we don't see any sort of step change in margins one way or the other. What we try to do is ensure that we're getting positive margin leverage quarter-in quarter-out, year-in year-out. And that's certainly the aspiration on both sides of the business. In that OCR investment, when we first made it, it was for the purposes of measuring Digital Ad Campaigns, but we very much had in mind building a system that could be leverageable to all of video and were we to be able to get Arbitron all of audio and so that's really played out and remember that that uses the same panel. And so we think that there's some pretty attractive margin characteristics to our business and it's incumbent upon us to make sure that we continue to drive efficiency through other parts of our business and we reinvest back in panels and we reinvest in features and functionality around OCR, but there's not a sort of fundamental large-scale build required, that at least for the foreseeable future is behind us.

Toni Kaplan - Morgan Stanley - Analyst

Terrific. Well, it looks like we're out of time. So thank you very much for attending.

Steve Hasker - Nielsen N.V. - President

Thanks, Toni.

Toni Kaplan - Morgan Stanley - Analyst

Thank you.



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